Kerry Group Interim Report & Accounts 2001

Kerry Group is a leader in global food ingredients markets and a leading consumer foods processing and marketing organisation in selected European markets.

Established as a public company in 1986, the Group has achieved sustained profitable growth and pursued a strategic global expansion programme which has led to the establishment of manufacturing, technical and marketing facilities in Ireland, the UK, France, Italy, Germany, the Netherlands, Poland, Hungary, the USA, Canada, Mexico, Brazil, Australia, New Zealand and Malaysia.

Kerry is committed to being a leader in its selected markets through technological creativity, total quality and superior customer service. The Group is focused on continuing to expand its presence in global food ingredients markets and on the further development of its consumer foods businesses in Europe.

Financial Highlights

for the half year ended 30 June 2001

Sales increased by 5.9% to €1,339.7m.

Operating profit before goodwill amortisation increased by 6.5% to €107.8m.

Operating margin up from 8.0% to 8.1%.

Profit before taxation increased by 9.3% to €78.0m.

Earnings per share before goodwill amortisation increased by 10.3% to €38.7c.

FRS3 earnings per share increased by 11.1% to €34.1c.

Interim dividend per share increased by 11.3% to €3.25c.

Chairman's Statement

Results

In a more demanding trading environment in the first half of 2001, Kerry maintained its growth momentum while continuing to improve operating margins and to invest in a range of strategic business development initiatives throughout all Group core businesses. Profit before tax increased by 9.3% to €78.0m. Earnings per share before goodwill amortisation increased by 10.3% to €38.7c. Basic FRS3 earnings per share increased by 11.1% to €34.1c.

Operating profits before goodwill amortisation increased by 6.5% to €107.8m. Group turnover grew by 5.9% to €1,339.7m, reflecting strong growth in the Americas and in Ireland and a good performance in European and Asian markets notwithstanding production capacity constraints and business disposals. The operating margin advanced to 8.1% compared to 8% in the same period in 2000. The result reflects the resilience of Kerry's consumer foods brands and the quality of the Group's global food ingredients businesses in an increasingly competitive trading environment due to the relatively weaker global economic situation and delayed market development initiatives as a consequence of global food processor consolidation.

In the period under review the Group invested considerable resources in furthering its growth objectives by broadening its global presence and technical leadership in ingredients markets and through development of a portfolio of new product offerings in snack and convenience sectors of the UK and Irish consumer foods markets. This business expansion programme, which is continuing in the second half of 2001, has already resulted in a range of strategic bolt-on acquisitions in flavours markets and in the fast growing nutritional ingredients sector, as well as convenience sectors of consumer foods markets and the foodservice sector.

Operations Review

Ireland and Rest of Europe

Sales originating from Irish based operations grew by 8.4% to €318.5m. Operating profit increased by 3.4% to €18.9m. European operations (excluding Ireland) increased turnover by 1.9% to €568.5m while operating profits increased by 6.4% to €40.4m. This represents a continuation of a trend which has resulted in an increase in first half operating profits from €35.5m in 1999 and €38.0m in 2000.

In European ingredients markets good progress was achieved through improved operational efficiencies and solid growth in coatings and snack market segments. Poultry markets continued to firm, providing good opportunities for Kerry's coatings businesses throughout Europe. The Group also continued to advance its share of quick-service-restaurant markets. Market conditions in France and Germany improved considerably. Progress in expanding Eastern European businesses continued while business development in Russia produced good growth, in particular for savoury ingredients.

Kerry Foods continued to benefit through its brand leadership positions. Good progress was achieved in high value product areas and the division recorded excellent results through its investment in snack and convenience sectors and in the further development of its prepared meals business. Market share gains in sausage, premium meats, juices and mineral water categories were again achieved.

Americas

Turnover in American markets increased by 11.3% to €388.1m and operating profits increased by 8.4% from €41.2m to €44.7m. In the USA, as foodservice markets continue to expand, the Group again recorded good growth in food coatings, in particular in poultry and appetiser applications. Arising from the strong growth of hand-held foods, Kerry successfully launched FlavorCore™ – a patented sauce filling cold forming extrusion technology which facilitates cost effective production of novel combinations for appetiser, hand-held and center-of-plate menu items. The division's sweet ingredients business also performed well in the cereal, nutraceutical and premium ice cream sectors. In the speciality ingredients sector, the Armour Food ingredients business acquired prior to year-end 2000 was successfully integrated. In Canada good progress was achieved in the growing snack sector and through incorporation of dairy flavours and emulsifier systems for vegetarian and soy-based cheeses. In Mexico further advances were made in the prepared foods and snack sectors and a new corporate headquarters for Mexico and Central America was opened at the World Trade Center in Mexico City. In Brazil progress continued in the snack sector and through specialty lipids applications. Significant market development was also achieved through meat seasonings and marinades to the growing value-added meat industries.

Asia Pacific

Investments in new production facilities in Australia and expansion of the Group's Malaysian manufacturing plant, which were commissioned or near completion just prior to the end of the period under review, meant that capacity limitations were not overcome during the half year. This resulted in a broadly static turnover of €64.5m. While costs associated with the expanding operations in the region increased, nevertheless a slight increase in operating profits to €3.9m was achieved.

In Australia, the relative weakness of the Australian dollar also impacted on new business development. Nevertheless good progress was achieved with quick-service-restaurant chains and with coating systems through poultry processors. The supply of seasonings to the growing rice snack market also grew significantly. Kerry Pinnacle expanded its product range to in-store bakeries in major retail outlets. In March the Group opened its expanded AU$20m processing facility at Murarrie in Brisbane. The AU$10m upgrade of Kerry Australia's second major processing plant at Altona, Victoria was completed in July, as was the construction of a new AU$6.5m regional headquarters and R&D facility at Homebush Bay, Sydney.

Kerry New Zealand again grew through promotional activity with major foodservice chains.

While expansion of the Group's Malaysian facility at Johor Bahru was not fully commissioned until May, significant market development occurred in South East Asian and North East Asian markets. In the nutritional sector, advances were achieved in infant formula and beverage sectors. From a low base, Kerry is establishing strong business relationships with foodservice chains in the region and through coating systems directly through food processors.

Development

Having already achieved market leadership in seasonings, coatings, speciality ingredients and sweet ingredients, in 2001 the Group has focused considerable financial and management resources on capitalising on this broad food technology base through expansion in global flavours markets and in the fast growing nutrition sector - with particular emphasis in the areas of infant nutrition, clinical nutrition and health promoting products. In the UK and Irish consumer foods markets, the Group has also focused on exploiting its strong brand equity and customer branded positions in selected categories of the fast growing snack and convenience product sectors. During the half year, this strategy has resulted in a range of significant bolt-on acquisitions in such markets at a cost in the period of €70.3m.

Acquisitions concluded in H1 2001 include;

Alferi Laboratories

The acquisition of Alferi Laboratories, based in Little Chute, Wisconsin, strengthens Kerry's position as a leading supplier of meat seasonings to the US foodservice and prepared foods markets. Founded in 1921, Alferi has a well established reputation for providing innovative, customised seasonings and liquid sauce systems for customer applications in the processed meats, foodservice and prepared foods industries.

Corol S.A.

The addition of Corol S.A., a specialist provider of a range of savoury and functional ingredients based in Meaux near Paris, represents a considerable boost to Kerry's position in the French foodservice industry. Complementing the Kerry Jaeger range of products, the acquisition of Corol also extends the Group's market position into the expanding healthcare sector.

Creative Seasonings & Spices

The acquisition of Creative Seasonings & Spices with state-of-the-art processing and technical development facilities located in Sturtevant, Wisconsin, strengthens Kerry's capability in development of seasoning blends and flavour systems for application in the prepared foods, processed meats, snack and dairy industries in the US market.

Iowa Soy

Iowa Soy, with two production facilities located in Vinton, Iowa, produces low-fat, low-fibre soy flour and low-fat soy grits as well as textured soy protein for use by the health and nutritional foods industries in the USA. The acquired business together with Kerry's existing lines of Solnuts branded soynut products provide strong growth opportunities through extension of the unique technologies to other fast growing areas of the nutritional food industry.

San Giorgio Flavors

Operating from two manufacturing facilities in Turin, Italy, San Giorgio Flavors employs 87 people including an experienced 29-member R&D team, and has a strong record of growth and technical achievement in the beverage, confectionery and savoury product industries. Acquired from the Pernod Ricard Group, San Giorgio Flavors is a leading speciality technology company in the international flavour industry and is the leading Italian manufacturer of food and beverage flavours, with a portfolio of some 2,000 flavours extending to both savoury and sweet consumer food segments. While its core market is Italy, the company has expanded sales to 35 countries across Asian and EU markets.

Platter Foods

The acquisition of Platter Foods, based in Sligo, represents a strategic expansion of Kerry's consumer foods business in the chilled salads and fresh desserts sectors of the Irish market. Complementing Kerry's existing chilled convenience product offerings, the acquired business will benefit through the divisions dedicated chilled distribution network, its product development and marketing expertise and through Kerry's broad customer base.

Calhoun Project

Also, the construction of a US$22m new coatings manufacturing facility in Calhoun, Georgia, USA, to produce breaders, batters and marinades for seafood, poultry, vegetable and other processed food applications, is well advanced. The new facility, which will be Kerry's fifth coatings plant in the USA, will be fully commissioned by year end.

Post Balance Sheet Events

In line with Kerry's growth strategy already outlined, the Group continues to advance its development in global food ingredients markets and in consumer foods growth sectors.

The acquisition of SPI Foods Inc. in the USA and Nutrir Productos Alimenticios S.A. in Brazil were concluded in August for a total consideration of €22.4m.

SPI Foods Inc. is a leader in the development and manufacture of specialty extruded ingredients for customised application in ready-to-eat cereals, health and energy bars and snack foods. The acquired business, which operates from a modern production facility in Fremont, Nebraska, also manufactures unique microwaveable pre-cooked pastas for foodservice and retail markets, including its signature brand Pasta De Fino™ NoBoil® Lasagna.

Nutrir Productos Alimenticios S.A. is a leading supplier of branded dehydrated convenience blends to the cappuccino, breakfast cereal, milkshake and chocolate beverage sectors in Brazil. The business, operating from a modern manufacturing facility based in Belo Horizonte, has well established distribution channels in industrial, wholesale and retail markets. Having experienced rapid growth in recent years, the business is poised for strong future growth in this dynamic sector of the Brazilian market.

Golden Vale

On 25 June 2001, the Board of Kerry and the Board of Golden Vale agreed terms of a recommended offer to be made by Davy Corporate Finance on behalf of Kerry for the whole of the issued and to be issued share capital of Golden Vale. The Offer, which comprised a share offer and a cash alternative, together with assumed debt and acquisition expenses, brings the estimated total cost of the proposed transaction to €398m. On 13 August the Offer was declared unconditional as to acceptances and on 21 August Kerry Group shareholders unanimously approved the acquisition of Golden Vale at an Extraordinary General Meeting of the Company. The Offer is now awaiting the approval of the Minister for Enterprise, Trade and Employment of Ireland and the Office of Fair Trading in the UK. Completion is expected by early October.

To date valid acceptances of the Offer have been received in respect of approximately 88% of the issued share capital of Golden Vale. Elections in favour of the share offer represent approximately 80% of all acceptances received.

The principal business activities of the Golden Vale Group are the production and sale of processed and natural cheeses, dairy spreads, prepared meals, snacks, fresh milk, niche drinks, butter and milk powders. In recent years Golden Vale has pursued a strategy of diversifying outside its traditional dairy industry base. This refocusing and reshaping of the Golden Vale Group has been achieved through:

- the disposal of loss-making and other non-core businesses;

- broadening the product range by entering the high growth ready meals sector with the acquisition of Rye Valley Foods Limited in 1998 and subsequent investment in that business;

- investing significantly in expanding and modernising manufacturing facilities;

- commitment to new product development; and

- focusing on sales and margin growth across the Golden Vale Group.

As a result of these initiatives, Golden Vale's consumer foods business now accounts for more than half its total sales and Golden Vale has become a well established supplier of convenience snacks, cheese and frozen ready meals to food retailers in the UK and Ireland.

Between 1996 and 2000, Golden Vale has grown operating profit before goodwill amortisation and exceptional items, at a compound average annual rate of 22%, and operating margin has improved from 2.5% to 5.3% (after restating 1996 for the impact of the change in the accounting policies for revaluation of fixed assets).

In the year to 31 December, 2000, Golden Vale reported a profit before tax of €31.6m (1999 restated:€32.3m) on turnover of €759m (1999: €770m). Net assets at 31 December, 2000 were €128m (1999 restated: €113.2m).

The business operates from 13 manufacturing sites in Ireland and the UK.
The Board of Kerry believes that combining the businesses of Kerry and Golden Vale represents an excellent business opportunity.

- The complementary nature of Kerry and Golden Vale consumer foods portfolio and geographies uniquely positions the combined business in fast growing sectors of European consumer foods markets.

- The proposed transaction represents a major expansion of Kerry's prepared meals and snack products business.

- The opportunity to market Golden Vale products to a wider customer base and distribution of Golden Vale cheese and dairy products through Kerry's dedicated distribution network in the UK and Ireland.

- The opportunity to add enhanced value to Golden Vale dairy raw materials through Kerry's global food ingredients operations.

- Expansion in foodservice markets by combining Kerry and Golden Vale foodservice and quick-service-restaurant offerings.

- The combination of Kerry and Golden Vale dairy and agribusiness activities also provide opportunity for significant cost savings through streamlining the product mix, restructuring of milk assembly and through synergies in feed milling and agri-trading.

In pro-forma terms, the combined businesses for year ending 31 December 2000 had a turnover of €3.38 billion and earnings before interest, tax, depreciation and amortisation (EBITDA) of €350m.

Finance

Interest charges for the period were slightly lower at €22m, with interest cover increasing from 5.9 times to 6.5 times (EBITDA). Working capital increased by €114.3m compared to the year-end 2000 level. Capital expenditure amounted to €49.5m and the cost of businesses acquired in the period amounted to €70.3m. After an adverse translation adjustment of €44.4m, net Group borrowings amounted to €658.6m compared to €569.2m at the end of the first half of 2000.

Accordingly debt to EBITDA increased from 2.1 times to 2.2 times. The taxation charge on ordinary activities increased slightly to €19.2m, with the effective tax rate reducing from 26.0% to 24.7%. The basic weighted average number of ordinary shares in issue for the period was 172,426,880 (half year ended 30 June 2000: 172,047,213; year ended 31 December 2000: 172,149,130). The diluted weighted average number of ordinary shares in issue for the period was 173,577,567 (half year ended 30 June 2000: 173,290,602; year ended 31 December 2000: 173,500,688).

Dividend

The Board has declared an interim dividend of €3.25c per share, an increase of 11.3% on the 2000 interim dividend of €2.92c per share. The interim dividend will be paid on 30 November 2001 to shareholders on the record date 2 November 2001.

Euro

The Group is well prepared for the introduction of the Euro. Many Group sites are already Euro compliant and the remainder will be fully compliant by end of October 2001.

Board and Management Changes

On 27 February 2001, the Board announced the appointment of Mr. Denis Brosnan (currently Managing Director) to the office of Non-Executive Chairman with effect from 1 January 2002 to succeed Mr. Michael Hanrahan who retires as a Director and Chairman on 31 December 2001. As also announced, Mr. Hugh Friel (currently Deputy Managing Director) succeeds Mr. Brosnan as Managing Director of the Group with effect from 1 January 2002.

Mr. Denis Cregan, currently Deputy Managing Director, will also become C.E.O. for Kerry Ingredients worldwide with effect from 1 January 2002.

It has further been decided to appoint Mr. Brian Mehigan (currently Group Controller) as Finance Director with effect from 1 January 2002.

Current Trading and Outlook

The Group is confident of achieving its targets for the full-year. In ingredients markets Kerry will continue to build on its core technologies, while developing leadership positions in the flavour and nutrition sectors. With a primary focus on snack and convenience sectors in the Group's consumer foods markets, complemented by the divisions strong branded positions, Kerry can exploit the forecast significant sectoral growth opportunities.

Notwithstanding the range of bolt-on acquisitions completed in 2001 and the proposed acquisition of Golden Vale, the Group's management, financial and operational resources are well positioned to capitalise on complementary acquisition opportunities.

Michael Hanrahan

Michael Hanrahan
Chairman
11 September, 2001

Consolidated Profit and Loss Account

for the half year ended 30 June 2001

	Half year ended 30 June 2001 Unaudited €'000	Half year ended 30 June 2000 Unaudited €'000	Year ended 31 Dec. 2000 Audited €'000
Turnover			
Continuing operations	1,339,670	1,264,755	2,621,913
Operating profit - continuing operations			
Before goodwill amortisation	107,848	101,305	233,747
Goodwill amortisation	8,775	7,520	15,364
Operating profit	99,073	93,785	218,383
(Profit) on sale of businesses	–	(193)	(1,194)
(Profit)/loss on sale of fixed assets	(876)	–	744
Interest payable and similar charges	21,968	22,600	45,680
Profit before taxation	77,981	71,378	173,153
Taxation	19,229	18,550	40,649
Profit after taxation and attributable to ordinary shareholders	58,752	52,828	132,504
Dividends	5,604	5,024	15,603
Retained profit for the period	53,148	47,804	116,901
Earnings per ordinary share (€cents) - note 2			
- basic before goodwill amortisation and exceptional items	38.7	35.1	85.6
- basic after goodwill amortisation and exceptional items	34.1	30.7	77.0
- fully diluted after goodwill amortisation and exceptional items	33.8	30.5	76.4

Consolidated Balance Sheet
as at 30 June 2001

	30 June 2001 Unaudited €'000	30 June 2000 Unaudited €'000	31 Dec. 2000 Audited €'000
Fixed assets			
Tangible assets	721,248	641,004	671,821
Intangible assets	345,319	262,445	290,139
	1,066,567	903,449	961,960
Current assets			
Stocks	329,040	296,869	285,351
Debtors	402,764	369,756	332,035
Cash at bank and in hand	24,802	10,381	27,995
	756,606	677,006	645,381
Creditors: Amounts falling due within one year	(740,354)	(612,296)	(579,448)
Net current assets	16,252	64,710	65,933
Total assets less current liabilities	1,082,819	968,159	1,027,893
Creditors: Amounts falling due after more than one year	(494,560)	(494,107)	(495,807)
Provisions for liabilities and charges	(2,851)	(8,794)	(3,001)
	585,408	465,258	529,085
Capital and reserves			
Called-up equity share capital	21,554	21,506	21,553
Capital conversion reserve fund	340	340	340
Share premium account	193,690	190,694	193,651
Profit and loss account	346,523	229,137	289,470
	562,107	441,677	505,014
Deferred income	23,301	23,581	24,071
	585,408	465,258	529,085

Consolidated Cash Flow Statement

for the half year ended 30 June 2001

	Half year ended 30 June 2001 Unaudited €'000	Half year ended 30 June 2000 Unaudited €'000	Year ended 31 Dec. 2000 Audited €'000
Operating profit before goodwill amortisation	107,848	101,305	233,747
Depreciation (net)	34,699	32,665	62,422
Change in working capital	(114,321)	(68,423)	14,750
Exchange translation adjustment	2,115	(770)	(1,945)
Net cash flow from operating activities	30,341	64,777	308,974
Return on investments and servicing of finance	(21,141)	(23,485)	(47,584)
Taxation	(17,927)	(21,778)	(42,107)
Capital expenditure			
Purchase of tangible fixed assets	(49,446)	(46,882)	(100,837)
Proceeds on the sale of fixed assets	3,135	756	3,425
Development grants received	–	–	1,733
Purchase of intangible fixed assets	–	–	(45)
Acquisitions and disposals			
Purchase of subsidiary undertakings	(70,264)	(72,337)	(115,619)
Proceeds on the sale of businesses	–	104,876	97,732
Deferred creditors paid	(16)	(2,407)	(1,867)
Exceptional restructuring costs	–	(2,674)	(6,810)
Issue of share capital	40	–	3,004
Equity dividends paid	(10,570)	(9,170)	(14,203)
Cash (outflow)/inflow before the use of liquid resources and financing	(135,848)	(8,324)	85,796
Financing			
Increase/(decrease) in debt due within one year	177,343	5,444	(30,820)
Decrease in debt due after one year	(44,688)	–	(40,242)
(Decrease)/increase in cash in the period	(3,193)	(2,880)	14,734

Reconciliation of Net Cash Flow to Movement in Net Debt

for the half year ended 30 June 2001

(Decrease)/increase in cash in the period	(3,193)	(2,880)	14,734
Cash flow from debt financing	(132,655)	(5,444)	71,062
Change in net debt resulting from cash flows	(135,848)	(8,324)	85,796
Exchange translation adjustment	(44,386)	(16,383)	(19,611)
Movement in net debt in the period	(180,234)	(24,707)	66,185
Net debt at beginning of period	(478,347)	(544,532)	(544,532)
Net debt at end of period	(658,581)	(569,239)	(478,347)

Statement of Total Recognised Gains and Losses

for the half year ended 30 June 2001

	Half year ended 30 June 2001 Unaudited €'000	Half year ended 30 June 2000 Unaudited €'000	Year ended 31 Dec. 2000 Audited €'000
Profit attributable to ordinary shareholders	58,752	52,828	132,504
Exchange translation adjustment on foreign currency net investments	3,905	(8,510)	(17,274)
Total recognised gains and losses relating to the period	62,657	44,318	115,230

Reconciliation of Movements in Share Capital and Reserves

for the half year ended 30 June 2001

	Share Capital and Premium €'000	Capital Conversion Reserve Fund €'000	Profit & Loss Account €'000	Total €'000
At beginning of period	215,204	340	289,470	505,014
Retained profit	–	–	53,148	53,148
Share issue	40	–	–	40
Exchange translation adjustment	–	–	3,905	3,905
At end of period	215,244	340	346,523	562,107

The Profit & Loss Account figures comprise the following:

	Intangible Assets Written Off €'000	Retained Profits €'000	Profit & Loss Account €'000
At beginning of period	(414,931)	704,401	289,470
Retained profit	(8,775)	61,923	53,148
Exchange translation adjustment	–	3,905	3,905
At end of period	(423,706)	770,229	346,523

The exchange translation adjustment arises on the retranslation of the Group's opening net investment in its overseas subsidiaries.

Notes to the Interim Report

for the half year ended 30 June 2001

1. Analysis of results by region

	Half year ended 30 June 2001 Unaudited		Half year ended 30 June 2000 Unaudited		Year ended 31 Dec. 2000 Audited	
	Turnover €'000	Operating Profit €'000	Turnover €'000	Operating Profit €'000	Turnover €'000	Operating Profit €'000
By geographical market of origin:						
Ireland	318,525	18,870	293,846	18,249	645,874	37,306
Rest of Europe	568,500	40,396	558,148	37,971	1,140,934	91,900
Americas	388,127	44,697	348,688	41,230	703,869	92,422
Asia Pacific	64,518	3,885	64,073	3,855	131,236	12,119
	1,339,670	107,848	1,264,755	101,305	2,621,913	233,747
Goodwill amortisation	–	(8,775)	–	(7,520)	–	(15,364)
	1,339,670	99,073	1,264,755	93,785	2,621,913	218,383
By destination:						
Ireland	221,655		209,610		418,261	
Rest of Europe	634,665		617,375		1,274,588	
Americas	402,924		357,613		768,613	
Asia Pacific	80,426		80,157		160,451	
	1,339,670		1,264,755		2,621,913	

Turnover and operating profit as presented above, are stated net of intra Group transactions.

2. Earnings per share

	Unaudited		Unaudited		Audited	
	EPS	June 2001	EPS	June 2000	EPS	Dec. 2000
	€cents	€'000	€cents	€'000	€cents	€'000
Profit after taxation, before goodwill amortisation and exceptional items	38.7	66,651	35.1	60,348	85.6	147,418
Goodwill amortisation	5.1	8,775	4.4	7,520	8.9	15,364
Exceptional items (net)	(0.5)	(876)	–	–	(0.3)	(450)
Profit after taxation, goodwill amortisation and exceptional items	34.1	58,752	30.7	52,828	77.0	132,504
Share option dilution	0.3	–	0.2	–	0.6	–
	33.8	58,752	30.5	52,828	76.4	132,504

The basic weighted average number of ordinary shares in issue for the period was 172,426,880 (half year ended 30 June 2000: 172,047,213; year ended 31 December 2000: 172,149,130). The diluted weighted average number of ordinary shares in issue for the period was 173,577,567 (half year ended 30 June 2000: 173,290,602; year ended 31 December 2000: 173,500,688). The dilution arises in respect of executive share options outstanding.

In addition to the basic and diluted earnings per share, a pre goodwill amortisation and exceptional items earnings per share calculation is also provided, as it more accurately reflects the Group's underlying trading performance.

3. Businesses acquired

The Group completed a number of acquisitions during the period at a total cost of €70.3m.

Alferi Laboratories, a seasonings business based in Little Chute, Wisconsin, was acquired in May 2001. The business, whose products include meat seasonings, dough concentrates and spices, has approximately 60 full-time employees.

The acquisition of Corol S.A., a company based in Meaux, France which provides a range of savoury and functional ingredients, was completed in March 2001. Corol, which has sales to a number of large contract caterers, employs in excess of 25 people.

Creative Seasonings & Spices, a seasonings business with state-of-the-art processing and technical development facilities located in Sturtevant, Wisconsin, was acquired in February 2001. It operates primarily in the processed meats, snack and dairy and prepared foods markets.

The purchase of Iowa Soy, with two production facilities located in Vinton, Iowa producing low-fat, low-fibre soy flour and low-fat soy grits as well as textured soy protein for use by the health and nutritional food industries in the US, was completed in May 2001.

San Giorgio Flavors SpA, a flavours company with manufacturing facilities in Turin and Druento, Italy was acquired in June 2001 from the Pernod Ricard Group. While its core market is Italy, it has also expanded sales overseas to 35 countries across Asian and EU markets, with products ranging from sweet liquid flavours to emulsions for beverages.

Platter Foods Ltd, a Sligo based company operating primarily in the ready meals and chilled salads and fresh desserts sector of the Irish market, was acquired in May 2001.

4. Post balance sheet events

The Group has substantially completed the acquisition of the Golden Vale plc group at an estimated cost, including assumed debt and acquisition expenses, of €398m. The acquisition has been approved by both the shareholders of Kerry and Golden Vale and is currently awaiting clearance from the Minister for Enterprise, Trade and Employment of Ireland and the Office of Fair Trading in the UK. Golden Vale is a leading player in some of Europe's fastest growing food sectors including frozen ready meals, cheese snacks and sliced cheese for the catering markets as well as consumer and industrial sectors and has 13 manufacturing sites in Ireland and the UK.

The acquisition of SPI Foods Inc., whose operations are based in Fremont, Nebraska was finalised in August 2001. The company is engaged in the development and manufacture of specialty extruded pasta, multi-grain products and health food supplements and has in excess of 70 employees.

Nutrir Productos Alimenticios S.A., a business with manufacturing facilities in Belo Horizonte, MG, Brazil and supplying convenience blends to the beverage sector, was purchased in August 2001.

5. Accounting policies

These accounts have been prepared using the same accounting policies detailed in the 2000 annual financial statements.

6. Interim accounts

These accounts are not full accounts and except where indicated are unaudited. Full accounts to 31 December 2000, which received an unqualified audit report, have been filed with the Registrar of Companies.

Notes

Notes

Kerry Group plc
Prince's Street
Tralee
County Kerry
Ireland

Tel: 353 66 718 2000
Fax: 353 66 718 2961

Website: www.kerrygroup.com