

# DECHRA VETERINARY PRODUCTS A/S

Mekuvej 9  
DK-7171 Uldum

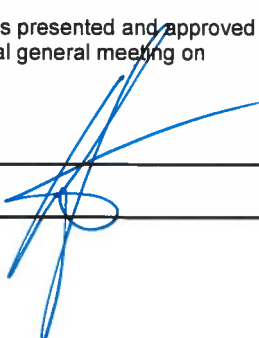
CVR no. 10 11 42 41

## **Annual report 2020/21**

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

14 December 2021

Carsten B. Jeppesen  
Chairman



## **Contents**

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Financial highlights	7
Operating review	8
Financial statements 1 July – 30 June	26
Income statement	26
Balance sheet	27
Statement of changes in equity	29
Notes	30

**DECHRA VETERINARY PRODUCTS A/S**  
Annual report 2020/21  
CVR no. 10 11 42 41

## **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 2020 – 30 June 2021.

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 2021 and of the results of the Company's operations for the financial year 1 July 2020 – 30 June 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations 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, 14 December 2021  
Executive Board:

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Ian David Page

Board of Directors:

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Anthony Gerard Griffin  
Chairman

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Melanie Jane Hall

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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 2020 – 30 June 2021 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 2021 and of the results of the Company's operations for the financial year 1 July 2020 – 30 June 2021 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

## Independent auditor's report

- 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.
- 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.

## Independent auditor's report

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, 14 December 2021

**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 2020/21  
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](http://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	2020/2021	2019/2020	2018/19	2017/18	2016/17
<b>Key figures</b>					
Revenue	2,131,656	1,614,316	1,426,675	1,140,797	1,013,696
Gross profit	192,181	112,009	193,058	165,525	180,360
Operating profit	112,865	34,541	113,648	96,535	118,747
Profit for the year	98,319	23,267	96,521	79,434	91,592
<b>Total assets</b>					
Total assets	1,132,379	964,160	1,047,271	924,226	870,274
Equity	403,139	302,844	555,849	470,783	446,939
Investment in property, plant and equipment	40,805	1,623	477	2,732	3,387
<b>Ratios</b>					
Gross margin	9.0%	6.9%	13.5%	14.5%	17.8%
Operating margin	5.3%	2.1%	8.0%	8.5%	11.7%
Return on equity	27.9%	5.4%	18.8%	17.3%	22.7%
Solvency ratio	35.6%	31.4%	53.1%	50.9%	51.4%
<b>Average number of full-time employees</b>					
Average number of full-time employees	98	91	85	80	82

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

Despite the continuing impact of the global pandemic throughout the financial year, and the disruption to customer buying patterns in the UK due to BREXIT, our business has remained operational and delivered above market growth in almost all of our key markets and product categories, with many markets producing high double digit growth, including the UK, Germany, France and Italy. 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 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 exceptionally well, and whilst the successful launch of two new products, Osumnia and Mirataz, provided additional revenues, it was organic growth from our existing product range that has driven much of the incremental revenue in the year. 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 business has performed very well in most markets across the year, and has recovered well following the effects of the global pandemic the year before which saw the cancellation of many equestrian events, particularly in the UK and France. Continued growth is expected in this sector as we look to further enhance our portfolio offering.

Nutrition performance has improved greatly in the year following continued 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 2020/2021

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

The Group reports a profit before tax of DKK 96.7 million for 2020/21.

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

#### 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 2021, the total equity was DKK 404 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**

The primary objective for 2021/22 will be to continue to focus on our strategic pillars and grow the awareness and presence of the Dechra brand across Europe.

Following a strong set of results in 2021, the outlook ahead remains in line with Management's expectations. The Company is expecting revenue growth in the range of 9-13% and operating profit growth in the range of 3-7% 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 realised and recent Group acquisitions delivering expected returns. Whilst there are many challenges in the market, which is continuously developing, we believe our strategy and flexibility in adapting to change, positions us well to sustain and build on our performance. A key focus will be the continued efforts to maximise the sales and marketing of our newly acquired brands, Osurnia and Mirataz, which offer solid growth prospects and strengthen our brand.

## **Management's review**

### **Operating review**

#### **External environment**

The continued disruption caused by the COVID-19 pandemic is still being ascertained, with new ways of working for our customers, suppliers and employees. However, the indications continue to point towards the animal health sector being in a strong situation. Trading at the beginning of the new financial year is promising. The veterinary market continues to witness faster change than at any time in its history. European practice corporate consolidation increases. Furthermore, veterinary distributors who operate in the majority of major countries in Western Europe are changing and are beginning to increase the focus on the sales and marketing of their own products, which is often in conflict with their core historic suppliers. We are also seeing ongoing consolidation of distributors. The Board of Dechra believes that we are well positioned to support the needs of the 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 has over the past year been fully implemented in the Group ESG strategy and targets, which is organised in the ESG Committee consisting of four sub committees; Health Safety and Wellbeing Committee, Sustainable Packing Committee, Global Transport Logistics and Waste as well as Regional Giving Committees. Dechra Service Centre is represented in all four Committees. On Group level 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.

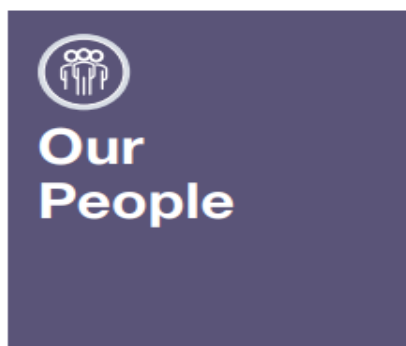
### Business Model

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, on the whole, 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

The Dechra ESG strategy is based on four pillars: People, Environment, Business and Community.



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

## Management's review

### Operating review



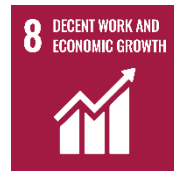
#### Culture and Values

**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 work actively to attract and retain people in all stages of life supporting as much as possible a good and healthy work/life balance throughout the employment enabling our employees to manage family and work in a positive way by allowing them to plan their own day and work from home when needed.



#### Talent Management and Engagement

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

We ensure the attraction of new employees by hiring young people in apprenticeships of 2 years and have in 2021 2 people in the Administration and 1 in the Warehouse. Our young people join the workforce on the same level as all other employees which ensures them a thorough education and we are fortunately often able to offer them to stay after the 2-year period has ended.

In connection with staff having partial loss of ability to work, we try whenever possible to relocate the employees in other job functions. In FY21 we have 4 people employed on reduced working hours and tasks and who are able to have a meaningful and satisfactory work/life balance.

Dechra Service Centre want to create a workplace which will, where possible, seek to help external vulnerable groups by e.g. offering short periods of work as a trainee and other 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. Each month we highlight anniversaries and special anniversaries are celebrated with a small reception.

## Management's review

### Operating review



#### 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, which is a collective bargaining agreement in Denmark and normal working hours, that are only extended in 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 an overweight of female employees in the overall staff count which has grown over the past years, but 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 UK and 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 we choose to encompass all managers. There is a total of 7 top and middle managers of whom 3 are female. This is a 43% female quota, which is considered to be an equal distribution.

It is our intention to aim to have a min. of 30-40% women in managerial positions and as well in the management team. At present this intention is fulfilled.

Looking at the general diversity of the staff we have increased the number of part time employments since 2020/2021 11 to 15 enabling our employees to create a good work/life balance which adds value to both the single person and Dechra Service Centre. Also the average age of the total work force has increased as several of the past years' employments have been of mature persons who add an immediate wealth of knowledge and social balance to the staff in the various departments.

## Management's review

### Operating review

#### Employee Demographic

Gender	
Male	39
Female	63

Age	
14 - 17	2
18 - 24	5
25 - 34	22
35 - 44	26
45 - 54	30
55 - 65	17

Employment	
Full-time	87
Part time	15

Employment length	
0 - 1 y	22
1 - 3 y	24
3 - 5 y	15
5 - 10 y	17
10 - 15 y	11
15 - 20 y	4
20 y or more	9

\*numbers from November 2021



#### Safe working practices

**Objective:** Reinforce a culture of safe working practices

Our Health & Safety Board has for many years actively worked to create a safe and healthy workplace both physically and psychologically for all employees and the initiatives taken by this board are actively backed up by the site management.

Dechra Veterinary Products A/S is at the Danish Working Environment Authority rated with a green smiley, 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:	11	12	13	14	15	16	17	18	19	20	21
Reported accidents*: *: at least 1 days absense	0	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	1 3/8
Near misses and accidents, which do not require reporting to authorities.** ** monitored in HSE team	1	1	0	1	0	1	0	2	4	1	1

21\* - January – October 2021

## Management's review

### Operating review

Unfortunately, we see a tendency that accidents and near misses happen statistically more among our young employees than the rest of the staff, despite increased focus on thorough instruction and closer supervision. We will keep trying to improve our work on this and go in closer dialogue with the young people to try to eliminate these incidents. In October 2021 a new app for accident and near miss reporting was implemented on management level. This app will during the first months of 2022 be fully implemented in the organisation for use for all employees. 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.

In 2022 we will reorganise the local Health and Safety Organisation and create local sub-groups in order to be present at all three working facilities at Dechra Service Centre.

At Dechra Service Centre we have a long tradition for working actively with all aspects of the work environment in order to create a safe and good place to work for our employees. We have a number of committees/groups in place to capture and secure our high standards and act proactively on observations which need attention.

- An HSE organisation with local groups for the administration and the warehouse
- A “Nutcracker group” for identifying and acting on workplace victimization
- Regular job satisfaction surveys are performed
- Workplace Assessments are carried through every 3 years
- First Aid and Firefighting courses held every 2 years.

Results from Workplace Assessments and other observations are registered and monitored in an online tracking system and followed up at each HSE meeting held 3 times per year.

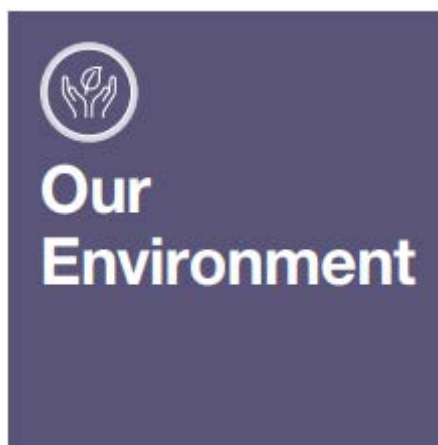
#### *Risk Assessment on Social and Employment Relations*

With an increasing number of temporary people in the warehouse with various levels of warehouse experience we see a risk in work safety which needs to be addressed and trained thoroughly. We will do this by implementing an introduction programme educating the new employee in a.o. safe working routines on transportation and physical work.

As 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. Furthermore, we are implementing tools such as Headspace and training in mindfulness to counter the normal daily stress levels and we also offer psychological help/coaching via CRECEA and our insurance company.

## Management's review

### Operating review



**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.



#### 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.

The waste from plastic and wooden pallets is collected on a monthly basis and sold for recycling. The cardboard is collected and recycled when possible. 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 recycle even if they want to.



#### 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 actively working on buying in on a solar panel park in order to get all our energy from this source as soon as the possibility opens up for smaller business in Denmark, until then the electricity will be as mentioned 100%

## Management's review

### Operating review

sustainable. In 2022 we have invested additional 900.000 € in creating a cooling facility underground to make use of the 8 degrees "always delivered" from the ground leaving us to reduce only the temperature from 8 to 5 degrees as required in a warehouse with a cooling unit. We have invested 100.000 € in special lighting with a low consumption as well as low development of heat in the cooling area. In 2022 we will bring into operation a new system enabling us to make use of the exhaust from the cooling units warming up water equal to the consumption of 4 family houses. In 2022/23 we will invest 0.5 mill. € in changing the old warehouse into 100% sustainable heating as we want to end the use of heating by fossil fuels.

The key environmental factors include emissions of CO<sub>2</sub> into the air which comes from the company's energy consumption. There is also noise from trucks operating to and from the company, but a professional measuring in the summer of 2021 showed that the noise level is within the applicable limits. In order to reduce both carbon footprint and noise levels from an increasing number of cold store and regular shipments we have invested 30.000 € in electric charger stations at the facility to enable the vehicles to cool the product by 100% sustainable electricity while they are waiting to unload products.

We furthermore expect to be able to reduce our departures/shipments to our customers in Europe by 50% at the end of 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.

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

Dechra furthermore contributes to the development and implementation of alternative energy production sources such as wind and solar power through a yearly donation of 15.000 DKK.

### *Risk assessment on Environment*

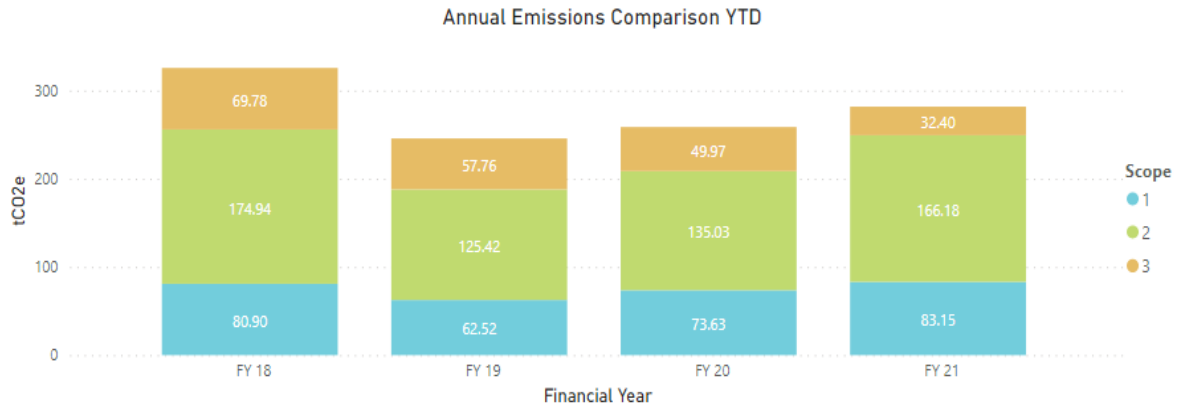
We constantly monitor and ensure that we optimize and make use of the latest technologies to ensure a platform for use of 100% sustainable energy. The monitoring of risks is part of our monthly managerial agenda. On a legislative level we work out an energy report every 5 years which thoroughly investigates and evaluates optimization opportunities. The last report was made in 2020, where the opportunities found either have been implemented or will be implemented in 2022.

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

In case palletized products in the warehouse are damaged we have procedures in place as well as spillage tanks and pumps installed to contain and collect any hazardous product also in connection with a possible fire in the facilities.

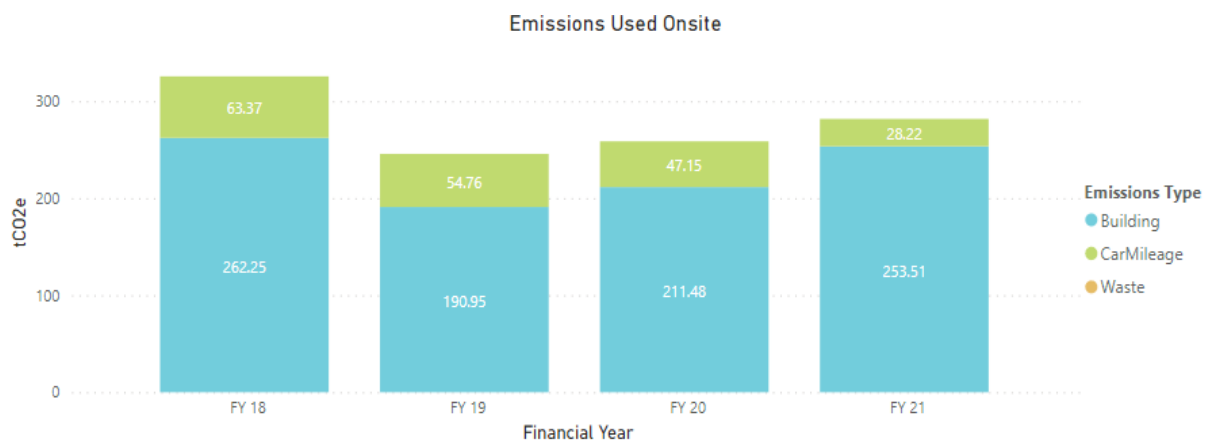
## Management's review

### Operating review



\*Scope 1 = Direct emissions from fuel etc., scope 2 = Electricity, scope 3 = Company cars, waste and water.

The annual CO<sub>2</sub> emissions have increased from FY20 to FY21. We have a general increase in activity with increasing numbers of SKUs in the warehouse and increasing staff creating extra activity. In FY 20 and FY21 the increase was also a higher energy consumption from various actions taken in order to keep the site in operation during the Corona virus shutdown. Among the measures were extended working hours in the warehouse, which meant that we had three-shift operation. Also, we established workplaces in the old production building which has increased the energy use on Industrivej. The total emissions have thus increased from 258t in 2020 to 281t in 2021.

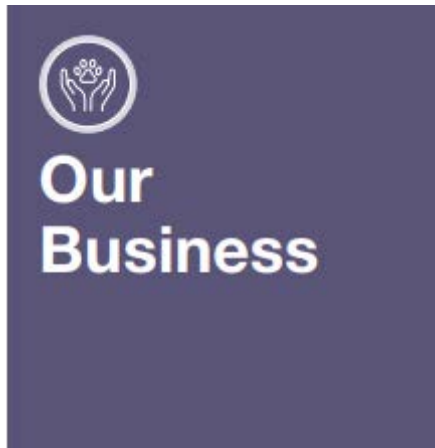


\*The reported emissions on building is electricity

The electricity usage increased from 211t in FY20 to 253t in FY21 as mentioned above due to increased activity and extended working hours and use of more office spaces in connection with Covid-19. In terms of car mileage, the consumption expectedly decreased due to less vehicles on the road during the COVID-lock down period.

## Management's review

### Operating review



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



#### Ethical and Sustainable Products

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

It is our objective to 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. For example, the stuffing in shippers is made from 100% recycled paper material, Cardboard cartons used in the warehouse are FSC and other cardboard packing materials are made from 70% to 90% recycled material.



#### Ethics

**Objective:** Act with honesty and with integrity.

## Management's review

### Operating review

As a division under Dechra PLC we implement and adhere to those policies which are published from group level in regard to Anti-Bribery; Donation policy, Code of Conduct/Ethics; Whistleblowing and the company values. 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.

Via Dechra Group all employees receive training in Anti-Bribery and Corruption policies, which are pushed out to the employees via Delta training platform. The latest training was completed in August 2021 by all Dechra Service Centre employees and the local managers ensure that also employees without easy access to computers carry complete the training.

The Dechra Group also administers the surveillance of Anti-Bribery training for high-risk externals, to which we feed information about supplier and business partner, 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. This procedure was implemented in 2021 and is mandatory for all employees at Dechra Service Centre. In 2022 this will be fully imbedded in the organization for all employees and will as already now be obligatory to any and all suppliers to Dechra Service Centre. 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 i.e. also in 2021 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](http://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



## Management's review

### Operating review

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.



**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:** Contribute towards local charitable causes through the donation of time, products and skills

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 colleges 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:** Establish Regional Giving Committee to allow our employees to make a difference in their local communities.

Whenever we have nutrition and care products which are close to expiry and which we have no possibility to commercialize anymore we offer this to charitable organizations who are often more than willing to receive this from us. On a local level we have a donation partnership with the Danish Cancer Foundation to which we donate 3.000 DKK each year.

## **Management's review**

### **Operating review**

In Denmark there is not a large tradition of offering charitable work to the community. Instead we have at Dechra Service Centre for a number of years brought people into the workplace on short term work assessments or internships. We do this through close cooperation with the local authorities and we open our doors for school classes to see a workplace in operation. 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 Kenya, India, Philippines and Sudan.

## Financial statements 1 July – 30 June

### Income statement

DKK'000	Note	2020/2021	2019/2020
<b>Revenue</b>	2	2,131,656	1,614,316
Cost of goods sold		-1,815,373	-1,413,255
Other operating income		25,994	35,910
Other external costs		<u>-150,096</u>	<u>-124,962</u>
<b>Gross profit</b>		192,181	112,009
Staff costs	3	-46,306	-44,604
Depreciation, amortisation and impairment losses	4	<u>-33,010</u>	<u>-32,864</u>
<b>Operating profit</b>		112,865	34,541
Income from equity investments in group entities	5	27,389	19,745
Other financial expenses	6	<u>-15,216</u>	<u>-20,977</u>
<b>Profit before tax</b>		125,038	33,309
Tax on profit for the year	7	<u>-26,719</u>	<u>-10,042</u>
<b>Profit for the year</b>	8	<u><u>98,319</u></u>	<u><u>23,267</u></u>

## Financial statements 1 July – 30 June

### Balance sheet

DKK'000	Note	2020/2021	2019/2020
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	9		
Goodwill		86,307	109,319
Software		24,726	26,213
Development projects in progress		566	8
		<u>111,599</u>	<u>135,540</u>
<b>Property, plant and equipment</b>	10		
Land and buildings		56,014	19,834
Plant and machinery		588	780
Fixtures and fittings, tools and equipment		3,925	2,370
		<u>60,527</u>	<u>22,984</u>
<b>Investments</b>			
Equity investments in group entities	11	68,822	99,568
Deposits		40	53
		<u>68,862</u>	<u>99,621</u>
<b>Total fixed assets</b>		<u>240,988</u>	<u>258,145</u>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		14,737	0
Finished goods and goods for resale		482,655	334,272
		<u>497,392</u>	<u>334,272</u>
<b>Receivables</b>			
Trade receivables		79,482	57,628
Receivables from group entities		306,661	306,005
Prepayments	12	7,846	8,102
		<u>393,989</u>	<u>371,735</u>
<b>Cash at bank and in hand</b>		10	8
<b>Total current assets</b>		<u>891,391</u>	<u>706,015</u>
<b>TOTAL ASSETS</b>		<u>1,132,379</u>	<u>964,160</u>

## Financial statements 1 July – 30 June

### Balance sheet

DKK'000	Note	2020/2021	2019/2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	13	100,000	100,000
Reserve for exchange adjustments		1,976	0
Reserve for net revaluation under equity method		63,024	95,746
Reserve for development costs		2,200	4,006
Retained earnings		235,939	103,092
<b>Total equity</b>		<b>403,139</b>	<b>302,844</b>
<b>Provisions</b>			
Provisions for deferred tax	14	5,902	5,854
<b>Total provisions</b>		<b>5,902</b>	<b>5,854</b>
<b>Liabilities other than provisions</b>			
<b>Non-current liabilities other than provisions</b>			
Corporation tax	15	18,491	17,807
Payables to group entities		200,034	150,823
		218,525	168,630
<b>Current liabilities other than provisions</b>			
Trade payables		63,044	41,501
Payables to group entities	15	395,271	290,548
Corporation tax		248	95,228
Other payables		46,250	59,555
		504,813	486,832
<b>Total liabilities other than provisions</b>		<b>723,338</b>	<b>655,462</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,132,379</b>	<b>964,160</b>
<b>Contractual obligations, contingencies, etc.</b>	16		
<b>Related party disclosures</b>	17		
<b>Disclosure of events after the balance sheet date</b>	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 2019	100,000	0	91,622	5,789	358,438	555,849
Exchange adjustment	0	0	-1,272	0	0	-1,272
Transferred over the profit appropriation	0	0	19,745	-1,783	5,305	23,267
Extraordinary dividends paid	0	0	0	0	-275,000	-275,000
Distributed dividends from investments in subsidiaries	0	0	-14,349	0	14,349	0
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
<b>Equity at 30 June 2021</b>	<b>100,000</b>	<b>1,976</b>	<b>63,024</b>	<b>2,200</b>	<b>235,939</b>	<b>403,139</b>

## Financial statements 1 July – 30 June

### Notes

#### 1 Accounting policies

The annual report of DECHRA VETERINARY PRODUCTS A/S for 2020/21 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 the auditor appointed at the annual general meeting.

### Income statement

#### 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.

#### 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. The date of transfer of the most significant benefits and risks is determined using standard Incoterms © 2020.

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

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 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 and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

##### Prepayments and deferred income

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

DKK'000	<u>2020/2021</u>	<u>2019/2020</u>
<b>2 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	67,446	64,495
Revenue, exports	<u>2,064,210</u>	<u>1,549,821</u>
	<u>2,131,656</u>	<u>1,614,316</u>
<b>Business segments</b>		
CAP	1,129,854	731,885
Nutrition	293,524	261,486
FAP	545,053	508,356
Equine	150,624	103,547
Other	<u>12,601</u>	<u>9,042</u>
	<u>2,131,656</u>	<u>1,614,316</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.		
DKK'000	<u>2020/2021</u>	<u>2019/2020</u>
<b>3 Staff costs</b>		
Wages and salaries	41,611	40,035
Pensions	4,272	4,006
Other social security costs	<u>423</u>	<u>563</u>
	<u>46,306</u>	<u>44,604</u>
Average number of full-time employees	<u>98</u>	<u>91</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 1,152 thousand (2019/20: DKK 799 thousand).		
<b>4 Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	29,749	29,540
Depreciation of property, plant and equipment	<u>3,261</u>	<u>3,324</u>
	<u>33,010</u>	<u>32,864</u>
<b>5 Financial income from group entities</b>		
Share of profits of subsidiaries	<u>27,389</u>	<u>19,745</u>
	<u>27,389</u>	<u>19,745</u>

## Financial statements 1 July – 30 June

### Notes

DKK'000		<u>2020/2021</u>	<u>2019/2020</u>		
<b>6</b>	<b>Financial expenses</b>				
	Interest expense to group entities	9,835	9,106		
	Other financial expenses	144	9,000		
	Exchange adjustments costs	<u>5,237</u>	<u>2,871</u>		
		<u>15,216</u>	<u>20,977</u>		
<b>7</b>	<b>Tax on profit for the year</b>				
	Current tax for the year	26,518	11,617		
	Deferred tax for the year	48	-1,570		
	Adjustment of tax concerning previous years	<u>153</u>	<u>-5</u>		
		<u>26,719</u>	<u>10,042</u>		
<b>8</b>	<b>Proposed profit appropriation</b>				
	Reserve for development costs	-1,806	-1,783		
	Reserve for net revaluation under equity method	27,389	19,745		
	Retained earnings	<u>72,736</u>	<u>5,305</u>		
		<u>98,319</u>	<u>23,267</u>		
<b>9</b>	<b>Intangible assets</b>				
DKK'000		Goodwill	Software	Development projects in progress	Total
	Cost at 1 July 2020	460,236	46,224	2,832	509,292
	Additions for the year	<u>0</u>	<u>5,242</u>	<u>566</u>	<u>5,808</u>
	Cost at 30 June 2021	<u>460,236</u>	<u>51,466</u>	<u>3,398</u>	<u>515,100</u>
	Amortisation and impairment losses at 1 July 2020	-350,917	-20,011	-2,824	-373,752
	Amortisation for the year	<u>-23,012</u>	<u>-6,729</u>	<u>-8</u>	<u>-29,749</u>
	Amortisation and impairment losses at 30 June 2021	<u>-373,929</u>	<u>-26,740</u>	<u>-2,832</u>	<u>-403,501</u>
	<b>Carrying amount at 30 June 2021</b>	<u>86,307</u>	<u>24,726</u>	<u>566</u>	<u>111,599</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 2020	47,833	7,551	13,432	68,816
Additions for the year	37,726	235	2,844	40,805
Cost at 30 June 2021	85,559	7,786	16,276	109,621
Depreciation and impairment losses at 1 July 2020	-27,999	-6,771	-11,062	-45,832
Depreciation for the year	-1,546	-427	-1,289	-3,262
Depreciation and impairment losses at 30 June 2021	-29,545	-7,198	-12,351	-49,094
<b>Carrying amount at 30 June 2021</b>	<b>56,014</b>	<b>588</b>	<b>3,925</b>	<b>60,527</b>

#### 11 Investments

DKK'000	Equity investments in group entities
Cost at 1 July 2020	3,822
Cost at 30 June 2021	3,822
Revaluations at 1 July 2020	95,746
Exchange adjustment	1,976
Net profit/loss for the year	27,389
Dividends	-60,111
Revaluations at 30 June 2021	65,000
<b>Carrying amount at 30 June 2021</b>	<b>68,822</b>

## Financial statements 1 July – 30 June

### Notes

Name/legal form	Registered office	Equity interest	Currency	Contributed capital
Subsidiaries:				
Dechra Veterinary Products OY	Finland	100%	EUR	8,000
Dechra Veterinary Products SAS	France	100%	EUR	37,000
Dechra Veterinary Products B.V	The Netherlands	100%	EUR	18,000
Dechra Veterinary Products AS	Norway	100%	NOK	100,000
Dechra Veterinary Products AB	Sweden	100%	SEK	100,000
Dechra Veterinary Products Ltd.	Great Britain	100%	GBP	351,135
Dechra Veterinary Products S.L.U	Spain	100%	EUR	3,600

### 12 Prepayments

DKK'000	2020/2021	2019/2020
Recharges	-84	54
Other prepayments	7,930	8,048
	<u>7,846</u>	<u>8,102</u>

### 13 Equity

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

The 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	2020/2021	2019/2020
Intangible assets	5,982	5,769
Property, plant and equipment	-3	248
Other items	-77	-163
	<u>5,902</u>	<u>5,854</u>



## Financial statements 1 July – 30 June

### Notes

#### 15 Non-current liabilities other than provisions

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

DKK'000	<u>2020/2021</u>	<u>2019/2020</u>
<b>Debt to group entities falls due for payment as specified below:</b>		
After 5 years	150,490	150,823
Other current debt to group entities	<u>444,815</u>	<u>290,548</u>
	<u>595,305</u>	<u>441,371</u>
<b>Corporation tax falls due for payment as specified below:</b>		
After 1 year	<u>18,491</u>	<u>16,731</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 18,287 thousand (2019/20: DKK 19,834 thousand).

##### Reental and lease obligations

The remaining obligation makes up DKK 2,416 thousand (2019/20: DKK 2,816 thousand).

##### Contingent liabilities

The Company has provided guarantees for certain group entities' loans, which at 30 June 2021 came in at DKK 2,642 million (2019/20: DKK 2,787 million).

## Financial statements 1 July – 30 June

### Notes

#### 17 Related party disclosures

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

##### Control

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.