"Food Innovation In The Knowledge Economy"

Stan McCarthy, CEO Kerry Group

Moorepark Food Research Open Day
9 June 2009

Agenda

» Irish food industry positioning

» Competing in a global marketplace

» Meeting consumer requirements

» Kerry’s response

» Industry/Research Institute collaboration

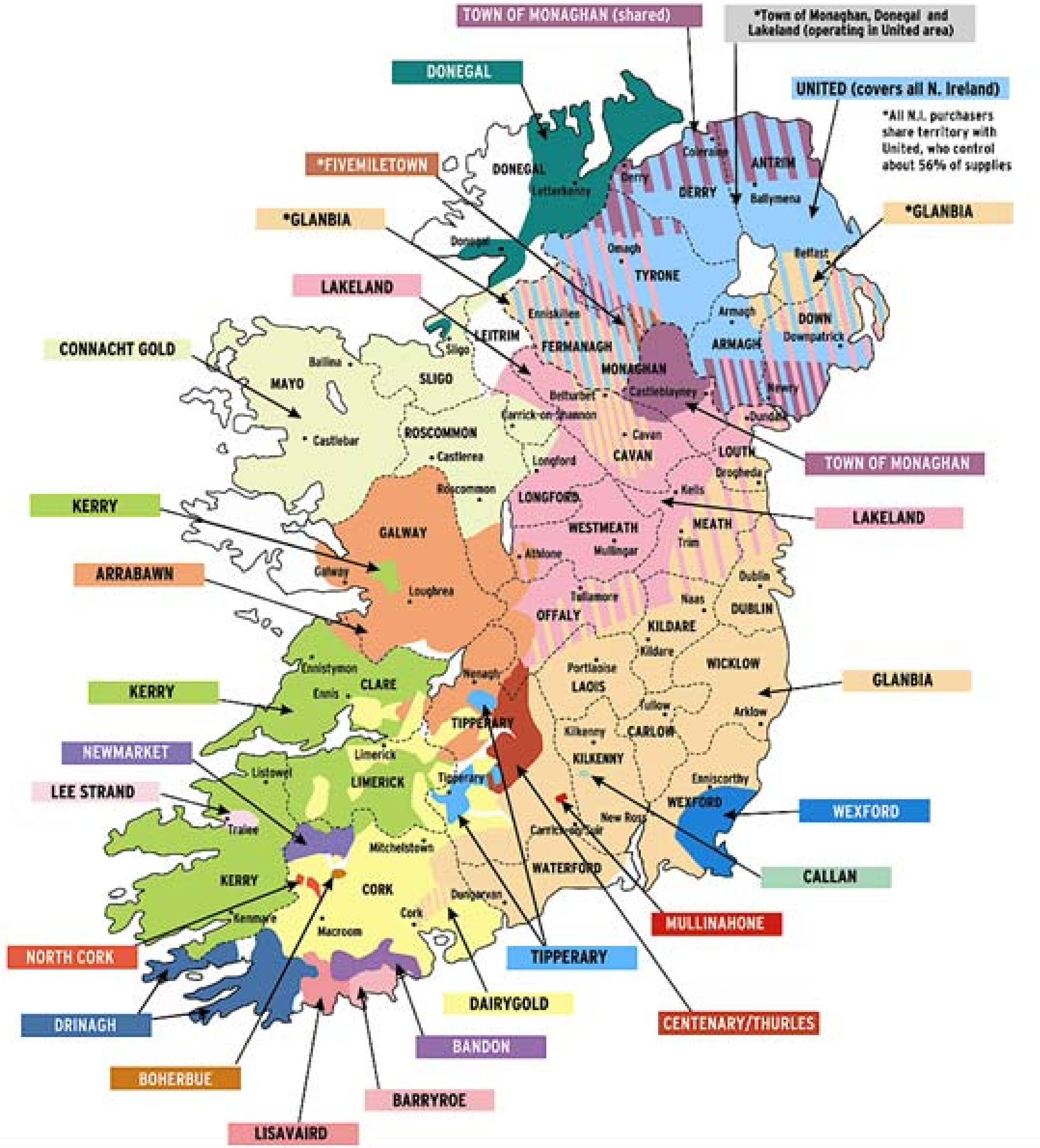
Irish Food Industry Positioning

- Reality check post global economic downturn
- Ireland’s largest indigenous export oriented industry
- Serious competitive pressures
  - Relatively higher energy costs
  - Relatively higher labour costs
  - Relatively higher input costs
  - Currency headwinds
- So how can we compete in a global marketplace?

Irish Food Industry Positioning (contd.)

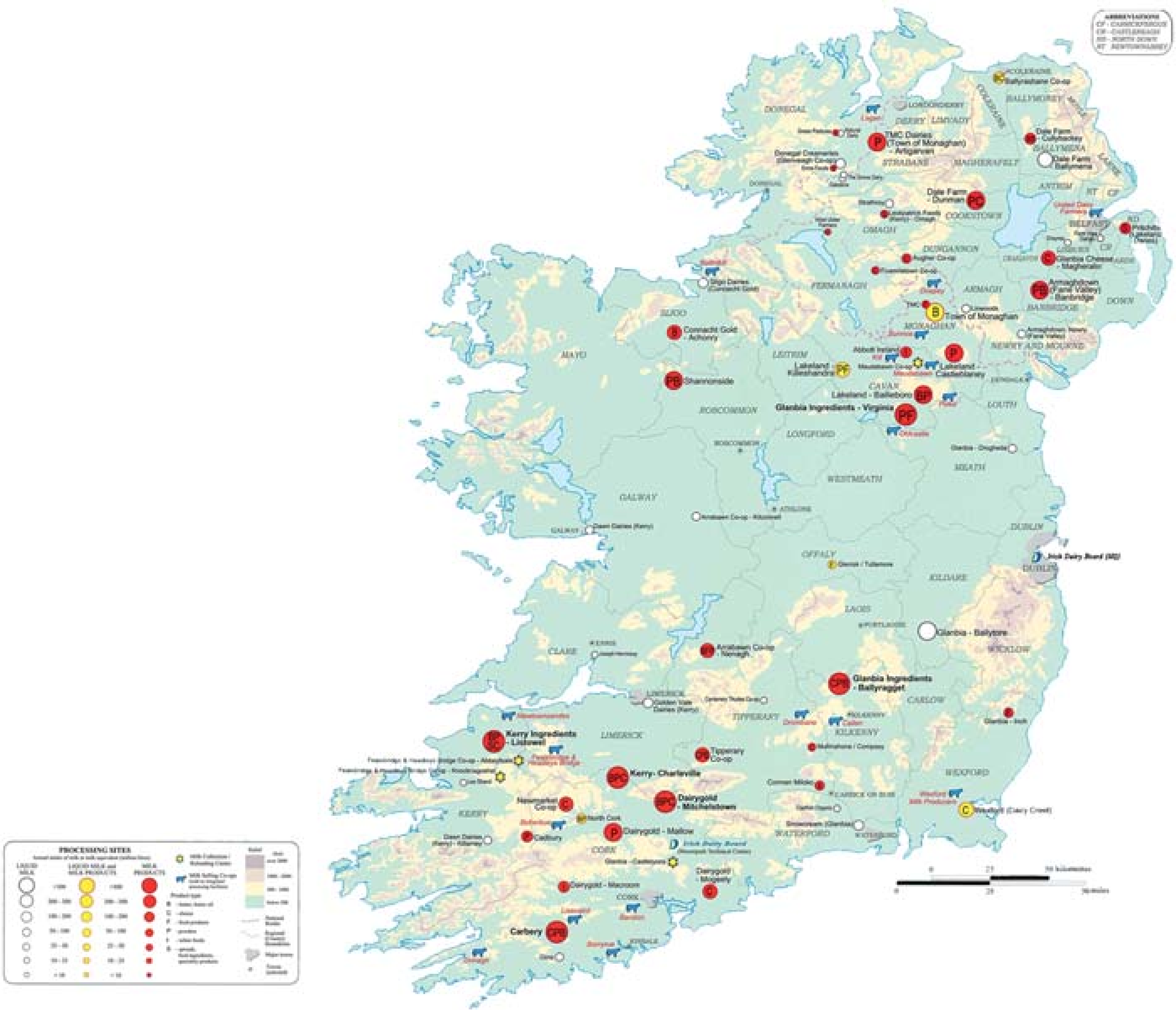
- Virtual elimination of EU market supports on transition to SFP
- Sugar industry eliminated
- Cereal sector – low margin – requires scale
- White meat industry struggling for survival
- Red meat sector – poor profitability
- Dairy industry
  - Structurally weak
  - Price volatility - global markets
  - Advantage of grass based low cost production
- Positive outlook for companies with specialist global positions

Ireland's Manufacturing Milk Supply Base by Processor



Source: Irish Farmers Journal

Ireland’s Processing Structure: Inefficient for Global Markets



Source: Irish Farmers Journal

Future Irish Dairy Industry Structure/Issues

- Review necessary in context of global market competitiveness
- Need to address optimal structure for national milk pool utilisation
- Possibilities for 'Milk Ireland'
- Industry options
- Industry focused research

Current structure can no longer be sustained

REFORM IS NOW IMPERATIVE

National Milk Pool Comparatives

	Butter %	WMP %	Cheese %	Other %
Ireland	61%	6%	26%	7%
Denmark	15%	11%	63%	11%
Netherlands	26%	8%	52%	14%
New Zealand	41%	35%	19%	5%
USA	19%	0%	52%	29%

Current International Food Industry Trends: Competitive Issues

- Wellness, nutrition, cost reduction, value offerings now centre stage
- Obesity vs hunger
- Ageing/expanding population
- Linking food and pharma
- Emerging global markets – China, India, Russia
- Climatic change, sustainability and the environment
- Price cost squeeze
- Industry/retail consolidation set to continue

Global Retail Consolidation

- Increased dominance of major multiple retailers globally
- Consequent increase in private label offerings adding to pressure on food processors
- UK: top 4 retailers represent 70% of grocery sales (Stg£1 of every Stg£8 spent in UK spent in Tesco)
- Ireland: top 3 multiples represent 70% of grocery sales
- A polarised global retail marketplace

World’s Top Food Groups - (US$m)

1	Nestlé	$83,600
2	PepsiCo, Inc.	$39,474
3	Kraft Foods	$37,241
4	The Coca-Cola Company	$28,857
5	Unilever	$26,985
6	Tyson Foods	$26,900
7	Cargill	$26,500
8	Mars	$25,000
9	Archer Daniels Midland Co.	$24,219
10	Danone	$19,975
11	InBev	$19,765
12	SABMiller	$18,620
13	Heineken	$17,210
14	Anheuser-Busch	$16,686
15	Cadbury Schweppes	$15,940
16	Diageo	$14,965
17	General Mills Inc.	$13,652
18	Kirin Brewery Co.	$13,590
19	Lactalis	$13,152
20	Dean Foods Company	$11,822
21	Kellogg Company	$11,776
22	Asahi Breweries	$11,710
23	ConAgra Foods Inc.	$11,606
24	Suntory	$11,600
25	Smithfield Foods Inc.	$11,351
26	Associated British Foods	$10,396
27	Sara Lee Corporation	$10,236
28	Fonterra	$10,205
29	HJ Heinz Company	$10,071
50	Kerry Group	$6,560

Our Business Model Today

Ingredients & Flavours

Americas Region

EMEA Region

Asia-Pacific Region

Consumer Foods

Ireland

The UK

Agribusiness

Ireland

Kerry's Growth Model

INGREDIENTS & FLAVOURS

- Leveraging Kerry's technology based ingredients, flavours and integrated solutions in global food and beverage growth markets
- Re-alignment of the Group's ingredients, flavours and bio-science businesses around core technology platforms and end-use market applications
- Unique 'Kerry Integrated Approach' to customer specific innovation and product solutions driven by global technology, market application, culinary and sensory teams

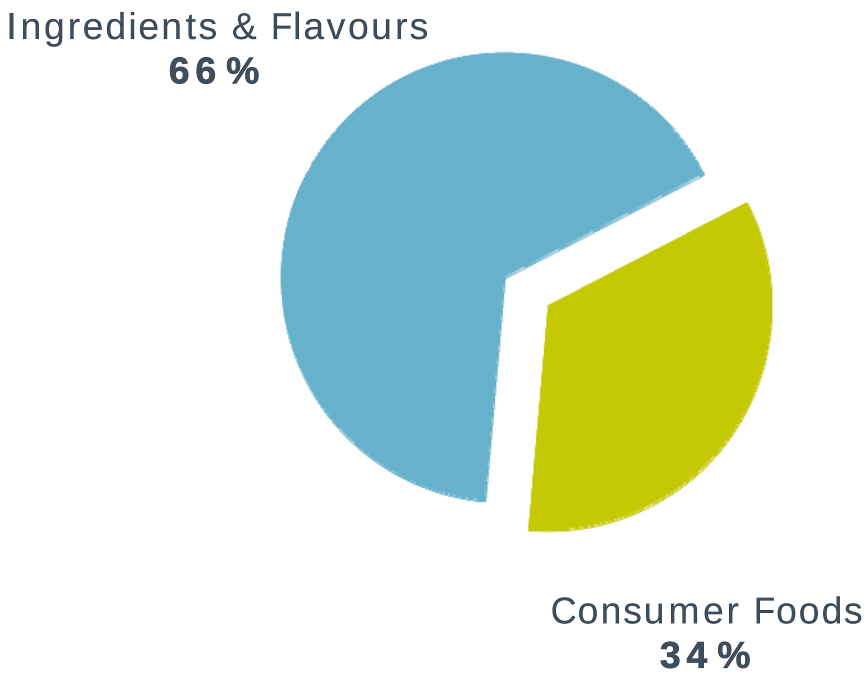
CONSUMER FOODS

- Continued investment in added value meat, dairy, convenience and food-to-go categories
- Capitalising on Kerry Foods' strong customer listings and route to market
- Supported by:
  - Significant brand and marketing investment
  - Lean manufacturing and shared services

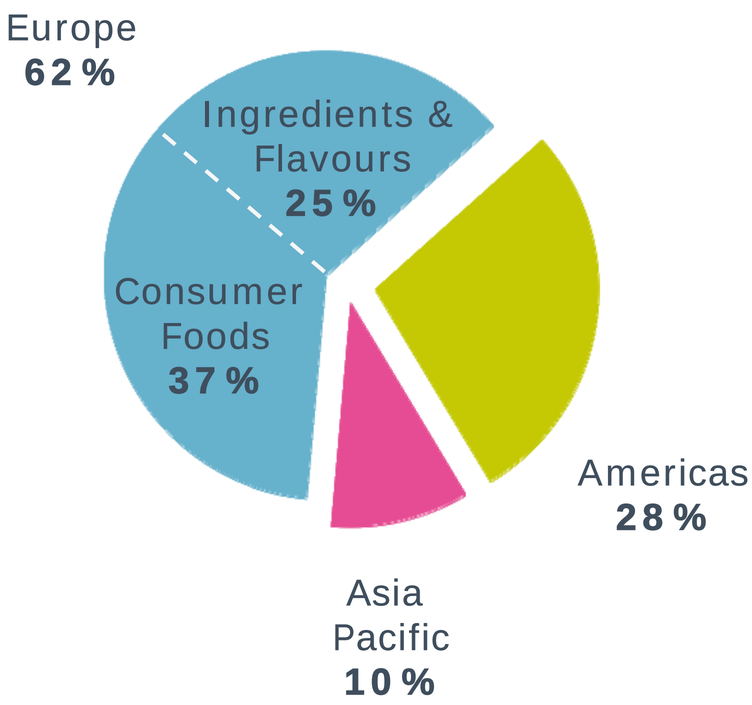
'Kerryconnect' Project: to establish common global systems and business processes

Revenue Distribution 2008

By Business Segment

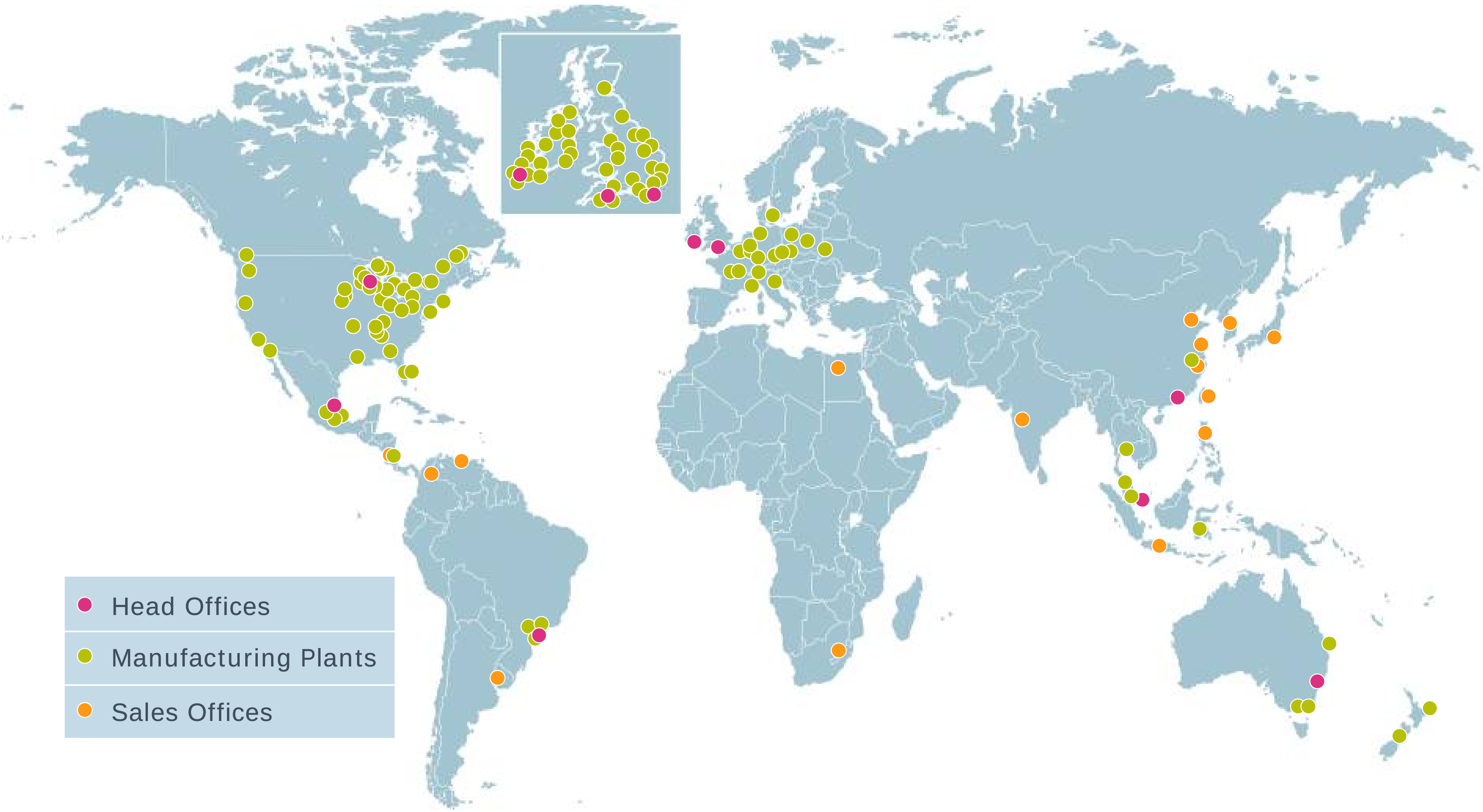


By Destination



Ingredients & Flavours	€3,388m
Consumer Foods	€1,774m

Kerry Worldwide Locations



Kerry Integrated Customer-Focused Development

Ingredients & Flavours ‘Go-to-market’ Strategy

Savoury & Dairy

Kerry Systems & Flavours

- Culinary
- Dairy
- Lipids
- Meat

End-use Markets

- Prepared Meals
- Soups, Sauces & Dressings
- Savoury Snacks
- Meats
- Appetisers & Side Dishes
- Dairy

Cereal & Sweet

Kerry Systems & Flavours

- Cereal
- Sweet

End-use Markets

- Cereals & Bars
- Ice Cream & Frozen Desserts
- Bakery
- Confectionery

Beverage

Kerry Systems & Flavours

- Beverage

End-use Markets

- Soft Drinks
- Alcoholic Beverages
- Nutritional Beverages
- Tea & Coffee

Functional Ingredients: Bio-ingredients, Proteins, Emulsifiers and Texturants

Kerry Global Technologies

BIO-INGREDIENTS

- Enzymes
- Fermented Ingredients
- Beverage Processing Aids
- Active Yeasts & Other Yeasts

EMULSIFIERS & TEXTURANTS

- Carrageenan
- Emulsifiers
- Texture & Stabiliser Systems
- Gum Arabic & Other Gums

PROTEINS

- Dairy Proteins
- Soy Proteins
- Specialised Functional Proteins

REGIONAL TECHNOLOGIES

- Bakery Mixes & Supplies
- Colours & Antioxidants
- Soy Ingredients

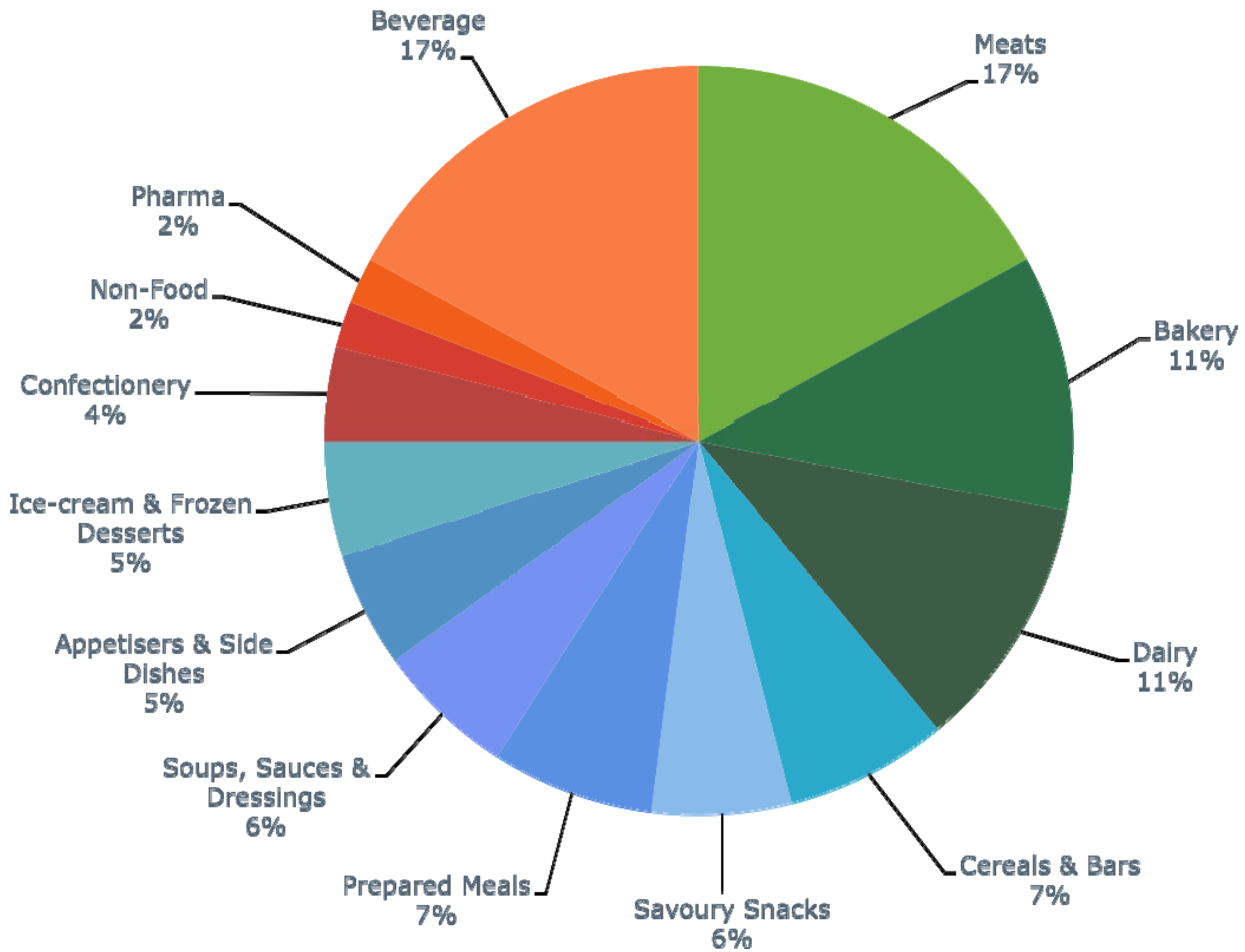
PHARMA INGREDIENTS

- Pharma Excipients
- Cell Nutrition

PRIMARY INGREDIENTS

- Primary Dairy Ingredients
- Primary Fruit Ingredients
- Factored Ingredients

Kerry Ingredients & Flavours
End-use Markets Distribution



Kerry Ingredients & Flavours Well Positioned to Address Multiple Nutritional Platforms

KERRY

	Nutritional Platform	Platform Description	Comments
I&M	Medical & Clinical Recovery	Post Trauma Hydration, Enteral Feeding Applications, etc	Increasing Technical Input
I&M	Infant and Child Development	Infant Development, Targeted Child Life Stage Nutrition	
FF	Condition-specific Dietary Fortification	Targeted Enrichment (Respiratory, Cardiovascular, Diabetic, Specific Cancer, Arthritis / Joint Health, Obesity, Depression / Anxiety, Menopause, Ageing)	
FF	Sports Performance Enhancement	Athletic Performance / Recovery Enhancement	
FF	Energy Enhancement	Quick or Sustained Energy Benefit	
FF	Inherently Healthy Alternatives	Perceived Natural and Organic Benefits “good for you” whole foods (e.g. Oatmeal, Soy)	
FF	Weight Management	Weight Loss Mechanisms	
MAIN-STREAM	Condition-specific Dietary Reduction	Reduction of “bad for you” Elements (Fat, Calories, Trans-fats, Sodium, etc.)	
MAIN-STREAM	Mainstream (Market Standard) Products	Mainstream (Market Standard) Products	

Kerry Foods' Growth Model

ADDED VALUE DAIRY

- #1 UK cheese snack portion (Cheestrings)
- #1 IRL natural cheese (Charleville / Coleraine)
- #1 IRL cheese slices (EasiSingles)
- #1 IRL dairy spread supplier
- #1 UK pvt label dairy spread supplier
- #1 UK pvt label cheese slices supplier

CONVENIENCE

- #2 UK chilled ready meals supplier
- #1 UK frozen ready meals supplier

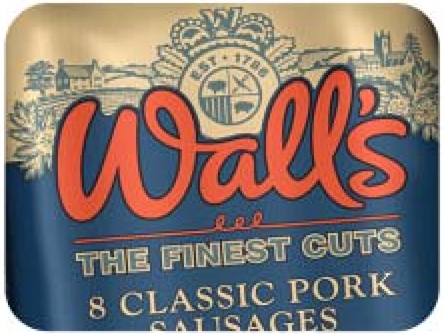
ADDED VALUE MEAT

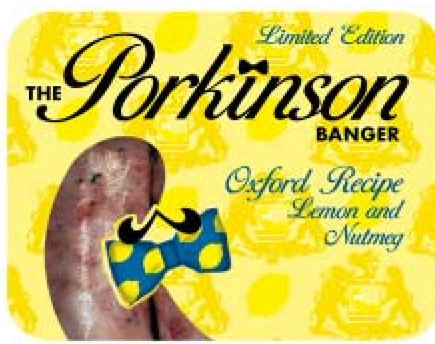
- #1 UK sausage (Richmond)
- #2 UK sausage (Wall's)
- Biggest brand in IRL (Denny)
- #2 IRL cooked meats brand (Ballyfree)
- #1 meat snacks

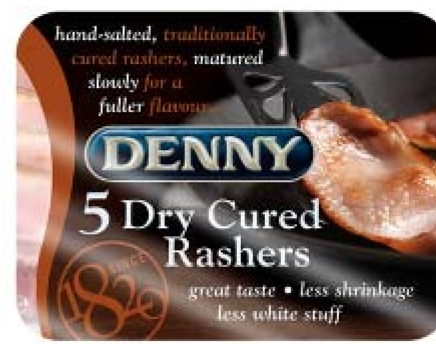
FOOD TO GO

- #1 UK chilled van sales operation
- #1 IRL chilled van sales operation
- #1 IRL sandwich (Freshways)
- #2 IRL chilled juice (Dawn)
- #1 IRL flavoured mineral water (Kerry Spring)

Kerry Foods' On-going Innovation Programme







Kerry: Route to Market

- Kerry has broadest industry food technology base
- Recognised leader in development of ‘integrated customer-focused solutions’
- Unrivalled applications expertise
- Unrivalled customer base
- Meeting requirements of ‘Who’s-Who’ of global food and beverage processors
- Kerry Foods
  - Well established brand leadership positions
  - Dedicated distribution network

Kerry Ingredients & Flavours: *Our Customers*

DENNY | Kerry LowLow 100% Natural | Sno | Golden Cow | Traditionally Crafted Coleraine

Mattessons Mmm | Kerry Spring | Dairygold | Ballyfree | All Natural Cheestrings

Est. 1786 Wall's The Finest Cuts | fresh ways | Golden Vale | ...mmm Galtee | KerryMaid

Master Crafted Charleville | The Porkinson Banger | 1926 Irish Recipe Richmond | Kerry EasiSingles | Roscrea

Golden Olive | Mr Brain's | Bowyers | Mitchelstown | Greens

Dawn | Lawsons | Shaws Traditional Quality Finest Ingredients | Move over Butter | Homepride Flour

Irish Food Industry: Future Development

- Future food export competitiveness requires that Ireland speedily moves up value chain
- Realise opportunity through technical and scientific development
- Research must be relevant and fully aligned to industry needs 'anticipating consumer requirements'
- Ireland must move to lead technical development of
  - Nutritional foods and beverages
  - Food safety systems
  - Ingredients with specific techno-functional benefits
  - Speciality niche bio-active components
  - Functional foods
- Imperative that Institutional Research is properly focused
  - Competency and scientific knowledge exists in leading institutes – Teagasc's Moorepark Food Research Centre
- Seize market opportunity through specialist food and beverage companies with established global positioning

Summary: Future Kerry/Research Institute Collaboration

Applications leader

» Kerry

Route to market – global partnerships

» Requirement: Market focused science and technology partnership with leading specialist research institutes – 'on a confidential basis'

» Collaborative Industry/Institutes Research eg. FHI Programme

» Licensing Agreements: Kerry/Teagasc finalising agreement on patented systems developed in Moorepark

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