

DECHRA VETERINARY PRODUCTS A/S

Mekuvej 9
DK-7171 Uldum

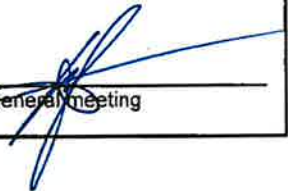
CVR no. 10 11 42 41

Annual report 2022/23

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

20 December 2023

Carsten Jeppesen
Chairman of the annual general meeting



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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 2022 – 30 June 2023.

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

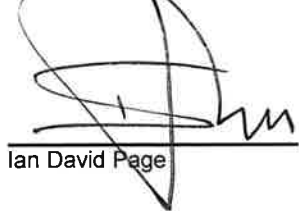
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2023 and of the results of the Company's operations for the financial year 1 July 2022 – 30 June 2023.

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.

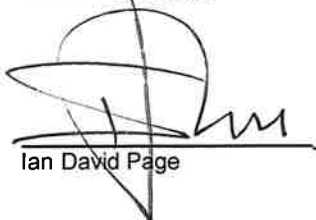
Uldum, 20 December 2023

Executive Board:




Ian David Page

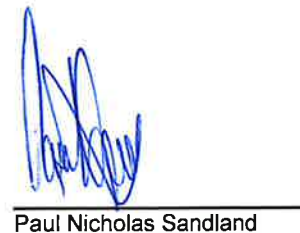
Board of Directors:



Ian David Page



Melanie Jane Hall



Paul Nicholas Sandland

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 2022 – 30 June 2023 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 2023 and of the results of the Company's operations for the financial year 1 July 2022 – 30 June 2023 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company being a subsidiary in the Dechra Pharmaceuticals PLC Group and the Company's ability to continue as a going concern. On 20 July 2023 Dechra Pharmaceuticals PLC Shareholders approved the recommended cash acquisition by Freya Bidco Limited of the entire issued, and to be issued, ordinary share capital of Dechra Pharmaceuticals PLC. The acquisition is expected to complete in late 2023 or early 2024, after the date of approval of the Annual Report for Dechra Veterinary Products A/S. The going concern assessment of the Company is therefore subject to uncertainties relating to the potential change in ownership of the parent company and the actual funding requirements and financing arrangements post completion. For this reason, the Directors cannot reasonably predict the financial position of the Company post-completion, including the details of any financing arrangements related to the transaction that could affect the Company. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Independent auditor's report

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 financial statement 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.
- 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.

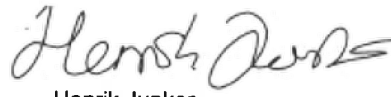
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Vejle, 20 December 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31



Morten Elbæk Jensen
State Authorised
Public Accountant
mne27737



Henrik Junker
State Authorised
Public Accountant
mne42818

DECHRA VETERINARY PRODUCTS A/S
Annual report 2022/23
CVR no. 10 11 42 41

Management's review

Company details

DECHRA VETERINARY PRODUCTS A/S
Mekuvej 9
7171 Uldum

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

Ian David Page
Melanie Jane Hall
Paul Nicholas Sandland

Executive Board

Ian David Page

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Management's review

Financial highlights

DKK'000	2022/23	2021/22	2020/2021	2019/2020	2018/2019
Key figures					
Revenue	2,513,140	2,367,833	2,131,656	1,614,316	1,426,675
Gross profit	238,874	255,837	192,181	111,703	192,871
Operating profit	142,323	168,493	112,865	34,542	113,648
Loss from financial income and expenses	-11,649	-1,959	-15,216	-20,977	-10,284
Profit for the year	129,704	157,581	98,319	23,268	96,521
Balance sheet					
Total assets	1,356,395	1,209,656	1,132,379	964,160	1,047,271
Equity	688,900	560,423	403,139	302,845	555,849
Investment in property, plant and equipment	10,408	27,208	40,805	1,623	477
Ratios					
Gross margin	9.5%	10.8%	9.0%	6.9%	13.5%
Operating margin	5.7%	7.1%	5.3%	2.1%	8.0%
Return on equity	20.8%	32.7%	27.9%	5.4%	18.8%
Solvency ratio	50.8%	46.3%	35.6%	31.4%	53.1%
Employees					
Average number of full-time employees	110	108	98	91	85

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 as well as to develop a strong relationship and to 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. Most 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 most European countries the horse is classified 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 primarily sold through veterinary practices under the recommendation of either veterinarians or veterinary nurses and are recommended to support therapeutic recovery of specific conditions following diagnosis by a veterinarian of specific conditions.

Management's review

Operating review

Performance

Markets continued the return to more normalised levels of growth following the global COVID-19 pandemic. Despite the continuing macro-economic uncertainties, our business delivered a robust performance, with most key markets producing mid-single digit growth and major product categories all experiencing growth. Excellent sales in France produced double-digit growth, and there were strong performances in other key markets such as the UK and Iberia, with high single 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 most of these groups, and they will continue to play an important part in our business in the future.

CAP portfolio performed well, delivering mid-single digit growth, with most additional revenue derived via organic growth from our existing product range. Most key therapeutic sectors delivered growth, including cardiology, dermatology, endocrinology and anaesthesia and analgesia.

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 our overall portfolio is in a strong position to continue to deliver future growth. Our range of in-house developed poultry vaccines also enhances this position.

Equine performed well during the year, with double-digit growth driven by strong performances in key markets and the successful launch of new products. Equine 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 range delivered the third consecutive year of double-digit growth following strategic investment in new packaging, enhanced marketing efforts and greater focus on successfully competing for new business, particularly in France. Continued growth is expected as we look to expand geographic expansion and market penetration.

Development in activities and financial position during the year under review and follow-up on forecast development for 2022/2023

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

The Group reported a profit before tax of DKK 163.5 million for 2022/23.

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

Revenue of the Company was outside the range set out in Outlook for FY23 of 9-13%, coming in a little lower mainly driven by challenging trading conditions whilst operating margin increased more in FY23 compared to Outlook for FY23 of 3-7% due to a mix of increased sales of lower-margin products along with a general inflation in the market directly referable to raw materials with suppliers and therefor direct impact on Cost of Sales and freight rates.

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 2023, total equity was DKK 688.9 million.

Management's review

Operating review

Capital resources

On 20 July 2023 Dechra Pharmaceuticals PLC Shareholders approved the recommended cash acquisition by Freya Bidco Limited of the entire issued, and to be issued, ordinary share capital of Dechra Pharmaceuticals PLC. The acquisition is expected to complete in late 2023 or early 2024, after the date of approval of the Annual Report for Dechra Veterinary Products A/S. The going concern assessment of the Company is therefore subject to uncertainties relating to the potential change in ownership of the parent company and the actual funding requirements and financing arrangements post completion.

Dechra Veterinary Products A/S is a subsidiary in the Dechra Pharmaceuticals PLC Group and being that Dechra Veterinary Products A/S is dependent on the financing arrangements and cash resources made available by the Dechra Pharmaceuticals PLC Group as well as goods produced by the group. The Annual Report for Dechra Pharmaceuticals PLC ended 30 June 2023 informs of material uncertainty related to going concern related to the potential change in ownership. Due to the dependency on other group entities with respect to financing, supply of goods and customers the material uncertainty also give rise to significant doubt on the Danish entity's ability to continue as a going concern.

The Executive Board and the Board of Directors for Dechra Veterinary Products A/S (the "Directors") have a reasonable expectation that the Dechra Pharmaceuticals PLC Group has adequate resources to continue in operational existence for the foreseeable future and will continue to be able to meet its liabilities as they fall due.

Accordingly, they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

In reaching this conclusion, the Directors have given due regard to the following circumstances as a consequence of the potential change in ownership of the parent company expected to complete in late 2023 or early 2024, as they are described in the Annual Report and Accounts for Dechra Pharmaceuticals PLC for the year ended 30 June 2023:

- The Dechra Pharmaceuticals PLC Group's business activities, together with factors likely to impact future growth and operating performance including the principal risks and uncertainties;
- The current and projected future financial position of the Dechra Pharmaceuticals PLC Group, its cash flows, available cash resources and committed debt facilities and compliance with the financial covenants associated with the Group's borrowings;
- Subsequent events, see note 20 and below.

On 2 June 2023, the boards of directors of Dechra Pharmaceuticals PLC and Freya Bidco Limited ("Bidco") announced that they had reached agreement on the terms and conditions of a recommended cash acquisition by Bidco of the entire issued, and to be issued, ordinary share capital of Dechra Pharmaceuticals PLC (the "Acquisition"). The Acquisition is being implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the Scheme) and is subject to the terms and conditions set out in the circular in relation to the Scheme sent to Dechra Shareholders dated 26 June 2023 (the Scheme Document). As announced by Dechra Pharmaceuticals PLC on 20 July 2023, the Scheme and its implementation were approved by the requisite majority of Scheme Shareholders and Dechra Pharmaceuticals PLC Shareholders (as applicable) on 20 July 2023 and the Acquisition is expected to complete later in the calendar year, after the date of approval of the Annual Report and Accounts. The going concern assessment of the Group and Company is therefore subject to uncertainties relating to the potential change in ownership of the Group and Company and the actual funding requirements and financing arrangements post completion. For this reason, the Directors cannot reasonably predict the financial position of the Group and Company post-completion, including the details of any financing arrangements related to the transaction that could affect the Group and Company.

Management's review

Operating review

This indicates the existence of a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern. As noted above, the financial statements do not however include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Notwithstanding this uncertainty, the Directors have a reasonable expectation that the parent company and Group have adequate resources to continue in operational existence for the foreseeable future and the accounts are prepared on the assumption that the Group and Dechra Veterinary Products A/S is a going concern.

Further information can be found in the Annual Report for Dechra Pharmaceuticals PLC ended 30 June 2023 available at:

<https://dechra.annualreport2023.com/>

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 large 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.

Management's review

Operating review

Outlook

Following a robust set of results in 2023, the outlook ahead remains in line with Management's expectations. The Company expects to enjoy revenue growth in the range of 4-8% and increase in operating profit in the range of 4-8% 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 challenges in the market exist, we believe that our strategy and flexibility to adapt to change position us well to continue to outperform the markets in which we are represented. We are now realising the benefits of our recently extended European logistics centre in Uldum, Denmark, with additional 6,000 pallet spaces and 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 2023/24 will be to continue to focus on our strategic pillars and grow the awareness and presence of the DECHRA brand across Europe.

External environment

Despite the continuing macroeconomic uncertainty, the veterinary pharmaceutical market, particularly in the CAP sector, is expected to remain resilient and in growth. European practice corporate consolidation is expected to be a feature. Furthermore, veterinary distributors who operate in most 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

This year, the DECHRA Group has made an important change to how we think about and present the interaction between our corporate Strategic Enablers and our Sustainability strategy. Sustainability is well embedded within the business and we are adopting an increasingly integrated approach when it comes to making strategic choices. DECHRA Group's Sustainability strategy now serves as fundamental underpin to deliver our growth strategy and ultimately our purpose. Sustainability has for many years been a key driver for DECHRA Service Center, and our CSR work 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 Center 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 Center is the central warehouse for DECHRA's European and International markets as well as North America. All these markets are 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.

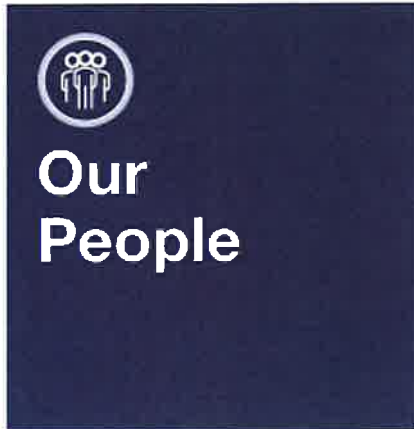
ESG Strategy

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 Center we have aligned the chosen SDGs with the four pillars of the ESG Strategy: People, Environment, Business and Community.

At DECHRA Service Center, 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: To be a great and safe place to work



Culture and Values

Objectives: Comply with national legal requirements regarding wages and working hours, Reinforce health and safety practices with a culture of zero harm and eliminate the gender pay gap

The objective to comply with national legal requirements regarding wages and working hours is a natural given for us as we want to invest in long-lasting relationships with our employees while acknowledging their skills.

It is a top priority for us to ensure that DECHRA Service Center 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.

Our people are our greatest asset, and 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 with initiatives such as flexible working arrangements 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: To 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 2022-23 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.

Management's review

Operating review

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 FY23 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.

Whenever possible, DECHRA Service Center 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: To 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: To eliminate the gender pay gap

At DECHRA Service Center, 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 Center, as some of these typically have a higher representation of women. In October 2023, we had a distribution of 66% women and 34% men.

In a hiring process, we try to stay gender neutral in the search for a new employee and always hire the candidate who has the right qualifications and who best fits the role.

In the various management levels, there is a good distribution of males and females.

Top level management

On the Board of DECHRA VETERINARY PRODUCTS A/S there are 2 males and 1 female all placed off-site in the UK. With the current division of males and females, we have ensured equal representation at top level.

First management level

For the Danish organisation below board level there is a group of 7 managers of whom 3 are female. This is a 43% female quota, which is well above the required 28,57% for the under-represented gender.

Management's review

Operating review

Second management level

In the second management level for managers reporting to the first management level there is a group of 4 managers of whom 3 are female and 1 male. This is a 25/75% distribution, which is according to the requirements for the underrepresented gender.

As per 1 January 2023			
Management level	Female	Male	%
Board level	1	2	33 / 66
First level	3	4	43 / 57
Second level	3	1	75 / 25

Looking at the general diversity of the staff we have over the last year increased the number of part time employees from 19 to 22 enabling our employees to create a good work/life balance which adds value to both the single person and DECHRA Service Center. Three 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, while the average seniority amongst the employee group has increased to 7.12 years. For both, there is an even spread across the employee groups with regards to age and seniority. Again, this demonstrates the diversity in our employee population.

Employee Demographic

Gender	
Male	40
Female	77

Employment	
Full-time	95
Part time	22

Age	
14 - 17	3
18 - 24	2
25 - 34	31
35 - 44	20
45 - 54	33
55 - 65	26
> 66	2

Employment length	
0 - 1 y	10
1 - 3 y	38
3 - 5 y	16
5 - 10 y	24
10 - 15 y	11
15 - 20 y	9
20y or more	9

*figures from October 2023

Management's review

Operating review



Safe Working Practices

Objective: To reinforce health and safety practices with a zero-harm culture

Our approach is to reinforce a strong culture of health and safety within a zero-harm environment. We therefore report all accidents which keep people away from work even for one day.

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. In 2023 Group has rolled out a new Behavioural Safety Programme across the organisation, starting with manufacturing. In October 2023, initial training were introduced at DECHRA Service Center. In addition monthly safety walks are carried out the Warehouse in order to identify safe and unsafe observations. The immediate real-time observation and resolution of unsafe behaviours is the key to building trust in the organisation and achieving the zero-harm workplace.

The local Health & Safety Organisation consists of three 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 up 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.

For many years, DECHRA VETERINARY PRODUCTS A/S has had close cooperation with CRECEA, which is an authorised 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

Incidents reported in SHEassure						
Area	FY 21/22		FY22/23		YTD FY23/24	
	Warehouse	Admin.	Warehouse	Admin.	Warehouse	Admin.
Near Miss	3	-	3	1	3	-
Accident						
First aid	1	-	-	-	-	-
Minor Injury	1	-	5	1	-	-
Minor LTA <3 days lost time	0	1	1	-	-	-
Serious LTA >3 days lost time	0	1	1	-	-	-
Total reports in SHEassure	7		22		3	

Incident types	FY 21/22	FY 22/23	YTD 23/24
Material damage			
Warehouse racks hit	2	6	1
Warehouse gates damaged	-	1	2
Ride-on vehicle collision	1	-	-
Products fall from height	-	3	-
Building - accident risk	-	1	-
Near collision pedestrian/ride-on vehicle	-	3	-
Personal injury			
Slip/trip/fall	2	2	-
Hand cut	-	2	-
Back injury	-	1	-
Foot pinched	2	2	-
Wrong move - body pain	-	1	-
Total incidents	7	22	3

Accounting principles for above KPIs: Reports entered in SheAssure, safety management system in the DECHRA Group. Word definitions for table one: Near Miss - An unplanned and undesired work-related event involving a person (s) that, under slightly different circumstances, could have caused an accident or loss - with or without material damage. First aid accidents - Any minor injury which was treated by a first aider but did not result in any days of absence. The employee was able to return to their normal duties after treatment. Minor Injuries - Any minor injury which did not require any treatment or result in days absence, but which caused a superficial injury or pain. The employee was able to continue in their normal duties. Minor LTA - Any accident leading to 1, 2 or 3 lost days and doesn't fall into the serious injury category. Serious LTA - An accident which resulted in permanent disability or which requires hospitalization for more than 24 hours or resulting in more than 3 lost days. Word definitions for table two: Material damage shows the type of incidents involving material which have been reported for near misses and accidents. Personal injury shows the type of accidents which have been reported.

Management's review

Operating review

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 Center and preventive measures implemented where applicable.

Risk Assessment on Social and Employment Relations

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. Furthermore we have carried out Workplace Assessments with a very positive result with on few minor comments and wishes to physical work environment improvements.

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: To minimise our impact on the environment

Waste

Objective: To reduce GHG emissions and waste to landfill, use water responsibly and protect biodiversity. Work by recover, reduce, recycle, and reuse and implement sustainable packaging and decrease plastic usage

Management's review

Operating review

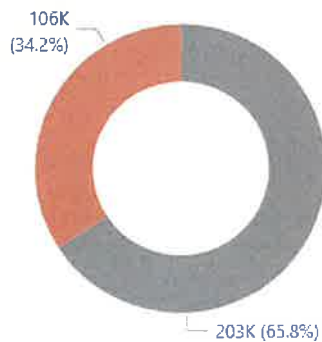
As DECHRA Service Center only handles finished goods, the waste that arises from the handling in the warehouse mainly consists of plastic foil from pallet wrapping, stuffing in shippers and nutrition bags, cardboard from boxes and pallet layers, pallets that are broken or otherwise unfit for further use, and hazardous waste, that is related to stock disposal. Finally, we have paper and office waste from the administration and organic waste from our canteen. From January 2023 new legislation came into force, requiring Danish companies to sort their waste in 10 fractions. DECHRA Service Center has adhered to this, and we have several "waste stations" around the offices.

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. From November 2023 organic waste from i.e., stock disposal of nutrition products will be recycled, decreasing our waste mixed commercial waste significantly.

Organic waste from the canteen is being collected from a local company, that has specialized in the collection, safe handling, and recycling of by-products from agriculture and food industry. The organic waste is then used as renewable products such as biofuels and biodiesel.

Total Waste (kg) Hazardous vs Non Hazardous YTD

● Dechra Non Hazardous ● Dechra Hazardous

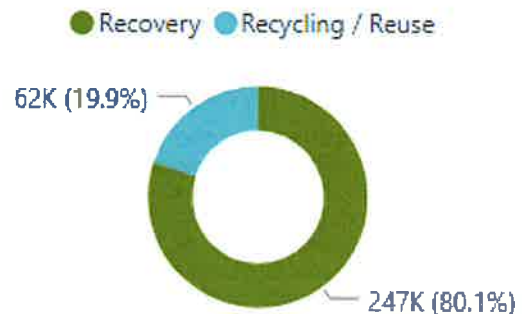


DECHRA Service Center creates 9% of the total waste in the DECHRA Group. In FY23 our waste production was 309 tonnes of which 80% was sent for incineration with energy recovery and 20% was sent for materials recycling. In FY23 34% of the waste discarded was hazardous waste, which is finished pharma products, 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.

Management's review

Operating review

Waste Fate YTD by Disposal Method



Accounting principles for above KPIs: 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. Figure 1 word definitions: DECHRA Non Hazardous are products such as nutrition, office waste, daily waste from the canteen and normal household, cartons and plastic foil etc. DECHRA Hazardous are pharma and care products which require special handling and which therefore are sent to Fortum Waste Solution A/S for incineration with energy recovery. Figure 2 word definitions: Recovery means that waste is being incinerated with energy recovery used for heating. Recycling/reuse means that waste (plastic, wooden pallets and cardboard) is being sold for recycling/reuse.



Energy

Objective: To 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 Center 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 Center 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.

In April 2022, we took our new warehouse into operation in which we recycle heat from our cooling system. 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 is then 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 September 2023 our data shows, that we in average the last 12 months have reused 22,5% of heat created from the cooling system.

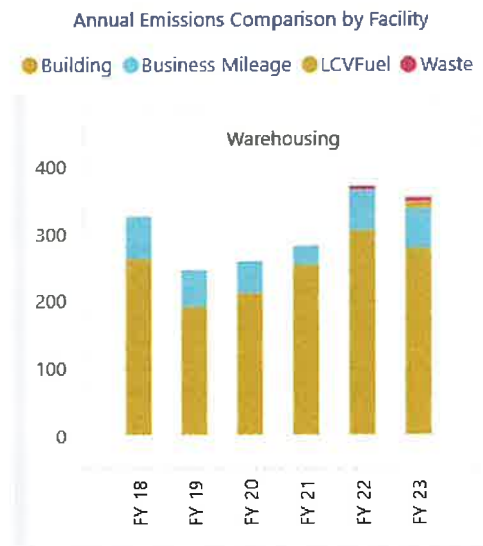
DECHRA Service Centre runs entirely on 100% sustainable energy with district heating produced from wood chips coming from FSC (Forest Stewardship Council) and SBP (Sustainable Biomass Program) certified or self-felled wood. SBP certified wood chips ensures that that the forest owner replants the forest 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.

Management's review

Operating review

All lighting on the site is of the newest LED technology with comfortable day light feel for our employees and an expected reduction in both CO2 emission and costs. In February 2023 we updated all lighting in the Administration to the newest technology and installed sensors in all rooms to decrease energy consumption. Data show that our energy savings is around 5000-6000 kWh a month.

The annual CO2 emissions have increased from FY22 to FY23 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 contributed to the increased activity in FY22. However, The total emissions have decreased from 371 tCO2e in FY22 to 354 tCO2e. in FY23. The main reason is that we have optimised the operation in Building 3 in terms of temperature and energy consumption.



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. Word definitions for table two: Building covers energy emissions of our three buildings on site (electricity, gas heating, local district heating). Business Mileage covers company car CO2 emissions. LCV Fuel covers fuel consumption of DECHRA owned LCVs. Waste covers energy emissions from waste handling. Electricity, gas and heating is automatically monitored and reported on a monthly basis to the Group Ecometrica system and audited internally on a quarterly and yearly basis.

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.

Management's review

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We furthermore expect to be able to reduce our departures/shipments to our customers in Europe by 20% by end of next financial year. 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 Center 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%. We have also started to export the bulkiest products to Portugal. Transport of the same volume by road would have a significantly higher emission rate. To further reduce CO2 emissions we had our first shipment of nutrition from Oudewater to Uldum by electric train in May. Now, four months in, we have between 5-10 shipments weekly. However, our target is 10 weekly shipments equal to half of the shipments from Oudewater. By shipping nutrition with electric train, we save approximately 45% CO2 compared to if it was sailed.

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 optimisation 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 palletized 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 products, education and technical support to veterinarians



Ethical and Sustainable Products

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

Management's review

Operating review

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

Wherever possible all paper and cardboard used in the office, canteen and warehouse is FSC certified.

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 neighboring countries and thus more sustainable. Furthermore, we are constantly looking for further optimisation opportunities.



Ethics

Objective: To 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/Human Rights; 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. As an example of risk mitigation when engaging in business with a new customer or supplier a screening document is filled in and if any of the information entered triggers a risk of bribery, corruption, violation of human rights or other code of conduct violation the party and our relation must be approved by our Group Compliance Manager before we can continue into a business relation.

Our commitment to conduct all business in an honest and ethical manner is conveyed through our policies, procedures and training programmes. All employees at DECHRA Service Center are trained on a yearly basis in Anti-Bribery; Donations, Code of Conduct/Ethics/Human Rights; Whistleblowing and the Company Values and have conducted this in 2023.

DECHRA Service Center is committed to upholding and respecting human rights both within our business and from our suppliers. All employees at DECHRA Service Center 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.

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.

DECHRA VETERINARY PRODUCTS A/S

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Management's review

Operating review

- 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 (ABC)

We screen all customer and suppliers with a risk level of medium or high (with such risk level having been established through an internal risk assessment process) and with contract values over £10,000 per annum. Customers are screened for ABC and Sanctions risks, and Suppliers are also screened for Modern Slavery risks. Furthermore 80% of our suppliers are internal DECHRA production sites and the last 20% are suppliers situated within Europe, where the risk of breach is deemed low. The suppliers and customers that are identified high or medium risk are monitored at a Group level on an ongoing basis via screening software, and therefore we believe that we are compliant with our Human Rights and ABC policies.

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 endeavor 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. 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.

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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.

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

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 is approved by the DECHRA Pharmaceuticals PLC's 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.

Management's review

Operating review



Our Strategic Priority: To give back to the communities in which we operate



Community Activities

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

As DECHRA Service Center 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 organise 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

At DECHRA Service Center a Donation committee makes donations to organisations and social initiatives suggested by our employees. In FY23 we donated a total of €18,700 to 15 organisations within animal welfare, environment and human rights, which covered both local and national organisations.

For a number of years we have also made annual donations to the Danish Cancer Foundation.

In Denmark there is not a well-known tradition to offer 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. It was a great success. The profit of the event was donated to "Børneulykkesfondens" initiative "Legeheltene".

For a number of years DECHRA Service Center has 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 center.

Management's review

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

Risk Assessment on Community Activities and Donations

In order to avoid the risk of breaking anti-bribery or corruption regulations all donations and contributions to local or national charities are evaluated on the basis of our company policy for donations. Through this policy evaluation we can ensure that any donation in any form is given with no strings attached. We do therefor not deem to have any risks in connection with our community activities or donations.

Financial statements 1 July – 30 June

Income statement

DKK'000	Note	2022/23	2021/22
Revenue	3	2,513,140	2,367,833
Cost of goods sold		-2,110,901	-1,958,450
Other operating income		35,696	33,075
Other external costs		-199,061	-186,621
Gross profit		238,874	255,837
Staff costs	4	-58,487	-53,040
Depreciation, amortisation and impairment losses	5	-38,064	-34,304
Operating profit		142,323	168,493
Income from equity investments in group entities	6	32,860	32,703
Financial income	7	334	3,155
Financial expenses	8	-11,983	-5,114
Profit before tax		163,534	199,237
Tax on profit for the year	9	-33,830	-41,656
Profit for the year	10	129,704	157,581

Financial statements 1 July – 30 June

Balance sheet

DKK'000	Note	30/6 2023	30/6 2022
ASSETS			
Fixed assets			
Intangible assets	11		
Goodwill		40,284	63,295
Software		10,641	17,674
Development projects in progress		1,733	678
		<u>52,658</u>	<u>81,647</u>
Property, plant and equipment	12		
Land and buildings		76,316	71,625
Plant and machinery		1,442	1,108
Fixtures and fittings, tools and equipment		8,421	10,824
		<u>86,179</u>	<u>83,557</u>
Investments	13		
Equity investments in group entities		117,988	101,229
Deposits		40	40
		<u>118,028</u>	<u>101,269</u>
Total fixed assets		<u>256,865</u>	<u>266,473</u>
Current assets			
Inventories			
Raw materials and consumables		14,999	10,052
Finished goods and goods for resale		543,244	500,450
		<u>558,243</u>	<u>510,502</u>
Receivables			
Trade receivables		91,249	91,526
Receivables from group entities		434,773	327,745
Corporation tax		1,606	0
Prepayments	14	13,649	13,396
		<u>541,277</u>	<u>432,667</u>
Cash at bank and in hand		<u>10</u>	<u>14</u>
Total current assets		<u>1,099,530</u>	<u>943,183</u>
TOTAL ASSETS		<u><u>1,356,395</u></u>	<u><u>1,209,656</u></u>

Financial statements 1 July – 30 June

Balance sheet

DKK'000	Note	30/6 2023	30/6 2022
EQUITY AND LIABILITIES			
Equity			
Contributed capital	15	100,000	100,000
Reserve for net revaluation under equity method		114,166	97,406
Reserve for development costs		333	1,018
Retained earnings		474,401	361,999
Total equity		688,900	560,423
Provisions			
Provisions for deferred tax	16	5,083	5,722
Total provisions		5,083	5,722
Liabilities other than provisions			
Non-current liabilities other than provisions			
Corporation tax	17	28,133	34,251
Payables to group entities		179,877	189,972
		208,010	224,223
Current liabilities other than provisions			
Trade payables		61,296	77,296
Payables to group entities	17	337,146	296,873
Corporation tax		0	87
Other payables		55,960	45,032
		454,402	419,288
Total liabilities other than provisions		662,412	643,511
TOTAL EQUITY AND LIABILITIES		1,356,395	1,209,656
Disclosure of material uncertainties regarding going concern	2		
Contractual obligations, contingencies, etc.	18		
Related party disclosures	19		
Subsequent events	20		

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 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
Equity at 1 July 2022	100,000	0	97,406	1,018	361,999	560,423
Exchange adjustment	0	0	-1,227	0	0	-1,227
Transferred over the profit appropriation	0	0	32,860	-685	97,529	129,704
Distributed dividends from investments in subsidiaries	0	0	-14,873	0	14,873	0
Equity at 30 June 2023	100,000	0	114,166	333	474,401	688,900

Financial statements 1 July – 30 June

Notes

1 Accounting policies

The annual report of DECHRA VETERINARY PRODUCTS A/S for 2022/23 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.

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.

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1 Accounting policies (continued)

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 group entity's 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 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 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.

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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 reliable 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. Indirect production overheads and borrowing costs are not 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.

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.

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Notes

1 Accounting policies (continued)

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.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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Notes

1 Accounting policies (continued)

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 dividends payment for the year is disclosed as a separate item under equity.

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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.

2 Material uncertainties regarding going concern

On 20 July 2023 Dechra Pharmaceuticals PLC Shareholders approved the recommended cash acquisition by Freya Bidco Limited of the entire issued, and to be issued, ordinary share capital of Dechra Pharmaceuticals PLC. The acquisition is expected to complete in late 2023 or early 2024, after the date of approval of the Annual Report for Dechra Veterinary Products A/S. The going concern assessment of the Company is therefore subject to uncertainties relating to the potential change in ownership of the parent company and the actual funding requirements and financing arrangements post completion.

Dechra Veterinary Products A/S is a subsidiary in the Dechra Pharmaceuticals PLC Group and being that Dechra Veterinary Products A/S is dependent on the financing arrangements and cash resources made

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2 Disclosure of material uncertainties regarding going concern (continued)

available by the Dechra Pharmaceuticals PLC Group as well as goods produced by the group. The Annual Report for Dechra Pharmaceuticals PLC ended 30 June 2023 informs of material uncertainty related to going concern due to the potential change in ownership. Due to the dependency on other group entities with respect to financing, supply of goods and customers the material uncertainty also give rise to significant doubt on the Danish entity's ability to continue as a going concern.

The Executive Board and the Board of Directors for Dechra Veterinary Products A/S (the "Directors") have a reasonable expectation that the Dechra Pharmaceuticals PLC Group has adequate resources to continue in operational existence for the foreseeable future and will continue to be able to meet its liabilities as they fall due. Accordingly, they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

In reaching this conclusion, the Directors have given due regard to the consequence of the potential change in ownership of the parent company expected to complete in late 2023 or early 2024 and subsequent events, see note 20.

Notwithstanding this uncertainty, the Directors have a reasonable expectation that the parent company and Group have adequate resources to continue in operational existence for the foreseeable future and the accounts are prepared on the assumption that the Group and Dechra Veterinary Products A/S is a going concern.

3 Revenue

DKK'000	2022/23	2021/22
Geographical segments		
Revenue, Denmark	73,630	73,090
Revenue, exports	<u>2,439,510</u>	<u>2,294,743</u>
	<u>2,513,140</u>	<u>2,367,833</u>
Business segments		
CAP	1,309,678	1,259,490
Nutrition	394,473	334,880
FAP	597,703	579,897
Equine	203,791	186,596
Other	<u>7,495</u>	<u>6,970</u>
	<u>2,513,140</u>	<u>2,367,833</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.

4 Staff costs

DKK'000	2022/23	2021/22
Wages and salaries	52,061	47,541
Pensions	5,742	4,912
Other social security costs	<u>684</u>	<u>587</u>
	<u>58,487</u>	<u>53,040</u>

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4 Staff costs (continued)

Average number of full-time employees	110	108
	<u>110</u>	<u>108</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 455 thousand (2021/22: DKK 836 thousand).

5 Depreciation, amortisation and impairment losses

DKK'000	2022/23	2021/22
Amortisation of intangible assets	30,278	30,125
Depreciation of property, plant and equipment	7,786	4,179
	<u>38,064</u>	<u>34,304</u>

6 Income from equity investments in group entities

Share of profits of group entities	32,860	32,703
	<u>32,860</u>	<u>32,703</u>

7 Financial income

Interest income from group entities	333	0
Other financial income	1	0
Exchange rate adjustments	0	3,155
	<u>334</u>	<u>3,155</u>

8 Financial expenses

Interest expense to group entities	2,938	5,055
Other financial expenses	137	59
Exchange rate adjustments costs	8,908	0
	<u>11,983</u>	<u>5,114</u>

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DKK'000	2022/23	2021/22		
9 Tax on profit for the year				
Current tax for the year	34,553	41,836		
Deferred tax for the year	-721	-180		
Adjustment of tax concerning previous years	-2	0		
	<u>33,830</u>	<u>41,656</u>		
10 Proposed profit appropriation				
Reserve for development costs	-685	-1,182		
Reserve for net revaluation under equity method	32,860	32,703		
Retained earnings	97,529	126,060		
	<u>129,704</u>	<u>157,581</u>		
11 Intangible assets				
DKK'000	Goodwill	Software	Development projects in progress	Total
Cost at 1 July 2022	460,236	51,466	3,571	515,273
Additions for the year	0	0	1,289	1,289
Cost at 30 June 2023	<u>460,236</u>	<u>51,466</u>	<u>4,860</u>	<u>516,562</u>
Amortisation and impairment losses at 1 July 2022	-396,941	-33,792	-2,893	-433,626
Amortisation for the year	-23,011	-7,033	-234	-30,278
Amortisation and impairment losses at 30 June 2023	<u>-419,952</u>	<u>-40,825</u>	<u>-3,127</u>	<u>-463,904</u>
Carrying amount at 30 June 2023	<u>40,284</u>	<u>10,641</u>	<u>1,733</u>	<u>52,658</u>

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12 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 July 2022	103,304	8,706	24,835	136,845
Additions for the year	8,762	719	927	10,408
Cost at 30 June 2023	112,066	9,425	25,762	147,253
Depreciation and impairment losses at 1 July 2022	-31,679	-7,598	-14,011	-53,288
Depreciation for the year	-4,071	-385	-3,330	-7,786
Depreciation and impairment losses at 30 June 2023	-35,750	-7,983	-17,341	-61,074
Carrying amount at 30 June 2023	76,316	1,442	8,421	86,179

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13 Investments

DKK'000	Equity investments in group entities
Cost at 1 July 2022	<u>3,822</u>
Cost at 30 June 2023	<u>3,822</u>
Revaluations at 1 July 2022	97,406
Exchange adjustment	-1,227
Net profit/loss for the year	32,860
Dividens	<u>-14,873</u>
Revaluations 30 June 2023	<u>114,166</u>
Carrying amount at 30 June 2023	<u>117,988</u>

Name/legal form	Registered office	Voting rights and ownership interest	Equity DKK'000	Profit for the year DKK'000
Subsidiaries:				
DECHRA VETERINARY PRODUCTS OY	Finland	100%	4,502	965
DECHRA VETERINARY PRODUCTS SAS	France	100%	11,715	8,820
DECHRA VETERINARY PRODUCTS B.V	The Netherlands	100%	20,275	3,250
DECHRA VETERINARY PRODUCTS AS	Norway	100%	4,635	1,352
DECHRA VETERINARY PRODUCTS AB	Sweden	100%	5,646	1,558
DECHRA VETERINARY PRODUCTS Ltd.	Great Britain	100%	47,500	11,674
DECHRA VETERINARY PRODUCTS S.L.U	Spain	100%	<u>23,715</u>	<u>5,241</u>
			<u>117,988</u>	<u>32,860</u>

14 Prepayments

DKK'000	30/6 2023	30/6 2022
Recharges	<u>1,188</u>	<u>825</u>
Other prepayments	<u>12,461</u>	<u>12,571</u>
	<u>13,649</u>	<u>13,396</u>

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15 Equity

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

The company's share capital is DKK 100,000,000, denominated in shares of DKK 1,000 or multiples thereof.

All shares rank equally.

16 Deferred tax

DKK'000	30/6 2023	30/6 2022
Deferred tax at 1 January	5,722	5,902
Deferred tax adjustment for the year in the income statement	-721	-180
Deferred tax adjustment regarding previous years	82	0
	<u>5,083</u>	<u>5,722</u>
Intangible assets	2,722	5,401
Property, plant and equipment	835	321
Other	1,527	0
	<u>5,084</u>	<u>5,722</u>

17 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	30/6 2023	30/6 2022
Debt to group entities falls due for payment as specified below:		
After 5 years	150,718	150,552
Other current debt to group entities	<u>366,305</u>	<u>336,293</u>
	<u>517,023</u>	<u>486,845</u>
Corporation tax falls due for payment as specified below:		
After 1 year	<u>28,133</u>	<u>35,251</u>

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18 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 15,090 thousand (2021/22: DKK 18,287 thousand).

Rental and lease obligations

The remaining obligation makes up DKK 2,335 thousand (2021/22: DKK 2,320 thousand).

Contingent liabilities

The Company has provided guarantees for loans of group entities, which at 30 June 2023 came in at DKK 4,269 million (2021/22: DKK 2,733 million).

19 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.

20 Subsequent events

On 20 July 2023, the shareholders of the parent company Dechra Pharmaceuticals PLC voted in favour of the proposed cash offer for the parent Company by Freya Bidco Limited. The pending acquisition of the parent Company is conditional upon respective antitrust approvals or the expiry of the applicable waiting periods in the relevant jurisdictions.