CHIEF EXECUTIVE'S REVIEW

The Group achieved volume growth in 2018 well ahead of the market, where the rate of change continues to accelerate.

The food and beverage industry and end-to-end supply chain are experiencing unprecedented disruption, as consumers are demanding more than ever before and are challenging traditional business models. The application of Kerry's leading taste and nutrition technology portfolio through our leading business model continues to drive significant value for our customers as they seek to meet rapidly changing consumer demands and increase speed to market. Major global consumer trends such as authenticity, healthfulness, convenience, clean label, sustainability and premiumisation, aligned with local consumer preferences continue to generate increased innovation opportunities.

Sustainability continues to emerge as a growing priority, especially for consumers, as they try to make a positive impact through their food choices. As the industry seeks to respond, Kerry's innovation capabilities and continued progress against key sustainability goals supports customer ambition and value creation for a broader set of stakeholders.

The Group again delivered volume growth ahead of its markets. Taste & Nutrition achieved sustained volume growth in North America, solid growth in Latin America, a good performance in Europe and continued strong growth in APMEA.

While UK and Irish consumer foods markets encountered challenges impacting consumer sentiment, with market growth rates reducing across the year, Kerry's Consumer Foods division delivered a solid underlying performance.

Results

Group revenue on a reported basis increased by 3.1% to €6.6 billion reflecting strong volume growth and contribution from acquisitions, partially offset by adverse currency movements. Business volumes grew by 3.5% and pricing decreased by 0.5% against a backdrop of lower raw material costs in the year.

Taste & Nutrition delivered 4.1% volume growth and pricing decreased by 0.5%. Consumer Foods' business volumes increased by 1.1% and pricing decreased by 0.4%.

Group trading margin was maintained at 12.2%, reflecting a 20 basis points improvement in Taste & Nutrition and positive underlying margin improvement in Consumer Foods offset by adverse sterling exchange rates resulting in a 60 basis points margin reduction.

Constant currency adjusted earnings per share increased by 8.6% to 353.4 cent (2017 currency adjusted: 325.4 cent). Basic earnings per share decreased by 8.3% to 305.9 cent (2017: 333.6 cent) primarily due to the one-off favourable impact of US tax reform in the prior year.

Kerry's industry-leading research and development expenditure increased to €275m due to additional investment in Taste & Nutrition (2017: €269m). Net capital expenditure amounted to €286m (2017: €297m) as the Group continued to invest in its strategic priorities for growth, in particular taste technologies and developing market facilities. The Group achieved free cash flow of €447m reflecting cash conversion of 72% in the year (2017: €501m/83%).

4.1%

Volume growth in Taste & Nutrition of 4.1% – well ahead of the market

Business Review
TASTE & NUTRITION

Taste & Nutrition 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%.

2.8%

Volume growth in Americas of 2.8% driven by Meat, Beverage and Snacks EUMs

Americas

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, 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 at pace. 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. 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 healthier savoury snacks.

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.

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. Since the year end, the Group acquired Southeastern Mills' (SEM) coatings and seasonings business. SEM manufactures from its strategically located base in Rome, Georgia. 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. These acquisitions further enhance Kerry's extensive authentic taste and clean label portfolio, while complementing the Group's from-food-for-food heritage.

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The opening of Kerry's first manufacturing plant in Russia, 18 September 2018. Pictured: Andrei Razin, Minister for Agriculture for the Moscow Region; Olivier Picard, Managing Director Kerry Russia; Edmond Scanlon, Chief Executive Kerry Group and Malcolm Sheil, President & CEO Kerry Europe.

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2.3%

Volume growth in Europe of 2.3% driven by Beverage, Meat and Dairy EUMs

Europe

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 region delivered a good performance, given the very strong comparatives particularly in the second half of 2017. The Beverage EUM delivered strong performance across a number of beverage categories within both retail and foodservice channels. 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.

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. 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. Foodservice played a key role across a number of EUMs, particularly in the Beverage and Meat EUMs.

10.1%

Volume growth in APMEA of 10.1% driven by Meat, Meals and Snacks EUMs

APMEA

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 APMEA region continued to deliver very strong growth well ahead of the market across the region's developing markets. 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. Sub-Saharan Africa achieved strong growth, through better-for-you applications into the Beverage and Snacks EUMs.

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.

1.1%

Volume growth in Consumer Foods of 1.1% – a solid performance with market growth rates reducing across the year

Business Review
CONSUMER FOODS

Reported revenue increased by 0.6% to €1,339m, as volume growth and the contribution from business acquisitions were partially offset by foreign currency headwinds. The divisional trading profit margin decreased by 60 basis points to 7.5% as the underlying margin improvement was more than offset by transaction currency headwinds, resulting in a trading profit decrease of 7.1% to €100m.

Consumer confidence softened noticeably in the second half of the year, leading to reduced consumption across a number of categories. The UK retail environment continues to undergo major structural change through increased consolidation of major retailers, further growth of discounter volumes and ranges, and pressure on high street stores – all leading to the need for more streamlined and dynamic supply chains.

'Everyday Fresh' delivered solid growth, led by the Richmond range. Richmond chicken sausages were successfully launched in Q2 and contributed well to overall performance. Kerry's softer butter offerings delivered good growth particularly with private label brands in the UK. 'Convenience Meal Solutions' had a difficult year, impacted by reduced promotional activity as well as the extended period of warm weather. 'Food to Go' performed well with strong growth in Cheestrings across the year. The Fridge Raiders brand was relaunched during the year and now encompasses a broader range of snacking products across a wider consumer demographic.

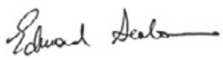
Future Prospects

Kerry continues to adapt to the rapidly changing marketplace, investing in and further developing the Kerry business model to consistently outperform our markets and respond to evolving local consumer trends and customer requirements through industry leading innovation.

Kerry's Taste & Nutrition has a strong innovation pipeline with good growth prospects, particularly in developing markets where the business footprint expansion and successful roll out of the consumer led in-country approach continues. Within Consumer Foods we will continue to build on the strategy of realigning the core and investing in adjacencies, whilst navigating the current uncertain environment.

While there continues to be uncertainty with respect to the outcome of the UK's exit from the European Union, Kerry currently anticipates that a managed transition will be the most likely outcome of the negotiations. The Group has mitigation plans in place to limit the potential short term implications of a 'no-deal' scenario. Kerry remains cautious on the UK consumer landscape, but is confident it will continue to outperform the market.

The Group will continue to invest in business development and pursue M&A opportunities aligned to strategic growth priorities.



Edmond Scanlon Chief Executive
18 February 2019