

BUSINESS REVIEW

TASTE & NUTRITION

Revenue

2018

€5,351m

Volume Growth

4.1%

Trading Margin

2018

15.1%

Growth

+20bps

Kerry's business model and the application of our leading taste and nutrition technology portfolio continue to drive significant value for our customers as they seek to meet rapidly changing consumer demands and increase speed to market.

The division achieved good growth across an increasingly diverse customer base. Developing markets delivered strong volume growth of 9.5%, with APMEA the main driver. Foodservice delivered a good performance of 5.8% volume growth, particularly considering the strong comparatives in 2017. Reported revenue increased by 3.7% to €5,351m, as volume growth and the contribution from business acquisitions were partially offset by significant translation currency headwinds. Trading profit grew by 5.0% to €805m, reflecting a 20 basis points improvement in trading margin to 15.1%.

Kerry's taste technologies recorded a strong performance across all regions, with TasteSense™ technology and natural extracts being key drivers of growth, as consumer demands for reduced sugar and authentic taste were met through innovations across all categories. Kerry's leading clean label technologies continued to perform well, with its broad protein portfolio, nutritional bioactives, enzyme technologies, food protection and natural preservation solutions all delivering good growth in the year. An increasing number of innovations brought to market combined technologies from both Kerry's authentic taste and nutrition portfolios, as Kerry's Technology & Innovation Centres supported customers from ideation all the way through to launch.

Kerry, the industry's leading, globally-connected Taste & Nutrition company, provides the largest, most innovative portfolio of Taste & Nutrition Technologies and Systems, and Functional Ingredients & Actives for the global food, beverage and pharmaceutical industries.

Americas region

High levels of product churn continued across the marketplace, as consumer demands for clean label, new world taste experiences and new convenience formats continued to evolve and drive innovation.

2.8%

Business volumes in the Americas region increased by 2.8%



Kerry delivered volume growth ahead of the market by winning market share through innovation across different customer categories. Reported revenue in the Americas region increased by 2.5% to €2,745m, reflecting 2.8% volume growth, lower pricing of 0.5%, contribution from business acquisitions of 6.2% and an adverse translation currency impact of 6.0%.

In North America, Kerry's Meat end use market (EUM) delivered strong growth, meeting consumer demands for authentic ethnic flavours, natural shelf life preservation and a broader range of alternative protein-based products. Smoke & Grill enjoyed strong growth and business development, as Kerry's Red Arrow technologies were deployed across a broader range of meat and meat alternative applications, delivering additional clean label, taste and colour attributes.

The Beverage EUM continued to deliver good growth, as Kerry's development and applications expertise helped customers launch a number of innovative new products across a variety of categories including cold brew, refreshing beverages and functional health beverages.

The Snacks EUM performed well, in particular with growth through innovative healthier savoury snacks and indulgent world taste experiences, as that EUM gains inspiration from other categories. The cereal category remained challenging in the year, as traditional consumption occasions continued to decline. Kerry's dairy taste and clean label technologies benefited from enhanced wellness and premiumisation trends within the Meals EUM.

Kerry's Ganeden® probiotics and Wellmune® branded immunity enhancing ingredients continued to grow well, as they broadened their market reach with a number of new launches into wider applications.

In LATAM, Mexico and Central America delivered good growth, while Brazil delivered a solid overall performance. The Snacks and Bakery & Confectionery EUMs delivered good growth, with Kerry's cleaner label solutions a key driver. Kerryconnect was also successfully deployed in the region.

The global Pharma EUM once again delivered strong growth, driven by the excellent performance of excipients in North America and APMEA. The Group acquired the pharmaceutical lactose manufacturing facility of Foremost Farms – based in Rothschild, Wisconsin, further strengthening Kerry's pharmaceutical lactose supply base. The Group expanded its bio-processing capacity for natural preservation and food protection at the Rochester, Minnesota facility during the year.

In the last quarter the Group acquired Fleischmann's Vinegar Company, Inc. (FVC), a USDA certified all-natural producer of specialty ingredients that further supports Kerry's taste and clean label strategies across a number of EUMs. Headquartered in California, it has manufacturing facilities in Washington, New York, Maryland, Illinois, Missouri, Alabama and California.

Since the year end, the Group acquired Southeastern Mills' (SEM) coatings and seasonings business. SEM manufactures from its strategically located base in Rome, Georgia.

This acquisition complements Kerry's authentic taste portfolio and further develops the Group's industry-leading offering into the meat EUM.

The Group also reached agreement to acquire Ariake USA, which produces natural clean label savoury taste solutions derived from poultry, pork and vegetables at its facility in Harrisonburg, Virginia. Ariake USA's highly specialised extraction technologies and development capabilities produce a suite of tailored solutions across a number of EUMs. These acquisitions further enhance Kerry's extensive authentic taste and clean label portfolio, while complementing the Group's from-food-for-food heritage.



LOCAL,
GLOBAL,

We innovate with foresight. Working as a locally-led and globally connected team, we combine our culinary creativity with in-depth science and technical expertise to help customers win with consumers today and in the future.

Pictured: Dr. Khaled Zitoun, Dr. Lisa Ryan, Dr. Ciaran Forde and Dr. Aoife Marie Murphy, Kerry Health and Nutrition Institute (KHNI).

INNOVATE

Europe region

Kerry continued to meet evolving local consumer preferences across the region by progressing its in-market customer engagement strategy.

2.3%

Business volumes in the Europe region increased by 2.3%

The region delivered a good performance, given the very strong comparatives particularly in the second half of 2017. Kerry continued to progress in developing its in-market customer engagement to meet evolving local consumer preferences across the region. Reported revenue in the Europe region increased by 1.7% to €1,422m, reflecting 2.3% volume growth, lower pricing of 0.6%, an adverse transaction currency impact of 0.2%, contribution from business acquisitions of 1.4% and an adverse translation currency impact of 1.2%.



The Beverage EUM delivered strong performance across a number of beverage categories within both retail and foodservice channels, as Kerry's TasteSense™ sugar-reduction technology, natural extracts, and our protein range were key drivers of growth.

The Meat EUM continued to deliver good growth, with Kerry's clean label technologies, innovative texture solutions and meat-free technologies being successfully deployed in a number of new market launches, as the category continues to evolve at pace. The recent Hasenosia acquisition in Spain and the majority shareholding in Netherlands-based Ojah are performing well and contributing to business development and access to new customers in the meat category.

The Bakery EUM delivered a solid performance, with growth delivered through meeting evolving consumer demands for both clean label and premium offerings. Russia delivered strong growth, particularly into the Meat and Snacks EUMs, while production commenced in Kerry's first manufacturing facility in the country, providing a key platform for future business development and growth.

The Dairy EUM continued to perform well in the rapidly evolving ice cream category, with a number of new launches in both premium and dairy-free ranges using Kerry's taste technologies. International dairy markets remained challenging during the year. Demand from major dairy importing countries for primary dairy products continued to benefit from the appreciation of the nutritional values of dairy. While demand for butterfat in particular remained relatively strong, market stability was impacted by continued shifts in supply/demand balances.

Foodservice played a key role across a number of EUMs, particularly in the Beverage and Meat EUMs through the continued nutritional enhancement of menu ranges, with successful seasonal products and repeat LTOs delivering a very good performance across the year.

APMEA region

Kerry's business model continued to be successfully deployed, with the selective rollout of our industry-leading foundational technology portfolio to meet rapidly evolving local consumer needs across the region.

10.1%

Business volumes in the APMEA region increased by 10.1%



The APMEA region continued to deliver very strong growth well ahead of the market across the region's developing markets. The APMEA region continues to evolve as a highly fragmented marketplace with broad-based market dynamics and consumer trends including convenience, authenticity, wellness and a desire for new. These trends, together with local consumer taste preferences, are driving major consumption change across both retail and foodservice channels. Reported revenue in the APMEA region increased by 10.1% to €1,105m, reflecting 10.1% volume growth, a decrease in pricing of 0.5%, an adverse transaction currency impact of 0.1%, contribution from business acquisitions of 3.4% and an adverse translation currency impact of 2.8%.

The Meat EUM delivered very strong growth through customer partnerships with a number of new innovations, as customers broaden their ranges to meet consumers' changing needs for authentic taste, value and increasingly food safety.

The Meals EUM continued to perform strongly in South East Asia and Greater China across both the retail and foodservice channels, as new authentic cooking taste profiles were deployed across a number of new products.

The Snacks EUM delivered good growth due to the continued development of new snacking occasions across the region. Local category leaders continued to innovate through the introduction of new authentic world flavours, with Kerry's Smoke & Grill, Barbecue and Dairy technologies being deployed across a range of products.

Sub-Saharan Africa achieved strong growth, through better-for-you applications into the Beverage and Snacks EUMs. The foodservice channel continued to outperform the market, with innovations to meet consumers' 'desire for new' including sparkling coffee, and convenience through home delivery, using Kerry's technologies to enhance the overall taste experience.

The Group continued to invest in its strategic growth priorities in the region to improve capabilities and capacity to meet local market opportunities. Good progress was made through investments in ongoing footprint expansion in Indonesia, China and Malaysia. Four acquisitions were completed in the year; Hangman – a leading China-based producer of sweet and savoury flavours, SIAS Food Co. – a leading China-based supplier of culinary and fruit ingredients and systems to the foodservice and food manufacturing industries, Season to Season – a leading South African supplier of taste ingredients and systems to the African snack and food sectors, and AATCO Food Industries LLC – a leading Oman headquartered provider of culinary sauces to the foodservice channel, providing a strategic platform for business development in the Middle East and Africa.



Strategic Priorities
for growth
pages 26-27

Business Model
pages 22-23