Press Announcement

27 February 2001

Kerry Group plc Annual Results 2000

Kerry, the global food ingredients and consumer foods group, reports preliminary results for the year ended 31 December 2000.

Highlights

- EBITDA increased by 14.5% to €296.2m
- Sales increased by 6.7% to €2.6 billion
- Operating margin up from 8.3% to 8.9%
- Profit before tax of €173.2m, a 16.1% increase on the 1999 comparable
- Adjusted earnings per share increased by 16.3% to €85.6c*
- Final dividend per share up 15% to €6.13c
- Capital expenditure €101m
- Expenditure on research and development increased to €52.4m
- Board and senior management changes – positioning the Group for continued growth

Kerry Group Managing Director, Denis Brosnan said; "In 2000, Kerry's fifteenth year as a public company, the Group maintained its record of sustained profitable growth and development. During a year characterised by major consolidation in global food markets, Kerry again achieved strong profit growth, assisted by its profit improvement programmes which advanced operating margins in all regional markets. The Group's management, financial and operational resources are well positioned to deliver our targets for future profitable growth."

* before goodwill amortisation and exceptionals

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Kerry Group plc
Preliminary Statement
Results for the year ended 31 December 2000

Kerry Group plc today announced results for the year ended 31 December 2000 and reported another year of profitable growth and development. Assisted by the Group's profit improvement programmes, operating margins advanced in all regional markets. Earnings before interest, tax, depreciation and amortisation (EBITDA) at €296.2m reflect an increase of 14.5% on the previous year. The Group's leadership position in global food ingredients markets and in snack and convenience sectors of chilled consumer foods markets in the UK and Ireland was bolstered by a €52.4m expenditure on research and development. Future competitiveness and the Group's ability to capitalise on sectoral growth opportunities in European and North American markets and in emerging markets in South America and Asia, were considerably enhanced through a comprehensive range of capital development projects at a cost of €101m.

Results

The Group achieved profit before tax of €173.2m, an increase of 16.1% on the comparable 1999 result. Adjusted earnings per share increased by 16.3% to €85.6c, a continuation of the Group's strong financial growth record which has produced compound growth in earnings per share of 18.9% per annum since Kerry Group plc was launched in 1986. Basic FRS3 earnings per share increased by 75.4% to €77.0c in 2000.

The Group's primary focus during the year under review was to again advance its profit improvement programme. Very satisfactory progress was achieved across all Group markets resulting in an increase in operating profit margin from 8.3% in 1999 to 8.9% in 2000. This was achieved through further development of value added product lines and application specific food ingredients, and also through progressive elimination of low margin activities. Total Group turnover increased by 6.7% from €2.46 billion in 1999 to €2.62 billion in 2000. Adjusted for acquisitions, divestitures, discontinued business and the effects of foreign currency movements, like for like sales grew by 3.2%. Operating profits increased to €233.7m, up 14.8% on the previous year.

Operations Reviews

Ireland and Rest of Europe

Sales originating from Irish based operations grew by 5.2% to €645.9m giving a very satisfactory 8.1% increase in operating profit from €34.5m in 1999 to €37.3m.

Turnover in the Group's European operations (excluding Ireland) grew by 4.4% to €1,140.9m while operating profits increased by 7.1% to €91.9m.

In European ingredients markets, growth was driven by the continued movement towards out-of-home eating with branded restaurants commanding an ever increasing share of the market. Growth in snacking and home meal replacement also continued whilst heightened consumer awareness of health and food safety issues continued to drive development in poultry based meals, organics and nutraceuticals. In addition Kerry Ingredients position in the European sweet flavourings sector was considerably strengthened in 2000. The acquisition of the SFI Europe particulates business as part of the Shade Foods acquisition with a production facility based in Tilburg, the Netherlands, strengthened the Group's position in the premium ice cream, confectionery, cereal, bakery, dairy and nutritional sectors. This was further boosted in August through the acquisition of UK based, York Dragee.

In consumer foods markets, Kerry Foods continued to build its added value food sales through leading multiple retailers and to consolidate its position as the leading supplier of chilled foods to the independent and convenience sectors in both the UK and Ireland. Kerry again outperformed the overall market growth rate in the chilled convenience foods sector through its product development capability, targeted customer relationships and on-going investment in production capacity. Following a review of operations in the Irish liquid milk market, production was rationalised to three dairies in Killarney, Limerick and Galway, with the sale of the Cork based dairy and the closure of the Moate facility.

Denny, which is the biggest retail chilled food brand in Ireland, successfully launched a range of chilled ready meals and consolidated its leading position in meat and savoury products. Other innovative product launches during 2000 include H2Sport isotonic mineral water from Kerry Spring and Walls' Instants microwaveable sausage and bacon products in the UK.

Americas

In American food ingredients markets Kerry again performed well ahead of the industry average. Sales increased from €615.0m in 1999 to €703.9m in 2000 and operating profits increased by 21.1% from €76.3m to €92.4m. During the period, the Group acquired the SFI Group of speciality food ingredients businesses, comprising Shade Foods Inc in the USA and SFI Europe for a total consideration of US$80m. Since acquisition, Shade Foods has performed very satisfactorily in the fast growing nutraceutical and ready to eat cereal sectors and has positioned Kerry as the leader in flavoured particulates, inclusions and compound coatings. Solnuts, also part of this acquisition, provides a unique product line of value added soy-based nutritional ingredients, ideally suited to the rapidly expanding nutritional energy bar market. In February 2000, the Group concluded the sale of the DCA bakery mix business in the US and Canada for US$100m. The contribution of Shade Foods was broadly offset by the sale of the DCA business in the US and Canada. Prior to year-end the Group also concluded the acquisition of US based Armour Food Ingredients (AFI) for a total consideration of US$35m. With annualised sales of approximately US$40m the AFI business provides a range of speciality food ingredients including savoury flavourings, cheese and dairy flavourings and speciality lipids to the US food industry, strengthening Kerry's leadership positions in the snack and convenience sectors of the US market. The AFI acquisition did not materially impact on year 2000 performance. In the US, Kerry continued to advance its position in foodservice markets and also

made excellent progress in the food processing markets of value added poultry, seafood and appetisers through coatings technologies.
In Canada, strong growth occurred in Kerry's core market segments of snack seasonings, dried soups and sauces. From the Group's base in Mexico, good results were achieved in expanding activities through multinational accounts in Central American markets, particularly in the snack sector. In Mexico, sales to quick-service restaurants continued to expand and Kerry also achieved strong growth in the supermarket in-store bakery sector.
In Brazil, the Três Coracões facility completed its first full year's production. Good growth was achieved in cheese and dairy flavourings where Kerry's locally based manufacturing and technical facilities represent a strong competitive advantage. Coatings and meat seasonings technologies to the growing value added poultry sector also delivered good results, as did speciality lipid and functional dairy technologies in the beverage and bakery sectors. The acquisition of Harald Industria e Comercio de Alimentos LTDA was not concluded.

Asia Pacific

Rationalisation of Kerry's bakery ingredients services in Australia and production capacity limitations at the Group's facility in Malaysia meant that turnover in the region was marginally lower at €131.2m compared to €135.0m in 1999. However very satisfactory progress was made with operating profits increasing by 73.9% to €12.1m. In Australia, excellent results were again achieved in the added value poultry sector through Kerry's unrivalled range of marinades, glazes, coatings and stuffings. Home meal replacement continued to grow. The continued development of the quick-service restaurant sector in Australia and New Zealand provided further opportunities for Kerry's core technologies. In the bakery sector, Kerry Pinnacle made significant operational and financial progress, whilst rationalising its distribution services to focus on growth sectors through national and regional bakery chains and supermarket in-store bakeries.
In New Zealand, Kerry achieved double-digit growth in 2000, consolidating its position as the country's leading ingredients company.
The Group continued to expand and develop its presence in South East Asian and North East Asian markets in 2000. Further technical and sales resources were established in Thailand, Philippines, Indonesia and China. Strong demand continued for speciality lipid systems, primarily to the beverage sector and for cheese powders to the snack and biscuit sectors.

Development

In 2000, a number of strategic development projects were undertaken to advance the Group's position in global ingredients markets and in chilled consumer foods growth sectors, bringing capital expenditure to a record level of €101.0m (1999: €92.4m).

Principal projects included;

- greenfield development of a food coatings manufacturing facility in Calhoun, Georgia, USA, to be completed in 2001, for production of breaders, batters and marinades for poultry, seafood, vegetable and other processed food applications.

- a AU$20m programme to establish two large ingredient production facilities in Queensland and Victoria, Australia. The Murarrie development in Queensland was completed by year-end and the Altona project in Victoria will be completed by mid-year 2001. Work has also commenced on a new Corporate Headquarters and Research and Development facility in Sydney.

- a US$12m expansion of the Johor Bahru facility in Malaysia to increase production capacity was well advanced by year end. The new plant will be fully commissioned by end of March 2001 thereby providing production capacity to meet market requirements in the region.

- in the UK, a global food ingredients technical centre in Bristol was completed.

- a €15m programme to expand production of the Denny range of chilled snack products at the Shillelagh plant in Ireland was also completed.

Finance

Net cash flow from operating activities increased to €309.0m from the 1999 level of €262.3m. Despite the expansion in Group operational activity, working capital fell year on year. Interest charges in 2000 increased to €45.7m compared to the previous year's level of €42.3m, with EBITDA to interest growing to 6.5 times (1999: 6.1 times). The cash cost of businesses acquired amounted to €117.5m and disposals contributed €97.7m. The taxation charge on ordinary activities increased to €40.6m (1999: €34.7m) reflecting a slight increase in the Group's effective tax rate from 23.2% to 23.5%.

Notwithstanding the largest ever annual capital expenditure, net debt at year-end stood at €478.3m, compared to the 1999 year-end level of €544.5m. Before currency adjustment, this represents a reduction of €85.8m in Group borrowings in 2000. Debt to EBITDA was reduced to 1.6 times from the prior year-end level of 2.1 times. The level of debt expressed as a percentage of market capitalisation decreased from 27% to 20%.

At year-end the Kerry Group share was quoted at €13.60 (1999: €11.90) and market capitalisation amounted to €2.34 billion compared with the prior year-end level of €2.0 billion. The number of shares in issue at year-end was 172,425,213 (1999: 172,047,213).

Dividend

The Board has declared a final dividend of €6.13c, an increase of 15% on 1999. Together with the interim dividend of €2.92c per share, this raises the total dividend payment for the year to €9.05c, an increase of 15% on the 1999 dividend. The final dividend will be paid on 29 May 2001 to shareholders registered on the record date 4 May 2001.

Post Balance Sheet Events

The Group recently concluded the acquisition of Creative Seasonings & Spices Inc. based in Sturtevant, Wisconsin, USA. Founded in 1993, the acquired business has a proven growth record in development and application of flavour systems for the prepared foods, processed meats, snack and dairy industries in the US.

Euro

The Group is well advanced in preparing for the advent of the Euro. A comprehensive commercial and administrative programme, including modifications to information technology systems, will be concluded by summer 2001. Future costs associated with the transition are not expected to be material.

Board and Management Changes

The Board is pleased to announce that it has asked Mr. Michael Hanrahan to continue as a Director and Chairman until 31 December 2001 and that it has decided to appoint Mr. Denis Brosnan to the office of Chairman with effect from 1 January 2002. It has further decided to appoint Mr. Hugh Friel to succeed Mr. Brosnan as Managing Director of the Group with effect from 1 January 2002.

Mr. Denis Brosnan (age 56) has been Managing Director of Kerry Group plc since its formation in 1986. He has been Chief Executive of Kerry Co-operative Creameries Limited since its establishment in 1974. Mr. Brosnan is currently Chairman of the Irish Horseracing Authority and is a Director of a number of other public and private companies in Ireland and the UK.

Mr. Hugh Friel (age 56) has been joint Deputy Managing Director of the Company since the formation of Kerry Group. He has been with Kerry since its foundation in 1972, overseeing its growth as Director of Finance.

Mr. Roger O'Rahilly and Mr. James V. Brosnan were appointed to the Board as non-executive Directors on 26 February 2001, replacing Mr. Diarmuid O'Connell and Mr. Daniel T. O'Sullivan who retired from the Board in November and December 2000 respectively. Dr. Ivor Kenny will retire from the Board in May.

Annual Report and Annual General Meeting

The Group's Annual Report will be published at the beginning of May and the Annual General Meeting will be held in Tralee on 29 May 2001.

Future Prospects

We are optimistic that the ongoing consolidation of the global food industry will enhance Kerry's opportunities for growth and development. The Group's management, financial and operational resources are well positioned to deliver our targets for future profitable growth.

Kerry Group plc
Consolidated Profit and Loss Account
for the year ended 31 December 2000

		Notes	2000 €'000	1999 €'000
Turnover				
Continuing operations		1	**2,621,913**	2,456,352
Operating profit - continuing operations				
Before goodwill amortisation and exceptional items		1	**233,747**	203,614
Goodwill amortisation			**15,364**	12,103
Exceptional restructuring costs		4	**-**	35,359
Operating profit		1	**218,383**	156,152
Profit on sale of businesses		4	**1,194**	-
Loss on sale of fixed assets		4	**744**	-
Interest payable and similar charges			**45,680**	42,309
Profit before taxation			**173,153**	113,843
Taxation	- ordinary activities		**40,649**	34,662
	- exceptional items		**-**	3,703
			40,649	38,365
Profit after taxation and attributable to ordinary shareholders			**132,504**	75,478
Dividends	- paid		**5,033**	4,369
	- proposed		**10,570**	9,170
			15,603	13,539
Retained profit for the year			**116,901**	61,939
Earnings per ordinary share (€cents)				
- basic before goodwill amortisation and exceptional items		5	**85.6**	73.6
- basic after goodwill amortisation and exceptional items		5	**77.0**	43.9
- fully diluted after goodwill amortisation and exceptional items		5	**76.4**	43.6

The financial statements were approved by the Board of Directors on 26 February 2001 and signed on its behalf by:

Michael Hanrahan, Chairman
Denis Brosnan, Managing Director

Kerry Group plc
Consolidated Balance Sheet
as at 31 December 2000

	Notes	2000 €'000	1999 €'000
Fixed assets			
Tangible assets		**671,821**	607,347
Intangible assets		**290,139**	234,153
		961,960	841,500
Current assets			
Stocks		**285,351**	272,354
Debtors		**332,035**	332,976
Cash at bank and in hand		**27,995**	13,261
		645,381	618,591
Creditors: Amounts falling due within one year		**(579,448)**	(566,512)
Net current assets		**65,933**	52,079
Total assets less current liabilities		**1,027,893**	893,579
Creditors: Amounts falling due after more than one year		**(495,807)**	(521,060)
Provisions for liabilities and charges		**(3,001)**	(20,394)
		529,085	352,125
Capital and reserves			
Called-up equity share capital		**21,553**	21,846
Capital conversion reserve fund	6	**340**	-
Share premium account		**193,651**	190,694
Profit and loss account		**289,470**	114,712
		505,014	327,252
Deferred income		**24,071**	24,873
		529,085	352,125

The financial statements were approved by the Board of Directors on 26 February 2001 and signed on its behalf by:

Michael Hanrahan, Chairman
Denis Brosnan, Managing Director

Kerry Group plc
Consolidated Cash Flow Statement
for the year ended 31 December 2000

	2000 €'000	1999 €'000
Operating profit before goodwill amortisation and exceptional items	**233,747**	203,614
Depreciation (net)	**62,422**	55,078
Change in working capital	**14,750**	3,779
Exchange translation adjustment	**(1,945)**	(149)
Net cash flow from operating activities	**308,974**	262,322
Return on investments and servicing of finance		
Interest received	**1,353**	536
Interest paid	**(48,937)**	(39,993)
Taxation	**(42,107)**	(28,137)
Capital expenditure		
Purchase of tangible fixed assets	**(100,837)**	(91,059)
Proceeds on the sale of fixed assets	**3,425**	7,986
Development grants received	**1,733**	3,701
Purchase of intangible fixed assets	**(45)**	-
Acquisitions and disposals		
Purchase of subsidiary undertakings	**(115,619)**	(5,712)
Proceeds on the sale of businesses	**97,732**	-
Deferred creditors paid	**(1,867)**	(4,562)
Exceptional restructuring costs	**(6,810)**	(19,692)
Consideration adjustment on previous acquisitions	**-**	12,101
Issue of share capital	**3,004**	-
Equity dividends paid	**(14,203)**	(12,015)
Cash inflow before the use of liquid resources and financing	**85,796**	85,476
Financing		
Decrease in debt due within one year	**(30,820)**	(35,756)
Decrease in debt due after one year	**(40,242)**	(49,193)
Increase in cash in the year	**14,734**	527

Reconciliation of Net Cash Flow to Movement in Net Debt
for the year ended 31 December 2000

	2000 €'000	1999 €'000
Increase in cash in the year	**14,734**	527
Cashflow from debt financing	**71,062**	84,949
Change in net debt resulting from cash flows	**85,796**	85,476
Exchange translation adjustment	**(19,611)**	(64,273)
Movement in net debt in the year	**66,185**	21,203
Net debt at beginning of year	**(544,532)**	(565,735)
Net debt at end of year	**(478,347)**	(544,532)

Kerry Group plc
Statement of Total Recognised Gains and Losses
for the year ended 31 December 2000

	2000 €'000	1999 €'000
Profit attributable to the Group	**132,504**	75,478
Exchange translation adjustment on foreign currency net investments	**(17,274)**	10,064
Total recognised gains and losses relating to the year	**115,230**	85,542

Kerry Group plc
Reconciliation of Movements in Share Capital and Reserves
for the year ended 31 December 2000

	Share Capital and Premium €'000	Capital Conversion Reserve Fund €'000	Profit & Loss Account €'000	Total €'000
At beginning of year	212,540	-	114,712	327,252
Retained profit	-	-	**116,901**	**116,901**
Renominalisation of share capital	**(340)**	**340**	-	-
Share issue	**3,024**	-	-	**3,024**
Share issue costs	**(20)**	-	-	**(20)**
Goodwill written back on disposal	-	-	**75,131**	**75,131**
Exchange translation adjustment	-	-	**(17,274)**	**(17,274)**
At end of year	**215,204**	**340**	**289,470**	**505,014**

The Profit & Loss Account figures comprise the following:

	Intangible Assets Written Off €'000	Retained Profits €'000	Profit & Loss Account €'000
At beginning of year	(474,698)	589,410	114,712
Retained profit	**(15,364)**	**132,265**	**116,901**
Goodwill written back on disposal	**75,131**	-	**75,131**
Exchange translation adjustment	-	**(17,274)**	**(17,274)**
At end of year	**(414,931)**	**704,401**	**289,470**

Kerry Group plc
Notes to the Financial Statements
for the year ended 31 December 2000

1. Analysis of results by region

	2000 Turnover €'000	2000 Operating Profit €'000	2000 Net Assets €'000	1999 Turnover €'000	1999 Operating Profit €'000	1999 Net Assets €'000
By geographical market of origin:						
Ireland	**645,874**	**37,306**	**126,880**	613,671	34,506	105,963
Rest of Europe	**1,140,934**	**91,900**	**579,822**	1,092,613	85,836	591,176
Americas	**703,869**	**92,422**	**251,846**	615,025	76,305	167,760
Asia Pacific	**131,236**	**12,119**	**48,884**	135,043	6,967	31,758
	2,621,913	**233,747**	**1,007,432**	2,456,352	203,614	896,657
Goodwill amortised	**-**	**(15,364)**	**-**	-	(12,103)	-
Exceptional restructuring costs	**-**	**-**	**-**	-	(35,359)	-
Group borrowings (net)	**-**	**-**	**(478,347)**	-	-	(544,532)
	2,621,913	**218,383**	**529,085**	2,456,352	156,152	352,125

	2000 Turnover €'000	1999 Turnover €'000
By destination:		
Ireland	**418,261**	394,344
Rest of Europe	**1,274,588**	1,224,234
Americas	**768,613**	675,255
Asia Pacific	**160,451**	162,519
	2,621,913	2,456,352

2. Accounting Policies

The audited accounts have been prepared using the same accounting policies as detailed in the 1999 annual financial statements except that the Group has adopted Financial Reporting Standard 16 "Current Tax". FRS 16 does not have a material effect on either the measurement or the classification of the Group's assets and liabilities.

3. Basis of preparation and reporting currency

The financial information set out in this document does not constitute full statutory accounts for the years ended 31 December 2000 or 1999 but is derived from same. The 2000 and 1999 accounts have been audited and received unqualified audit reports. The 2000 financial statements were approved by the Board of Directors on 26 February 2001.

The financial statements are prepared under the historical cost convention. The 2000 financial statements and the 1999 comparative figures are presented in Euro.

4. Exceptional items

	2000	1999
	€'000	€'000
Profit on sale of businesses	**1,194**	-
Loss on sale of fixed assets	**(744)**	-
Restructuring costs	**-**	(35,359)
	450	(35,359)
Taxation effect of exceptional items	**-**	(3,703)
Total as per note 5	**450**	(39,062)

The Group disposed of its DCA bakery business in the US and Canada to Pillsbury Bakeries and Foodservice in February 2000 for US$100.7m and part of the business and assets of Dawn Dairies Ltd. in Ireland in December 2000.

The cost of goodwill, previously written off to reserves, disposed of with the DCA bakery business amounted to €75.1m. The taxation effect of this disposal was provided for in the prior year.

The exceptional items in 1999 relate to the major restructuring programme undertaken by the Group consequent to the significant acquisitions in 1998.

5. Earnings per share

	Notes	**EPS €cent**	**2000 €'000**	EPS €cent	1999 €'000
Profit after taxation, before goodwill amortisation and exceptional items		**85.6**	**147,418**	73.6	126,643
Goodwill amortisation		**8.9**	**15,364**	7.0	12,103
Exceptional items	4	**(0.3)**	**(450)**	22.7	39,062
Profit after taxation, goodwill amortisation and exceptional items		**77.0**	**132,504**	43.9	75,478
Share option dilution		**0.6**	**-**	0.3	-
		76.4	**132,504**	43.6	75,478

The basic weighted average number of ordinary shares in issue for the year was 172,149,130 (1999: 172,047,213). The diluted weighted average number of ordinary shares in issue for the year was 173,500,688 (1999: 173,076,245). The dilution arises in respect of executive share options outstanding.

6. Share Capital

Redenomination and renominalisation of share capital

Due to the introduction of the Euro each of the issued and unissued ordinary shares of IR£0.10 per share was redenominated into an ordinary share of €0.1269738 following a resolution passed at the Annual General Meeting held on 30 May 2000. Every such share was then renominalised to be an ordinary share of €0.125. An amount equal to the reduction in the issued share capital resulting from this renominalisation was transferred to a capital conversion reserve fund.

	Previous Par Value of Shares	**Redenominated Par Value of Shares**	**Renominalised Par Value of Shares**	**Aggregate Renominalisation Effect €'000**
172,047,213 A ordinary shares	IR£0.10	€0.1269738	€0.125	340