

Kerry Group (Ireland)

Early 1970s

1972

- Kerry was a private processor with three shareholders:
 - 42.5% Dairy Disposal Company (Govt owned)
 - 42.5% a confederation of eight small farmer co-ops in County Kerry
 - 15% Erie Casein Company from USA (which guaranteed a market for output of edible casein output)
- Jointly committed €200,000 to finance a €1m processing facility

1973

- Ireland joined EEC
- Kerry restructured into a cooperative
- Suppliers' investment valued at €1.25m

1974 - 79

- Organic expansion, simply taking increased milk supply
- Grew to process about 120 million gallons

Late 1970s

Late 1970s

- Lost 20% of production in brucellosis eradication programme
- EU introduced quota on lower production level
- Profits fell
- Merger not an option, so had to expand sales outside milk

Early 1980s

- Purchased key consumer food brands in UK and Ireland, in 'chilled' dairy and meat sections of supermarkets
- Then wanted to buy US specialised food ingredient business, Beatrice Specialty Products
- Did not have sufficient shareholder funds

Since 1986

1986

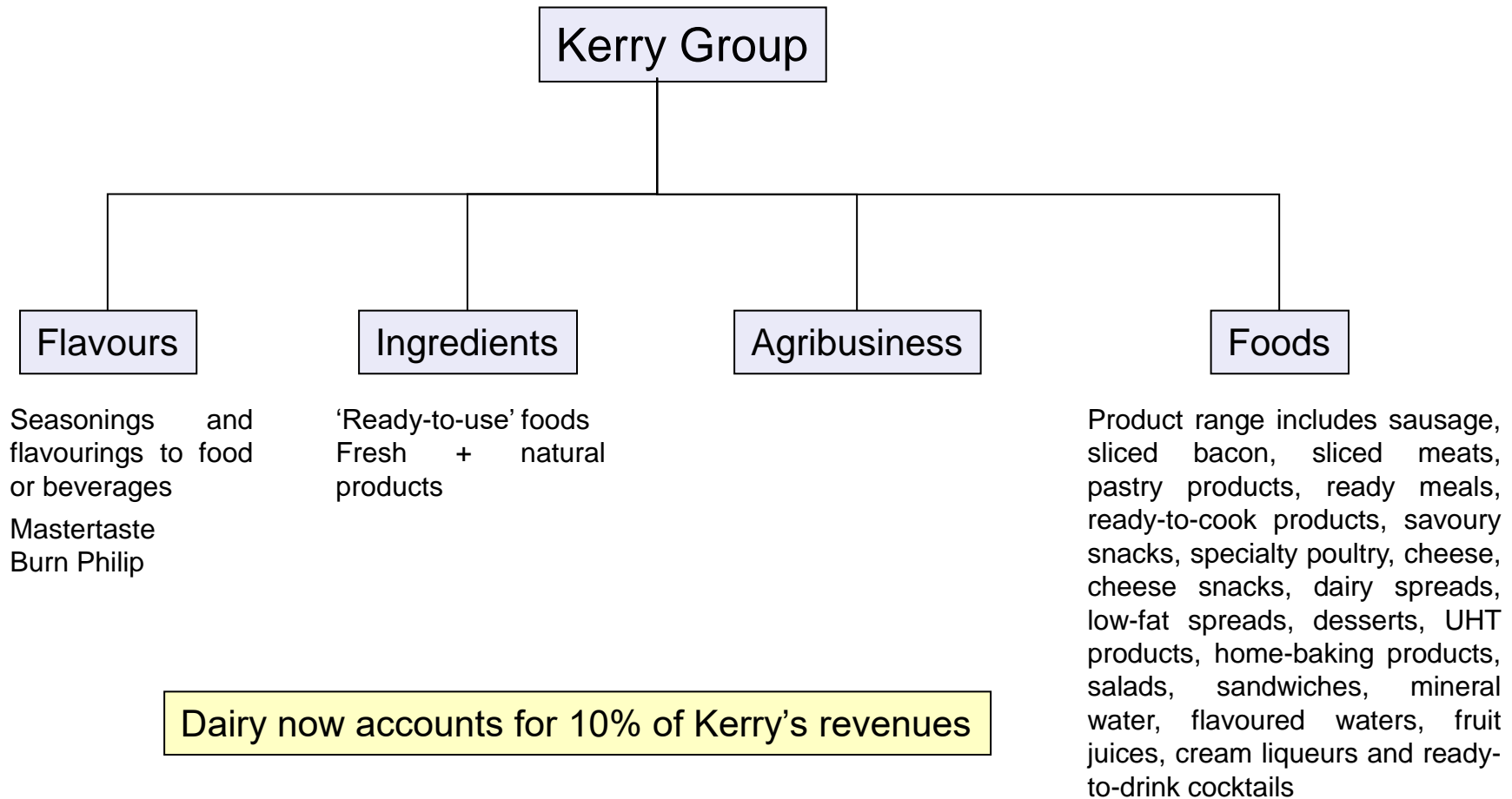
- Kerry floated as a public company
- Co-operative held at least 51% of shares
- Individual suppliers also purchased shares directly

Since 1986

- Achieved 15% pa growth in earnings per share
- Substantially grown ingredients business
- Aggressively purchased companies around the world
- In 2000, acquired Golden Vale plc, which had also diversified out of milk (over 60% of sales in consumer foods)
- Dairy now accounts for 10% of revenues
- 80% of raw materials are now purchased on world markets
- Value is returned in the form of dividends and increases in share value, not milk price

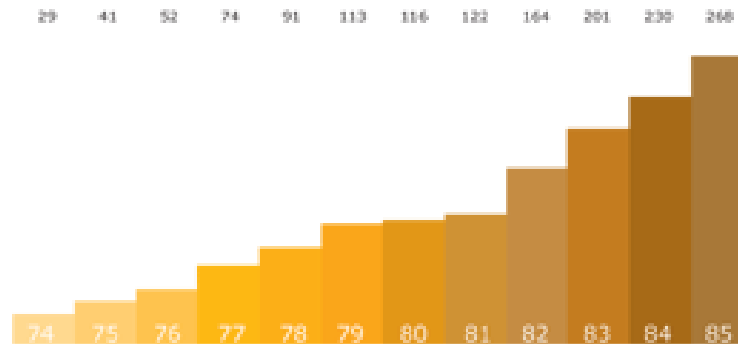
Without question, the quality of Kerry's leadership team has been a key factor in its success

2005 Structure

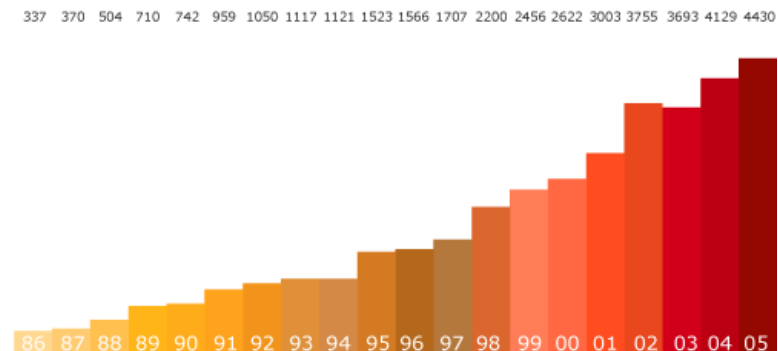


Growth in revenues

Turnover 1974 - 1985
(€million)

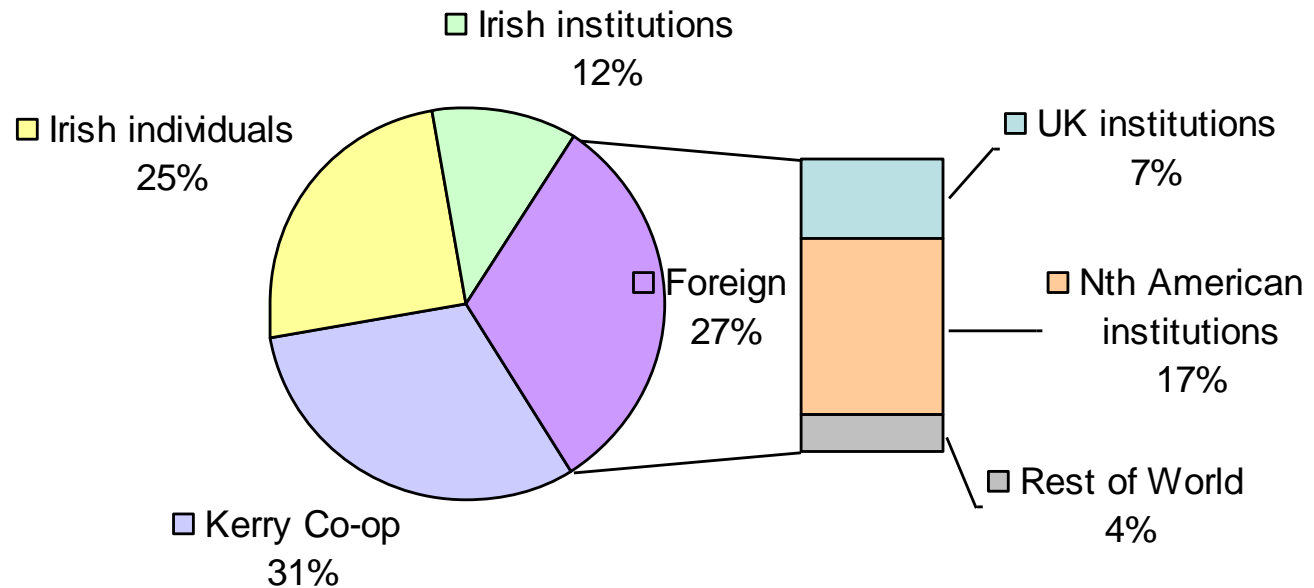


Revenue 1986 - 2005
(€million)



Shareholders

- In recent years, co-operative members decided to reduce the co-op's holding to 31%. Only possible with 75% vote of co-operative members
- Kerry's shareholding new looks like this –



Value of co-op's shares



The value of members' investment in the co-op increased significantly even though the co-op's control of Kerry plc has decreased

100% control does not necessarily increase in value