

# Interim Results 2005



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

# H1 2005: Solid Performance in Difficult Business Environment

- Strong Kerry financial and business performance
- Good organic growth and contribution from acquisitions
- Food industry challenging environment
- Significant energy cost increases
- Adverse currency impact
- Kerry performance driven by strong market positioning and strategic focus

- Sales revenue growth of 8.3% to €2,117m
- Like-for-like sales revenue growth of 3.4%
- Trading profit growth of 6.2% to €160m
- Earnings\* increased by 7.1% to €101m
- Interim dividend per share up 11.1% to 5 cent

(Group accounts reported under IFRS)

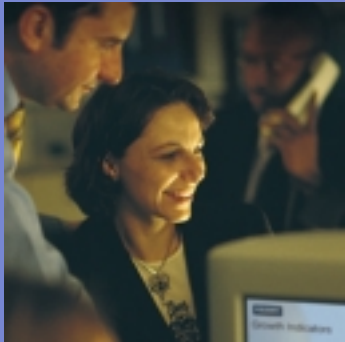
- Fusing good flavour, taste, variety, convenience with enhanced nutrition and highest food safety standards
- Rising costs versus increasing retail competition
- Foods 'Minus' trends
  - Lower calorie, fat, cholesterol, sugar, sodium, preservatives
- Foods 'Plus' trends
  - Added protein, fibre, calcium, vit/min fortified
  - Enhanced functionality, nutritional values, convenience
  - All-natural, organic, health benefits, 'free-from' foods and beverages



- Focus on science, nutrition, wellness and convenience
- Innovation in market growth sectors
- Strong global customer relationships
- Strong brands and market positioning
- Continued investment in growth categories
- Capability to efficiently integrate acquisitions across ingredients, flavours and foods businesses



# Financial Review



Revenue	→	€2,117m	+8.3%
Trading profit	→	€160m	+6.2%
Trading margin	→	7.6%	7.7% (PY)
Adjusted earnings*	→	€101m	+7.1%
Adjusted EPS*	→	53.8 cent	+6.5%

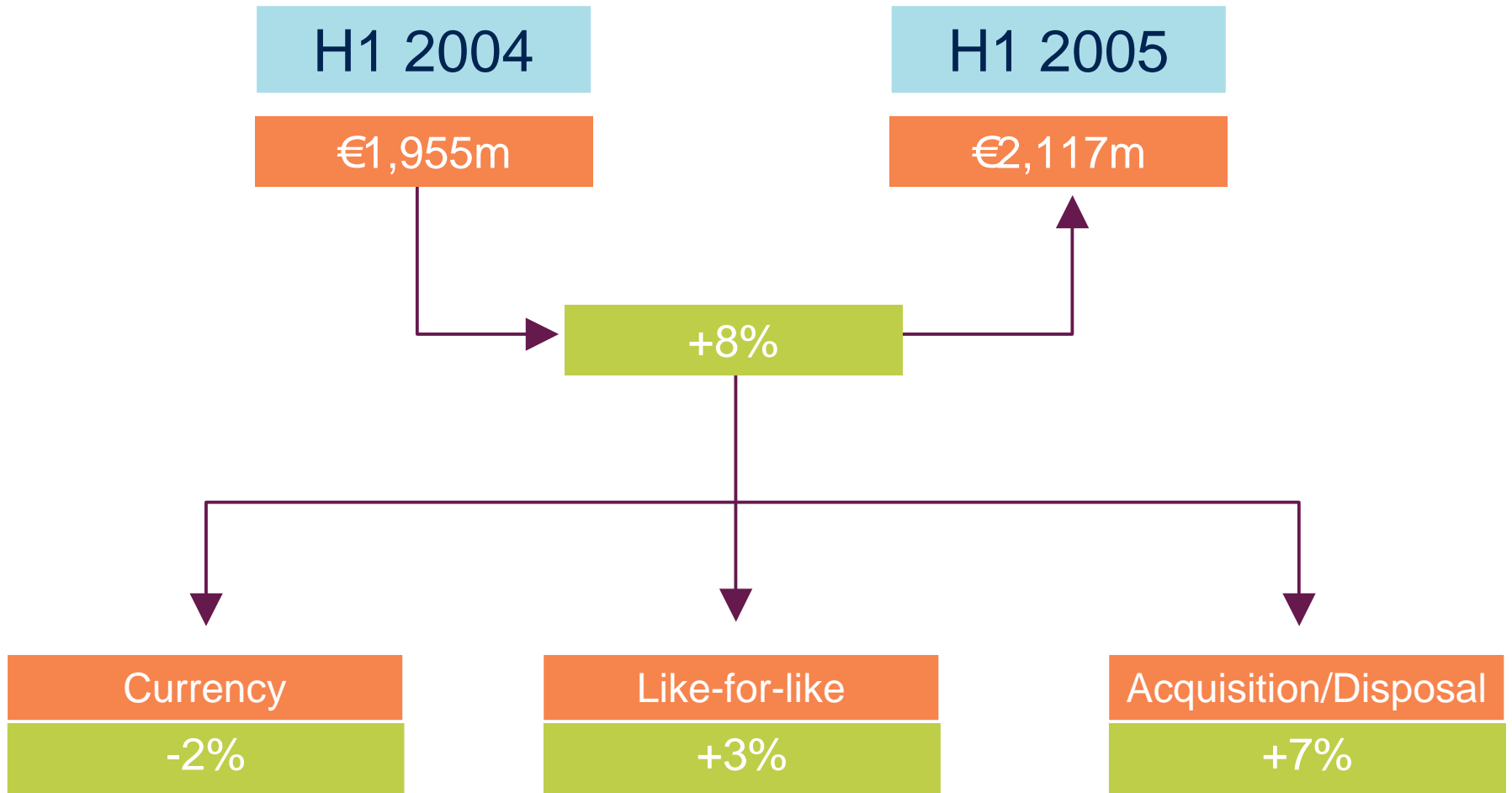
Note: \* before intangible amortisation and non trading items



- Good organic growth in sales revenue and trading profit
- Margins resilient against significant currency (c. €12m) and energy (c. €8m) headwind
- Positive contribution from acquisitions
- Positive cash flow across peak period
- Increased financing costs due to acquisitions, interest rate increases and pension charges
- 1<sup>st</sup> period under IFRS

- Reporting currency translation impact
  - 4.9% depreciation Dollar v Euro
  - 3% depreciation Sterling v Euro
  - Impact -2% on revenue
  - Impact -3% on trading profit
  - Impact -3% on earnings
- Trading currency impact on trading profit
  - Cost of €12m in H1

# Revenue Analysis



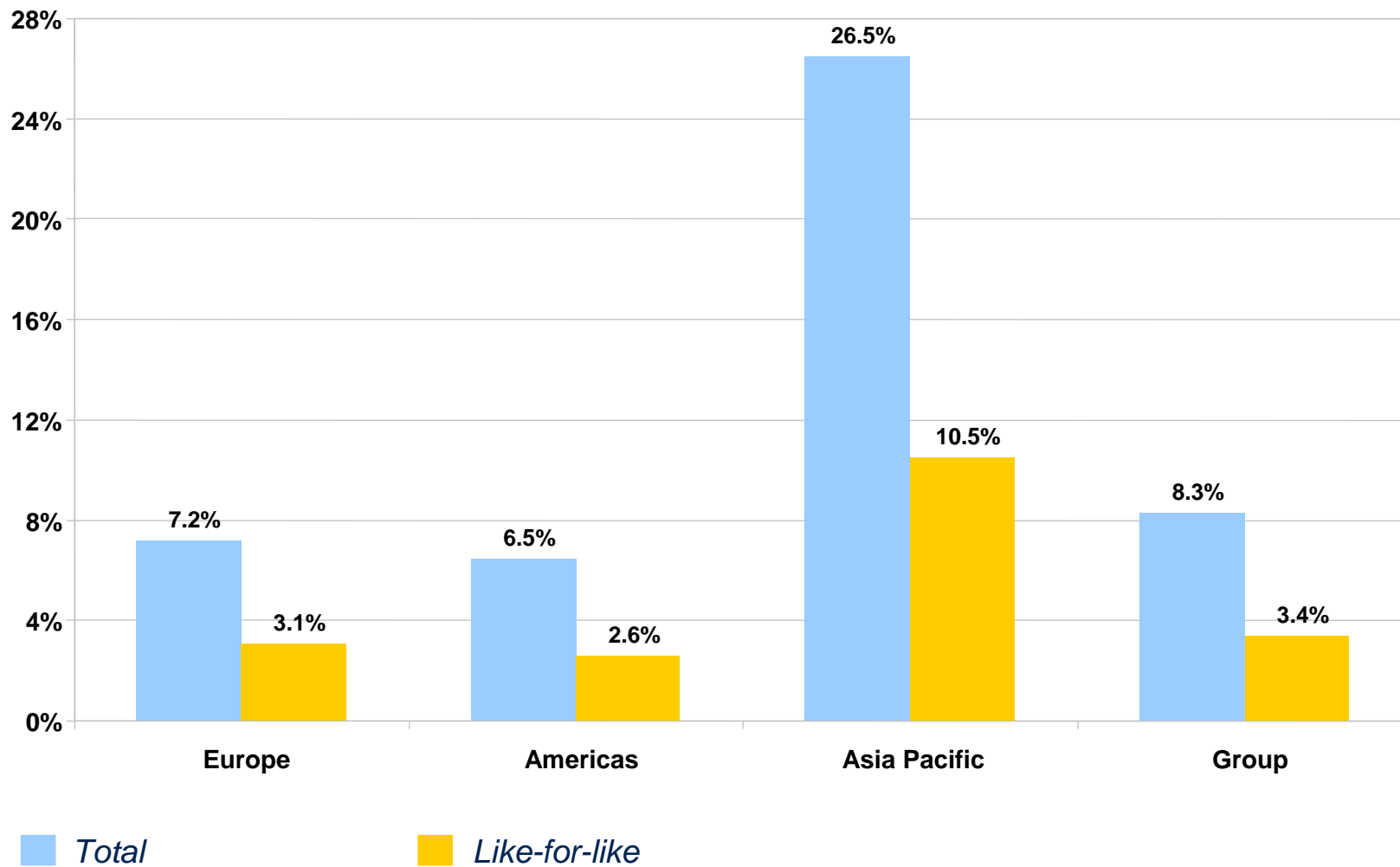
H1 Revenue: *Like-for-like % Growth*

	Reported Growth	Acquisition / Disposal	Reporting Currency	Like-for-like Growth
Ingredients	12%	10%	(2%)	3.8%
Consumer Foods	2%	0%	(1%)	3.1%
Group	8%	7%	(2%)	3.4%

Revenue: *Like-for-like % Growth*

	H1 2005	H1 2004	Full Year 2004
Ingredients	4%	5%	5%
Consumer Foods	3%	2%	2%
Group	3%	4%	4%

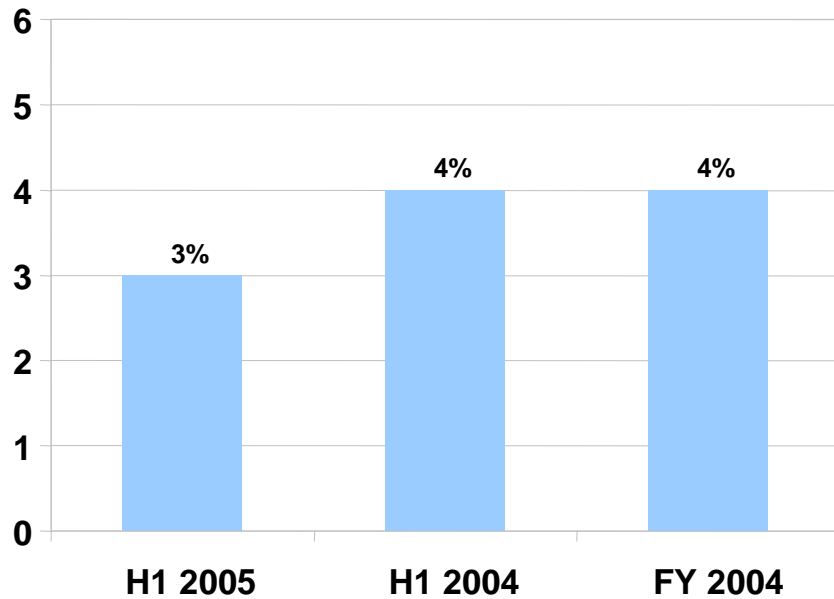
# H1 Revenue Growth % - *by Destination (Total and Like-for-like)*





# Revenue Growth

## Like-for-like % Growth



## Like-for-like % Growth

	H1 2005	H1 2004	Full Year 2004
Volume	3%	4%	4%
Price	1%	1%	1%
Trading currency	(1%)	(1%)	(1%)
Group	3%	4%	4%

# Trading Margin Change

	H1 2004		H1 2005
Trading margin	7.7%	→	7.6%

- Positive impact of acquisitions, organic growth and pricing not enough to offset negative currency and energy impact



## Interim Five Year Free Cash Flow

	2001	2002	2003	2004	2005
	€m	€m	€m	€m	€m
EBITDA*	143	173	176	197	212
Movement in working capital	(112)	(97)	(79)	(4)	(77)
Capital expenditure (net)	(46)	(48)	(37)	(48)	(59)
Interest	(21)	(25)	(22)	(21)	(29)
Taxation	(18)	(16)	(14)	(23)	(23)
<b>Free Cash Flow</b>	<b>(54)</b>	<b>(13)</b>	<b>24</b>	<b>101</b>	<b>24</b>

Note: \* before non trading items

	H1 2005	H1 2004
Debt : Market capitalisation	34%	42%
EBITDA* : Net interest	7.9x	11.2x
Debt : EBITDA*	2.8x	2.9x

- 2004 acquisition integration programme substantially completed
- €9.0m profit from disposal of non-current assets (2004: €15.6m)
- €2.8m loss arising from sale of business
- Further minor non performing business sales/closures likely in H2
- Likely impact of non trading items in the full year is break even

- Kerry reports its results under IFRS for all accounting periods beginning from 1 January 2005
- Impact of the adoption of IFRS on full year 2004 results announced in May 2005
- Impact on accounts:

	Interim 2004	Full Year 2004
– Revenue	no change	no change
– Cashflow	no change	no change
– Adjusted EPS	(0.4) cent	(0.8) cent
– Net assets	(€96m)	(€76m)

- Similar impact on 2005

2004 € cent		2005 € cent	Growth %
50.5	Adjusted EPS*	53.8	6.5%
(2.6)	Intangible amortisation	(2.6)	
(1.6)	Non trading items	2.6	
46.3	Basic EPS	53.8	16.2%

# Business Review



## Ingredients

A world leader in application specific food ingredients markets.

## Bio-Science

A leader in innovation and application of bio-ingredients and pharma-ingredients

## Mastertaste

The Group's flavours and fragrance division, focused on sweet, savoury, dairy and functional food and beverage flavours, and niche fragrance categories



- A strong focus on retailer relationships and a leader in category management
- A strong portfolio of consistently supported brands
- A leader in growth markets including ready meals and convenience snacks
- Continuous investment in product innovation
- An unrivalled national distribution network across all trade channels in the UK and Ireland





	H1 2005	Total Growth	Like-for-like
Revenue	€1,453m	+12.1%	+3.8%

- Trading profit €118m (+10.1%)
- Good growth in all regions
- Positive contribution from acquisitions
- New product developments increasing
- Time lag in recovering input cost increases
- Strong development in nutritional, functional, flavoured foods and beverages



# Business Review - *Ingredients Europe*

Europe	H1 2005	Total Growth	Like-for-like
Revenue*	€614m	+15.2%	+3.1%

- Strong performance in prepared meals, culinary and foodservice sectors
- Germany, UK, Italy and Russia strong underlying growth
- Fruit preparations in France highly competitive
- Dairy proteins continued growth
- Kerry Bio-Science: good progress through enzymes and speciality yeast products
- Mastertaste growth in Italy and UK



## Business Review - *Ingredients Americas*

Americas	H1 2005	Total Growth	Like-for-like
Revenue*	€573m	+6.5%	+2.6%

- Encouraging development in nutritional / wellness lines
- US specialty ingredients slow recovery
- Good growth through specialist foodservice menu items and brands
- Roll-out of new Sheffield Pharma Ingredients products
- Continued business development in Central and South America



## Business Review - *Ingredients Asia Pacific*

Asia Pacific	H1 2005	Total Growth	Like-for-like
Revenue*	€160m	+26.5%	+10.5%

- Strong performance throughout region
- Growth through foodservice and prepared foods in Aus / NZ
- Progress through nutritional lines in Asia
- Roll-out of specialist flavoured beverage brands throughout region
- China investment programme



# Business Review - *Consumer Foods*

	H1 2005	Total Growth	Like-for-like
Revenue	€820m	+1.5%	+3.1%

- Trading profit of €55m in line with H1 2004 notwithstanding the impact of currency and input cost inflation
- Competitive retail environment in UK and Ireland
- Raw material and energy cost increases
- Brands - continued investment and growth
- Growth through premium ready meals and food-to-go offerings
- Once-off start-up cost impact in Hartlepool
- Noon acquisition post balance sheet date

- Leader in authentic Asian chilled ready meals category in the UK
- Produces 250 different Indian, Thai and Oriental recipes
- Founded by Sir Gulam Noon in 1989
- State-of-the-art production and innovation facilities in London
- Consideration Stg £124m
- UK chilled ready meals category value Stg £1.4 billion
- Double digit growth in premium sub category

- Group's core businesses performing well
- Strong market positioning and customer base
- Ingredients, flavours and foods focused on food and beverage growth categories
- Bolt-on acquisition opportunities
- Outcome for 2005 in line with market expectations



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# Additional Information

# Analysis of Results by Business

	H1 2005			H1 2004		
	Revenue	Trading Profit	%	Revenue	Trading Profit	%
	€m	€m		€m	€m	
Ingredients	1,453	118	8.2%	1,296	108	8.3%
Consumer Foods	820	55	6.7%	808	55	6.8%
Elimination / Unallocated	(156)	(13)	-	(149)	(12)	-
Group	2,117	160	7.6%	1,955	151	7.7%

# Analysis of Results by Business

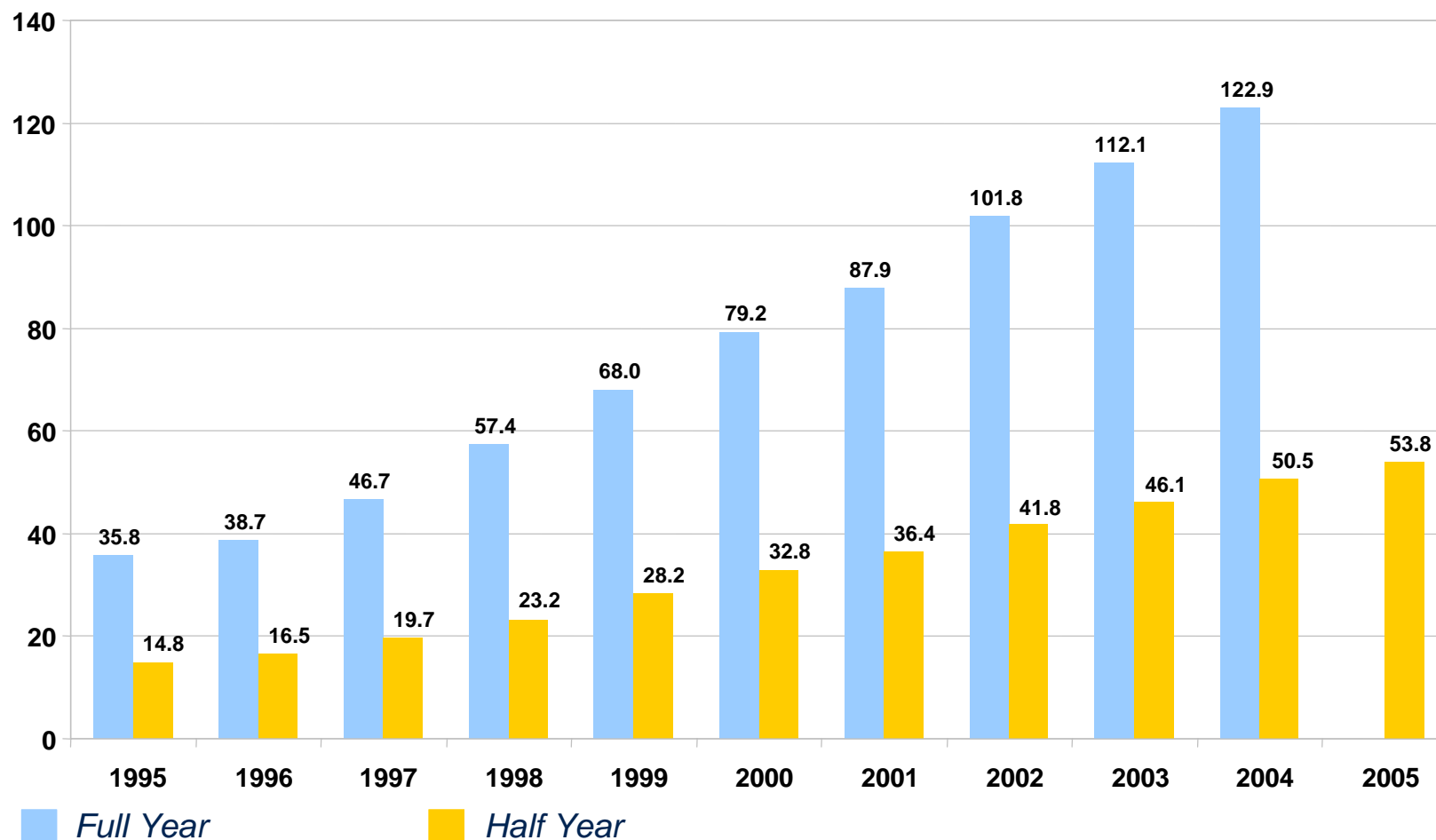
	H1 2005 Revenue		H1 2004 Revenue	
	€m	Like-for-like Growth	€m	Like-for-like Growth
Ingredients	1,453	3.8%	1,296	5.0%
Consumer Foods	820	3.1%	808	1.5%
Elimination / Unallocated	(156)	-	(149)	-
Group	2,117	3.4%	1,955	3.8%

	H1 2005	H1 2004	Full Year 2004
Ingredients	8.2%	8.3%	9.4%
Consumer Foods	6.7%	6.8%	7.1%
Group	7.6%	7.7%	8.6%

Revenue by Destination : *Like-for-like % Growth*

	H1 2005	H1 2004	Full Year 2004
Europe	3%	2%	3%
Americas	3%	5%	6%
Asia Pacific	11%	14%	15%
Group	3%	4%	4%

# EPS\* Growth (cent)



*Note: EPS numbers for 1995 to 2003 are pre IFRS*

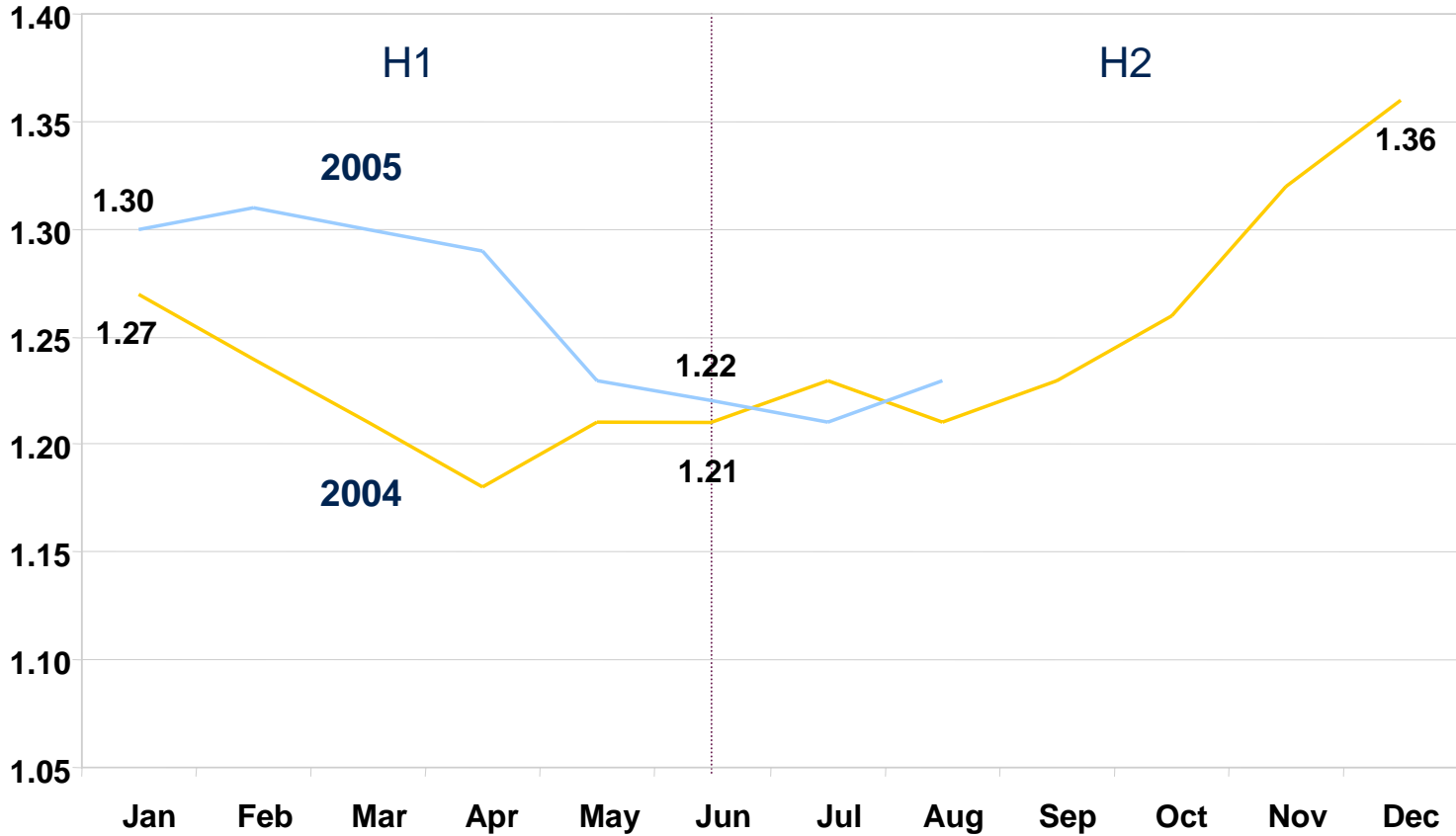
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## Interim Cash Flow (€m)

	2005	2004
Cash from operations	135	193
Interest and taxation	(52)	(44)
Capital expenditure	(59)	(48)
<b>Free cash flow</b>	<b>24</b>	<b>101</b>
Acquisitions and disposals		
- Businesses acquired	(45)	(698)
- Businesses sold	(3)	-
- Acquisitions restructuring	(6)	(2)
	(54)	(700)
Financing - issue of share capital / dividends	(15)	(11)
	(45)	(610)
Exchange adjustment on net debt	(81)	(19)
(Decrease) in borrowings	(126)	(629)
Opening net debt	(1,139)	(705)
Closing net debt	<b>(1,265)</b>	<b>(1,334)</b>



# Euro - US Dollar Trend

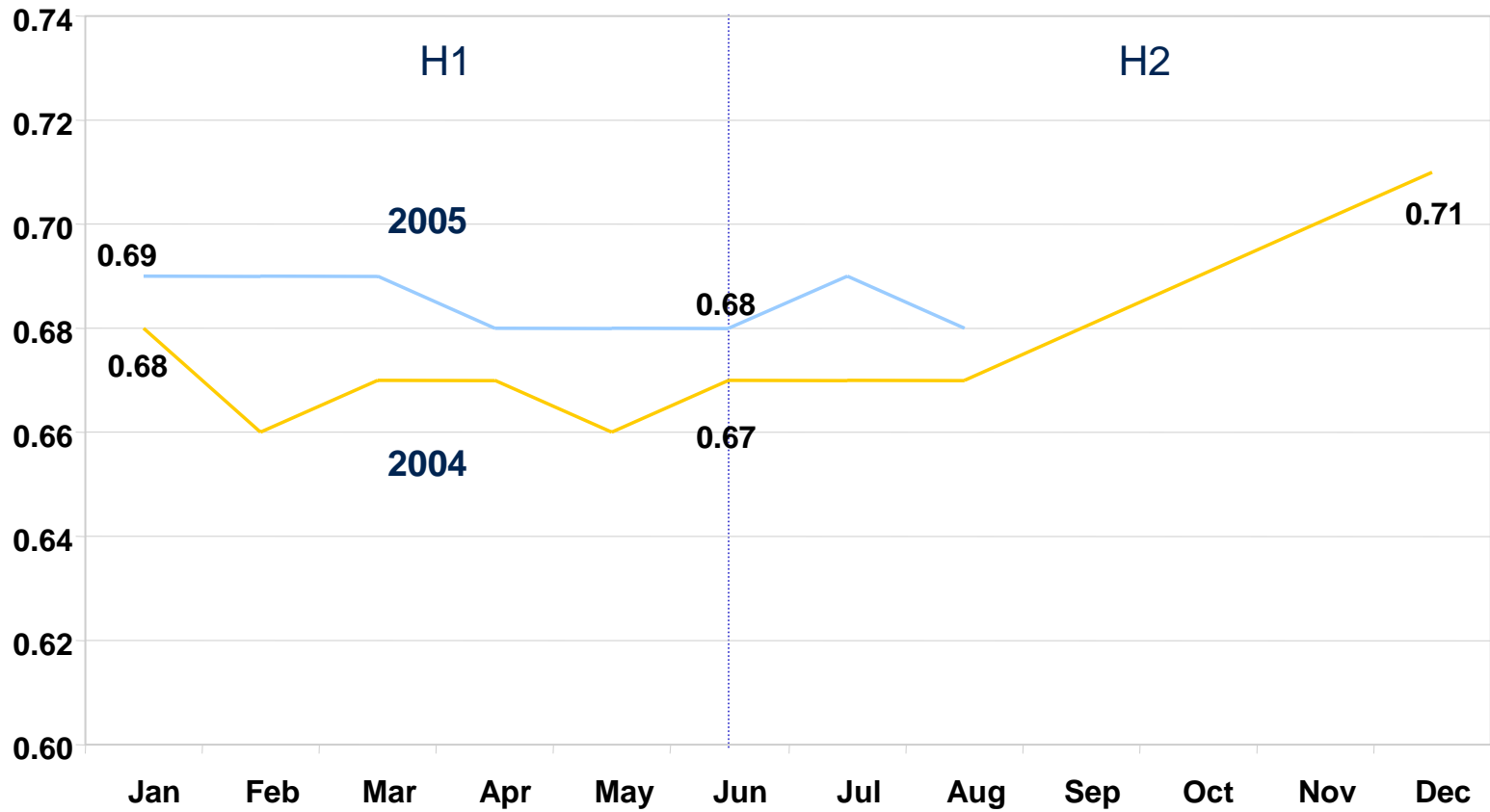


2005 Avg Fx Rate	H1
% Change	+4.9%





# Euro - Sterling Trend



2005 Avg Fx Rate	H1
% Change	+3.0%

## Debt Profile (€m)

	Net Borrowings	@ Floating Rates	@ Fixed Rates
Euro	328	328	-
Sterling	150	150	-
US Dollar	691	232	459
Canadian Dollar	33	33	-
Others	63	63	-
	1,265	806	459
		64%	36%

Weighted average period for which rate is fixed: 0.8 years

# Maturity Profile of Net Debt

	30 June 2005	31 Dec 2004
	€m	€m
Within one year	112	(1)
Between 1 and 2 years	136	176
Between 2 and 5 years	572	432
Between 5 and 10 years	445	294
After 10 years	-	236
	<u>1,265</u>	<u>1,137</u>

Weighted average maturity in years: 5.9 5.4



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