

DECHRA VETERINARY PRODUCTS A/S

Mekuvej 9
DK-7171 Uldum

CVR no. 10 11 42 41

Annual report 2021/22

The annual report was presented and approved at
the Company's annual general meeting on

6 December 2022

Chairman of the annual general meeting



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements 1 July – 30 June	25
Income statement	25
Balance sheet	26
Statement of changes in equity	28
Notes	29

DECHRA VETERINARY PRODUCTS A/S
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of DECHRA VETERINARY PRODUCTS A/S for the financial year 1 July 2021 – 30 June 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2022 and of the results of the Company's operations for the financial year 1 July 2021 – 30 June 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Uldum, 6 December 2022
Executive Board:

Ian David Page

Board of Directors:

Anthony Gerard Griffin
Chairman

Melanie Jane Hall

Ian David Page

Independent auditor's report

To the shareholders of DECHRA VETERINARY PRODUCTS A/S

Opinion

We have audited the financial statements of DECHRA VETERINARY PRODUCTS A/S for the financial year 1 July 2021 – 30 June 2022 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2022 and of the results of the Company's operations for the financial year 1 July 2021 – 30 June 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Vejle, 6 December 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31



Morten Elbæk Jensen
State Authorised
Public Accountant
mne27737



Morten Jacobsen
State Authorised
Public Accountant
mne44140

DECHRA VETERINARY PRODUCTS A/S
Annual report 2021/22
CVR no. 10 11 42 41

Management's review

Company details

DECHRA VETERINARY PRODUCTS A/S
Mekuvej 9
7171 Uldum
Denmark

Telephone: +45 76 90 11 00
Website: www.dechra.com

CVR no.: 10 11 42 41
Financial year: 1 July – 30 June

Board of Directors

Anthony Gerard Griffin, Chairman
Melanie Jane Hall
Ian David Page

Executive Board

Ian David Page

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
7100 Vejle
Denmark

Management's review

Financial highlights

DKK'000	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
Key figures					
Revenue	2,367,833	2,131,656	1,614,316	1,426,675	1,140,797
Gross profit	255,837	192,181	111,703	192,871	165,525
Operating profit	168,493	112,865	34,542	113,648	96,535
Profit for the year	157,581	98,319	23,268	96,521	79,434
Total assets					
Total assets	1,209,656	1,132,379	964,160	1,047,271	924,200
Equity					
Equity	560,423	403,139	302,845	555,849	470,783
Investment in property, plant and equipment	27,208	40,805	1,623	477	2,732
Ratios					
Gross margin	10.8%	9.0%	6.9%	13.5%	14.5%
Operating margin	7.1%	5.3%	2.1%	8.0%	8.5%
Return on equity	32.7%	27.9%	5.4%	18.8%	17.3%
Solvency ratio	46.3%	35.6%	31.4%	53.1%	50.9%
Average number of full-time employees					
Average number of full-time employees	108	98	91	85	80

The financial ratios have been calculated as follows:

Gross margin
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$$

Management's review

Operating review

Principal activities of the Company

DECHRA is an international specialist pharmaceutical and related products business. Our expertise is in the development, manufacture and sales and marketing of high quality products exclusively for veterinarians worldwide. The business sells products in several European and overseas markets through subsidiaries and a number of distribution partners. Our customers are veterinary surgeons, predominantly operating out of commercial veterinary practices.

Our business model

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

Our products

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..

CAP is the basis upon which DECHRA established its market position and continues to be our strongest sector. 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 that complement the licensed pharmaceuticals, such as ear cleaners, dermatologically active shampoos and other topical and nutritional supplements. Key therapeutic sectors consist of endocrinology, dermatology, analgesia and anaesthesia, cardiovascular and critical care.

DECHRA entered the FAP sector through the acquisition of Eurovet in 2012 by the Parent Company of DECHRA VETERINARY PRODUCTS A/S. 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, especially in our plans for geographic expansion. Our products are entirely POMs that are prescribed by veterinarians who work in either specialist veterinary practices or professional farming units. Key therapeutic sectors consist of water soluble antibiotics, poultry vaccines, locomotion (lameness) and pain management.

Equine 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. Equine veterinarians are specialised in the species and operate out of either mixed practices or, increasingly, specialist equine centres. Key therapeutic sectors consist of lameness and pain management.

Nutrition is our range of pet foods predominantly focused on high quality nutrition to support therapeutic conditions in dogs and cats such as allergies, obesity, heart and kidney disease. They are sold through veterinary practices under the recommendation of either veterinarians or veterinary nurses and are recommended to support therapeutic recovery following diagnosis by a veterinarian of specific conditions.

Management's review

Operating review

Performance

As markets returned to normality following the global COVID pandemic and despite the continuing macro-economic uncertainties, our business has remained strong and delivered above market growth in almost all of our key markets and product categories. Our larger, more mature markets, such as UK and France produced solid, mid-high single digit growth, with other key markets such as Poland, Iberia and Italy producing excellent double digit growth. Consolidation of veterinary practices continued to be a feature, and the support and partnership model, led by our key account managers and technical support team, has ensured we are able to benefit from this growth in their business. Whilst consolidators put pressure on margins, they deliver additional volume. We have strong relationships with the majority of these groups and they will continue to play an important part in our business in the future.

CAP portfolio performed well, delivering double digit growth, with the vast majority of additional revenues derived via organic growth from our existing product range. Most key therapeutic sectors delivered growth, including cardiology, dermatology, endocrinology and anaesthesia and analgesia. This was enhanced by continued growth of the Le Vet range of products, following the acquisition of Le Vet B.V. by the Parent Company of DECHRA VETERINARY PRODUCTS A/S.

FAP delivered growth despite the continuing pressure on antibiotic reduction and the global reduction of meat production following outbreaks of African swine fever and Avian Flu. We believe our FAP antibiotic range remains aligned for best prescribing practice and the overall portfolio is in a strong position to continue to deliver future growth. Our range of in-house developed poultry vaccines is also enhancing this position.

Equine performed well in most markets across the year, and has recovered well following the effects of the global pandemic which saw the cancellation of many equestrian events, particularly in the UK and France. Further growth is expected as we look to enhance our portfolio offering.

Nutrition performance has continued to deliver double digit growth following strategic investment in new packaging, enhanced marketing efforts and greater focus on successfully competing for new business, particularly in France.

Development in activities and financial position during the year under review and follow-up on forecast development for 2021/2022

Group and Parent Company results and performance were in line with Management's expectations.

The Group reported a profit before tax of DKK 199.2 million for 2021/22.

In the past period, the Company realised its planned activities.

Revenue of the Company was within range of Outlook for FY22 at 9-13% whilst operating margin increased more in FY22 compared to Outlook for FY22 at 3-7% as a result of an increase in the cost base on which its warehousing and logistics fee is calculated, and due to an increase in the services fee income earned on the provision of support services to affiliates.

Capital

The capital base of the Company comprises contributed capital of a nominal amount of DKK 100 million subscribed at a premium. At 30 June 2022, total equity was DKK 560.4 million.

Capital resources

Capital resources are considered sufficient to meet future requirements.

Management's review

Operating review

Management of special risks

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 can only provide reasonable and not absolute assurance that the Group will be successful in delivering its objectives.

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.

The Group Senior Executive Team (SET) owns the risk management process and is responsible for managing specific Group risks. The SET is 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 SET together set the tone and decide the level of risk and control to be taken in achieving the Group's objectives. The following risks are specific to our business:

Competition

Competitor products launched against one of our leading brands. We mitigate this through focus on lifecycle management strategies for our key products to ensure our products fulfil evolving customer requirements. Product patents are monitored and defensive strategies are developed towards the end of the patent life or data exclusivity period. We monitor market activity prior to competitor products being launched, and develop a marketing response strategy to mitigate competitor impact.

Market risk

The emergence of veterinary buying groups, corporate customers and internet pharmacies. We manage and monitor our national and European pricing policies to ensure equitable pricing for each customer group. Our relationships with larger customers are managed by key account managers and our marketing strategy is designed to support veterinarians in retaining customers by promoting the benefits of our product portfolio in our major therapeutic areas.

Outlook

Following a strong set of results in 2022, the outlook ahead remains in line with management expectations. The Company is expecting revenue growth in the range of 9-13% and operating profit growth in the range of 5-9% looking into budgets and forecast for the next year.

Good progress is being made on all parts of our strategy, with several new opportunities being realized and recent Group acquisitions delivering expected returns. Whilst challenges in the market exist, we believe that our strategy and flexibility to adapt to change positions us well to continue to outperform. We have extended our European logistics centre in Uldum, Denmark creating over 6,000 new pallet spaces, with a subterranean store for temperature controlled drugs that materially reduces the electricity required to maintain low temperatures. We remain confident in our ability to outperform the markets in which we operate and in the prospects for the current financial year.

The primary objective for 2022/23 will be to continue to focus on our strategic pillars and grow the awareness and presence of the DECHRA brand across Europe.

Management's review

Operating review

External environment

As the market returns to normal levels of trading post the impact of COVID-19 and as current macroeconomic uncertainties continue, the veterinary pharmaceutical market, particularly in the CAP sector, is resilient and in growth. European practice corporate consolidation is expected to be a feature. Furthermore, veterinary distributors who operate in the majority of major countries in Western Europe are changing and increasingly focused on consolidation and the sales and marketing of their own products, which is often in conflict with their core historic suppliers. The Board is confident we remain well positioned to support the needs of larger practice groups alongside independent practices and that we also have the flexibility to respond quickly to any ongoing changes within the distribution network.

Management's review

Operating review

Corporate Social Reporting according to section 99(a+b) of the Danish Financial Statements Act

The CSR work of DECHRA Service Centre is fully integrated in the Group ESG strategy and targets, which is organised in the ESG Committee. In September 2022, the first stand-alone Sustainability Report was published which underlined the activities, results and strategies that are the result of the work carried out in the ESG sub committees; Health, Safety and Wellbeing Committee, Sustainable Packing Committee, Global Transport Logistics and Waste Committee as well as Regional Giving Committees. DECHRA Service Centre is represented in all Committees as we contribute with our part to the overall Group purpose to ensure "Sustainable improvement of animal health and welfare globally". On a Group level we have committed to a long-term strategy to reach net zero emissions by no later than 2050, backed by science-based targets.

Business Model

DECHRA Service Centre is the central warehouse for DECHRA's European and International markets as well as North America is supplied from Uldum, Denmark. The vast majority of products manufactured in our manufacturing sites in Skipton, Bladel and Zagreb as well as a large number of in-licensed products are transported and stored in the warehouse in Uldum. From this site they are picked, packed and shipped to our European and International customers. The principal objective is to deliver a customer's order on time and in full every time.

The majority of veterinary practices are supplied through pharma wholesalers and distributors, who are specialised veterinary distribution companies 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 distributors, overall, are not proactive in selling product; they predominantly supply to demand where the demand is driven by DECHRA's own sales activities within veterinary practices. There are a few markets where we offer direct supply, such as Germany and the Netherlands that are not fully supported by veterinary distributors or where legislation enforces all pharmaceuticals to be sold through pharmacies, such as Denmark, Italy, Norway and Sweden.

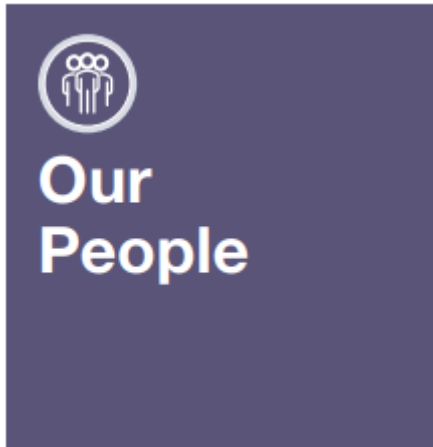
The ESG Strategy

Since 2020 DECHRA has chosen to link our activities to the UN Sustainable Development Goals (SDGs). The SDGs have been plotted against our company activities to identify which goals we can contribute the most to. At DECHRA Service Centre we have aligned the chosen SDGs with the four pillars of the ESG Strategy: People, Environment, Business and Community.

At DECHRA Service Centre the main activities are concentrated around goals: 3, 4, 5, 8, 10, 12, 14, 16. See below for more information.

Management's review

Operating review



Our Strategic Priority: A great and safe place to work



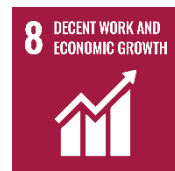
Culture and Values

Objective: Strengthen and communicate the DECHRA culture and striving to ensure our Values encompass our business ethics and standards

The objective to strengthen and communicate the DECHRA culture form our people approach at DECHRA Service Centre and we base this on the knowledge that our employees are our most valuable resource.

It is a top priority for us to ensure that DECHRA Service Centre is a safe and great place to work, where we focus on our employees' well-being and desire to engage in the company and the job.

We actively work on attracting and retaining people in all stages of life. We do so by supporting a good and healthy work/life balance throughout the employment. We are enabling our employees to manage family and work in a positive way by allowing them to plan their own day and in roles where this is possible also to work from home when needed.



Talent Management and Engagement

Objective: Attract, retain and develop talent to build and maintain a top-quality team

To ensure a consistent flow of competent employees, we own up to our responsibility of taking part of educating the workforce of the future. We do so by having apprenticeships where trainees typically have 2 years of vocational training. In 2021/22 we have had 2 trainees in the Logistics team and 1 in the Warehouse. Our trainees join the workforce in the same way as other new employees and with regular responsibilities to ensure them a thorough education. We are often able to offer them to stay on as regular employees after the 2-year period has ended and many stay employed for many years.

In connection with staff suffering a partial loss of the ability to work on regular terms, we try to relocate the employees into other job functions or introduce special light duties in the existing role. In FY22 we have had 4 employees on reduced working hours and tasks and who are able to continue to have a meaningful work despite the limitation to their work ability.

Management's review

Operating review

Whenever possible, DECHRA Service Centre wants to create a workplace which will seek to help external vulnerable groups by e.g., offering short periods of work in internships or other similar initiatives. To be socially responsible in relation to our own employees, we reserve the right to be honest in assessing whether a positive outcome of such a traineeship is possible.

Our employee demographic is shown below and is monitored actively.

Our staff association is active and arranges various social events to further heightening the engagement and social interaction between colleagues.



Fair Employment Practices

Objective: Comply with national legal requirements regarding wages and working hours

We have always taken pride in having a flat organisation, which acknowledges that every single employee is an important part of a well-running organisation and that we create success by working together and helping each other. This culture is supported by good working conditions, wages that follow the Industrial Agreement (a major collective bargaining agreement in Denmark) and working hours, that are only occasionally extended and only by agreement with the employee.



Diversity and Inclusion

Objective: Value the difference and diversity of people, recognise that their skills and abilities is a strength that can help us to achieve our best

At DECHRA Service Centre there is a majority of female employees with around two-thirds of the employee population being women. This is mostly due to the nature of the roles in the Service Centre, as some of these typically have a higher representation of women. We always hire the candidate who best fits the role. In the various management levels, there is a good distribution of males and females.

In the Board of DECHRA VETERINARY PRODUCTS A/S, there are 2 males and one female all placed off-site in the UK and in the Netherlands. With the current division of males and females we have ensured equal representation at top level.

For the Danish organization below board level there is a group of 7 managers of whom 3 are female. This is a 43% female quota, which is considered to be an equal distribution.

Looking at the general diversity of the staff we have over the last year increased the number of part time employees from 15 to 19 enabling our employees to create a good work/life balance which adds value to both the single person and DECHRA Service Centre. 2 of these part time employees are seniors on a special individually fit plan where they can decrease their working hours as they get closer to retirement.

The average age amongst the team in Denmark has increased slightly and is now at 42,8 years with an even spread amongst the different age groups. Again, this demonstrates the diversity in our employee population.

Management's review

Operating review

Employee Demographic

Gender	
Male	39
Female	77

Employment	
Full-time	97
Part time	19

Age	
14 - 17	2
18 - 24	4
25 - 34	32
35 - 44	21
45 - 54	33
55 - 65	22
> 66	2

Employment length	
0 - 1 y	29
1 - 3 y	22
3 - 5 y	17
5 - 10 y	23
10 - 15 y	10
15 - 20 y	6
20y or more	9

*figures from October 2022



Safe Working Practices

Objective: Reinforce a strong culture of health and safety, within a zero-harm environment

Our safe working practices are being ensured via our local Health & Safety Organisation as well as via the Group Health, Safe and Wellbeing Committee. On Group level we are supported with group policies, information sharing and programmes to heighten the safety awareness among our employees. The data integrity is maintained via the Group systems and reports derived from these.

The local Health & Safety Organisation consists of 3 sub-groups with each one employee representative and one management representative plus a chairman and two staff functions. The organisation meets at fixed intervals throughout the year and works continuously to create a safe and healthy workplace both physically and psychologically for all employees. The initiatives taken by this organisation are actively backed by the site management.

In close cooperation with the Health & Safety organisation we have a number of groups and recurring activities in place to capture and secure our high standards and act proactively on observations which need attention.

- A "Nutcracker group" for identifying and acting on workplace victimization
- Workplace Assessments are carried through every 3 years
- First Aid and Firefighting courses held every 2 years
- Half yearly ergonomic consultancy for our warehouse staff.

Results from Workplace Assessments and other observations are registered and monitored in an online tracking system and followed up at each Health & Safety meeting.

DECHRA VETERINARY PRODUCTS A/S is rated with a green smiley with the Danish Working Environment Authority, which means we have a good and healthy work environment, and we have for many years had a close cooperation with CRECEA, which is an authorized work environment consultancy company. As an example, an ergonomic consultant from CRECEA comes to our warehouse staff twice per year to instruct in good work practices in connection with lifting and packing work.

Management's review

Operating review

Statistics on Accidents and Near Misses

Year:	12	13	14	15	16	17	18	19	20	21	22*
Reported accidents: (at least 1 days absence)	0	1 14/3	1 12/11	3 27/1 18/8 6/11	0	0	0	0	5 20/1 27/8 31/08 01/10 23/11	2 3/8 3/11	2 10/05 06/09
Near misses and incidents involving people, which do not require reporting to authorities	1	0	1	0	1	0	2	4	1	1 13/12	1 06/09
Incidents reported concerning material damage	-	-	-	-	-	-	-	-	-	1 29/11	3 11/1 13/10 20/10

22* - January – end October 2022
 Accounting principles for above KPI: Reports entered in SheAssure,
 safety management system in Group DECHRA.

Unfortunately, we see a tendency that accidents and near misses happen statistically more among our young and temporary employees than the rest of the staff. As these groups often have little warehouse experience, we see a need for them to be trained thoroughly in safe work routines. Therefore, we are currently implementing an introduction programme educating the new employees in safe working routines on transportation and physical work. To ensure consistency, the employee representatives of the Health & Safety organisation perform the training.

With support from Group Health, Safety and Wellbeing we will also set extra focus on Life Saving Rules especially with focus on safety in the warehouse. In that connection we will introduce an app for accident and near miss reporting which will be implemented on employee level via employee phones or available tablets on site. This app was implemented on management level last year and is now ready to be rolled out to the entire site. From a Group level we have entered a risk alert programme which shares reports on accidents and near misses throughout the DECHRA Group. These alerts are being assessed at DECHRA Service Centre and preventive measures implemented where applicable.

Management's review

Operating review

Risk Assessment on Social and Employment Relations

With extra focus on training young and temporary employees in safe working routines we hope to minimise the number of near misses and accidents occurring among that group. Also, in an attempt to capture risks even before they become a near miss or accident, we want to create an even safer workplace by putting focus on hazard reporting and educating our employees to spot potential risks in their work environment. We will do that by creating awareness and introducing the hazard reporting feature in the above-mentioned app among our employees.

On the psychological level we have a well-functioning "Nutcracker Group" and HSE organisation who are trained in spotting stressed and not well-functioning employees already in the early stages. We deem the risks of an unhealthy psychological work environment to be very low. On a Group level tools such as Headspace and training in mindfulness to counter the normal daily stress levels have been implemented and on a local level, we offer psychological help/coaching via CRECEA and our insurance company.



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 legislation by achieving zero to landfill by 2025 and net zero emissions by 2050



Waste

Objective: Prudent use of all natural resources, the minimisation of waste in all activities, and the appropriate disposal of waste

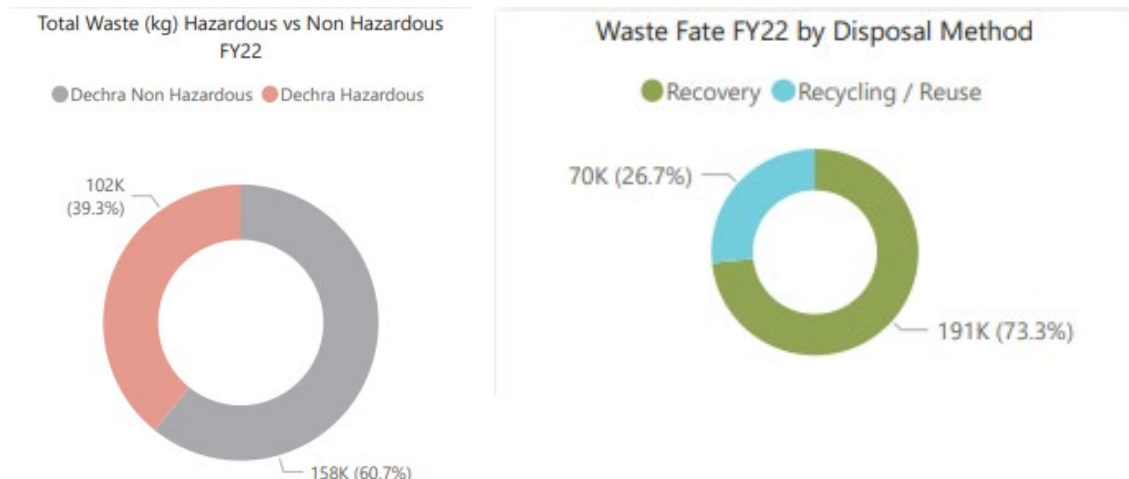
As DECHRA Service Centre only handles finished goods, the waste that arises from the handling in the warehouse mainly consists of plastic foil from pallet wrapping, stuffing in shippers and nutrition bags, cardboard from boxes and pallet layers and pallets that are broken or otherwise unfit for further use. Finally, we have paper and office waste from the administration and food waste from our canteen.

Management's review

Operating review

We have close cooperation with a waste collection company, who ensure that our waste is disposed of according to local legislation as we are required in Denmark to sort our waste in fractions. The waste from plastic, wooden pallets and cardboard is collected several times per month and sold for recycling. Unfortunately, we experience in Denmark these years that there is more recyclable cardboard available than what is needed for reuse, so companies often experience that they cannot sell the cardboard for recycling even if they want to, therefore we reuse cardboard boxes for shipping whenever possible.

DECHRA Service Centre creates 15% of the total waste in the DECHRA Group. In FY22 our waste production was 261 tonnes of which 73% was sent for incineration with energy recovery and 26% was sent for materials recycling. In FY22, 39.3% of the waste discarded was hazardous waste, which is finished pharma products, that are discarded due to expiry of shelf life or quality issues. We aim to bring the discarded amounts of both pharma and nutrition down, as a decrease will have a positive impact on both warehouse handling, logistics costs and reduction of waste.



Accounting principles for above KPI: Waste is reported in the Group Carbon Footprint management system and our approach is formalised in the Group HSE Standard – HSE 203 – Waste Minimisation and Management. Waste is included in our Scope 3 measurements.



Energy

Objective: Optimise the energy we use, improve energy effectiveness through initiatives on transport and reduce our greenhouse gas emissions

Most of the energy consumption at DECHRA Service Centre consists of electricity for lighting, heating and operation in our warehouse and administration. We are proud to say that all electricity delivered to DECHRA Service Centre comes from RECS certified Danish windmills and we are still keeping an eye on the possibilities to buy in on solar panel parks in order to get all our energy from this source as soon as the possibility opens up for smaller business in Denmark.

Management's review

Operating review

In April 2022 we took our new warehouse into operation and were very excited to see if our calculations and expectations about the possibility of recycling heat from our cooling system would be successful. The system is constructed to make use of the 7 degrees always delivered from the ground meaning we only have to reduce the temperature 2 degrees in the cold store basement to reach the required 5 degrees C. The heat created from the cooling process can then be reused for comfort heating in the ambient warehouse. Our calculations showed that up to 40% of the needed comfort heat could come from the cooling system. At the end of October 2022, we can see from our data that we have in some periods been able to reuse up to 59% of own-produced heat and we look forward to follow the data during the winter season.

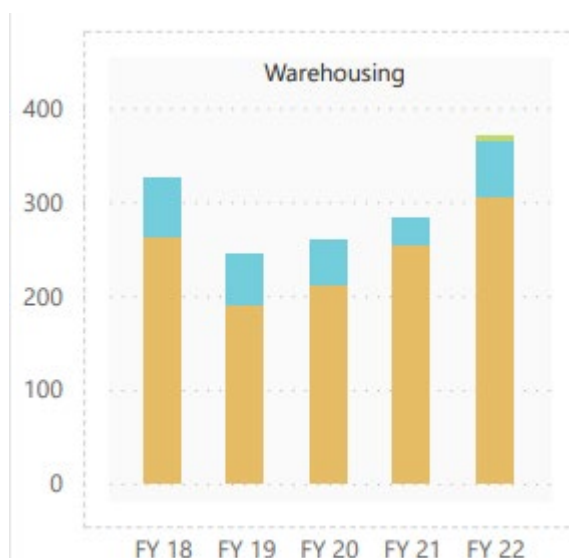
At the end of October we finished a project in the old warehouse building on Mekuvej, where we changed the heating source from gas to local district heating. The entire Service Centre now runs entirely on 100% sustainable energy with district heating produced from wood chips coming from FSC (Forest Stewardship Council) and SBP (Sustainable Biomass Program) certified or self-felled wood. SBP certified wood chips ensures that that the forest owner replants the forest as it is removed, and that biodiversity and forest ecosystems do not deteriorate. SBP-certified wood chips used for energy purposes are residues from the forest and wood industries.

In connection with the installation of local district heating we have also updated all LED lighting to the newest technology with even more of a day light feel for our employees and an expected reduction in both CO₂ emission and costs.

The annual CO₂ emissions have increased from FY21 to FY22 as we have a general increase in activity with increasing numbers of SKUs in the warehouse and increasing staff creating extra activity. In April 2022 we started operation in the new warehouse, Building 3, which has also contributed to the increase in activity. The total emissions have thus increased from 281 tCO₂e in FY21 to 371 tCO₂e. in FY22.

Annual Emissions Comparison by Facility

● Building ● Business Mileage ● Waste



Accounting principles for above KPI: We use the GHG Protocol Corporate Accounting and Reporting Standard, and we report on emissions arising from those sources over which we have operational control under the location-based method. Emissions on building (electricity, gas heating, local district heating) and business mileage (company cars) are included in our scope 1 and 2 measurements.

Management's review

Operating review

In order to reduce both carbon footprint and noise levels from an increasing number of cold store and regular shipments we have installed electric charger stations at the facility to enable the vehicles to cool the product by 100% renewable electricity while they are waiting to unload products. Also, we have installed a charger station for private cars, and we will expand the number of charging stations with 6 more in the new year.

We furthermore expect to be able to reduce our departures/shipments to our customers in Europe by 20% by end of June 2023. This means that in cooperation with our customers we will as an example change a weekly to a bi-weekly departure with bigger shipments reducing the total carbon footprint to that market. Also double stacking our pallets where possible will ensure a better usage of the trucks and reduction in shipments of up to 50%. Finally, we are working on making DECHRA Service Centre a central hub for all transport going to the US, by bringing all products into our warehouse in order to collect and ship full load containers by sea on set interval instead of numerous small shipments by air and sea. We expect this will reduce CO2 emissions significantly.

We will continue to import our most bulky products by boats only using eco-friendly crude oil resulting in a 15% higher cost but reducing the emissions by app. 20%. Transport of the same volume by road would have a significantly higher emission rate.

Risk assessment on Environment

We constantly monitor and ensure that we optimise and make use of the latest technologies to provide a platform for use of 100% sustainable energy. The monitoring of risks is part of our monthly managerial agenda. On a legislative level we produce an energy report every 5 years which thoroughly investigates and evaluates optimization opportunities. The last report was delivered in 2020, where the opportunities identified have now all been implemented.

As we have no production and only handle finished goods the risk of polluting the environment is very low, which has also been confirmed to us in various inspections.

In case of palletised products in the warehouse which are damaged we have procedures and equipment in place to contain and collect any hazardous product - also in connection with a possible fire in the facilities.



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

Management's review

Operating review



Ethical and Sustainable Products

Objective: Develop and promote products to improve animal health and welfare ethically and sustainably

At DECHRA Service Centre we actively work to make the packing and shipping of the products as sustainable as possible.

All paper and cardboard used in the office, canteen and warehouse is FSC certified or will change over to FSC by June 2023.

Also, we have changed our plastic foil for pallet wrapping from black to white plastic, which is easier to sort and recycle in some of our neighbouring countries and thus more sustainable and we are constantly looking for further optimisation opportunities.



Ethics

Objective: Act with honesty and with integrity

As a division under DECHRA Pharmaceuticals PLC we have implemented and adhere to those policies which are published from Group level in regard to Anti-Bribery; Donations, Code of Conduct/Ethics; Whistleblowing and the Company Values. Our zero-tolerance approach to bribery and corruption is communicated to our employees 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.

Via the DECHRA Group all employees receive training in Anti-Bribery and Corruption policies, which are provided to the employees via Delta training platform. The latest training was completed in September 2022 by all DECHRA Service Centre employees and the local managers ensure that also employees without easy access to computers complete the training.

The DECHRA Group also administers the surveillance of Anti-Bribery training for high-risk externals, to which we feed information about suppliers and business partners, that we do business with at DECHRA Service Centre. Each time a new supplier is added to the local ERP system an ABC onboarding check is performed. In case a supplier is deemed to be in medium or high risk because of activities which could be in risk of not complying with the DECHRA ABC policy, the supplier will need to be approved by the Group Legal Department.

Our commitment to conduct all business in an honest and ethical manner is conveyed through our policies, procedures and training programmes.

DECHRA Service Centre is committed to upholding and respecting human rights both within our business and from our suppliers. During the year a Human Rights Policy was implemented from Group. This policy sets out our Human Rights principles which are all embedded into our Code of Conduct for employees and our Third-Party Code of Conduct for our suppliers and customers. All employees at DECHRA Service Centre are trained on a yearly basis in the DECHRA Code of Conduct and Third-Party Code of Conduct and we will continue to inform our employees about the importance of following these policies and guidelines.

Management's review

Operating review

Furthermore, we follow the guidelines for human rights set out by Group as stated below:

- 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. We follow the local minimum age laws at all times. We do however employ pupils from the oldest classes in grammar school to do light office work such as copying and packing letters a few hours per week.
- 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. If any employee should feel they are not treated rightfully, we do have "The Nutcrackers" that they can turn to as well as their local manager or HSE team.
- 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. Finally, we also follow the guidelines in the Data Protection Act in order to handle sensitive information in an ethical way.

Risk Assessment on Human Rights, Anti-bribery and Corruption

As 80% of our suppliers are internal DECHRA production sites and the last 20% are suppliers situated within Europe and as we monitor each and every supplier as mentioned above on a regular basis, we believe that we are 100% compliant with our Human Rights and ABC policy.



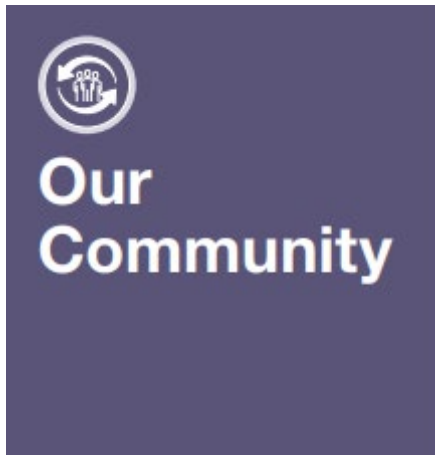
Veterinary Professionals

Objective: Maintain and improve the knowledge and skills of veterinarians who prescribe and use our products

DECHRA Service Centre supports and provides service to our colleges within the Group in terms of shipping required product samples and material for use in training veterinary professionals.

Management's review

Operating review



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



Community Activities

Objective: The donation of time, products and skills to local charities

As DECHRA Service Centre is a significant employer in the local community, we support local sports and cultural activities to help both the town and our present and future potential employees. Also, we organize a Senior Day for former employees which is always a great opportunity to meet former colleagues and a positive side-effect has shown that the seniors are good ambassadors in the local community for keeping DECHRA's image as a good place to work.



Community Donations

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

A local Donation committee has been established which makes to donations to organisations and social initiatives suggested by our employees. In June 2022, we donated in total € 16.500 to 9 organisations within animal welfare, environment and human rights which covered both local, national and international organisations.

Furthermore, we have made annual donations to the Danish Cancer Foundation for a number of years.

Management's review

Operating review

In Denmark there is not a large tradition of offering charitable work to the community, but in the past few years we have started to see some initiatives and one of them was taken up in October where we had "Bake for a course", where employees baked a cake, which was sold to the colleagues, and which was a great success. The profit was donated to "Børns Vilkår" and Red Cross Denmark and will help children in catastrophe areas.

On a more local level have for a number of years brought people into the workplace on short term work assessments or internships. These people are referred to us through our close cooperation with the community work centre.

We also support 4 children via SOS Børnebyerne and have done this a number of years. It is a great pleasure to follow the well-being and educational development of the 4 children in each of their local communities in Congo, India, Philippines and Sudan.

Risk Assessment on Community Activities and Donations

In previous years we have from time-to-time donated nutrition that was close to expiry to charitable initiatives and organisations. However, we have a few times experienced that the nutrition would show in unexpected places for sale, so in order to avoid this risk we have decided to contribute to these initiatives and organisations through our donations committee instead.

Data Ethics according to section 99d of the Danish Financial Statements Act

At DECHRA VETERINARY PRODUCTS A/S, we follow the policies and guidelines laid out by the DECHRA Group.

DECHRA is committed to taking all reasonable steps to ensure that all Personal Data held by us in relation to our employees, customers, suppliers, and all other individuals is kept secure, processed in a fair and lawful manner and managed in compliance with all applicable data privacy laws.

We endeavour to comply with the data privacy laws and regulations of the countries in which we operate, as well as applicable data transfer obligations. Our internal procedures are monitored periodically to ensure compliance.

Our Data Protection Policy ("DP Policy") applies across the entire DECHRA Group but is not intended to override any local legal or regulatory requirements. Where there are conflicting or additional local requirements, we comply with those.

For certain countries where there are local legal or regulatory requirements that conflict with the DP Policy, there is an attached "Country-Specific Addendum" to the DP Policy which will apply, and which will override the conflicting provisions in the main body of the DP Policy.

Data Protection

The Data Protection Policy sets out the standards to be adopted by all DECHRA businesses worldwide. In a number of areas, the standards in the DP Policy are supported by more detailed handbooks and procedures. These standards apply to all employees, temporary staff, contractors, and other persons acting on behalf of DECHRA. In particular, line managers have a specific responsibility to lead according to these standards and to help their teams understand and apply them in practice.

Employees are required to read the DP Policy and, via the Delta e-learning platform, to confirm their understanding of and compliance with DECHRA's DP Policy and the standards set out in the Handbooks and Procedures.

Management's review

Operating review

Below is an overview of policies, guidelines and handbooks in place which accessible to all DECHRA Group employees in the DECHRA Intranet.

- Cookie Policy
- Data Breach Notification Handbook
- Data Protection Policy
- Data Retention Guide
- Data Subject Request Handbook
- DECHRA Websites Terms of Use
- Employee Privacy Notice
- IT Resources Policy
- Personal Data Impact Assessment Handbook
- Privacy Notice
- Social Media Employee Policy.

Data Security

The data security of the DECHRA Group is handled by the DECHRA IT division, who ensure that any data shared or used is protected through robust security features and robust processes. DECHRA works closely together with reliable IT providers using reliable and robust IT programmes and applications. The IT division actively safeguard all data within the DECHRA IT systems and constantly upgrade the systems to protect DECHRA from illegal and damaging conduct which can harm the business.

Managing Data Ethics

DECHRA's Data Ethics policies are approved by the DECHRA Pharmaceuticals PLC executive management team. The detail handling of the data ethics is carried out by the IT Division and the Data Protection Committee under Group Legal. The ethics are also embedded throughout the organisation in various polices, guidelines and handbooks and regular employee training and communications which detail DECHRA's high standards of data ethics and integrity.

Financial statements 1 July – 30 June

Income statement

DKK'000	Note	2021/22	2020/21
Revenue	2	2,367,833	2,131,656
Cost of goods sold		-1,958,450	-1,815,373
Other operating income		33,075	25,994
Other external costs		<u>-186,621</u>	<u>-150,096</u>
Gross profit		255,837	192,181
Staff costs	3	-53,040	-46,306
Depreciation, amortisation and impairment losses	4	<u>-34,304</u>	<u>-33,010</u>
Operating profit		168,493	112,865
Income from equity investments in group entities	5	32,703	27,389
Other financial income		3,155	0
Other financial expenses	6	<u>-5,114</u>	<u>-15,216</u>
Profit before tax		199,237	125,038
Tax on profit for the year	7	<u>-41,656</u>	<u>-26,719</u>
Profit for the year	8	<u><u>157,581</u></u>	<u><u>98,319</u></u>

Financial statements 1 July – 30 June

Balance sheet

DKK'000	Note	2021/2022	2020/2021
ASSETS			
Fixed assets			
Intangible assets	9		
Goodwill		63,295	86,307
Software		17,674	24,726
Development projects in progress		678	566
		<u>81,647</u>	<u>111,599</u>
Property, plant and equipment	10		
Land and buildings		71,625	56,014
Plant and machinery		1,108	588
Fixtures and fittings, tools and equipment		10,824	3,925
		<u>83,557</u>	<u>60,527</u>
Investments	11		
Equity investments in group entities		101,229	68,822
Deposits		40	40
		<u>101,269</u>	<u>68,862</u>
Total fixed assets		<u>266,473</u>	<u>240,988</u>
Current assets			
Inventories			
Raw materials and consumables		10,052	14,737
Finished goods and goods for resale		500,450	482,655
		<u>510,502</u>	<u>497,392</u>
Receivables			
Trade receivables		91,526	79,482
Receivables from group entities		327,745	306,661
Prepayments	12	13,396	7,846
		<u>432,667</u>	<u>393,989</u>
Cash at bank and in hand		14	10
Total current assets		<u>943,183</u>	<u>891,391</u>
TOTAL ASSETS		<u>1,209,656</u>	<u>1,132,379</u>

Financial statements 1 July – 30 June

Balance sheet

DKK'000	Note	2021/2022	2020/2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	100,000	100,000
Other reserves		0	1,976
Reserve for net revaluation under equity method		97,406	63,024
Reserve for development costs		1,018	2,200
Retained earnings		<u>361,999</u>	<u>235,939</u>
Total equity		<u>560,423</u>	<u>403,139</u>
Provisions			
Provisions for deferred tax	14	<u>5,722</u>	<u>5,902</u>
Total provisions		<u>5,722</u>	<u>5,902</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Corporation tax	15	34,251	18,491
Payables to group entities		<u>189,972</u>	<u>200,034</u>
		<u>224,223</u>	<u>218,525</u>
Current liabilities other than provisions			
Trade payables		77,296	63,044
Payables to group entities	15	296,873	395,271
Corporation tax		87	248
Other payables		<u>45,032</u>	<u>46,250</u>
		<u>419,288</u>	<u>504,813</u>
Total liabilities other than provisions		<u>643,511</u>	<u>723,338</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,209,656</u></u>	<u><u>1,132,379</u></u>
Contractual obligations, contingencies, etc.	16		
Related party disclosures	17		
Disclosure of events after the balance sheet date	18		

Financial statements 1 July – 30 June

Statement of changes in equity

DKK'000	Contributed capital	Reserve for exchange adjustments	Reserve for net revaluation under equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 July 2020	100,000	0	95,746	4,006	103,092	302,844
Exchange adjustment	0	1,976	0	0	0	1,976
Transferred over the profit appropriation	0	0	27,389	-1,806	72,736	98,319
Distributed dividends from investments in subsidiaries	0	0	-60,111	0	60,111	0
Equity at 1 July 2021	100,000	1,976	63,024	2,200	235,939	403,139
Exchange adjustment	0	-1,976	1,976	0	0	0
Exchange adjustment	0	0	-297	0	0	-297
Transferred over the profit appropriation	0	0	32,703	-1,182	126,060	157,581
Distributed dividends from investments in subsidiaries	0	0	0	0	0	0
Equity at 30 June 2022	100,000	0	97,406	1,018	361,999	560,423

Financial statements 1 July – 30 June

Notes

1 Accounting policies

The annual report of DECHRA VETERINARY PRODUCTS A/S for 2021/22 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of DECHRA Pharmaceuticals PLC.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Dechra Veterinary Products A/S and group entities are included in the consolidated financial statements of Dechra Pharmaceuticals PLC, 24 Cheshire Avenue, Cheshire Business Park Lostock Gralam, Great Britain - Norwich CW9 7UA.

Omission of disclosure of audit fee

Pursuant to section 96(3) of the Danish Financial Statements Act, the Company has not disclosed the fee to its auditor appointed at the annual general meeting.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods, comprising the sale of pharmaceuticals and animal feed products, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue from the sale of goods where delivery has been postponed at the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of goods sold

Costs of raw materials and consumables comprise raw materials and consumables consumed to generate revenue for the entity.

Other operating income and costs

Other operating income and costs comprise items secondary to the activities of the entity, including gains and losses on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Income from equity investments in group entities

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of intragroup gains/losses and amortisation of goodwill.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years.

Software is measured at cost less accumulated amortisation and impairment losses.

Software is amortised from the date of coming into service over the projected useful life, which is 7 years.

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3-5 years, however, not exceeding 5 years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Direct production overheads and borrowing costs are recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25 years
Plant and machinery	10 years
Fixtures and fittings, tools and equipment	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently treated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Equity investments in subsidiaries

Equity investments in subsidiaries are recognised and measured under the equity method.

The item "Equity investments in group entities" in the balance sheet include the proportionate ownership share of the net asset value of the entities calculated on the basis of fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with the addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation" under equity. The reserve is reduced by dividends distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the entity is recognised as provisions.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Net revaluation reserved according to the equity method comprises net revaluation of equity investments in group entities and associates in proportion to cost.

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivable and payable

Current tax receivable and payable are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable income for prior years and tax paid on account. Extra payments and repayments under the on-account tax scheme are recognised in the income statement as financial income and expenses.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Financial liabilities

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Financial statements 1 July – 30 June

Notes

2 Revenue

DKK'000	2021/22	2020/21
Geographical segments		
Revenue, Denmark	73,090	67,446
Revenue, exports	<u>2,294,743</u>	<u>2,064,210</u>
	<u>2,367,833</u>	<u>2,131,656</u>
Business segments		
CAP	1,259,490	1,129,854
Nutrition	334,880	293,524
FAP	579,897	545,053
Equine	186,596	150,624
Other	<u>6,970</u>	<u>12,601</u>
	<u>2,367,833</u>	<u>2,131,656</u>

Information on business segments and geographical segments are based on the Company's risks, returns and its internal financial reporting system. The business segments are regarded as the primary segments.

3 Staff costs

DKK'000	2021/22	2020/21
Wages and salaries	47,541	41,611
Pensions	4,912	4,272
Other social securities costs	<u>587</u>	<u>423</u>
	<u>53,040</u>	<u>46,306</u>
Average number of full-time employees	<u>108</u>	<u>98</u>

As the Executive Board and the Board of Directors are employed by another group entity, their remuneration is part of the management fee, amounting to DKK 836 thousand (2020/21: DKK 1,152 thousand).

DKK'000	2021/22	2020/21
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4 Depreciation, amortisation and impairment losses

Amortisation of intangible assets	30,125	29,749
Depreciation of property, plant and equipment	<u>4,179</u>	<u>3,261</u>
	<u>34,304</u>	<u>33,010</u>

5 Financial income from group entities

Share of profits of subsidiaries	<u>32,703</u>	<u>27,389</u>
	<u>32,703</u>	<u>27,389</u>

Financial statements 1 July – 30 June

Notes

DKK'000		<u>2021/22</u>	<u>2020/21</u>		
6	Financial expenses				
	Interest expense to group entities	5,055	9,835		
	Other financial expenses	59	144		
	Exchange adjustments costs	<u>0</u>	<u>5,237</u>		
		<u>5,114</u>	<u>15,216</u>		
7	Tax on profit for the year				
	Current tax for the year	41,836	26,518		
	Deferred tax for the year	-180	48		
	Adjustment of tax for the year	<u>0</u>	<u>153</u>		
		<u>41,656</u>	<u>26,719</u>		
8	Proposed profit appropriation				
	Reserve for development costs	-1,182	-1,806		
	Reserve for net revaluation under equity method	32,703	27,389		
	Retained earnings	<u>126,060</u>	<u>72,736</u>		
		<u>157,581</u>	<u>98,319</u>		
9	Intangible assets				
DKK'000		Goodwill	Software	Development projects in progress	Total
	Cost at 1 July 2021	460,236	51,466	3,398	515,100
	Additions for the year	<u>0</u>	<u>0</u>	<u>173</u>	<u>173</u>
	Cost at 30 June 2022	<u>460,236</u>	<u>51,466</u>	<u>3,571</u>	<u>515,273</u>
	Amortisation and impairment losses at 1 July 2021	-373,929	-26,740	-2,832	-403,501
	Amortisation for the year	<u>-23,012</u>	<u>-7,052</u>	<u>-61</u>	<u>-30,125</u>
	Amortisation and impairment losses at 30 June 2022	<u>-396,941</u>	<u>-33,792</u>	<u>-2,893</u>	<u>-433,626</u>
	Carrying amount at 30 June 2022	<u>63,295</u>	<u>17,674</u>	<u>678</u>	<u>81,647</u>

Financial statements 1 July – 30 June

Notes

10 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 July 2021	85,559	7,786	16,292	109,637
Additions for the year	17,745	920	8,543	27,208
Cost at 30 June 2022	103,304	8,706	24,835	136,845
Depreciation and impairment losses at 1 July 2021	-29,545	-7,198	-12,351	-49,094
Depreciation for the year	-2,134	-400	-1,660	-4,194
Depreciation and impairment losses at 30 June 2022	-31,679	-7,598	-14,011	-53,288
Carrying amount at 30 June 2022	71,625	1,108	10,824	83,557

11 Investments

DKK'000	Equity investments in group entities
Cost at 1 July 2021	3,822
Cost at 30 June 2022	3,822
Revaluations at 1 July 2021	65,000
Exchange adjustment	-297
Net profit/loss for the year	32,703
Dividends	0
Revaluations at 30 June 2021	97,406
Carrying amount at 30 June 2022	101,228

Name/legal form	Registered office	Equity interest
Subsidiaries:		
Dechra Veterinary Products OY	Finland	100%
Dechra Veterinary Products SAS	France	100%
Dechra Veterinary Products B.V	The Netherlands	100%
Dechra Veterinary Products AS	Norway	100%
Dechra Veterinary Products AB	Sweden	100%
Dechra Veterinary Products Ltd.	Great Britain	100%
Dechra Veterinary Products S.L.U	Spain	100%

Financial statements 1 July – 30 June

Notes

12 Prepayments

DKK'000	<u>2021/22</u>	<u>2020/21</u>
Recharges	825	-84
Other prepayments	<u>12,573</u>	<u>7,930</u>
	<u>13,398</u>	<u>7,846</u>

13 Equity

There have been no changes in contributed capital during the last five years.

Contributed capital consists of 100,000,000 shares of a nominal value of DKK 1 thousand each.

All shares rank equally.

14 Deferred tax

DKK'000	<u>2021/22</u>	<u>2020/21</u>
Intangible assets	5,401	5,905
Property, plant and equipment	<u>321</u>	<u>-3</u>
	<u>5,722</u>	<u>5,902</u>

Financial statements 1 July – 30 June

Notes

15 Non-current liabilities other than provisions

Payments due within 1 year are recognised as current liabilities. Other debt is recognised as non-current liabilities.

DKK'000	<u>2021/22</u>	<u>2020/21</u>
Debt to group entities falls due for payment as specified below:		
After 5 years	150,552	150,490
Other current debt to group entities	<u>336,293</u>	<u>444,815</u>
	<u>486,845</u>	<u>595,305</u>
Corporation tax falls due for payment as specified below:		
After 1 year	<u>35,251</u>	<u>18,491</u>

16 Contractual obligations, contingencies, etc.

Changes and collateral

The Company has issued an owners' mortgage of DKK 25,000 thousand secured upon land and buildings. The owners' mortgage is deposited with the Company. The carrying amount of land and buildings represents DKK 16,467 thousand (2020/21: DKK 18,287 thousand).

Rental and lease obligations

The remaining obligation makes up DKK 2,320 thousand (2020/21: DKK 2,416 thousand).

Contingent liabilities

The Company has provided guarantees for loans of group entities, which at 30 June 2022 came in at DKK 2,733 million (2020/21: DKK 2,642 million).

Financial statements 1 July – 30 June

Notes

17 Related party disclosures

DECHRA VETERINARY PRODUCTS A/S' related parties comprise the following:

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Dechra Pharmaceuticals PLC, 24 Cheshire Avenue, Cheshire Business Park Lostock Gralam, Great Britain - Northwich CW9 7UA.

Dechra Pharmaceuticals PLC holds the majority of the contributed capital in the Company.

DECHRA VETERINARY PRODUCTS A/S is part of the consolidated financial statements of Dechra Pharmaceuticals' PLC, Northwich, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Dechra Pharmaceuticals PLC can be obtained by contacting the Company.

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

18 Disclosure of events after the balance sheet date

There are no reportable post-balance sheet events.