

CHAIRMAN'S STATEMENT



Anthony Fry

Whilst I was very pleased to take up the role of Chairman in September 2014, I did so with mixed feelings. I was delighted to have the opportunity to be able to contribute further to the future of Dairy Crest but saddened by the departure due to illness of my predecessor, Anthony Fry, who left the Board at that time. Anthony had a significant influence on the business in his seven years as a Non-executive director and especially for the four years he served as Chairman. I would like to thank Anthony on behalf of the Board for his considerable contribution to the development of Dairy Crest and to wish him well with his recovery.

I would also like to thank Richard Macdonald who was Acting Chairman while Anthony was away from the business and has now resumed his role as Senior Independent Director.

Transformational sale

In November 2014 we agreed to sell the assets of our Dairies operations to Muller UK & Ireland Group LLP ('Müller') for a cash consideration of £80 million. The sale has been overwhelmingly approved by shareholders but remains conditional on the approval of the Competition and Markets Authority. It is pleasing that we have received support for the sale from the independent organisation that represents our farmers, Dairy Crest Direct, and the wider farming community.

Combining our Dairies business with that of Müller will build on the progress that Dairy Crest has already achieved, strengthen the wider UK dairy sector and allow Dairy Crest to focus on growing our successful cheese and spreads operations.

The financial results for the year ended 31 March 2015, delivered in a particularly challenging environment, highlight the differing financial performance of the business we are selling and those that we will retain and which will be at the heart of Dairy Crest in the future.

We have continued to make good progress with projects that enhance the future prospects of these businesses, including consolidating butter and spreads production onto one site and investing in demineralised whey and galacto-oligosaccharide – innovative products that will expand our product range and give us access to new sales channels in growing global markets.

Living by our Vision and Values

Dairy Crest has robust values and a clear vision. The Board recognises its 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 that our well established Vision and Values provide to balance the different interests of these groups.

It is very important that the Company has not let the tough trading environment and the transformational activities that we have undertaken in the year deflect us from our commitment to act responsibly. This has been reflected in our continuing strong performance in the Business in the Community Index where we have maintained our position as their highest ranked business in the UK and further improved our score.

Board changes

In addition to the departure of Anthony Fry, to which I refer above, Martyn Wilks, Executive Managing Director, left Dairy Crest on 31 March 2015 to pursue other interests. Martyn was on the Board for seven years and played a key role in building our brands. He left Dairy Crest with our best wishes for the future. Martyn has not been replaced on the Board at this time.

Increased dividend recommended

The Board is recommending a final dividend of 15.7 pence per share, making a full year dividend of 21.7 pence per share, up 1.9% from last year. This dividend is covered 1.8 times by adjusted basic earnings per share, compared to 1.9 times last year. Looking ahead, we propose to maintain our progressive dividend policy with a target cover range of 1.5 to 2.5 times.

Summary

The conditional sale of our Dairies operations will transform Dairy Crest and leave a predominantly branded business that has delivered strong financial results in the year. The business will benefit from greater focus on sectors where it is already strong and where it has significant growth potential.

Stephen Alexander Chairman
20 May 2015

Highlights

Total Product group profits of Cheese and Spreads businesses up 19% year on year.

Sale of Dairies operations approved by shareholders; regulatory approval progressing to plan.

Cathedral City brand continues to grow strongly – now Britain's 16th largest grocery brand, accounting for over 50% of total branded retail cheddar sales.

On track to start production of demineralised whey powder and galacto-oligosaccharide for growing global markets this year.

Strong Corporate Responsibility commitment maintained – top ranked UK business by Business in the Community for second consecutive year.

Proposed final dividend payment of 15.7p taking full year to 21.7p, up 1.9%.