

# Results 2003



24 February 2004

# Kerry - 2003 Preliminary Results Presentation

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

# 2003 Strategic Focus

- Consumer: Focus on healthy, convenient, lifestyle foods
- Innovation: Lead industry development
- Growth: Sales, margin and cash flow
- Efficiencies: Business, financial, operational

**Ingredients** *worldwide market leadership*

**Consumer Foods** *leadership in added value categories*

**Flavours** *build world class positioning*

# 2003 Good Results

- Year-on-year currency movement
- Kerry businesses well positioned to meet consumer needs
- Positive stimulus for innovation – NPD

**Kerry = Change = Results**

- Solid progress: sales, margin, free cash flow and acquisition programmes

# 2003 Performance Highlights

- Like-for-like sales growth of **4.6%**
- Like-for-like operating profit\* growth of **7.6%**
- Earnings\* increased by **10.3%** to €208m
- Earnings per share\* increased by **10.1%** to 112.1 cent
- Like-for-like earnings\* growth of **15%**
- Free cash flow generated **€204m**
- Acquisition expenditure **€208m**

*Note: \* before goodwill and exceptional items*



# Food Industry Review – *Challenge and Opportunity*

- Balanced diet and healthy lifestyles
- Opportunity to improve nutritional profile of food and beverage products
- NPD - high protein, high energy, tasty, naturally flavoured, low-carbohydrate, functional, organic, 'wellness' and indulgence products
- Which - meet food safety and convenience requirements 'food-to-go', ease of cooking etc.

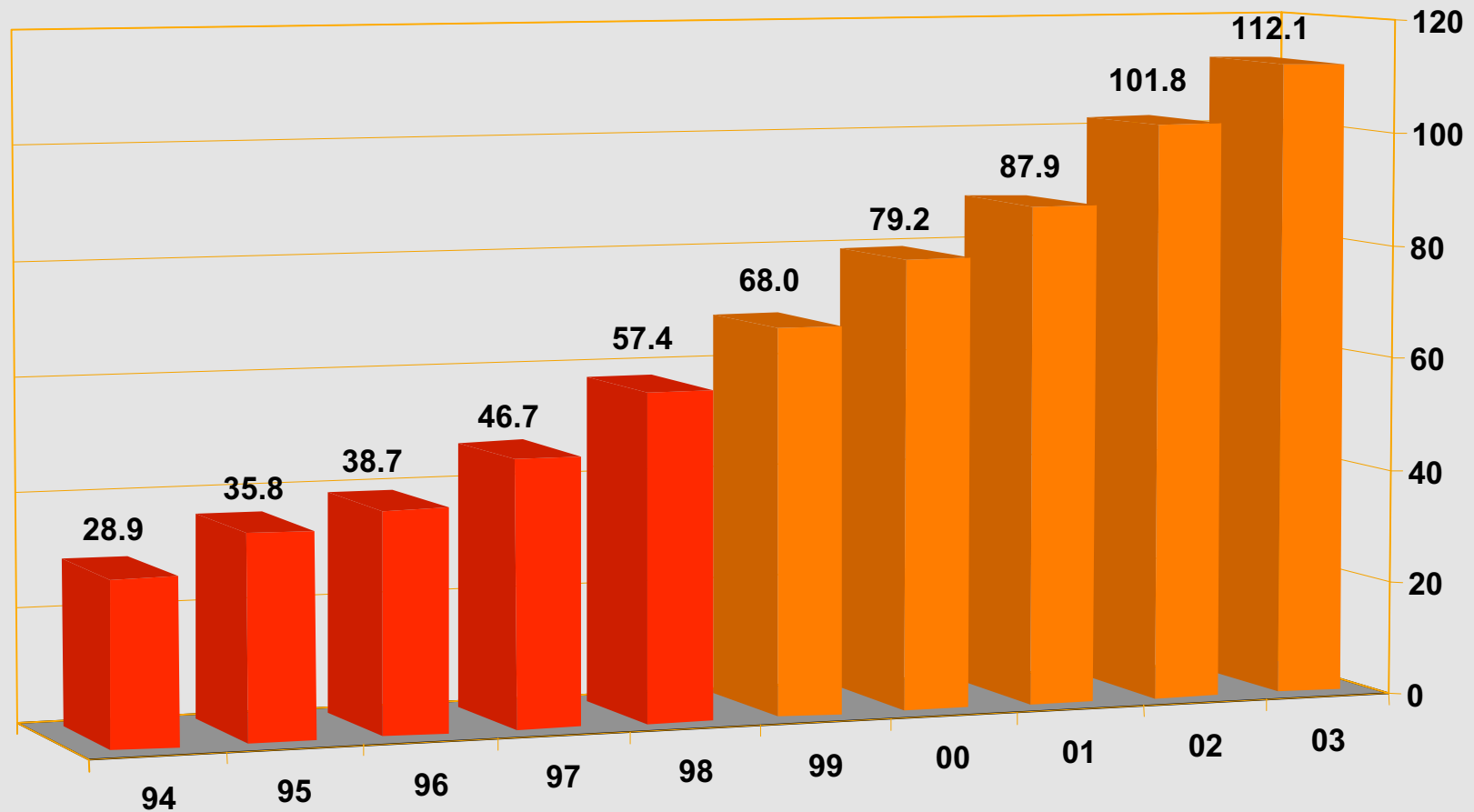
## **Kerry Core Capabilities:**

Commercialisation of concepts, scientific knowledge, culinary expertise, consumer understanding

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

	2001	2002	2003
Ireland	6%	4%	3%
Rest of Europe	4%	6%	5%
Americas	6%	7%	6%
Asia Pacific	6%	5%	12%
Group	5%	6%	5%

# EPS\* (cent) Growth



Note: \* before goodwill and exceptional items





# Financial Review 2003

# 2003 Financial Highlights

Turnover	→	€3,693m	-1.6% <i>+4.6% like-for-like</i>
Operating profit*	→	€309m	+1.0% <i>+7.6% like-for-like</i>
Earnings*	→	€208m	+10.3%
EPS*	→	112.1 cent	+10.1%
FRS3 EPS	→	86.7 cent	+54.5%

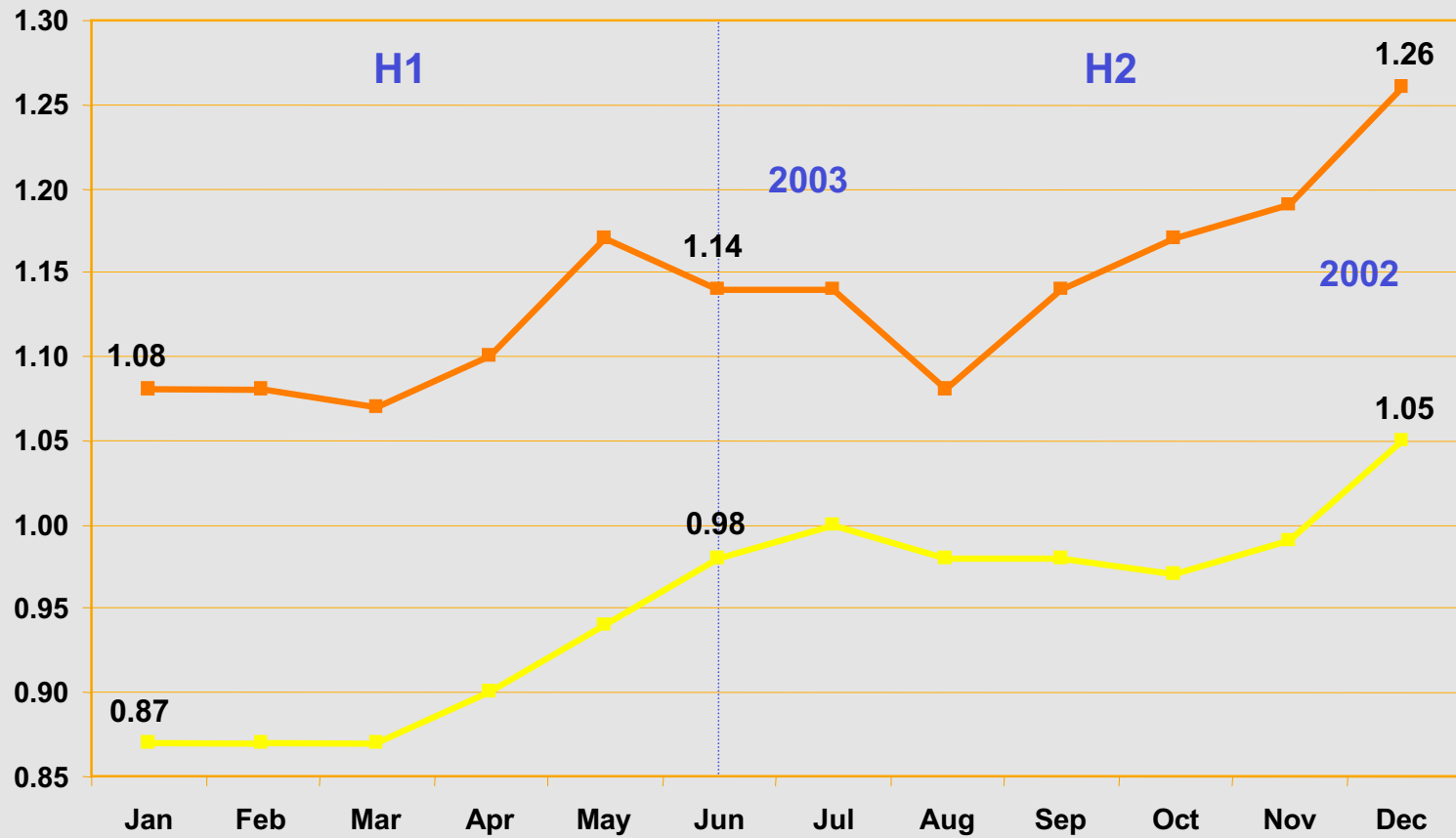
Note: \* before goodwill and exceptional items



# Currency Exposure Management

- Balance sheet – matching assets and liabilities
- Foreign exchange transactions - natural hedges and tactical hedges
- Profit translation exposure: not hedged
- 20% depreciation Dollar v Euro
- 10% depreciation Sterling v Euro

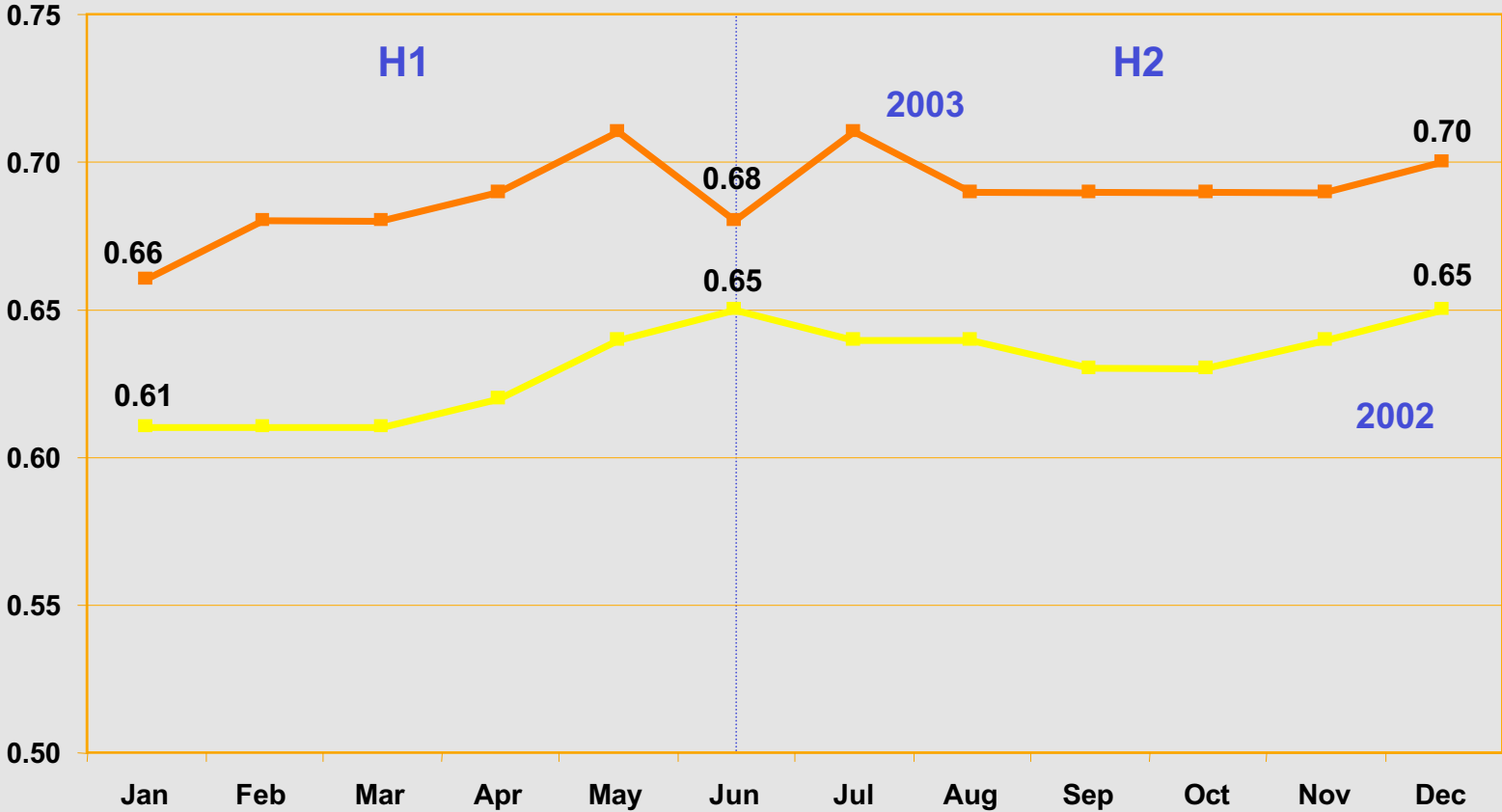
# Euro - US Dollar Trend



Avg Fx Rate	2003	2002	% Change
	1.13	0.94	+20%



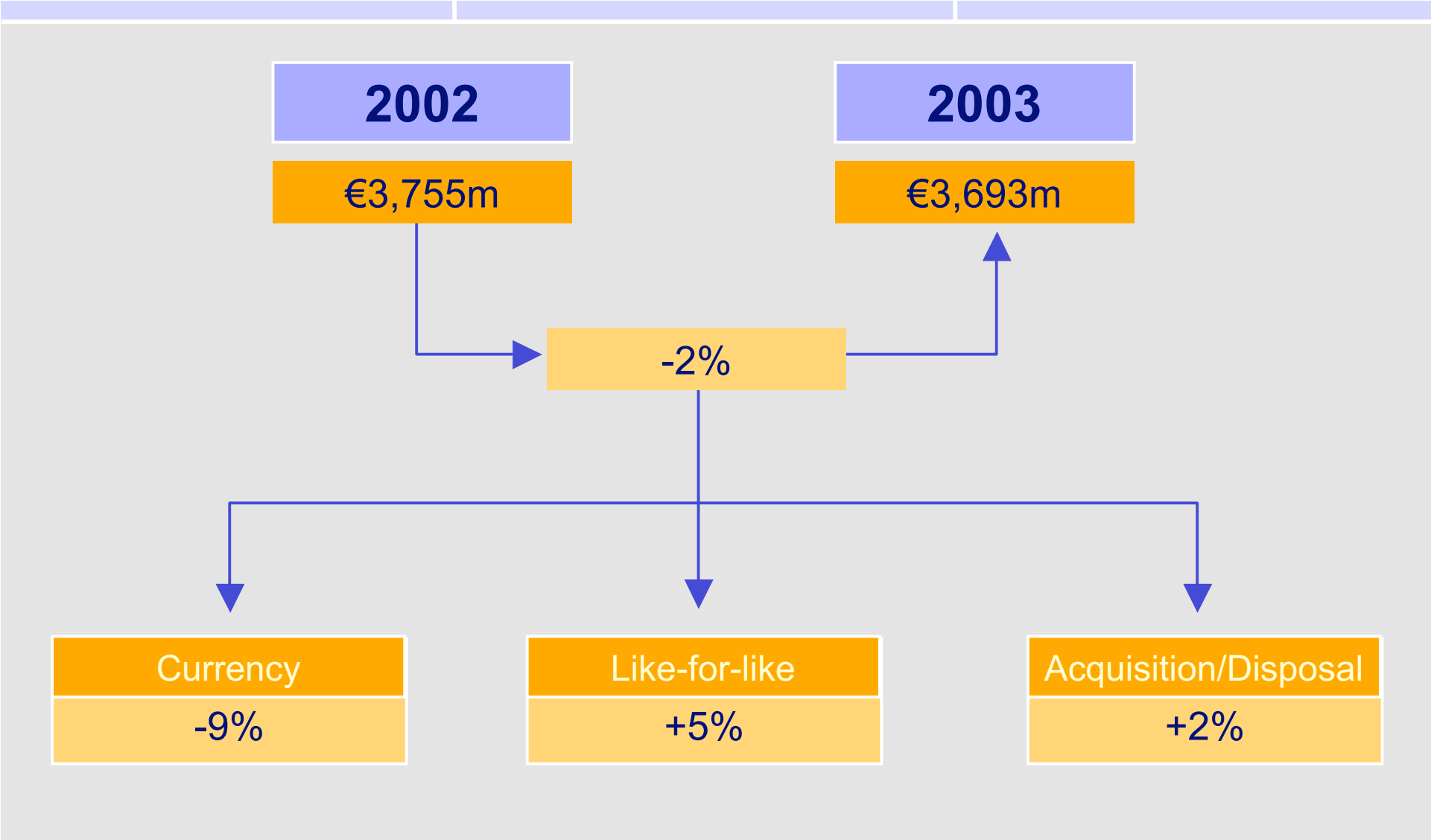
# Euro - Sterling Trend



Avg Fx Rate	2003	2002	% Change
	0.69	0.63	+10%



# Turnover Analysis

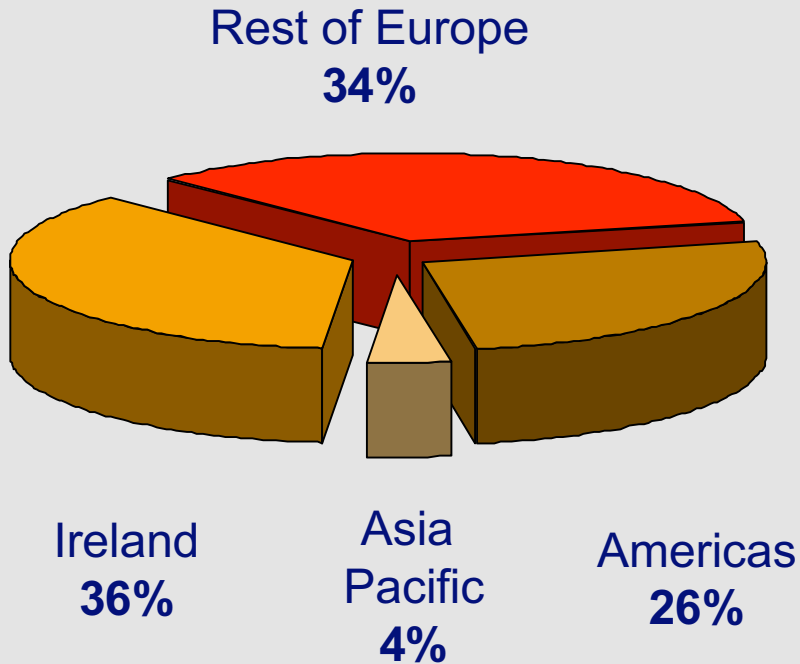


## Turnover : *Like-for-like*

	Like-for-like Growth	Acquisition / Disposal	Currency	Reported Growth
Ireland	3%	(6%)	0%	(3%)
Rest of Europe	5%	3%	(10%)	(2%)
Americas	6%	13%	(20%)	(1%)
Asia Pacific	12%	1%	(3%)	10%
Group	5%	2%	(9%)	(2%)

# Turnover : *Geographical*

## Geographic Split



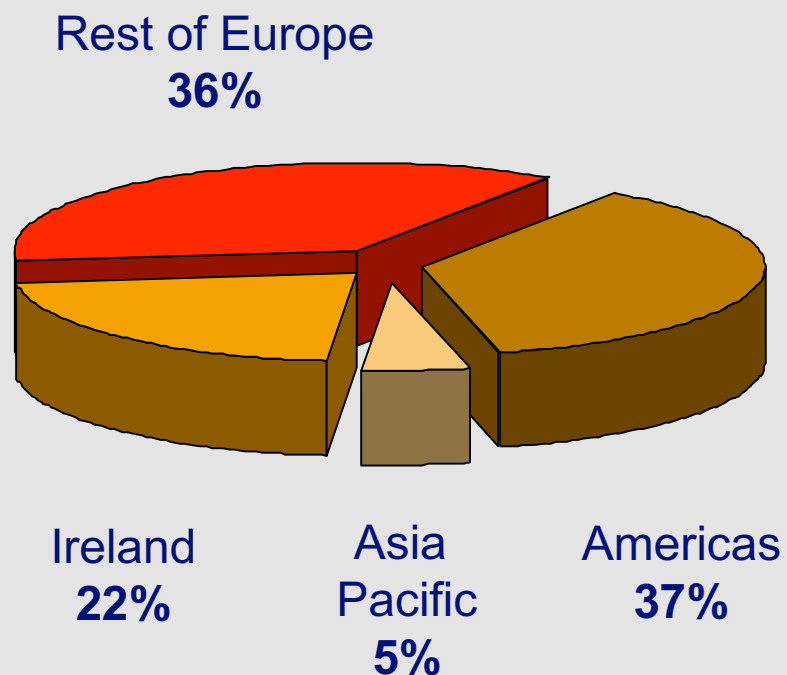
## Like-for-like Growth %

	2003	2002
Ireland	3%	4%
Rest of Europe	5%	6%
Americas	6%	7%
Asia Pacific	12%	5%
Group	5%	6%



# Operating Profit\* Growth

## Geographic Split



## 2003 Growth %

	Like-for-like	Reported
Ireland	11%	10%
Rest of Europe	8%	2%
Americas	6%	(6%)
Asia Pacific	12%	14%
Group	8%	1%

Note: \* before goodwill and exceptional items



# Quality Indicators 2003

Operating profit* margin	→	8.4%	+30bps <i>+30bps like-for-like</i>
Free cash flow	→	€204m	2002: €232m
Return on average equity*	→	15.2%	2002: 15.2%

Note: \* before goodwill and exceptional items



# Operating Margin\* Change

**Operating margin\*** 8.1% → 8.4%

Like-for-like growth

+30bps

Acquisitions / Disposals

+10bps

Currency

-10bps

**Operating margin\* change**

**+30bps**

*Note: \* before goodwill and exceptional items*



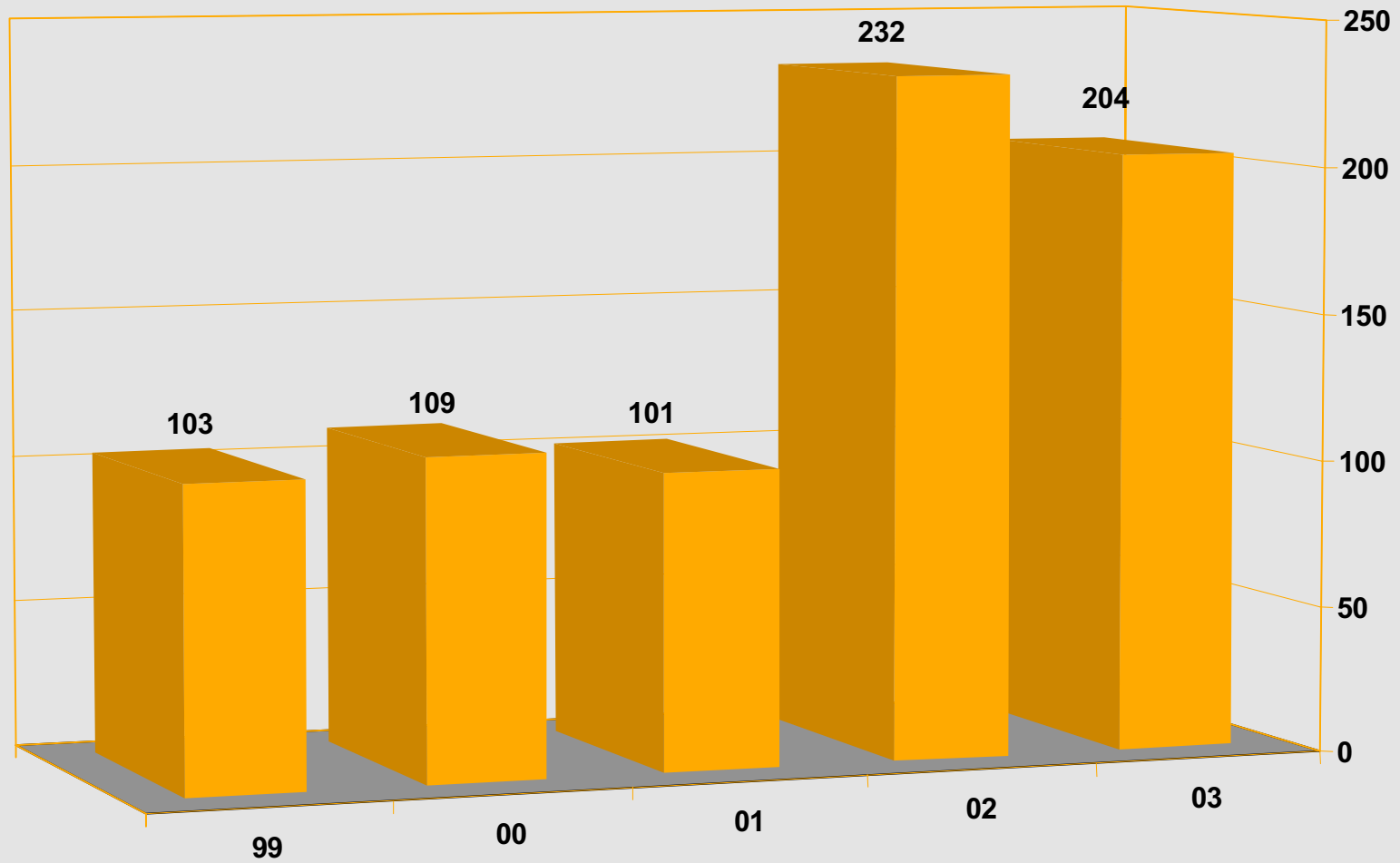
# Operating Margin\* % by Region

	Ireland	ROE	Americas	Asia Pacific	Total
2002 margin reported	4.6%	8.5%	12.8%	8.9%	8.1%
Acquisitions / disposals	0.3%	0.2%	(0.6%)	-	0.1%
Currency	-	(0.1%)	(0.2%)	-	(0.1%)
<b>Like-for-like</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>0.3%</b>
<b>2003 margin reported</b>	<b>5.2%</b>	<b>8.8%</b>	<b>12.1%</b>	<b>9.2%</b>	<b>8.4%</b>

Note: \* before goodwill and exceptional items



# 2003 Free Cash Flow (€m)



## Five Year Free Cash Flow (€m)

	1999	2000	2001	2002	2003
EBITDA*	259	296	331	390	392
Movement in working capital	3	13	(34)	46	8
Capital expenditure (net)	(79)	(96)	(89)	(92)	(93)
Interest	(40)	(48)	(46)	(50)	(41)
Taxation	(28)	(42)	(44)	(43)	(40)
Dividends	(12)	(14)	(17)	(19)	(22)
<b>Free Cash Flow</b>	<b>103</b>	<b>109</b>	<b>101</b>	<b>232</b>	<b>204</b>

Note: \* before exceptional items



# Financial Ratios

2002		2003
63%	Debt : Equity	52%
34%	Debt : Market Capitalisation	27%
7.8x	EBITDA* : Net Interest	10.5x
2.1x	Debt : EBITDA*	1.9x

Note: \* before exceptional items



# Other Financial Matters

- Pension Pension charge increased by €7m due to acquisitions and funding of the deficit
- Taxation Tax charge on continuing operations down from 31% to 28%
- Finance Charges Decreased €13m year-on-year due to rate, volume and currency
- Financing Debt term extended by issue of US\$650m Senior Notes
- Restructuring Plan to reorganise operating plants acquired - (no material net effect on earnings envisaged)



# Business Reviews

# Kerry Today: *A Global Food Company*

Ingredients (ASI's)	Foods (UK & Irl)	Flavours
<p data-bbox="212 491 636 539">Savoury ingredients</p> <p data-bbox="212 614 593 662">Sweet ingredients</p> <p data-bbox="212 737 582 785">Nutrition / Protein</p> <p data-bbox="212 860 678 908">Food coating systems</p>	<p data-bbox="869 502 1207 550">Prepared meals</p> <p data-bbox="869 593 1229 641">Branded savoury</p> <p data-bbox="869 684 1310 732">Cheese and spreads</p> <p data-bbox="869 775 1290 823">Convenience meats</p> <p data-bbox="869 866 1229 914">Speciality poultry</p> <p data-bbox="869 941 1097 989">Beverages</p>	<p data-bbox="1471 507 2033 555">Botanical / Herbal extracts</p> <p data-bbox="1471 614 1827 662">Savoury flavours</p> <p data-bbox="1471 705 1787 753">Sweet flavours</p> <p data-bbox="1471 812 2029 860">Cheese and dairy flavours</p> <p data-bbox="1471 919 1874 967">Functional flavours</p>
		

# Key Developments 2003

## Ingredients

- Nutritional bars
- Nutritional drinks
- Breakfast items
- Organic foods
- Functional foods

## Foods

- Added-value meat products
- Ready meals
- Cheese snacks
- Chilled desserts
- 'Food-to-go'

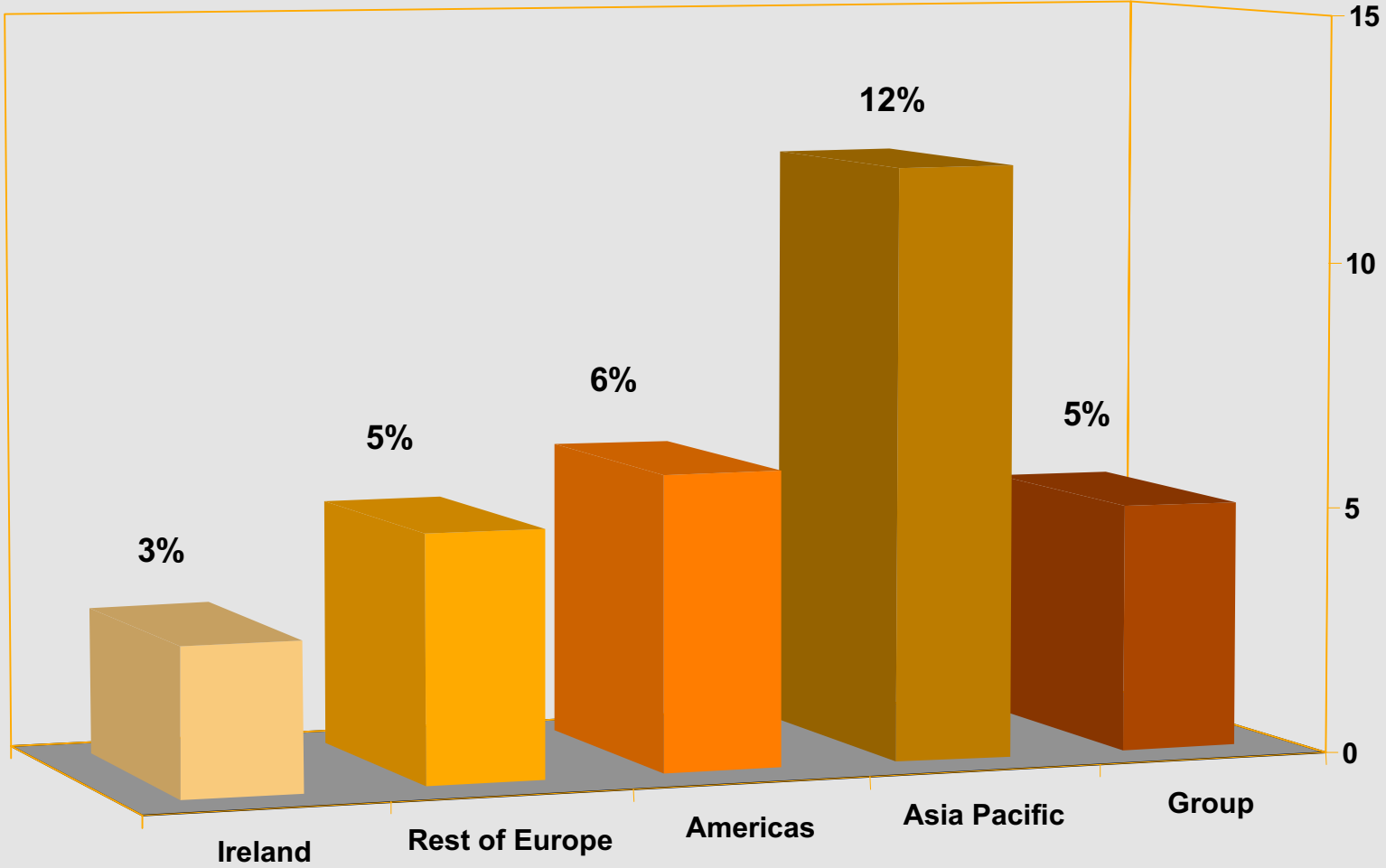
## Flavours

- Citrus flavours
- All-natural flavours
- Botanical extracts
- Functional flavours
- Health supporting components

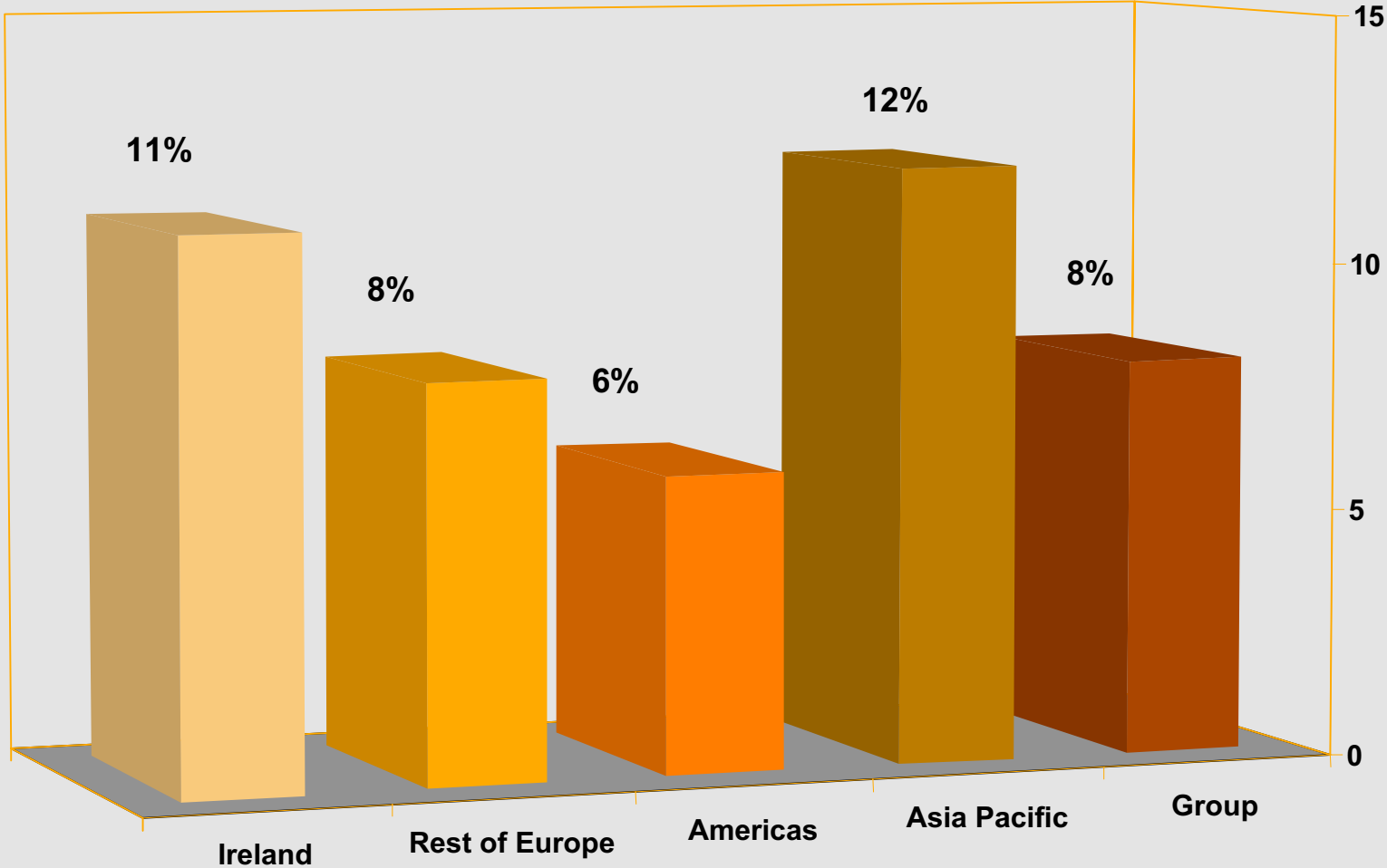
## Foodservice

- Branded flavoured syrups
- Seasonings
- Flavoured coatings
- RTU sauces
- RTD beverages

# Like-for-like Sales Growth by Region



# Like-for-like Operating Profit\* Growth by Region



Note: \* before goodwill and exceptional items



# Business Review - Ireland

<b>Ireland</b>	<b>2003</b>	<b>Total Growth</b>	<b>Like for Like</b>
Turnover	€1,332m	(3.0%)	+2.6%
Operating Margin	5.2%	+60bps	+30bps

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- Excellent progress in natural cheese and cheese snacking
- Continued growth through Denny brand
- Poultry performance down year-on-year
- Freshways expansion completed
- Functional dairy – new applications

# Business Review – Rest of Europe

<b>Rest of Europe</b>	<b>2003</b>	<b>Total Growth</b>	<b>Like for Like</b>
Turnover	€1,265m	(2.2%)	+4.9%
Operating Margin	8.8%	+30bps	+20bps

- Good results: Wall's, Richmond, Mattessons brands
- Ready meals continued growth
- Flavoured coatings: good growth in Europe and Far East
- Growth in Mastertaste Europe through multinational customer base

# Business Review - Americas

Americas	2003	Total Growth	Like for Like
Turnover	€939m	(0.6%)	+5.9%
Operating Margin	12.1%	-70bps	+10bps

- Margin back 70bps due to cost infrastructure, acquisitions and currency
- Growth across nutritional foods and beverages
- Kerry ASI's well positioned to capitalise on consumer 'health' focus
- Excellent performance through Nutriant unique soy ingredients
- Foodservice: continued progress through flavoured syrups, seasonings and RTU products
- Mastertaste US well established

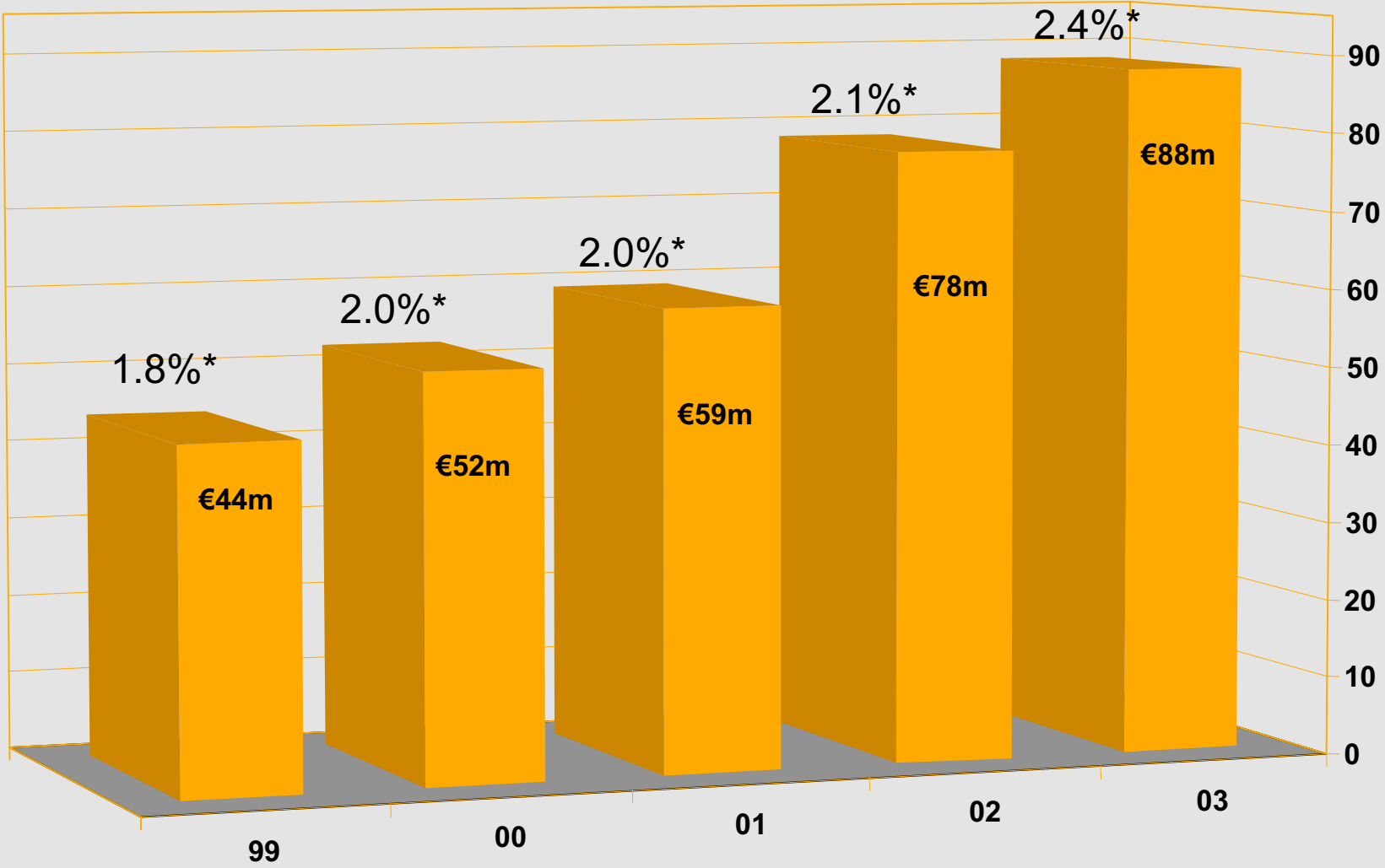


# Business Review – Asia Pacific

<b>Asia Pacific</b>	<b>2003</b>	<b>Total Growth</b>	<b>Like for Like</b>
Turnover	€157m	+9.9%	+12.3%
Operating Margin	9.2%	+30bps	+30bps

- Excellent business performance
- Good volume growth in seasonings, coatings systems and bakery in Australia and New Zealand
- South East Asia: significant growth through nutritional and functional ingredients
- North Asia: nutritional sector grew 10% year-on-year
- Good regional progress in growing branded beverage foodservice applications

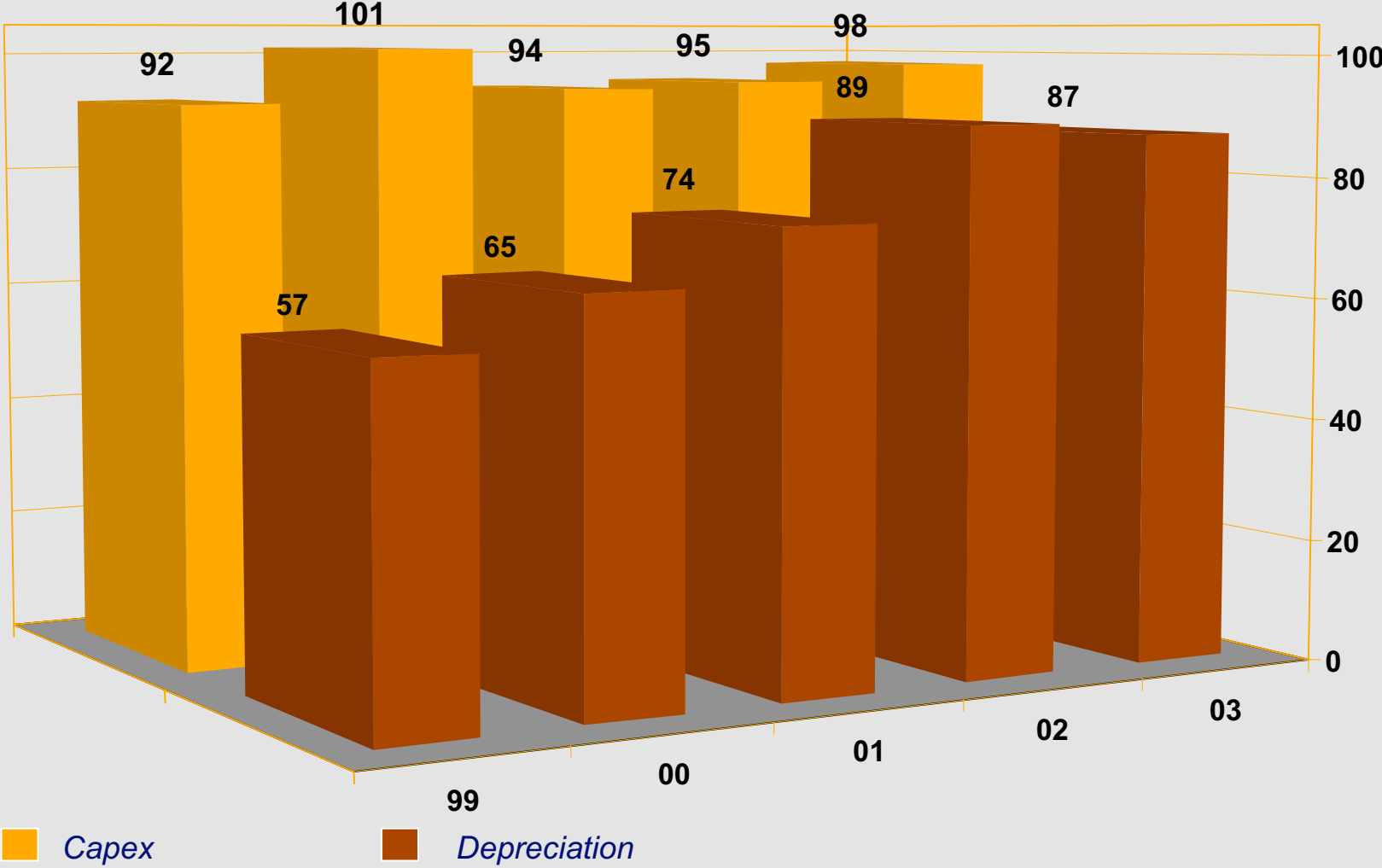
# R&D Expenditure (€m)



Note: \* figures relate to R&D as a percentage of turnover



# Capital Expenditure (€m)



# Ingredients / Flavours Acquisitions Since 2000

	Sweet	Nutrition & Protein	Flavourings & Seasonings	Culinary	Mastertaste Flavours
2000	Shade Foods	Solnuts			
2001	SPI	Iowa Soy SPI Siber Nutrir	Alferi Creative Demicombe	Voyager Aromont Corol	San Giorgio Geneva Hickory
2002	Ringger Roskam	Ringger IDSA Turtle Lake	Stearns & Lehman Thailand Rector IFI		St. Louis Flavours Metarom
2003	Guernsey Bel		Pacific Seasonings Da Vinci Gourmet		SunPure Crystals International

# Kerry Foods Acquisitions Since 2000

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



# Trading Outlook

- Strong business growth opportunities
- High rate of innovation
- Flavour capabilities central to NPD
- Excellent growth outlook for unique soy and functional dairy applications
- Foods – further development of added value branded segments
- Branded foodservice development in fast growing global beverage sector

# Prospects

- Trading outlook very encouraging
- Strategy good fit for convenience, nutrition and lifestyle food and beverage growth
- Strong pipeline of acquisition opportunities supported by a healthy balance sheet
- Full year prospects in line with market expectations

# **Additional Information**



## EPS Broker Estimates - *Full Year 2004*

	<b>2004 EPS</b> <b>€ Cent</b>	<b>%</b> <b>Growth</b>
Consensus	120.0	7.0
Davy	118.8	6.0
SSSB	123.6	10.3
ABN Amro	118.8	6.0
Goodbody	119.9	7.0
Merrion	119.0	6.2
NCB	121.5	8.4
Cazenove	118.5	5.7

# Analysis of Results by Region (€m)

Group	2003			2002		
	Turnover	Operating Profit*	%	Turnover	Operating Profit*	%
Ireland	€1,332	€69	5.2%	€1,374	€63	4.6%
Rest of Europe	€1,265	€112	8.8%	€1,293	€109	8.5%
Americas	€939	€114	12.1%	€945	€120	12.8%
Asia Pacific	€157	€14	9.2%	€143	€13	8.9%
<b>Total</b>	<b>€3,693</b>	<b>€309</b>	<b>8.4%</b>	<b>€3,755</b>	<b>€305</b>	<b>8.1%</b>

Note: \* before goodwill and exceptional items



# EPS Reconciliation

2002 € cent		2003 € cent	Growth %
101.8	EPS*	112.1	<b>10.1%</b>
(22.3)	Goodwill amortisation	(25.9)	
(23.4)	Exceptional items (net of tax)	0.5	
56.1	FRS3 EPS	86.7	54.5%

Note: \* before goodwill and exceptional items



## Debt Profile (€m)

	Net Borrowings	@ Floating Rates	@ Fixed Rates
Euro	160	160	-
Sterling	44	44	-
US Dollar	419	322	97
Others	82	82	-
	705	608	97

86%

14%

Weighted average period for which rate is fixed: 2.8 years

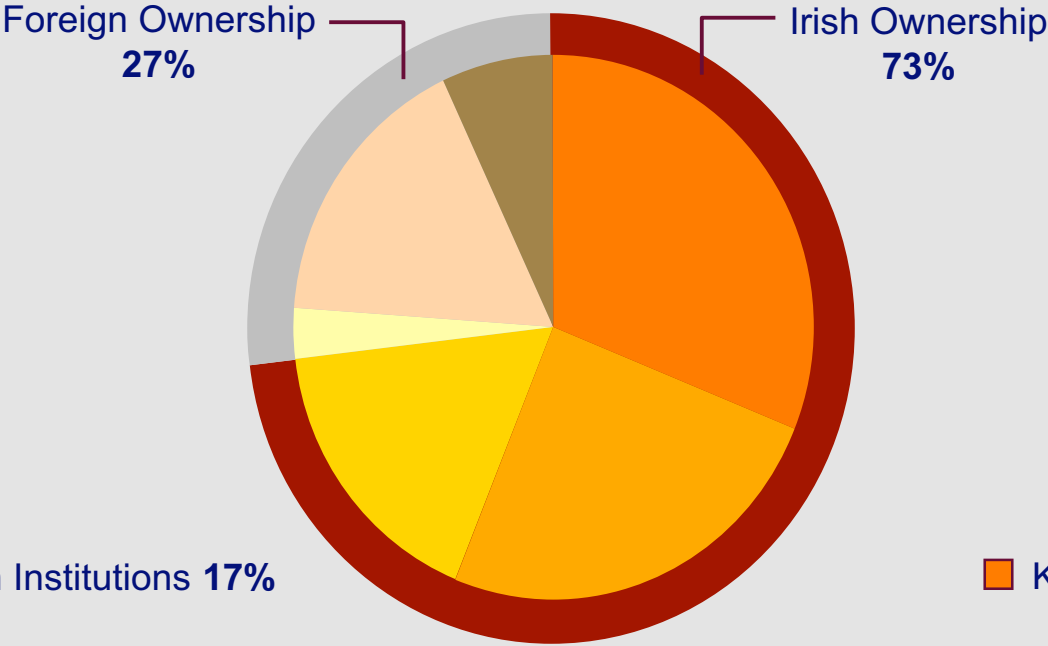
# Maturity Profile of Net Debt

	31 Dec 2003 €m	31 Dec 2002 €m
Within one year	(39)	115
Between 1 and 2 years	142	306
Between 2 and 5 years	31	313
Between 5 and 10 years	321	30
After 10 years	250	-
	<u>705</u>	<u>764</u>
Weighted average maturity in years:	7.8	2.4

# Cash Flow (€m)

	2003	2002
Cash from operations	400	436
Interest and taxation	(81)	(93)
Capital expenditure	(93)	(92)
Equity dividends	(22)	(19)
<b>Free cash flow</b>	<b>204</b>	<b>232</b>
Acquisitions and disposals		
- Businesses acquired	(212)	(247)
- Businesses sold	1	33
- Acquisitions restructuring	(17)	(34)
	(228)	(248)
Financing - issue of share capital	2	5
	(22)	(11)
Exchange adjustment	81	66
Decrease in borrowings	59	55
Opening net debt	(764)	(819)
Closing net debt	(705)	(764)

# Shareholder Analysis



North American Institutions 17%

UK Institutions 7%

Continental Europe / Rest of World Institutions 3%

Kerry Co-op 31%

Irish Individuals 25%

Irish Institutions 17%

Shares in issue: 186 million





**KERRY**