



NEWS RELEASE
1 May 2013

Interim Management Statement: Kerry Group Annual General Meeting

1 May 2013 – Kerry Group, the global ingredients & flavours and consumer foods group, issues the following Interim Management Statement for the first quarter ended 31 March 2013. This statement is issued in conjunction with the Group’s Annual General Meeting which is being held today.

First Quarter Highlights

- 2.2% increase in continuing business volumes
 - Ingredients & Flavours +3.1%
 - Consumer Foods -0.2%
- Group trading margin up 50 basis points
 - Ingredients & Flavours +50 basis points
 - Consumer Foods +10 basis points
- Continuing progress in 1 Kerry Business Transformation
- Good growth in developing markets
- Earnings guidance for full year reaffirmed

BUSINESS PERFORMANCE

Building on our strong business development and growth momentum in the final quarter of 2012, Kerry maintained a solid business development and financial performance in the first quarter. Growth was constrained in some industry categories in developed markets but developing markets continued to provide a solid platform for sustainable growth. Groupwide performance benefited from improved business efficiencies achieved through 1 Kerry Business Transformation Programmes and successful cost management mitigating the impact of input cost increases. Continuing business volumes grew by 2.2% and pricing/mix increased by 1.8% – broadly offsetting input cost inflation of approximately 4%.

Reported revenues increased by 0.6% and (adjusted for currency and the impact of Group acquisitions net of disposals) like-for-like (LFL) revenue increased by 0.4%. Restructuring programmes to optimise the Group’s manufacturing footprint and withdrawal from non-core business activities resulted in 3.5% rationalisation volume loss.

The positive momentum in trading margin growth was maintained in the period with the Group trading profit margin improved by 50 basis points – reflecting a 50 basis points improvement in Ingredients & Flavours and a 10 basis points improvement in Consumer Foods relative to Q1 2012.

BUSINESS REVIEWS

INGREDIENTS & FLAVOURS

Building on the strong growth in Ingredients & Flavours business volumes in Q4 2012 assisted by an increase in customer inventories, business volumes maintained good growth in the period. Continuing business volumes increased by 3.1% relative to the first quarter of 2012 – outperforming industry growth rates in a relatively sluggish market environment. Pricing/mix increased by 2%. Divisional trading profit margin improved by 50 basis points. Rationalisation volume loss as a result of manufacturing footprint optimisation and acquisition integration amounted to 3%.

The **Americas Region** again provided good growth opportunities for Kerry technologies despite sectoral issues in some industry segments. Continuing business volumes grew by 2.8%. Flavour development provided good growth in dairy systems and assisted greater integration of Kerry flavour expertise in wider applications. Culinary applications saw slower development in mature market segments. However Kerry benefited from the 2012 acquisition of *Millennium Foods* and expansion into new business growth segments. Performance in the meat sector was slower in Latin America but again good growth was achieved through coating systems in North America. Cereal & Sweet systems were impacted by lower retail sales in a competitive environment. The Group again achieved an excellent performance in the beverage sector. Beverage performance was boosted by the acquisition of California based *Big Train* acquired prior to year-end 2012. Pharma applications saw slower growth through excipients but solid growth was achieved in the cell nutrition sector.

In a challenging business and consumer environment across developed markets in the **EMEA Region** Kerry is successfully realigning its business operating footprint through the Group's 1 Kerry Business Transformation Programme to optimise customer service and technology development opportunities. The Group has also continued to expand its platforms for growth in EMEA developing markets which is delivering encouraging business development and good growth. In the relatively flat overall industry growth environment in EMEA markets in the period, Kerry's continuing business volumes grew by 1.3%. While a strong pipeline of product development and innovation projects is being progressed, market conditions in the savoury, dairy and culinary sectors impacted performance in the period. Cereal & Sweet systems maintained a solid performance. The acquisition of South Africa based *Orley Foods* (a leading supplier of sweet ingredients solutions to food manufacturers and foodservice providers in South Africa) was completed at the end of the period under review. Despite challenging market conditions in the European beverages sector, Kerry continued to benefit from development of cost effective beverage solutions and integration of its broader beverage development expertise following the acquisition of Cargill's flavours business prior to year-end 2011. As the quarter progressed international primary dairy market prices increased considerably due to a significant shift in the supply/demand balance. The Group continued to progress plans for development of a Kerry Global Technology & Innovation Centre in Ireland to serve global and regional customers in the EMEA region.

Asia Pacific markets again provided excellent opportunities for Kerry's range of taste solutions, nutritional and functional ingredients. Continuing business volumes increased by 8.3%. Savoury, Dairy & Culinary systems performed well across all end-use-markets except in the meat sector where demand weakened. However the foodservice sector continued to provide a strong development pipeline. *Angsana Food Industries* acquired in 2012 performed in line with expectations. Strong growth

was recorded in the regional nutritional sector in particular in China. Kerry Pinnacle performed well in Australia. Excellent growth was achieved in the beverage sector in particular through regional QSR applications. Delivery of aseptic solutions was assisted by the *Food Spectrum* acquisition completed in July 2012. Functional ingredients maintained strong growth in the region.

CONSUMER FOODS

While demand conditions in the Irish and UK consumer foods' markets broadly stabilised, overall market performance was impacted by the challenges in cost recovery following significant raw material inflation. Though Kerry Foods was unaffected by the Equine DNA issues which unfolded during the quarter, confidence in some market categories, including the frozen meals sector, was impacted.

Kerry Foods' core business segments performed well, notwithstanding the difficult market environment. Continuing volumes were 0.2% lower and pricing/mix increased by 1.5%. Divisional trading profit margin increased by 10 basis points relative to Q1 2012. As signalled at year-end, the division continues to refocus its business model on its core offerings, which impacted in particular the direct-to-store service to the independent and convenience retail sectors in the UK and Ireland in the quarter resulting in 4.8% rationalisation volume loss. The division's UK branded segments again performed satisfactorily. Wall's continued to achieve good growth in the savoury pastry sector. Cheestrings was adversely impacted by strong competition in the UK market but maintained encouraging market development in mainland European markets. Intense promotional activity in the UK branded spreads category impacted sales of Kerry Foods' customer branded spreads. Performance in the cheese slices category reflected the decline in burger sales. Kerry maintained satisfactory growth in the chilled meals sector but sales in the frozen category reflected the significant loss in consumer confidence in frozen meat products. In Ireland Kerry Foods' branded sausage and rasher offerings performed well but sliced meats declined due to intense private label promotional activity. Dairygold and LowLow spreads maintained a strong performance.

FINANCIAL REVIEW

The Group's closing net debt position at €1.3 billion was up marginally from the year-end position of €1.2 billion. The increase reflects the impact of capital expenditure in the quarter and increased investment in working capital. Capital expenditure in 2013 is expected to be higher than the 2012 level as the Group continues to progress our 1 Kerry Business Transformation Programme, 'Kerryconnect' IT project and commences development of the new Kerry Global Technology & Innovation Centre in Ireland.

In April, the Group successfully priced its 10 year US\$750m debut public bond at an annual coupon of 3.2%. The bonds which are listed on the Irish Stock Exchange provide Kerry with a new source of debt finance and significantly extends the maturity profile of Group debt. Proceeds from the issue will be used to retire existing debt including a private placement note maturing on 30 April, 2013.

FUTURE PROSPECTS

Despite currency headwinds and the raw material inflationary environment, the Group expects to achieve 7% to 11% growth in adjusted earnings per share in 2013 to a range of 250 to 260 cent per share, as previously guided.

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