

New-look Nichols Group on exciting path for the future

There's no doubting that 2004 was one of the most eventful years in the history of Nichols plc. The disposal of Nichols Foods and Stockpack not only brought in £X million and greatly reduced Group borrowings. It also meant that Nichols plc is now a highly focused Group operating in the vibrant markets of Soft Drinks and Beverage Dispense Systems.

We are therefore well-placed for future growth from within as well as having the resources to purchase other suitable companies as and when the opportunities arise. Already (in January 2005), we have added the Panda soft drink brand to our product portfolio with anticipated sales of around £X million in 2005.

Sales performance over the last year supports our optimistic view of the future:

- Total sales of the 'Soft Drinks Operation' increased by 7.6% to £X million. Operating profits were up 13.2% to £X million.
- Combined Cabana-Balmoral sales (the 'Beverage Systems Operation') were up 1.4% to £X million and operating profits up 125% to £X million.

Sub:

To market...

As ever, the market is fiercely competitive, but Nichols is a major player with a winning team. Not surprising then that sales within the Soft Drinks Operation increased steadily despite poor summer weather. For the record, Vimto Cordial had its highest-ever market share in 2004!

The strength of the Vimto brand lies in its versatility. Good examples of diversification are the increased franchising and licensing agreements in a variety of new product categories including Vimto Chewy Sweets and Bon Bons.

On the international front, the Vimto brand is going from strength to strength in its existing Middle East markets, whilst new markets in Africa and Asia are beginning to realise their huge potential.

In the Beverage Systems Operation, Cabana and Balmoral continue to integrate as a business unit whilst maintaining their own brand strengths. This was reflected in Balmoral's hot beverage dispense business where the lacklustre performance of 2003 was totally reversed in 2004.

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A 'thank-you' from the Board

In his Chairman's Statement, Jxxxx Xxxxx expressed his gratitude, on behalf of the Board, for "the support, enthusiasm and commitment of all Nichols' employees throughout the period of change."

2004 – THE YEAR IN DETAIL

Soft Drinks Operation

- A high profile summer marketing campaign – including TV, cinema, poster and radio activity – resulted in major increases in UK sales and brand awareness, with 250,000 more families becoming Vimto customers during the year. Total Vimto case sales increased by 8% against a year-on-year decline in the overall soft drinks market.
- 2004 saw new and attractive packaging designs for Vimto Cordial and Carbonate. In the growing ready-to-drink market, Vimto Still 500ml was re-launched whilst Vimto Still 250ml was launched in its unique 'Sports Cap' bottle.
- Vimto High Juice and No Added Sugar versions strengthen the company's reputation as a quality, family-orientated drink. The real fruit juice content, no artificial flavours and no added sugar attributes reassure consumers that Vimto is a product which reflects today's dietary and lifestyle demands.

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Franchise and Licensing

- Products based on the successful Vimto brand continue to sell strongly. Over 24 million Vimto Chew Bars were sold in 2004 (2003: 20 million). Also launched were the new mega-sized Vimto Chew Bar and Chewy Bon Bons, both under license by commercial partners.
- Over 4 million sticks of Vimto Chewy Sweets have been sold since their launch in July 2004. 2005 will see new varieties of Vimto Lollipops launched including a real juice flavour and a fizzy centre lollipop.

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International

Vimto is available in 65 countries. 2004 was another year of international expansion with 252 litres of the drink consumed outside the UK.

- In Vimto's well-established and traditional Middle East market, an acclaimed marketing campaign at the time of Ramadan boosted sales in Saudi Arabia by 3%.
- In Cameroon, West Africa, a refurbished factory and new management team re-launched the Vimto brand.
- In Senegal, West Africa, sales of carbonated Vimto were up 20% for the second successive year.
- One of the most exciting new territories for Vimto is Pakistan. With its 160-million-plus population - almost half of whom are children - the sales potential is huge. Early response to the product's launch has been very positive.
- Working with a new locally-based licensee, the company is looking to re-establish Vimto's popularity in India.

Beverage Systems Operation

The integration of Cabana soft drinks on draught and Balmoral hot beverage systems was completed by the end of 2004 to create the Group's Beverage Systems Operation.

Combining the two companies into a single operating unit reduced operating costs whilst retaining the strengths of each brand in their respective markets.

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Balmoral Dispense

As a market-leading supplier of hot beverage systems to the leisure and catering industry, Balmoral had a very successful year. The team continues to focus on increasing machine sales through new site opportunities. This resulted in a number of prestigious new customers in the leisure, catering and hospitality sectors. In addition, several key customers were re-secured on long-term contracts.

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Cabana Soft Drinks

During 2004, Cabana continued to grow its customer base and made further inroads into the leisure, healthcare and catering sectors.

Contracts in the 'lifestyle bar' sector performed strongly, thanks to the broad range of branded soft drinks on offer.

The new product development programme continued with the introduction of Vimto Fruit Slush and a new range of branded frozen beverage products.

2004 also saw the introduction of VIVO-TEC, a new concept in cold beverage dispense exclusive to Cabana in the UK.

Despite these successes, however, the poor summer weather led to reduced sales for Cabana over the previous year.

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