

# Interim Results 2004

31 August 2004



the science of food



# Kerry - 2004 Interim Results Presentation

- Introduction and Overview Hugh Friel
- Financial Review Brian Mehigan
- Business Review Hugh Friel
- Prospects and Future Development Hugh Friel
- Q&A

# 2004 Strategic Focus

- Continue to drive profitable growth
- Deliver innovation – fulfilling consumer nutritional, lifestyle and convenience expectations
- Continue to expand technological and research base

**Ingredients** - lead innovation and expand technology base

**Consumer foods** - continued brand investment

**Flavours** - broaden technology and geographical base

# H1 2004: Good Results and Business Development

- Solid sales and profit growth across all businesses
- High rate of innovation – all food and beverage categories
- Record business development - €674m acquisition programme
- Kerry Bio-Science – important science platform
- Significant expansion of technological base:
  - natural, sweet and beverage flavours
  - bio-ingredients and pharma-ingredients
  - speciality branded flavoured beverage applications
  - fragrance applications
- Branded consumer food categories – out-performing market growth rates

# 2004 Performance Highlights

- Sales growth of **8.5%** to €1,955m
- Operating profit\* growth of **10.2%** to €147m
- Operating margin\* up **10bps**
- Earnings per share\* up **10.4%** to 50.9 cent
- Interim dividend per share up **11.1%** to 4.5 cent
- Good cash flow generation

*Note: \* before goodwill and exceptional items*



# Food Industry Update

- ‘Wellness’ and dietary concerns – fuelling product re-formulations and new product introductions
- ‘Foods Minus’ positioning
  - low fat, no additives, low calorie, low cholesterol, low-carb, low sodium
- ‘Foods Plus’ positioning
  - organic, all-natural, high protein, functional, added fibre, quality convenient products, on-the-go foods and beverages, increased diversity and intensity of flavours
- 25% of low-carb product launches include soy protein

# Financial Review 2004

# 2004 Financial Highlights

Turnover	→	€1,955m	+8.5% <i>+3.8% like-for-like</i>
Operating profit*	→	€147m	+10.2% <i>+6.1% like-for-like</i>
Earnings*	→	€95m	+10.7%
EPS*	→	50.9 cent	+10.4%
Free Cash Flow	→	€85m	+€74m

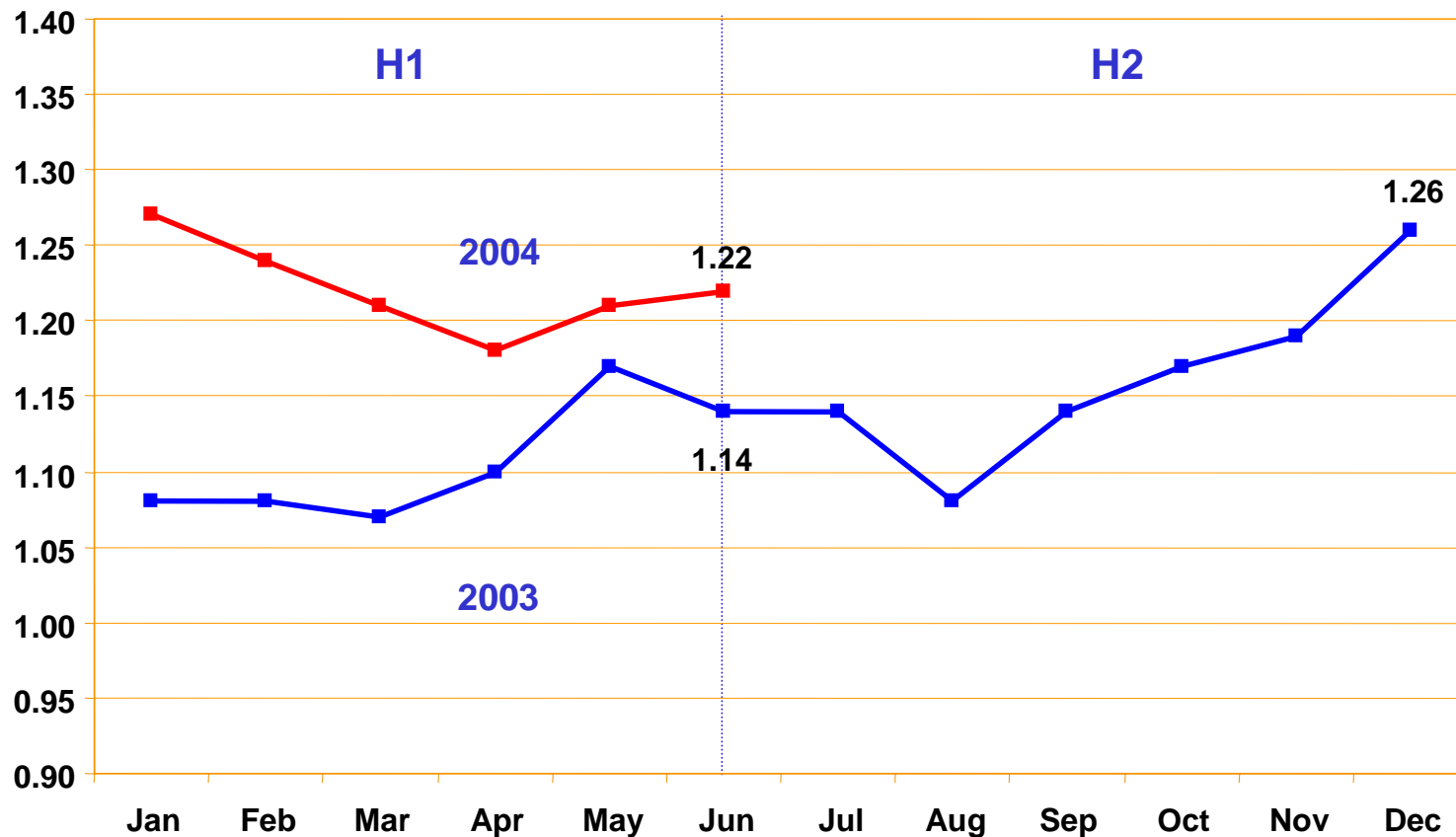
Note: \* before goodwill and exceptional items



# Financial Comments

- Good organic trading performance
- Good management of financial resources
- Significant effort in acquisitions process - identification, execution and integration
- Interest, taxation and insurance rates favourable
- Currencies, pensions and energy inputs more expensive

# Euro - US Dollar Trend



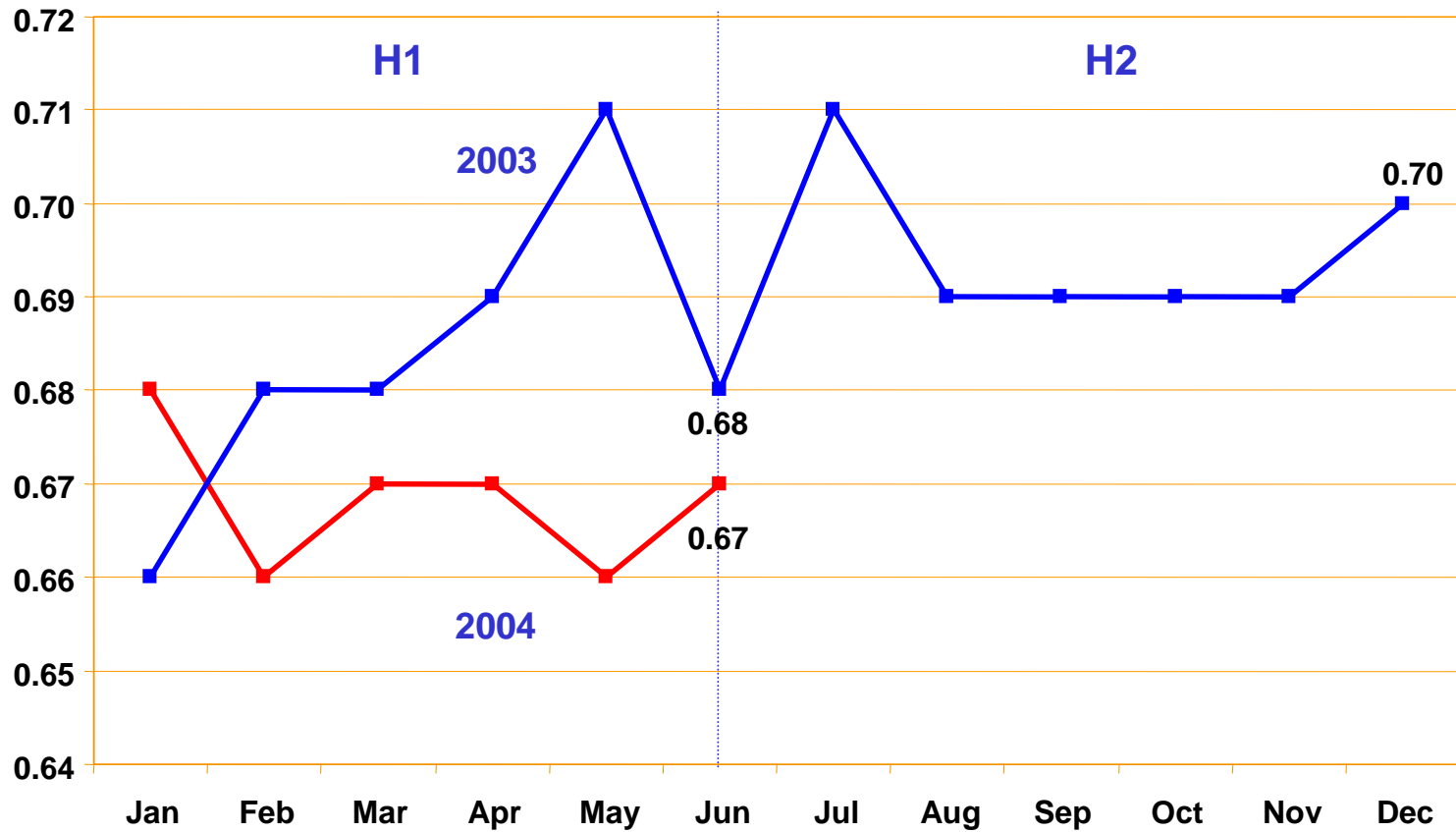
Avg Fx Rate

H1

% Change

+8.0

# Euro - Sterling Trend



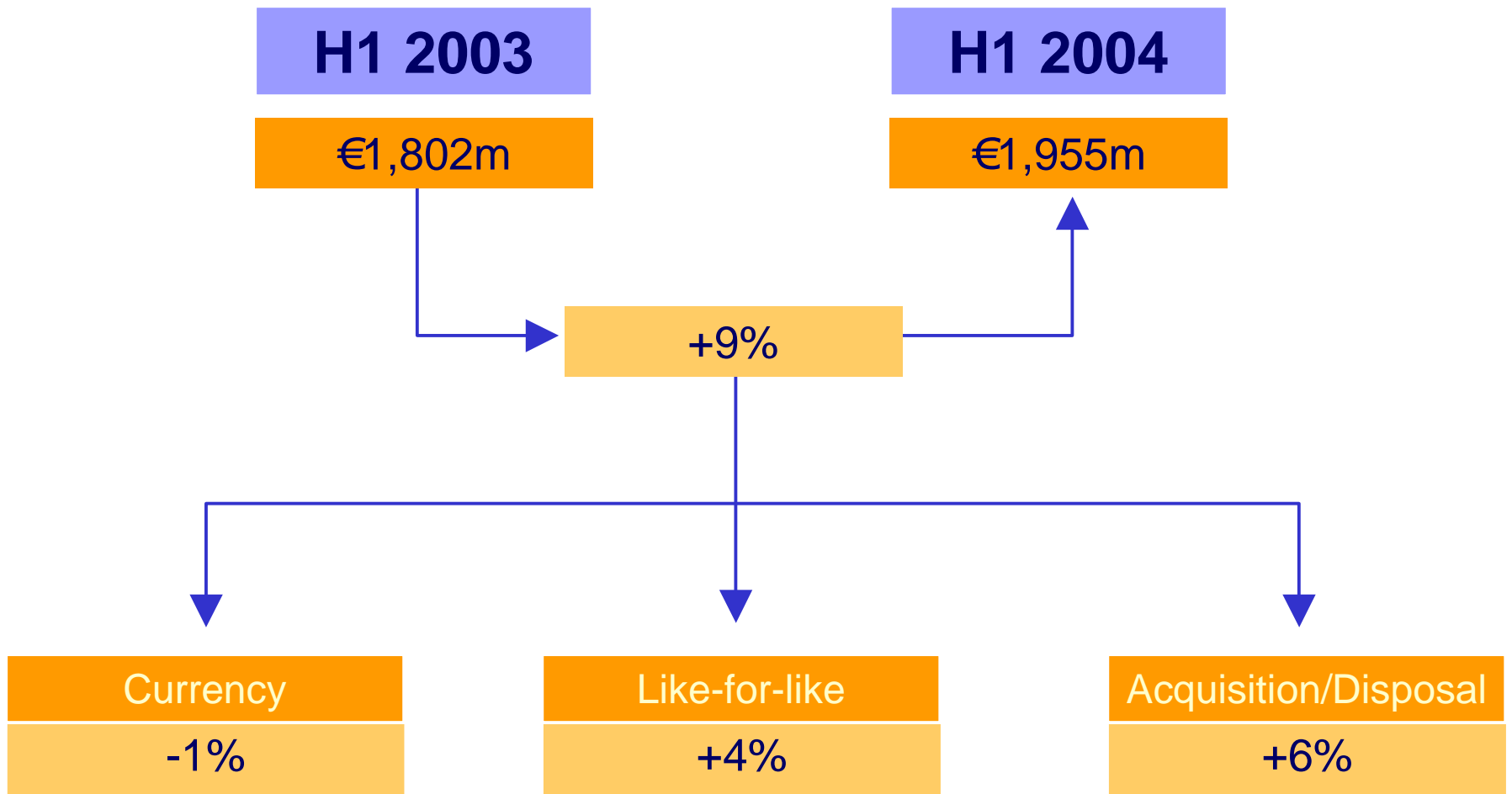
Avg Fx Rate

H1

% Change

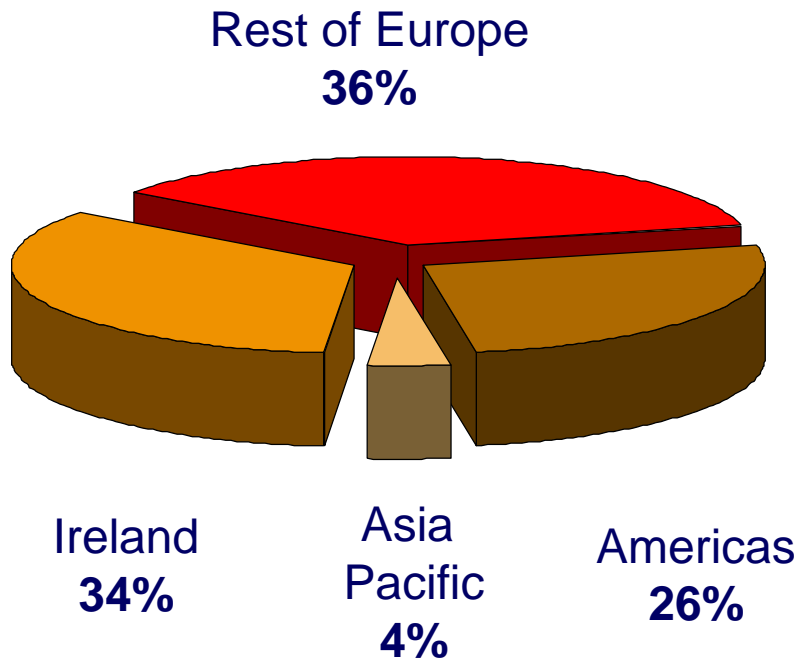
-2.9%

# Turnover Analysis



# Turnover : *Geographical*

## Geographic Analysis



## Half Year Growth %

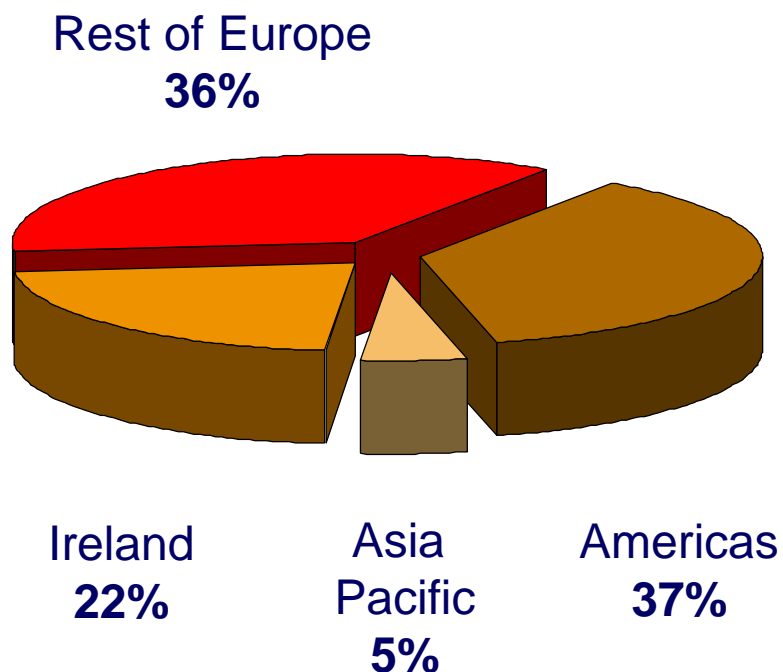
	Like-for-like	Reported
Ireland	1.6	2.2
Rest of Europe	3.5	11.6
Americas	6.1	11.2
Asia Pacific	11.0	22.0
Group	3.8	8.5

## Turnover : *Like-for-like*

	Like-for-like Growth	Acquisition / Disposal	Currency	Reported Growth
Ireland	2%	0%	0%	2%
Rest of Europe	4%	6%	2%	12%
Americas	6%	14%	(9%)	11%
Asia Pacific	11%	8%	3%	22%
Group	4%	6%	(1%)	9%

# Operating Profit\* Growth

## Geographic Analysis



## Half Year Growth %

	Like-for-like	Reported
Ireland	0.1	1.7
Rest of Europe	6.1	10.9
Americas	9.0	13.0
Asia Pacific	16.7	28.3
Group	6.1	10.2

Note: \* before goodwill and exceptional items

# Operating Margin\* % by Region

	Ireland	ROE	Americas	Asia Pacific	Total
2003 margin reported	4.8%	7.6%	10.8%	7.5%	7.4%
Acquisitions / disposals	0.0%	(0.2%)	(0.1%)	0.1%	(0.1%)
Currency	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Like-for-like</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.2%</b>
<b>2004 margin reported</b>	<b>4.8%</b>	<b>7.6%</b>	<b>11.0%</b>	<b>7.9%</b>	<b>7.5%</b>

Note: \* before goodwill and exceptional items





# Financial Ratios

H1 2003		H1 2004
66%	Debt : Equity	88%
26%	Debt : EV	29%
2.3x	Debt : EBITDA*	2.9x
8.6x	EBITDA* : Net interest	12.0x
15.3%	Return on average equity	15.0%

Note: \* Prepared in accordance with the provisions of the banking covenants



# Return on Investment

	H1 2004	FY 2003	FY 2002	FY 2001
ROAE	15.0%	15.2%	15.2%	14.8%
ROACE	10.7%	11.4%	11.6%	11.8%
CFROI	14.4%	12.5%	14.6%	9.6%

# Exceptional Items

- Plant rationalisation programme, particularly in the US costing €20m on track
- Related taxation and asset disposal programme to offset the financial impact
- Separate €15m to €20m integration programme relating to the Quest acquisition underway

# Business Reviews

# H1 2004 Kerry Strategy: *Performance*

- Organisational entrepreneurial culture delivering strongly
- Consistency of strategy - performance
- Clarity of focus
- Leveraging consumer awareness and technologies to meet customer - consumer requirements
- Capability to consistently deliver innovation, business growth and successful acquisition programmes

# Business Review - Ireland

<b>Ireland</b>	<b>2004</b>	<b>Total Growth</b>	<b>Like for Like</b>
Turnover	€670m	2.2%	+1.6%
Operating Margin	4.8%	+0bps	+0bps

- Speciality dairy and proteins – progress in functional and low-carb products
- Foods' brands – excellent performance
- Denny, Cheestrings, Charleville out-performing market growth rates
- Launch of Dawn Omega Milk
- Further innovation in 'food-to-go' and snack convenience products
- Continued price / cost pressure in poultry sector

# Business Review – Rest of Europe

<b>Rest of Europe</b>	<b>2004</b>	<b>Total Growth</b>	<b>Like for Like</b>
Turnover	€694m	11.6%	+3.5%
Operating Margin	7.6%	+0bps	+20bps

- Good business development - particularly UK, Germany and EU accession countries
- Prepared meals and convenience sector sustained growth
- Food coatings systems - advance in seafood, poultry and new foodservice categories
- Cross-divisional business development in functional bars and sports / lifestyle products
- Wall's, Richmond brands solid growth
- Encouraging performance in UK chilled desserts
- Mastertaste Italy – strong performance

# Business Review - Americas

<b>Americas</b>	2004	Total Growth	Like for Like
Turnover	€504m	11.2%	+6.1%
Operating Margin	11.0%	+20bps	+30bps

- Significant increase in new product introductions and recipe development
- Sweet ingredients, specialty ingredients and Nutriant - progress through managed carb solutions
- Seasonings – progress through meat industry and regional snack processors
- Speciality beverages sector - excellent progress
- Mexico / Central America - good progress through seasonings and nutritional beverage applications
- Brazil – continued progress in artisanal ice-cream and through seasonings into meat sector



# Business Review – Asia Pacific

<b>Asia Pacific</b>	2004	Total Growth	Like for Like
Turnover	€87m	+22.0%	+11.0%
Operating Margin	7.9%	+40bps	+30bps

- Strong performance in all regional markets
- Australia / New Zealand sustained growth in all core categories
- Asia - excellent growth through nutritional products and flavoured beverage applications
  - progressing planned investment strategy

# Successful H1 Acquisition Programme

- Ingredients Businesses
  - Quest Food Ingredients
  - Cremo Ingredients
- Foodservice Businesses
  - Oregon Chai
  - Extreme Foods
- Flavour Businesses
  - Manheimer
  - Flavurence
  - Laboratorios Krauss
  - Fructamine
- Fragrance Business
  - Manheimer Fragrances

Total cost €674m

Business integration – progressing satisfactorily

# Kerry Bio-Science Overview

- Extending Kerry's technological and research base – new science foundation
  - pharma-ingredients and bio-ingredients
- Technologies
  - proteins, enzymes, fermented ingredients, yeast, emulsifiers and hydrocolloids
- Applications
  - pharmaceutical, nutritional, beverage, bakery, culinary, snacks, dairy and confectionery
- Opportunity
  - To leverage research and technology through Kerry's complementary businesses
  - Patented nutritional solutions
  - Strong pipeline of development projects with leading pharma-companies – cell tissue culture, diagnostics and therapeutic drugs

# Current Trading and Outlook

- All core businesses performing well
- Progressive business development and expansion driven by strong organisational innovation and entrepreneurial culture
- Continuing NPD and brand development
- Important new research and technology platforms
- Expect good results for full year 2004

# **Additional Information**

# Analysis of Results by Region (€m)

Group	H1 2004 Operating			H1 2003 Operating		
	Turnover	Profit*	%	Turnover	Profit*	%
Ireland	€670.0	€32.2	4.8%	€655.6	€31.7	4.8%
Rest of Europe	€693.6	€52.4	7.6%	€621.4	€47.2	7.6%
Americas	€504.4	€55.3	11.0%	€453.5	€48.9	10.8%
Asia Pacific	€87.3	€6.9	7.9%	€71.6	€5.4	7.5%
Total	€1,955.3	€146.8	7.5%	€1,802.1	€133.2	7.4%

Note: \* before goodwill and exceptional items

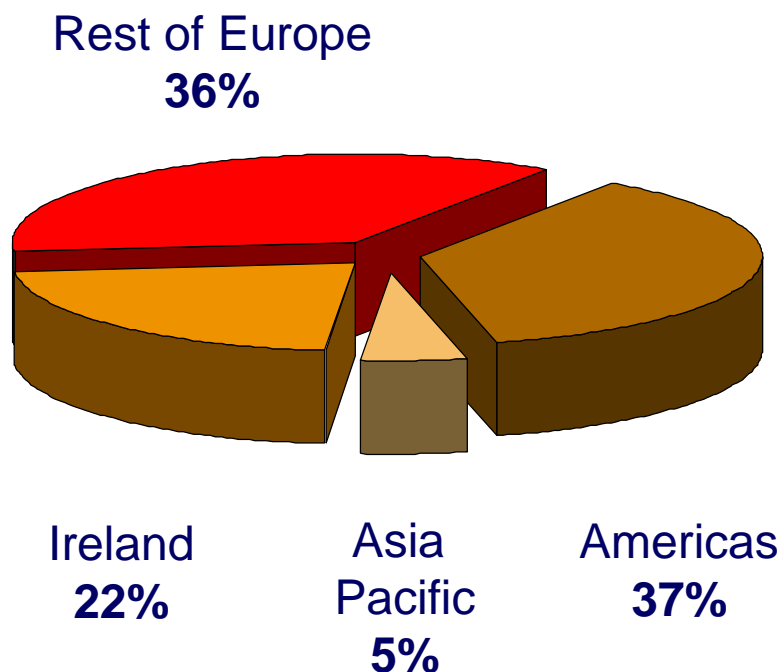


## Turnover : *Like-for-like % Growth*

	2002	2003	2004
Ireland	2%	9%	2%
Rest of Europe	5%	5%	4%
Americas	5%	3%	6%
Asia Pacific	6%	7%	11%
Group	5%	6%	4%

# Operating Profit\* Margin

## Geographic Analysis

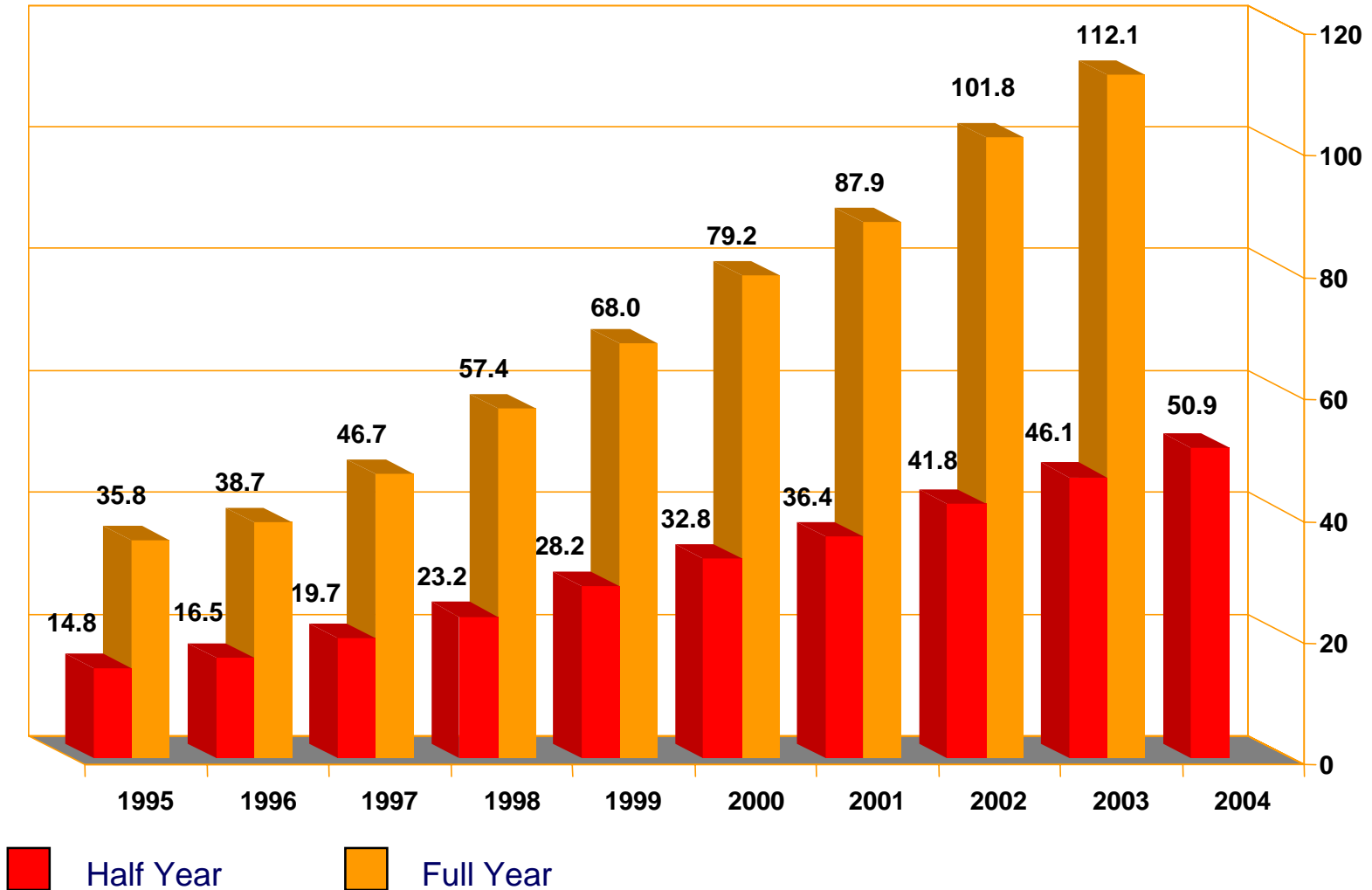


	H1 2004		H1 2003
	€m	Margin%	Margin%
Ireland	32	4.8	4.8
Rest of Europe	53	7.6	7.6
Americas	55	11.0	10.8
Asia Pacific	7	7.9	7.5
<b>Group</b>	<b>147</b>	<b>7.5</b>	<b>7.4</b>

Note: \* before goodwill and exceptional items



# Adjusted EPS\* Growth (cent)



Note: \* before goodwill and exceptional items

# EPS Reconciliation

2003 € cent		2004 € cent	Growth %
46.1	Adjusted EPS*	50.9	<b>10.4%</b>
(13.3)	Goodwill amortisation	(16.3)	
0.6	Exceptional items (net of tax)	(1.5)	
33.4	FRS3 EPS	33.1	-0.9%

Note: \* before goodwill and exceptional items

# Interim Cash Flow (€m)

	2004	2003
Cash from operations	193	97
Interest and taxation	(44)	(35)
Capital expenditure	(48)	(36)
Equity dividends	(16)	(15)
<b>Free cash flow</b>	<b>85</b>	<b>11</b>
Acquisitions and disposals		
- Businesses acquired	(698)	(127)
- Acquisitions restructuring	(2)	(9)
	(700)	(136)
Financing - issue of share capital	5	1
	(610)	(124)
Exchange adjustment	(19)	36
Increase in borrowings	(629)	(88)
Opening net debt	(705)	(764)
Closing net debt	(1,334)	(852)

# Debt Profile (€m)

	Net Borrowings	@ Floating Rates	@ Fixed Rates
Euro	463	463	-
Sterling	118	118	-
US Dollar	703	603	100
Others	50	50	-
	1,334	1,234	100

93%

7%

Weighted average period for which rate is fixed: 2.3 years

# Maturity Profile of Net Debt

	30 June 2004	31 Dec 2003
	€m	€m
Cash deposits	(51)	(57)
Within one year	166	18
Between 1 and 2 years	7	142
Between 2 and 5 years	638	31
Between 5 and 10 years	316	321
After 10 years	258	250
	<u>1,334</u>	<u>705</u>
Weighted average maturity in years:	6.2	7.8

# Ingredients / Flavours / Bio-Science - *Acquisitions* 2000 – 2004

	<b>Sweet</b>	<b>Nutrition &amp; Protein</b>	<b>Savoury &amp; Foodservice</b>	<b>Mastertaste</b>	<b>Bio-Science</b>
<b>2000</b>	Shade Foods	Solnuts			
<b>2001</b>	SPI	Iowa Soy SPI Siber Nutrir	Alferi Creative Demicombe Voyager Aromont Corol	San Giorgio Geneva Hickory	
<b>2002</b>	Ringger Roskam	Ringger IDSA Turtle Lake	Stearns & Lehman Thailand Rector IFI	St. Louis Flavours Metarom	
<b>2003</b>	Guernsey Bel		Pacific Seasonings Da Vinci Gourmet	SunPure Crystals International	
<b>2004</b>		Quest	Crema Oregon Chai Extreme Foods	Manheimer Flavurence Fructamine Krauss	Quest

# Consumer Foods Acquisitions 2000 - 2004

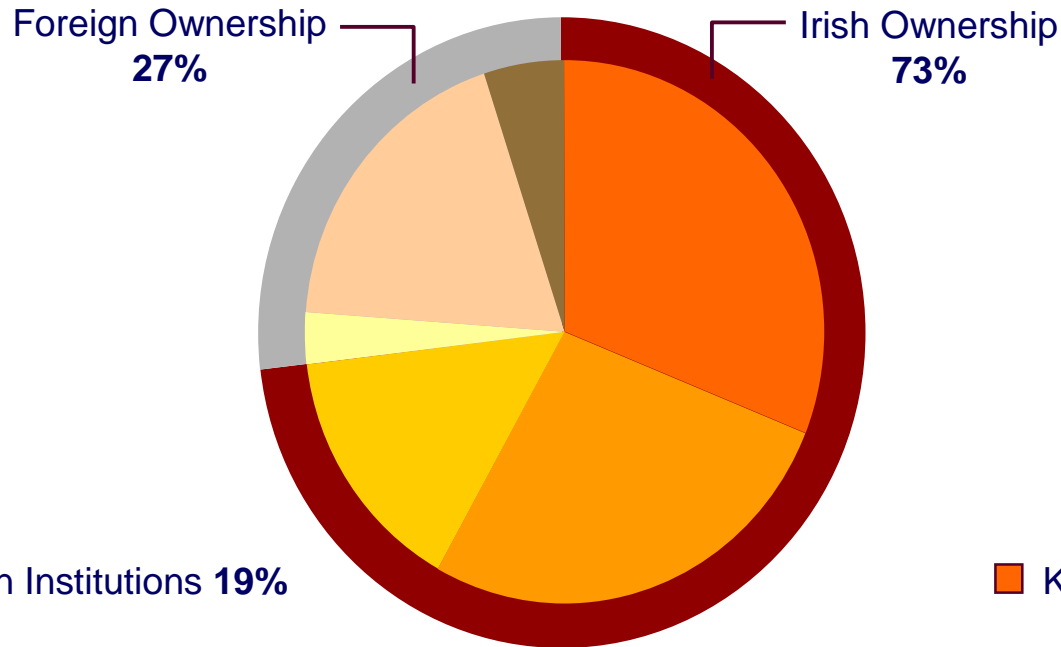
	Convenience Snacking	Savoury Products	Cheese & Spreads	Ready Meals	Foodservice	Direct Sales
Golden Vale	✓		✓	✓	✓	
Platters	✓					
Deli Products	✓				✓	
Northern Foods (Van Distribution)	✓	✓				✓
Freshways	✓				✓	
Hibernia / Diversity	✓	✓		✓		

# EPS Broker Estimates - *Full Year 2004*

	<b>2004 EPS €Cent</b>	<b>% Growth</b>
Consensus	122.0	8.8
Davy	120.7	7.7
SSSB	120.8	7.8
ABN Amro	122.9	9.6
Goodbody	123.3	10.0
Merrion	123.6	10.3
NCB	122.8	9.5
Cazenove	119.6	6.7



# Shareholder Analysis



North American Institutions **19%**

UK Institutions **5%**

Continental Europe / Rest of World  
Institutions **3%**

Kerry Co-op **31%**

Irish Individuals **25%**

Irish Institutions **17%**

Shares in issue: 186 million



the science of food

