

4 June 2001

UNIQ plc

**Announcement of Preliminary Results  
for the year ended 31 March 2001**

	<u>2001</u>	<u>2000</u>
Turnover	£2,526.6m	£2,977.3m
Operating profit before exceptional items and goodwill amortisation	£75.8m	£138.5m
Profit before tax, exceptional items and goodwill amortisation	£57.5m	£124.3m
Exceptional items	(£158.7)m	(£74.0)m
(Loss)/Profit before tax	(£118.4)m	£35.2m
Earnings per share*		
– on earnings before exceptional items and goodwill amortisation	18.9p	39.2p
– on proforma earnings before exceptional items and goodwill amortisation	16.8p	28.3p

\* Based on number of shares before 1 for 2 consolidation on 17 May 2001. Proforma earnings adjust for impact of Dairy and Cheese divestment.

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- Significant progress made in restructuring Group to focus on growing convenience food markets.
  - Dairy and Cheese business divested in July 2000 with £150m returned to shareholders.
  - Wincanton demerger to shareholders completed 17 May 2001.
  - Profit before tax, exceptional items and goodwill amortisation of £57.5m, slightly ahead of profit forecast made in March 2001, was significantly impacted by:-
    - only 3 months contribution from Dairy and Cheese business
    - losses at Malton Foods of £11.4m compared to profits of £15.3m last year
  - Uniq Convenience Foods profits of £47.0m were at a similar level to last year on a comparable basis.
  - Exceptional items relate to restructuring and recognition of the lower carrying values of Malton's fixed assets and the goodwill of Marie.

Commenting on the results, Ian Martin, Uniq's Chairman said:

"In a year of consolidation and integration in our convenience foods business, the results have been held back by poor performance at Malton. Strategically it has been a year of great progress; with the Dairy divestment last July and the Wincanton demerger this May, the transformation of the Group into a European convenience foods business focused on growth markets is almost complete."

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## **STRATEGIC DEVELOPMENT**

This year has seen dramatic progress in the strategy of refocusing the Group on growth markets which we have been pursuing over the last two years. The Dairy and Cheese business was successfully divested to Dairy Crest and funds returned to shareholders in July 2000. The demerger of our Wincanton Logistics business was completed on 17 May this year. As a result we enter the new financial year as a new Group, under a new name, invested in new businesses and run by new management. Since we acquired Terranova, Marie and Fisher Quality Foods in 1999 and added them to our spreads, yogurts and desserts businesses, we have concentrated on re-positioning the Group in the faster-growing and value-added European convenience foods markets. That transformation is now almost complete with only the resolution of our search for an industry solution for Malton outstanding.

## **RESULTS FOR THE YEAR**

While strategically the year to 31 March 2001 was a year of significant progress, in overall terms the results were disappointing. Profit before tax, exceptional items and goodwill amortisation was £57.5m, 54 percent down on last year. Part of the fall in profit arises from the divestment of the Dairy and Cheese business and the related return of funds to shareholders in July last year. Adjusting for this, profit before tax, exceptional items and goodwill amortisation was down 43 percent, with the majority of this decline being attributable to the poor performance at Malton Foods.

Exceptional charges before tax of £158.7 million include £96.8 million relating to the impairment of assets and goodwill under FRS 11. The remaining exceptional charges relate to the restructuring of the Group.

After goodwill amortisation and exceptional items, the Group incurred a loss for the year of £116.6 million after tax. The Group's earnings per share before exceptional items and goodwill amortisation were 18.9p. This is based on the number of shares in issue during the year and before the 1 for 2 share consolidation which occurred on 17 May 2001. Following this consolidation, the Board has recommended a final dividend of 8.4p per share. In addition, it is expected that Wincanton will pay a dividend to Wincanton shareholders of 4.6p per share in respect of their earnings for the year to 31 March 2001. In total, therefore, after taking into account the interim dividend already paid, dividends payable by Uniq and Wincanton for the year will be equivalent to 25p per consolidated share or 12.5p per unconsolidated share.

## **OPERATING PROFIT BEFORE GOODWILL AND EXCEPTIONAL ITEMS**

### **Continuing Businesses**

Operating profit from continuing businesses was £35.6 million, down from £63.7 million last year, with the reduction being almost entirely due to the poor performance at Malton Foods.

**Uniq Convenience Foods** sales were £1,164 million while profits were £47.0 million. On a comparable basis, adjusting for the benefit from the annualisation of last year's major acquisitions, the additional 53rd week in last year's results and exchange rate movements, sales were up 2.4 percent year on year and profits were broadly unchanged.

The United Kingdom businesses reported operating profits of £21.1 million on sales of £520 million. This represents a comparable 15.9 percent increase in operating profit adjusting for the 53<sup>rd</sup> week and acquisitions.

Uniq St Ivel benefited from continuing focus on improving margins in the yogurts and desserts business. At Uniqsauces, sales and profits were held back by disruption from their site rationalisation programme.

Uniq Prepared Foods had an excellent year, with both sales and operating profits rising significantly.

Continental Europe reported operating profit of £25.9 million on turnover of £644 million being a fall in operating profit of 11.0 percent on sales up 4.2 percent on a comparable basis. The fall in profit arose principally from margin pressure in Germany and the impact of disruption arising from the business restructuring in France. The businesses in Holland, Denmark, Belgium and Spain all reported good progress in sales and profits.

**Malton Foods** incurred a loss of £11.4 million compared to a profit of £15.3 million last year, as a result of severe margin pressure together with the adverse impact of swine fever and the outbreak of foot & mouth disease in the UK. Sales fell 10.0 percent to £510 million in part due to the reduction in slaughtering activity and increased procurement of meat from outside the UK in order to restore margins.

### **Discontinued Businesses**

The results of the Group's Wincanton Logistics business and the Dairy and Cheese business have been shown as discontinued businesses.

Wincanton reported operating profits of £31.6 million compared with £32.2 million last year. Adjusting for last year's 53<sup>rd</sup> week, profits increased by 1.6 percent on sales up 11 percent. The results reflect continued underlying growth, held back by lower profits on one major contract which was reorganised in the year.

Operating profit of the Dairy and Cheese business for the period to its divestment on 3 July 2000 amounted to £8.6 million.

### **EXCEPTIONAL ITEMS**

The key elements of the £158.7 million exceptional charges (before tax) are:-

- i) Uniq Convenience Foods restructuring: £9.0 million (including asset write-offs of £0.4 million) has been provided in the year to complete the rationalisation of the French operations into a single business unit and reorganise the UK businesses. A review of the carrying value of goodwill of the Marie businesses under FRS 11 has resulted in an impairment of £40 million, being 45 percent of the remaining book value of goodwill. In addition, £19.3 million has been charged in respect of goodwill relating to the French yogurts and desserts business exited during the year. This goodwill had previously been written off through reserves.

In total, the restructuring in Uniq Convenience Foods, which was commenced last year, is expected to realise cost reductions of £14 million per annum that will all be fully in place by 31 March 2002. Part of these savings are expected to be reinvested in marketing to drive sales growth in the convenience foods business.

- ii) Malton Foods: In total, exceptional items of £71.6 million arose in relation to Malton Foods. £14.8 million (including asset write-offs of £9.0 million) has been charged relating to rationalisation designed to improve performance at Malton. In addition, an impairment charge of £56.8 million has been made in accordance with FRS11 to write-down the tangible fixed assets and goodwill of the Malton business in the light of its poor performance and the Group's intention to exit or significantly reduce its involvement in Malton.
- iii) Discontinued operations: Exceptional costs relating to discontinued operations of £18.7 million include £20.0 million in respect of the costs of divestment of the Dairy and Cheese business and the demerger of Wincanton.

### **INTEREST**

The interest charge for the year of £18.3 million compares with a charge in the prior year of £14.2 million. An increase in the average interest rate and our share buy-back programme account for this increase in interest charge. The annualised impact of the Terranova and Marie acquisitions has been offset by the £100 million receipt from Dairy Crest and an improvement in average cash balances. Interest cover at 4.1 times, whilst still above the Group's target level, has been depressed compared to prior years by the losses incurred at Malton Foods.

### **CASH FLOW**

Net debt at 31 March 2001 was £239.5 million, £42.5 million lower than at last year end. The reduction reflects principally £100 million received on the divestment of the Dairy and Cheese Business, less a working capital outflow in the Dairy and Cheese business of £12.7 million prior to divestment and costs relating to this divestment and the Wincanton demerger of £15.6 million. In addition, expenditure on acquisitions and disposals amounted to £10.4 million.

Net debt at 31 March 2001 includes £51.1 million debt relating to Wincanton which was repaid on completion of the demerger of Wincanton in May 2001.

### **OUTLOOK**

In Convenience Foods, most business areas have started the new year positively. Recovery from the disruption last year, particularly at the French operation and in Uniqsauces, will be progressive during the year. Against a strong first half last year, this will naturally impact our growth in Convenience Foods in the first half this year.

At Malton Foods, we are progressing discussions with third parties to exit the business. Meanwhile, the benefits of the recovery programme are beginning to show through in improved performance.

We believe that the full year results will demonstrate the growth potential of the Group's convenience foods businesses.