McBride

THE LEADING PRIVATE LABEL SUPPLIER OF HOUSEHOLD AND PERSONAL CARE PRODUCTS IN EUROPE

Interim report 2003

McBride

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Financial highlights

+6.1%
Group Turnover was £254.0m

+30%
Earnings per share were 6.1p

+17%
Group Operating Profit was £17.2m (before goodwill amortisation)

+39%
Pre-Tax Profit was £16.5m

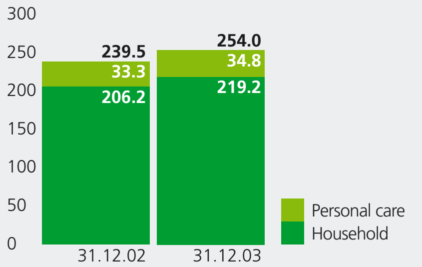
+50%
Interim Dividend of 1.2p

FACT SALES IN CONTINENTAL EUROPE AND REST OF WORLD NOW ACCOUNT FOR 59% OF McBRIDE GROUP TURNOVER

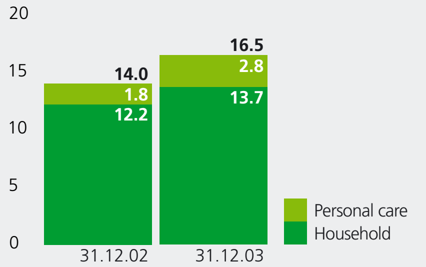
FACT CONTINUING STRONG CASH GENERATION HAS REDUCED NET DEBT OVER THE SIX MONTHS FROM £61.1M TO £43.6M

FACT McBRIDE'S PERSONAL CARE FACTORY IN THE UK AT BRADFORD ACHIEVED THE ISO 14001. THE EUROPEAN FACTORIES IN MOYAUX AND ROSPORDEN IN FRANCE AND SOLARO IN ITALY ACHIEVED ISO 9001 STATUS

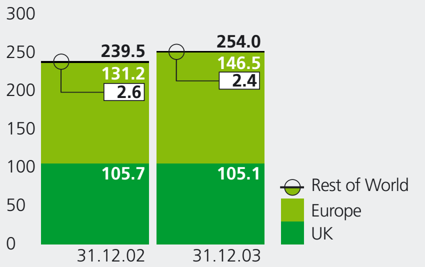
Turnover by class of business (£m)
6 months to



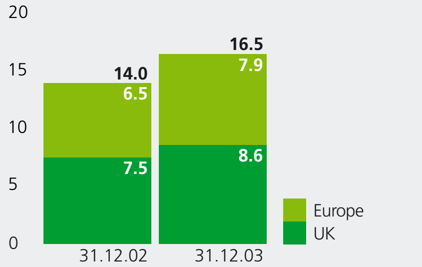
Operating profit by class of business (£m)
after goodwill amortisation
6 months to



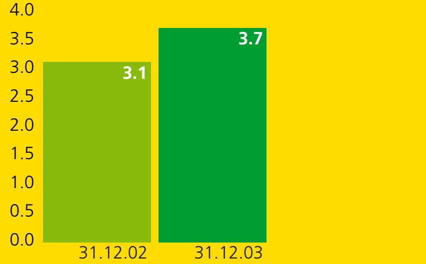
Turnover by destination (£m)
6 months to



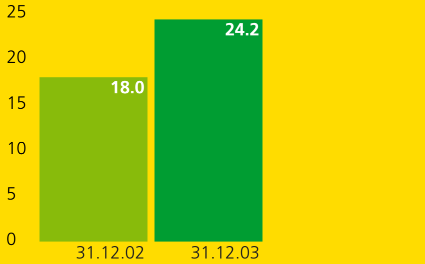
Operating profit by origin (£m)
after goodwill amortisation
6 months to



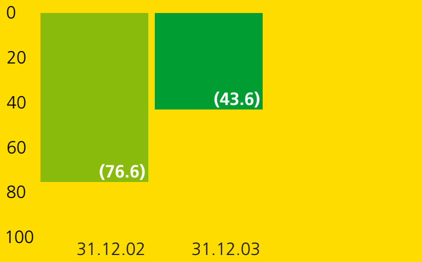
Asset turnover (£m)*
turnover/average (net assets + net debt excl. JV investment)



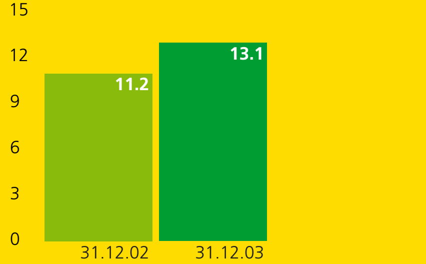
Return on average capital employed (%)*
operating profit/average (net assets + net debt excl. JV investment)



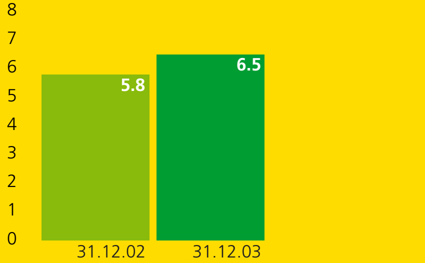
Net debt (£m)
at



Cash generation per share (pence)
before financing and equity dividend paid



Return on sales (%)
group operating profit/turnover
6 months to



* annualised

Interim review

These strong results reflect McBride's continued focus on cash generation and improving efficiency at a time when market conditions in both the UK and Continental Europe remain competitive. The prospects for growth of Private Label, particularly in our Continental European business, remain encouraging. Since December 2003 trading has been satisfactory and we remain confident about the year as a whole.

Lord Sheppard of Didgemere
Chairman

Mike Handley
Chief Executive

Overview

> The Group has continued to deliver on its strategy of improving margins, cash generation and increased dividends – the sixth consecutive half yearly increase in operating profit.

> Group sales rose 6.1% to £254.0m. At constant exchange rates, turnover grew 1% which comprised a 2.6% growth in core Private Label products, partly offset by a reduction in contract manufacturing.

> Continental European sales were £146.5m, a 2% increase on last year's comparative figure at constant exchange rates. Their share of Group sales has continued to increase and is now 58%. Sales in France and Spain led the 4.8% growth in McBride's core products in Continental Europe.

> UK sales of £105.1m were slightly down on those during the comparable period last year, £105.7m, reflecting a generally flat market and an increased focus on contract profitability.

> Operating profit before goodwill amortisation, aided by efficiency improvements combined with sales growth, rose to £17.2m from £14.7m.

> The Group continues to review plant efficiency and capacity with a view to ensuring future performance is optimised.

> Cash flow aided by improved profitability, working capital and asset utilisation has reduced debt from £61.1m to £43.6m over the 6 months to December 2003.

Commercial Review

Continental Europe
McBride CE (CE), the Continental European business, sells in all countries of mainland Europe. During the half year sales and profits grew.

CE core Private Label household and personal care sales were up 4.8% in local currency. Once again Spain and France were the key drivers of European sales growth with increases of 8% and 7% respectively.

Continuing focus on the cost structure improved profits in local currency by 11%.

Competition throughout the grocery sector in Europe remains strongly influenced by the growth of the discount store format. The growth of the discounters and response from the major grocery retailers favours the development of improved Private Label offers.

During the period the company continued its managed exit from contract manufacturing of industrial products in Belgium. Contract manufacturing sales fell by 29% following the exit and now account for less than 5% of CE's business.

Intersilesia's business in Poland continued to be impacted by the economic downturn and a highly competitive retail environment in the Polish market.

The Group has continued to develop sales in Central Europe following last year's encouraging results. Sales in the period in Hungary were up 4.7% in local currency.

United Kingdom
The half year saw good profit improvement. Overall UK sales showed a marginal decline of 0.5% in the period while the underlying core Private Label household and personal care sales were up 1.3%. The UK grocery retail market continued to be very competitive with the major chains competing strongly for market share.

Overall sales in the UK of £105.1m were only slightly lower than the same period last year at £105.7m.

The UK business continued to focus on improving its operational cost structure and manufacturing efficiencies, as well as business mix, to offset the impact of the competitive market environment. Operating profit at the UK business of £8.6m was up 14% compared to the same period last year.

Private Label's volume share of the overall household products market in (calendar year) 2003 grew from 32.2% to 32.5% while its value share declined from 23.7% to 23.4% reflecting the selling price trends. Volume growth was especially strong in Air Care +14.4%, Washing Up Liquids +10%, Cleaners +7.6%, Laundry products +5.4% and Machine Dishwash products +4.0% while Fabric Conditioners and Toilet Care showed small declines of 2.2% and 0.4% respectively.

McBride's household business in the UK successfully regained laundry powder volume lost last year to European suppliers competing on the back of a weak Euro.

The personal care business of McBride UK continued to build on its excellent performance in 2002-03 with sales up 4% in the six months to December 2003. This achievement was despite an overall static market in volume terms that saw Private Label's share of the market suffering a 3% volume decline across all outlets while Private Label sales by value fell 10% in the 52 weeks to January 2004.

During the period the Bradford factory's Environmental Management system was audited against ISO 14001 standard and confirmation of accreditation is expected shortly. The business is also pleased to confirm that all UK sites now have Investors in People status.

Aerosol Products Limited (APL)
The performance improvement made last year in the Joint Venture has been maintained in the six months to 31 December 2003. APL generated an operating profit of £0.5m (Group share) in the period and was cash generative.

Sales of £16.6m (Group share £8.3m) were up 10.6% compared to the same period last year despite some difficulties arising in the East European export markets resulting from the increasing strength of Sterling. Higher contract sales more than offset lower export sales.

Rest of World

Rest of World covers all markets outside Europe. Against the backdrop of stronger Euro and Sterling currencies, sales to these markets were down 7% to £2.4m compared with £2.6m in the same period last year.

Financial Review

Profit and Loss

Half year turnover grew 6.1% from £239.5m to £254.0m, including an exchange benefit of £11.9m caused by a stronger Euro versus Sterling. At constant exchange rates turnover grew 1% reflecting a 2% increase in continental Europe and a flat UK market.

To align with FRS 5 – Application Note G, which was issued in November 2003, turnover is now stated net of sales discounts and rebates – previously these were accounted for within Administrative Costs. Prior periods have been restated.

The £2.5m favourable operating profit before goodwill amortisation variance, £17.2m v £14.7m, included a £0.7m exchange impact from the conversion of Euro denominated profits into Sterling. However, this favourable exchange influence is broadly offset by Euro denominated costs in the UK operations.

Pre-tax profits grew from £11.8m to £16.5m, reflecting lower interest costs and a higher APL contribution. Debt reduction and lower rates brought interest costs down from £2.2m to £0.4m. At the APL joint venture, revenue increases and cost savings – reaping the benefits of the 2002 restructuring exercise – have resulted in their pre-tax contribution improving from breakeven to £0.4m.

The tax charge, under FRS 19 that requires full provision for deferred tax, has risen from £3.5m to £5.6m, an increase from 28% to 33% in the effective rate. This rate reflects the mix of mainstream tax rates applicable in the UK and Continental Europe, and is due to both UK ACT being fully utilised at June 2003 and lower loss offsets in Continental Europe in this half year.

Cash Flow and Liquidity

Continuing strong cash generation has reduced net debt, over the six months since 30 June, from £61.1m to £43.6m. Higher operating inflows versus 2002 (£29.3m v £23.5m) reflect increased profits, lower interest costs and a positive working capital impact (£4.9m v £2.0m). This is partly offset by higher taxation payments, although these remain substantially below the charge in the Profit and Loss Account due to continued utilisation of ACT.

Completion of major projects and improving asset utilisation have ensured that capital expenditure levels have continued to run at less than depreciation, £6.1m v £10.2m.

Balance Sheet

Overall stock and debtor levels have remained flat since June 2003. UK stocks have reduced by £1m offset by an equal increase in Continental Europe reflecting some additional stock cover for the New Year period. Creditors due within one year however have risen by £6.4m. The key increases have been tax up £2.7m (see Profit and Loss comments), trade creditors up £1.8m (Continental Europe trading up) and a £1.1m increase in short term borrowings. Creditors greater than one year have however reduced from £57.2m at 30 June to £38.1m – as reflected in the reduction in net debt.

Gearing has further reduced from 78% (net debt/equity) as at 30 June 2003 to 50% as at 31 December 2003. Net tangible fixed assets have reduced slightly over the six months, from £128.3m to £125.0m.

The ongoing focus on operational efficiencies, asset utilisation, revenue generation, tight capital expenditure and working capital control is encapsulated in the continuing increase in the average return on capital employed – up to 24.2% for the half-year versus 19.6% for the year ending 30 June 2003 and 18.0% for the previous half-year.

Earnings and Dividends

Earnings per share, on an undiluted basis, were 6.1p, (December 2002, 4.7p).

An interim dividend of 1.2p per share (December 2002, 0.8p) will be paid on 28 May 2004 to shareholders on the record on 30 April 2004.

Current Trading and Outlook

The Company has had a satisfactory start to the second half and the Board remains confident for the year as a whole.

Independent review report by KPMG Audit Plc to McBride Plc

Introduction

We have been engaged by the company to review the financial information set out on pages 6 to 12 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2003.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

Consolidated profit and loss account

	Note	Unaudited 6 months to 31 Dec 2003 £m	Unaudited restated 6 months to 31 Dec 2002 £m	Unaudited restated Year ended 30 Jun 2003 £m
Turnover				
Continuing operations and share of joint venture		**262.3**	247.0	501.9
Less: share of joint venture's turnover		**(8.3)**	(7.5)	(15.1)
Group turnover	1	**254.0**	239.5	486.8
Cost of sales		**(157.7)**	(148.9)	(299.9)
Gross profit		**96.3**	90.6	186.9
Distribution costs		**(16.4)**	(15.3)	(31.2)
Administrative costs				
Before goodwill amortisation		**(62.7)**	(60.6)	(124.6)
Goodwill amortisation		**(0.7)**	(0.7)	(1.4)
Administrative costs including goodwill amortisation		**(63.4)**	(61.3)	(126.0)
Group operating profit	1	**16.5**	14.0	29.7
Share of joint venture's operating profit		**0.5**	0.2	0.5
Profit on ordinary activities before interest		**17.0**	14.2	30.2
Group interest receivable and similar income		**0.9**	0.2	0.6
Group interest payable and similar charges		**(1.3)**	(2.4)	(4.2)
Share of joint venture's interest payable and similar charges		**(0.1)**	(0.2)	(0.4)
Profit on ordinary activities before taxation		**16.5**	11.8	26.2
Group Tax on profit on ordinary activities		**(5.6)**	(3.5)	(7.9)
Profit on ordinary activities after taxation		**10.9**	8.3	18.3
Equity minority interest		**–**	–	(0.1)
Profit for the period		**10.9**	8.3	18.2
Dividends proposed		**(2.1)**	(1.4)	(5.2)
Retained profit for the period		**8.8**	6.9	13.0
Earnings per ordinary share (pence)				
Basic	4	**6.1**	4.7	10.2
Diluted		**5.9**	4.6	10.1
Basic before goodwill amortisation, share of joint venture and non operating items		**6.3**	5.1	11.0
Dividend per share (pence)		**1.2**	0.8	2.9

Consolidated balance sheet

	Note	Unaudited As at 31 Dec 2003 £m	Unaudited restated As at 31 Dec 2002 £m	Unaudited restated As at 30 June 2003 £m
Fixed assets				
Intangible assets		**8.3**	9.7	9.0
Tangible assets	6	**125.0**	130.1	128.3
Total fixed assets		**133.3**	139.8	137.3
Current assets				
Stocks	6	**41.3**	42.1	41.1
Debtors		**113.9**	108.3	114.7
Cash at bank and in hand		**0.2**	3.0	0.7
Creditors: amounts falling due within one year		**(154.8)**	(137.5)	(148.4)
Net current assets		**0.6**	15.9	8.1
Total assets less current liabilities		**133.9**	155.7	145.4
Creditors: amounts falling due after more than one year		**(38.1)**	(77.3)	(57.2)
Provisions for liabilities and charges		**(7.6)**	(4.9)	(7.9)
Investment in joint venture				
Share of gross assets		**5.4**	4.3	3.4
Share of gross liabilities		**(6.8)**	(6.1)	(5.1)
Net investment in joint venture		**(1.4)**	(1.8)	(1.7)
Net assets		**86.8**	71.7	78.6
Capital and reserves				
Called up share capital		**17.8**	17.8	17.8
Share premium account		**139.3**	139.3	139.3
Profit and loss account	3	**(70.3)**	(85.5)	(78.5)
Equity shareholders' funds		**86.8**	71.6	78.6
Equity minority interest		**–**	0.1	–
Total shareholders' funds		**86.8**	71.7	78.6

Consolidated cash flow statement

	Note	Unaudited 6 months to 31 Dec 2003 £m	Unaudited restated 6 months to 31 Dec 2002 £m	Unaudited restated Year ended 30 Jun 2003 £m
Net cash inflow from operating activities	5	**32.3**	27.0	63.0
Returns on investments and servicing of finance		**(0.3)**	(2.0)	(4.3)
Taxation		**(2.7)**	(1.5)	(6.9)
Operating cash inflow after taxation and finance costs		**29.3**	23.5	51.8
Net capital expenditure		**(6.1)**	(3.6)	(10.3)
Equity dividends paid		**(5.2)**	(1.3)	(3.7)
Cash inflow before financing		**18.0**	18.6	37.8
Financing		**(19.5)**	(10.6)	(33.7)
(Decrease)/increase in cash in the period		**(1.5)**	8.0	4.1

Reconciliation of net cash flow to movement in net debt

	Unaudited 6 months to 31 Dec 2003 £m	Unaudited restated 6 months to 31 Dec 2002 £m	Unaudited restated Year ended 30 Jun 2003 £m
(Decrease)/increase in cash in the period	**(1.5)**	8.0	4.1
Cash inflow from movement in debt and lease financing	**19.5**	10.6	33.7
Change in net debt resulting from cash flows	**18.0**	18.6	37.8
Translation differences	**(0.5)**	(0.3)	(4.0)
Movement in net debt in the period	**17.5**	18.3	33.8
Net debt at the beginning of the period	**(61.1)**	(94.9)	(94.9)
Net debt at the end of the period	**(43.6)**	(76.6)	(61.1)

Consolidated statement of total recognised gains and losses

	Unaudited 6 months to 31 Dec 2003 £m	Unaudited restated 6 months to 31 Dec 2002 £m	Unaudited restated Year ended 30 Jun 2003 £m
Profit for the period	**10.9**	8.3	18.2
Unrealised foreign currency differences	**(0.6)**	0.3	1.2
Total recognised gains and losses	**10.3**	8.6	19.4

Reconciliation of movements in shareholders' funds

	Unaudited 6 months to 31 Dec 2003 £m	Unaudited restated 6 months to 31 Dec 2002 £m	Unaudited restated Year ended 30 Jun 2003 £m
Profit for the period	**10.9**	8.3	18.2
Equity dividends	**(2.1)**	(1.4)	(5.2)
Retained profit	**8.8**	6.9	13.0
Unrealised foreign currency differences	**(0.6)**	0.3	1.2
Opening equity shareholders' funds	**78.6**	64.4	64.4
Closing equity shareholders' funds	**86.8**	71.6	78.6

Notes to the interim financial statements

1 Segmental information

	Unaudited 6 months to 31 Dec 2003 £m	Unaudited restated 6 months to 31 Dec 2002 £m	Unaudited restated Year ended 30 Jun 2003 £m
Turnover by destination is analysed by geographical area as follows			
Continuing operations			
UK	**105.1**	105.7	212.1
Continental Europe	**146.5**	131.2	271.0
Rest of world	**2.4**	2.6	3.7
Group turnover	**254.0**	239.5	486.8
Share of joint venture's turnover	**8.3**	7.5	15.1
Turnover by destination	**262.3**	247.0	501.9
Turnover by geographical origin is analysed as follows			
Continuing operations			
UK	**110.3**	110.9	219.4
Continental Europe	**143.7**	128.6	267.4
Group turnover	**254.0**	239.5	486.8
Share of joint venture's turnover	**8.3**	7.5	15.1
Turnover by origin	**262.3**	247.0	501.9
Turnover by class of business is analysed as follows			
Continuing operations			
Household products	**219.2**	206.2	418.7
Personal care products	**34.8**	33.3	68.1
Group turnover	**254.0**	239.5	486.8
Share of joint venture's turnover	**8.3**	7.5	15.1
Turnover by class of business	**262.3**	247.0	501.9
Operating profit by geographical origin is analysed as follows			
Continuing operations			
UK	**8.6**	7.5	16.8
Continental Europe	**7.9**	6.5	12.9
Group operating profit	**16.5**	14.0	29.7
Non operating items	**0.4**	–	0.1
Net interest payable	**(0.4)**	(2.2)	(3.6)
Profit on ordinary activities before tax	**16.5**	11.8	26.2

1 Segmental information continued

	Unaudited 6 months to 31 Dec 2003 £m	Unaudited restated 6 months to 31 Dec 2002 £m	Unaudited restated Year ended 30 Jun 2003 £m
Operating profit by class of business is analysed as follows			
Continuing operations			
Household products	**13.7**	12.2	25.5
Personal care products	**2.8**	1.8	4.2
Group operating profit	**16.5**	14.0	29.7
Non operating items	**0.4**	–	0.1
Net interest payable	**(0.4)**	(2.2)	(3.6)
Profit on ordinary activities before tax	**16.5**	11.8	26.2

During the period the accounting policy for the treatment of sales discounts and rebates has been amended. Discounts and rebates have, in the current period, been accounted for as a reduction in revenue, having been previously treated as an administrative cost. This accounting treatment is consistent with FRS 5 – Application Note G (issued November 2003) and in the directors' opinion more fairly reflects the nature of these transactions. Prior period figures have been restated to reflect this change resulting in a revenue reduction of £18.2m for the year ending 30 June 2003 and £9.8m for the six months ending 31 December 2002. There is no impact on Group operating profit.

2 Unaudited half-year results

The results for the half year ended 31 December 2003 and 31 December 2002 are unaudited and have been prepared on the basis of accounting policies set out in the Report and Accounts for the year ended 30 June 2003, as amended for accounting policy changes referred to in notes 1 and 6. The comparative figures for the year ended 30 June 2003 do not constitute statutory accounts. The accounts for that period have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors thereon was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

3 Movement on reserves

	Unaudited As at 31 Dec 2003 £m	Unaudited restated As at 31 Dec 2002 £m	Unaudited restated As at 30 Jun 2003 £m
Goodwill reserve	**(146.4)**	(146.4)	(146.4)
Cumulative retained profit	**76.1**	60.9	67.9
Profit and loss account	**(70.3)**	(85.5)	(78.5)

4 Earnings per ordinary share

Basic earnings per share is calculated on profit after tax and minority interest in accordance with FRS 14. For the six months ended 31 December 2003 it is based on 177,639,197 ordinary shares of 10 pence each which is the weighted average number of ordinary shares in issue during the period (2002 – 177,639,197).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of the Group's share option schemes where their conversion is dilutive. For the six months ended 31 December 2003 it is based on 184,199,302 (2002 – 179,306,409).

Notes to the interim financial statements continued

5 Reconciliation of operating profit to operating cash flow

	Unaudited 6 months to 31 Dec 2003 £m	Unaudited restated 6 months to 31 Dec 2002 £m	Unaudited restated Year ended 30 Jun 2003 £m
Group operating profit	**16.5**	14.0	29.7
Depreciation	**10.2**	10.3	22.9
Goodwill amortisation	**0.7**	0.7	1.4
Loss on disposal of fixed assets	**–**	–	0.1
Movement in stocks	**(0.1)**	3.8	6.1
Movement in debtors	**1.2**	2.9	1.4
Movement in creditors	**3.8**	(4.7)	1.4
Cash in flow from operating activities	**32.3**	27.0	63.0

6 Fixed asset accounting policy change

During the period the accounting policy for the treatment of ancillary moulding capital equipment has been amended. This has, in the current period, been accounted for as a fixed asset, having been previously treated as stock which was amortised, with the charge included in administrative costs. In the directors' opinion this accounting treatment more fairly reflects the nature of these transactions. Prior period figures have been restated to reflect this change resulting in a tangible fixed asset increase and associated stock decrease of £2.2m as at 30 June 2003 and £1.8m as at 31 December 2002.

Financial calendar for the year ending 30 June 2004

Dividends		
Interim	Announcement	12 February 2004
	Payment	28 May 2004
Final	Announcement	September 2004
	Payment	November 2004
Results		
Interim	Announcement	12 February 2004
Preliminary statement for full year	Announcement	September 2004
Report and Accounts	Circulated	October 2004
Annual General Meeting	To be held	2 November 2004

Exchange rates

The exchange rates used for conversion to sterling were as follows

	Unaudited 6 months to 31 Dec 2003	Unaudited restated 6 months to 31 Dec 2002	Unaudited restated Year ended 30 Jun 2003
Average rate			
Euro	**1.43**	1.57	1.52
Polish Zloty	**6.48**	6.35	6.29
Czech Koruna	**46.02**	48.05	47.05
Hungarian Forint	**371.9**	381.0	371.0
Closing rate			
Euro	**1.42**	1.53	1.44
Polish Zloty	**6.70**	6.17	6.44
Czech Koruna	**45.97**	48.42	45.39
Hungarian Forint	**371.3**	361.9	382.6

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