PRESS ANNOUNCEMENT
12 May 2009

Interim Management Statement: Kerry Annual General Meeting

Kerry, the global ingredients & flavours and consumer foods group, at its Annual General Meeting held in Tralee today issued an Interim Management Statement for the first four months of 2009 in accordance with the reporting requirements of the Transparency Regulations 2007.

PERFORMANCE REVIEW AND OUTLOOK

Speaking at the Annual General Meeting Kerry Group Chief Executive Stan McCarthy said; "The Group has achieved good financial and operational progress year-to-date in 2009 despite challenging conditions across global markets arising from the progressively weaker economic situation. Our 'go-to-market' programme is achieving good results in delivery of integrated solutions for our global and regional customers. This approach has increased our focus on key end-use markets with improvements in product mix and elimination of some non-core business activities. As signalled at year-end 2008, consumers have become increasingly budget conscious which has led to significantly increased promotional activity, reduced demand for premium lines in some food and beverage categories and a decline in full-serve restaurant applications".

"Trading volumes are slightly weaker than anticipated on a like-for-like (LFL) basis year-to-date which has contributed to a 3.5% (LFL) reduction in Group revenue but, assisted by our restructuring and efficiency programmes, the Group trading profit margin reflects an increase of 40 basis points over the same period of 2008. The Group is trading ahead of target at EBIT level and is confident of delivering earnings growth in 2009 to a range of 160 cent to 165 cent per share as guided at the start of the year. Despite the prevailing economic/market conditions, the Group is on target to achieve sustained margin improvement and is progressing solidly towards our long-term growth targets", he added.

BUSINESS REVIEWS

INGREDIENTS & FLAVOURS

While volumes increased slightly, total ingredients & flavours sales revenue was flat on a reported basis and 2% lower on a like-for-like (LFL) basis in the period. Trading in January was slow in all regions but sales momentum progressively improved during the period. Core global technologies performed well except in some premium categories. Revenues were adversely impacted by the downturn in primary ingredients, in particular dairy and fruit preparations. The division's trading profit margin increased by 50 basis points due to gains through implementation of business operational efficiency and cost reduction programmes.

Pricing was 2% lower (LFL) across the three regions reflecting the reduction in raw material costs. Trading volumes were slightly lower in the Americas and EMEA Regions but increased by approximately 10% in the Asia-Pacific Region. Savoury and dairy technologies performed well with good growth in culinary applications. Cereal and sweet technologies were impacted by reduced demand for premium cereal, ice cream and indulgence lines. Beverage and nutritional applications recorded good growth particularly in Asian markets.

CONSUMER FOODS

The challenging economic environment in the UK and Ireland has impacted all consumer food categories. Consumption trends have changed significantly as shoppers trade down to more value offerings. Accordingly promotional activities have increased significantly. Overall volumes were 3% lower in the period with total divisional sales revenue reduced by 8% (LFL). This reflects a 3% adverse impact due to pricing and a 2% negative impact on revenue due to the sterling/euro exchange rate depreciation in respect of exports from Ireland to the UK market. Nevertheless Kerry Foods' core brands performed well particularly in the UK market. The divisional trading profit margin shows an improvement of 30 basis points relative to the same period of 2008 driven by on-going benefits accruing from supply chain and 'lean manufacturing' efficiency programmes.

FINANCIAL REVIEW

The Group completed the acquisition of Breeo Foods, a subsidiary of Reox Holdings plc, on 25 March 2009 for a total consideration of €140m. This followed the decision of the High Court in Ireland on 19 March to annul the Determination of the Competition Authority to prohibit the transaction. Subsequently on 8 April the Competition Authority served Notice of Appeal against the judgement of the High Court on the matter. Kerry is determined to defend its position and will resist this appeal in the Supreme Court.

As previously announced, the Group also completed the acquisition of Dera Holding NV, Prima S.A. and G. Adams Pastry for a total consideration of €98m in the period.

Cashflows remain strong despite continuing investment in growth and strategic initiatives – including the 'go-to-market' strategy throughout the Group's ingredients & flavours businesses. Business realignment associated with this programme is nearing completion in the Americas Region and is underway in the EMEA and Asia-Pacific Regions. Due to sectoral difficulties over a long period in the European fruit ingredients business, a decision has been taken to downsize the Group's investment in this sector in France at a projected plant closure and asset write down cost of approximately €40m in the current year.

The deposit of €20m paid in 2008 in relation to the Breeo Foods transaction has been credited against exceptional items in the period. Net debt at the end of the period amounted to €1.4 billion compared to €1.3 billion at the end of the same period in 2008. The Group benefited from lower interest rates and lower tax rates in the period.

FUTURE PROSPECTS

As previously guided, the Group is confident of delivering earnings growth in 2009 to a range of 160 cent to 165 cent per share.

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