Chief Executive's statement

We have successfully delivered across all strategic pillars in 2015 and we look forward to further expansion and profitable growth.

Nick Wood
Chief Executive Officer

Mission and strategy page 18

I am delighted to report on another year of progress as we continue to deliver on our targets for growth, with strong cash flows allowing us to deliver a dividend payment at the top end of our commitment.

We have seen excellent progress in Advanced Nutrition, a product area that benefits significantly from the specialist knowledge of our highly-trained colleagues and where we have a strong market presence through our private brand, Wainwright's. We have also seen excellent growth in pet services as we rollout new vet practices and groom rooms and the existing estate continues to mature. I am particularly proud of our colleagues whose passion for pets mirrors that of our customers and helps to keep our focus firmly on customer engagement.

Strategic update

Expanding like-for-like growth

VIP club

Our loyalty scheme, VIP club, is a key underpin to like-for-like growth and customer engagement. Analysing our customers' spend, combined with our knowledge of their pet type, breed and age, allows us to send personalised marketing offers across both Merchandise products and Services to grow our share of spend with these customers.

VIP club reached 3.2 million members at year end, adding 1.2 million members during the year, and has over 10.5 million pets registered. VIP card swipe rate represented 65% of revenues captured on store tills in the final quarter of FY15, compared with 52% at the end of FY14. Although the scheme is still immature, we are seeing that VIP members spend more with us the longer they are a VIP member.

Encouraging VIP members' participation in vet and grooming services is a significant opportunity through which we can grow incremental sales. As part of this strategy, we successfully launched the VIP Groom Room Rewards programme during the year, where new VIPs receive a 25% discount on a full dog groom and further discount vouchers after any subsequent grooms.

Product and pricing

Our annual customer survey continues to demonstrate that innovative and unique products are highly valued by Pets at Home shoppers. To ensure our customers are seeing something new and different each time they visit, we have continued to refresh our product range, changing more than 3,100 SKUs (Stock Keeping Units) in the year, representing 44% of the total range. Of those products refreshed, over 40% were private or own labels.

Range expansion and refreshment within Advanced Nutrition is vital for attracting new customers, who are often very brand loyal, as well as offering innovation and choice to our existing customers. We added new brands during the year, such as Meowing Heads, as well as introducing new high protein products, including a private label, Evolution Naturally, and branded alternative, Aatu. We believe there is significant capacity for further growth in Advanced Nutrition, through stocking additional brands, widening our own brand and private label ranges and entering new Advanced Nutrition segments.

During the year we also invested in pricing, widening our ranges to create entry price products in wild bird food, small animal cages and large accessories. In the coming year, we will continue to increase product breadth with lower entry price products in a number of other categories.

Omni-channel

We are on a journey to create a seamless shopping experience, giving our customers access to a wide product range whether they wish to shop in-store, order online, receive their delivery at home or, as is becoming increasingly popular, collect at their convenience in our stores.

During the year, the development of our exclusive online-only product range increased nearly four-fold, taking our online product range to more than 11,500 SKUs, an uplift of more than 4,400 to those in-store. All of the extended range can be ordered for pickup in-store with no delivery charge. Our Click & Collect and Deliver To Store services have been key contributors to omni-channel sales, representing over 40% of online revenues in the final quarter. As part of developing a seamless shopping experience, we implemented the JDA supply chain system in both our distribution centres, which provides a unified view of product across the Group. We also recently launched a dedicated mobile version of our website.

In the year ahead, we will invest in the omni-channel shopping experience through a number of strategic initiatives. We will launch an App for VIP customers which, in its first phase, will give members an electronic copy of their loyalty card and enable promotions and offers to be scanned, removing the need to bring vouchers into store. We are rolling out Wifi across our estate so that ordering from our extended online range can be facilitated by colleagues on PetPads or by customers using their own devices. Ordering from the extended range whilst in-store will also become significantly easier, as we install 'order in store' kiosks and develop digital screens to showcase our extended range. We will also be investing in richer online content and imagery, and additional colleagues and systems to support the seamless shopping strategy.

We are actively evaluating opportunities to further develop and extend our online business organically and through bolt-on acquisitions. Our focus remains on building the UK's leading Pet focussed omni-channel business whilst securing appropriate returns for shareholders.

Chief Executive's statement continued

Services

Retrofitting of veterinary practices and Groom Rooms to existing stores increases like-for-like Merchandise sales by enhancing our overall proposition, driving store footfall and enabling cross-selling of products. Retrofitting vet practices also offsets a portion of our store property costs through a service charge to the practice for the space occupied. During the year, just over half of both vet practice and Groom Room openings were retrofits into the existing store estate, converting the equivalent square footage of more than six stores into services.

We also commenced a number of strategic initiatives in the Vet Group, to increase like-for-like growth in our existing Joint Venture practice network. These included space extensions to our more mature practices, our first trials of 24/7 opening and extended hours, and the development of our pet care plans to increase customer loyalty and spend.

Engagement

Colleague expertise and engagement is central to our success, creating a great shopping experience for customers and their pets. Our specialist colleagues continue to learn and develop with us, allowing us to maintain our industry leading retention rate of 81% (FY14: 81%). Engagement levels, which we measure through an annual colleague survey, improved to 94% (FY14: 93%).

During the year, customer advocacy measured by a Net Promoter Score, improved again to 86% (FY14: 84%), having risen from 75% in FY11.

Marketing

We returned to TV advertising this year, through the launch of the 'My Pet Moments' campaign, which features crowd sourced clips of our customers' pets, as well as sponsoring 'For The Love Of Dogs', one of ITV's highest rating programmes. Our Vet Group also participated in TV advertising under the Vets4Pets brand. We will continue to invest in our brands and new customer acquisition in the coming year.

Space rollout and footprint development

A key part of the Group's strategy is to increase the number of stores, in-store and standalone veterinary practices, and Groom Room salons. We finished the year with 400 stores; opening 25 new stores, closing one end of lease store, and temporarily closing our Rugby store which will relocate in the first half of FY16. We are becoming increasingly space efficient with new stores, our FY15 openings had smaller ground floor footprints, with 60% receiving a mezzanine floor installation.

We opened 61 vet practices in FY15, bringing the total portfolio to 338. Over half of our store estate now has a vet practice and we remain committed to working towards our eventual target of 90% of stores with a vet practice. Since the financial year end, we have commenced our entry into the specialist referral veterinary care market, acquiring Northwest Surgeons based in Cheshire. The practice specialises in orthopaedic, soft tissue and spinal surgery and internal medicine. Northwest Surgeons will continue to operate as a stand-alone brand and business within our practice network and we will seek to develop a shared ownership model, similar to our joint venture model. We will look to build upon our entry into the specialist referral veterinary market with further standalone acquisitions.

Groom Room openings progressed strongly, with 50 new salons, taking the total number of Groom Rooms to 179.

The performance and returns of new stores, vet practices and Groom Rooms remain in line with our expectations.

Looking forward, we plan to open at least 20–25 Pets at Home stores, 50–55 vet practices and 55–60 Groom Rooms in the coming financial year. We will also open five Barkers stores, moving to a phase of trialling the concept in other locations across the UK. Barkers is our dog focused local high street format, currently based in one location in Wilmslow, Cheshire. Barkers offers premium and exclusive products, a high end grooming spa and has differentiated brands and merchandising to those available in Pets at Home. In its first year of opening, Barkers of Wilmslow has exceeded our expectations and we view the format as an important strategic asset that reaffirms our specialist credentials in the pet market, giving us access to a valuable customer segment.

Focus on margins

Advanced Nutrition growth and own brand participation are supportive to Merchandise gross margin, which expanded by 19bps to 56.3% in FY15 (FY14: 56.1%).

Own brand and private label products represented 42.6% of store revenues during FY15 (FY14: 42.4%).

Advanced Nutrition revenues grew by 17.2% to £145.4m (FY14: £124.0m), with our private label brand Wainwright's an important contributor, growing by 44.1% to £40.1m (FY14: £27.8m). Wainwright's growth has been boosted by new additions such as Grain Free for dogs and Wainwright's for cats, which were launched in H2 FY14, alongside Grain Free for cats which launched in FY15. Advanced Nutrition now represents 40% of total Food revenues (FY14: 38%).

Services gross margin, which was 32.6% in FY15 (FY14: 26.3%), has expanded through the growing maturity of our veterinary practices and incremental synergies from the integration of Vets4Pets, which was acquired in FY14. We also saw good gross margin expansion in our grooming business through its growing maturity and measures taken to improve profitability across the portfolio.

Mission and strategy
page 18

Looking forward, we will continue to drive Advanced Nutrition growth and participation in the Food business. Whilst we will broaden our own brand and private label ranges to ensure we offer great value to customers, we will not seek to increase their participation at the expense of the brands our customers are loyal to. Within our higher operating margin Services business, as our vet practices mature there is an opportunity for our revenue stream to increase without a significant rise in our cost base, delivering margin leverage. Whilst the Groom Room business is also maturing, the large number of new openings in the past and coming year will continue to moderate margin improvement within Services in the short term.

Investing in the organisation

Our business has grown significantly in recent years and we are continuing to rollout our stores and services at a fast pace. We see significant growth opportunities across the Group and have therefore decided to implement a new management structure to drive performance across the business. Ian Kellett will take up a new role as CEO of the Retail Division. Sally Hopson, previously Customer and People Director and CEO of our Vet Group, will take on an enhanced role as the CEO of the Services Division. Both will report to Nick Wood who, as Group CEO, will continue to focus on overall Group operations and strategy.

The search for a new Group CFO is starting with immediate effect. During this process, Ian Kellett will remain as CFO and commence the transition to his new role.

Nick Wood
Chief Executive Officer
3 June 2014

Specialist veterinary referrals

Making our entry into the referral market

Our Vet Group operates the largest small animal first opinion veterinary practice network in the UK.

Within the veterinary services market, there will be complex patient cases which require treatment that cannot be met within first opinion practice and need to be referred to a specialist practice.

We recently made our entry into the specialist referral market, acquiring Northwest Surgeons based in Cheshire. Northwest Surgeons specialises in orthopaedic, soft tissue and spinal surgery, and internal medicine. This is an important strategic move for us as it offers an opportunity to capture an additional segment of the market. It also means we can further support our Joint Venture Partners with additional expertise from within the Group, underlining our commitment to quality.

Northwest Surgeons will continue to operate as a stand-alone brand and business within our practice network and we will seek to develop a shared ownership model, similar to our joint venture model, in the future.

Mission and strategy

Delivery of our strategy across the PawPrint supports growth in like-for-like, space and margins

Our mission and strategy

To be the best pet shop in the world!

The PawPrint is the articulation of our strategy. Key to the PawPrint is our number one value, putting Pets Before Profit, which is a fundamental welfare belief that drives our decision making processes.

Levers of growth

To expand upon our leading position in the UK pet care market.

Grow like-for-like

We have multiple levers through which we can grow like-for-like sales, creating diversified, sustained and resilient top line growth.

- Product innovation and newness
- VIP club
- Marketing
- Omni-channel
- Services
- Engagement
- Pricing

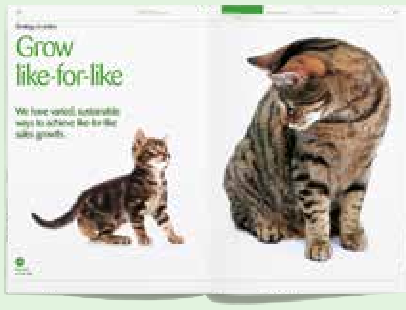
Product innovation and newness
Continually refreshed product range, own brands and private labels, bringing something new and innovative to customers.

VIP club
Grow our loyalty club, which delivers targeted offers to customers and increases our share of their spend.

Marketing
Customer brand engagement through a focus on the emotional relationships we have with our pets.

Omni-channel
Enable a seamless shopping experience where products can be delivered to home or picked up in store, and services can be booked online. Create an online community for pet owners to engage with us.

Services
Vet practices and grooming salons make us a one stop shop for pet owners, increasing customer visit frequency and loyalty.



Read more on page 22

Engagement
Maintain leading levels of customer engagement with our highly trained colleagues, which is essential to our success.

Pricing
Deliver value for money, reflecting product range, exclusivity, convenience, quality, service and price.

Grow space and optimise footprint

Rollout of new stores, vets and groomers across the UK will enable us to grow market share.

- Optimised store rollout
- Services rollout of vet practices and grooming salons

Optimised store rollout
Open Pets at Home stores in optimal locations to access unmet market spend and consider smaller formats targeted at market subsegments.

Services rollout of vet practices and grooming salons
Opening services within all new stores, as well as retrofitting services into the existing estate, driving customer loyalty and visit frequency.

Read more on page 26

Grow margins

Focus on the areas that will enable long term gross margin and operating margin improvements.

- Product mix and own brands
- Sourcing and terms
- Services

Product mix and own brands
Create an optimal balance of higher margin Advanced Nutrition, own brand and private label products.

Sourcing and terms
Build closer and improved relationships with suppliers to leverage our market reach.

Services
Growth and maturity of our higher margin vets and groomers.

Read more on page 30

Strategy in action

Grow like-for-like

We have varied, sustainable ways to achieve like-for-like sales growth.

Read more over the page

Strategy explained:
Grow like-for-like

We know how our customers feel about their pets because we feel the same way

We develop customer loyalty and brand engagement through our understanding of the emotional relationships owners have with their pets, whilst also delivering innovation, quality and exceptional service, coupled with enhanced store and services based offerings.

Strategy in action
VIP club: unique engagement with our customers

Our loyalty scheme, VIP club, is a key underpin to like-for-like growth and increasing our market share. Members of the club receive exclusive offers on everything from food, to grooming and health checks with our vets, as well as helpful advice to ensure they get the best for their pets.

Analysing our customers' spend, combined with our knowledge of their pet type, breed and age, allows us to send personalised marketing offers across both Merchandise products and Services. We send out offers via direct mail, addressed to the customer's pet, or through email. Members can also pickup a free copy of the quarterly VIP magazine in-store. VIP Lifelines are another benefit, with donations made to customers' chosen animal charities each time their VIP card is swiped in our stores, Groom Rooms, vet practices or online. VIP club enabled £1.4m of donations to customer chosen animal charities in 2015.

How do we use VIP?
We recently sent a direct mail to over 190,000 of our VIPs who own dogs and cats of a senior age, but were not purchasing Senior Advanced Nutrition. The mailer highlighted the health benefits that a lifestage focused Advanced Nutrition diet can bring and how changes in age can lead to differing nutritional requirements. Of those VIPs who received the mail, 15% responded positively, with a subsequent purchase of Senior Advanced Nutrition linked to the offer. Within the group that responded, of those who had never purchased Advanced Nutrition of any kind before, 38% went on to make a repeat purchase.

3.2m

VIP club reached 3.2m members, adding 1.2m during the year

What we did in 2015

Product and innovation
- More than 3,000 new products launched
- Refreshed 44% of our total product range
- >40% of new products were own brand or private labels
- Increased space and range extensions in Advanced Nutrition

VIP club
- VIP reached 3.2m members, adding 1.2m during the year
- 10.5m registered pets on the database
- Swipe rate of the VIP card at our tills accounted for 65% of revenues
- Increased our share of VIP customers' pet spend

Marketing
- 'My Pet Moments' TV advertising campaign
- TV sponsorship for 'For The Love Of Dogs', one of ITV's highest rating programmes

Omni-channel
- Launch of Deliver-To-Store service, allowing all products in our extended online range to be collected in a store
- >11,500 products now available online, >4,400 additional to those in-store
- >40% of online revenues now derived from a collect in store delivery method
- Mobile and tablet website versions launched since year end

Services
- Retrofitted 32 vet practices and 26 grooming salons into our existing store estate
- Development of our vet practices; including 24/7, longer opening hours and practice extensions

Pricing
- Invested in competitive pricing across large accessories, particularly in our online extended product range
- Created more entry price range points in some product categories, such as wild bird

Engagement
- Colleague retention rate maintained at 81%
- Customer feedback Net Promoter Score improved to 86% from 84% in the prior year

Future plans

Continue to refresh our product mix, with new private label and own brand launches, as well as exclusive and innovative products that reflect the latest trends, in order to improve customer loyalty and visit frequency.

Grow loyalty and our share of VIP's pet spend by promoting our unique pet services and targeted product discounts, whilst communicating information relevant to customers' pets needs, such as lifestage milestones, based on our unique knowledge of our customers and their pets.

Focus on new customer acquisition and brand engagement through our understanding of the love and emotional bond that owners have with their pets.

Develop the link between our online and store based offerings to give customers a seamless shopping experience. Enabling ordering online or in-store, for delivery to home, or to store, as well as booking vet and grooming appointments online.

Refurbish and retrofit the existing estate to accommodate further vet practices and grooming salons.

Developing our JV vet practices to provide further avenues for growth.

Deliver value for money pricing, which is reflective of product range, exclusivity, convenience, service, price and quality.

Maintain our industry leading colleague retention and engagement rates, in order to deliver customers outstanding service and advice.

Relevant KPIs

4.2% Group like-for-like growth

3.7% Merchandise like-for-like growth

10.7% Services like-for-like growth

KPIs page 32

Key risks associated

- Brand and reputation
- Competition
- Our people
- Business systems and information security
- Supply chain/sourcing
- Store and services expansion
- Regulatory and compliance
- Extreme weather

Risk management page 44

Strategy in action

Grow space and optimise footprint

Our business has an increasing UK growth opportunity. Everyone here is committed to making it even bigger, better and smarter.

Read more
over the page

Strategy explained:
Grow space and optimise footprint

Fantastic stores and services, giving a one stop shopping experience for the pet lover

A major part of our strategy is to open new stores in optimal locations and increase the number of in-store and standalone vet practices and in-store Groom Rooms.

Strategy in action
Services in our stores increase customer loyalty and frequency

Services are critical to our one-stop shop offer for engaged pet owners. By enhancing our stores with vet practices and grooming salons, we are widening our proposition to customers, which also increases footfall and lifts Merchandise sales. Grooming salons are an important part of the theatre and experience in stores, whilst vet practices drive cost efficiencies, paying a service charge for the space occupied.

Retrofitting services to our existing store estate increases like-for-like sales.

Our store in Corby was retrofitted with both a Vets4Pets and Groom Room salon in July 2014.

As one of our smaller stores, at 6,000 square feet, the Services offer was constructed on a mezzanine floor, adding a further 2,800 square feet for the vet practice and grooming salon.

Adding Services attracts additional customers, as well as increasing the frequency with which those customers visit. Since retrofitting the vet practice and grooming salon, we have created two additional income streams, as well as lifting the Merchandise sales on the ground floor by 8.5%.

What we did in 2015

Optimised store rollout
- Opened 25 new stores
- Total portfolio of 400 stores
- Average new store retail space 15% smaller than our average
- Of new store openings, 60% had mezzanines, optimising our space utilisation

Vet practice and Groom Room rollout
- Opened 61 new vet practices, 53 in-stores and 8 standalone
- 32 were retrofits to existing stores
- Total vet practice portfolio of 338 practices
- 53% of stores have a vet practice
- Opened 50 new Groom Rooms
- 26 were retrofits to existing stores
- Total portfolio of 179 Groom Rooms
- 44% of stores have a grooming salon

Future plans

Target UK portfolio is 500 Pets at Home stores. We will continue to open new stores in optimal locations that are not currently served by Pets at Home.

Trialling new formats, such as Barkers, our dog focused, premium High Street offering.

Target UK portfolio of 700 vet practices, comprised of 450 in-stores and 250 standalones.

We are assessing the opportunity for additional veterinary service segments, for example, our recent acquisition of Northwest Surgeons, a specialist referral clinic.

Target UK portfolio of 350 Groom Room salons.

We aim to open every new store with both a vet and grooming salon and retrofit services back into the existing estate.

Relevant KPIs

25 new stores

53 new in-store vet practices

8 new standalone vet practices

50 new grooming salons

KPIs
page 34

Key risks associated

- Brand and reputation
- Competition
- Our people
- Store and services expansion
- Liquidity and credit risk

Risk management
page 44

Strategy in action

Grow margins

We are focused on long term, sustainable margin growth. We take great pride in what we do and the energy we put into it sustains our success.

Read more over the page

Strategy explained:
Grow margins

High quality private labels and own brands give us a unique product offering

We are improving margins by generating the right balance between product categories, own brands and private labels, and growing our relatively immature pet services business.

Strategy in action
Wainwright's Advanced Nutrition is our flagship private label brand

Higher margin Advanced Nutrition and private label products are an important contributor to gross margin

We launched Wainwright's, our private label Advanced Nutrition brand, in 2007. It has grown to become one of the largest Advanced Nutrition brands in the UK, now generating revenues of £40.1m, which represents 11% of our total pet food sales. Since launch, Wainwright's has grown at a CAGR of over 30% for the past three years and our wide range covers dog, cat and puppy; wet and dry complete food; and treats.

The success of the brand can be attributed to the attractive branding and high quality product, sold at a competitive price in the Advanced Nutrition segment. Continual innovation and range additions have allowed us to attract additional customers, and provide greater choice and add-ons for existing customers.

Recent additions to the range this year have included Wainwright's Grain Free for cats, which has been very popular with customers. We will continue to grow and expand the range in the coming year.

What we did in 2015

Product mix and own brands
- 43% of store revenues are own brand/ private label, up from 42% last year
- Advanced Nutrition revenues grew by 17.2%
- Participation of Food revenues at 40% compared with 38% in the prior year
- Wainwright's revenues grew by 44.1% to £40.1m

Services
- Services gross margin expanded by 630 bps to reach 32.6%
- Synergies of £2.6m achieved from Vets4Pets acquisition
- Fee income from Joint Venture vet practices up 30.7% to £28.2m

Sourcing and terms
- Refreshed >1,300 own brands or private label products during the year, with many sourced via Pets at Home Asia
- Terms and working capital efficiencies progressing in-line with our expectations

Future plans

Generate the right balance between high margin and lower margin products by maintaining the participation of own brands and private labels, with a focus on Advanced Nutrition food. Our flagship brand, Wainwright's Advanced Nutrition, provides an opportunity to enhance both revenues and margins.

Continue to rollout new vet practices and grooming salons, which generate a higher operating margin than the Group. As these pet services mature, margin leverage translates into support to Group profitability.

Build closer relationships with suppliers and improve contractual terms, improve product quality and access innovative new products. Continue to leverage our dedicated sourcing office in Hong Kong, Pets at Home Asia, to develop relationships with existing and new suppliers overseas.

Improve buying terms by driving economies through increased quantities, providing financial support for TV and marketing campaigns and negotiating on working capital terms.

Relevant KPIs

54.2% Group gross margin, +40bps

56.3% Merchandise gross margin, +19bps

32.6% Services margin, +630bps

16.6% underlying EBITDA margin, +0bps

KPIs page 35

Key risks associated

- Brand and reputation
- Competition
- Supply chain/sourcing
- Treasury and financial risk
- Store and services expansion
- Regulatory and compliance

Risk management page 44

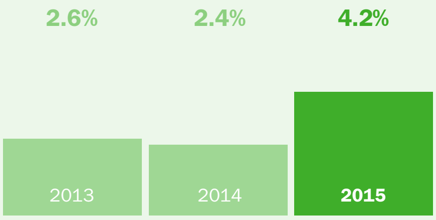
Key performance indicators

We measure our performance against a number of KPIs, each of which is linked to one of our three strategic growth pillars

1 Grow like-for-like

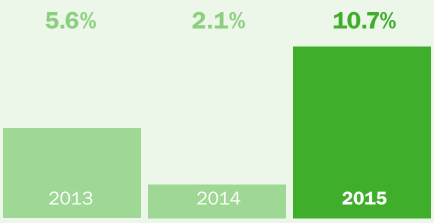
4.2%

Group like-for-like growth



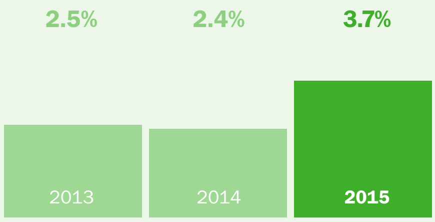
10.7%

Services like-for-like growth



3.7%

Merchandise like-for-like growth



Performance in 2015

Group like-for-like growth ahead of the prior year. Merchandise like-for-like contributors were strength in Advanced Nutrition, Health & Hygiene, VIP loyalty club and omni-channel. Services like-for-like was driven by the growing maturity of our vet practices and Groom Rooms, as well as the strong underlying growth of older practices and salons.

Priorities for 2016

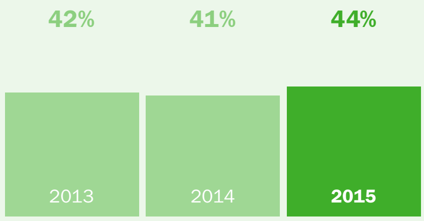
To continue to drive like-for-like growth ahead of the market, through multiple levers.

Key risks associated

- Brand and reputation
- Competition
- Our people
- Business systems & information security
- Supply chain/sourcing
- Store and services expansion
- Regulatory and compliance
- Extreme weather

44%

Products refreshed and changed



Performance in 2015

We have continued to refresh our product range, changing more than 3,100 SKUs (Stock Keeping Units) in the year, representing 44% of the total range.

Priorities for 2016

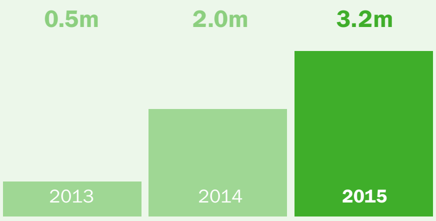
Maintain our rate of refreshment, to ensure our customers are seeing something new and different each time they visit.

Key risks associated

- Our people
- Supply chain/sourcing

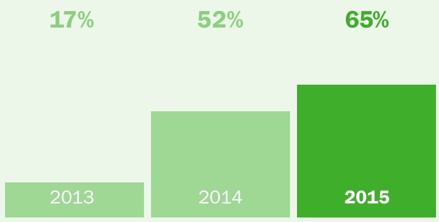
3.2m

VIP club members



65%

VIP card swipe rate*



Performance in 2015

VIP club members grew by 1.2m during the year and our database now contains the details of over 10.5m pets. Swipe rate of the card at tills has also grown significantly and now represents 65% of our store revenues.

Priorities for 2016

We will continue growing the club and increasing the swipe rate at tills, which allows us to send highly targeted marketing offers to a greater proportion of our customer base.

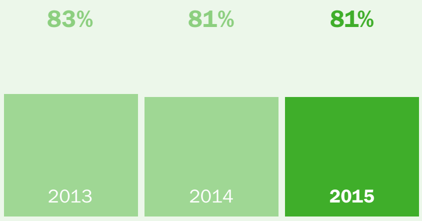
Key risks associated

- Brand and reputation
- Our people
- Business systems and information security

* swipe rate represents the final quarter period in each year.

81%

Colleague retention



Performance in 2015

We maintained our industry leading colleague retention rate, which is underpinned by the high levels of engagement colleagues have with the business. We measure engagement through our annual ‘We’re All Ears’ survey, with engagement reaching 94% this year, compared with 93% in the prior year.

Priorities for 2016

Growing colleague numbers to support store growth, providing specialist training and ensuring continued engagement. All key to ensuring our colleagues can deliver friendly expertise to customers and their pets.

Key risks associated

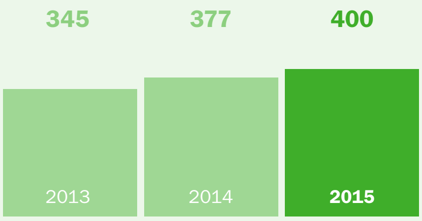
- Brand and reputation
- Our people
- Competition
- Store and services expansion

Key performance indicators
continued

2 Grow space and optimise footprint

400

Total stores



Performance in 2015

We opened 25 new stores during the year, bringing our total store portfolio to 400. We closed one store in Knutsford, as this trial high street format came to the end of its lease, and also temporarily closed our Rugby store, which will relocate in the coming year.

Priorities for 2016

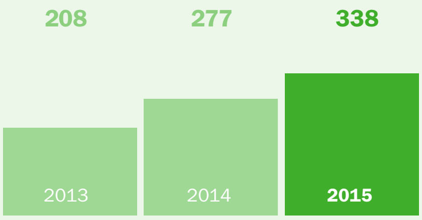
We will open 20–25 new Pets at Home stores in the coming year, taking us closer to our target of 500 stores across the UK. We will also open five new Barkers stores.

Key risks associated

- Store and services expansion
- Competition
- Brand and reputation
- Our people
- Liquidity and credit risk

338

Total vet practices



Performance in 2015

We opened 61 new vet practices during the year, bringing our total vet practice portfolio to 338. We now have 211 in-store and 127 standalone practices, with 53% of our stores now containing a vet practice.

Priorities for 2016

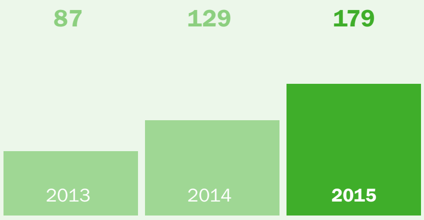
We will open 50–55 new vet practices in the coming year, taking us closer to our target of 700 practices across the UK and 90% of stores with a vet practice.

Key risks associated

- Store and services expansion
- Competition
- Brand and reputation
- Our people
- Liquidity and credit risk

179

Total Groom Rooms



Performance in 2015

We opened 50 new salons during the year, bringing our total grooming salon portfolio to 179.

Priorities for 2016

We will open 55–60 new grooming salons in the coming year, taking us closer to our target of 350 Groom Rooms across the UK.

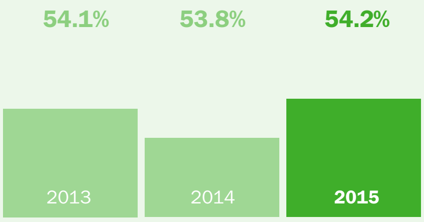
Key risks associated

- Store and services expansion
- Competition
- Brand and reputation
- Our people
- Liquidity and credit risk

3 Grow margins

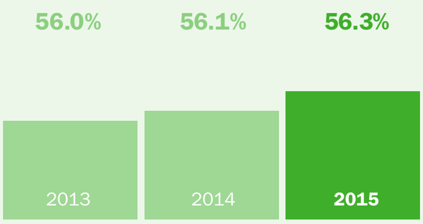
54.2%

Group gross margin



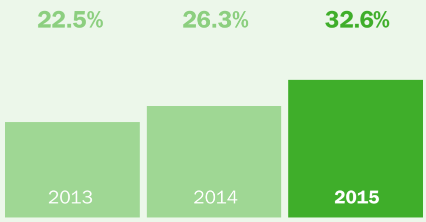
56.3%

Merchandise gross margin



32.6%

Services gross margin



Performance in 2015

Group gross margin benefitted from expansion in both the Merchandise and Services gross margin. Merchandise gross margin contributors included Advanced Nutrition participation, private label Wainwright's growth and improved terms, whilst Services margin benefitted from the growing maturity of our vet practices, along with synergy benefits from the Vets4Pets acquisition.

Priorities for 2016

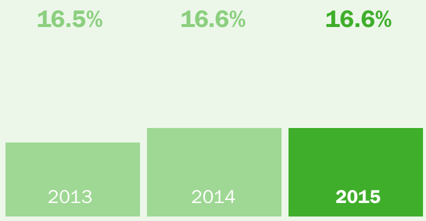
To deliver margin expansion in all segments across Food, Accessories and Services.

Key risks associated

- Reputation
- Competition
- Supply chain/sourcing
- Treasury and financial risk
- Store and services expansion

16.6%

Group underlying EBITDA margin



Performance in 2015

Group underlying EBITDA margins were maintained at the same level as the prior year, assisted by the growing participation of our higher margin Services business. Margin expansion was diluted by the addition of £2.5m of Plc costs in our first year as a public company.

Priorities for 2016

The growing margins in our Services business will underpin investment in the Group to ensure the business is fit for the future and maintains its record of growth.

Key risks associated

- Reputation
- Competition
- Supply chain/sourcing
- Treasury and financial risk
- Store and services expansion