



NEWS RELEASE

1 May 2014

Interim Management Statement: Kerry Group Annual General Meeting

1 May 2014 – Kerry the global ingredients & flavours and consumer foods group, issues the following Interim Management Statement for the first quarter ended 31 March 2014. This statement is issued in conjunction with the Group's Annual General Meeting which is being held today.

First Quarter Highlights

- 3.3% underlying sales growth
 - Ingredients & Flavours +4.4% (+4.0% vol)
 - Consumer Foods +0.2% (-0.1% vol)
- Group trading margin up 40 basis points
 - Ingredients & Flavours +60 basis points
 - Consumer Foods +10 basis points
- Continued investment in developing markets
- Earnings guidance for full year reaffirmed

BUSINESS PERFORMANCE

The Group achieved a satisfactory performance in the first quarter of 2014 despite challenging conditions in many markets and the inflationary impact of adverse currency movements in developing markets. Following a relatively sluggish start to the year, performance in all regions improved in the latter part of Q1. Kerry's ingredients & flavours' taste & nutrition systems performed well and functional ingredients & actives maintained a solid performance outperforming market growth rates. Developing markets, in particular Asian and Latin American markets, again provided strong growth opportunities. Consumer foods markets in the UK and Ireland remained subdued but Kerry Foods' flagship brands performed well.

Groupwide continuing business volumes grew by 2.9% and net pricing increased by 0.4%. Reported revenues decreased by 1.7% reflecting the adverse translation impact of significant currency headwinds. Improved product mix and business efficiency improvements through the Group's 1 Kerry programmes contributed a 40 basis points improvement in the Group trading profit margin. This reflects a 60 basis points improvement in trading margin in ingredients & flavours and a 10 basis points improvement in Kerry Foods relative to Q1 2013.

BUSINESS REVIEWS

INGREDIENTS & FLAVOURS

Q1 2014 was a more challenging period overall across food and beverage markets due to industry competitive pressures in response to constrained consumer demand. However Kerry's ingredients & flavours businesses maintained good continuing volume growth ahead of our markets. Continuing business volumes increased by 4% relative to the first quarter of 2013. Pricing increased by 0.4%. Despite inflationary pressures resulting from significant negative currency movements, developing markets achieved strong underlying growth. Functional ingredients & actives recorded a solid performance across all regions – in particular in nutrition sectors. Pricing actions coupled with business efficiency measures helped offset raw material and business overhead inflationary pressures, contributing a 60 basis points improvement in divisional trading profit margin.

The **Americas Region** saw slower food and beverage industry development in North America with some categories impacted by the severe weather conditions – particularly in the foodservice sector. Kerry grew ahead of sectoral market growth rates across American markets, achieving 4% growth in continuing business volumes. Solid growth was achieved in Latin American markets in the dairy, culinary and beverage sectors. Savoury & dairy technologies performed well in North American markets. Performance in the culinary sector was assisted by Wynnstarr Flavors acquired prior to year-end 2013. Demand for clean label provided good growth opportunities in the meat sector. Market conditions in the cereal & sweet technology sectors proved challenging. Beverage systems & flavours maintained good growth. Cell nutrition applications and excipients continued to record good growth in the pharmaceutical industry.

EMEA Region market conditions while stable remained relatively flat from a development and industry growth perspective. Kerry's continuing business volumes grew by 1% relative to the prior year Q1. Performance in the meat sector improved relative to Q1 2013. Cereal & sweet systems & flavours also performed satisfactorily. Dairy technology applications were impacted by dairy pricing trends. Growth in South African markets proved challenging due to relatively weak market conditions and intense competition. Beverage systems & flavours recorded solid growth in EMEA markets. While demand in international dairy markets remained firm, primary dairy market price returns weakened towards the end of the period due to increased output from major exporting countries. Kerry hydrolysed proteins continued to perform well and strong growth was achieved in premium infant nutrition applications.

Asia Pacific markets provided a solid platform for growth where Kerry recorded a 10.8% increase in continuing business volumes. Strong double digit growth was achieved in regional developing markets which provided excellent growth opportunities for Kerry's taste & nutritional systems and functional ingredients & actives. Developed markets in the region saw slower growth in a flat and competitive retail environment. In Asia lipid technologies performed well in nutritional applications. Savoury & dairy technologies saw slower growth in regional developed markets. China provided excellent growth opportunities for Kerry technologies in the nutritional and foodservice sectors. A new processing facility was acquired in Nantong which significantly expands the Group's manufacturing footprint in this fast growing marketplace. Beverage systems again achieved solid growth in the foodservice sector.

Market conditions in Australia and New Zealand proved more challenging due to industry competitive pressures arising from lower retail sales. Kerry Pinnacle maintained a good performance in the lifestyle bakery sector.

CONSUMER FOODS

The Group's primary consumer foods markets in the UK and Ireland remained highly competitive with increased market fragmentation in response to consumer trends. Sales through discounter channels and private label offerings continued to grow. However, Kerry Foods' priority brands maintained brand shares in the UK and achieved encouraging

category growth in a stabilised Irish marketplace. Overall divisional continuing business volumes were 0.1% lower. Pricing increased by 0.3%.

As stated at year-end 2013, Kerry Foods is focused on strengthening its consumer foods business portfolio to achieve a high quality business in line with Group metrics. A review of businesses which are underperforming relative to this strategy is ongoing. Restructuring of the direct-to-store services to the independent and convenience retail sectors in the UK and Ireland is underway. Improved business mix contributed to the division's 10 basis points increase in trading margin.

Richmond maintained solid growth in the UK sausage category and Mattessons Fridge Raiders performed well in the meat snacking sector. Market conditions in the pastry sector proved challenging which impacted sales in the quarter. Cheestrings performed well in the UK market and continued to advance market development in Continental European markets. Customer branded dairy spreads achieved good growth in the UK, as branded offerings reduced promotional activity. The chilled ready meals category proved more challenging in a relatively flat overall retail market. Sales in the frozen meals category continued to improve relative to 2013 Q4 levels.

While conditions in the Irish market have stabilised, private label and discounter offerings continue to gain market share in the sausage, cooked meats and branded cheese categories. Dairygold spreads continue to perform well in the dairy spreads sector.

FINANCIAL REVIEW

Net debt at €1.2 billion is in line with expectations. The increase reflects the impact of capital expenditure and investment in working capital in the quarter. Deployment of the 'Kerryconnect' programme achieved planned milestones in the period. Implementation of the programme across five further sites in Europe is deferred to Q3 2014.

The Group's consolidated balance sheet remains strong which will facilitate the continued organic and acquisitive growth of Kerry businesses.

DIRECTORATE CHANGES

As previously announced, Dr. Hugh Brady joined the Board as a non-executive Director of the Company in February. Effective 1 May 2014 Mr. Sean Bugler retires from the Board and will be replaced as non-executive Director by Mr. Patrick Casey with effect from 2 May 2014. Mr. Casey operates his own business in the agriculture sector and is a Director of Kerry Co-operatives Creameries Ltd.

FUTURE PROSPECTS

The Group expects to achieve 6% to 10% growth in adjusted earnings per share to a range of 273 to 284 cent per share in 2014, as previously guided.

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