



## **Dreyer's Announces Second Quarter 2004 Results; Results Not Directly Comparable Due to Dreyer's Nestlé Transaction**

OAKLAND, Calif.--(BUSINESS WIRE)--Aug. 6, 2004--Dreyer's Grand Ice Cream Holdings, Inc. (the company or Dreyer's Holdings) (NNM:DRYR) today announced results for the second quarter ended June 26, 2004. These results reflect the June 26, 2003 combination of Dreyer's Grand Ice Cream, Inc. (DGIC) and Nestlé Ice Cream Company, LLC (NICC), Nestlé's U.S. frozen dessert business (the Dreyer's Nestlé Transaction). As a result of this combination, Dreyer's Holdings is the parent company of DGIC and NICC. The transaction was accounted for as a reverse acquisition under the purchase method of accounting, which deemed NICC to be the acquirer and DGIC to be the acquiree.

Investors are urged to read the quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) for more details on specific figures in the financial statements.

### **Results Not Directly Comparable**

Due to the reverse acquisition accounting for the Dreyer's Nestlé Transaction, the operating results of the company presented for the quarter and half-year periods ended June 26, 2004 are not directly comparable with the results for the corresponding prior year periods.

The Consolidated Statement of Operations for the quarter and half-year periods ended June 28, 2003 reflects the results of operations of NICC for the full quarter and half-year periods plus the results of DGIC for the two days following the June 26, 2003 combination.

The Consolidated Statement of Operations for the quarter and half-year periods ended June 26, 2004 reflects the results of operations of Dreyer's Holdings for the quarter period from March 28, 2004 to June 26, 2004 and the half-year period from December 28, 2003 to June 26, 2004. Because the company's results for these periods include the operations of DGIC following the combination, these results are not directly comparable with those presented for the prior year period.

### **Operating Results**

Total net revenues increased \$253,045,000, or 143 percent, to \$429,841,000 for the quarter ended June 26, 2004 from \$176,796,000 for the second quarter of 2003. The company reported a net loss available to Class A callable puttable and Class B common stockholders for the quarter ended June 26, 2004 of \$(88,367,000), or \$(.94) per diluted share of common stock, compared to a net loss available to Class A callable puttable and Class B common stockholders of \$(47,156,000) or \$(.72) per diluted share of common stock for the second quarter of 2003.

The increase in total net revenues for the second quarter of 2004 was primarily due to an increase in net sales of \$242,560,000, or 138 percent, driven largely by the DGIC portfolio of products acquired in the Dreyer's Nestlé Transaction. Net sales of the company's branded products increased \$193,423,000, or

119 percent, for the quarter to \$355,378,000, driven primarily by the addition of the DGIC company brand portfolio. Net sales of partner brands, products manufactured and/or distributed for other companies, increased \$49,137,000, or 351 percent, for the quarter to \$63,142,000, driven primarily by the addition of the DGIC partner brand portfolio. Company brands represented 83 percent and partner brands represented 15 percent of total net revenues for the quarter, compared to 92 percent and eight percent, respectively, for the same period last year.

Other revenues increased \$10,485,000, or 1,254 percent, to \$11,321,000 for the second quarter of 2004, which primarily reflects services performed for subsidiaries of CoolBrands International (TSX: COB.A) (CoolBrands) under the provisions of the June 4, 2003 Asset Purchase and Sale Agreement (APA) between the company and Integrated Brands, Inc., a subsidiary of CoolBrands. This other revenue consisted primarily of \$9,591,000 of revenues received from Integrated Brands, Inc. for the transitional manufacturing and distribution of divested brands and \$287,000 of reimbursements received from Eskimo Pie Distribution, Inc., a subsidiary of CoolBrands, for the expenses incurred by the company for distribution services in the territories divested to Eskimo Pie Distribution. Other revenues represented two percent of total net revenues for the quarter, compared to less than one percent for the same period last year.

Cost of goods sold increased \$238,205,000, or 165 percent, to \$382,801,000 for the second quarter of 2004. The increase in cost of goods sold was driven by incremental sales volume of the DGIC product lines, incremental distribution expenses from the DGIC distribution system, a \$20,800,000 increase in the cost of cream, and drayage expense of \$10,130,000 paid to CoolBrands for delivery of certain products. The company's gross profit increased by \$14,840,000 to \$47,040,000 for the second quarter, and represented an 11 percent gross margin compared with an 18 percent gross margin for the same period last year. The decrease in gross margin is primarily attributable to the Dreyer's Nestle Transaction which increased cost of good sold by a relatively larger amount than the increase in total net revenues.

Selling, general and administrative expenses increased \$40,983,000, or 126 percent, to \$73,475,000 for the second quarter and represented 17 percent of total net revenues, compared with \$32,492,000, or 18 percent of total net revenues, for the same period last year. The increase in expenses in the quarter was primarily driven by the addition of selling, general and administrative expenses from DGIC operations as a result of the Dreyer's Nestlé Transaction. The increase in the quarter also included stock option compensation expense of \$4,052,000, incremental depreciation expense of \$1,834,000 resulting from a change in the estimated useful lives of NICC's financial and distribution data processing systems, and \$1,115,000 of professional fees incurred to support integration activities. The decrease in selling, general and administrative expenses as a percentage of total net revenues is primarily attributable to the Dreyer's Nestlé Transaction which increased total net revenues by a relatively larger amount than the increase in selling, general and administrative expenses.

Interest expense increased \$1,749,000, or 409 percent, to \$2,177,000 for the second quarter of 2004 from \$428,000 for the same period last year, primarily due to higher average borrowings, partially offset by lower weighted-average interest rates.

Royalty expense to affiliates increased \$522,000, or seven percent, to \$7,715,000 for the second quarter of 2004 from \$7,193,000 for the same period last year due to an increase in sales of products marketed under brands which are licensed to the company.

Other expense increased \$3,744,000 to \$3,667,000 in the second quarter of 2004 from income of \$77,000 for the same period last year. The expense was primarily attributable to losses from butter trading activities of \$4,100,000 and accretion of vested stock options of \$372,000, offset by earnings from joint ventures and equity affiliates of \$415,000.

Finally, the company incurred severance and retention expense of \$133,000 in the second quarter of 2004, compared with \$38,324,000 incurred for the same period last year.

Dreyer's Grand Ice Cream Holdings, Inc., and its subsidiaries manufacture and distribute a full spectrum of ice cream and frozen dessert products. Brands of frozen dessert products currently manufactured and distributed by Dreyer's in the United States include Grand, Grand Light®, Häagen-Dazs®, Nestlé® Drumstick®, Nestlé Crunch®, Butterfinger®, Baby Ruth®, Toll House®, Carnation®, Push-Up®, Dole®, Homemade, Fruit Bars, Starbucks®, Skinny Cow®, Skinny Carb® and Healthy Choice®. The company's premium products are marketed under the Dreyer's brand name throughout the western states and Texas, and under the Edy's® name throughout the remainder of the United States. Internationally, the Dreyer's brand extends to select markets in the Far East and the Edy's brand to the Caribbean and South America. For more information on the company, please visit [www.dreyersinc.com](http://www.dreyersinc.com).

Edy's, the Dreyer's and Edy's logo design, Grand Light, Slow Churned, and Homemade, are all trademarks or trade names of Dreyer's Grand Ice Cream, Inc. The Nestlé and Häagen-Dazs trademarks in the U.S. are licensed to Dreyer's by Nestlé. All other trademarks and trade names are owned by their respective companies and licensed to Dreyer's. (C)2004 by Dreyer's Grand Ice Cream Holdings, Inc. All rights reserved.

### Forward-Looking Statements

Certain statements contained in this press release, the forthcoming conference call, simultaneous webcast and audio replay are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding expectations, beliefs, intentions, or strategies regarding the future. Such forward-looking statements involve known and unknown risks and uncertainties at the time such statements are made which may cause the company's actual actions or results to differ materially from those contained in the forward-looking statements. Specific factors that might cause such a difference include, but are not limited to, the following: the level of consumer spending for frozen dessert products; costs or difficulties related to the company's combination of DGIC and NICC, including the integration of the operations of those companies, and compliance with the Federal Trade Commission's order; the company's ability to achieve efficiencies in its manufacturing and distribution operations without negatively affecting sales; the cost of energy and gasoline used in manufacturing and distribution; the cost of dairy raw materials and other commodities, such as vanilla, used in the company's products; the success of the company's marketing and promotion programs and competitors' responses; market conditions affecting the prices of the company's products; responsiveness of both the trade and consumers to the company's new products and marketing and promotional programs; and the costs associated with any litigation proceedings.

DREYER'S GRAND ICE CREAM HOLDINGS, INC.  
SECOND QUARTER 2004  
FINANCIAL RESULTS

Consolidated Statement of Operations  
(In thousands, except per share amounts - unaudited)

	Quarter Ended		Half-Year Ended	
	June 26, 2004	June 28, 2003	June 26, 2004	June 28, 2003
Revenues:				
Net sales	\$418,520	\$175,960	\$ 744,579	\$289,852
Other revenues	11,321	836	23,145	1,741
Total net revenues	429,841	176,796	767,724	291,593

Operating costs and expenses:				
Cost of goods sold	382,801	144,596	699,144	237,307
Selling, general and administrative	73,475	32,492	121,840	59,916
Interest, net of amounts capitalized	2,177	428	3,663	758
Royalty expense to affiliates	7,715	7,193	12,698	12,132
Other expense (income), net	3,667	(77)	(1,972)	(77)
Severance and retention expense	133	38,324	3,230	40,824
In-process research and development		11,495		11,495
Impairment of distribution assets held for sale		8,715		8,715
(Reversal of accrued divestiture expenses)				
Loss on divestiture	(213)	2,893	(216)	2,893
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	469,755	246,059	838,387	373,963
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Loss before income tax benefit	(39,914)	(69,263)	(70,663)	(82,370)
Income tax benefit	15,566	23,348	27,559	27,182
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Net loss	(24,348)	(45,915)	(43,104)	(55,188)
Accretion of Class A callable puttable common stock	(64,019)	(1,241)	(125,622)	(1,241)
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Net loss available to common stockholders	\$(88,367)	\$(47,156)	\$(168,726)	\$(56,429)
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Weighted average common shares outstanding - diluted	94,472	65,132	94,296	64,850
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Net loss per common share - diluted	\$ (.94)	\$ (.72)	\$ (1.79)	\$ (.87)
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Dividends declared per common share	\$ .06	\$ .06	\$ .12	\$ .06
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Condensed Consolidated Balance Sheet  
(In thousands)

	June 26, 2004	Dec. 27, 2003
	----- (unaudited)	-----
Assets		
Current Assets:		
Cash and cash equivalents	\$ 632	\$ 1,623
Receivables	173,162	121,961
Inventories	170,060	148,426
Prepaid expenses and other	39,998	37,723
Income taxes refundable	13,093	18,283
Taxes receivable due from affiliate	12,236	12,236
Deferred income taxes	17,265	17,265
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Total current assets	426,446	357,517
Property, plant and equipment, net	400,028	392,613
Other assets	18,346	20,735
Other intangibles, net and Goodwill	2,311,854	2,320,558
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Total assets	\$3,156,674	\$3,091,423
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Liabilities, Class A callable puttable common stock and Stockholders' Equity		

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 201,919	\$ 189,719
Current portion of long-term debt	2,143	2,143
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Total current liabilities	204,062	191,862
Long-term debt, less current portion	277,143	149,286
Long-term stock option liability	104,030	135,121
Other long-term obligations	20,763	18,207
Deferred income taxes	46,806	81,065
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Total liabilities	652,804	575,541
Class A callable puttable common stock	2,071,364	1,903,314
Stockholders' equity	432,506	612,568
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Total liabilities, Class A callable puttable common stock and Stockholders' equity	\$3,156,674	\$3,091,423
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## Conference Call

Dreyer's Grand Ice Cream Holdings, Inc. (NNM: DRYR) will hold a conference call for analysts and investors on Friday, August 6, 2004, at 10:30 a.m. EDT (7:30 a.m. PDT) to discuss this news release. The call will be webcast in its entirety from the Investor Relations section of [www.dreyersinc.com](http://www.dreyersinc.com). A replay of the call will be available from the audio archives at the same website location and is incorporated by reference into this news release.

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SOURCE: Dreyer's Grand Ice Cream Holdings, Inc.