



**NEWS RELEASE**  
**30 April 2015**

## Kerry Group: Interim Management Statement

30 April 2015 - Kerry, the global ingredients & flavours and consumer foods group, issues the following Interim Management Statement for the first quarter ended 31 March 2015. This statement is issued in conjunction with the Group's Annual General Meeting which is being held today.

### First Quarter Highlights

- 2.5% growth in business volumes
  - Ingredients & Flavours +2.9%
  - Consumer Foods +1.4%
- Group trading margin up 40 basis points
  - Ingredients & Flavours +40 bps
  - Consumer Foods +20 bps
- Earnings guidance for full year reaffirmed

### BUSINESS PERFORMANCE

The Group achieved a good start to the year maintaining the positive momentum reported in Q4 2014. While global retail food and beverage markets continue to be challenged by consumer trends towards more convenient shopping formats and broader channels, demand for innovation in health / wellness and nutritional offerings provided solid opportunities for growth of Kerry's Taste and Nutrition technologies. Kerry achieved an improved performance in EMEA markets. American markets maintained positive momentum despite inflationary pressures in Brazil. Whilst strong business development continues to be achieved in Asia, reported growth slowed slightly due primarily to high inventory levels in China.

Market conditions in the UK and Irish consumer foods sectors have broadly stabilised. The repositioned Kerry Foods portfolio performed well benefiting from snacking trends and a good recovery in meal solutions.

Business volumes grew by 2.5% on a Groupwide basis – slightly ahead of the Q4 2014 level of growth. Net pricing was 2.4% lower, reflecting reduced raw material costs. Reported revenues increased by 4.5% relative to Q1 2014, reflecting the business volume growth, lower pricing, 6.9% positive translation impact due to significant currency tailwinds and (2.5%) business disposal impact.

Business trading performance continued to improve reflecting Groupwide business operational improvements, improved product mix and the portfolio repositioning in Kerry Foods. The Group trading profit margin increased by 40 basis points, reflecting a 40 basis points improvement in ingredients & flavours and a 20 basis points improvement in Kerry Foods relative to Q1 2014.

## **BUSINESS REVIEWS**

### **INGREDIENTS & FLAVOURS**

Kerry's Taste & Nutrition technologies and Functional Ingredients & Actives platforms achieved sustained business development across developed and developing markets. Business volumes increased by 2.9% while pricing was 2.3% lower relative to the first quarter of 2014. Divisional trading profit margin increased by 40 basis points as a result of the Group's business performance and efficiency programmes.

The **Americas Region** performed satisfactorily delivering 2.9% volume growth despite the adverse impact of consumer trends in some sectors. Kerry Taste technologies achieved good growth in the meat sector, with performance in the North American culinary segments assisted by Wynnstarr Flavors. *Junior Alimentos*, acquired in Q4 2014, performed in line with expectations in culinary and sweet foodservice segments in Brazil. The Group's 'Dairy Complete' offering continues to generate a good pipeline of growth throughout American markets. Clean label technologies continued to drive growth in the bakery sector. While traditional cereal markets remain challenged, snacking segments provided encouraging growth opportunities. Beverage systems & flavours maintained a strong business performance in particular the North American aseptic and nutritional applications. Foodservice markets again provided strong growth opportunities, in particular for Kerry's branded food and beverage offerings. Pharma ingredients maintained solid growth through excipient and cell nutrition applications.

While overall market conditions in the **EMEA Region** were broadly unchanged, Kerry achieved an improved performance in the region, with business volumes increased by 0.6% compared to the same period of 2014. Despite continuing geopolitical issues, business performance in regional developing markets showed satisfactory improvement. In the dairy sector Kerry's 'Dairy Complete' offering has achieved encouraging business development. Sales in the meat sector were lower except in Eastern Europe. Sweet applications grew satisfactorily in the ice cream and bakery sectors. Beverage systems & flavours maintained a positive business development momentum. Market conditions in Sub-Saharan-Africa recovered relative to Q1 2014. Russia provided good business growth opportunities notwithstanding the economic impact of political issues. MENAT market conditions remain subdued.

Nutritional applications, developed through continued investment at the Group's facilities in Ireland, again recorded strong growth across all life-stage end-use-markets, particularly in the infant sector in Asia. Primary dairy market price returns weakened further in Q1 2015 due to a continuing increase in output in exporting countries and softer demand conditions in importing countries.

Kerry continued to successfully advance its Taste and Nutrition market development programmes throughout the **Asia Pacific** region in Q1 2015 but the level of growth was below the high prior year comparative level. Business volumes increased by 8.1%. Strong development continued across Asian foodservice markets with successful launches through savoury and beverage systems. Kerry's branded beverage offerings continued to broaden listings throughout the region. Meat systems achieved good growth in Thailand. Dairy systems and 'Dairy Complete' continued to achieve business wins in Indonesia, the Philippines, China and Vietnam. Premium sauce systems achieved good growth in Malaysia and China. Excellent growth was achieved in India through beverage flavours, emulsifiers, texturants and meat systems.

Regional developed markets, in particular Australia and New Zealand continue to be impacted by industry and retail competitive issues. However Kerry achieved solid momentum through sauce systems, coatings and beverage applications in the Australian foodservice sector. At year-end results stage, the Group confirmed that the sale of the Pinnacle lifestyle bakery business in Australia was at an advanced stage. This transaction is expected to complete by the end of May.

## CONSUMER FOODS

While retail pressures, channel and structural changes in the UK and Irish consumer foods markets continue to impact market competitiveness, nevertheless chilled convenience and snacking market sectors reflect more stabilised trading market conditions. Kerry Foods' repositioned portfolio has achieved encouraging results to-date. In Q1 2015, divisional business volumes increased by 1.4% relative to the first quarter of 2014, while pricing decreased by 2.6%. The improved business mix and trading performance contributed to the division's 20 basis points increase in trading margin.

In the meal solutions sector, Kerry Foods achieved a strong performance in its chilled ready meals accounts in the quarter. Volumes also increased in the frozen meals market. Retailer EDLP pricing strategies impacted performance in the UK sausage market. Mattessons Fridge Raiders maintained good growth in the meat snacking sector. In January *Rollover Ltd* was acquired further extending Kerry Foods' 'hot-to-go' offering and broadening distribution in the leisure and foodservice segments of the UK market. The customer branded dairy spreads category was impacted by heavily promoted branded butter offerings.

In Ireland the relaunched Denny Gold Medal sausage brand continues to perform well. The Charleville cheese brand achieved good growth in the quarter. Cheestrings continues to invest in broadening its geographic market reach in mainland European markets. The 'Yollies' children's yoghurt snack introduced to the Irish and UK markets during 2014 continues to achieve encouraging market penetration.

As previously announced, the Kerry Foods' Direct-to-Store business in the UK was disposed of in January 2015.

## FINANCIAL REVIEW

At the end of March net debt stood at €1.4 billion. The increase in net debt since year-end reflects the impact of currency translation, capital expenditure and investment in working capital.

Following a limited syndication process, the Group has agreed a new €1.1bn revolving credit facility replacing the existing facility which matures in April 2016. The syndication was more than two times oversubscribed. The facility provides a line of committed debt, thereby significantly extending the maturity profile of Group debt which can be used to retire existing debt and for general corporate purposes.

## POST BALANCE SHEET EVENTS

In April, Kerry and *IOI Lodders Croklaan* reached agreement to form a joint venture company to develop and market the nutrition lipid Betapol® business. The joint venture partnership will significantly extend the Betapol® portfolio for infant nutrition and broaden application to other key nutrition market segments globally.

Agreement has been reached to acquire U.S. based *Insight Beverages*, a leading supplier of custom beverage solutions, including cocoa and coffee speciality offerings, fruit-flavoured beverages, and functional beverages to the foodservice and convenience store channels in North American markets. The acquisition is expected to complete by the end of May.

## FUTURE PROSPECTS

The Board is confident of delivering full year earnings growth as previously guided.

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