



# 20 Years of Strategic Growth



## Annual General Meeting 2017 Chairman's Letter and Notice of Annual General Meeting

Registered in England and Wales, No. 3369634

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if you are not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in Dechra Pharmaceuticals PLC, you should send this documents together with the accompanying Proxy Form, to the purchaser or transferee or to the stockbroker or other agent through or by whom the sale or transfer was effected, for transmission to the purchaser or transferee.



Dechra Pharmaceuticals PLC  
24 Cheshire Avenue  
Cheshire Business Park  
Lostock Gralam  
Northwich  
CW9 7UA

11 September 2017

Dear Shareholder

I am writing to explain in detail the matters to be dealt with at this year's Annual General Meeting (Meeting) to be held at The Mere Golf Resort & Spa, Chester Road, Mere, Knutsford, Cheshire, WA16 6LJ at 1.00 pm on 20 October 2017. The formal notice of the Meeting, which is set out on pages 9 to 15 of this document, sets out the business to be considered at the Meeting. The purpose of this letter is to provide you with further details about those items of business.

If you have requested a hard copy of the Annual Report and Accounts, it should be enclosed with this Notice and the Proxy Form for the Meeting. If you receive your Annual Report and Accounts electronically or did not return the Shareholder Communication Response sent to you in August 2017, please accept this letter as notification that the Annual Report and Accounts and associated documents have now been published on the Investor section of our website ([www.dechra.com](http://www.dechra.com)).

This year, shareholders will be asked to approve nineteen resolutions. Resolutions 1 to 14 and Resolution 19 are proposed as ordinary resolutions requiring the approval of a simple majority of shareholders present and voting at the Meeting. Resolutions 15 to 18 are proposed as special resolutions requiring the approval of 75% of shareholders present and voting at the Meeting.

#### **The Annual Report and Financial Statements (Resolution 1)**

Shareholders will be asked to receive the Company's financial statements, Strategic Report, Directors' Report and Auditor's Report for the year ended 30 June 2017.

#### **Directors' Remuneration Report (Resolution 2)**

The Company is required to seek shareholders' approval of the Directors' Remuneration Report (which describes how the Company's Directors' Remuneration Policy has been implemented during the previous financial year) and this report can be found on pages 81 to 83, and 92 to 101 of the Annual Report and Accounts. The vote is advisory in nature; the Directors' entitlements to remuneration are not conditional upon this Resolution being passed. The Directors' Remuneration Report comprises the Letter from the Remuneration Committee Chairman and the Annual Report on Remuneration.

#### **Directors' Remuneration Policy (Resolution 3)**

As a separate resolution the Company is required to seek shareholders' approval of its Directors' Remuneration Policy (the Policy) as set out on pages 84 to 91 of the Annual Report and Accounts which includes a summary of the proposed changes. This vote is binding.

If approved, the Policy will take effect immediately following the Meeting. Once effective, the Company will not be able to make remuneration payments or loss of office payments to a current or past Director, unless the payment is consistent with the Policy or has otherwise been approved by shareholders.

If approved, the Policy will be valid for up to three financial years. If the Company wishes to change the Policy within this period, it will need to put the revised policy to a shareholder vote.

If, for any reason, the Policy is not approved by shareholders at the Meeting, the Company will continue to operate under the policy approved at the 2014 Annual General Meeting, and will subsequently seek shareholder approval for a new policy as soon as practicable.

#### **Final Dividend (Resolution 4)**

A final dividend of 15.33 pence per ordinary share is recommended by the Directors. Subject to approval at the Meeting, the dividend will be paid on 17 November 2017 to shareholders who are on the Register of Members at the close on business on 27 October 2017. The shares will become ex-dividend on 26 October 2017. An interim dividend of 6.11 pence per ordinary share was paid on 7 April 2017.

#### **Election of Directors (Resolutions 5 and 6)**

Richard Cotton was appointed as an Executive Director on 3 January 2017 and Lawson Macartney was appointed as a Non-Executive Director of the Company on 1 December 2016 and therefore, in line with the Company's Articles of Association, they will offer themselves for election by the shareholders at the Meeting.

### **Re-election of Directors (Resolutions 7 to 11)**

The following Directors will stand for re-election:

- Tony Rice
- Ian Page
- Anthony Griffin
- Julian Helsop
- Ishbel Macpherson

Each of the above Directors has indicated their willingness to offer themselves for re-election. The Board, having considered the mix of skills, knowledge and experience of the Directors, confirms that each Director continues to perform his or her duties effectively, showing integrity and high ethical standards whilst maintaining sound, independent judgement in respect of all decisions taken at both Board and, where applicable, Committee level.

Biographical details for each of the Directors are located on pages 64 and 65 of the Annual Report and Accounts. The recruitment process for new Directors, the review process for existing Directors and the Company's assessment of independence are described on pages 70 to 72, and 79 of the Annual Report and Accounts.

### **Reappointment of Auditor and Auditor's Remuneration (Resolutions 12 and 13)**

The Company is required to appoint an external auditor at each Annual General Meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting.

Resolution 12, on the Audit Committee's recommendation (the Audit Committee having evaluated the effectiveness and independence of the external auditor), proposes the reappointment of the Company's existing external auditor, PricewaterhouseCoopers LLP, from the conclusion of the Meeting until the conclusion of the next Annual General Meeting at which the accounts are presented.

Resolution 13 is a separate resolution which gives authority to the Audit Committee to determine the external auditor's remuneration.

### **Authority to Allot Equity Securities (Resolution 14)**

Generally, the Directors may only allot shares in the Company (or grant rights to subscribe for, or to convert any security into, shares in the Company) if they have been authorised to do so by shareholders.

Resolution 14 renews a similar authority given at last year's Annual General Meeting held on 21 October 2016 and is in two parts.

#### **Rights Issue**

In line with guidance issued by the Investment Association, if passed, part one of Resolution 14 will authorise the Directors to allot shares in the Company (and to grant rights to subscribe for, or to convert any security into, shares in the Company) in connection with a rights issue only up to an aggregate nominal amount of £621,210 (as reduced by the aggregate nominal amount of any shares allotted or rights granted under part two of Resolution 14). This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 8 September 2017, being the last practicable date before the publication of this document.

#### **Allotment of Shares**

If passed, part two of Resolution 14 will authorise the Directors to allot shares in the Company (and to grant rights to subscribe for, or to convert any security into, shares in the Company) up to an aggregate nominal amount of £310,605 as reduced by the aggregate nominal amount of any shares allotted or rights granted under part one of Resolution 14 in excess of £310,605. This amount (before any reduction) represents approximately one-third of the issued ordinary share capital of the Company as at 8 September 2017, being the last practicable date before the publication of this document.

If given, these authorities will expire at the conclusion of the Company's next Annual General Meeting or 15 months from the passing of the Resolution (whichever is earlier). It is the Directors' intention to renew the allotment authorities each year.

The Directors have no current intention to exercise either of the authorities sought under Resolution 14. However, the Directors consider that it is in the best interests of the Company to have the authorities available so that they have the maximum flexibility permitted by institutional shareholder guidelines to allot shares or grant rights without the need for a general meeting should they determine that it is appropriate to do so to respond to market developments or to take advantage of business opportunities as they arise. If the Directors do exercise this authority, the Directors intend to follow best practice as regards to its use.

### **Pre-emptive Allotment of Equity Securities (Resolutions 15 and 16)**

Generally, if the Directors wish to allot new shares or other equity securities (within the meaning of section 560 of the Act) for cash or sell treasury shares for cash, then under the Companies Act 2006 they must first offer such shares or securities to ordinary shareholders in proportion to their existing holdings. These statutory pre-emption rights may be disapplied by shareholders.

Resolutions 15 and 16 will be proposed as Special Resolutions which, if passed, will enable the Directors to allot shares for cash or sell treasury shares for cash up to a maximum aggregate nominal amount of £93,182 without having to comply with statutory pre-emption rights.

The powers proposed under resolution 15 will be limited to allotments or sales:

- (a) up to an aggregate nominal amount of (i) £621,210 in connection with a rights issue or (ii) £310,605 in connection with an open offer or other pre-emptive offer, in each case to ordinary shareholders and to holders of other equity securities (if required by the rights of those securities or the directors otherwise consider necessary), but (in accordance with normal practice) subject to such exclusions or other arrangements, such as for fractional entitlements and overseas shareholders, as the Directors consider necessary; and
- (b) in any other case, up to an aggregate nominal amount of £46,591 (which represents approximately 5% of the issued ordinary share capital of the Company as at 8 September 2017, being the last practicable date before the publication of this document).

The powers proposed under resolution 16 will be limited to allotments or sales:

- (a) up to an aggregate nominal amount of £46,591 (which represents approximately 5% of the issued ordinary share capital of the Company as at 8 September 2017, being the last practicable date before the publication of this document); and
- (b) used only for the purposes of financing (or refinancing, if such refinancing occurs within six months of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

There are no present plans to exercise this authority and, in accordance with the guidelines issued by the Pre-Emption Group, the Directors do not expect to allot shares for cash on a non-pre-emptive basis pursuant to the authority in Resolutions 15 and 16: (i) in excess of an amount equal to 5% of the issued share capital of the Company; or (ii) in excess of an amount equal to 7.5% of the issued share capital of the Company within a rolling three-year period, without prior consultation with the Company's shareholders, in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

If given, this authority will expire at the conclusion of the Company's next Annual General Meeting or 15 months from the passing of the Resolution (whichever is earlier). It is the Directors' intention to renew this authority each year.

### **Authority to Purchase Ordinary Shares (Resolution 17)**

Resolution 17 will be proposed as a Special Resolution for the renewal of the Company's authority to purchase its own shares in the market during the period until the next Annual General Meeting of the Company for up to 9,318,140 shares, representing approximately 10% of the issued ordinary share capital of the Company as at 8 September 2017, being the last practicable date before the publication of this document.

The Directors have no current intention of exercising this authority to purchase the Company's ordinary shares, but consider the authority desirable to provide maximum flexibility in the management of the Company's capital base. The Company will only exercise this authority to make such a purchase in the market if the Directors consider it is in the best interests of the shareholders generally to do so and that to do so would result in an increase in earnings per share.

The Company is permitted to hold shares it has purchased in treasury, as an alternative to cancelling them. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy options exercised under any of the Company's share schemes. Whilst held in treasury, the shares are not entitled to receive any dividend or dividend equivalent (apart from any issue of bonus shares) and have no voting rights. The Directors believe it is appropriate for the Company to have the option to hold its own shares in treasury if, at a future date, the Directors exercise this authority in order to provide the Company with additional flexibility in the management of its capital base. The Directors will have regard to investor group guidelines which may be in force at the time of any such purchase, holding or resale of shares held in treasury. As at 8 September 2017 (being the latest practicable date prior to publication of this notice), no shares were held in treasury.

On 8 September 2017 (being the last practicable prior to the publication of this notice) there were options over ordinary shares in the capital of the Company representing 1.19% of the Company's issued ordinary share capital as at that date. If the authority to purchase the Company's ordinary shares was exercised in full and those shares were subsequently cancelled, these options would represent 1.32% of the Company's issued and voting ordinary share capital.

If given, this authority will expire at the conclusion of the Company's next Annual General Meeting or 15 months after the passing of the Resolution (whichever is earlier). It is the Directors' intention to renew this authority each year.

#### **Notice Period for General Meetings (Resolution 18)**

Resolution 18 will be proposed as a Special Resolution and would allow the Company to hold general meetings (other than Annual General Meetings) on 14 clear days' notice. Annual General Meetings must always be called with at least 21 clear days' notice but other general meetings of the Company may be called on less notice if shareholders agree to a shorter notice period. The shareholders of the Company approved a resolution to call general meetings (other than Annual General Meetings) on 14 clear days' notice at last year's Annual General Meeting. Resolution 15 seeks approval to renew this right until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings, but only where flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole and the matter to be considered is time sensitive. The Company meets the requirement under the Companies Act 2006 that a means of electronic voting must be provided to all shareholders if a general meeting is to be called on less than 21 clear days' notice.

#### **New Long Term Incentive Plan (Resolution 19)**

Shareholders will be asked to approve the Dechra Long Term Incentive Plan 2017. This plan is being introduced to replace the Dechra Long Term Incentive Plan 2008, which expires in 2018. As described in the statement from the Chairman of the Remuneration Committee in the Directors' Remuneration Report as set out on page 81 of the Annual Report and Accounts, the new plan is being proposed now to coincide with the renewal of the Company's Directors' Remuneration Policy.

A summary of the principal terms of the new plan is set out in the Appendix to this circular.

#### **Recommendation**

The Directors believe that all the proposals to be considered at the Meeting are in the best interests of the Company and its shareholders as a whole. They recommend that you vote in favour of the proposed Resolutions. The Directors will be voting in favour of the proposed Resolutions in respect of their own shareholdings in the Company.

#### **Action to be taken**

Whether or not you are able to attend the Meeting, please complete and return the enclosed Proxy Form so as to reach the Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 1.00 pm on 18 October 2017 (or, if the Meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). The Company also offers all shareholders the right to lodge their proxy vote electronically and details of how to do this can be found in the notes to the Notice of Meeting and on the front of the enclosed Proxy Form. Completion and lodging of the Proxy Form will not prevent you from attending and voting in person at the Meeting if you so wish.

Yours sincerely

**Tony Rice**

Non-Executive Chairman

## APPENDIX

### SUMMARY OF THE PRINCIPAL TERMS OF THE DECHRA LONG TERM INCENTIVE PLAN 2017

The Dechra Long Term Incentive Plan 2017 (LTIP 2017) is a discretionary share plan which will be administered by the Board of Directors or a committee appointed by the Board, and references in this summary to the Board should be read accordingly. Decisions in relation to the participation in the LTIP 2017 by Executive Directors of the Company will be taken by the Remuneration Committee of the Board of Directors.

The Company has previously operated the Dechra Long Term Incentive Plan 2008 for Executive Directors of the Company and other senior executives, and the Dechra Pharmaceuticals Approved Share Option Scheme and the Dechra Pharmaceuticals Unapproved Share Option Scheme for other employees. The Dechra Long Term Incentive Plan 2008 provides for the grant of “whole share” awards and the Dechra Pharmaceuticals Approved Share Option Scheme and the Dechra Pharmaceuticals Unapproved Share Option Scheme for the grant of “market value options”. Subject to approval of the LTIP 2017 at the Company’s 2017 Annual General Meeting, it is proposed that with effect from that meeting “whole share” awards and “market value options” will be granted under the LTIP 2017.

#### Eligibility

Any employee (including an Executive Director) of the Company or any of its subsidiaries will be eligible to participate in the LTIP 2017 at the discretion of the Board.

#### Form of Award

An Award under the LTIP 2017 may be in the form of:

- (a) a conditional right to acquire ordinary shares in the Company (Shares) at no cost (a Conditional Award);
- (b) an option to acquire Shares at no cost or for an exercise price per Share equal to the nominal value of a Share (a Nil-Cost Option);
- (c) an option to acquire Shares for an exercise price per Share equal to the market value of a Share at the date of grant of the option (a Market Value Option); or
- (d) a right to a cash amount related to the value of a number of Shares (a Cash Award).

In this summary, Nil-Cost Options and Market Value Options are together referred to as “Options”, and Conditional Awards and Options are together referred to as “Awards”. References to Shares includes notional shares to which a Cash Award relates.

#### Tax-qualifying Options

Market Value Options under the LTIP 2017 may include options which are intended to satisfy the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 (Qualifying Options). The provisions of the LTIP 2017 as summarised in this Appendix apply to Qualifying Options other than where required by the applicable tax legislation.

A participant may be granted a Nil-Cost Option in combination with a Qualifying Option but on terms that the extent to which the Nil-Cost Option may be exercised is reduced to take account of any gain made on exercise of the Qualifying Option. For this reason, where a Qualifying Option is granted in combination with a Nil-Cost Option, the Shares subject to the Qualifying Option are not taken into account for the purposes of assessing the individual limit on participation in the LTIP 2017 so as to avoid double counting.

#### Grant of Awards

Awards may be granted within the six week period following the Company’s 2017 Annual General Meeting. Thereafter, ordinarily Awards may only be granted within the six week period following announcement of the Company’s results for any period or the approval by shareholders of a new Directors’ Remuneration Policy. However, the Board may grant Awards at other times in exceptional circumstances. If Awards cannot be granted in any of these periods due to regulatory restrictions, they may be granted within the six week period following the lifting of the restriction.

#### Individual Limit

Ordinarily, a participant shall not be granted an Award (other than an Award granted to facilitate the recruitment of the participant) in respect of any financial year of the Company over Shares with a market value (as determined by the Board) in excess of 200% of his annual base salary.

As noted above, where a Qualifying Option is granted in combination with a Nil-Cost Option, the Shares subject to the Qualifying Option are not taken into account for the purposes of assessing this limit.

### **Overall Limits**

Awards may be granted over newly issued Shares, treasury Shares or Shares purchased in the market.

In any ten year period, the number of Shares which may be issued under the LTIP 2017 and under any other employees' share plan adopted by the Company may not exceed 10% of the issued ordinary share capital of the Company from time to time.

In any ten year period, the number of Shares which may be issued under the LTIP 2017 and under any other discretionary employees' share plan adopted by the Company may not exceed 5% of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise.

### **Performance Conditions**

Awards will ordinarily be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the Award which will vest at the end of a performance period. The Board will have discretion to grant Awards which are not subject to performance conditions, although Awards granted to Executive Directors (other than awards granted to facilitate the recruitment of an Executive Director) must be subject to performance conditions. A performance period will usually be three years long.

The performance conditions proposed for the awards to be granted to Executive Directors in respect of the Company's 2018 financial year are described in the Directors' Remuneration Report for the year ended 30 June 2017.

A performance condition may be amended or substituted if an event occurs which causes the Board to consider such action to be appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

### **Vesting, Release and Exercise**

Awards subject to a performance condition will normally vest as soon as practicable following the end of the performance period to the extent that the performance condition has been satisfied. Awards not subject to a performance condition will usually vest on the third anniversary of the grant date (or on such other date or dates as the Board determines).

Awards may be subject to a "holding period" of up to two years following vesting, as determined by the Board. An Award which is subject to a holding period will be released (so that the participant is entitled to acquire the Shares) following the end of the holding period. Alternatively, Awards may be granted on the basis that the participant is entitled to acquire Shares following vesting but that (other than as regards sales to cover tax liabilities) the Award is not released (so that the participant is able to dispose of Shares) until the end of the holding period. Awards which are not subject to a holding period will ordinarily be released at vesting.

Options will normally be exercisable from the date of release until the tenth anniversary of the grant date, or such earlier date as the Board determines.

### **Settlement of Awards**

Before Shares have been delivered, the Board may decide to pay a cash amount equal to the value of some or all of the Shares the participant would otherwise have received (less, in the case of a Market Value Option, the exercise price otherwise payable).

Alternatively, in the case of a Market Value Option, the Board may settle the exercise by delivering to the participant for nil-cost a reduced number of Shares. The Shares delivered would have a market value (as determined by the Board) at the date of exercise equal to the amount by which the market value (as so determined) of the Shares in respect of which the Market Value Option is exercised exceeds the aggregate exercise price otherwise payable.

### **Dividends**

On the release of an Award (or on the exercise of an Award granted in the form of a Nil-Cost Option), the Company may provide cash or additional Shares to the participant based on the value of dividends paid on vested Shares over such period as the Board determines (ending no later than the date on which the Award is released). The Board shall determine the basis on which this amount is calculated which may assume the reinvestment of the dividends into Shares.

These dividend equivalents will not be payable in respect of Market Value Options.

### **Malus and Clawback**

At any time prior to the vesting of an Award, the Board may cancel the Award or impose further conditions on it. These malus provisions may be applied in the event of a material misstatement of the Company's financial statements, serious reputational damage to the Company, if an annual bonus award has paid out at a higher level than would have been the case but for a material misstatement or serious reputational damage or gross misconduct on the part of the participant.

For up to two years after the vesting of an award, the Board may cancel the relevant Award or impose further conditions on it (if Shares have not been delivered in respect of it) or may require the participant to make a payment to the Company in respect of some or all of the Shares acquired. These clawback provisions may be applied in the event of material misstatement of the Company's financial statements or gross misconduct on the part of the participant.

### **Cessation of Employment – Unvested Awards**

Ordinarily, unvested Awards will lapse on termination. However, If a participant ceases to hold office or employment by reason of death, ill health, injury or for any other reason at the Board's discretion (a Good Leaver), any unvested Award he or she holds will usually continue and be released at the originally anticipated release date. The Board will retain the discretion to vest and release the Award as soon as reasonably practicable after the cessation of employment or at some other time (such as following the end of the performance period in the case of an award which would otherwise be subject to a holding period).

The extent to which an Award held by a Good Leaver is released will be determined by reference to the extent to which any performance condition has been satisfied (as determined by the Board in the event of release before the end of the performance period).

The extent to which an Award is released will be reduced to take account of the proportion of the performance period that has elapsed at the date of cessation (in the case of an Award subject to a performance condition) or the proportion of the period from grant to the originally anticipated vesting date that has elapsed at the date of cessation (in the case of an Award not subject to a performance condition).

### **Cessation of Employment – Vested but Unreleased Awards**

If an Award is granted subject to a holding period and the participant ceases employment during the holding period, the Award will be released, to the extent vested, at the normal release date (unless the participant is summarily dismissed, in which case the Award will lapse). The Board will have discretion to release the Award at the date of cessation.

### **Cessation of Employment – Exercise Period for Options**

If a participant ceases employment while holding a vested Award in the form of an Option, that Option (unless cessation is due to summary dismissal, in which case it will lapse on cessation of employment) may be exercised for a period of six months (12 months in the event of death) beginning with the date of cessation of employment (if it had already been released) or the date of release (if it had not already been released). The Board may permit the exercise of an Option during a longer period.

### **Corporate Events**

In the event of a takeover of the Company, unvested Awards will vest and be released (and vested but unreleased Awards will be released) as soon as reasonably practicable.

Unvested Awards will vest taking into account the extent to which any performance condition has been satisfied at the date of change of control (as determined by the Board) and, unless the Board determines otherwise, taking into account the proportion of the performance period (or vesting period in the case of an Award that is not subject to a performance condition) that has elapsed. Alternatively, the Board may permit Awards to be exchanged for awards over shares in the acquiring company (and, ordinarily, will require this if the change of control is an internal reorganisation).

If other events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares, the Board may determine that Awards will vest and be released on the same basis as in the event of a change of control. To the extent that an Option vests and is released, the Board will determine the length of time during which that Option may be exercised.

### **Adjustment of Awards**

In the event of a variation of the Company's share capital, the number of Shares subject to an Award, any exercise price attaching to an Option and/or any performance condition attaching to an Award, may be adjusted.

The number of Shares subject to an Award, any applicable exercise price and any performance condition may also be adjusted in the event of a demerger, delisting, special dividend, rights issue or other event, which may, in the Board's opinion, affect the current or future value of Shares.

### **Amendment, Termination and Further Terms of the LTIP 2017**

The Board may amend the LTIP 2017 at any time, provided that the approval of the Company's shareholders in a general meeting will be required for any amendments to the advantage of participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash comprised in an Award and the impact of any variation of capital to become effective.

However, any minor amendment to benefit administration, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.

The LTIP 2017 will usually terminate on the tenth anniversary of its approval by shareholders but the rights of existing participants will not be affected by any termination.

Awards are not transferable (other than on death). No payment will be required for the grant of an Award. Awards will not form part of pensionable earnings.

## **DECHRA PHARMACEUTICALS PLC (THE COMPANY)**

### **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 2017 Annual General Meeting of the Company will be held at The Mere Golf Resort & Spa, Chester Road, Mere, Knutsford, Cheshire, WA16 6LJ at 1.00 pm on 20 October 2017 for the following purposes:

#### **Ordinary Business**

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions.

1. To receive the accounts of the Company for the year ended 30 June 2017, together with the Strategic Report, Directors' Report and the Auditor's Report (the Annual Report).
2. To receive and approve the Directors' Remuneration Report, as set out on pages 81 to 83, and 92 to 101 of the Annual Report.
3. To receive and approve the Directors' Remuneration Policy, as set out on pages 84 to 91 of the Annual Report
4. To declare a final dividend for the year ended 30 June 2017 of 15.33 pence per ordinary share in the capital of the Company, to be paid on 17 November 2017 to members whose names appear on the Register of Members of the Company as at the close of business on 27 October 2017.
5. To elect Richard Cotton as a Director of the Company.
6. To elect Lawson Macartney as a Director of the Company.
7. To re-elect Tony Rice as a Director of the Company
8. To re-elect Ian Page as a Director of the Company.
9. To re-elect Anthony Griffin as a Director of the Company.
10. To re-elect Julian Heslop as a Director of the Company.
11. To re-elect Ishbel Macpherson as a Director of the Company.
12. To reappoint PricewaterhouseCoopers LLP as external auditor of the Company to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting of the Company at which accounts be laid.
13. To authorise the Audit Committee to determine the remuneration of the external auditor.

### Special Business

To consider and, if thought fit, pass the following Resolutions, of which Resolutions 14 and 19 will be proposed and voted on as an Ordinary Resolution and Resolutions 15 to 18 will be proposed and voted on as Special Resolutions.

14. That, pursuant to section 551 of the Companies Act 2006 (2006 Act), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities:
- 14.1 comprising equity securities (as defined in section 560(1) of the 2006 Act) up to an aggregate nominal amount of £621,210 (such amount to be reduced by the aggregate nominal amount of Relevant Securities then allotted pursuant to paragraph 14.2 of this Resolution) in connection with a rights issue (as defined in the Listing Rules published by the Financial Conduct Authority):
- 14.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
- 14.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- 14.2 otherwise than pursuant to paragraph 14.1 of this Resolution, up to an aggregate nominal amount of £310,605 (such amount to be reduced by the aggregate nominal amount of Relevant Securities then allotted pursuant to paragraph 14.1 of this Resolution in excess of £310,605),
- 14.3 provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 20 January 2019 (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

In this Resolution, Relevant Securities means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

These authorities are in substitution for and shall replace all existing authorities (which, to the extent unused at the date of this Resolution, are revoked with immediate effect), but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

15. That, subject to the passing of Resolution 14 above and pursuant to sections 570 to 573 of the 2006 Act, the Directors be and are generally empowered to allot or make offers or agreements to allot equity securities (within the meaning of section 560(1) of the 2006 Act) for cash pursuant to the authorities granted by Resolution 14 and to sell ordinary shares held by the Company as treasury shares for cash, as if section 561(1) of the 2006 Act did not apply to any such allotment (or sale), provided that this power shall be limited to the allotment of equity securities or sale of treasury shares:

15.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted under Resolution 14.1, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue):

15.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

15.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

15.2 otherwise than pursuant to Resolution 15.1, up to an aggregate nominal amount of £46,591

and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 20 January 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash (or treasury shares to be sold) after this power expires and the Directors may allot equity securities (or sell treasury shares) for cash pursuant to any such offer or agreement as if this power had not expired.

This power is in substitution for and shall replace all existing powers which, to the extent unused at the date of this resolution, are revoked with immediate effect, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

16. That, subject to the passing of Resolutions 14 and 15 and in addition to any authority granted pursuant to Resolution 15, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authorities granted by Resolution 14 and to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities or sale of treasury shares:

16.1 up to an aggregate nominal amount of £46,591; and

16.2 used only for the purposes of financing (or refinancing, if such refinancing occurs within six months of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

and this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 20 January 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired.

17. That, pursuant to section 701 of the 2006 Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares in the capital of the Company (Shares), provided that:

- 17.1 the maximum number of Shares which may be purchased is 9,318,140 (representing 10% of the Company's issued ordinary share capital);
- 17.2 the minimum price (exclusive of expenses) which may be paid for a Share is £0.01;
- 17.3 the maximum price (exclusive of expenses) which may be paid for a Share is the higher of: (i) an amount equal to 105% of the average of the middle market quotations for the Shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out;

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 20 January 2019 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

18. That, as permitted by section 307A of the 2006 Act, any general meeting of the Company (other than an Annual General Meeting of the Company) may be called by notice of not less than 14 clear days in accordance with the provisions of the Articles of Association of the Company, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution.

19. That:

- (a) the rules of the Dechra Long Term Incentive Plan 2017 (LTIP 2017), in the form produced to the Meeting and initialled by the Chairman of the Meeting for the purposes of identification and the principal terms of which are summarised in the Appendix to the circular containing the Company's 2017 Notice of Annual General Meeting, be and they are hereby approved and the Directors be and are generally authorised to adopt the LTIP 2017 and to do all acts and things that they consider necessary or expedient to give effect to the LTIP 2017; and
- (b) the Directors be and are hereby authorised to adopt further schemes based on the LTIP 2017 but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the LTIP 2017.

By order of the Board

**Melanie Hall**

Company Secretary  
8 September 2017

Registered office:  
24 Cheshire Avenue  
Cheshire Business Park  
Lostock Gralam  
Northwich  
CW9 7UA

Registered in England and Wales, No. 3369634

## Notes:

### Entitlement to attend and vote

1. The right to vote at the Meeting is determined by reference to the Register of Members. Only those shareholders registered in the Register of Members of the Company as at 6.30 pm on 18 October 2017 (or, if the Meeting is adjourned, 1.00 pm on the date which is two days before the date of the adjourned meeting) shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Meeting.

### Attending in person

2. If you wish to attend the Meeting in person, you must comply with the procedures set out in the notes to this Notice of Meeting by the dates specified in these notes.

### Proxies

3. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend, speak and vote at the Meeting. A proxy need not be a shareholder of the Company.

A shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. To appoint more than one proxy, complete a separate proxy form in relation to each appointment. You may photocopy the Proxy Form provided or, alternatively, you may wish to contact the Company's Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA or call their shareholder helpline on 0371 384 2030. Overseas shareholders should call +44 (0)121 415 7047. Lines are open 8.30 am to 5.30 pm, Monday to Friday (London time) (except UK public holidays).

A proxy may only be appointed in accordance with the procedures set out in these notes and the notes to the Proxy Form. The notification of termination of a proxy appointment should be in writing.

The appointment of a proxy will not preclude a shareholder from attending and voting in person at the Meeting.

4. A Proxy Form is enclosed. **To be valid, a Proxy Form must be completed, signed and sent to the offices of the Company's Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, so as to arrive no later than 1.00 pm on 18 October 2017** (or, if the Meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).
5. As an alternative to completing the hard copy Proxy Form, a shareholder may appoint a proxy or proxies electronically by lodging a Proxy Form at [www.sharevote.co.uk](http://www.sharevote.co.uk). Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can vote by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) and then click on the link to vote. **For an electronic proxy appointment to be valid, the appointment must be received by Equiniti Limited no later than 1.00 pm on 18 October 2017** (or, if the Meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). Any electronic communication sent by a shareholder to the Company or Equiniti Limited which is found to contain a virus will not be accepted by the Company.
6. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### Appointment of proxies through CREST

Alternatively, if you are a member of CREST, you may register the appointment of proxy by using the CREST electronic proxy appointment services as follows:

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures, and to the address, described in the CREST Manual subject to the provisions of the Company's Articles of Association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK and Ireland's specifications and must contain the information required for such instruction as described in the CREST Manual ([www.euroclear.com](http://www.euroclear.com)). **The message, regardless of whether it relates to the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by no later than 1.00 pm on 18 October 2017** (or, if the Meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors, or voting service provider(s) should note that Euroclear UK and Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### Corporate representatives

11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

### Total voting rights

12. As at 8 September 2017 (being the last practicable date before the publication of this Notice of Meeting), the Company's issued share capital consists of 93,181,408 ordinary shares of £0.01 each, carrying one vote each. The Company does not hold any ordinary shares in treasury. Therefore, the total voting rights in the Company as at 8 September 2017 are 93,181,408.

### Nominated Persons

13. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under section 146 of the 2006 Act (Nominated Person):
  - 13.1 the Nominated Person may have a right under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed, or to have someone else appointed, as a proxy for the Meeting; or
  - 13.2 if the Nominated Person has no such right or does not wish to exercise such right, he/she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in note 3 to 11 above do not apply to a Nominated Person. The rights described in such notes can only be exercised by shareholders of the Company.

#### **Website publication of audit concerns**

14. A shareholder or shareholders who meet the qualification criteria set out in note 15 below may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the Meeting relating to the external audit of the Company's accounts (including the Auditor's report and the conduct of the external audit) that are to be laid before the Meeting in accordance with section 527 of the 2006 Act.

Any such request must:

- 14.1 identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;
- 14.2 comply with the requirements set out in notes 15 and 16 below; and
- 14.3 be received by the Company at least one week before the Meeting.

Where the Company is required to publish such a statement on its website:

- (i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;
- (ii) it must forward the statement to the Company's external auditor no later than the time when it makes the statement available on the website; and
- (iii) the statement may be dealt with as part of the business of the Meeting.

15. In order to require the Company to publish audit concerns as set out in note 14, the relevant request must be made by:

- 15.1 a shareholder or shareholders having a right to vote at the Meeting and holding at least 5% of the total voting rights of the Company; or
- 15.2 at least 100 shareholders having a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

For information on voting rights, including the total voting rights of the Company, see note 12 above and the website referred to in note 21 below.

16. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 14:

- 16.1 may be made either:
  - (i) in hard copy, by sending it to the Company Secretary, Dechra Pharmaceuticals PLC, 24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA; or
  - (i) in electronic form, by sending it by fax to 01606 814731, marked for the attention of the Company Secretary or by email to [companysecretarial@dechra.com](mailto:companysecretarial@dechra.com) (please state "Dechra Pharmaceuticals PLC: AGM" in the subject line of the email);
- 16.2 must state the full name(s) and address(es) of the shareholder(s); and
- 16.3 where the request is made in hard copy form or by fax, must be signed by the shareholder(s).

**Questions at the Meeting**

17. Shareholders have the right to ask questions at the Meeting relating to the business being dealt with at the Meeting in accordance with section 319A of the 2006 Act. The Company must answer any such question unless:
- 17.1 to do so would interfere unduly with the preparation for the Meeting or would involve the disclosure of confidential information;
  - 17.2 the answer has already been given on a website in the form of an answer to a question; or
  - 17.3 it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
18. The Company has appointed Equiniti as its Registrar to manage the shareholder register, ensure that all information held about the Company's shareholders is kept up to date, and to pay dividends. Equiniti can be contacted at: Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Equiniti operate a shareholder helpline on 0371 384 2030. Overseas shareholders should call +44 (0)121 415 7047. Shareholders with a text phone facility should use 0371 384 2255. Overseas shareholders with a text phone facility should use +44 (0) 121 415 7028. Lines are open 8.30 am to 5.30 pm, Monday to Friday (London time) Monday to Friday (except UK public holidays).

**Documents available for inspection**

19. The following documents will be available for inspection during normal business hours at the registered office of the Company and at DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE from the date of this Notice until the time of the Meeting. They will also be available for inspection at the place of the Meeting from at least 15 minutes before the Meeting until it ends:
- 19.1 Copies of the service contracts of the Executive Directors;
  - 19.2 Copies of the letters of appointment of the Non-Executive Directors;
  - 19.3 Copies of the Directors' indemnities; and
  - 19.4 The rules of the Dechra Long Term Incentive Plan 2017.

**Biographical details of Directors**

20. Biographical details of all those Directors who are offering themselves for election and re-election at the Meeting are set out in the Annual Report and Accounts.

**Website providing information about the Meeting**

21. The information required by section 311A of the 2006 Act to be published in advance of the Meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at [www.dechra.com](http://www.dechra.com).

**Chairman**

22. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes that are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's shares already held by the Chairman, result in the Chairman holding such numbers of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

**Communication**

23. You may not use any electronic address (within the meaning of section 333(4) of the 2006 Act) provided in this Notice (or in any related documents including the Chairman's Letter and Proxy Form) to communicate with the Company for any purposes other than those expressly stated.







**Dechra Pharmaceuticals PLC**

24 Cheshire Avenue  
Cheshire Business Park  
Lostock Gralam  
Northwich  
CW9 7UA

**T:** +44 (0) 1606 814730

**F:** +44 (0) 1606 814731

**E:** [corporate.enquiries@dechra.com](mailto:corporate.enquiries@dechra.com)

**[www.dechra.com](http://www.dechra.com)**