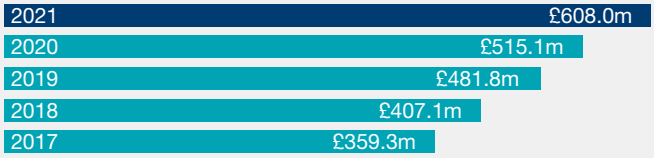
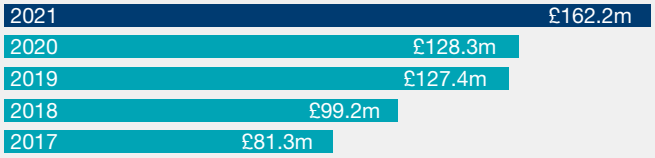
Highlights

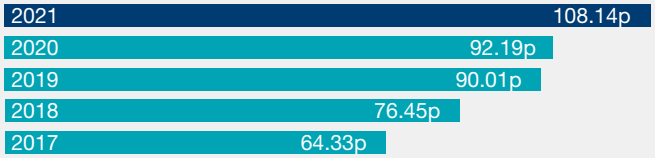
Total Revenue
£608.0m
AER: +18.0% CER: +21.0%



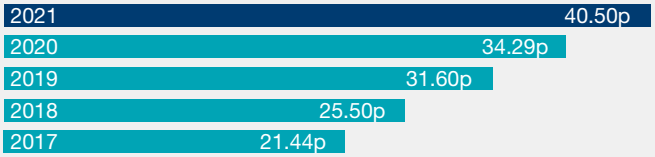
Underlying Operating Profit
£162.2m
AER: +26.4% CER: +29.2%



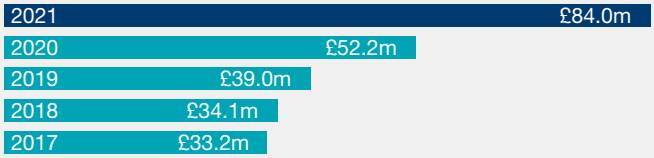
Underlying Diluted Earnings Per Share
108.14p
AER: +17.3% CER: +19.4%



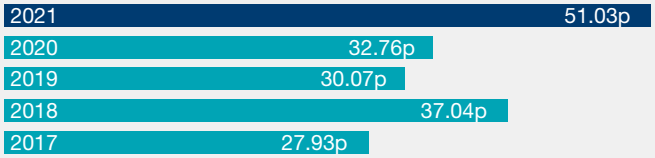
Dividend Per Share
40.50p
AER: +18.1% CER: +18.1%



Reported Operating Profit
£84.0m
AER: +60.9% CER: +63.0%



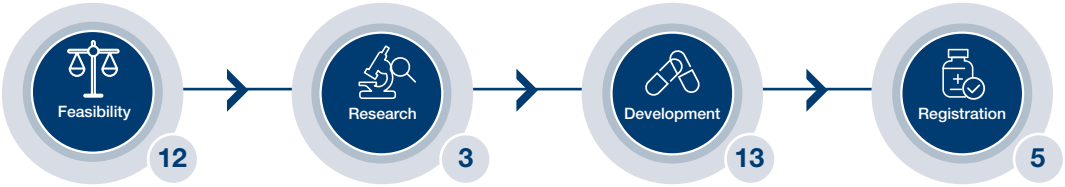
Reported Diluted Earnings Per Share
51.03p
AER: +55.8% CER: +56.1%



Strategic Progress
- All product categories delivering growth, CAP and Equine performance exceptional.
- Strong organic growth in all key markets.
- Good progress continues to be made on product pipeline.
- Mirataz® and Osurnia® both performing well

Financial Performance
- Revenue growth of 21.0% to £608.0 million.
- Underlying operating profit increased by 29.2% to £162.2 million.
- Underlying EBIT margin increased by 170 bps to 26.7%.
- Underlying diluted EPS increased by 19.4% to 108.14 pence.
- Reported operating profit growth of 63.0%.
- Full year dividend increased by 18.1% to 40.50 pence.

Our Product Pipeline
A key strategic priority for the Group is the delivery and strength of the pipeline. We currently have 33 projects in the product development process:



Read more about our Product Development on pages 42 to 45.

Our Key Strengths

As well as our ability to improve the animal health and welfare industry globally with our breadth of products and strong and innovative product pipeline, we have a key set of strengths, summarised below:

1

Well Recognised Brand

We are recognised as a global animal healthcare company with a strong and growing reputation as a provider of high quality, specialist veterinary medicines and related products.

2

Balance Sheet Strength

The Group targets strong cash generation which allows us to pay down debt quickly, resulting in a robust balance sheet which enables us to fund internally many of our strategic opportunities.

3

Successful Acquisition History

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

4

Manufacturing Capabilities

Our manufacturing sites offer a wide range of dosage forms and packaging capabilities which can be produced in small to large-scale production batches. This flexibility is a key requirement in producing our varied product portfolio.

5

Skilled People

We have attracted and retained a qualified and skilled workforce throughout the organisation. This stable and motivated team has many years' experience within the markets we serve. Our people strategy is underpinned by our Dechra Values.

6

Our Purpose

Dechra's purpose is the sustainable improvement of animal health and welfare globally and this is intrinsic in our Values, the way we do business and in the decisions we make when developing and implementing our Environmental, Social and Governance (ESG) framework.

7

Our Breadth of Breadth of Products

We are a global leader in veterinary endocrinology and topical dermatology, have a broad portfolio of analgesia, anaesthetics and products for the prevention and treatment of pain, and we are also recognised as innovators in other specialisations such as the treatment of equine lameness, nutrition and differentiated generics (generic plus).

8

Our Growing Global Footprint

Dechra's origins lie in the companion animal markets of Western Europe and North America. We have built on this platform, extending our footprint globally through greenfield sites and acquisitions.

Further international expansion is one of our four strategic growth drivers.

9

Our Strong and Innovative Product Development Pipeline

We have a strong pipeline of novel, generic and generic plus pharmaceuticals, vaccines and a specialist nutrition range. We have a track record of pipeline delivery.

We are proactive and innovative in recognising new development opportunities to extend our portfolio.

10

Our High Quality Expertise

We support our customers in our key therapeutic areas with technical helplines, continuing education through online learning, webinars and lectures by key opinion leaders.

Our sales approach relies on strong partnerships with practice groups and individual veterinarians, strengthened by key opinion leaders and distribution partners.

Our Purpose, Strategy, Values and Culture

We believe that our success is based upon providing our stakeholders with a clear strategic plan that is aligned to our Purpose. We believe this alignment drives improved focus, innovation, collaboration and efficiencies towards delivering our objectives.

Our Purpose

What we do

The sustainable improvement of animal health and welfare globally

Our Approach to ESG

Our ESG strategy is based on our Purpose and Values

We have chosen to support the United Nations Sustainable Development Goals (SDGs).

Our Strategy

How we achieve our purpose

Strategic Growth Drivers

Pipeline Delivery

Portfolio Focus

Geographical Expansion

Acquisition

Strategic Enablers

Manufacturing & Supply Chain

Technology

People

ESG

Read more about Our Strategy on pages 20 to 23.

Read more about our Strategic Growth Drivers case studies on pages 38 to 40.

Our Values

Fundamental beliefs that underpin everything we do

Dedication

Enjoyment

Courage

Honesty

Relationships

Ambition

Our Culture

Ethical foundation enabling better decisions every day

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 collaborating with each other and we support them by providing clear guidance on expectations.

Read more about our monitoring of Culture in Our Governance Report on pages 93 and 94.

Everything we do is underpinned by our Culture and Values. They are important to us and have helped drive the Group's success. We believe that our Values encapsulate our business ethics and set out 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. We deliver high quality products and services to veterinarians worldwide through our employees and a network of third parties with the aim of sustainably improving global animal heath and welfare.

Global Policies that support Culture:

- Code of Conduct and Third Party Code of Conduct;
- Dignity at Work;
- Anti-Bribery and Anti-Corruption Policy;
- How to Raise a Concern Procedure; and
- Health and Safety Policy.

Dechra Values:

Our Values are a consistent part of how we lead the Dechra business. From recruitment through to investment in the development and growth of our employees we use our Values to describe what matters at Dechra. To maintain that integrity we have formed a small group of communications ambassadors who have helped us build the content for the Group intranet, further enabling us to demonstrate how the Values are being lived every day.

As the Dechra business grows through acquisition, we have recognised the importance of onboarding new employees into the Dechra way and enabling them to share and build on our Values as a route to unlocking value and success.

Dechra at a Glance

Our Products

Our products can be divided into four categories, as set out below. All are targeted at providing veterinary professionals with solutions for their customers' needs.

Companion Animal Products (CAP)

Species: Dogs and cats.

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

72.8% of Group Revenue

Food producing Animal Products (FAP)

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

Key Therapeutic Sectors: Water soluble antibiotics, vaccines, locomotion (lameness) and pain management.

12.7% of Group Revenue

Equine

Species: Horses and ponies.

Key Therapeutic Sectors: Locomotion (lameness) and pain management.

7.3% of Group Revenue

Nutrition

Species: Dogs and cats.

Key Therapeutic Sectors: Our pet diets are available to support the wellbeing of animals with numerous therapeutic conditions.

5.2% of Group Revenue

Our Structure

EU Pharmaceuticals

Dechra Veterinary Products EU (DVP EU)
Markets and sells Dechra's products in 19 countries. The key products are predominantly CAP, Equine and FAP. DVP EU also markets a range of specialist, therapeutic and maintenance pet diets, branded Specific®.

517
Employees

International Pharmaceuticals

Dechra Veterinary Products International (DVP International)
Markets and sells Dechra's veterinary products in Australia, New Zealand and Brazil through our own legal entities and via distributors to countries worldwide (including Eastern Europe). DVP ANZ manufactures, markets and sells branded non-proprietary prescription and other related companion animal products. DVP Brazil predominately manufactures, markets and sells vaccines in Brazil, other South American markets and some Asian countries.

354
Employees

North America Pharmaceuticals

Dechra Veterinary Products NA (DVP NA)
Markets and sells Dechra's veterinary products across Canada, Mexico and the US. DVP US and Canada currently markets CAP and Equine medicines. DVP Mexico markets CAP, FAP and Equine medicines, mainly in Mexico and also exports to Central American countries.

245
Employees

Manufacturing & Supply Chain

Dechra Pharmaceuticals Manufacturing and Supply (DPM&S)
Produces approximately 40% of Dechra's pharmaceuticals and manufactures for a limited number of third parties on a contract basis. Its objectives are to produce Dechra's product range efficiently to the highest quality standards, and to maintain a reliable supply chain.

640
Employees

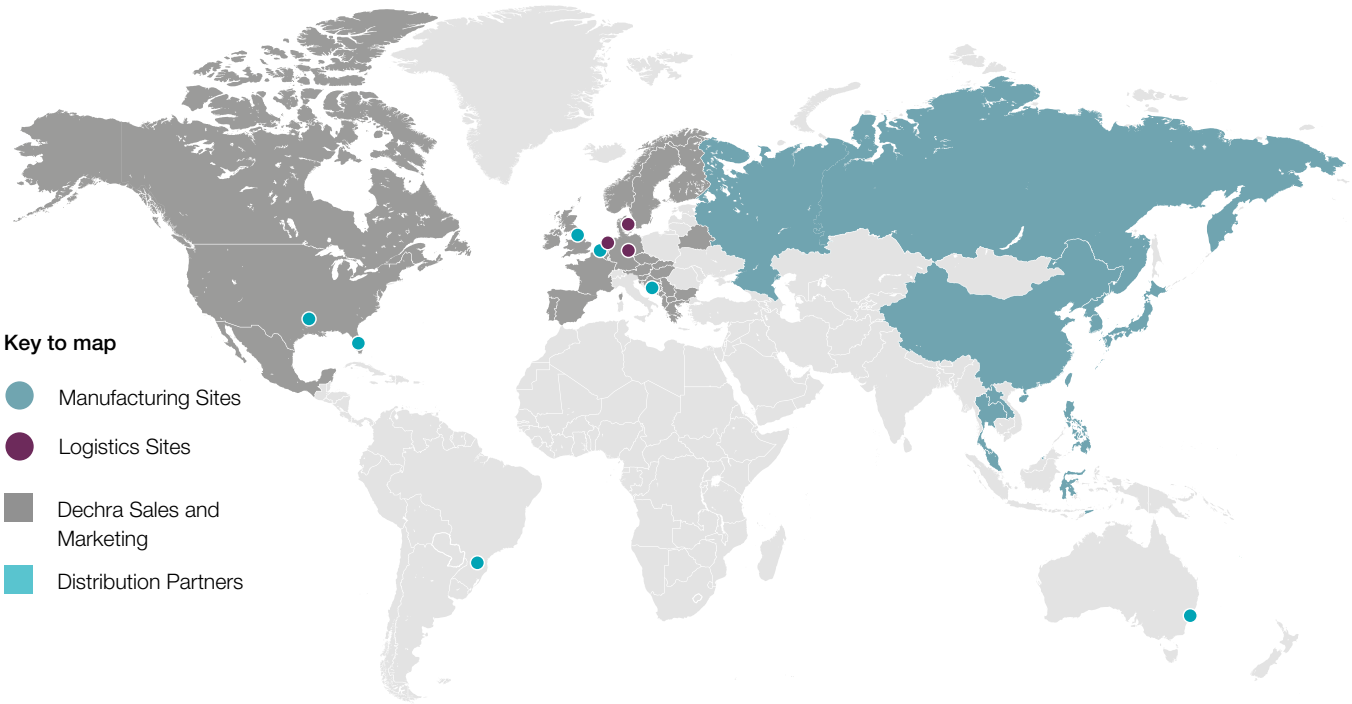
Product Development and Regulatory Affairs (PDRA)

Develops Dechra's own branded veterinary product portfolio of novel, generic and generic plus pharmaceuticals and related medical products. It obtains licences for our products, manages post approval adverse event reporting, periodic product renewals and other activities required to maintain the product licences.

163
Employees

Our Global Footprint

We currently have sales and marketing organisations in 25 countries and market our products in 68 other countries worldwide through distributors or marketing partners.



North America

36.1%
of Group Revenue by Region

Dechra Veterinary Products markets and sells Dechra's products via its own sales and marketing organisations or via distributors across Canada, Mexico and the USA, the latter being the world's largest animal health market. In addition, there are manufacturing sites in Florida and Texas. Product Development and Regulatory Affairs teams are also located in the three countries.

Major geographies: United States

Europe

51.9%
of Group Revenue by Region

Dechra Veterinary Products markets and sells Dechra's products in 41 countries either via its own sales and marketing organisations or via distributors. Its main distribution centre is in Denmark. There are manufacturing sites and Product Development and Regulatory Affairs teams in Croatia, the Netherlands and the UK.

Major geographies: France, Germany, the Netherlands and the UK

Rest of the World

12.0%
of Group Revenue by Region

Dechra has manufacturing facilities and a Product Development and Regulatory Affairs presence in Australia and Brazil. Dechra Veterinary Products markets and sells Dechra's products in 39 countries either via its sales and marketing organisations (Australia, New Zealand (ANZ) and Brazil) or via distributors.

Major geographies: Australia, New Zealand, Asia and Brazil

Chairman's View

Tony Rice | Non-Executive Chairman

"I would like to thank Ian, the management team and all of our employees for their dedication and professionalism in delivering a terrific result in a year where COVID-19 has impacted so profoundly on our lives."

Read Corporate Responsibility Report on pages 52 to 75.

Welcome to the 2021 Annual Report in which you can read about the strong performance of the Group.

We have strengthened the Board with the appointment of Denise Goode in April 2021 as a Non-Executive Director. It is the intention that Denise will be appointed as Chair of the Audit Committee upon Julian Heslop's retirement from that role following the 2021 Annual General Meeting. We will continue to evolve the Board as necessary to ensure continuity and capability in Dechra going forward.

Environmental, Social and Governance

We have continued to develop our Environmental, Social and Governance (ESG) strategy by setting targets for each of the four pillars: Our People, Our Environment, Our Community and Our Business. The importance of this critical area is reflected in our decision to add ESG as our fourth enabler of our strategy alongside People, Technology, and Manufacturing and Supply Chain.

Our People: We employ 1,975 employees in 25 countries in a wide range of working environments, including manufacturing, logistics, laboratories, offices and mobile working. Our underlying objective is to provide a great and safe place to work. We ran our second Great Place To Work (GPTW) survey during the year, 90% of our employees responded to the survey and it is pleasing to report that 92% of the respondents feel that Dechra is a physically safe place to work and 88% are proud to tell others that they work at Dechra, which are eight percentage points above the average of the best organisations in the UK as awarded by GPTW.

Our Environment: We have committed to set science-based emissions reduction targets across the entire value chain that are consistent with keeping global warming to 1.5°C above pre-industrial levels. Dechra has also committed to a long term target to reach net zero emissions by no later than 2050.

Our Business: We have progressed the development of our sustainable packaging strategy. A cross functional team is looking at each stage of the packaging life cycle with the aim of understanding how Dechra can reduce its environmental impact when sourcing packaging materials through to the post-consumer choices during disposal/recycling. We have set a target to build a sustainability review into our Product Development process by June 2023 and undertake a sustainability review of all of our products by June 2025.

Our Community: For the 2022 financial year, we will no longer run a centralised donations programme. Instead, we will allocate funds to our sites to enable decisions to be made by Regional Giving Committees.

Remuneration

In the last four years underlying operating profit has grown by 18.8%, dividends by 17.2% and our (12 month average) market capitalisation has increased by 315% (all on a compound annual growth basis). Our Remuneration Committee has been concerned for some time that certain of our senior executives' base salaries have not kept up with the increased size and complexity of the Group. During the financial year it has therefore undertaken a business wide review of remuneration, focusing in particular on the lowest paid in our organisation and the top 60 Senior Leaders. Further details can be found in the Directors' Remuneration Report.

Conclusion

I would like to thank Ian, the management team and all of our employees for their dedication and professionalism in delivering a terrific result in a year where COVID-19 has impacted so profoundly on our lives. Thank you for your continued support.

COVID-19 Update

Ian Page | Chief Executive Officer

Overview

We are pleased to report that the business has continued to perform strongly and remained fully operational throughout the COVID-19 pandemic influenced financial year. We reported in our 2020 Annual Report the governance structures we put in place to mitigate the impact of COVID-19 on our people and our business. We are pleased to report that we have:

- not furloughed any of our employees;
- not taken advantage of, or utilised, any government assistance in any country; and
- not undertaken any redundancy programmes related to the pandemic.

Once the consequences of COVID-19 on the global economy began to be understood, we introduced various measures that preserved cash which gave us all security in the financial strength of the business. We decided to delay the annual pay review process, normally effective from 1 September, until 1 January 2021. This allowed us to measure the ongoing impact of the pandemic, which along with other measures, were acts of caution to preserve cash until we got a better understanding of what the new 'normal' business would look like. We have now conducted a full review of our global remuneration policies and from 1 January 2021 no individual within Dechra will work below their respective nationally recognised living wage or equivalent. This was a year ahead of when we originally planned in the UK and even earlier in the rest of the world.

Read more about Remuneration on pages 119 to 146.

Our People

I would like to thank all our employees for their hard work, dedication and innovation throughout the year. Our employees have responded positively during the pandemic and have adapted to new ways of working demonstrating the agility that is a core part of our culture.

The measures that were put in place to enable all front line employees to operate safely in our 2020 financial year have remained; this has allowed all manufacturing and logistic sites and laboratories to remain open and continue to function effectively. All employees who can work from home have done so successfully. Our employees are now slowly returning, where it is safe to do so, to our offices, initially on a cohort basis, and in the field.

We have paid all of our site based employees (majority of our lowest paid staff work in manufacturing or logistics) a bonus to reward their commitment during the COVID-19 period. In March 2021, we were pleased to be accredited as a Living Wage Employer in the UK.

We have also benchmarked individuals within all levels of the Group, and have implemented above inflationary salary increases to numerous employees, to continue to provide a competitive and fair level of remuneration throughout the whole organisation, in line with our commitment to the remuneration policies we adopted in 2019.

Our Community

For the last 10 years we have operated a Group Donations scheme, whereby we encourage all employees to nominate a charity or non-commercial organisation for a charitable donation. We decided that we would give the 2021 financial year's donation to charities related to the effects of COVID-19. All the money this year was allocated to each country in which we have a manufacturing organisation in memory of Simon Francis, Group Manufacturing and Supply Director, who sadly passed away from COVID-19 last year. Please refer to our Corporate Social Responsibility section on pages 74 and 75 for further information.

We have developed a strong reputation for providing specialist and clinically necessary novel Companion Animal Products

Read more about Companion Animal Products on page 14.

Strategic Report

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Our Marketplace

Global Market Dynamics

The Animal Health Market

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

Our Position in the Animal Health Market

There are only a small number of international businesses in our market, four of which have 42.7% of the world's market share. Dechra's objective is to continue to outperform the market and increase its market share, through the execution of its strategy.

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 which contributes to building brand loyalty, which 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.

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 are 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.

Veterinary Practices – Europe

Independents	51%
Buying Groups	29%
Corporates	20%

Source: DVP EU Sales Data June 2020

Veterinary Practices – North America

Independents	80%
Corporates	20%

Source: DVP NA Sales Data June 2020

$45.4bn

Market Size

Source: Grand View Research 2020

Market Share by Competitor 2020

Source: Animal Pharma 2021 & Grand View Research 2020

Data as at 31 December 2020 except Dechra (as at 30 June 2020)

Zoetis	14.70%
Boehringer Ingelheim Animal Health	10.37%
Merck/MSD Animal Health	10.36%
Elanco	7.21%
IDEXX Laboratories	5.58%
Ceva Santé Animale	3.27%
Virbac	2.35%
Philbro Animal Health	1.76%
Huvepharma	1.47%
Dechra Pharmaceuticals	1.43%
Other	41.50%

Key Trends and Our Response

1 Distributors looking to change their historic veterinary supply route to provide a direct to consumer (dog and cat owner) model.

Our products are predominantly Prescription Only Medicines (POMs), so our ultimate partner in the supply chain will remain the veterinarian who will continue to write a prescription.

Through education, technical support and innovation, we endeavour to ensure the medicine prescribed and dispensed continues to be a Dechra product.

2 The veterinary profession has been going through a period of change for several years as corporates are continuing to consolidate independent practices.

Our relationship with these groups is very important; we are increasingly focused on key account management. We have modified our sales and marketing approach to focus on building relationships with our corporate and buying group customers and to understand better their needs and expectations. We have dedicated corporate account teams in Europe and North America.

3 We have seen growth in the companion animal market for many years due to veterinarians' capabilities, improved nutrition, increased longevity of pets and the owner's willingness to continue to increase spending on pets. This trend has historically been in Western Europe, North America and other selected markets; however, in the developing world we are now seeing the status of pets increase, creating new markets.

We will continue to innovate in specialist medicine and increase our portfolio in our key areas of therapeutic specialisations. To further the optimal use of our medicines we are increasing the provision of technical support services through experienced veterinarians. We are also expanding our geographical footprint and investing money in product registrations in new developing markets.

4 The veterinary market is seeing a continued increase in global regulatory requirements and quality production standards through more stringent site inspections.

We are strengthening our regulatory teams so we can comply with the respective medicines agencies' requirements and expanding our quality function to enable manufacturing sites to produce products which meet the highest standards.

5 With the global increase in population and the improvement in developing countries' economies, there is a huge increase in demand for high quality animal protein and dairy products.

We are consistently strengthening our FAP business both with new products and through international expansion. We are enhancing our range which includes our market leading swine and poultry water soluble antibiotics, and with our vaccines we are increasing our registration activity to obtain marketing authorisations in new markets.

We also own the global marketing rights to Animal Ethics' ethical pain treatment for farm animals, Tri-Solfen®, which we are registering for sheep, cattle and pigs in numerous global markets.

6 COVID-19 has had a wide ranging impact on the global economy.

Dechra has benefited from the strong market dynamics. There is conflicting evidence as to the reasons behind the growth. In Europe, it is believed that pet ownership is increasing; however, in the US there is strong evidence to say that veterinary consultations are slightly down on previous years, and the growth is due to people spending longer with their pets thereby identifying more illnesses and also having more disposable income to spend on their pets due to the lockdown.

Our Marketplace continued

Product Market Dynamics

Our products can be divided into four categories: Companion Animal Products (CAP), Food producing Animal Products (FAP), Equine, and Nutrition. All are targeted at providing veterinary professionals with solutions for their customers' needs.

Companion Animal Products (CAP)

72.8%
of 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 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, averaging over 70%, 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)

12.7%
of 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 and it is an increasing area of focus.

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 12.7% 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 and Croatian poultry vaccines are providing growth and are anticipated to continue to provide growth opportunities in future years as we seek global registrations.

Margin: Relatively low gross margins at approximately 35%. However, volumes are high and sales costs are relatively low as the products are sold mainly into large farm integrators.

Equine

7.3%
of Group Revenue

Species: Horses and ponies.

Key Therapeutic Sectors: Lameness and pain management.

Products: Dechra offers a wide range of products supporting the equine veterinarian, from pain management to products for anaesthesia, dermatology, critical care, reproduction 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 historic treatments.

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

Nutrition

5.2%
of 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 at approximately 45%.

Our Business Model

Our products improve animal health and welfare. Our customer support, educational and training programmes help to inform and educate veterinarians around the globe to further improve animal health and welfare.

Our Key Resources and Relationships

Our Values

Our Culture and Values are important and have helped drive the Group's success.

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.

Technology
We are implementing a strong technology platform to enable us to operate efficiently. We also offer Continuing Professional Development (CPD) training via our e-learning system (the Dechra Academy) to veterinarians and veterinary nurses.

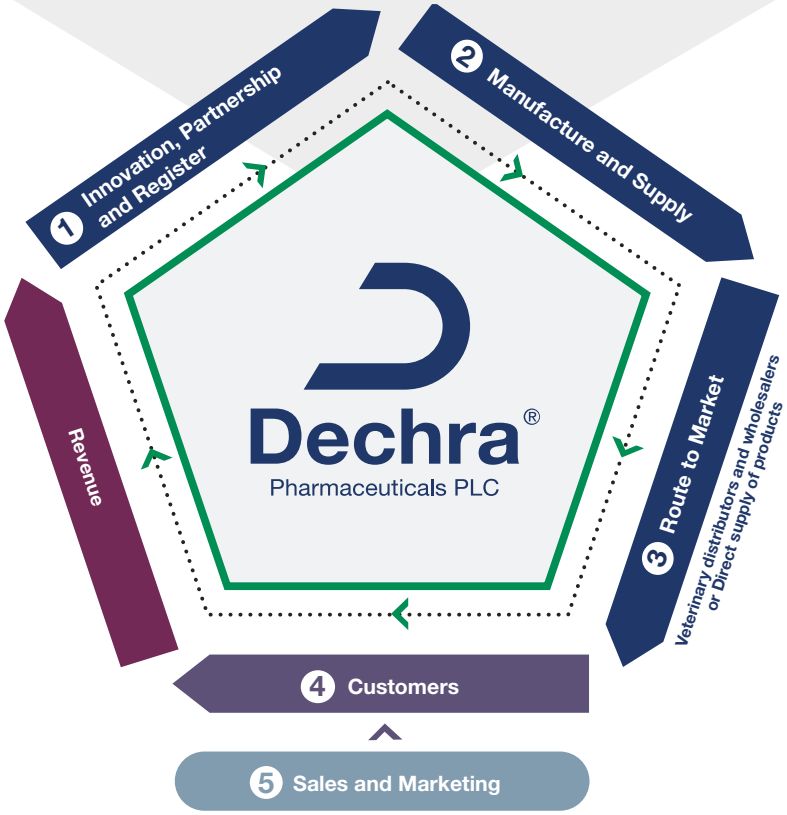
Manufacturing & Supply Chain
We have seven manufacturing sites across the globe and strong relationships with our CMO network. Our customers are serviced from two major logistics sites.

ESG
We empower our people to make a difference in our business, our communities and to our environment.

Read more about Delivering our Strategy on pages 20 to 23.

Our Key Activities

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



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. The majority of Dechra's 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.

Read more about Our Product Development on pages 42 to 45.

2 Manufacture and Supply

Manufacturing is a key competency of the Group; the prime objective is to deliver safe, efficacious, cost effective, 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 in to 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 facility 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.

All our products and sales and marketing activities are 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 POMs; however, we have a range of complementary non-prescription products. Our product range includes both novel 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 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 education hours they require to maintain their professional qualification.

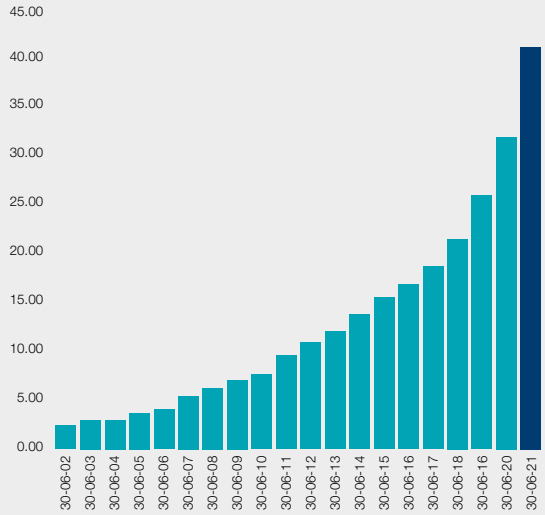
Creating Value for Our Stakeholders

Shareholders

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

21
Years of Dividend per Share Growth

40.50p
Total Dividend per Share in 2021



Communities

We contribute to the social and economic welfare of the local communities in which we operate. Our community ethos is aligned with our Purpose and Values.

£72k
Cash Donations

£310k
Product Donations

People

Our employees are our greatest asset. We employ 1,975 employees in 25 countries in a wide range of working environments. Our ongoing objective is to continue to be a high performing business, driven by highly skilled and committed teams.

326
New Employees

266
Delta (Employee) Training Courses

Veterinary Professionals

We provide high levels of service, technical support and educational training to develop a strong relationship with, and be recognised as an important partner to, veterinarians. We invest in our Manufacturing and Supply Chain competencies to meet demand.

549
Veterinary Academy Courses

51,569
Shipments from Uldum, Denmark

Delivering Our Strategy

Our priorities for each Strategic Growth Driver and Enabler are clearly defined and communicated and are outlined in the table on pages 22 and 23. 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 Objective
Deliver our pipeline on time, at the right costs and with the expected returns. Refill the pipeline so that we get a constant flow of new products in future years.

Link to our KPIs:
1 2 3 4 5

Link to our Risks:
2 3 4 5 9 10

Portfolio Focus

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

Link to our KPIs:
1 2 3 4 5

Link to our Risks:
1 2 4 5 8 9 10

Geographical Expansion

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

Link to our KPIs:
1 2 3 4 5

Link to our Risks:
2 5 7 8

Acquisition

Our Objective
Expand our geographical footprint and/or enhance our product portfolio through acquisition.

Link to our KPIs:
1 2 3 4 5

Link to our Risks:
6 7

Our Strategic Enablers Support the Execution of Our Strategy

Manufacturing and Supply Chain

People

Link to our KPIs:
1 2 3 4 5 6 7

Technology

Link to our Risks:
4 7 9 10

ESG

Key to KPIs:

1. Revenue Growth
2. Underlying Diluted EPS Growth
3. 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 Progress in Numbers

2021

5,699 Product registrations in 2021

68 Countries distributed to in 2021

25 Sales and Marketing organisations in 2021

7 Manufacturing sites owned in 2021

1,975 Number of employees in 2021

2021 Revenue £608.0m

Acquisition of *Osurnia* Expands our product portfolio

Acquired a further 1.5% of Medical Ethics Strengthens pipeline

2020 Revenue £515.1m

Acquisition of Ampharmco Supports US manufacturing

Acquisition of *Mirataz* Expands our product portfolio

2019 Revenue £481.8m

Acquired a further 15% of Medical Ethics Strengthens pipeline

Acquired Venco Access to Brazil and South American markets

Acquired trade and assets of Caledonian Access to equine products

2018 Revenue £407.1m

Acquired Le Vet Adds to EU product portfolio

Acquired AST Farma Strengthens Dutch market position and provides direct-to-vet relationship

2017 Revenue £359.3m

Acquired *RxVet* Access to New Zealand

Acquired 33% of Medical Ethics Access to novel product development

2016 Revenue £247.6m

Acquired Putney Transformational US deal

Acquired Apex Access to Australian CAP market

2015 Revenue £203.5m

Commenced trading in Canada and Poland

Acquired Genera Entry into poultry vaccines

2014 Revenue £193.6m

Commenced trading in Italy

Acquired PSPC US bolt-on

2014

1,327 Product registrations in 2014

40 Countries distributed to in 2014

13 Sales and Marketing organisations 2014

3 Manufacturing sites owned in 2014

1,287 Number of employees in 2014

Delivering Our Strategy continued

Our Strategic Growth Drivers

Pipeline Delivery

Our Achievements

2017

- Signed Animal Ethics licensing agreement, and building pipeline of other in-licensing opportunities
- Vaccines development strategy defined as new opportunities identified
- Amoxi-Clav tablet development completed

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

Our Progress

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

Portfolio Focus

Our Achievements

2017

- Strong CAP and Equine growth continuing across the Group, FAP returned to growth
- Enlarged NA business growth due to unblocking of Putney distribution channels
- Increased effective use of tools in EU and NA

2018

- Strong growth in European FAP following antibiotic product alignment and range additions
- Leveraging CAP product success to increase penetration across 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

Our Progress

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

Geographical Expansion

Our Achievements

2017

- Several international product registrations achieved
- Established Dechra Veterinary Products (DVP) International business
- Commenced appointment of the DVP International team

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

Our Progress

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 Strategic Enablers

Acquisition

Our Achievements

2017

- Acquisition of Apex, opening up new bridgehead into Australasia and South East Asia
- Acquisition of 33% of Medical Ethics Pty Ltd provides the Group with secure access to novel therapeutic areas/ product development

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 *Miratax*, a transdermal medication for cats

Our Progress

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%

Manufacturing and Supply Chain / People / Technology / ESG

Our Achievements

2017

- Developed new Manufacturing and Supply Chain strategy
- Ongoing progress in Oracle deployment
- IT user hardware standardised across the Group

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

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

Our Progress

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

Chief Executive Officer's Statement

Ian Page | Chief Executive Officer

"Dechra has continued to outperform a robust market throughout the COVID-19 pandemic affected financial year. As we start the new financial year trading remains strong with the momentum and market penetration seen in the second half of the prior financial year continuing."

Glossary

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

EMA: European Medicines Agency

ERP: Enterprise Resource Planning

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

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

FAP: Food producing Animal Products

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

Introduction

I am pleased to report that Dechra has continued to outperform a robust market throughout the COVID-19 pandemic affected financial year. All product groups; Companion Animal Products (CAP), Food producing Animal Products (FAP), Equine and Nutrition have delivered solid growth and the recent acquisitions of Osurnia® and *Mirataz* have delivered good additional growth.

COVID-19

We have benefited from above average market growth in the majority of our key CAP markets. The reasons for this market growth are not yet fully defined. In the UK there have been reports of an increased number of dogs; however, recent information from the United States indicates that veterinary practice visits by pet owners have marginally declined. What is clear is that people have been spending more time with their pets and have therefore been more cognitive of their welfare, and with disposable income being higher than normal due to lockdown, expenditure per pet has increased.

Dechra has operated exceptionally well throughout the pandemic; all manufacturing sites and laboratories have remained operational and communication with customers through digital media by our highly motivated commercial teams has been excellent.

Operational Review

EU Pharmaceuticals Segment

In the year our European (EU) Pharmaceuticals Segment reported net revenues increased by 20.2% at CER (20.1% at AER). This Segment includes our International business, which is detailed below. It also includes non-core business, such as third party contract manufacturing, which we continue to exit as strategically planned. Existing revenues, excluding third party contract manufacturing and including the like-for-like impact of recent acquisitions, increased by 16.7% at CER (16.6% at AER).

This growth is due to improved supply combined with very successful digital sales and marketing interaction with our customers, supported by professional key account management. We have delivered high double digit revenue growth in nearly all areas of the business, and almost all countries in Europe delivered high single or double digit growth.

International Pharmaceuticals

Our International team continues to perform strongly, especially in the territories where we have our Dechra branded sales and marketing organisations: Australia, New Zealand and Brazil. Our geographical expansion in other territories through distribution partners has also delivered growth which has been enhanced with *Osurnia* which is now sold into 15 international markets with exceptionally high sales in Japan. Most of our key brands are now registered in Australia where we are now also able to market our leading endocrine products in Dechra livery as the previous distribution agreement with a third party has come to term. In Brazil the growth from our core vaccines has been enhanced with the successful registration of a number of our leading CAP products.

NA Pharmaceuticals Segment

Our North America (NA) Pharmaceuticals Segment net revenues increased by 22.2% at CER (14.6% at AER), driven primarily by strong organic growth on existing products (16.7% at CER, 9.4% at AER) and incremental sales performance on recently acquired products, *Mirataz* and *Osurnia*. Strong growth from Canada and Mexico also contributed to North America's success.

Organic growth can be attributed to an improved supply chain, increased volumes from market growth as a result of higher pet spend during the pandemic, and market share gains as we continue to execute strategic marketing initiatives.

Due to the strong growth in the US, we have continued to expand our commercial organisation. The CAP team has expanded to 88 field sales representatives and 18 tele-sales representatives divided amongst nine US regions.

Product Category Performance

CAP

Companion Animal Products (CAP), which represent 72.8% of Group turnover, grew by 25.9% at CER (19.2% organically) in the Period. Organic growth was driven by increased market shares in our key therapy areas of Endocrinology, Anaesthesia/Analgesia, and Internal Medicine in the EU and across all categories in the USA. Additionally, we successfully launched our two key new products, *Mirataz* and *Osurnia*, in several markets during the period. Marboquin, launched in the USA, exceeded sales expectations.

FAP

The strong performance in Food Producing Animal Products (FAP) during recent years, which represents 12.7% of Group turnover, has slowed to 4.7% at CER (4.7% organically) this year due to a number of factors. In certain key FAP markets we have seen a reduction in meat consumption as restaurants closed as a result of COVID-19. Additionally meat production in several markets has been negatively impacted by outbreaks of African Swine Fever and Avian Influenza.

Equine

Equine, which represents 7.3% of Group turnover, grew by 25.5% at CER (25.5% organically). This growth was driven partly by the life cycle improvement to a key product, Equipalazone®, where we added an additional flavouring, and by the launch of a number of Le Vet pipeline products, which have strengthened our overall Equine portfolio.

Nutrition

Nutrition represents 5.2% of Group turnover and grew by 9.4% at CER (9.4% organically). After several years of decline, it is very pleasing to report that our Nutrition business has delivered strong growth in the year. This can be attributed to the recently formed Business Unit which has worked closely with key markets and key customers, to rebuild confidence in the range and to attract new customers to the Specific brand.

Product Development and Regulatory Affairs (PDRA)

Overview

Our Regulatory and Development teams have continued to be effective throughout the COVID-19 pandemic as our clinical trials group was able to work remotely with veterinarians and laboratories that were participating in clinical and non-clinical studies.

In preparation for full implementation of new regulations for the authorisation and supervision of veterinary medicinal products (EU Reg 2019/6), which comes into effect in January 2022, an internal working group has been formed to ensure Dechra remains in compliance.

The pharmaceutical development laboratories in the UK, Croatia and Netherlands remained operational during the pandemic by adopting staggered schedules. The laboratories increased formulation capacity with additional people and new equipment, including a new chromatography modelling system.

The vaccine development laboratory in Zagreb received Good Laboratory Practice (GLP) certification and has expanded their capacity for studies.

Pipeline Progress

Good progress continues to be made on the pipeline; the final sections of a dossier for a new canine sedative for the USA have been submitted. It is also pleasing to report that we are still delivering favourable results on the dog and cat proof of concept studies for the diabetes drugs being developed in partnership with Akston Biosciences. Following our right to evaluate the cat product, we subsequently signed a licensing and supply agreement on 4 February 2021.

Product Approvals

Numerous marketing authorisations have been achieved throughout the year. Although none is material in its own right, they all strengthen the existing portfolio in Dechra territories and enhance our International portfolio, an increasing area of strategic importance. Major approvals in Dechra territories are:

- in Europe and the UK they included Apovomin Injection, Clindacutin Ointment, Lodipred Tablets, Metomotyl Flavoured Tablets, and Rexxolide® Injection. Apovomin is a gastrointestinal product for dogs; Clindacutin is a topical dermatological product; Lodipred is a treatment for hypertension in cats; Methomotyl is a gastrointestinal product for dogs; *Rexxolide* is an antimicrobial for cattle, pigs and sheep;
- the first approval in Europe for a product included in our agreement with Medical Ethics was Equi-Solfen®, a topical anaesthetic for horses. This is an equine version of Tri-Solfen® which was approved in Portugal;
- Carprofen Flavoured Tablets, an anti-inflammatory for dogs, were approved in the USA;
- *Mirataz* Transdermal Gel was registered in Canada;
- three new products and one line extension were registered in Australia and New Zealand, two new approvals in Mexico and four new approvals in Brazil;
- a 5 mg strength for *Vetoryl* Capsules was registered in Europe, and a number of established products already registered in the EU, have now received approval in new territories, including Avishield® IB GI-13, *Avishield* IBD Plus, Comfortan®, Myodine and Phenoleptil; and
- Internationally we have received 38 approvals across our key brands in countries including Albania, Bolivia, Costa Rica, Israel, Jordan, Kenya, Puerto Rico, South Africa, Tanzania, Ukraine, United Arab Emirates and Venezuela.

Chief Executive Officer Statement continued

Acquisitions

The recent product acquisitions of *Mirataz* and *Osurnia* are both performing strongly. *Osurnia* is performing above our expectations in the EU, despite the launch of a competitor product, and has also exceeded our expectations in Japan and Australia. In the USA we are gaining market share having reduced the price to compete better with the market leading product. We continue to pursue registrations in new territories.

Mirataz continues to perform exceptionally well within the USA market following a successful marketing campaign for this clinically necessary unique product. It has now also been launched in all our major European territories and initial sales are strong. We expect to receive approval to market the product in other countries imminently.

We were pleased to announce on 8 February 2021 the acquisition of the Australian and New Zealand marketing rights for Tri-Solfen® from Animal Ethics Pty Ltd, a related party. Tri-Solfen® has already been successfully introduced to the Australian market for pain relief in lambs since 2008 and was approved and launched for use in cattle in 2019, achieving cumulative annualised sales of AUD9.1 million (£5.1 million). This acquisition allows us to create a meaningful FAP presence in the Australian and New Zealand markets as we build a new sales infrastructure. Additionally, we have acquired a further 1.5% of the issued share capital, taking our holding in Animal Ethics Pty Ltd's parent company, Medical Ethics Pty Ltd, to 49.5%. We are in the process of recruiting a FAP sales team and have commenced marketing the product in Dechra livery post the end of the 2021 financial year.

Manufacturing and Supply

We have made huge progress with improvements to the supply chain. Backorders have been materially reduced and quality systems and processes enhanced. The upcoming implementation of a recently approved new quality management system will further enhance our manufacturing capabilities. We continue to make good progress on the technical transfer of Dechra products, predominantly into our Zagreb facility, where we have just been awarded Croatian Employer of the Year for people with disabilities. Our Bladel, Netherlands, facility continues to prepare for an FDA audit so that we can bring in-house sterile injectable manufacturing for some of our US products. In Skipton, UK, we have now ceased all the third party human products manufacturing so it now purely produces Dechra's own brands. Work has been completed in Australia to prepare ourselves for TGA quality approval; we are now awaiting inspection. If successful, we will be able to export products from this site to outside of Australia. We have completed a capital investment programme in a new water for injection system, a key component in all production, in our Londrina vaccine facility in Brazil as we continue to progress our site development and quality improvement strategy. We have now closed our Mexican manufacturing facility and have transferred the legacy products we wished to retain from the original acquisition to local third party manufacturers.

Technology

I am pleased to report that an external research survey in the UK has voted Dechra's online Academy for veterinarians and veterinary nurses as the best in class in the industry. This is an amazing achievement given the scale of Dechra compared to the market leading companies in animal health.

Digital communication with our customers has been enhanced with upgraded video conferencing systems, improved security of key servers and additional support for home workers' queries.

We have relaunched both the Dechra Pharmaceuticals PLC and Dechra Veterinary Products web sites on new, improved platforms and have also developed and launched a new internal, advanced intranet site branded OneDechra.

In the year we successfully launched a global payroll system, partnering with ADP Celergo, which is live in 16 countries with the roll out across the entire Group expected to be completed within the 2022 financial year.

Our sales and marketing database on the Salesforce software platform, which we have used successfully for a number of years in the US, has now gone live across Europe. This will improve our knowledge of, and relationship with, our customers and will allow us to better measure sales team performance and activity.

We have recently approved the implementation of a new quality and document management system which will operate across Manufacturing, Product Development and Regulatory Affairs. Implementation has commenced in this new financial year.

People

The main factor behind Dechra's success is its people. I would like to thank all our employees for their hard work, dedication and innovation throughout the year.

In a world affected by COVID-19 it is a great achievement for the Group to be paying the minimum of a living wage in every country in which we operate and we have now formally had accreditation for this status in the UK. We conducted the Great Place to Work survey in the year to which over 90% of all our global employees responded. We achieved an excellent engagement and trust rating of 77%, far higher than the vast majority of companies of our scale and ten points higher than the previous time we ran the survey three years ago. We have launched a Dechra Leadership Development Programme, incorporating diversity and inclusion modules and we have also updated the global talent review process. We have invested in our first in-house recruitment team who are proving a great success in bringing talent to the Group, delivering us considerable savings on recruitment costs.

After five years of successfully chairing the Group, Tony Rice has indicated that he has decided to step down to devote more time to his family and his other business and charitable activities. We will commence the search for his replacement; at this time no specific date has been set for his departure. He will continue as Chairman of the Group until a successor has been appointed.

The Board was strengthened with the appointment of Denise Goode as a Non-Executive Director in April 2021. It is the intention that Denise will be appointed as Chairman of the Audit Committee upon Julian Heslop's retirement from the role following the 2021 Annual General Meeting.

Following the appointment of Milton McCann as Group Manufacturing and Supply Director, we have increased the strength and depth of his management team, most notably in the Quality function with a Group Quality Director, an Internal Manufacturing Quality Director and a Third Party Quality Director to monitor and manage the processes of our outsourced products.

Environmental, Social and Governance (ESG)

Last year we refined our ESG strategy which is based on four pillars; Our People, Our Environment, Our Business and Our Communities. The world is facing significant global challenges such as climate change and inequality and we strongly believe that a sustainable and purposeful business in line with these pillars will drive superior long term performance.

During the year, we appointed Carina Kjellberg as our first Group Sustainability Director. Subsequently we have executed a 'Making a Difference' plan which involves setting targets and the launch of some major projects. In particular, we have delivered, ahead of plan, on our ambition to be a living wage employer and have committed to setting verifiable targets across the entire value chain through the Science Based Target initiative (SBTi). We have set out how we plan to use our available resources to benefit the local communities in which we operate. This includes the provision of 100,000 community hours by 30 June 2030, roughly equivalent to one full day per year per employee. We have also established Regional Giving Committees, which will allow our employees to decide what matters most in their local communities and which organisations will receive our annual charity donations.

Dividend

The Board is proposing a final dividend of 29.39 pence per share (2020: 24.00 pence per share). Added to the interim dividend of 11.11 pence per share (2020: 10.29 pence per share), this brings the total dividend for the financial year ended 30 June 2021 to 40.50 pence per share (2020: 34.29 pence per share), representing 18.1% growth over the previous year.

Subject to shareholder approval at the Annual General Meeting to be held on 21 October 2021, the final dividend will be paid on 19 November 2021 to shareholders on the Register at 29 October 2021. The shares will become ex-dividend on 28 October 2021.

Outlook

As we start the new financial year trading remains strong with the momentum and market penetration seen in the second half of the prior financial year continuing. We have made significant operational improvements by strengthening our infrastructure and by investment in our greatest resource, our people. Although COVID-19 related travel restrictions have limited acquisition activity, we have still been able to identify and progress numerous strategic opportunities to strengthen our product portfolio and development pipeline. We therefore remain confident in our ability to successfully execute our strategy and in our future prospects.

Ian Page
Chief Executive Officer
6 September 2021

Financial Review

Paul Sandland | Chief Financial Officer

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

Glossary

IFRSs: International Financial Reporting Standards as adopted by the EU

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

FAP: Food producing Animal Products

bps: basis points

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

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

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

Overview of Reported Financial Results

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

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

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

Overview of Underlying Financial Results

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

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

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

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

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

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

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

Financial Review continued

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

Reported Segmental Performance

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

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

Underlying Segmental Performance

European Pharmaceuticals

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

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

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

North American Pharmaceuticals

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

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

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

Pharmaceuticals Research and Development

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

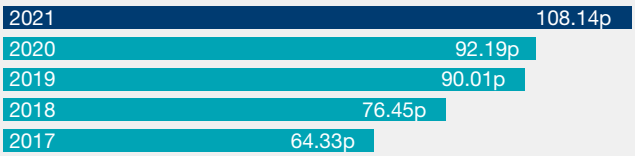
	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	*Growth at CER* *Existing* %	*Growth at CER* *Consolidated* %
R&D expenses	(32.4)	–	(32.4)	(28.4)	*(17.3%)*	*(17.3%)*
% of Revenue	5.5%	–	5.3%	5.5%		

Research and Development Spend

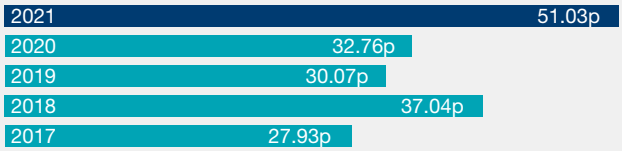
£32.4m

Financial Review continued

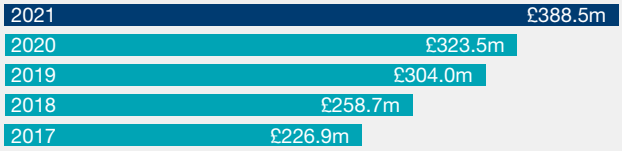
Underlying Diluted Earnings Per Share
108.14p



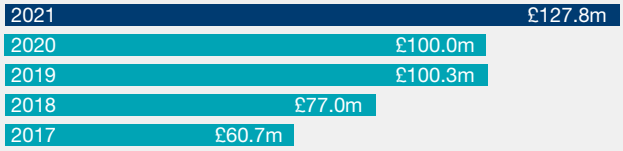
Reported Diluted Earnings Per Share
51.03p



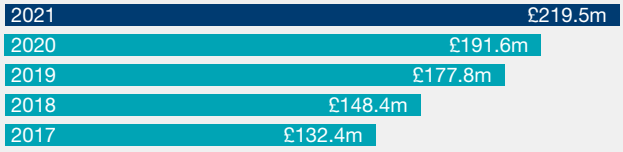
EU Pharmaceuticals Revenue
£388.5m



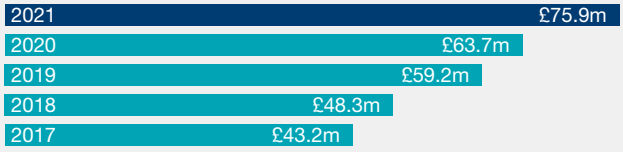
EU Pharmaceuticals Underlying Operating Profit
£127.8m



NA Pharmaceuticals Revenue
£219.5m



NA Pharmaceuticals Underlying Operating Profit
£75.9m



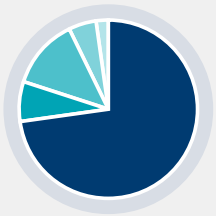
Revenue by Product Category

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

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

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

Revenue by Product Category (at AER)



CAP	72.8%
Equine	7.3%
FAP	12.7%
Nutrition	5.2%
Other	2.0%

Gross Profit

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

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

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

Non-underlying Items

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

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

Taxation

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

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

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

Reported Profit

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

Earnings per Share and Dividend

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

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

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

Currency Exposure

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

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

Currency Sensitivity

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

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

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

Statement of Financial Position

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

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

Financial Review continued

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

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

Cash Flow, Financing and Liquidity

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

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

Net Debt Bridge

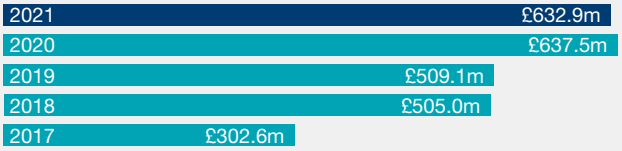
Notable cash items are listed below in the net debt reconciliation table:

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

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

Net Assets

£632.9m



Borrowing Facilities

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

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

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

Covenants

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

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

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

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

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

Return on Capital Employed (ROCE)

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

Acquisitions

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

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

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

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

Accounting Standards

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

Going Concern

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

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

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

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

Summary

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

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

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

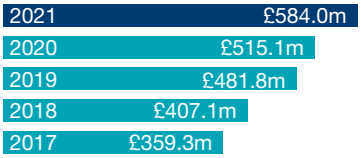
Paul Sandland
Chief Financial Officer
6 September 2021

Key Performance Indicators

1 Existing Revenue Growth

Year-on-year CER sales growth including new products and excluding revenue from acquired businesses.

16.2%



Commentary

Dechra's existing business grew by 16.7% in EU Pharmaceuticals (excluding third party contract manufacturing which declined), and by 16.7% in NA Pharmaceuticals.

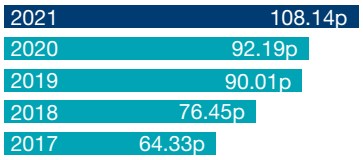
Relevance to Strategy

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

2 Underlying Diluted EPS Growth

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

19.4%



Commentary

This includes a 29.2% increase in underlying operating profit, offset by higher net finance costs, tax charges and the full year impact of the equity placing in June 2020.

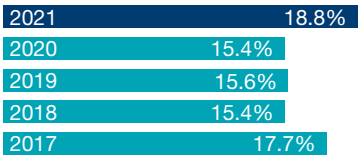
Relevance to Strategy

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.

3 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).

340bps



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%.

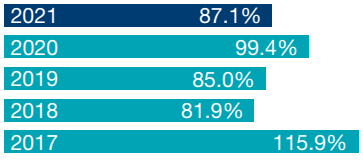
Relevance to Strategy

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

4 Cash Conversion

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

1230bps



Commentary

Cash conversion decreased during the year as a result of increased working capital. This was primarily due to increases in inventory as a result of additional stock cover due to the growth of the Group's trading activities including the acquisition of *Miratax* and *Osurnia*.

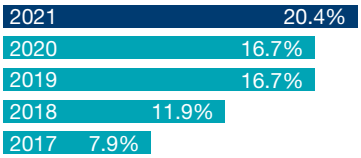
Relevance to Strategy

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

5 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 financial years.

370bps



Commentary

New product revenues reflect the strong market penetration of products launched in the year to 30 June 2021 and the previous four years, including the acquisitions of *Osurnia* and *Miratax*.

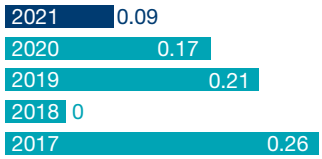
Relevance to Strategy

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.

6 Lost Time Accident Frequency Rate (LTAFR)

All accidents resulting in the absence or inability of employees to conduct the full range of their normal working activities for a period of more than three working days after the day when the incident occurred, normalised per 100,000 hours worked.

47.1%



Commentary

The LTAFR decreased from 0.17 to 0.09. None of these incidents resulted in a work-related fatality or disability.

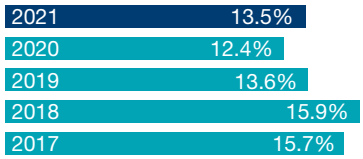
Relevance to Strategy

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

7 Employee Turnover

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

110bps



Commentary

We saw an increase in employee turnover in the period due to the planned closure of the Mexican manufacturing facility in October 2020.

Relevance to Strategy

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

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

Strategy in Action

Strategic Growth Driver

Acquisition

Acquisition and Launch of Mirataz: Transitioning a Product into the Dechra Operation

On 16 April 2020, Dechra completed the acquisition of the worldwide rights to *Mirataz* from Kindred Biosciences. *Mirataz* is the first and only FDA and EMA approved transdermal product for management of weight loss in cats; it is a complementary product to those already in the Dechra portfolio, which often treat illnesses complicated by feline weight loss.

With any acquisition, it is critical for Dechra to hit the ground running to convert purchased assets into value for the business quickly. In order to achieve this, our approach begins by establishing a cross-functional core project team with a dedicated project lead responsible for managing transition specific activities through to business as usual. This approach leads to high rates of transition success as the team is able to build and follow an end-to-end project plan collectively, there is a high level of cross-functional decision making and unexpected issues can be managed efficiently if or when they arise.

At the time of acquisition, *Mirataz* was in different stages of commercialisation in each territory, requiring a regional approach to transition. As such, each market (USA, EU, Canada) had a unique project plan tailored to meet the specific goals and challenges in that region. That said, there were several transition activities that were applicable globally. The core project team began the transition process by gaining a deep understanding of the product and its intricacies through document review and training sessions with Kindred Biosciences. Marketing Authorisation transfers were then completed for each region to bring regulatory ownership of the product under Dechra control. The Manufacturing team quickly initiated the relationship with the contract manufacturer to ensure continuity of supply. Marketing messaging was developed globally, but customised to each region based on knowledge of the market and the approved indication(s). Our Veterinary Technical Services and Pharmacovigilance teams completed technical assessments, FAQs, reporting, and training so that the transition of the customer interface was seamless. Finally, regulatory and quality compliance with all relevant authorities was maintained throughout the transition and beyond.

In the United States, the key objectives for transition were to recognise sales for Dechra as soon as possible after close and to maintain continuity of supply. The first sale of *Mirataz* in the USA occurred within seven days of close due to collaborative efforts to transport and release purchased inventory. The core team partnered with the contract manufacturer to ensure timely delivery of the next inventory shipment in Dechra trade dress. Both objectives were achieved with zero backorders throughout the transition, and to date, *Mirataz* has exceeded budgeted sales estimates.

For the European market, in order to maximise the sales potential of *Mirataz* the team concluded that it would be necessary to launch the product in high-end, child resistant secondary packaging. Design, selection, regulatory approval and implementation of the secondary packaging configuration became a critical path to launch. The core team demonstrated a high level of collaboration and micromanaged each key task to ensure that the product would launch as quickly as possible. Due to these efforts, the team successfully launched *Mirataz* in the EU in February 2021 in the newly approved child resistant carton; to date sales have exceeded expectations.

In Canada, *Mirataz* was still under regulatory review at the time of acquisition. The team successfully fielded a round of questions from Health Canada which ultimately led to product approval in September 2020. As with any project, there were some unexpected challenges. In this instance, we encountered a change to the testing requirements for a raw material that required additional validation. Due to the team approach, we were able to identify this early and minimise the delay. The validation is currently in progress with launch inventory ready to be released once completed.

The purchase of *Mirataz* is an example of a highly complex global product acquisition with unique challenges that were successfully managed by the collective expertise and dedication of the core project team. Overall, we were extremely effective in achieving critical transition actions across the three regions and moving the product into Dechra's standard business procedures. Dechra is proactively applying the learnings from this transition process to hone and optimise our approach to product acquisitions further.

Geographic Expansion

Launching Dechra's endocrinology range into Brazil and Mexico

Brazil

One of the key strategic goals for Dechra Brazil, currently predominately a FAP business, is to utilise its regulatory, sales and marketing expertise to develop a bigger presence and reputation in the growing companion animal pharmaceutical market through selling some of the key Dechra brands.

The decision was made to start this process with Dechra's lead brand, *Vetoryl*, which had previously been registered and sold in Brazil, but due to a complex distribution structure had become too expensive for the pet owners and the product was discontinued. The first step was to unravel the distribution arrangements, transfer the *Vetoryl* files from the previous distributors and resubmit to MAPA (Ministry for Agriculture, Livestock and Food Supply) for approval as a Dechra registered and distributed product. After many months of communication with the regulators all four strengths of the product were finally approved in the middle of 2020, a process which takes over two years.

The next steps were to develop and approve packaging and schedule orders with manufacturing. Once the products were ready for shipment, the organisation of the distribution proved a challenge due to the pandemic. The products were finally air freighted from Uldum, Denmark in early March and arrived in Curitiba, the capital of the state of Parana. The products then had to pass through the necessary customs checks and were approved for sale and dispatched on 29 March to the Dechra distribution warehouse in Campinas, just north of Sao Paulo, a further journey of some 475km.

This arrival was perfectly timed with the planned launch programme for April 2021. The sales team, who are predominantly veterinarians, were the first to be introduced to the product and trained on its merits. The next audience was a pre-launch to the key opinion leaders (KOLs), followed by distributor training and then a webinar to veterinarians. These four events, which were online, resulted in the *Vetoryl* message being communicated to over 30,000 customers, demonstrating the huge interest for the product.

Dechra Brazil is at the forefront of utilising digital tools to support the launch of products, this included a platform to present the disease and product to the veterinarian, a podcast to deliver the messages to the KOLs and other social media and digital mechanisms to communicate case studies and videos. The *Vetoryl* training modules were made available in Portuguese on the Academy. All these activities have required a huge amount of skill and focus by the team to be able to bring this novel and clinically necessary product to the market.

Dechra Brazil will continue to adapt further support tools and services to build their position as the endocrine experts. Newly recruited specialist technical veterinarians will focus on supporting customers and expanding relationships with KOLs, while the marketing team will prepare for the next endocrine product launches of *Felimazole* and *Zycortal* later this year. The regulatory team are also busy with further planned submissions of *Forthyron* and *Cosacthen*. Looking to the future, a new business model is being created to support and build relationships with pet owners with the sole aim of helping veterinarians provide a service that recognises the importance of quality of life for the pet and how this transmits into quality of life for the pet owner.

Mexico

After the acquisition of Brovel in 2016, Dechra Mexico began to transform the business from a family laboratory focused on generics, to a specialised pharmaceutical business focused on niche, regulated products. Now under the name of Dechra Productos Veterinarios, the company's presence keeps growing and strengthening, becoming a pure commercial organisation in the 2021 financial year. It has become the fastest growing company in the Mexican animal health market in the last three years according to Kynetec (Animal Health market data).

The management team was tasked with introducing Dechra and our product range to customers. This required a significant amount of time and effort to educate veterinarians and distribution partners on the current product range and new Dechra products to be launched in Mexico. To enhance the company image and increase profitability, the team rationalised 57 low margin and non strategic products so they could focus on Dechra key products. An additional strategy was to optimise the distribution network and strengthening the relationship with strategic business partners (the distribution partners were reduced from 250 to 74). The current distributor partners are engaged and focused on increasing their business with Dechra through our specialised portfolio.

Key to sales and profit growth has been the approval of new products. 21 new marketing authorisations have been received from SADER (Mexican Regulatory Authority) throughout the last three years.

In order to raise the awareness of the relevant clinical conditions, educational materials and continuous education programmes are being developed in partnership with KOLs; these are being implemented by the sales force and through congresses and virtual training. Dechra is now recognised for introducing new and specialised products to the Mexican market, some of them to treat under diagnosed diseases and in our key therapeutic area, Endocrinology.

Strategy in Action

Strategic Growth Driver

Portfolio Focus

Nutrition Returns to Growth

Following a number of disappointing years, our companion animal nutrition range, *Specific*, experienced strong growth in the 2021 financial year. This was due to a change in the marketing mix and close management of the supply chain.

Marketing Mix Update

Product: Veterinary customer needs are changing and products have to clearly reflect a strong differentiation compared to the main players in the pet food market. To facilitate identification and recommendation by veterinarians, the range has been completely refreshed in two stages: cat diet products in 2018, and then dog at the beginning of 2020. The launch of the refreshed products were supported by a communication campaign to the veterinarians, who remain the key to developing the Specific range recommendation to pet owners, with the aim of obtaining new veterinary clients.

The main differentiation of *Specific* is that it is a premium range of veterinary pet food based on sustainability, due to the certified marine based raw material, mainly fish, which gives undeniable technical advantages for healthy diets but moreover a reduced impact on the environment compared to other protein sources.

At the beginning of 2021, this positioning was reinforced by the launch of the organic pet food range, which in addition to being the first organic pet food range launched by one of the main pet food players on the veterinary market, was also offered in recyclable packaging. A commitment has now been made to continue the transition of all *Specific* products to recyclable packaging by the end of 2023 and to continue to select raw materials certified as sustainable.

Price: The refresh of the *Specific* range has allowed us to reduce the price positioning in each market giving us a marketing advantage.

Promotion: Steps have been taken to increase the use of digital communication. Although the *Specific* range remains mainly dedicated to the veterinary channel, digital communications have also been geared to owners explaining the benefits of using *Specific* for their pets and directing them to veterinary practices that stock the product range.

Place: Historically, we have not actively sold the products online, however, due to the rapid digitalisation of the veterinary market, marketing support has been provided to veterinarian's websites to help veterinarians and pet owners find *Specific* products online when needed.

Supply Chain Management

The development of our relationships with suppliers, and new raw material sourcing as well as precise monitoring of inventory have drastically limited the impact of COVID-19 on the stock position. This accurate supply chain management gave *Specific* a clear competitive advantage that continues today compared to the main players in the veterinary market.

Unfortunately, the COVID-19 crisis occurred during the relaunch of the refreshed *Specific* range, but having secured the supply, new marketing actions and improved digital orientation have made it possible to successfully overcome this crisis. We have delivered additional benefits to the range in terms of visibility and reliability, and delivered solid sales growth in the year.

Technology

Creating a Global HR Platform

During the 2021 financial year the cross functional teams have been creating resilience in our global network by using technology to create a global HR platform.

ADP Celergo Global Payroll Project

In September 2020, Dechra embarked on a two year project to roll out a global payroll solution with ADP Celergo. Discussions around our global payroll solution commenced back in 2016 with the original project put on hold to prioritise the Oracle ERP roll out as both projects impacted the same teams internally.

Prior to the project, payroll services across Dechra were independently run in each country mainly through different outsource providers making global reporting more difficult, raising questions around data security and presenting difficulties when looking for solutions for newly acquired businesses. The decision to move to ADP Celergo globally was taken for a number of reasons, including:

- secure and controlled global payroll services framework to support any expansion plans;
- local in-country payroll expertise and support that can be engaged for any challenges;
- regular, as well as ad hoc, risk assessments to meet the requirements of the ever evolving regulatory landscape; and
- peace of mind in working with one of only a select few global businesses to have Binding Corporate Rules approval from the EU in respect of GDPR.

The ADP Celergo Project Office set up has been replicated within Dechra with two dedicated Project Managers and local in country support from Dechra employees who currently process the payroll.

All of Dechra's 25 countries are in scope for the project and to date we have implemented the solution in 16 countries. The remaining countries will go live in 2021 calendar year.

Diamond Integration

As part of the ADP Celergo global payroll system roll out, there is a significant amount of work ongoing in order to have Diamond (our Oracle HR Information System) ready and fit for purpose in each of the countries where we have employees.

Employees will be required to use the self-service functionality in Diamond in order to assist with accurate reporting, for example for address changes or for absence information, to our Payroll teams. In countries where we have 50 or more employees, there will be a direct interface between Diamond and the ADP Celergo platform. The interface will feed personal details, bank details, and pay changes directly to ADP Celergo.

The integration project commenced mid-November 2020 and is progressing with assistance being provided by Oracle and the ADP teams. We are continuing to test the first integration files for the UK, Australia, Denmark and France.

Time and Attendance Recording

We have also started a separate project to move from the various local time and attendance (T&A) solutions, where used, to a standard Oracle Time & Labour (OTL) application which will be embedded in our Diamond system. This project is being jointly implemented by HR, Payroll and IT.

Our teams within the UK, US, Australia and Germany are coming to the end of their User Acceptance Testing (UAT) as part of Phase I. Go live for Phase I OTL countries is expected to be completed by the end of September 2021. Our Phase II OTL implementation project has commenced for France, Denmark, Brazil, Croatia and the Netherlands and is expected to be completed by the end of the calendar year.

Group HR Team

Product Development

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

12
Projects in Feasibility

3
Projects in Research

13
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: novel developments 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.

In addition to developing new products, Dechra is also looking to improve existing commercial products to retain and grow market share. Lifecycle activities are varied but may include changing primary packaging or dose form for improving convenience for the user, treatment compliance for the patient or adding claims or species to widen the addressable market. These lifecycle projects can lead to substantial growth, even for established products.

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 are 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 process 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

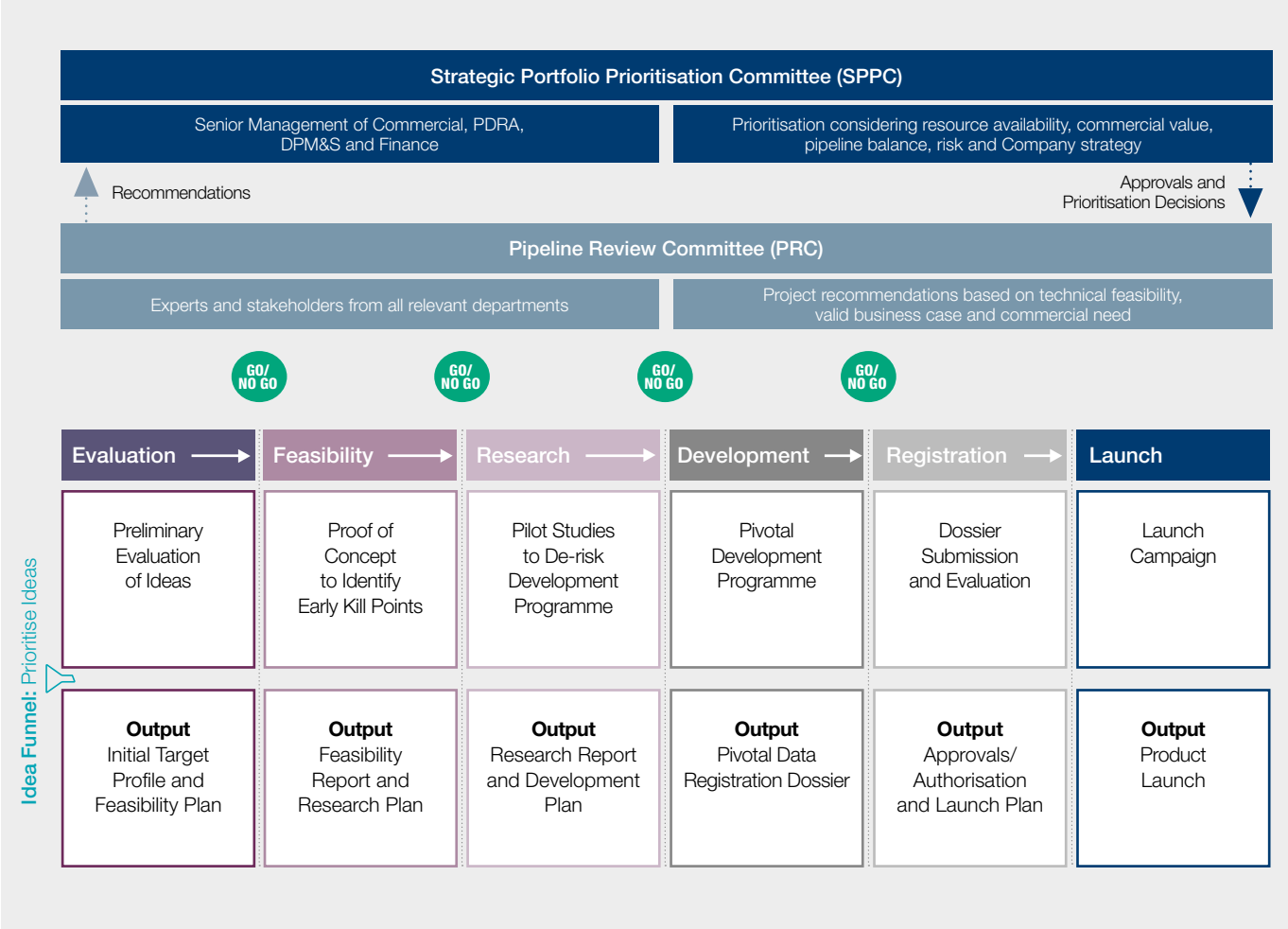
The **DEVELOPMENT** phase is the longest part of the process, potentially taking between two to four years. After the formulation has been demonstrated to be stable, up to three registration batches are manufactured for use in safety studies, efficacy studies and stability testing. For generic products, 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 Product Development on page 69.


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 Development continued

Product Pipeline

Delivering a strong and robust pipeline is one of the Group's strategic priorities. 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.

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

	CAP/Equine
2 Feasibility	Ophthalmic therapy for dogs Endocrine therapy for cats Endocrine therapy for dogs Endocrine therapy for dogs Gastrointestinal therapy for dogs Ophthalmic therapy for dogs Dermatological therapy for dogs

	CAP/Equine
3 Research	Gastrointestinal therapy for horses Endocrine therapy for horses

	CAP/Equine
4 Development	Analgesic therapy for horses Analgesic therapy for dogs Lameness therapy for horses Dermatological therapy for dogs Lameness therapy for horses Endocrine diagnostic Dermatological therapy for dogs Anaesthetic for dogs and cats Endocrine therapy for cats Endocrine for dogs

	CAP/Equine
5 Registration	Anaesthetic for dogs Antibiotic for dogs and cats Analgesic therapy for dogs Gastrointestinal therapy for dogs

Key to Product Pipeline

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

FAP

Read more about The Evaluation Process on page 42.

FAP

- Poultry Vaccine
- Poultry Vaccine
- Antibiotic for pigs and poultry
- Swine Vaccine
- Anaesthetic for pigs

FAP

- Antibiotic for pigs

FAP

- Poultry Vaccine
- Paraciticide for poultry and pigs
- Antibiotic for cattle

FAP

- Antibiotic for cattle and pigs

Case Study

Clinical Studies during COVID-19: Creative solutions maintain product development progress

Members of the Product Development team recently presented to the European Medicines Agency and other pharmaceutical industry stakeholders on the challenges of conducting veterinary clinical studies during the pandemic. Attendees were fascinated to learn that the hurdles faced by animal health drug developers were almost identical to those experienced by teams developing human medicines.

When the pandemic struck in March 2020, Dechra had several studies in various stages of completion. It rapidly became apparent that COVID-19 was going to have a significant impact on the conduct of veterinary clinical field studies. Our immediate focus became how to adapt to the changing landscape to deliver on our timelines. For studies just starting, our relationship with sites willing to participate in studies was even more critical because a large list of study sites became unavailable for participation due to their stressed infrastructures as a result of illness, inability to identify critical study materials and/or closing their doors to pet owners. Inevitably, the participating clinics' first priority was to continue delivering veterinary services to sick animals in the face of lockdowns, while keeping staff and pet owners safe. Leveraging these long established relationships became imperative in asking our sites to take on more work.

As the veterinary world adjusted to new safe working practices, the Dechra teams had to act swiftly due to travel bans and quarantines, and create contingency plans. Study teams built new processes for training and monitoring, engaging in new ways to communicate and collect data effectively. Frequent and thorough communication was key in addition to accommodating individual study site challenges. Creative study marketing strategies at targeted clinics best able to continue study related activities and the identification of new study patients were required. Remote oversight and flexibility were important to ensure ongoing patients were not lost from the studies due to missed data or inability to comply with study demands. For critical data points requiring in person observation, study monitors local to the study location were hired to observe procedures for compliance to ensure good study conduct. Management of study drug and biological sample shipments required careful planning and oversight to overcome delays due to unreliable courier schedules.

Prior investment in a robust state of the art secure method to collect, store and review data allowed veterinarians to record patient data online and shift to a completely remote procedure for study oversight and closeout. This ensured that the extremely high level of data quality required for a clinical study was maintained. Paper study documents transitioned to more accessible electronic documents. Some novel process changes required advance discussions with the FDA.

Dechra was nimble enough to navigate through each of the hurdles that COVID-19 created and successfully adapted. Some of these alternative approaches will remain in our toolbox for future studies. Together with the ongoing excellent relationships with our participating veterinary clinics, Product Development delivered on its commitments.

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	6	
Carprofren/*Caprovet*	Dogs	●	●	●					●	●	●			●	●	●	●		●	●			●			●		1		
Comfortan	Cats, Dogs		●	●			●	●	●	●	●	●	●	●		●		●	●	●		●	●	●	●					
Dexmedesed	Cats, Dogs																									●				
Domidine	Cattle, Horses		●	●			●				●	●	●	●	●	●			●	●		●	●	●	●		1	3	1	
***Meloxoral*/Meloxicam**	Cats, Dogs	●	●	●	●			●	●	●	●	●		●			●	●	●	●		●	●	●				4	8	
Rapidexon	Cats, Dogs, Cattle, Horses, Pigs		●	●					●	●	●	●	●	●		●			●			●	●		●					
Sedator/Sedastart	Cats, Dogs		●	●	●			●	●	●	●	●	●	●	●			●	●	●	●	●	●	●	●		1	4	4	
Tilzolan	Cats, Dogs																									●	1	6	6	
***Tralieve*/Tramadol**	Cats, Dogs	●	●	●				●	●	●	●	●	●	●		●		●	●	●		●	●	●	●					

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

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*	Cats, Dogs	●	●	●					●	●	●		●	●		●	●		●	●			●		●	●		4		
Cefpodoxime Proxetil/ *Cefpoderm*	Dogs																									●		4	7	
Doxybactin	Cats, Dogs	●	●	●		●		●	●	●	●	●	●	●		●	●		●	●		●	●		●			1	10	
Enroquin	Cats, Dogs	●		●		●			●	●			●	●		●	●		●						●	●		2	9	
Metrobactin	Cats, Dogs		●	●				●	●	●	●	●	●	●		●			●	●	●	●	●		●			5	10	5
Animax	Cats, Dogs																									●			6	

Other products: *GentaCalm, Marboquin,* 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	●	●	●			●		●	●	●		●	●	●		●	●	●	●	●		●	●	●			4		
Isaderm	Dogs	●	●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	●			4	7	
Malaseb/*Miconahex*	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	●	●		1	10	
Malacetic	Cats, Dogs						●								●		●									●		2	9	
Osurnia	Dogs	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		5	10	5
Triz Range	Cats, Dogs		●	●	●		●	●	●	●	●	●	●		●	●	●	●	●			●		●	●	●			6	

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	●	●	●			●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●		5	5	
Forthyron	Dogs	●	●	●					●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●			5	8	
Vetoryl	Dogs	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		7	9	
Zycortal	Dogs	●	●	●			●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		5	5	

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		●	●	●		●	●	●		●	●	●	●	●	●	●		●	●	●	●	●		●		2	6	11	1
Equipalazone	Horses	●	●	●					●		●	●	●			●	●	●	●	●		●		●	●			5	3	
HY-50	Horses			●			●		●	●		●		●		●	●	●					●	●	●			3	2	
Osphos	Horses	●	●	●			●		●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		4	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	8	

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		●	●							●	●							●	●									1	
Centidox	Pigs, Cattle		●	●								●		●		●							●							
Octacillin/Solamocta	Pigs, Chickens, Turkeys		●	●					●		●	●		●		●			●		●		●		●		2	2	4	
Soludox	Pigs, Chickens, Turkeys		●	●	●			●	●		●	●	●	●		●			●		●	●	●		●		1	6	3	

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	5	5	
Excell 10	Cattle, Pigs, Sheep, Goats					●																								4

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	7	
Isathal	Cats, Dogs, Rabbits	●	●				●		●	●	●	●	●	●		●	●	●		●	●			●	●			6	6	
Libromide	Dogs		●	●					●	●	●	●	●	●		●		●	●	●			●	●	●				2	
Mirataz	Cats		●	●			●		●	●	●	●	●	●				●	●	●		●	●	●	●	●			9	
Phenoleptil	Dogs		●	●					●	●	●	●	●	●				●	●	●			●	●	●				3	
Prednicortone	Cats, Dogs		●	●				●	●	●	●	●	●	●		●		●	●	●		●	●	●	●				8	
Prevomax	Dogs		●	●				●	●	●	●	●	●	●		●		●	●	●		●	●	●	●			8	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.

Section 172 Statement and Stakeholder Engagement

The Board is responsible under section 172 of the Companies Act 2006 for promoting the long term success of the Company for the benefit of its shareholders, and acknowledges that its decisions have a long term impact on other stakeholders, the environment and the Company's reputation for high standards of business conduct. The Board appreciates that wider engagement with stakeholders is an important component of long term sustainability and success and believes that by engaging with all important stakeholders, the business is made stronger and more resilient. The following case studies illustrate how the Board has considered their section 172 duty in making principal decisions.

Case Study

Expansion of Uldum Warehouse

s172 Considerations:

In September 2020, the Board considered the proposal to expand the Logistics hub in Denmark. The existing warehouse is based in Uldum, Denmark which is very close to the main nutrition markets, has good links to Germany and access to ports.

There are seven stages to the warehouse expansion plan and the first phase is to build a new warehouse with an underground cold storage facility. The underground cold storage facility will replace six refrigerated containers and external facilities. In addition the capex of €7.0 million will deliver 1,200 sustainable cold storage pallet spaces in the basement and 6,600 ambient pallet spaces on the ground floor, providing a strategic and cost effective solution for five to seven years.

In consideration of section 172 duties, it was agreed by the Board that the Uldum Warehouse expansion will provide:

- sufficient pallet spaces, reducing the need to rely on external facilities and will enable the warehouse to grow with the business. This will, in the long term, reduce costs and increase profitability for the business and the shareholders;
- continued and new employment opportunities for the local community;
- better motivation among current employees who see the increased investment in the site; and
- a sustainable solution for the cold storage requirements of the business.

The Board also considered the potential disruption to the existing business, but agreed that this would be minimal as the warehouse was being built on unutilised land away from the current site, meaning normal operations and traffic flows would be unaffected.

Outcome: The build commenced in January 2021 and we expect the warehouse to be ready in September 2021.

Section 172 Factors Key

- Likely consequences of decisions in the long term
- The interests of the Company's workforce
- The need to foster relationships with suppliers, customers and others
- Impact of operations on the community and environment
- High standards of business conduct
- The need to act fairly between members of the Company

Case Study

Implementation of an electronic Quality Management System

s172 Considerations:

As part of our continued investment in DPM&S, the Board considered in June 2020 the implementation of an electronic Quality Management System (eQMS) which would provide an integrated system for the information and processes in the life cycle of our products.

The Board considered the section 172 duties, noting that:

- Community: although there was no major impact expected, the reduction in the reliance on paper based systems (and associated storage) will assist further the sustainability agenda;
- Employees: the system will provide an information source which will enable easier collaboration for complex processes across DPM&S with a repository of information in one system. This will ultimately increase employee productivity and job satisfaction and these benefits will outway any short term disruption arising from the need to train employees in the use of the new system;
- Suppliers: the new system provides a harmonised and consistent platform allowing faster processing and improved communication related to the management of our suppliers;
- Customers: the use of an electronic system will provide wider visibility of the quality systems and data allowing us to be more agile which will maintain the consistency of supply of Dechra's products and reduce the overall cost of supply; and
- Shareholders: the improvements in regulatory and quality systems will enable faster and more consistent supply with lower cost; this will enhance shareholder value through better financial performance and a better reputation in the markets that we operate. The new system will also support future acquisition and growth, providing a Dechra platform and regulatory and quality framework (system and business processes) to integrate new products and entities. This will further enhance shareholder value.

The adoption of the eQMS system is clearly aligned with the Group's strategy to support growth by facilitating prior and future acquisitions to be integrated by using the new platform. Its adoption will harmonise and improve existing business processes, facilitating faster and more effective time to market for new products and market extensions. Crucially, it will make it easier to maintain our compliance standards around existing business processes and current products. It also allows the adoption of a cloud approach, which will future proof this major and critical investment for Group.

Outcome: The Board approved the project which commenced in July 2021.

Case Study

Skipton

s172 Considerations:

Following the acquisition of the freehold to Building 3 at Skipton, the DPM&S team have considered the long term site master plan and submitted for Board approval a capex request (of £5.5 million) as the first part of the project to develop the site, which would deliver a new state of the art QC laboratory, additional warehousing space, new canteen, reception and office space, and a pilot plant and training area. The Board considered their section 172 duties noting that the Skipton site master plan phase 1 project was in line with the manufacturing and supply chain enabler and would affect the following:

- Employees: enable the right flow of traffic and movement of goods on site making employees feel safer, providing an improved environment to perform their roles, in particular the QC department, a better training environment, a better canteen facility, and allows the next step of building the potency suite to further protect our employees from any potential harmful substances;
- Customers: allows the next steps of increasing capacity of the solid dose facility and maintaining the quality of the products through new equipment, improving supply reliability from the Skipton site, particularly with higher throughput testing in the QC laboratory, and creates additional space to bring in more products and be in control of the supply of these products to our customers;
- Shareholders: the improvement in supply reliability will enhance shareholder value through better financial performance and a better reputation in the markets that we operate; and
- Community: improves the traffic flow in the immediate area and provides long term security of the site to the local community.

Outcome: The Board approved the capex and it is anticipated that work will commence in the 2022 financial year.

Section 172 Statement and Stakeholder Engagement continued

The table below shows who the Board has identified as important stakeholders, why they feel it is important to engage, how they have engaged and where you can read more information on the Board's approach to their section 172 duty.

Employees: To make Dechra a great and safe place to work, and attract, retain and develop talent

How We Engage
- Group intranet
- Town Hall meetings
- Engagement surveys
- Employee Engagement Designated Non-Executive Director
- Performance Development Reviews, and employee development and training
- Direct communication to all employees from the Chief Executive Officer

Material Interests
- Development opportunities
- Making a difference
- Agile and friendly place to work

Where You Can Read More
Read more on pages 19, 58 to 64, 96, 97 and 102.

Veterinary Professionals: To improve animal health and welfare

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

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

Where You Can Read More
Read more on pages 19, 69 to 73 and 96.

Shareholders: To instil trust and confidence and allow informed investment decisions to be made

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

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

Where You Can Read More
Read more on pages 19, 95 and 102.

Communities: To give back to the communities in which we operate

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

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

Where You Can Read More
Read more on pages 19, 74, 75 and 96.

Suppliers: To trade with honesty and integrity, and to source quality raw materials, finished products and services

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

Material Interests
- Fair Payment Terms
- Long term relationships

Where You Can Read More
Read more on pages 69 to 73, 96 and 102.

Regulatory Authorities: To meet high standards of product safety and efficacy

How We Engage
- Regulatory training for employees
- Manufacturing facility inspections
- Market authorisation applications
- Product safety update reports (PSURs)

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

Where You Can Read More
Read more on pages 42 to 45.

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)***	• Corporate Social Responsibility: Our Environment • Understanding our Key Risks	65 to 68 82	• Code of Conduct
2 **Employees***	• Creating Value for Our Stakeholders • Chief Executive Officer's Statement • Corporate Social Responsibility: Our People • Section 172 Statement • Understanding our Key Risks	19 24 to 27 58 to 64 48 to 50 79 to 82	• Staff Handbook • Dignity at Work Policy • Health & Safety Policy • How to Raise a Concern Handbook • HR Policies
3 **Social matters***	• Creating Value for Our Stakeholders • Corporate Social Responsibility: Our Community • Section 172 Statement	19 74 and 75 48 to 50	• Volunteer Service Toolkits for Large and Small Events • Donations Policy
4 **Respect for human rights***	• Corporate Social Responsibility: Our Business	72 to 73	• Human Rights Policy • Modern Slavery Statement
5 **Anti-Bribery and Anti-Corruption***	• Section 172 Statement • Corporate Social Responsibility: Our Business • Audit, Risk and Internal Control	48 and 50 72 and 73 112 to 118	• Code of Conduct • ABC Policy • Third Party Code of Conduct • How to Raise a Concern Handbook
6 **Business Model**	• Our Business Model • Creating Value for Our Stakeholders	16 to 18 19	
7 **Principal Risks in relation to (1) to (5)**	• How the Business Manages Risk • Understanding our Key Risks	76 to 78 79 to 82	
8 **Relevant non-financial KPIs**	• Key Performance Indicators	37	

* 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.

Corporate Social Responsibility

Making a difference through the sustainable improvement in global animal health and welfare

Our ESG Strategy

Our ESG strategy is based around four pillars: Business; Community; Environment; and People. During the 2021 financial year we have set targets for each of the pillars. We have committed to a long term target 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.

Our Environment

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

Dechra®
Pharmaceuticals PLC

Our Community

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

Our Business

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

Our Leadership Structure

The Board takes ultimate responsibility for Corporate Social Responsibility and is committed to developing and implementing appropriate policies that create and maintain long term value for shareholders. During the year Paul Sandland, was nominated as the Executive Director responsible for ESG, and he took over the chairmanship of the ESG committee from the Company Secretary. A Group Sustainability Director was appointed in March 2021. The ESG Committee is made up of representatives from across the Group.

Our Board

Our ESG Committee

- **Health, Safety and Wellbeing Committee**
- **Sustainable Packaging Committee**
- **Global Transport Logistics and Waste**
- **Regional Giving Committees**

Science Based Targets

Responsible climate action – preparing for net zero emission 2050

Dechra has committed to set science-based emissions reduction targets across the entire value chain that are consistent with keeping global warming to 1.5°C above pre-industrial levels. Dechra has also committed to a long term target to reach net zero emissions by no later than 2050.

The Board is responding to an urgent call-to-action for companies to set emissions reduction targets in line with a 1.5°C future, backed by a global network of UN agencies, business and industry leaders.

Dechra will set verifiable science-based targets by June 2022 through the Science Based Targets initiative (SBTi), which independently assesses corporate emissions reduction targets in line with what climate scientists say is needed to meet the goals of the Paris Agreement.

Real progress requires real transparency, we will continue the effort to understand and disclose the risks posed to our business by climate change as well as the opportunities presented by transforming to a low carbon economy. We will also engage with our stakeholders, working with them to minimise our combined climate footprint.

During this important period of change, resources and effort will be invested in order to advocate and embed sustainability within the group at all levels. These are ambitious but achievable commitments and we believe It is an opportunity for every member of our business to contribute in the quest to reach net zero emissions by 2050.

Corporate Social Responsibility continued

Our People

Read more about **Our People** on pages 58 to 64.

Stakeholder	SDG	Focus Area
• Employees	16	Culture and Values
	4, 8	Talent Management and Engagement
	10	Fair Employment Practices
	5	Diversity and Inclusion
	3	Safe Working Practices

Our Environment

Read more about **Our Environment** on pages 65 to 68.

Stakeholder	SDG	Focus Area
• Employees • Local community	12, 14	Waste
	12	Energy

Policy	Objectives	Target	Status/Progress
A great and safe place to work	• strengthen and communicate the Dechra culture and strive to ensure our Values encompass our business ethics and standards;	• trust Index target of 85%	• trust Index of 77%
	• attract, retain and develop talent to build and maintain a top quality team;	• one day of training per employee per annum	• system in place to capture data
	• comply with national legal requirements regarding wages and working hours;	• Living Wage Employer or equivalent by 2022	• achieved in January 2021
	• value the difference and diversity of people, recognise that their skills and abilities are strengths that can help us to achieve our best; and	• reflect the markets and communities in which we operate	• applicant tracking system implemented
	• reinforce a culture of health and safety, with a culture of zero harm.	• zero lost time accidents	• three lost time accidents (a reduction from six)

Policy	Objectives	Target	Status/Progress
We are committed to minimising the impact of our operations on the environment by adopting responsible environmental practices and complying with applicable environmental legislations	• prudent use of all natural resources, the minimisation of waste in all activities, and the appropriate disposal of waste; and	• zero to landfill by 30 June 2025	• proportion of waste to landfill or incinerated with no energy recovery reduced from 17% to 14%
	• optimise the energy we use, improve energy effectiveness through initiatives on transport and reduce our greenhouse gas emissions.	• reach net zero emissions by no later than 2050. Initial target is 25% reduction by 30 June 2025. This will be refined through the collaboration and verification with Science Based Targets	• started to execute the Making Difference plan and committed to the Science Based Target initiative

Corporate Social Responsibility continued

Our Business

Read more about **Our Business** on pages 69 to 73.

Stakeholder	SDG	Focus Area
• Employees • Veterinary Professionals • Suppliers and Distributors • Universities and Key Opinion Leaders • Shareholders		Ethical and Sustainable Products
		Veterinary Professionals
		Ethics

Our Community

Read more about **Our Community** on pages 74 to 75.

Stakeholder	SDG	Focus Area
• Local Community • Charities and non-profit organisations • Employees		Community Activities
		Community Donations

Policy	Objectives	Target	Status/Progress
• To provide sustainable innovative products that improve animal health and welfare	• develop and promote products to improve animal health and welfare ethically and sustainably;	• fund 5% to 6% of revenue on product development per annum • all paper material to be FSC by June 2023 • Product Development process to include sustainability review by 2023 • sustainability review of existing products by June 2025	• Product Development spend 5.3% of revenue • review of all products and sites ongoing • project with Product Development initiated • to be initiated in the 2022 financial year
• Provision of technical and educational support to veterinarians	• maintain and improve the knowledge and skills of veterinarians who prescribe and use our products; and	• provide 100,000 CPD hours per annum	• 77,206 CPD hours
• We are committed to acting responsibly and with integrity	• act with honesty and with integrity.	• supply chain assessment of all suppliers' sustainability by June 2030	• project initiated

Policy	Objectives	Target	Status/Progress
• To contribute to the social and economic welfare of the local communities in which we operate	• contribute towards local charitable causes through the donation of time, products and skills; and	• 100,000 community hours between 1 July 2021 and 30 June 2030; and	• re-initiated in the 2022 financial year
	• establish Regional Giving Committee to allow our employees to make a difference in their local communities.	• £5 million donated in cash or products between 1 July 2021 and 30 June 2030	• £381,524 in the 2021 financial year

Corporate Social Responsibility continued

Our People

Linkage to UN SDGs

13.5% Employee Turnover

52% Females in workforce

0.09 Lost Time Accident Frequency Rate

We employ 1,975 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;
- Fair Employment Practices: complying with national legal requirements regarding wages and working hours;
- 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; and
- Safe working practices: reinforcing a strong culture of health and safety, within a zero harm environment.

Our People Plan

1 Accelerate Performance: Align employee efforts and drive productivity through effective goal setting, feedback and focus on development.

2 Grow Our Own Talent: Attract, retain and develop the right talent in the right place at the right time.

3 Strong Culture and Values: How we do things around here.

4 Engaged and Committed Workforce: A great place to work.

5 Healthy Safe Workplace: Improving the working lives of our people in every location.

6 Common Platforms and Ways of Working: Efficient infrastructure supporting business operations and alignment over policy and practices.

Length of Service by Headcount – Global

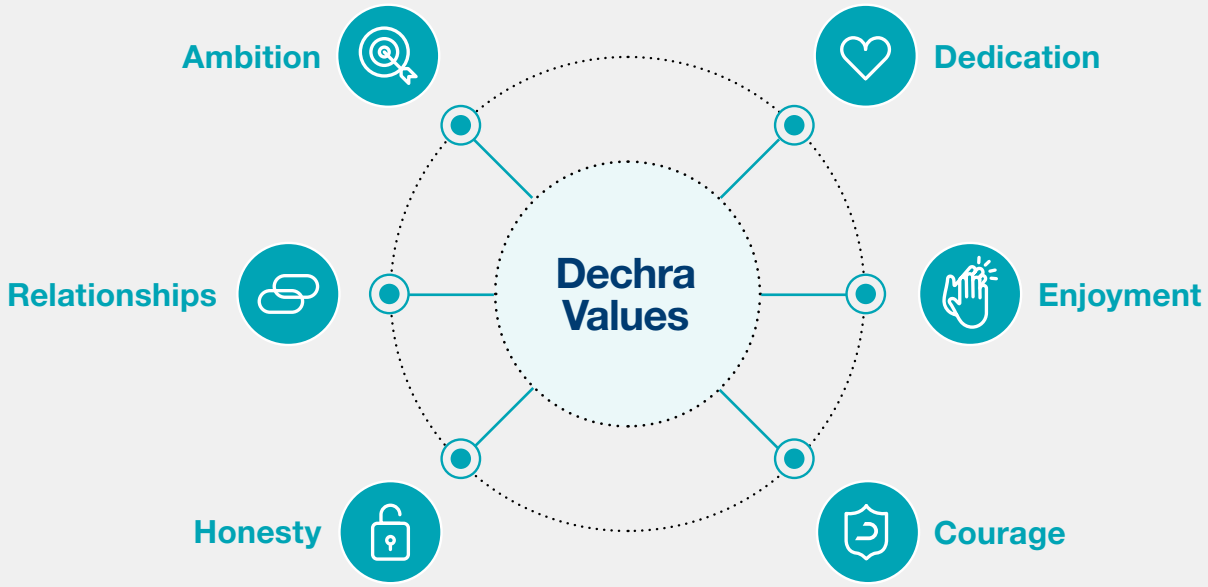
<1 year	322
1–3 years	481
3–5 years	274
5–8 years	313
8–10 years	126
10 years+	459

Employee Contract Type – Global

Full time	86%
Part time	10%
Contract	4%

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.



Read more on pages 04 to 05.

During the financial year we have found a number of ways to embed our Values into the daily life of our employees. We have:

- updated the look and feel of the Values with icons that help to signpost the Values on the new One Dechra intranet;
- significantly upgraded our approach to recruiting talent and partnering with leading external organisations to use contemporary instruments and interventions to allow recruiting managers to gain a greater understanding of the candidates potential during the recruitment process; and
- created a mandatory module, One Dechra, which facilitates a deep dive into the Company Culture and Values and encourages employees to consider what the Dechra Values mean to them in the context of their function.

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.

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. We currently offer four reporting channels for concerns to be raised: Line Manager; the Senior Management Team; Group Management Team; and a mailbox accessed only by the Company Secretary. Every effort will be made to protect confidentiality to encourage reporting. The How to Raise a Concern procedure has been translated into eight languages. During the

- 2021 financial year we provided training to 12 employees across the Group on investigation training; and
- 2022 financial year we are planning to implement a confidential third party hot line and provide investigation training to a further group of employees.

We will fully investigate reports and take appropriate actions to address these. 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.

Corporate Social Responsibility continued

Talent Management and Engagement

15
Interns

266
Delta courses

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

Training

Implemented in 2016, Delta is our internal e-learning management system, hosting all of our internal interactive and digital training courses.

The COVID-19 pandemic has been a significant driving force behind our Delta efforts over the past 12 months, not only in increased demand and reliance upon the site itself, but also the need for new educational and informative content, including health and wellbeing support.

We launched 70 new courses over the last year and have expanded our team to increase the support that we can provide to the business. New training processes and increased reporting functionality are empowering our employees to take ownership of their own learning needs. This year has also seen significant steps forward in digitalisation and consolidating our training efforts.

Our Digital Learning team are being recognised for their efforts in the education sector too and have been asked to speak at a number of learning and development events on the best practice use of a Learning Management System. Additionally the team have all been individually accredited by the Learning and Performance Institute.

This is only one element of the training that we provide, and although we do not currently collate training hours across the Group, we provide other forms of training to our employees, placement students and graduates. The next step in our continued investment in training will be to record and collate the hours each of our employees spends in training, enabling us to have a consistent process of development and provide a basis for employee self certification in development.

Case Study: Global Applicant Tracking System

As part of the Global HR Shared Services and Systems Strategy, we have recently invested in a global applicant tracking system. The chosen solution, TribePad (known internally as DASH), will allow for global alignment across our talent acquisition processes, as well as supporting the increasing obligations on reporting against our global recruitment practices.

DASH will allow us to track, report on and monitor key recruitment metrics, including time to hire, source of hire, number of open positions and in some countries (depending on local laws) the diversity of our applicants. It provides a platform in which we can build on our global talent brand so that we can continue to attract and retain the best talent into the organisation.

DASH gives us the ability seamlessly to control and select where our job advertisements are placed, retaining all applications in one single dashboard, streamlining the time taken to recruit. DASH also provides prospective applicants a platform to register their interest in future vacancies with Dechra and the option to ‘opt-in’ to job alerts, creating an active talent pool.

To support the Group’s diversity and inclusion policy further and to enable our core recruitment messaging to be as inclusive as possible, the system features a ‘gender bias decode’ tool which is capable of analysing the text within our job adverts to help us understand any hidden implications within the language that is used. Research shows that many words can be associated with masculine or feminine stereotypes. Having visibility of this data and information will help inform future recruitment spend, track cost savings and maximise the potential reach of our talent attraction campaigns, globally.

The global DASH roll out project is being led by our Group Talent Partner in conjunction with our third party implementation partner, PeopleHub. DASH has been live across our UK business since February 2021 and since June 2021 for our Australia, USA and Canada, The Netherlands, Croatia and Denmark businesses. France, Mexico, Brazil and Germany are scheduled to go live later this calendar year.

Leadership Programme

Following the successful roll out of the Leadership Programme to Dechra Pharmaceuticals Manufacturing & Supply (DPM&S), we have launched this programme to our Dechra Veterinary Products International and Corporate Leadership teams during the 2021 financial year. The development programme's strategic intent is:

- to develop fit for purpose 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 for the team 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.

As with DPM&S, the programme has been run via the virtual realm, for 12 people, across two time zones and six European locations. The launch of the programme took place at the start of May, commencing with psychometric and cognitive assessments of the team, and has been followed by online team business simulations, team and peer coaching and virtual content which will continue to be delivered during the rest of 2021.

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 we hope that the experiences of working with Dechra will support them in their future careers. We currently have 15 interns in Europe, one in Australia and 11 in Brazil.

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), intranet, 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.

In July 2021, we will launch our new intranet OneDechra which includes improved two way communication encouraging comments, sharing and community participation.

In order to continue to retain our qualified and skilled employees, and to attract new employees, we conducted our second Employee Engagement Survey in April 2021 using the Great Place to Work (GPTW) survey. Further details are detailed below.

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 coffee mornings. Further information on this can be found on page 97.

Global Moving Annual Turnover (Employee Turnover)

It is three years since we last ran an all employee engagement survey, we had been due to run the survey in March 2020 but postponed it due to the outbreak of the pandemic. We had 1,720 respondents to the Great Place to Work (GPTW) 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%). Our high response rate provides us with a strong mandate for action based on the survey results. The survey asked about key areas that if done well can lead to a high trust and highly engaged workplace where people are treated well and work effectively together to drive up the bottom line.

There were some real highlights in the results. Across the Company, employee perceptions improved on all 75 survey statements. For example, 92% feel that Dechra is a physical safe place to work and 88% are 'proud to tell others you work at Dechra', which are eight percentage points above the average of the best organisations in the UK as awarded by GPTW.

Perceptions improved most of all about Reward, with a 20% increase in employees agreeing with the statements than over 2018. The improvement in employee experiences has extended across almost all of the Company. We are particularly pleased that:

- in our Group Manufacturing and Supply Chain division the Trust Index has risen by 12 percentage points, this team has worked on their sites throughout the pandemic and this is a measure of the dedication of staff and managers in DPM&S;
- our scores on the three statements on diversity put us on an equal footing with the Top 25 World's best workplaces; and
- our overall level of engagement measured in the survey by the Trust Index had risen by ten percentage points since the last survey to 77%. We will now receive recognition as a Best Extra-Large Workplace, 2021.

The results in Strategy & Direction, Career & Development and Recognition really stood out for us as strengths against best-in-class organisations as measured by GPTW. However, there were some areas that we identified as areas of focus for the year ahead. These were Collaboration, Communication and Wellbeing; we will be leading streams of work across the Group on each of these areas, in addition to this, each division will be invited to focus on one area of opportunity that is specific to them when compared with the organisation overall and the external benchmarks. Local HR teams will support managers to work with their teams over the coming months to understand the reasons behind the issues raised by the survey and to generate and implement action plans where progress can be tracked and communicated.

Corporate Social Responsibility continued

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.

Genera d.d., our Croatian Company, was selected as the best large employer for people with disabilities for 2020 in the Republic of Croatia by the Institute for Expertise, Professional Rehabilitation and Employment of Persons with Disabilities. The Institute awards recognition to employers who have recognised their role in achieving a more positive attitude towards the employment of persons with disabilities.

The Group does not tolerate bullying or harassment.

84% of our employees responded positively to the statement regarding diversity in the workplace in our employee engagement survey (2021 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 Nomination Committee Report on pages 107 and 108.

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 is required to report under Gender Pay Gap regulations, and we are pleased to report that our gender pay median gap has reduced in year from 17.7% in 2017 to 5.5% in 2020. This reduction is largely driven by an increase in the number of women in senior and technical roles.

Following a business wide review of remuneration, we have increased the pay of our lowest paid workers globally with effect from 1 January 2021 to the Living Wage or where there is no equivalent we have used the OECD formulation, or pay at least twice the local/federal minimum wage. In addition to implementing our Living Wage Employer changes a year earlier than originally planned in the UK, and even earlier in the rest of the world, we paid all of our site based employees (all of our lowest paid staff work in manufacturing or logistics) a bonus to reward their commitment during the COVID-19 period. We successfully achieved the UK Living Wage accreditation in March 2021.

Furthermore, we have increased our employer pension contribution from 4% to 6% with effect from July 2021 in the UK and intend to increase the employer pension contribution again to 8% during the 2022 financial year.

Dignity at Work

Our Dignity at Work Policy was drafted and launched within the UK in January 2020, and is now 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.

After initially launching training to our UK managers in the 2020 financial year, we now provide online training to a wider audience using an externally hosted online training portal where licensed Dechra managers can deliver professionally developed training programmes globally using virtual classrooms.

In addition to this, we have developed a Diversity and Inclusion module which also covers unconscious bias which is one of three core modules that will be included initially in all Leadership and Management development programmes, but will later be rolled out more widely across our employee base.

Headcount Per Country

Gender Split Across Group

Female	52%
Male	48%

Senior Leaders Gender % Split

Female	47%
Male	53%

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, therefore in January 2021 we established our new Group Health Safety and Wellbeing Committee (HSW Committee). This new 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 see 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 Health, Safety and Wellbeing strategies. Key achievements of the HSW Committee this year include updating the Group Health and Safety Policy, which extends our Safety Principles to the whole organisation. Our Health and Safety Principles are aligned to the Dechra Values. Each principle sets out our clear expectations in relation to protection of the health and safety of people and property at Dechra.

Dedication: We will never look away and always step in if we see someone in danger.
Enjoyment: Everyone has the right to work in safe and healthy conditions.
Courage: Everyone is empowered to stop any process or work that they feel is unsafe.
Honesty: No activity is so urgent or important that it cannot be done safely.
Relationships: Health and Safety is everyone's responsibility.
Ambition: We believe that work related injuries and ill health are preventable.

The extended H&S Policy applies to all employees, contractors and visitors to Dechra premises globally, as well as field-based and home based employees.

In addition to monitoring the activities within our existing Health and Safety Strategy, the HSW Committee has also overseen the development of our THRIVE Wellbeing Strategy, in order to keep our employees physically and mentally well.

Safety Alerts

The HSW Committee reviews 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. Last year 25 Safety Alerts were issued, many of these relating to COVID-19 safety learnings.

Engagement

This financial year we have launched our new online Health and Safety reporting system, Dechra Assure, to further open up the ways in which our employees can engage in our safety programme. The App based system has initially been launched across our Manufacturing sites, with roll out to Logistics and the wider business next year.

We encourage our employees to be vigilant at all times and to report anything they feel is unsafe, however minor, whether this be unsafe conditions (hazards) or working practices. We also empower our employees to take action immediately to make situations safe for themselves and their colleagues. In our Manufacturing Division, to understand how proactively our teams are involved in our safety programme, we monitor how many hazard reports are raised and also how effectively these are made safe and closed out, to ensure our workplaces remain safe at all times. Since 2019 we have more than tripled the number of hazards raised, which is an indicator of the ongoing strengthening of our culture. Through our communication campaign, employees have also developed a greater awareness of hazards and the number of near miss reports which have been raised, where accidents could have happened if circumstances were slightly different, have increased from 9 to 37. Next year we will continue to focus on proactive safety measures, including launching our behavioural safety programme for Manufacturing Leaders.

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. Many high risk activities reside in Manufacturing and include Safety Critical Tasks such as Working at Height, Working with Electricity and Working and Confined Space Entry. However, through the work of the HSW Committee, other high risks such as business driving have also been identified. COVID-19 remains a high risk across the business; however, our COVID-secure Life Saving Rules have been effective in minimising any work related transmission.

Safe Working Practices

The Group HSE team have established Communities of Practice, drawing together subject matter experts from across the Group to develop Group HSE Standards. This year the standards prioritised for development focussed on safety critical tasks, including permit controls and the control of non-routine and high risk engineering and maintenance work. In addition to protecting our employees, these standards are also applicable to any contractors who work on Dechra sites such that they adhere to our high standards of Health and Safety. At the current time 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. A Group Audit schedule is now being established.

Corporate Social Responsibility continued

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 37). 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 reduced from 0.17 to 0.09. The number of incidents has reduced from six to three. Two incidents occurred in our manufacturing facilities and one in the sales and marketing organisations. There were no fatalities (employees or contractors). Two of the manufacturing facilities, Bladel and Melbourne, have now had over 36 months without an LTA and one of the manufacturing facilities, Zagreb, has had over 24 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 the full range of normal working activities (not including the day of the accident). Using this new more rigorous reporting standard we have experienced 11 LTAs. Six of these accidents were caused by unsafe behaviours and this will be addressed throughout the coming year through the delivery of a Leadership Development module focusing on safe and unsafe behaviours and positive safety conversations. This will be initially launched across Manufacturing.

Any material health and safety issues or incidents that occur are discussed in detail by our Health, Safety and Wellbeing 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 PLC Board meeting by the Group HSE Director for discussion and review by the Directors.

Case Study: THRIVE

THRIVE aims to provide a global programme for Dechra employees which supports positive physical, mental, emotional and financial wellbeing, enabling employees to THRIVE at work by increasing employee energy, creativity and collaboration to drive personal and business success.

Wellbeing has never been so important and throughout the pandemic Dechra has supported the Wellbeing of all colleagues at both a local and global level. Supporting employees to be physically and mentally well brings benefits to individuals and the business therefore the Health, Safety and Wellbeing Committee has developed our THRIVE wellbeing strategy.

Our THRIVE strategy has four pillars Physical, Emotional, Financial or Social:

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.

Each pillar has three levels to reflect that although making healthy choices is up to each employee, there is some support that Dechra as an employer can provide that we believe is essential to employee Wellbeing.

- Foundation: providing consistent support across the business for issues that are fundamental to wellbeing at work. Many of these fundamental controls are contained in our HR Policies where we have established the expected standards across the business to achieve a consistently high level of support. In order to provide information, advice and support to employees through any life event we have established Employee Assistance Programmes (or local country equivalent) in all regions.
- Employee Choice: providing elements that are specific to regions or teams and for the forthcoming year will be developed from our employee feedback from the Great Place to Work Survey.
- Optional Elements: employee driven and include events that are organised locally, such as social events or local health promotions. Although potentially light in impact, these optional elements raise local awareness and can engage employees in the broader programme.

Our strategy recognises that achieving overall wellbeing is a shared responsibility where both Dechra and employees must work together. 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.

Our strategy will evolve throughout the 2022 financial year, with a focus on employee engagement to help rebuild employee confidence, health and wellbeing in the post pandemic work environment.

Our Environment

Linkage to UN SDGs

31%
of waste recycled or reused

27.8%
Electricity used by Zagreb by solar

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.

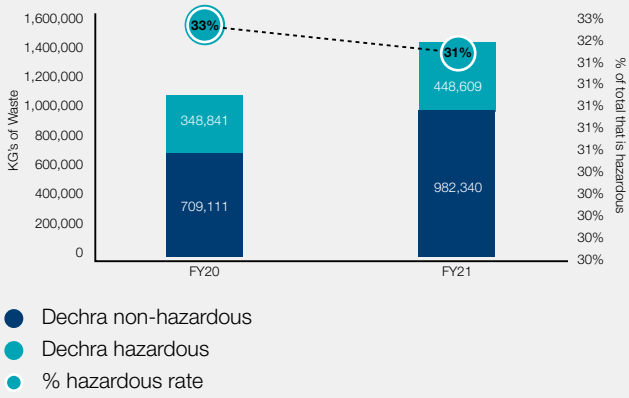
Our carbon emission software, in addition to energy usage, captures the impacts from waste generation, water use, effluent disposal and refrigerant gas losses from locations where this is likely to be material. The sites that have a material impact are our manufacturing and logistics facilities.

Waste

We are committed to the prudent use of all natural resources and the minimisation of waste in all activities from the specification of incoming raw materials, the use of materials in production activities and packaging, and the distribution of products into the supply chain. Where waste is unavoidably created we will manage its disposal in the most appropriate manner giving full consideration to environmental issues.

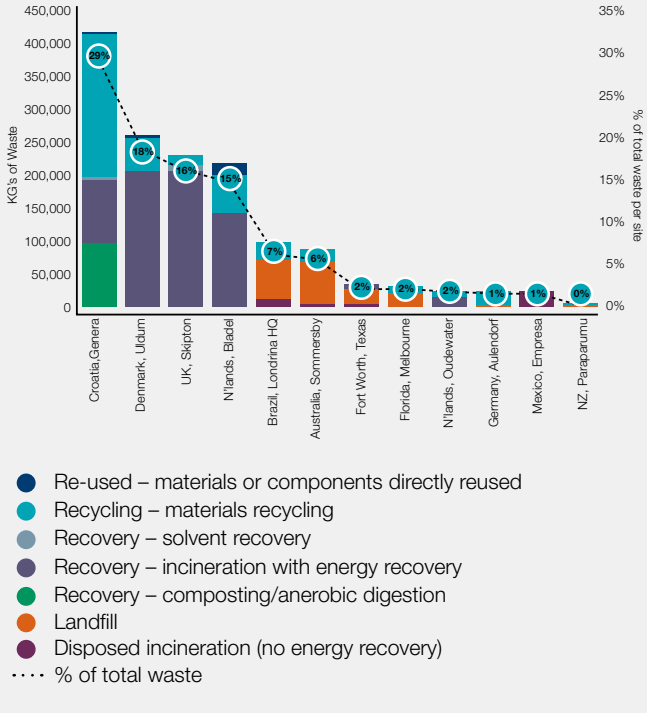
One of the most important impact areas for Manufacturing and Supply is waste generation, the management of which must be carefully controlled so that any hazardous substances or contaminated materials are disposed of correctly. Hazardous waste volumes increased by 29% mainly due to one-off finished goods disposals and raw material disposals. Despite this increase, the percentage of hazardous waste verses non-hazardous waste reduced to 31% (2020: 33%).

Total Waste – Fate of Waste



Our ultimate aim is to be zero to landfill and to achieve this target all of our sites are encouraged to increase reuse, recovery, or recycling of waste (where locally available).

Total Waste – Waste Disposal Method



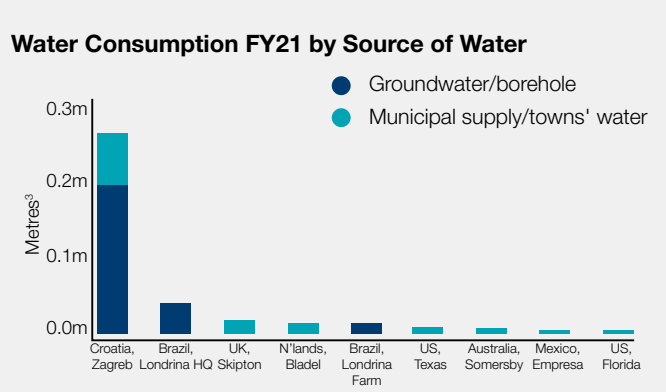
During the financial year a Community of Practice was formed and a Group standard was developed. This standard implements the hierarchy for waste principles and encourages sites to select waste options which are higher on the waste hierarchy (not landfill or incineration with no energy recovery) and to monitor waste volumes regularly. For waste which cannot be eliminated we classify it according to the European Waste Classification codes. The gap assessment for this standard has now been completed by the sites and a focused improvement team has started to focus on sites who are disposing waste to landfill and incinerating waste with no energy recovery.

Corporate Social Responsibility continued

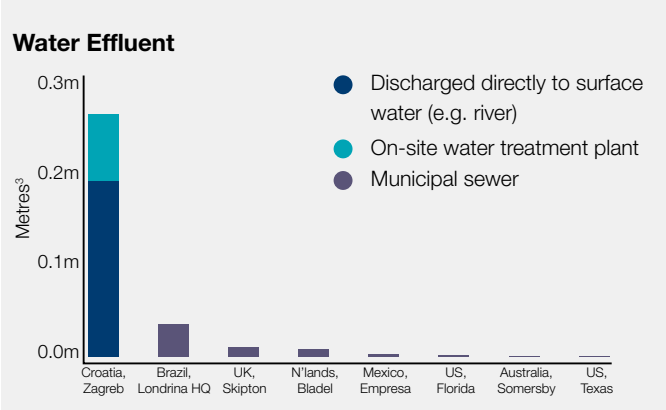
In the 2021 financial year the total volume of waste was 35% higher than 2020 financial year, however waste recovery, recycling and reuse rates improved from 83% to 86%. 14% (2020: 16%) of Manufacturing and Supply waste was landfilled or incinerated with no energy recovery.

Water

Our manufacturing sites aim to use water responsibly so that usage does not negatively affect the communities where they operate, by diminishing the supplies of clean water or degrading the quality of that water. Water consumption is low in comparison with other manufacturing sectors. Water is used from two sources as per below:



Water withdrawal compared to the previous year was lower, this was mainly due to the lower production volumes of Mepron at Zagreb. Where water usage has increased this has been largely linked to increased production volumes. Water is used as an ingredient in products, for cleaning and general production, and for cooling equipment and in processes. Any contaminated water generated throughout the production process is disposed of as process effluent. Any waste water with the potential to adversely impact the environment is appropriately managed, controlled and treated prior to release. For Dechra Manufacturing sites, this includes all water used for cleaning purposes. In accordance with GMP requirements, to prevent cross contamination and to enable product reconciliation, used process equipment is generally drained, vacuumed or wiped clean prior to being washed. This reduces contamination washed to the effluent stream. During the 2021 financial year our Brazilian facility has started using water from a rain water collection system for cleaning open areas. Effluent is disposed of in a number of ways as shown below:



At Zagreb there is an on-site effluent treatment plant where settlement and pH correction occurs prior to discharge. They also discharge cooling water directly back to the river. The most frequent route of disposal for waste water at the other sites is to the public sewer. In most countries a licence to discharge is required and Manufacturing sites must monitor the effluent quality and quantity to monitor that they are compliant with the requirements.

Energy

Greenhouse Gas Emissions

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. 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, in the case of the 2020 and 2021 financial years, water.

	1 July 2020 to 30 June 2021	**% relates to UK**	1 July 2019 to 30 June 2020	% relates to UK	1 July 2018 to 30 June 2019
Scope 1 (tonnes)	**7,027**	**6.5%**	6,747	6.0%	5,521
Scope 2 (tonnes)	**5,261**	**12.4%**	4,969	10.1%	3,712
Scope 3 (tonnes)	**1,934**	**4.2%**	2,347	7.4%	2,420
Total Carbon Footprint (tonnes of CO_2e)	**14,222**		14,063		11,653
Intensity Ratio (tonnes of CO_2e per £m)	**23.3**		27.3		24.2

Manufacturing

Our Manufacturing is the main contributor to our carbon footprint representing 89.6% of our total carbon footprint, and in particular the main contributors to Scope 1 are:

- Zagreb, due to the production of the nutrition supplement that is manufactured at Genera. The coating spray solution is ethanol based, and on completion of the coating, the ethanol vapour is extracted into a recovery plant which recycles 95% of the ethanol back into the production process. To meet environmental legislation, the site has an ethanol recycling unit which alone consumes approximately 60% of the energy utilised in this production area.
- Refrigerant gas losses contributed 21% of all Scope 1 emissions (1,477 tonnes) in the 2021 financial year, with our 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 is also necessary for freeze drying and general process cooling applications. The site is continually reviewing their strategy to manage equipment containing refrigerant gases, including equipment management to prevent leakages, renewal of older equipment and switching to refrigeration processes that have a reduced environmental impact. This year the site has installed a new boiler for industrial steam fuelled by liquid petroleum gas, reducing the use of diesel.

Offices

Offices include our sales representatives and Scope 3 (which includes vehicle emissions) account for 790 tonnes (2020: 1,159 tonnes) of the 827 tonnes total. The number of electric vehicles within our fleet is increasing year on year.

Warehousing

Our warehousing facilities contribute 618 tonnes of carbon (2020: 650 tonnes) and 67% of this is in relation to the fuel used in the buildings. Our main facility in Uldum, Denmark (Dechra Service Center) is looking at alternatives to fossil fuel, which have a lower environmental impact and other energy improvements. During the 2021 financial year, the Uldum warehouse handled 51,569 orders, an increase of 32% from 2020. The increased activity was mainly due to a large number of new products and incoming orders. The increased number of products has meant that the storing capacity at Uldum had reached its maximum leading to the use of external storage involving extra transportation and CO_2 emissions. Therefore, a 6,000 m^2 warehouse extension was commenced during the financial year. The warehouse will have a 2,000 m^2 basement floor, which will hold all cold store products at a constant temperature of two to eight degrees centigrade. The advantage of building the cold store below ground is the fact that the cooling process will be aided by the ground temperature of eight degrees centigrade which will significantly reduce the energy use of room cooling.

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.

	1 July 2020 to 30 June 2021	**% relates to energy consumed in UK**	1 July 2019 to 30 June 2020	% relates to energy consumed in UK
Scope 1	**31,522,041**	**6.3%**	33,509,013	6.3%
Scope 2	**17,185,952**	**16.2%**	16,647,278	11.7%
Scope 3	**6,610,981**	**0.9%**	8,444,662	6.1%
Total kWh	**55,318,974**	**8.7%**	58,600,953	7.8%

Sustainable Energy

Solar Panels

Dechra has one of the largest solar panel installations of its type in Croatia, and it has been operational since 28 June 2019. The solar panels have generated 27.8% (2020: 29.6%) of the electricity used at the site.

	2021 Total	2020 Total
HEP (kWh)	**5,021,820**	5,366,447
Solar power plant (kWh)	**1,933,695**	2,254,633
Total	**6,955,515**	7,621,080
% of solar	**27.80%**	29.58%

The management team at Zagreb have now taken a further significant step towards improving the energy efficiency at the site by successfully gaining accreditation to ISO 50001, the international standard for Energy Management.

Improve energy effectiveness through transport initiatives

The Dechra Service Center (DSC) distributes 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 team have identified the transatlantic shipments from Europe to North America, Mexico and South America, as an opportunity for significant reduction in CO_2 emissions by making DSC the central hub for all shipments in order to ship full container loads by sea rather than shipping single pallet orders by air. For future planning of transportation, the Global Transport team are working on a tool which can calculate the CO_2 emission on single order level, the new tool is expected to be ready in the new financial year and will be accompanied with a guidance for sustainable distribution planning and execution.

The increase in CO_2 per kg is due to the increase in pharmaceutical product shipments which are lighter in comparison to Nutrition products, and the majority of pharmaceutical products require shipments to be temperature controlled.

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

Corporate Social Responsibility continued

Taskforce for Climate-related Financial Disclosure (TCFD)

The TCFD was established to help identify the information needed by investors, lenders, and insurance underwriters to assess and price climate-related risks and opportunities appropriately. The Taskforce structured its recommendations around four thematic areas that represent core elements of how organisations operate: governance; strategy; risk management; and metrics and targets.

Recommendation	Dechra Approach	Further Information
Governance Disclose the organisation's governance around climate-related risks and opportunities.	The Board is accountable for approving our ESG strategy and overseeing the delivery of our climate-related objectives. Our Senior Executive Team (SET) are responsible for delivering on these objectives within their functional areas and business units. Each SET member will have an ESG objective as part of their personal objectives within the 2022 financial year annual bonus plan. The Board and the SET are supported by a cross-functional ESG Committee who work with them to define our ESG strategy, and set objectives and targets which are aligned with the United Nations Sustainable Development Goals. To enhance our commitment towards TCFD reporting further, a dedicated TCFD team has been appointed.	
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Our environment strategy and objectives are described in our Corporate Social Responsibility Report. Our policy is that we are committed to minimising the impact of our operations on the environment by adopting responsible environmental practices and complying with applicable environmental legislation. We are committed to setting ambitious Science Based Targets and help limit global warming to 1.5°C. We recognise the potential business opportunities of: • more efficient modes of transport and use of materials; • further improvements in packaging; and • exploring increased opportunities on sites with production of renewable energy (e.g. solar panels etc.).	Corporate Social Responsibility (pages 52 to 75)
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	We have identified the importance to acknowledge climate risks as part of our normal risk management process. During the 2021 financial year climate risk has been identified as a principal risk and has been discussed with each SET member. Currently our actions are focused on physical climate risks. We have created a risk assessment for completion by every internal site. The sites were asked to identify climate and natural disaster risks specific to their businesses now and over a 15 year period. The assessment was circulated in July 2021. The next step is for our dedicated TCFD team to assess the data and discuss scenario planning with key management looking at both physical and transitions risks.	How the Business Manages Risk (pages 76 to 78) Emerging Risks (page 77)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Our environmental metrics and targets are described in our Corporate Social Responsibility Report. The key targets are: • zero to landfill by 30 June 2025; and • commitment to set a science-based target through the Science Based Targets initiative, Ambitious Business Targets of 1.5 degree, reaching net-zero emissions by 2050.	Corporate Social Responsibility (pages 54 and 55)

Our Business

Linkage to UN SDGs

33
Product Development Projects

83,000
Academy Users

Our key focus areas are:

- Ethical and Sustainable Products: the development and promotion of products to improve animal health and welfare ethically and sustainably;
- Veterinary Professionals: maintaining and improving the knowledge and skills of veterinarians who prescribe and use our products; and
- Ethics: acting honestly and with integrity.

Ethical and Sustainable Products

Product Development

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. 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.

The scientific purpose of involving animals in the development of our products is reviewed and approved by Regulatory Agencies. For each individual study, an Animal Welfare Committee approves the protocol.

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 aims to use a minimal number of animals and that their treatment is humane, and Dechra inspects all facilities which perform testing to confirm proper care and treatment of animals is evident. Additionally, a full review of the study design will be approved by the Animal Welfare Committee for clinical studies. In all instances only animals with the disease the product is intended to treat will be used and for clinical field trials, owner consent for the trial is obtained.

Pharmacovigilance

All employees, except production and logistics operatives, receive pharmacovigilance training within one month of joining Dechra. This is then verified by the pharmacovigilance e-learning module on Delta. These employees undertake an annual pharmacovigilance refresher training. The pharmacovigilance training outlines the procedure that should be followed by all Dechra personnel if they are informed of a product complaint.

Any time that Dechra receives a report of an adverse event occurring after the administration of one of its products, the Company treats the report seriously and it is Dechra's obligation to review the case to determine whether its product may have caused or contributed to the adverse event. All suspect adverse reactions are reported to the appropriate regulatory authorities.

Sustainable Packaging

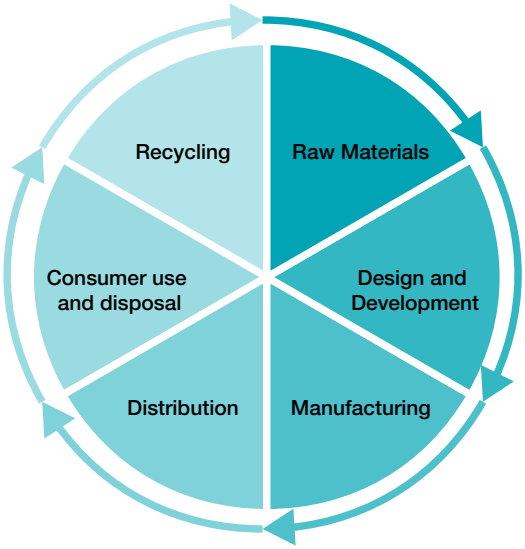
We have previously reported on the steps our logistics operations have taken to be more environmentally friendly. These steps have included using:

- 100% recycled paper for stuffing in shippers;
- cardboard packing made from 70% to 90% recycled material; and
- old newspapers as fillers in packaging.

In 2018 we changed the packaging of our cat food, reducing bag height, using thinner bags and introducing a flat bottom, and in 2020 we made the same changes to our range of dog food. In total these changes have saved 18,000 kg of plastic per year. All of our cardboard cartons for our dry diets are now FSC certified. In 2020, we launched a new range of organic diets including dry foods in recyclable bags. Our new organic dry food bags are made from layers of the same type of plastic but with a gas barrier between the layers. This gives packaging that is both lighter and stronger than conventional bags but because it is a single type of plastic, it can be recycled where collection systems allow. The organic diets are the start and we are committed to having all of our Specific diets in recyclable packaging by 2023.

During the 2021 financial year, Dechra has progressed the development of our sustainable packaging strategy and established a packaging committee, with representatives from research and development, HS&E, manufacturing, supply management, sales and marketing. The packaging strategy looks at each stage of the packing life cycle with the aim of understanding how Dechra can reduce its environmental impact when sourcing packaging materials through to the post consumer choices during disposal/recycling.

Corporate Social Responsibility continued



During the 2022 financial year, we will focus on safeguarding biodiversity and responsible forestry by implementing a framework to source FSC certified fibre/paper, which will help achieve sustainable forest management in the world, one of the targets of SDG 15 (Life on Land).

As a pharmaceutical company with a broad portfolio, our packaging decisions are more complex due to the necessity of regulation in securing product and administration safety as well as legal compliance. However, we will endeavour to reduce packaging, and reduce the use of more than one material in a dispensing carrier to improve recyclability and where possible, use recycled materials in our packaging. We will work together with our customers, veterinarians, as well as pet owners in order to advocate awareness of the importance to recycle all material correctly in order for it to be used again.

Sustainable Ingredients

All of the krill, fish oil and fish meal used in the dry Specific diets are certified by either Marine Stewardship Council (MSC), IFFO RS Standard or Friends of the Sea. We regularly review our top ten ingredients, assessing the risk of scarcity and putting in place plans if we feel there is a growing risk. We have recently started to use algae, in our new sardine cat food, this ingredient is a rich source of omega-3 and has a number of benefits:

- commercial algae production takes place onshore, so has no impact on the marine environment;
- it uses a highly controlled process that takes very little land and does not use valuable drinking water or arable soil; and
- directly using algae as an ingredient helps preserve fish stocks.

As well as monitoring the provenance of our ingredients we are also interested in how these ingredients are produced. The sardine used in our new cat food are caught, in MSC certified fisheries, using a low impact ring netting system. With trawl netting the nets are towed through the water, whereas with ring netting, a net is used to encircle a shoal of fish forming a deep curtain of netting suspended vertically through the water, with the net then being drawn in.

There are a number of advantages to ring netting, and they are:

- by-catch is reduced because if the wrong species are in the net, the whole catch can be released unharmed;
- less seabed impact as the net does not come into contact with the seabed; and
- lower fuel consumption as the ring net is not towed through the water and the vessels used are small inshore vessels.

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. We are members of the industry associations in the majority of countries where we have our own sales teams, and follow the industry association's marketing and promotional guidelines in these countries. All our promotional material is approved internally by an appropriately qualified regulatory manager, technical product manager or veterinarian. 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.

The volume and value of payments to animal health professionals is very modest compared to payments to healthcare professionals by the human pharmaceutical industry. We only make modest fee-for-service payments to key opinion leaders who help us develop and deliver educational materials events and to veterinarians who we use to conduct clinical trials. There are currently no regulatory or industry requirements to publicly disclose promotional violations or payments to healthcare professionals.

Our Products

Our products are all targeted at providing veterinary professionals with solutions for their customer needs. Our products can be divided into four categories: Companion Animal Products (CAP), Food producing Animal Products (FAP), Equine, and Nutrition.

We have developed a strong position in providing specialist and clinically necessary novel CAP 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.

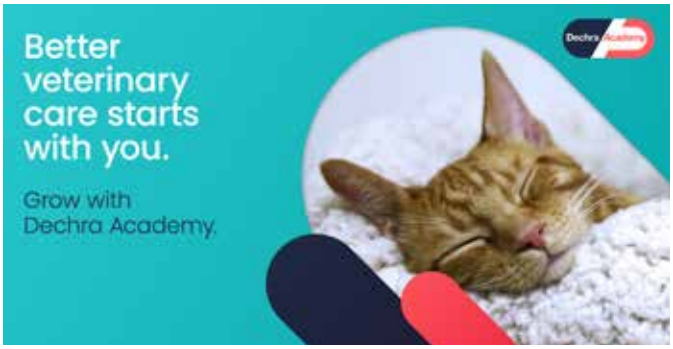
Our FAP products are positioned to match current best practice prescribing habits and to meet the growing awareness for the need for better animal welfare standards.

Veterinary Professionals

Our relationship with veterinarians is key to our business and therefore, we provided 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. In addition, we provide scholarships to the next generation of veterinarians.

Education

We deliver education through many channels, including conferences and our online digital e-learning environment, the Dechra Academy.



During the year, the Dechra Academy undertook a rebrand. By listening to our customers' changing requirements we have developed a new brand identity that is now in line with what they need. This also enables our marketing and educational offering to be recognisable and consistent across the globe. We were awarded "Best in Class" for CPD that the veterinary community value by the UK CM research report. Together with our new platform and modern learning design principles we are consolidating our position as one of the best educational resources for veterinary professionals. The Dechra Academy remains a key differentiator for Dechra and our most important digital asset.

Noticeable achievements over the last 12 months are:

- courses available in 19 languages (2020: 18 languages);
- 83,000 registered users (2020: 68,000 registered users);
- 549 courses (2020: 334 courses);
- 2,400 average users per month (2020: 2,200 average users); and
- 19 local market domains (2020: four local market domains)

Our focus for the next 12 months will be the continued roll out of the local domains, celebration of our 10 year UK Academy anniversary and further integration with our other digital platforms. We are placing a greater emphasis on the educational aspect of the Academy, empowering our users and distinguishing ourselves from our competitors.

Case Study

Use of digital training during COVID-19

Due to the restrictions imposed by COVID-19, our DVP International business has been unable to visit and provide face to face training with its distributors, and has had to switch to virtual events. It has distributors in 68 countries, which has meant that the planning and preparation of these events is vital as it has the added complexity of offering training in different time zones, sometimes with language barriers.

The multitude of customers that have been supported and trained has varied from poultry veterinarians in South Africa, pig farmers in Indonesia to companion animal vets in South Korea to name a few. On top of this DVP International had to move its annual distributor meeting online.

Over the past year, DVP International's CAP team has conducted five external webinars, three internal webinars and 28 internal product trainings for its distributor partners. These sessions have focused on new product launches such as *Osurnia* and *Mirataz* as well as existing products like *Cardisure*, *Prevomax* and our endocrine and dermatology ranges. The business has reached 828 veterinarians with these external webinars. In April the first virtual CAP distributor meeting was held for South Korean veterinarians focusing on *Vetoryl*, *Zycortal* and *Cosacthen* from our endocrine portfolio. It was hosted by an external speaker Dr. Imogen Schofield from the Royal Veterinary College and speakers from Dechra.

All together 14 FAP training events have been held. The last event was a two day SoluStab Webinar held in May 2021, which had originally been planned as a live session.

Corporate Social Responsibility continued

CPD Events

During the financial year, we held 501 CPD events in North America with 24,091 attendees. Our *Mirataz* pan-European live webinar was translated simultaneously in eight languages, with 967 attendees across 15 countries, and 10,000 customers received training in Poland. Our International business:

- held two online distributor meetings, each spanning two days of technical and marketing training, providing education to 75 participants;
- in addition to local CPD activities, we have supported our distributors with 8 online seminars delivering live education to a further 591 veterinarians; and
- held the equivalent of 110 hours of distributor training.

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, the provision of a 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 our smaller markets we will have a veterinarian responsible for providing veterinary support. This compares to our larger markets where we have more veterinarians that will collaborate across all sectors of the industry. The UK has one of our largest teams, and in the last financial year this team handled around 7,200 customer enquiries, 54% of which were related to our endocrine treatments *Vetoryl* and *Zycortal.* In 2021, the US Veterinary Technical Support team provided technical support for 9,740 new cases, with close to 40% specific to *Vetoryl* and *Zycortal* products. In addition, these larger markets will also have field-based veterinarians providing technical support and carrying out 'lunch and learns'.

Ethics

We are committed to acting responsibly and with integrity. We comply with the laws and regulations and respect the traditions and cultures of the countries in which we operate.

Honesty and Integrity

We are committed to acting responsibly and with integrity. This 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, which 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 has been updated during the financial year, and an exercise has been completed to simplify and align the Group Policies with the Code of Conduct which has resulted in the development of a set of simple, one page policy documents. A Code of Conduct e-learning course has been developed and was rolled out in English at the end of June, it will be translated into eight languages by the end of this calendar year. It will be a global mandatory course to be completed on an annual basis.

Our employees are encouraged to report behaviours that are contrary to our Code of Conduct via our How to Raise a Concern Procedure.

Anti-Bribery and Anti-Corruption

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, and continues to be, an area of key risk 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 a continual 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.

All employees, officers and consultants are required to comply with the Dechra ABC Policy and Code of Business Conduct, both of which were updated during the 2021 financial year as part of an annual review. 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 Group Legal delivers face-to-face updates and targeted training to different teams across the business, addressing the areas of risk specific to their activities and the markets in which they operate.

Every employee and sales agent engaged by Dechra is required to complete our e-learning ABC course on an annual basis. A new course was launched in February 2021, the content for which will be reviewed and refreshed each year alongside our annual review of Group wide policies. By June 2021, three months after its launch, 88% of our employees had completed this course, which focuses on the principles behind ABC laws and assists employees in identifying and mitigating ABC risks.

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. In the next financial year we will develop a new platform which will streamline the ongoing due diligence review of existing third parties, thereby allowing resource to be dedicated to the more detailed analysis and mitigation of ABC risk across the Group.

Human Rights

Dechra is committed to upholding and respecting human rights both within our business and from our suppliers. During the year, the Board approved a Human Rights Policy, a copy of which can be found on our website. The following 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.

We do not use forced, bonded or indentured labour or involuntary prison labour or take part in human trafficking. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships. We are also committed to implementing and enforcing effective systems and controls to prevent modern slavery from taking place anywhere in our own business or any of our supply chains. Our Modern Slavery Statement can be found at www.dechra.com.

- We do not use child labour. We comply with international standards on the minimum age for employment. The minimum age for employment is 16 years of age. However, if the local minimum age law stipulates a higher age for work or mandatory schooling, then the higher age will apply.
- We treat people fairly and do not tolerate bullying and harassment. We do not discriminate for reasons such as age, gender, sexual orientation, marital status, race, colour, ethnicity, disability, religion, political affiliation or union membership.
- We provide a workplace free of harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers, and no threat of any such treatment.
- We recruit and promote people on the basis of their personal ability, contribution and potential. We are committed to promoting, supporting and maintaining a culture of fairness, respect and equal opportunity for all.
- We are committed to fair employment practices and comply with national legal requirements regarding wages, including minimum wages, overtime hours and mandated benefits, and working hours.
- We provide a safe working environment for those who work for us or with us. We reinforce good safety management practices and maintain awareness of safe ways of working.

Corporate Social Responsibility continued

Our Community

Linkage to UN SDGs

£72k
Cash Donations

£310k
Product Donations

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, volunteering in the fields of animal welfare, human service and environmental stewardship. There is a particular focus on animal welfare driven by the passion of our employees. We have committed to giving our employees one day per year in the community. Unfortunately, a lot of our community activities this year have been postponed due to the social distancing restrictions imposed by COVID-19. However, the following activities were undertaken:

- employees in Kansas and Portland, USA held two remote activities early in the year; a walk to raise money for Not One More Vet (NOMV) who support the mental wellbeing of veterinary professionals and students, organised by the Veterinary Technical Services team in Kansas, and a telethon to raise money for Good Shepherd Food Bank in Portland;
- in Fort Worth, USA approximately 60 hours of volunteer hours were spent distributing essential personal care items during COVID-19 to clients of the Fort Worth Hope Center;
- a group of 25 volunteers from the Nordics connected virtually while Plogging, an event that combines exercise jogging with picking up rubbish, and collected 197 kilos of rubbish;
- a community day for 25 employees from our Den Bosch office providing much needed general maintenance at Oosterhoeve, a farm caring primarily for older animals that is a safe haven; a place that offers positivity, support and relaxation to those who need it; and
- in Belgium, employees held a community day in a retirement centre for horses. The team helped out cleaning the pastures, building a hay rack, and groomed the horses.

Community Donations

For the last ten years we have operated a Group Donations scheme, whereby we encourage all employees to nominate a charity or non-commercial organisation for a charitable donation. We decided that we would give the 2021 financial year's donation to charities related to the effects of COVID-19. A sum of money was allocated to each country in which we have a manufacturing organisation as Simon Francis, Group Manufacturing and Supply Director, sadly passed away from COVID-19 last year.

Our teams in Skipton, Zagreb, Bladel, Londrina and Australia/New Zealand were each awarded the local equivalent of £10,000 and Melbourne and Fort Worth were awarded the local equivalent of £5,000. Donations included monetary contributions and the supply of food parcels, pet food and hygiene products.

We have also donated €10,000 to Tour de Fundacja, a charity that funds the holiday rehabilitation of children with disabilities in Poland.

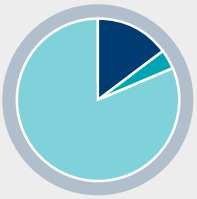
In addition to the annual Group Donations, each business unit has the discretion to allocate funds and/or products to local community charities and/or animal welfare charities.

Dechra Veterinary Products (DVP) EU donated €10,000 to Voedselbank Den Bosch, in the Netherlands. The charity helps more than a million people who live below the poverty line, by temporarily providing them with food parcels. Dechra Veterinary Products (DVP) North America donated $10,000 each to two area food banks, Harvesters Community Food Network serving the greater Kansas City area, and Good Shepherd Food Bank serving the greater Portland area.

For the 2022 financial year, we will no longer run a centralised donations programme instead we will allocate funds to our sites to enable decisions to be made by Regional Giving Communities. During the 2021 financial year, we ran a pilot in the USA to establish and test the framework of Regional Giving Committees. The US Regional Giving Committee was made up of 23 employees, representing the various businesses within the USA. Committee members offered suggestions of their own, and then voted to narrow the selections to a reasonable number of organisations given the budget. Three organisations were awarded $3,000 each, and five organizations were awarded $1,200 each. Selections covered each of the three community pillars, Animal Welfare, Human Service, and Environmental.

The majority of other product donations are short dated product which otherwise would have had to be destroyed.

Group Donations



Group cash donations	**£56,564**
Business units cash donations	**£15,365**
Business units product donations	**£309,595**

Case Study: Earthquake, Croatia

Dechra provided vermin control products to support public health in affected areas

On 29 December 2020, an earthquake of magnitude 6.4 Mw hit central Croatia, with an epicenter located roughly 3 km (1.9 mi) west-south west of Petrinja – the strongest recorded in the region in 140 years. The earthquake was also felt in the Croatian capital, Zagreb, as well as in neighbouring Bosnia and Serbia and as far away as Italy.

In Petrinja and neighbouring towns, there were unfortunately seven deaths and many more injured and left homeless due to structural damage with the loss of electricity and water supply.

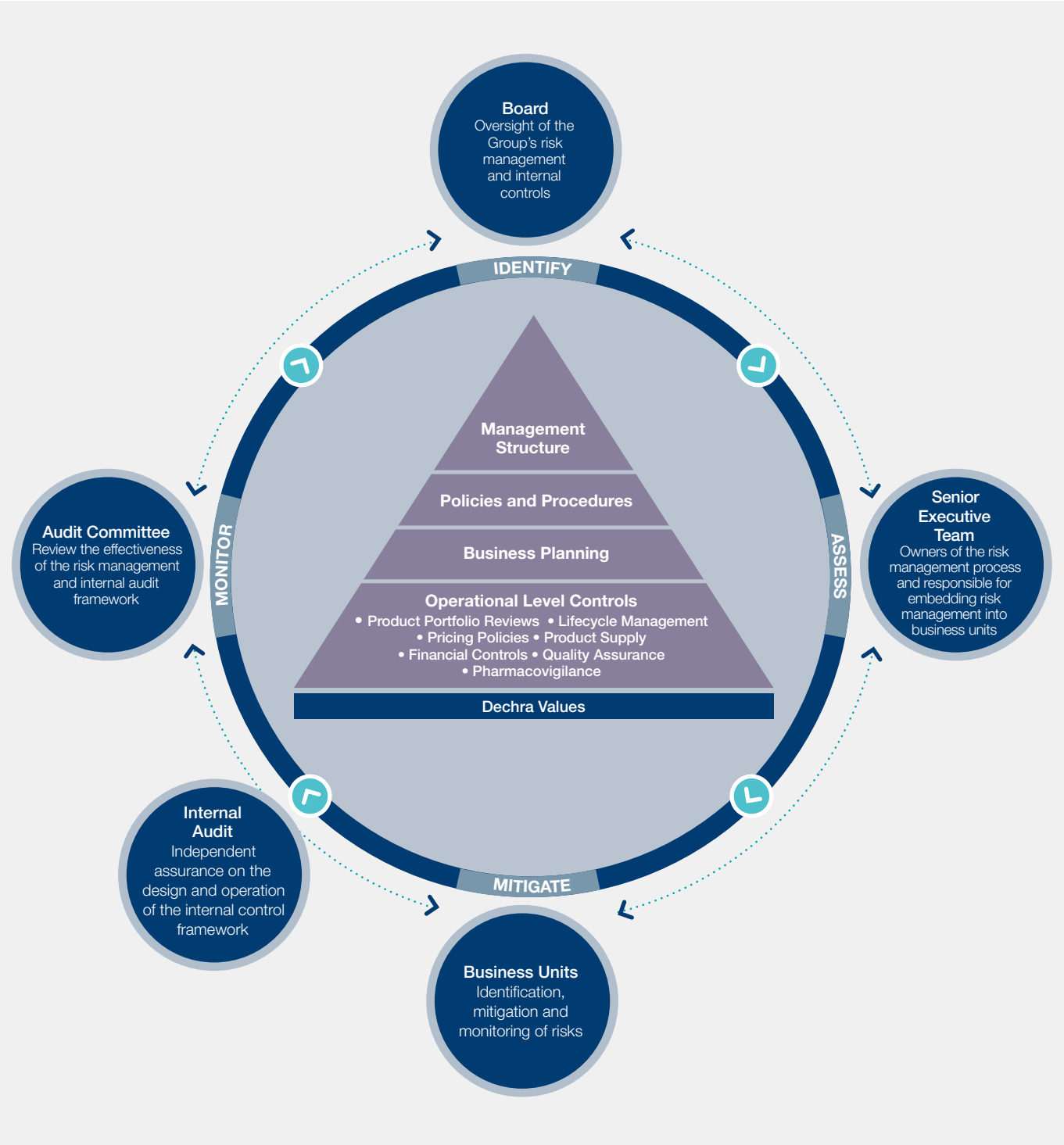
One of the key challenges post an earthquake is vermin control. This is to ensure public health is not adversely affected through the use of contaminated water supplies. In response, our Croatian team submitted a suggested list of products to donate to the Croatian Government's department of agriculture, who coordinated the crisis response by reviewing suggested donations, letting each donor know what would be beneficial and which recipients would benefit.

The net result was a Dechra donation of 38 pallets of stock, the majority of which was Brodolin Blok, a vermin control product, between the months of March and June. We hope our contribution in this significant crisis helped in a small way to support a return to normal life for the affected population.

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.



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 undertake 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 coordinate 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 rapidly 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.

COVID-19

We have continued to operate our risk management and control processes effectively throughout the COVID-19 pandemic, including a formal assessment of emerging risks, climate risk and the potential longer-term impact of COVID-19 on the business.

The operational impact of COVID-19 on the business during the last financial year and the actions we have taken in response are described in various parts of the Strategic and Governance Reports. Whilst the virus has had an impact on how we conduct our operational activities, we have continued to operate successfully throughout the pandemic in all of our worldwide locations. We have not needed to use any government support or job retention schemes, and have maintained and in some cases increased our headcount during the year.

Sales have continued to grow throughout the financial year against the backdrop globally of COVID-19 limiting the impact on business performance, whilst recognising that risks around our people and travel restrictions still exist. Given the developing global responses to COVID-19 we remain cautious and will continue to monitor and respond to further changes where needed.

Dechra Culture

The Dechra Values are the foundation of our entire business culture including our approach to risk management and control. The Board expects that these Values should 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.

How the Business Manages Risk continued

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 to 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 79 to 82. 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 2021

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.
- Recruitment of a new Group Quality Director to review and coordinate the Group approach to quality.
- Recruitment of a new Internal Network Director to strengthen the management of our internal manufacturing sites.
- We have continued to make improvements to our manufacturing, quality and supply processes, with additional investments in people and production facilities.
- Refreshed and relaunched our Code of Business Conduct, with a commitment to host our How to Report a Concern Procedure externally.
- Expansion of our financial control framework ahead of the proposed government BEIS report on audit and corporate governance, with a working group established to shape our preparation; and
- Our Environmental, Social and Governance (ESG) strategy has been enhanced with the appointment of a Group Sustainability Director, with an assessment underway to assess our climate risks further.

Plans for 2022

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 2022.

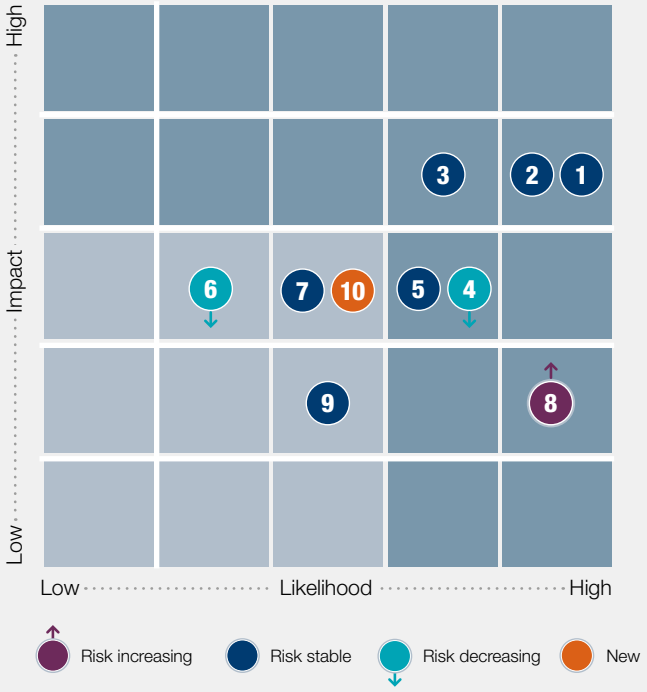
We also plan to make further improvements and enhancements to our financial control framework and our Group policies.

Understanding Our Key Risks

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, cybersecurity, IT systems failure 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.



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 *Felimazole* have built a market which continue 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.	→

Understanding Our Key Risks continued

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	3 Product Development and Launch Risk: Failure to deliver major products either due to pipeline delays or newly launched products not meeting revenue expectations. The development of pharmaceutical products is a complex, risky and lengthy process involving significant financial, R&D and other resources. Products that initially appear promising may be delayed or fail to meet expected clinical or commercial expectations or face delays in regulatory approval. It can also be difficult to predict whether newly launched products will meet commercial expectations.	A succession of clinical trial failures could adversely affect our ability to deliver shareholder expectations and could also damage our reputation and relationship with veterinarians. Our market position in key therapeutic areas could be affected, resulting in reduced revenues and profits. Where we are unable to recoup the costs incurred in developing and launching a product this would result in impairment of any intangible assets recognised.	Potential new development opportunities are assessed from a commercial, financial and scientific perspective by a multi-functional team to allow senior management to make decisions on which ones to progress. The pipeline is discussed regularly by senior management, including the Chief Executive Officer and Chief Financial Officer. Regular updates are also provided to the Board. Each development project is managed by project leaders who chair project team meetings. Before costly pivotal studies are initiated, smaller proof of concept pilot studies are conducted to assess the effects of the drug on target species and for the target indication. In respect of all new product launches a detailed marketing plan is established and progress against that plan is regularly monitored by a new product launch team. The Group has detailed market knowledge and retains close contact with customers through its management and sales teams which are trained to a high standard.	→
	4 Supply Chain Risk: Inability to maintain supply of key products due to manufacturing, quality or product supply problems in our own facilities or from 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. We have now addressed the majority of our in-house quality and supply challenges which contributed to an increased supply chain risk last year, and our enhanced Governance and controls in this area have seen a reduction in the risk here.	We monitor the performance of our key suppliers and act promptly to source from alternative suppliers where potential issues are identified. The top ten Group products are regularly reviewed in order to identify the key suppliers of materials or finished products. A dedicated external network team exist who manage and support our CMOs to deliver quality products to our regulatory specifications. Demand forecasting and supply planning processes, with monthly reviews of demand and production forecasts, inventory levels, and remediation plans for products that are out of supply. We plan to increase our working capital and carry higher levels of safety stock on critical raw materials, and finished products. 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. A business continuity plan is in place at Skipton, Zagreb and Uldum, and similar plans are being developed for other sites. A project is in progress to review and improve our supply planning processes.	↓

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	5 Regulatory Risk: Failure to meet regulatory requirements. We conduct our business in a highly regulated environment, which is designed to ensure the safety, efficacy, quality, and ethical promotion of pharmaceutical products. Failure to adhere to regulatory standards or to implement changes in those standards could affect our ability to register, manufacture or promote our products.	Delays in regulatory reviews and approvals could impact the timing of a product launch and have a material effect on sales and margins. Any changes made to the manufacturing, distribution, marketing and safety surveillance processes of our products may require additional regulatory approvals, resulting in additional costs and/or delays. Non-compliance with regulatory requirements may result in delays to production or lost sales.	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.	→
	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. Whilst acquisition activity has reduced across the year, our defined processes and acquisition team strength have seen a reduced risk against a backdrop of no global travel.	↓
	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 new people with different skills, experience and cultural knowledge to execute our strategy successfully in those markets and business areas.	Failure to recruit or develop quality people could result in: • capability gaps in new markets. • challenges in integrating new acquisitions; or • overstretched resources. This could delay implementation of our strategy and we may not meet shareholders' expectations.	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 new talent acquisition team and applicant tracking software have been embedded in the year.	→

Understanding Our Key Risks continued

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	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. In the EU new veterinary regulations are likely to come into force in January 2022 to reduce the use of antimicrobials in animals.	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 Retention of People Risk: Failure to retain high calibre, talented senior managers and other key roles in the business. Our growth plans and future success are dependent on retaining knowledgeable and experienced senior managers and key staff.	Loss of key skills and experience could erode our competitive advantage and could have an adverse impact on results. Inability to attract and retain key personnel may weaken succession planning.	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.	→
	10 Climate: Severe weather patterns caused by climate change or natural disaster causes damage to manufacturing or distribution facilities impacting our ability to meet customer demand.	Damage to our facilities as a result of climate change could impact our abilities to both 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.	The Sustainability Director and Risk team are engaged identifying the current risk threats and opportunities across the Group sites. Whilst there has been previous work in this area, the Group has a renewed focus and commitment towards its ESG responsibilities.	N

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

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 20 to 23 of the Strategic Report. The key factors supporting the Group's prospects are explained throughout the Annual Report and are summarised below:

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

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

The Assessment Process and Key Assumptions

The Group's prospects are assessed primarily through its strategic and financial planning processes over a five year time period. The strategic plan is supported by a five year financial plan, both of which are updated annually by the SET and reviewed by the Board. The Board also reviews the Group's principal risks on a rolling basis throughout the year, based on updates from SET members.

The planning process considers risks to sales and cost forecasts for each part of the Group, the Group's consolidated income and cash flow forecasts, and includes key assumptions to support longer term projections. The financial plans are reviewed to confirm that adequate financing facilities are in place for the period of the plan.

Progress against financial budgets, forecasts and key business objectives are reviewed through monthly business performance reviews at both Group and business unit levels. Mitigating actions are taken to address under-performance. The latest updates to the plan were reviewed in June 2021 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 2024 is an appropriate period over which to provide its viability statement. This time period is supported by the Group's budget process, which includes detailed projections for the next two financial years, and broader projections from the third year of the five year strategic planning process. The Board believes this provides a sound framework for providing reasonable assurance on the Group's viability given the inherent uncertainty associated with longer term forecasts.

The Board's assessment has been made with due regard to the Group's current position, its future prospects, adequacy of financing facilities, the strategic plan and the management of the Group's principal risks. The viability assessment takes account of all the committed expenditure of the Group.

Although the output of the Group's strategic and financial planning processes reflects the Board's best estimate of the future prospects of the business, the Group has also conducted stress testing to assess the liquidity impact of a range of alternative scenarios.

These scenarios have been developed by considering those principal risks that could have a material impact on viability. The potential impact of each principal risks is described on pages 79 to 82 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 the top ten products, and loss of key high margin products alongside acquisition spend. 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 2021.