

Pets at Home

Six month trading update April – September 2010

The sale of Pets at Home to KKR completed on 23 March 2010, immediately prior to the commencement of the current financial year. We are pleased to report that the business has continued to grow and progress strategically during the course of the first six months of the financial year.

Overall sales growth in the first six months of the year was 9.5%, driven by organic growth from existing stores, the impact of new stores and the rapid growth seen in our e-commerce channel. Total company LFL sales for the six months was +2.1% which was a satisfactory performance when considered in the context of the +10.6% LFL growth delivered in the same period last year and the backdrop of tougher trading conditions.

A more challenging trading environment

As expected the early part of the year proved challenging with the combination of prolonged hot weather in the early summer, the general election and the World Cup all impacting on our sales performance. We had planned for this eventuality and operationally we were set up to cope with this at store level. Towards the end of the Summer and into early Autumn we invested in national press and throughout September we ran a burst of national TV advertising. Both these media activities have delivered the returns we expected and further investment will be made in the second half to continue to build awareness of Pets at Home. Our goal is to encourage more of the pet owning population to experience the depth and innovative nature of our range as well as the customer service delivered by our store colleagues.

Whilst pleased with our performance over the first six months of the financial year the business has not been immune to prevailing economic conditions. Pet sales which are a strong proxy for the economic backdrop have been weaker than we would have liked and we look forward to a pick up as the economy recovers.

Pets at Home colleagues make the difference

Our colleagues remain integral to our success and we continue to invest in training to ensure the friendly expertise we deliver to customers is continually enhanced. Our internal measure of success in this area is the 'net promoter score' which measures the difference between very positive advocates (promoters) of shopping at Pets at Home compared with those customers who are detractors. At the half year point 82% of our stores had promoters with only 2% having detractors. We believe this performance makes Pets at Home one of

the leading retailers in the UK amongst those retailers that use this performance measure. Whilst we are satisfied with progress in respect of our internal measures we were pleased to be acknowledged as one of the Sunday Times 100 Best Companies to work for. We also won the Retail Week Employer of the Year for 2010.

New store openings on target

During the first six months of the year we opened 16 stores and we are confident that we will open 23 stores in the full year, with all 23 stores open and trading for Christmas. The stores are trading above or in line with expectations. We remain very encouraged by the welcome of pet owners to both our colleagues and store experience when we open in a new location.

We continue to expand our joint venture vet practices with 6 new practices open in the first six months and we remain confident that we can open 14 practices this year which will represent our strongest year of practice openings to date. Again we are seeing very strong client registrations following opening which is translating into encouraging fee income generation for these practices.

Significant progress in E-Commerce

We re-platformed our web-site in late 2009 and we have seen strong performance in the first six months of the year, reflecting continual growth in visitor numbers and improved conversion as the additional features the new platform provides are leveraged for the benefit of our customers. The first six months of the financial year has seen the successful introduction of 'reserve and collect' as well as operational improvements resulting from a change of warehousing facility and moving customer service in-house.

Strong innovation pipeline

Product innovation remains at the forefront of our business and in particular the expansion of our own brand ranges. In the first six months of the financial year we have launched our own licensed products, Fiproline and Plerion, to combat fleas and worms, and we are satisfied with the penetration these products have delivered in the short period since launch. We have also launched some very exciting accessory ranges, '3 Peaks' our outdoor terrain dog accessory range which includes collars and leads as well as mats, 'Ruff and Tuff' which is a range of very durable dog toys as well as speciality bedding which brings to the market orthopaedic beds for dogs. Progressing into the Christmas season we will be introducing a range of licensed Disney tanks themed on Toy Story 3 and Nemo. In food we have re-launched our Purely dry cat food range and added another 23 lines to our Wainwrights dry dog food range which continues to go from strength to strength. The innovation pipeline looks strong for the remainder of the year

and we remain confident that through innovation and range change we can continue to excite our customers.

Robust financial performance

The outlook for the UK economy remains uncertain, with the full impact of reductions in government spending yet to crystallise into the inevitable impact on consumer spending. We remain confident in our growth strategy and will continue to take the Pets at Home experience to more consumers via our new store opening programme and growth in our e-commerce offer. In support of future ambitions we have committed to the opening of a second distribution centre. We expect to deliver a robust performance for the financial year ending in March 2011 maintaining our recent track record of strong top line and bottom line growth.