ROBERT WISEMAN DAIRIES

# Interim Results for the Period to

# 2nd October 2004

# Contents

- Highlights
- Operating Review
- Financial Results
- First Milk Investment
- Market Overview
- Summary & Outlook

# Highlights

- Increased Sainsbury/Tesco business secured
- Net volume gains for 2005 of over 100 million litres
- Volumes up 7.4% to 607 million litres
- Turnover up 10.0% to £245.3 million
- Operating profit up 3.7% to £15.0 million
- Underlying pre tax profit up 8.8% to £14.8 million
- Underlying earnings per share up 9.3% to 13.22 p
- Dividend up 10.0% to 2.20 pence per share
- Tax credit boosts post tax profits by £4.4 million

# Operating Review

# Sales in First Half

- Volumes up 7.4% to 607 million litres
- New Tesco stores commenced in April
- New Iceland/Booker stores commenced in June
- Full year to be affected by timing of gains and losses
- Estimate slightly lower volumes in second half
- Bulk cream prices reasonable in first half
- Bulk cream prices down in second half compared to same period in last year

# Asda Loss

- Notified in May that deliveries were to cease
- Deliveries in England to cease on 6 November
- Deliveries in Scotland to cease on 26 January
- Loss in annual volumes of circa 180 million litres
- Will continue to sell Fresh'N'Lo, The One and pot cream to Asda

# Tesco Gain

- Notified in August of proposed changes
- To service an additional 20% of Tesco’s business
- To be responsible for 60% of Tesco’s business
- Additional annual volumes of circa 160 million litres per annum
- New business now scheduled to commence April 2005
- Store allocation still being finalised but will include South West and Wales

# Sainsbury Gain

- Notified in August of proposed changes
- To service an additional 30% of Sainsbury’s business
- To be responsible for 50% of Sainsbury’s business
- Additional annual volumes of circa 120 million litres per annum
- New business to start in January 2005

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# Market Shares

| | Tesco % | Morrison % | Sainsbury % | Asda % | S'field % |
|---|---|---|---|---|---|
| Wiseman | 60 | 33 | 50 | - | 30 |
| Arla | 40 | 34 | - | 100 | 70 |
| Dairy Crest | - | 33 | 50 | - | - |
| | 100 | 100 | 100 | 100 | 100 |

*Source: Dairy Industry Newsletter and Wiseman estimates*

# Other Customers

- Constructive discussions with Morrison
- Look to build a long-term supply position
- Supply positions secured with Somerfield, Netto and the Big Food Group into 2005
- Gained additional business in Scotland with Co-operative Group
- Helps offset loss of Asda in Scotland
- Price pressures lead to loss of Cappers, large Spar wholesaler

# Products

- Launched “the One”,  a 1% fat milk in April 2004
- Television campaign in Scottish and Granada regions
- Steady growth in sales
- Increased listing being obtained for product
- Installing capacity for Extended Shelf Life processing
- Commercial production to commence in summer of 2005
- Encouraging feedback from customers

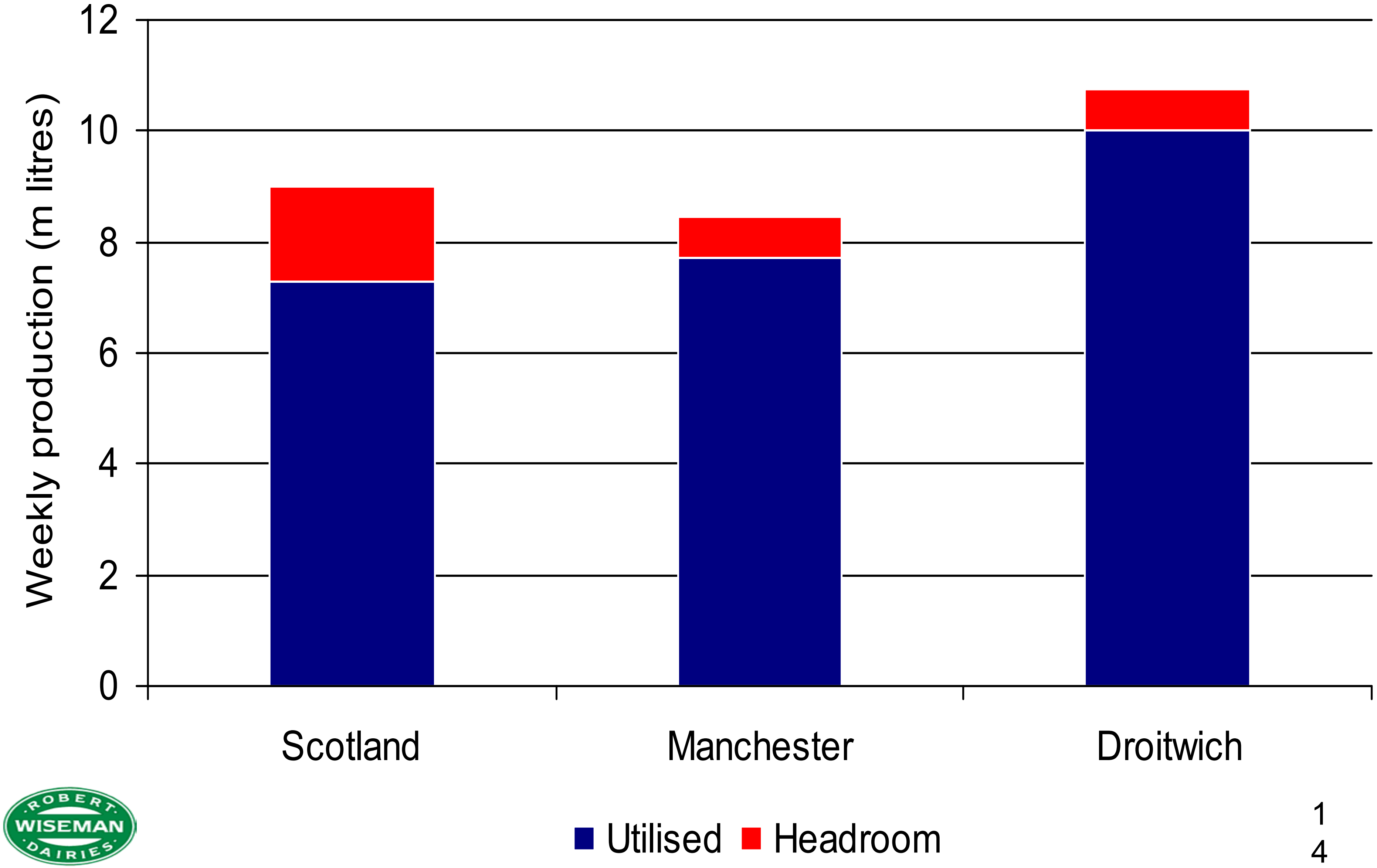
# Dairies

- Record efficiencies and wastage in the period
- Expect efficiencies to be impacted between loss of Asda and Sainsbury gain
- From early 2005 English dairies will be operating at close to capacity
- Looking forward to improved efficiencies
- Still reviewing options re future capacity
- Investment at Droitwich in Extended Shelf Life processing at a cost of £7 million

# Volumes Processed

| (m of litres) | **Original** | **Change** | **Revised** |
|---|---|---|---|
| Scotland | 420 | (40) | 380 |
| Manchester | 370 | 30 | 400 |
| Droitwich | 410 | 110 | 520 |
| **TOTAL** | **1,200** | **100** | **1,300** |

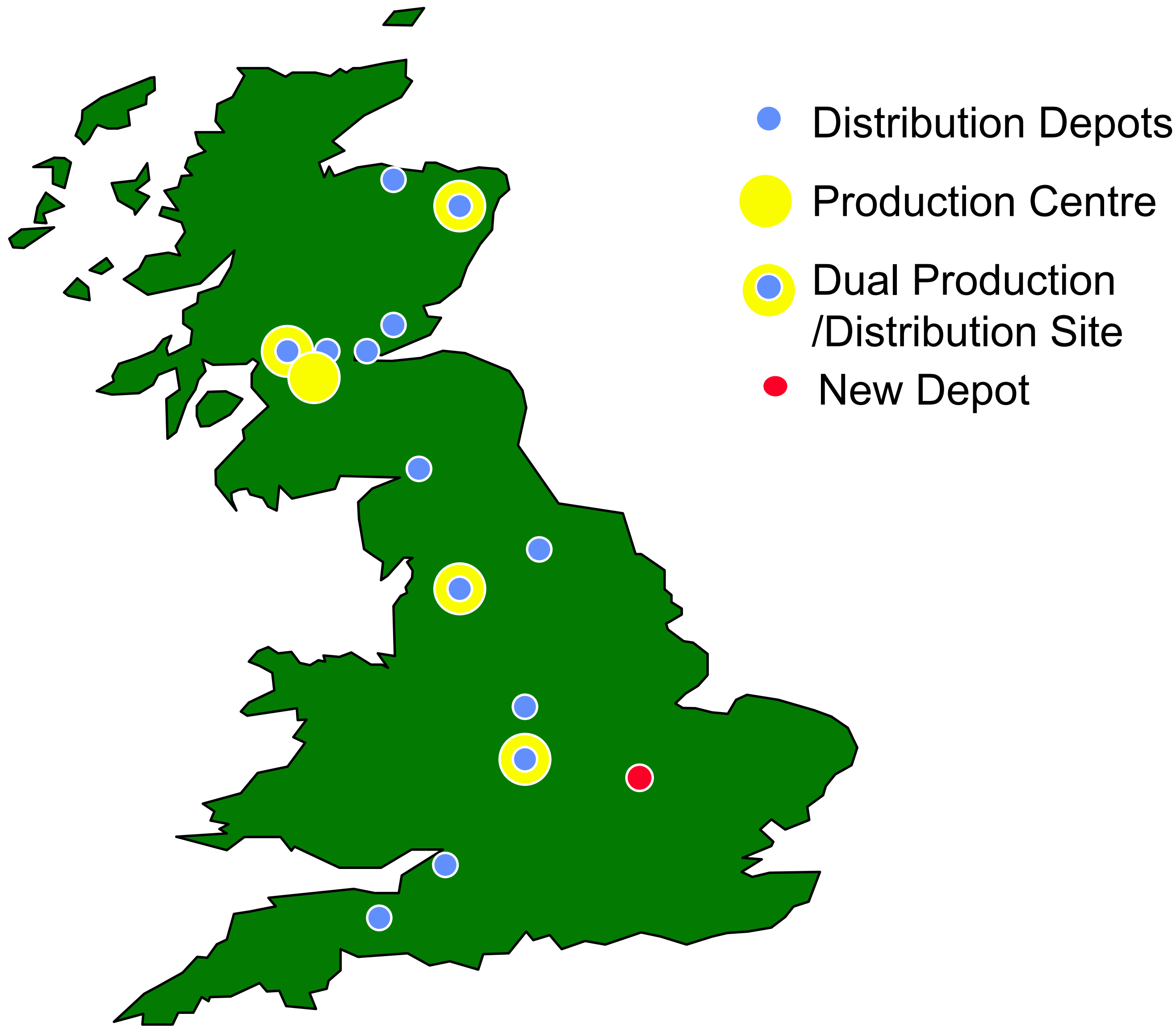
# Dairy Capacities



# Depots

- New depot to be built near Northampton
- Plans proceeding satisfactorily
- To be operational in Summer of 2005
- Cost of £7.5 million
- Temporarily rented nearby property
- Will occupy from January 2005
- Diesel costs have increased transport expenses significantly

# Facilities

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# Milk Procurement

- Differential between Wiseman and main competitors has increased to significant level
- We are holding prices until 1 December
- Prices need to be more closely aligned
- Cannot be consistently disadvantaged
- New seasonality payment system from April 2005
- Seek to encourage flatter production profile
- New unified Wiseman Partnership board representing over 800 dairy farmers

# Milk Price Comparison

## Milk Price Table - Liquid Contracts - November 2004

| | Pence per litre |
|---|---|
| Wiseman | 19.66 |
| Dairy Crest (Sovereign) | 19.29 |
| Arla | 19.08 |
| DFOB | 17.24 |
| First Milk | 17.09 |
| Milk Link | 16.65 |

*Source - MIlkPrices.com*

# Financial Results

# Underlying Profit and Loss

| | % change | 1st half 2004/05 | 1st half 2003/04 |
|---|---|---|---|
| Volume (litres) | + 7.4 % | **607 m** | 565 m |
| Turnover | + 10.0 % | **£245.3 m** | £223.0 m |
| Operating profit | + 3.7 % | **£15.0 m** | £14.4 m |
| Operating margin | | **6.1%** | 6.5 % |
| Operating profit per litre | - 3.5 % | **2.47 ppl** | 2.56 ppl |
| Interest payable | | **£0.2 m** | £0.8 m |
| Effective tax rate | | **31.0 %** | 31.0 % |
| Earnings per share | 9.3 % | **13.22 p** | 12.10 p |
| Dividend per share | 10.0 % | **2.20 p** | 2.00 p |

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# Reported Profit and Loss

| | Underlying Profit | Impact of Tax Credit | Reported Profit |
|---|---|---|---|
| Operating profit | £15.0 m | **-** | £15.0 m |
| Interest | (£0.2 m) | **£0.5 m** | £0.3 m |
| Pre tax profit | £14.8 m | **£0.5 m** | £15.3 m |
| Tax charge | (£4.7 m) | **£3.9 m** | (£0.8 m) |
| Post tax profit | £10.1 m | **£4.4 m** | £14.5 m |
| | | | |
| Earnings per share | 13.22 p | **5.60 p** | 18.82 p |

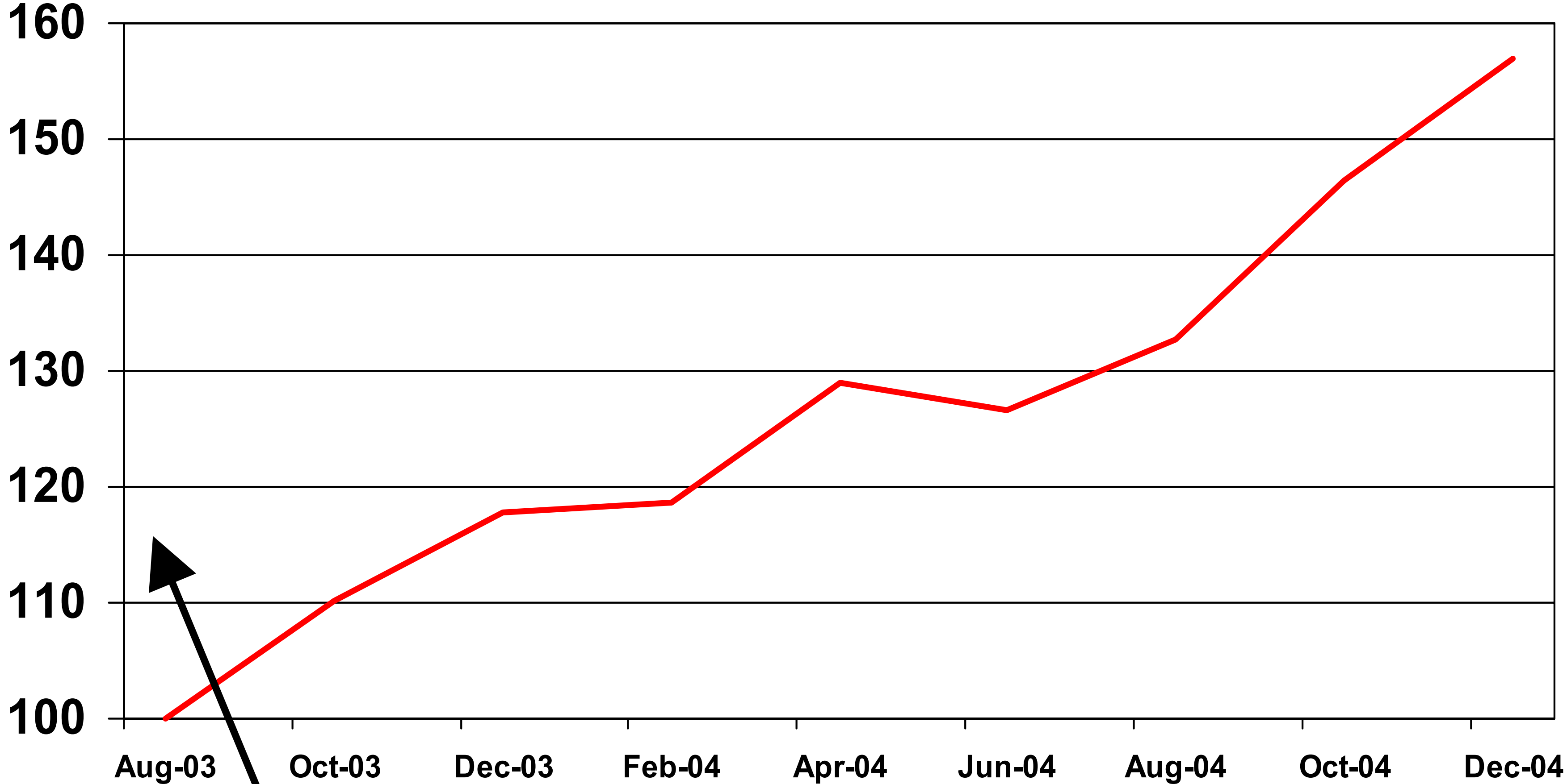
Tax credit arose as a result of reaching agreement on matters relating to prior year tax returns

# Tax Credit

- Tax credit of £3.9 million relates to matters arising in financial years 2000 to 2004
- Future tax deductions in relation to these matters will be subject to separate negotiations
- Possible future reduction of tax charge, as a result of these matters, between 2005 and 2009 totals £1.5 million
- Will not recognise any benefit in profit and loss account until matters are agreed

# Packaging Costs

If current costs are maintained additional costs in second half compared to first half will be £1million




Plastic costs indexed to 100

# Balance Sheet Review

| | September 2004 | March 2004 |
|---|---|---|
| | £m | £m |
| Total fixed assets | **144.8** | 146.6 |
| Current assets | **60.3** | 59.3 |
| Creditors less than one year | **(81.0)** | (83.3) |
| Net current liabilities | **(20.7)** | (24.0) |
| Assets less current liabilities | **124.1** | 122.6 |
| Creditors more than one year | **(2.9)** | (6.8) |
| Provisions | **(12.2)** | (11.8) |
| Net assets | **109.0** | 103.9 |
| Gearing | **0.4%** | Nil |

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# Capital Expenditure

| | **2005 Budget £m** | 2004 Actual £m |
|---|---|---|
| Dairies | **9.5** | 7.1 |
| Depots | **6.0** | 0.8 |
| Vehicles | **9.5** | 9.8 |
| Other assets | **2.5** | 2.0 |
| Total | **27.5** | 19.7 |

# Cash Flow Review

| | **First Half 2004/05 £m** | First Half 2003/04 £m |
|---|---|---|
| Inflow from operating activities | **18.4** | 15.3 |
| Interest payments (net) | **(0.1)** | (0.7) |
| Tax paid | **(3.4)** | (2.4) |
| Capital expenditure/acquisitions (net) | **(7.8)** | (10.6) |
| Dividends paid | **(3.9)** | (3.2) |
| Purchase of own shares | **(8.7)** | - |
| (Outflow)/inflow from financing | **(1.8)** | (4.0) |
| Decrease in cash | **(7.3)** | (5.6) |

# Office of Fair Trading Update

- Chapter II appeal continues with hearing set for January 2005
- Chapter I Inquiry reopened in August 2003 and we await developments

# First Milk Investment

# First Milk Investment

- First Milk issued Tender document to acquire 15% of Company
- Shareholders can tender up to 15% of their shares or more (subject to scale back)
- Agreed tender price of £2.50 - 10% premium to share price at time of announcement in October
- New non-executive director to be proposed
- Alan and Robert Wiseman have agreed to underwrite tender to ensure 15% interest is acquired
- Wiseman family expected to retain circa 46% of Company

# First Milk Investment

- Hope for closer working relationship and develop common interests
- Provides additional security of supply and balancing
- Will allow for review of ex-farm haulage operations

# Market Overview

# GB Liquid Milk Market

| | Total (m litres) | % Market |
|---|---|---|
| 1. Arla | 1,940 | 34.0 |
| 2. Robert Wiseman | 1,300 | 22.8 |
| 3. Dairy Crest | 1,120 | 19.6 |
| 4. DFOB | 600 | 10.6 |
| Others | 740 | 13.0 |
| TOTAL | 5,700 | 100.0 |

*Source: Dairy Industry Newsletter and Wiseman estimates for April 2005 position*

# Market Shares By Sector

| | Super-markets | % | Doorstep | % | Middle-Ground | % | Total |
|---|---|---|---|---|---|---|---|
| Arla | 1,080 | *56* | 370 | *19* | 490 | *25* | 1,940 |
| Wiseman | 940 | *72* | 50 | *4* | 310 | *24* | 1,300 |
| Dairy Crest | 490 | *44* | 350 | *31* | 280 | *25* | 1,120 |
| Others | - | | 350 | | 890 | | 1,240 |
| Total | 2,510 | | 1,120 | | 1,970 | | 5,600 |

*Source: Dairy Industry Newsletter and Wiseman estimates for April 2005 position.*
*Supermarkets include Tesco, Sainsbury, Asda, Somerfield, Morrison, Waitrose and M&S*

# Summary & Outlook

# Summary & Outlook

- Long term positions with Tesco and Sainsbury
- Optimistic of building lasting relationship with Morrison
- State of the art facilities in right locations
- Short term margin erosion
- Oil related cost inflation in derv, energy and plastic
- Strategy remains unchanged
- Foundations for long term profitability in place

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2nd October 2004