
DAIRY CREST GROUP PLC

PRELIMINARY RESULTS

For the year ended 31 March 2007

Key Highlights

- Significantly reshaped the Group
 - first move into Continental Europe
 - major realignment of UK businesses
- Good growth from key brands including Cathedral City, Country Life Spreadable, St Hubert Omega 3 and FRijj
- New product development focused on healthier variants of core pillar brands
- Encouraging initial contribution from St Hubert with increased market share in France
- Good performance from branded cheese
- On track to deliver synergies from Express Dairies acquisition

Financial Review

Alastair Murray

Financial Highlights

- Group Revenue (including share of jvs) £1.38bn (2006: £1.23bn)
- Adjusted profit before tax* up 24% to £80.5m (2006: £64.8m)
- Adjusted earnings per share* up 26% to 48.7p (2006: 38.7p)
- Full year dividend up 6.5% to 22.9p (2006: 21.5p)
- Net debt £451.0m (2006: £280.2m)
- Significant reduction in pension scheme deficit to £0.4m

* From continuing operations, including share of joint ventures and before exceptional items and amortisation of acquired intangibles

Income Statement

£'m	Year March 07	Year March 06
Profit on operations *	90.0	79.1
Net finance costs	(9.5)	(14.3)
Profit after interest	80.5	64.8
Exceptional items (pre tax)	(10.0)	(22.2)
Intangible amortisation	(2.7)	(1.0)
Discontinued operations (pre tax)	(4.5)	2.9
Profit before tax	63.3	44.5
Taxation	(14.1)	(9.7)
Profit after tax	49.2	34.8

* From continuing operations, including share of joint ventures and before exceptional items and amortisation of acquired intangibles

Exceptional Items

£'m

Year March 07

	Cash	Non Cash	Total
Express integration	(3.1)	(0.3)	(3.4)
Asset impairment	-	(7.0)	(7.0)
Share of JV property disposal *	-	0.4	0.4
	<u>(3.1)</u>	<u>(6.9)</u>	<u>(10.0)</u>

* Profit on sale before tax

Earnings and Dividends

Pence per share	Year March 07	Year March 06	Change %
Adjusted basic EPS	48.7	38.7	+ 25.8%
Basic EPS	41.7	25.5	+ 63.5%
Dividend	22.9	21.5	+ 6.5%
Shares in issue: m *	127.2	124.8	+ 1.9%

* Weighted average number of shares

Segmental Analysis

£'m	Year	Year
Revenue *	March 07	March 06
Foods excl jvs	381.3	345.3
Joint ventures	68.5	69.0
	<hr/>	<hr/>
Foods	449.8	414.3
Dairies	928.0	815.7
	<hr/>	<hr/>
Total	1,377.8	1,230.0
Profit on operations **		
Foods excl jvs	52.9	52.0
Joint ventures	10.0	9.3
	<hr/>	<hr/>
Foods	62.9	61.3
Dairies	27.1	17.8
	<hr/>	<hr/>
Total	90.0	79.1
	<hr/>	<hr/>

* From continuing operations

** From continuing operations, before exceptional items and amortisation of acquired intangibles

Operating Margin*

%	Year March 07	Year March 06
Foods excl jvs	13.9	15.1
Joint ventures	14.6	13.5
Foods	<hr/> 14.0	<hr/> 14.8
Dairies	2.9	2.2
Total	<hr/> 6.5	<hr/> 6.4

* From continuing operations, before exceptional items and amortisation of acquired intangibles

Balance Sheet

£'m	Year March 07	Year March 06
Net operating assets	879.2	558.6
Tax	(85.1)	(20.4)
	<hr/>	<hr/>
	794.1	538.2
Net debt	(451.0)	(280.2)
	<hr/>	<hr/>
Net assets employed	343.1	258.0
Gearing	131%	109%

Operating Cash Flow

£'m	Year March 07	Year March 06
Adjusted profit on operations*	90.0	79.1
Depreciation and amortisation**	40.2	37.6
Exceptional items	(3.1)	(14.3)
Pensions	(15.2)	(1.3)
Joint ventures and other	(14.9)	(11.4)
Working capital	(2.8)	(16.3)
Operating cash flow	<u>94.2</u>	<u>73.4</u>

* Including share of joint ventures and before exceptional items

** Net of grants

Cash Flow

£'m	Year March 07	Year March 06
Operating cash flow	94.2	73.4
Capital expenditure (net of grants)	(36.3)	(44.0)
Interest, tax and dividends	(49.1)	(57.5)
Dividends received from jvs	8.9	9.0
Acquisitions	(293.3)	(43.7)
Disposal of business	58.3	-
Disposal of assets	9.7	9.4
Equity placing and other	36.8	0.7
Movement in net debt	(170.8)	(52.7)
Net debt at 31 March 2006	(280.2)	
Net debt at 31 March 2007	(451.0)	

Pensions Summary

- IAS19 gross deficit at 31 March 2007 of £0.4m
 - £61.6m reduction since March 2006
- Scheme closed to new entrants from July 2006
- Additional cash contributions of £17.0m in 2006/07
 - existing £12.0m per annum commitment
 - extra £5.0m following retailer brand cheese disposal
- Committed to a further £12.0m of additional contributions in 2007/08
- Next full actuarial valuation as at 31 March 2007

Business Review

Mark Allen

Strategic Progress

- 2006/07 was a year of significant strategic progress
- First move into Continental Europe with St Hubert acquisition
- Major realignment of UK businesses
 - created the UK's market leading doorstep and middle ground business
 - focused cheese business on branded and added value activities
- The Group is now in a stronger position
 - all three transactions expected to be earnings accretive in 2007/08
 - increased proportion of sales and profits coming from branded and added value activities

Strategic Focus

- Foods
 - focus on quality everyday food brands
 - healthier variants of these popular pillar brands
- Dairies
 - developing added value propositions for retailers
 - continued focus on cost base
 - modernise Household business model
- Europe
 - focus on existing areas of core competency
 - growth through acquisition
- Health
 - further reductions in fat, salt and additives
 - food labelling
- Environmental Issues
 - targeted reductions in carbon emissions, waste and packaging

Healthier Options

- Current focus of new product development is on healthier variants of our most popular pillar brands
- Cathedral City Lighter launched in February 2007 with 30% less fat than standard cheddar
- Country Life Spreadable Lighter launched in May 2007
- Similar health led developments of Clover and Utterly Butterly expected to be launched



Environmental Initiatives

- Targeted reductions in overall carbon emissions and waste
- First dairy company to sign Courtauld Commitment
 - Waste Recycling Action Programme (WRAP)
 - deliver absolute reductions in packaging waste by 2010
 - involves all major food retailers
- Launched world's first plastic milk bottle using recycled material for Marks & Spencer in March 2007
 - won Gold award at 2007 Starpack Industry Awards for best use of innovative materials
- Recycling programmes implemented at Claygate HO and being rolled out across all sites

UK Spreads

- Country Life Spreadable performing strongly with sales up 31% by value
- Clover has again performed well with sales up 2% by value
- Weaker performance from UK spreads overall
 - Country Life packet down 11% by value
 - Utterly Butterly down 12% by value
 - St. Ivel Gold down 26% by value
- Focus on high quality everyday brands with healthier variants
 - Country Life Spreadable Lighter launched May 2007
 - healthier variants of both Clover and Utterly Butterly being developed
- Increased marketing investment in 2007/08 to support new product launches and to underpin key brands

St Hubert

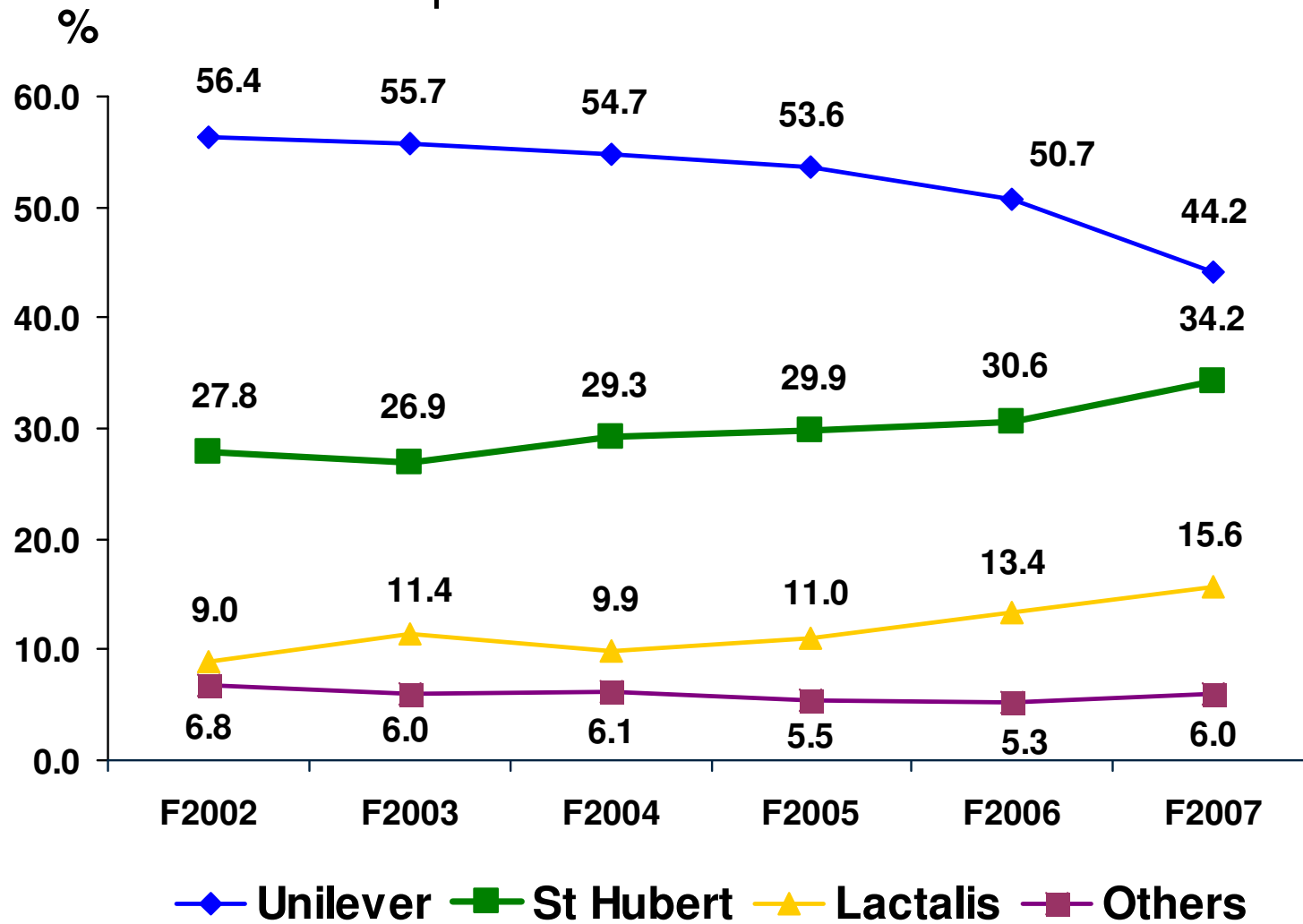


- First significant overseas venture with strong business rationale and provides further opportunities for growth
- Reaffirmed expectations at acquisition
 - stable management team
 - strong customer relationships
- Overall performance in line with our expectations
 - sales up 5.5% over year to March 2007
 - increased market share of French spreads
- Continued strong growth from Omega 3 up 22% by value
 - number one brand variant in French spreads
- Recently launched 100% Végétal in France and Vallé in Greece



No.2 in France and growing

France – spreads market share evolution

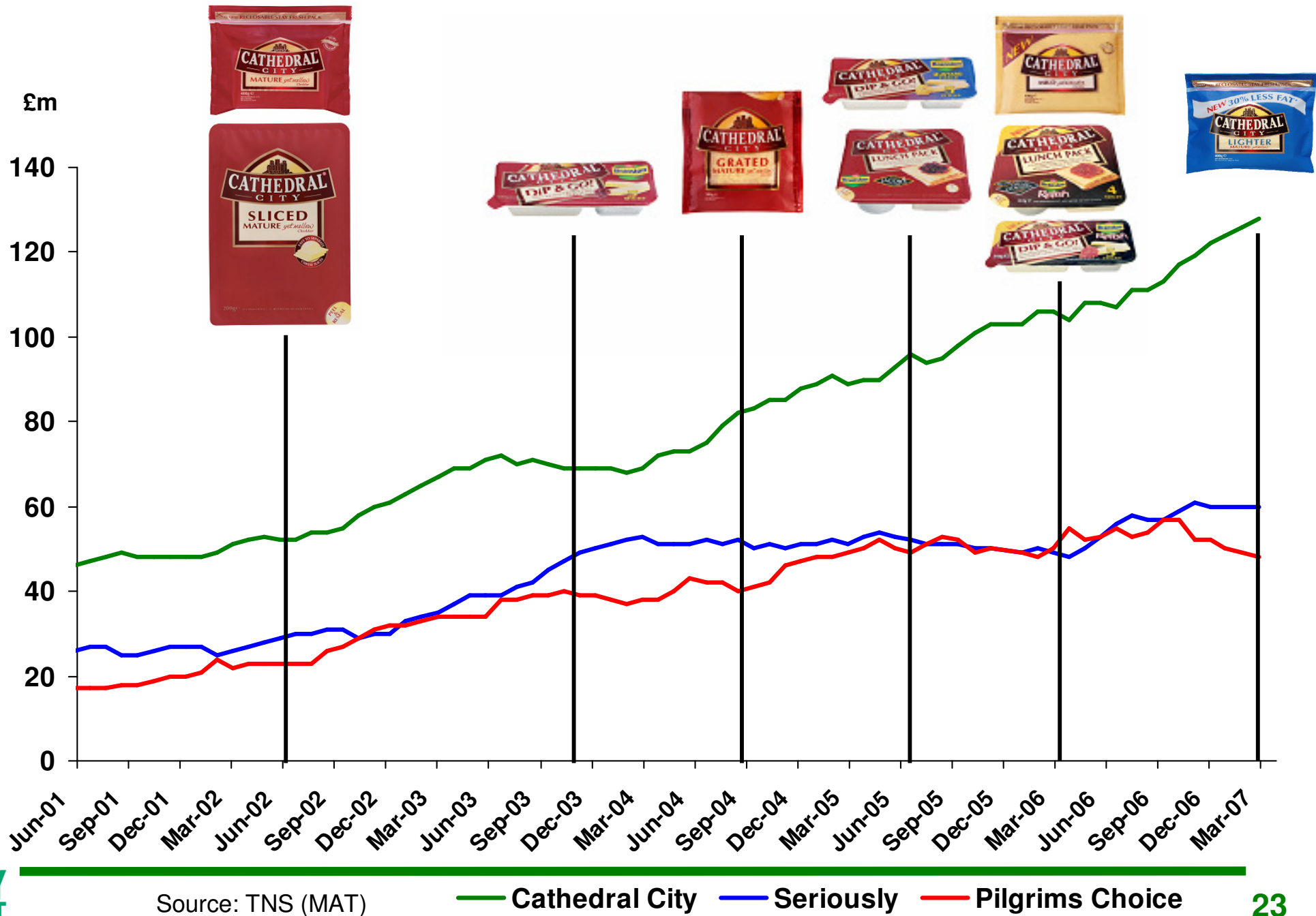


Cheese

- Completed the disposal of the majority of retailer brand cheese operations on 14 October 2006 for £58.3m net cash consideration
 - focusing on branded and added value activities which create shareholder value
- Strong growth from Cathedral City with sales up 20% by value
 - £128m brand at RSP
- New product launches
 - Cathedral City Mild launched May 2006
 - Cathedral City Lighter launched February 2007
- Restricted levels of promotions has led to lower Davidstow sales
- Stilton market continues to be challenging
- Strong market for whey products



Cathedral City Growth



Yoplait Dairy Crest

- Overall Yoplait brand sales up 2% by value
- YDC maintains market leading position in children's sector with 48%
- Excellent performances from Weight Watchers, Yop and Wildlife with sales up 10% by value
- Weaker sales performance from Petits Filous and Frubes reflecting impact of promotional phasing and increased competitor activity
 - Petits Filous down 10% by value
 - Frubes down 5% by value
- Increased promotional and marketing activity planned on Petits Filous with emphasis on Vitamin D and Calcium



Dairies Overview

- Good improvement in Dairies performance

£'m	2006/07	2005/06	
Revenue	928.0	815.7	+ 13.8%
Profit on operations *	27.1	17.8	+ 52.2%
Margin	2.9%	2.2%	

* Before exceptional items and amortisation of acquired intangibles

- Continued focus on cost base
 - proposed closure of Totnes
 - shift rationalisation at Nottingham and Liverpool dairies
- Welcome continued trend to dedicated milk pools for retailers which deliver greater certainty to producers
- Recent raw milk price increases on liquid contracts

Liquid Products and Ingredients

- Retail milk volumes up 6% year on year
 - retained position as key supplier to Sainsbury's
 - store gains with Sainsbury's and Morrison
- Retailer brand organic milk sales up 8% by value
- Flavoured milk sales up 53% by value
- Potted cream sales up 3% by value
- Strong markets for dairy ingredients

Adding value to milk

- FRijj returned to strong growth with sales up 23% by value
- Launch of Country Life organic milk brand
 - increasing levels of distribution
 - performing well in Household
 - termination of licence agreement for manufacturing Rachel's organic milk brand
- St. Ivel advance sales have grown by 83% by value



Household

- Overall household volumes up 31% year on year
- Underlying doorstep decline slightly improved to 7.8%
- Non-milk product sales up by 33%
- On track to deliver Express Dairies synergies
 - 9 overlapping depots closed
 - shift rationalisation at Nottingham and Liverpool dairies
 - Leicester head office to close Autumn 2007
 - synergies to peak at £9.0m in 2008/09
- Reviewing a number of new proposals to leverage the enlarged 1.6 million customer base
 - modernised services to be trialled in selected depots

Outlook

- Delivering benefits of transactions completed in 2006/7
 - on track to deliver Express Dairies synergies
 - further progress from brand focused cheese business
 - St Hubert in line with our expectations
- Our brand portfolio expected to make progress
 - new product launches of healthier variants of pillar brands
 - increased marketing support
- Continued improvement in Dairies
- Trading at the start of the new financial year is in line with our expectations

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For the year ended 31 March 2007