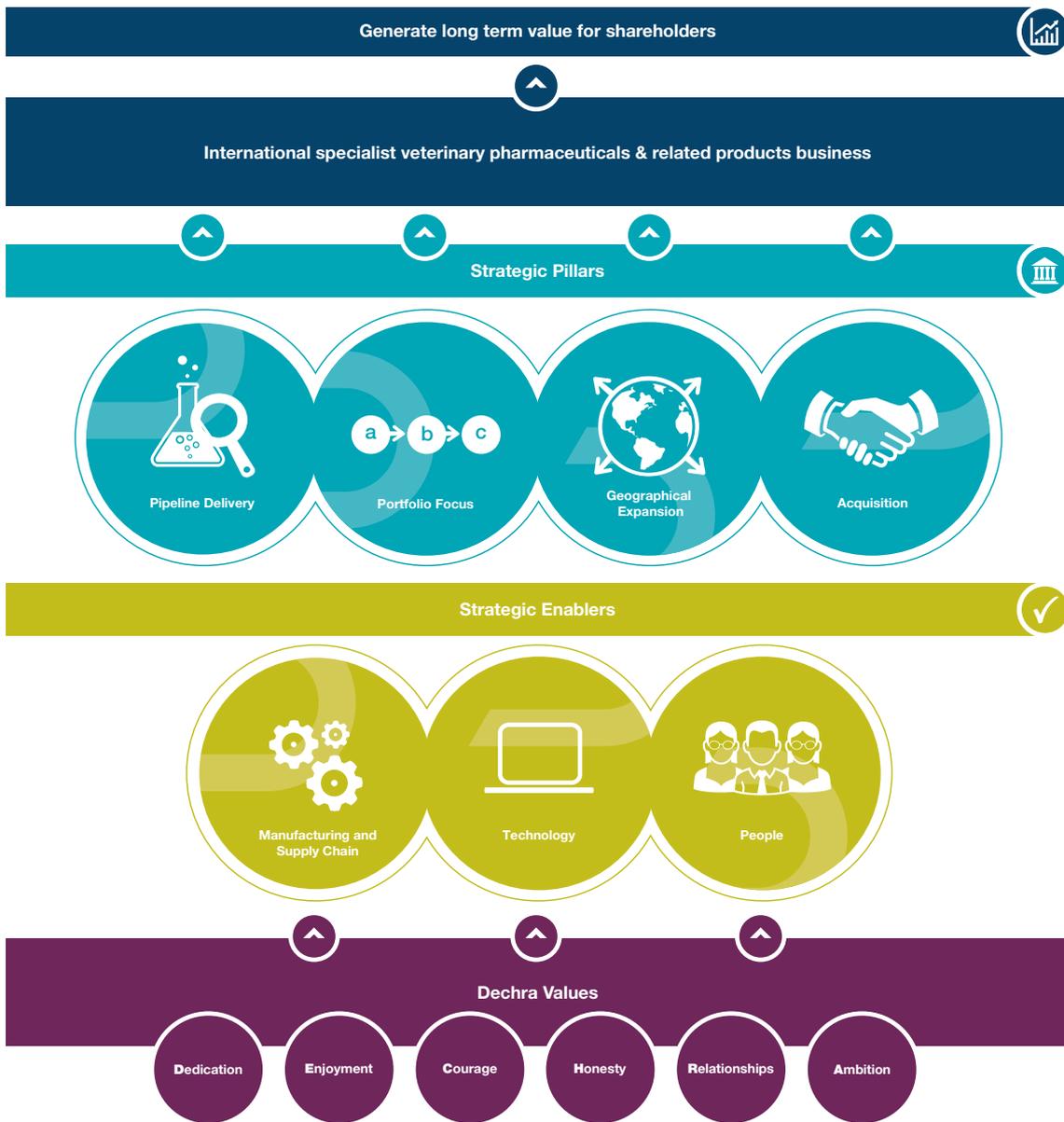


# Delivering Our Strategy



## Strategic Progress

Last year we clarified our strategy around the four strategic pillars shown above. We believe that, through our clear strategic focus, we can drive sustainable long term shareholder value.

In this report we describe the progress we have made towards achieving our strategic milestones. Whilst we are addressing all aspects of our business plan, we were particularly pleased with the progress made in our portfolio focus and our short term priorities for geographical expansion in the year ended 30 June 2015.

- Read the [Chairman's and Chief Executive Officer's Statement](#) on pages 8 to 13.
- Read about [Our Marketplace](#) on pages 32 and 33.
- See [Key Performance Indicators](#) on pages 46 and 47.
- Read [How the Business Manages Risk](#) on pages 58 and 59.

Our strategic framework sets the direction and priorities for our business. Last year we defined the following strategic pillars:

### Pipeline Delivery

We must deliver our pipeline on time, at the right costs and with the expected returns. It is also important that we refill the pipeline so that we get a constant flow of novel products in future years.

Our priorities are:

- Deliver existing pipeline projects to schedule.
- Work effectively with regulators.
- Continuously refill the pipeline by identifying and evaluating new ideas.

### Portfolio Focus

We are a specialist veterinary pharmaceuticals business focused on CAP, Equine and FAP. Our portfolio is well positioned in our therapeutic focus sectors to assist in maximising returns. We have recognised that we are underweight in FAP which represents 13% of our revenue.

Our priorities are:

- Maximise revenue and profit from existing CAP portfolio by focusing on clearly defined therapeutic sectors.
- Develop and grow critical mass of FAP portfolio by extending our geographical reach.

### Geographical Expansion

The animal health market in emerging countries is growing rapidly due to the demand for high quality protein and the increase in pet ownership. We have identified a number of markets that present both volume and profit opportunities in the medium to long term and we are evaluating various entry strategies. In the US, we will grow the business organically in the short term with the launch of new products, including *Osphos*.

Our priorities are:

- Grow the US business and invest steadily in the infrastructure as our pipeline delivers.
- Short term: establish subsidiaries in new territories with existing critical mass.
- Medium term: build critical mass or enter via acquisition.
- Long term: build a presence, where barriers to entry are high, through partnerships.

### Acquisition

While our strategy aims to deliver organic growth, acquisitions can accelerate our expansion by providing entry into new geographies, enhancing our portfolio or giving access to new technologies. We have defined criteria through which potential acquisition targets can be screened.

- Our priority is to target strategic acquisitions that will expand our geographical footprint and/or enhance our product portfolio.

### Strategic Enablers

Our strategic enablers are critical to support the execution of our strategy:

- Our manufacturing and supply chain organisation is focused on running our operations efficiently and to high quality standards to maintain or improve margins;
- We are implementing a strong IT platform to enable us to operate efficiently and are exploring how IT can provide a source of competitive advantage; and
- Our people strategy underpins everything we do in the business. We have a well-defined plan to build talent, develop people and strengthen the Dechra culture.

# Delivering Our Strategy

continued

	 <b>Pipeline Delivery</b>	 <b>Portfolio Focus</b>	 <b>Geographical Expansion</b>	 <b>Acquisition</b>
<b>Our 2015 Objectives</b>	<ul style="list-style-type: none"> <li>Identify new development candidates</li> <li>Achieve at least one new product approval</li> <li>Launch <i>Osphos</i> successfully in the US and the UK</li> </ul>	<ul style="list-style-type: none"> <li>Launch the new <i>Vetoryl</i> marketing campaign to grow sales</li> <li>Promote the new Dechra Academy to support veterinarians</li> <li>Increase market share in equine and dermatology sectors</li> </ul>	<ul style="list-style-type: none"> <li>Commence trading in Canada</li> <li>Plan further new territory launch</li> <li>Strengthen distributor relationships in identified growth markets</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop relationships with potential targets</li> <li>Improve knowledge of animal health in emerging markets</li> </ul>
<b>Our Achievements in 2015</b>	<ul style="list-style-type: none"> <li>7 new projects started in Feasibility</li> <li>1 project for feline endocrinology stopped</li> <li>Two product approvals: <i>Osphos</i> in EU (April 2015) and <i>TAF Spray</i> (December 2014)</li> <li><i>Osphos</i> launched in the US in August 2014 and in the UK in September 2014, with dedicated Equine sales representatives recruited to support the launch</li> <li><i>TAF Spray</i> launched in several EU countries</li> </ul>	<ul style="list-style-type: none"> <li><i>Vetoryl</i> grew by 24.0% globally</li> <li>Dechra Academy was updated and launched successfully in 11 countries with 5,000 new users</li> <li>All core therapeutic areas in CAP, including dermatology, as well as Equine growing at double digit in Europe</li> </ul>	<ul style="list-style-type: none"> <li>Team recruited in Canada and sales in line with expectations</li> <li>Poland trading earlier than expected</li> <li>Strengthening of distributor relationships ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Successful integration of the assets of PSPC Inc. with sales exceeding expectations</li> <li>Conditional offer for Genera d.d., a Croatian animal health company, announced post year end on 3 August 2015</li> </ul>
<b>Our Plan of Action for 2016 onwards</b>	<ul style="list-style-type: none"> <li>Continue to identify new opportunities</li> <li>Explore and negotiate in-licensing deals</li> <li>Gain global approval for <i>Zycortal</i>, our next canine endocrine drug</li> <li>Support registration of three FAP dossiers</li> <li>Launch <i>Osphos</i> in remaining EU countries</li> </ul>	<ul style="list-style-type: none"> <li>Continue to drive sales force effectiveness</li> <li>Further roll out of digital technologies</li> <li>Deliver CAP and FAP sales targets through technical expertise and marketing campaigns</li> <li>Successful re-launch and re-branding of our <i>Specific</i> diets range</li> </ul>	<ul style="list-style-type: none"> <li>Establish one additional subsidiary in Austria</li> <li>Obtain regulatory product approvals in defined markets</li> </ul>	<ul style="list-style-type: none"> <li>Continue to explore potential acquisitions to find those which align with our strategic goals</li> <li>Integrate acquisitions in a seamless manner</li> </ul>
<b>Reported KPIs</b>	<ul style="list-style-type: none"> <li>New Product Sales</li> <li>Underlying diluted EPS Growth</li> <li>Return on Capital Employed</li> </ul>	<ul style="list-style-type: none"> <li>Sales Growth</li> <li>Underlying diluted EPS Growth</li> <li>Return on Capital Employed</li> <li>Cash Conversion</li> </ul>	<ul style="list-style-type: none"> <li>Sales Growth</li> <li>Underlying diluted EPS Growth</li> <li>Return on Capital Employed</li> </ul>	<ul style="list-style-type: none"> <li>Underlying diluted EPS Growth</li> <li>Return on Capital Employed</li> <li>New Product Sales</li> </ul>

	 <b>Manufacturing and Supply Chain</b>	 <b>Technology</b>	 <b>People</b>
<b>Our 2015 Objectives</b>	<ul style="list-style-type: none"> <li>Improve supply chain effectiveness</li> <li>Continue to drive quality and efficiency</li> <li>Achieve FDA approval for new pipeline products</li> </ul>	<ul style="list-style-type: none"> <li>Continue roll out of Oracle with Group Finance Consolidation and DVP EU implementation</li> </ul>	<ul style="list-style-type: none"> <li>Develop the succession plans for the Senior Executive Team and the next tier of management</li> <li>Continue roll out of Performance Development Review (PDR)</li> </ul>
<b>Our Achievements in 2015</b>	<ul style="list-style-type: none"> <li>On time first order delivery to new country operations in Italy and Poland</li> <li>Completed transition of dry diets manufacturing to new third party site</li> <li>Completed investments in DPM to improve yield and capacity</li> <li>Successful FDA pre-approval inspection at Skipton to manufacture our next canine endocrine product, <i>Zycortal</i></li> </ul>	<ul style="list-style-type: none"> <li>Completed implementation of Group Finance Oracle consolidation module</li> <li>Developed web-based tools to improve communication</li> </ul>	<ul style="list-style-type: none"> <li>Talent management and succession planning started</li> <li>Recruitment of sales teams in North America and Poland</li> <li>PDR rolled out to all Dechra employees</li> </ul>
<b>Our Plan of Action for 2016 onwards</b>	<ul style="list-style-type: none"> <li>Gain further FDA approval as pipeline demands</li> <li>Invest to improve our capabilities and drive efficiencies</li> <li>Support new product launches</li> <li>Implement a scalable global sales and operations planning (S&amp;OP) process to drive improved customer service</li> </ul>	<ul style="list-style-type: none"> <li>Roll out of Oracle in DVP EU and DVP US</li> <li>Develop solutions to support the mobile workforce</li> <li>Continue infrastructure refresh programme</li> </ul>	<ul style="list-style-type: none"> <li>Develop leadership development programme</li> <li>Implement rolling review of succession plans</li> <li>Develop a Group-wide remuneration and reward strategy</li> <li>Roll out HR system solution</li> </ul>
<b>Reported KPIs</b>	<ul style="list-style-type: none"> <li>Lost Time Accident Frequency Rate (LTAFR)</li> <li>New Product Sales</li> </ul>	<ul style="list-style-type: none"> <li>Return on Capital Employed</li> </ul>	<ul style="list-style-type: none"> <li>Lost Time Accident Frequency Rate (LTAFR)</li> <li>Employee Turnover</li> </ul>



See our **Key Performance Indicators** on pages 46 and 47.