




## Preliminary Statement of Results 2006



the science of food



- Review of Business Hugh Friel
  - Financial Review Brian Mehigan
  - Business Growth Prospects Hugh Friel
  - Q&A
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# 2006 Performance Highlights

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- Revenue growth of 4.9% to €4,646m
- Like-for-like revenue growth of 3.6%
- Trading profit increased to €384m
- Adjusted EPS\* up 1.7% to 133.9 cent
- Final dividend per share up 13.6% to 12.5 cent
- Free cash flow of €241m
- R&D investment of €139m

*Note: \* before intangible asset amortisation and non-trading items*

# Kerry Response to Challenging Environment in 2006

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- Good organic growth
  - Good results through innovation in nutritional and wellness categories
  - Divestment of underperforming businesses
  - Restructuring programme for optimal asset utilization
  - Continuing focus on cost recovery and savings programmes
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# Business Review - *Ingredients 2006*



	2006	Total Growth
Revenue	€3,134m	3.7%
Trading Profit	€293m	3.3%

- Good top-line growth (4% like-for-like)
- Margin held at 9.4%
- Strong H2
- Americas - good performance in nutritional, organics and beverage categories
- Europe - cost recovery continuing
- Asia Pacific - continued strong growth and development

# Business Review - *Ingredients Americas*



Americas	2006	Total Growth	Like-for-like
Revenue*	€1,276m	5.2%	4.9%

- Good results through 'Go to Market' strategy
- Like-for-like growth of 4.9% achieved through innovative nutritional and convenience offerings
- Encouraging growth across sweet and savoury sectors
- New menu concepts driving growth in foodservice / coffeehouse chains
- Kerry Bio-Science - satisfactory development in culinary, cell nutrition and pharma segments
- Mastertaste benefiting from 'all natural' and organics growth
- Continued growth in Mexico, Central & South America

*Note: \* revenue by location of customers*

# Business Review - *Ingredients Europe*



Europe	2006	Total Growth	Like-for-like
Revenue*	€1,294m	2.3%	3.2%

- Like-for-like revenue growth of 3.2%
- Profit margins held despite delay in cost recovery
- Good growth through culinary systems
- Seasonings and coatings difficult year in France and UK but good progress in Germany
- Bio-Science outperformed the market with satisfactory growth in proteins, emulsifiers, enzymes, yeast and brewing ingredients
- Dairy markets weak but some recovery prior to year-end
- Fruit and sweet ingredient margins progressing well
- Mastertaste lower sales in Europe but increased profits

Note: \* revenue by location of customers

# Business Review - *Ingredients Asia Pacific*



Asia Pacific	2006	Total Growth	Like-for-like
Revenue*	€363m	9.2%	10.1%

- Strong top-line and margin growth
- Significant growth through nutritional, savoury and beverage offerings
- Branded beverage flavourings up 32%
- Esterol emulsifiers double digit growth
- Pinnacle specialty bakery products continued good growth in Australia and successful extension to Asian markets

*Note: \* revenue by location of customers*



# Business Review - *Consumer Foods 2006*



	2006	Total Growth
Revenue	€1,819m	5.4%
Trading Profit	€118m	(4.5%)

- Like-for-like revenue growth of 1.5% (H2: 2.6%)
- Difficulties in primary poultry and frozen meals adversely impacted trading performance
- Good recovery in chilled ready meals - quarter by quarter
- Frozen ready meals down 12% year-on-year but decline slowed to 9% by year-end
- Continued satisfactory growth in cheese and spreads, sausage and premium sliced meats
- Strong brands investment and market positioning
- Disposal of primary poultry operations, chilled patisserie and St. Brendan's Cream Liqueur businesses



# Financial Review



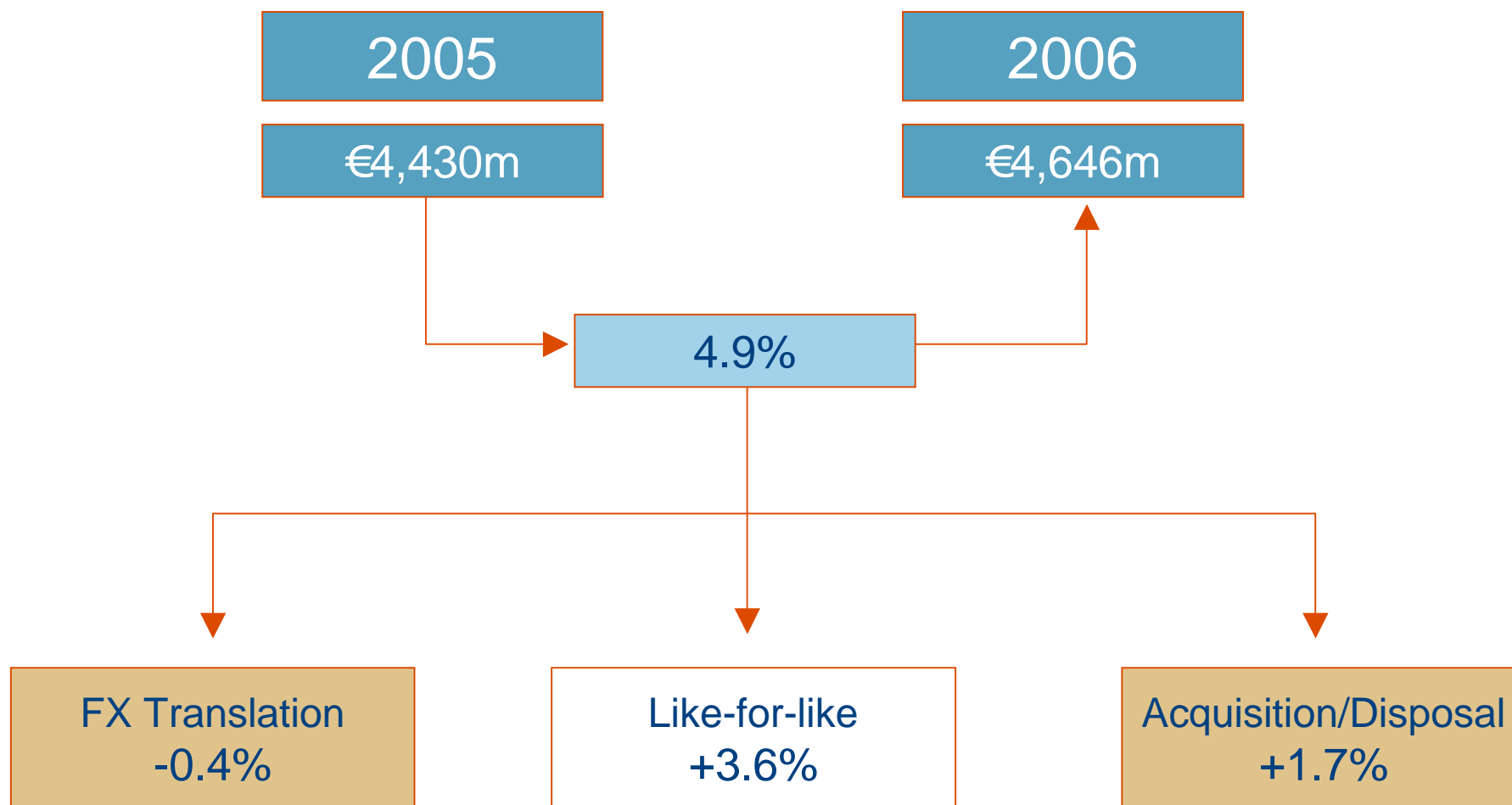
# 2006 Financial Highlights



Revenue	→	€4,646m	4.9%
Trading profit	→	€384m	1%
Adjusted EPS*	→	133.9 cent	1.7%
Free cash flow	→	€241m	2005: €248m
Acquisition programme	→	€113m	2005: €238m

Note: \* before intangible amortisation and non-trading items

# Revenue Growth Analysis



*Note: Like-for-like represents revenue growth before subsidiary translation and acquisitions / disposals impact*

# Revenue Growth by Business



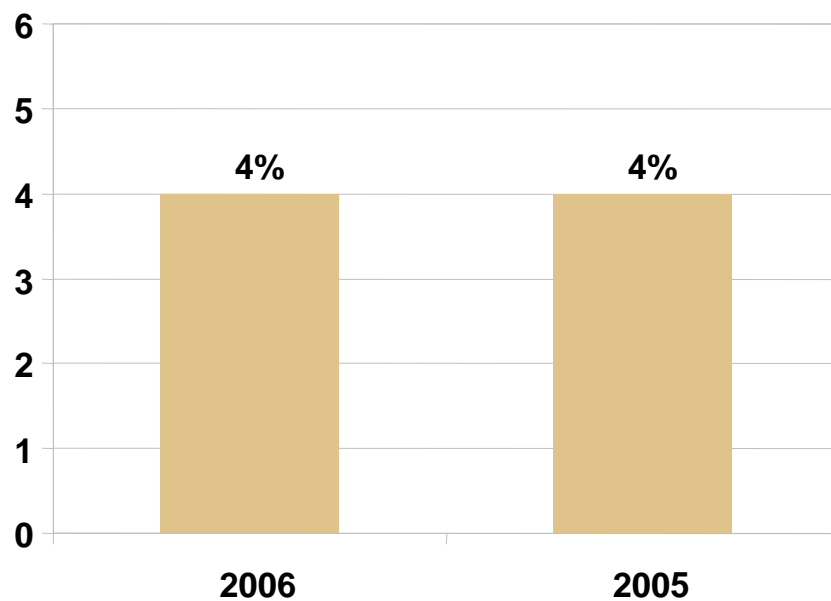
	2006 Revenue		2005 Revenue	
	Total Growth	Like-for-like Growth	Total Growth	Like-for-like Growth
- Europe*	2.3%	3.2%	8.5%	4.8%
- Americas*	5.2%	4.9%	8.2%	3.8%
- Asia Pacific*	9.2%	10.1%	15.7%	7.1%
Ingredients	3.7%	4.0%	8.7%	4.5%
Consumer Foods	5.4%	1.5%	3.9%	2.0%
Group	4.9%	3.6%	7.3%	3.7%

Note: \* Revenue by location of customers

# Revenue Growth Components



## Like-for-like % Growth



## Like-for-like % Growth

	2006	2005
Volume	3%	4%
Price	1%	1%
Trading currency	0%	(1%)
Group	4%	4%

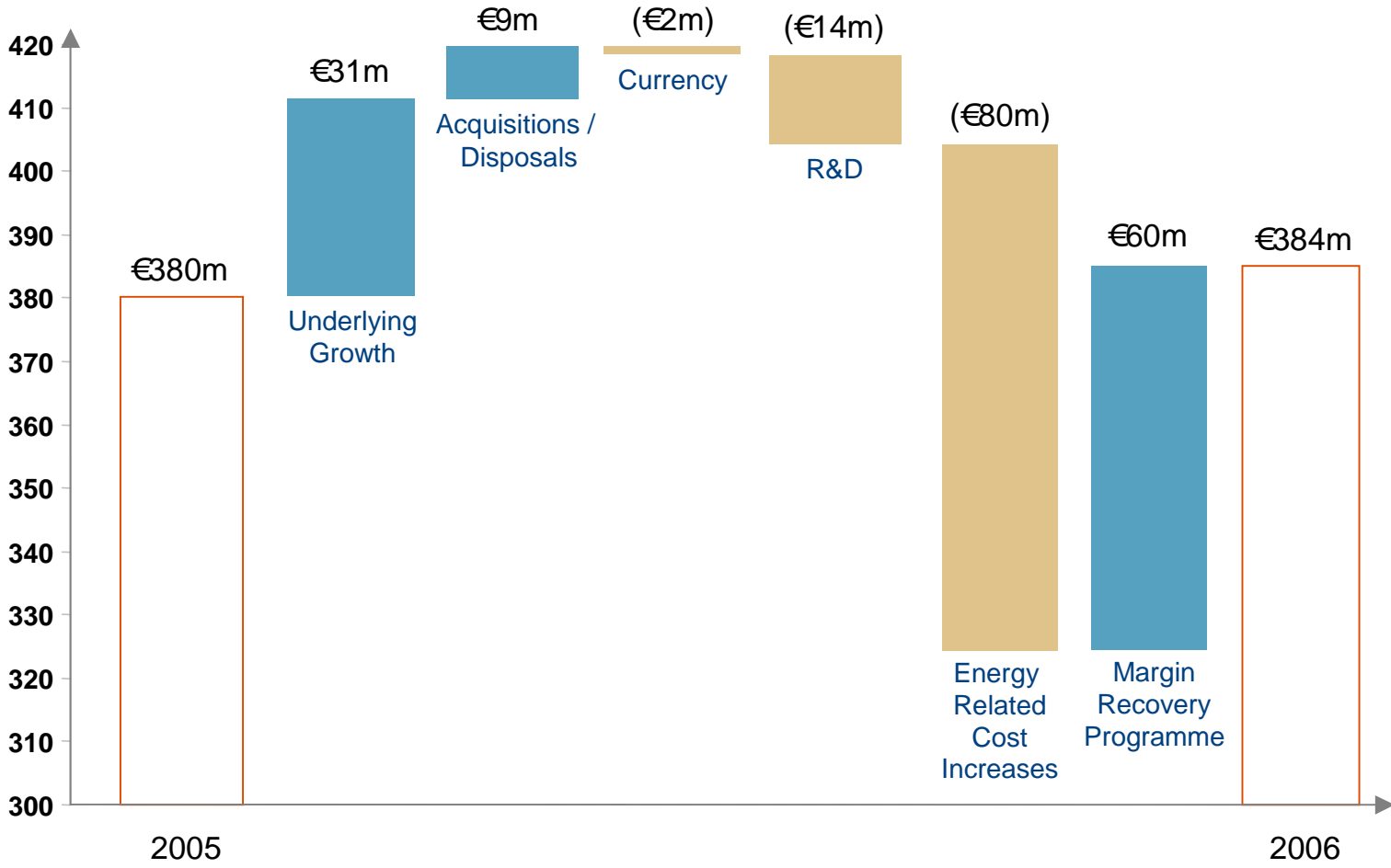
*Note: Like-for-like represents revenue growth before subsidiary translation and acquisitions / disposals impact*

# Margin by Business



	2006			2005		
	Revenue	Trading Profit		Revenue	Trading Profit	
	€m	€m	%	€m	€m	%
Ingredients	3,134	293	9.4%	3,022	284	9.4%
Consumer Foods	1,819	118	6.5%	1,726	123	7.1%
Elimination / Unallocated	(307)	(27)	-	(318)	(27)	-
Group	4,646	384	8.3%	4,430	380	8.6%

# Trading Margin Progression



Margin	8.6%	+0.4%	+0.1%	0.0%	-0.2%	-1.8%	+1.2%	8.3%
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# Free Cash Flow



	2006	2005
	€m	€m
EBITDA*	487	482
Movement in working capital	(46)	1
Capital expenditure (net)	(88)	(120)
Interest	(77)	(64)
Taxation	(35)	(51)
<b>Free cash flow</b>	<b>241</b>	<b>248</b>
Dividends and share buybacks	(79)	(27)
Acquisitions	(113)	(234)

Note: \* before intangible amortisation and non-trading items

# Financial Ratios



	2006	2005
Debt : EBITDA*	2.5x	2.6x
Debt : Market capitalisation	35%	37%
EBITDA : Net interest*	6.2x	8.0x
CFROI	10.4%	11.0%

*Note: \* ratios calculated in accordance with financial covenants*

# Restructuring Programme Update

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- 2006 charge €59.2m net of tax
  - Net positive cash contribution
  - Disposed of :
    - Irish & UK poultry businesses
    - UK chilled desserts business
    - St. Brendan's cream liqueur business
  - Programme well advanced
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# Other Financial Matters

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- Finance costs Up €8.6m due mainly to increase in average interest rates
- Taxation Tax charge on continuing operations down to 19.6% due to acquisition integration and the benefit of increased R&D tax credits
- Pensions Pension charge for the year amounted to €39m and the net deficit after tax amounted to €122m

## Outlook 2007 and Future Prospects



# Ingredients Markets Growth Strategy



- 'Go to Market' - focused enterprise selling
- Increased leverage of ingredients, flavours and bio-science technologies across food and beverage growth categories
- Enhance product mix in mature sectors
- Increased investment in innovation
- Expand development in pharma / nutritional markets
- Build on successful platforms in emerging markets
- Continued technology / business investment



# Consumer Foods Growth Strategy



- Foods margin recovery well underway
- Strong category positioning and encouraging leading brands growth
  - Cheese and spreads
  - Chilled ready meals
  - Sausage and premium meats
- Continuing leadership through premiumisation and convenient food-to-go offerings
- Valuable stable business with strong core capabilities
- Continuing investment in health / wellness and category innovation
- Leverage strong customer relationships



# Outlook: Future Prospects



- Good start to 2007
- Solid organic growth prospects in ingredients markets
- Encouraging profitable growth in Kerry's core consumer foods categories
- Continuing focus on cost recovery / savings
- Restructuring programme well advanced
  - on completion will generate 25bps margin improvement in 2008
- Strong balance sheet - well positioned to avail of business growth opportunities
- Outcome for 2007 in line with market expectations



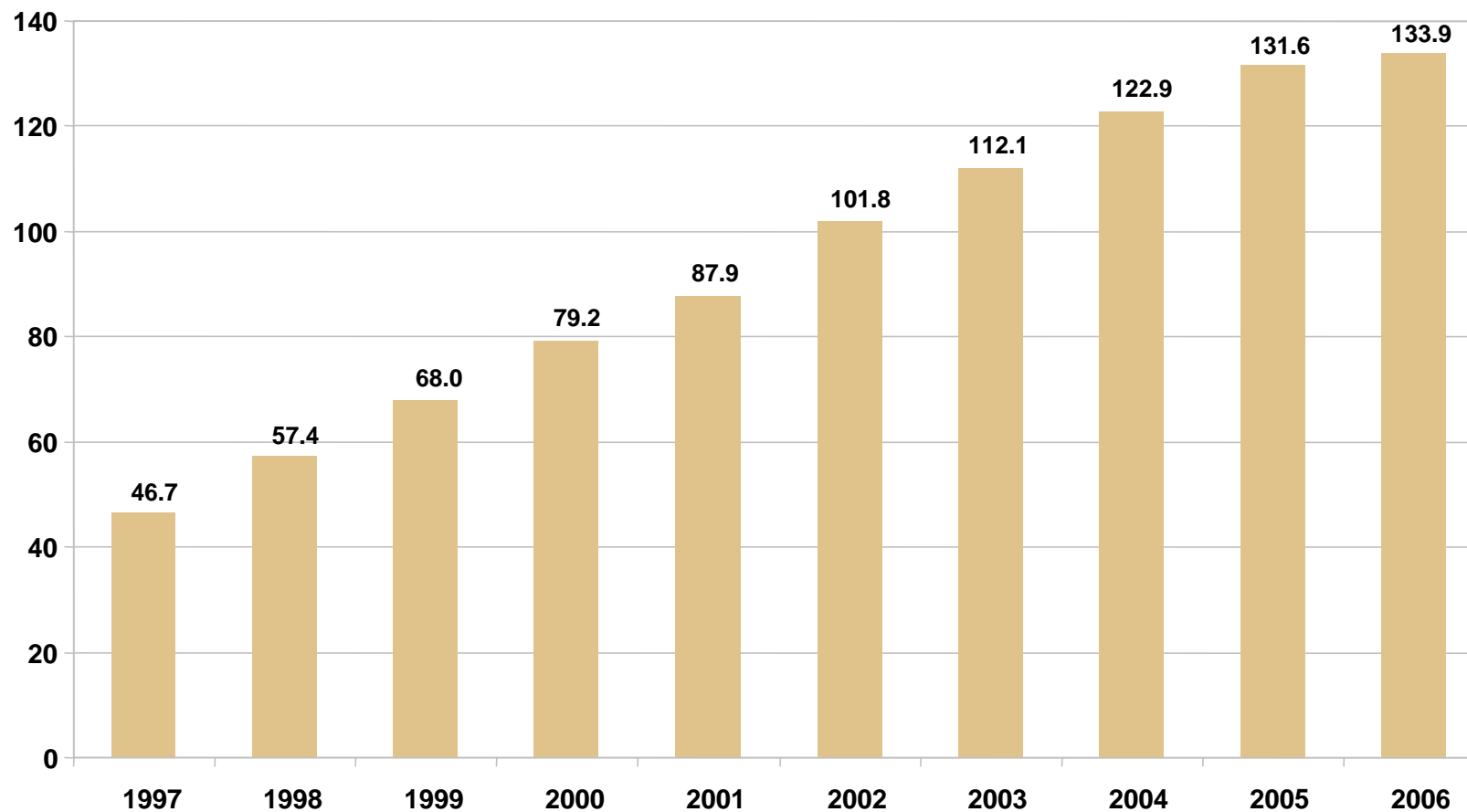




## Additional Information



# EPS\* Growth (cent)



*Note: numbers for 1997 to 2003 are pre IFRS*

*Note: \* before intangible amortisation and non-trading items*

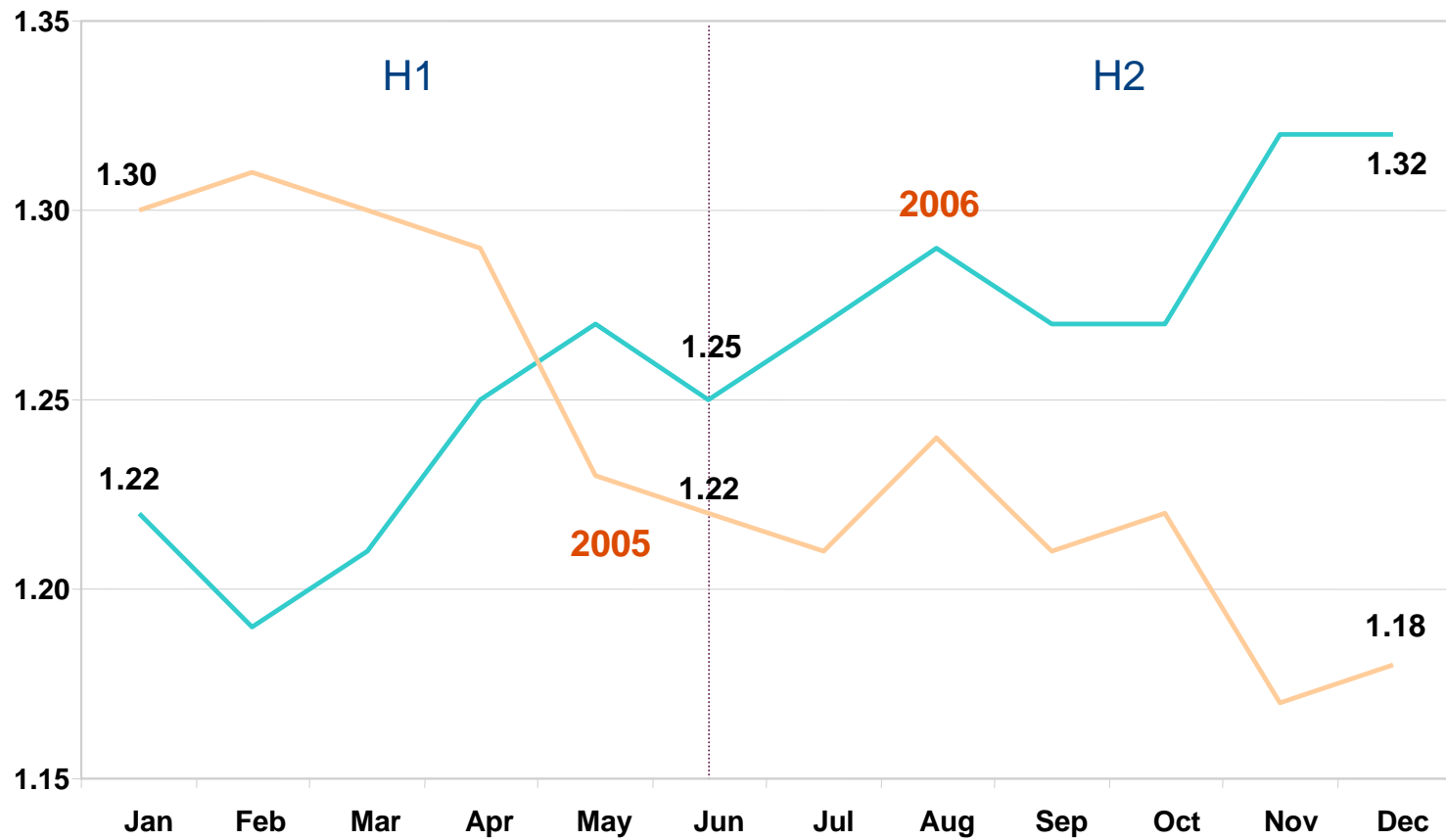
# EPS Reconciliation



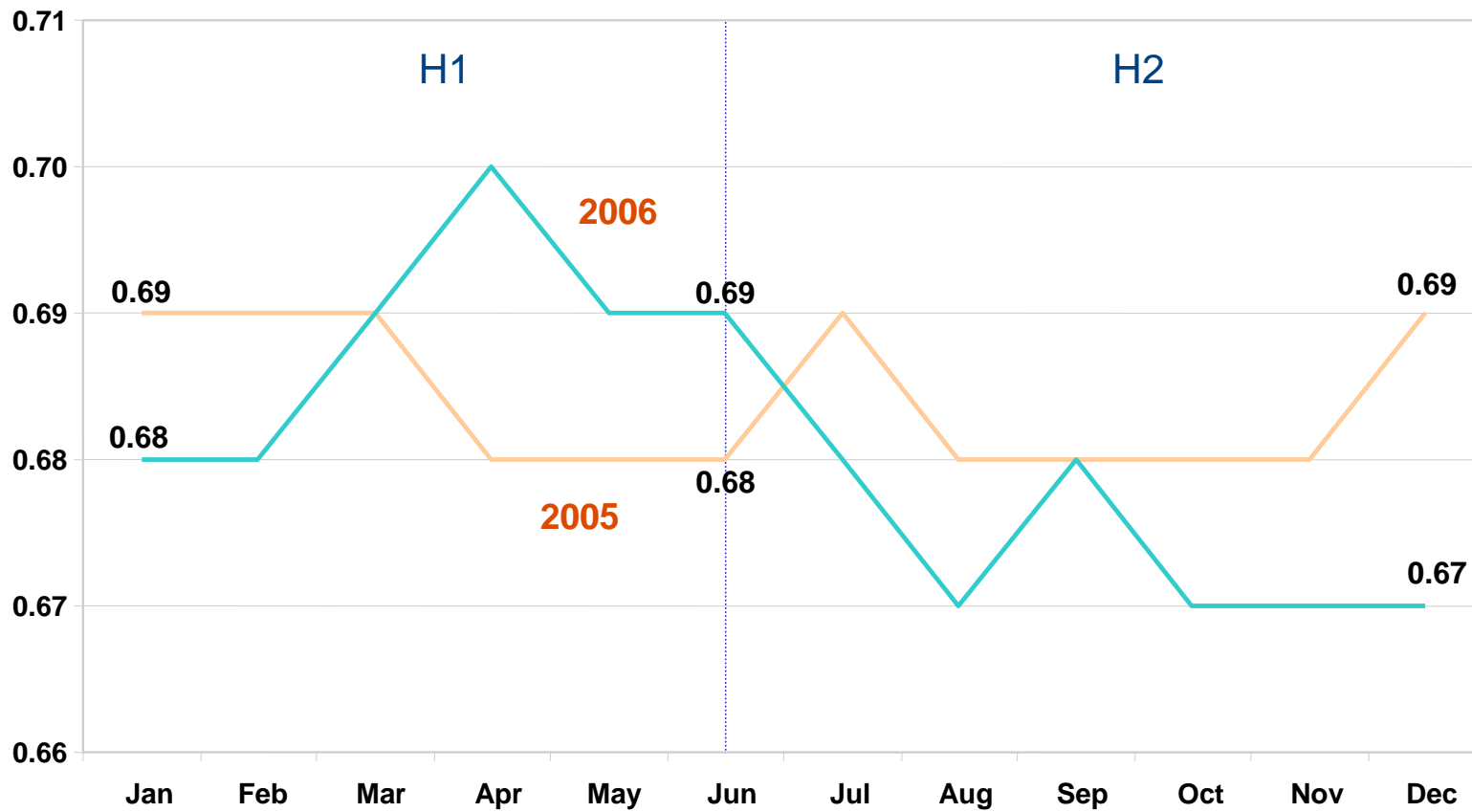
2005 € cent		2006 € cent	Growth %
131.6	Adjusted EPS*	133.9	1.7%
(5.5)	Intangible amortisation	(6.5)	
0.0	Non-trading items (net of tax)	(31.8)	
126.1	Basic EPS	95.6	(24.2%)

Note: \* before intangible amortisation and non-trading items

# Euro - US Dollar Trend



# Euro - Sterling Trend



# Cash Flow (€m)



	2006	2005
Cash from operations	440	483
Finance and taxation	(111)	(115)
Capital expenditure (net)	(88)	(120)
Free cash flow	241	248
Acquisitions and disposals		
- Businesses acquired	(115)	(246)
- Businesses sold	17	3
- Non-trading items	(31)	(15)
	(129)	(258)
Equity dividends paid	(31)	(27)
Financing - (repurchase) / issue of share capital (net)	(44)	4
	37	(33)
Exchange and fair value adjustments	44	(105)
Movement in borrowings	81	(138)
Opening net debt	(1,275)	(1,137)
Closing net debt	(1,194)	(1,275)

# Debt Profile (€m)



	Net Borrowings	@ Floating Rates	@ Fixed Rates
Euro	369	169	200
Sterling	249	249	-
US Dollar	473	49	424
Others	103	103	-
	1,194	570	624
	100%	48%	52%

Weighted average period for which rate is fixed: 3.5 years

# Maturity Profile of Net Debt



	31 Dec 2006 €m	31 Dec 2005 €m
Within one year	(162)	(22)
Between 1 and 2 years	3	136
Between 2 and 5 years	745	702
Between 5 and 10 years	608	459
	<u>1,194</u>	<u>1,275</u>

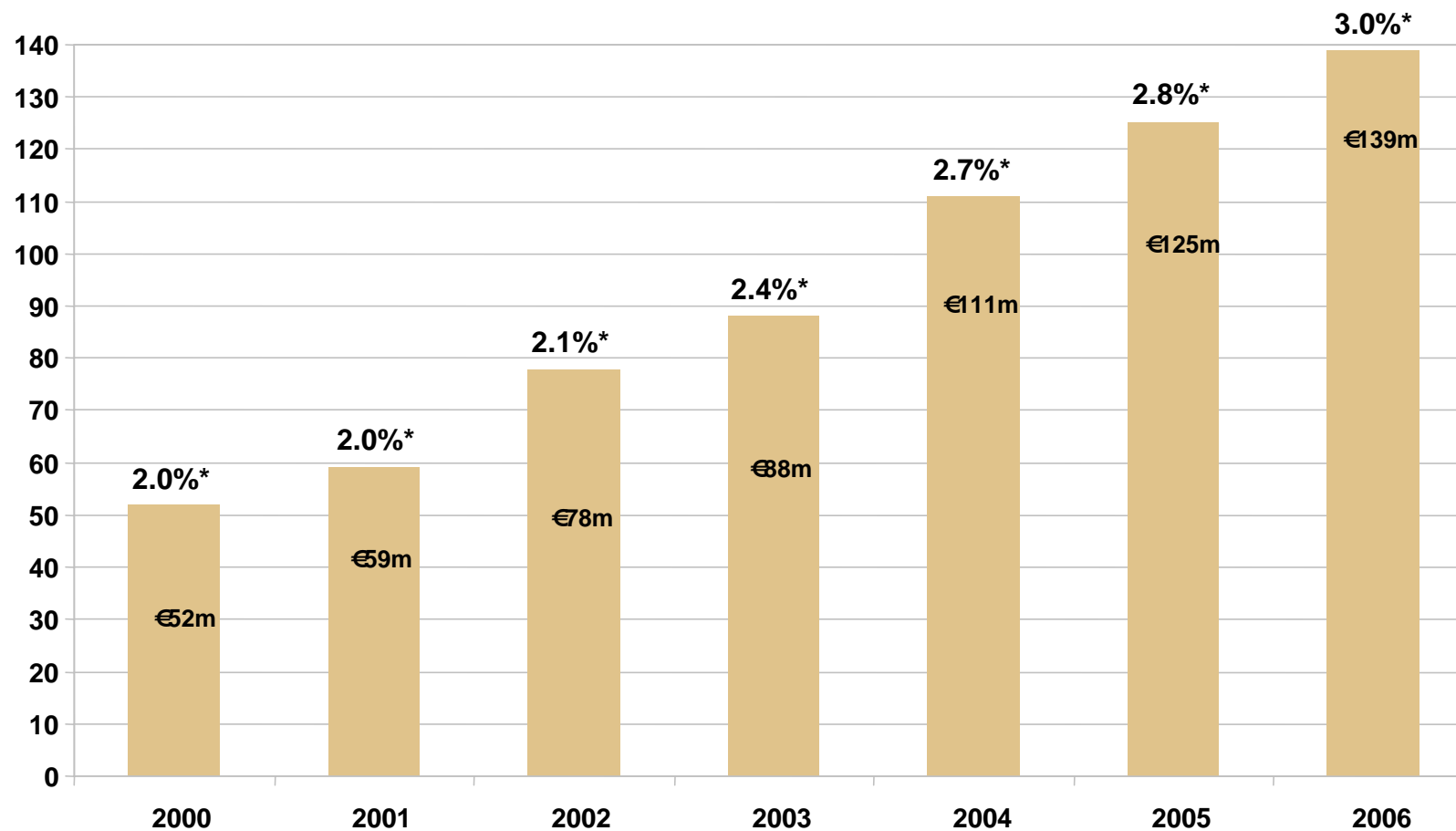
Weighted average maturity in years:

4.8

5.1



# R&D Expenditure



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

# EPS\* Broker Estimates

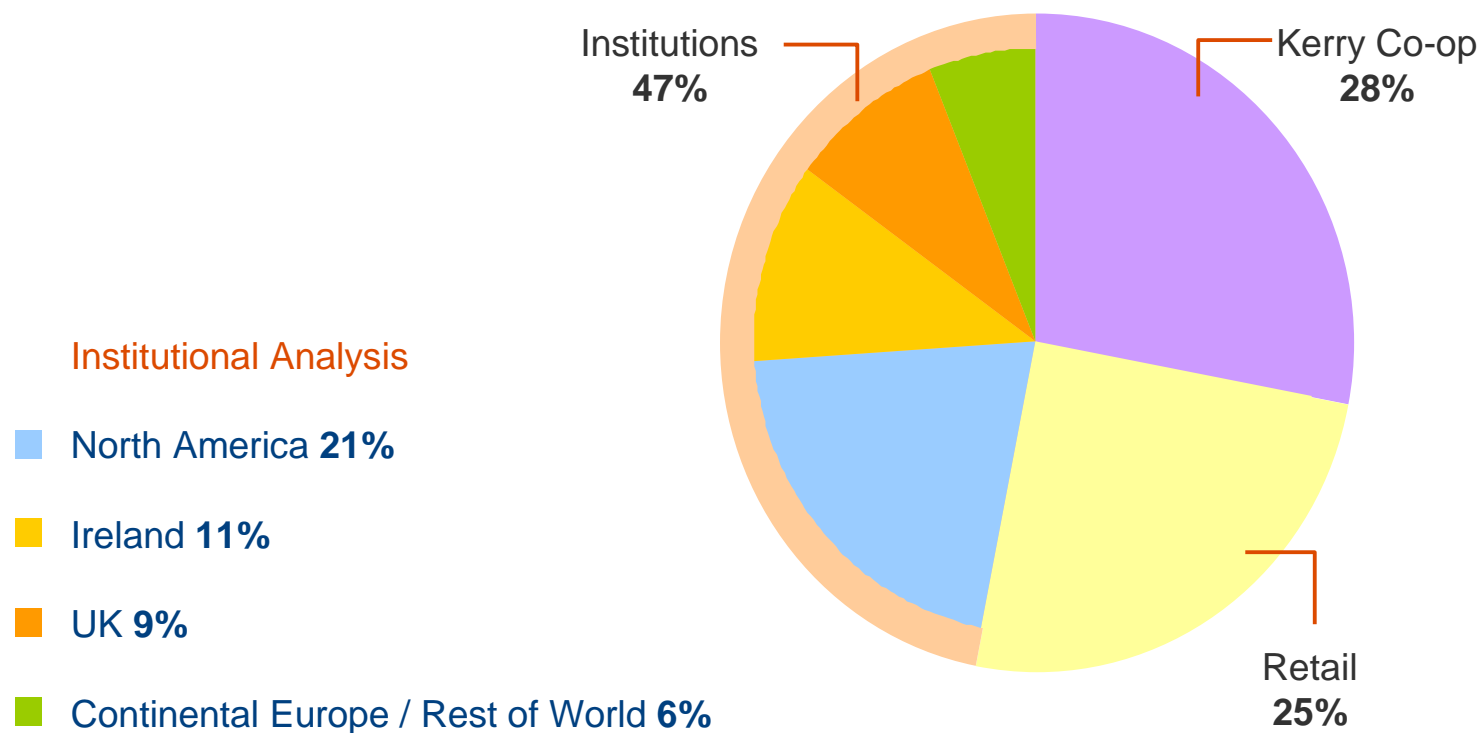


	2007 EPS* € Cent	% Growth	2008 EPS* € Cent	% Growth
Consensus	138.3	5.1	147.8	6.9
Davy	138.3	5.1	146.1	5.6
ABN Amro	138.5	4.8	150.8	8.9
Goodbody	139.2	5.8	149.2	7.2
Merrion	138.7	5.4	148.3	6.9
NCB	138.6	5.3	146.0	5.3
Soc Gen	136.2	4.1	146.4	7.5

*Growth % for 2007 is based on brokers' 2006 estimates*

*Note: \* before intangible amortisation and non-trading items*

# Shareholder Analysis



*The shareholder analysis is calculated based on the number of shares in issue excluding treasury shares*



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