

Letter from the Remuneration Committee Chairman



Dr Christopher Richards
Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present Dechra's Remuneration Report for the year ended 30 June 2014.

To reflect the requirements of the revised remuneration reporting regulations, this report is presented in two sections: the Directors' Remuneration Policy and the Annual Report on Remuneration. The Directors' Remuneration Policy sets out our forward looking remuneration policy for Directors and will be subject to a binding vote at the 2014 Annual General Meeting. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 30 June 2014 and how the Directors' Remuneration Policy will be implemented in the year commenced 1 July 2014. The Annual Report on Remuneration will be subject to an advisory vote at the 2014 Annual General Meeting.

As described in the Strategic Report, during the year the Group has made progress in each of its four strategic pillars:

- Portfolio Focus: we have shown growth in our key therapeutic areas;
- Product Development: we have received US and UK approval of a major new equine product, *Osphos*;
- Geographical Expansion: new subsidiaries have been established in Canada and Italy, which means that we can terminate existing distributor agreements in these territories, allowing us to retain the full margin going forward;
- Acquisition: in May 2014 we announced the acquisition of the trade and assets of PSPC Inc.

As a result of the progress in our strategy, we have delivered underlying profit before tax during the year of £39.9 million, an improvement of 18.8% on the prior year. As a consequence, bonus payments to Directors will be 80% of their maximum payment.

In respect of the LTIP performance conditions, relative TSR against FTSE Small Cap (of which Dechra was a member at the time of the grant of the Awards) is in the upper quartile, with the EPS underpin being achieved with underlying diluted EPS of 19.25%. This has resulted in a payout of 100% of the LTIP Awards which vested, based on performance to 30 June 2014. Further detail in relation to the bonus payment and LTIP vesting are contained on pages 97 and 99 of the following report.

No changes have been made to the quantum or structure of either the annual bonus or the LTIP parameters for the forthcoming year.

During the year under review all Executive Directors' agreed to waive an increase in their base salaries. Ian Page has also waived his increase for the forthcoming year. All other Executive Directors' base salaries have been increased by 3% with effect from 1 July 2014, which is in line with the range of salary increases given to the wider workforce.

Finally, the Committee and I believe that ongoing dialogue with our major shareholders is of key importance. Should you have any queries in relation to this report please do not hesitate to contact me or the Company Secretary.

Dr Christopher Richards
Remuneration Committee Chairman



Find out more in relation to the Directors' Remuneration Policy on pages 87 to 95.



View further content on our website:
www.dechra.com