

## ACTING CHAIRMAN'S STATEMENT



It is with sadness that, in my current role of Acting Chairman, I am delivering this year's statement on behalf of our Chairman, Anthony Fry, who is currently away from the business for health reasons.

Anthony has led Dairy Crest's transformation with great skill over the last four years and our thoughts are with him and his family at this time. We wish him a full and fast recovery.

### Living by our Vision and Values

The Board fully recognises the importance of corporate governance in underpinning the integrity and performance of the business. It is acutely aware of Dairy Crest's responsibilities to the farmers who supply us with milk, our employees and franchisees, our pensioners, the communities in which we operate and our shareholders. We use the framework provided by our Vision and Values to balance the different interests of these groups. This has served us well in the past and continues to underpin everything we do today.

### A simpler, more financially robust business

Last year's transformational sale of our French spreads business, St Hubert, made Dairy Crest a simpler, more financially robust business and provided a strong base for future growth. By continuing to execute our long term strategy of growing our key brands and other added value sales and of reducing our costs we have continued to strengthen our business.

The pleasing financial results for the year ended 31 March 2014, delivered against the backdrop of a trading environment that remains challenging, demonstrate that the transformed business can deliver improving returns for shareholders.

We have chosen not to make any significant acquisitions since the disposal of St Hubert. We gave thorough consideration to doing so but to date we have not identified any opportunities which could provide the attractive returns which we can achieve by continuing to invest for growth in our existing business. The Board believes that choosing to invest in projects such as demineralised whey production provides a better route to profitable growth and has lower execution risk. Entering the demineralised whey powder market will also allow us to access new markets and should contribute to increased stability.

### Corporate responsibility

Dairy Crest is a responsible business that demonstrates its commitment to corporate responsibility in many ways. This has been recognised by Business in the Community, including coming second in its Company of the Year competition last year. This year we have been awarded 4.5 stars by BITC and are its highest ranked business in the UK.

### A stable Board

Other than the appointment of Tom Atherton as Group Finance Director from 23 May 2013, there have been no Board changes or Management Board changes during the year.

### Increased dividend recommended

The Board is recommending a final dividend of 15.4 pence per share, making a full year dividend of 21.3 pence per share, up 2.9% from last year. This dividend is covered 1.9 times by adjusted basic earnings per share, up from 1.4 last year. Looking beyond this year we propose to maintain our progressive dividend policy within a target cover range of 1.5 to 2.5 times.

### Summary

The year ended 31 March 2014 was a good one for Dairy Crest. We have consolidated the significant changes we made last year and are benefiting from operating as one business. Good progress is being made with our demineralised whey project which will provide increased stability and profit growth.

**Richard Macdonald** Acting Chairman  
21 May 2014

#### Financial highlights

- Adjusted profit before tax up 31% to £65.3 million, including higher profits from sale of surplus properties
- Year end net debt at £142 million leaves gearing within targeted range at 1.3
- Proposed final dividend payment up 3% to 15.4p

#### Strategic highlights

- Reorganised into one business structure
- Demineralised whey project on track to enhance annual profits from 2015/16 by £5 million – in exclusive talks with one customer
- Move to a single spreads manufacturing facility nearing completion
- Reduced pension scheme contributions from 2014/15

#### Operating highlights

- On-going growth for Cathedral City ahead of market
- Continued focus on costs: £25 million annualised cost savings delivered in 2013/14, with a further £20 million identified for 2014/15
- Strong Corporate Responsibility commitment: highest UK ranked business by BITC