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McBride plc

McBride plc announces the acquisition of Dermacol a.s., a manufacturer of skincare products based in the Czech Republic.

McBride plc ("McBride"), Europe's leading provider of Private Label Household and Personal Care products, today announces the acquisition of a 70% interest in Dermacol a.s. ("the Company"), a privately owned, Czech-based manufacturer of skincare products for an expected consideration of around CZK240 million (£8 million) from its parent company Alphaduct a.s. ("Alphaduct"). McBride has also agreed to purchase the remaining 30% of the shares in late 2017 for a consideration based on the Company's operating profit in the 2017 financial year.

Acquisition highlights

- Provides McBride with an established private label product range in the largest sector of the European Personal Care market.
- Creates the base for future growth in our skincare business.
- Expands our presence in the growing Central European markets in a low-cost location.

Information on Dermacol a.s.

Dermacol a.s. is a manufacturer of skincare products, including face creams, skin cleansers, sun care products, body lotions, hand creams and foot creams. Its sales are evenly split between private label products for supermarkets and pharmacy chains and branded products for Alphaduct, which are sold in the Czech Republic and certain other markets. As part of the acquisition agreement, Alphaduct remains the owner of the Dermacol brand and trademarks and it will continue the distribution and marketing of its branded products. Alphaduct has entered into an agreement with the Company to purchase a minimum volume of product on a cost plus basis until 2018.

The Company has one factory, which is based near Brno in the Czech Republic and employs over 100 people. It is a modern, well invested factory with significant capacity for expansion. The factory meets ISO 9001 standards and GMP standards required by customers.

During the year ended 31 December 2009, the Company reported profit before tax of CZK24 million (£0.8 million). At 31 December 2009, gross assets were CZK 312 million (£10.4 million).

Terms of the acquisition

The consideration for the initial 70% of the Company's shares comprises:

- i. a first payment today of CZK 70 million in cash (£2.3 million); plus
- ii. a second payment of CZK 54 million in cash (£1.9 million) payable in August 2011; plus
- iii. a further five payments, in cash, payable from 2013 to 2017 inclusive, based on the Company's sales during the period.

The expected total consideration of CZK240 million (£8 million) for the initial 70% of shares of the Company will be made from existing Group resources.

The remaining 30% of the shares in the Company will be acquired by McBride following the end of the 2017 fiscal year based on the Company's operating profits in that year. The total consideration for the company cannot exceed CZK650 million (£21.7 million).

Strategic rationale for the acquisition

McBride's strategy is to lead the development of private label household and personal care products in Europe through a focus on organic growth, supplemented by selected acquisitions. Skincare represents 33% of the total European Personal Care market, and is estimated to be worth over 1.1 billion Euros at RSP. Growth of private label has exceeded total personal care growth in the last four years.

The Company provides McBride with a range of skincare development and manufacturing capabilities which is highly complementary to its current personal care range. It also provides McBride with a modern, flexible manufacturing plant in a cost competitive region of Europe. The Company will contribute to the significant private label skincare sales forecast for the McBride group, in particular in the UK, France and Germany.

Commenting on the acquisition, McBride's chief executive Chris Bull, said:

"I am delighted that we have been able to acquire such a high quality skincare company. It is consistent with our stated corporate strategy and provides McBride with a full range of products to create private label skincare ranges for our customers."

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