

Directors' Report: Our Performance

Key Performance Indicators ("KPIs")

Financial	Method of Calculation	Target
Revenue from key pharmaceutical products	Global revenue from our top five products	To achieve annual revenue growth of at least 10%
Revenue from specialist pet diets	Global revenue from the <i>Specific</i> brand of pet diets	To achieve annual revenue growth of at least 6%
Underlying operating margin before product development cost	Underlying operating profit before product development expenditure expressed as a percentage of Group revenue	To achieve an underlying operating margin before product development costs of 10% in the medium term
Cash conversion rate	Cash generated from operations before tax and interest payments as a percentage of operating profit before amortisation of acquired intangibles	To achieve an annual cash conversion rate of at least 100%
Return on capital employed ("ROCE")	Underlying operating profit as a percentage of average operating assets utilised. Operating assets exclude cash and cash equivalents, borrowings, tax and deferred tax balances	To achieve a return on capital employed which exceeds the pre-tax weighted average cost of capital of the Group ("WACC")
Non-Financial	Method of Calculation	Target
Pharmaceutical product development pipeline	Number of products from the pipeline or in-licensed into at least one major territory with long term revenue potential of at least £0.5 million	One new diet or range extension launched in the EU, two new pharmaceuticals, each launched in at least one key market
Health and safety performance	Lost Time Accident Frequency Rate ("LTAFR"): all accidents resulting in absence or the inability of employees to conduct the full range of their normal working activities for a period of more than three working days after the day when the incident occurred normalised per 100,000 hours worked	Zero preventable accidents
Employees	Employee turnover calculated as number of leavers during the period as a percentage of the average total number of employees in the period	Moving Annual Turnover ("MAT") rate of less than 15%



2012 Performance	Five Year Record
The KPI was exceeded during the year with a growth rate of 17.9% being achieved	<p>2012 39.1 £ million 2011 33.2 2010 29.4 2009 23.6 2008 15.3*</p> <p>* Canaural and Fuciderm acquired in January 2008</p>
A growth rate of 1.9% was achieved in 2012 with revenue being impacted by difficult economic conditions in most of our markets	<p>2012 28.1 £ million 2011 27.6 2010 25.6 2009 22.7 2008 9.9*</p> <p>* Diets range acquired in January 2008</p>
Further progress continues to be made towards the medium term target driven by the increasing proportion of revenue achieved from pharmaceutical products	<p>2012 9.8 % 2011 9.5 2010 8.9 2009 8.1 2008 7.1</p>
The cash conversion rate showed an improvement compared to the previous year although it remained slightly below the target with the Services segment experiencing continued pressure on payment terms	<p>2012 91.7 % 2011 82.8 2010 100.8 2009 112.5 2008 94.2</p>
ROCE significantly ahead of the Group's WACC although it reduced slightly in absolute terms due to the Eurovet acquisition	<p>2012 20.6 % 2011 21.6 2010 22.6 2009 19.4 2008 23.3</p>

2012 Performance	Five Year Record
Two new diets launched, one pharmaceutical product approved and launched in the EU. New pharmaceutical registrations achieved in USA, Brazil and Switzerland	<p>2012 6 Products 2011 6 2010 6 2009 5 2008 3</p>
There has been a reduction in the total number of accidents during the year from 15 to 10. None of these accidents have resulted in a work related fatality or disability. More detail in relation to this can be found in the Social, Ethical and Environmental Responsibilities Report on pages 71 to 75	<p>2012 0.55 LTAFFR 2011 0.82 2010 0.75 2009 0.94 2008 n/a*</p> <p>* Information not collected for this year</p>
The MAT has shown a significant improvement down to 16.10% from last year's 19.03%. More detail in relation to this can be found in the Social, Ethical and Environmental Responsibilities Report on pages 71 to 75	<p>2012 16.10 % 2011 19.03 2010 15.88 2009 19.81 2008 29.7</p>