



02 May 2019

Kerry Group Q1 Interim Management Statement

Kerry, the global taste & nutrition and consumer foods group, issues the following Interim Management Statement for the first quarter ended 31 March 2019. This statement is issued in conjunction with the Group's Annual General Meeting which is being held today.

FIRST QUARTER HIGHLIGHTS

- Business volume growth +3.3%
 - Taste & Nutrition +3.8%
 - Consumer Foods +0.8%
- Pricing -0.2%
- Reported Revenue +10.3%
- Group trading margin +10bps
 - Taste & Nutrition +10bps
 - Consumer Foods -10bps
- Earnings guidance for full year reaffirmed

Edmond Scanlon – Chief Executive Officer Statement

“We have made a solid start to the year with overall business performance in line with expectations. The Group continued to deliver volume growth ahead of the market while expanding trading margin. We are pleased with our innovation pipeline and the continued enhancement of our product mix. Our industry-leading business model and unique taste and nutrition positioning continue to deliver significant value for our customers in meeting rapidly evolving consumer needs. The recently announced acquisitions have performed very well and we are pleased with the progress made on their integration. In summary, we are encouraged by our progress in the quarter and reaffirm our full year 2019 guidance of adjusted earnings per share growth of 6% to 10% in constant currency.”

Contact Information

Media

Catherine Keogh	VP Corporate Affairs & Communications	+353 66 7182304	corpaffairs@kerry.ie
-----------------	---------------------------------------	-----------------	--

Investor Relations

Marguerite Larkin	Chief Financial Officer	+353 66 7182292	investorrelations@kerry.ie
William Lynch	Head of Investor Relations	+353 66 7182292	investorrelations@kerry.ie

Website

www.kerrygroup.com

Group Performance & Markets

Group reported revenue increased by 10.3%, reflecting business volume growth of 3.3%, a pricing decrease of 0.2% due to lower raw material prices on average across the period, acquisition contribution of 4.7%, and a favourable translation currency impact of 2.5%. Group trading profit increased by 10bps, reflecting a 10bps improvement in Taste & Nutrition, an adverse 10bps in Consumer Foods and increased net investment on the KerryExcel programme.

Consumer demand for ‘food for life and wellbeing’, ‘new taste experiences’ and ‘made for me’ continue to be noteworthy drivers of innovation. Kerry’s industry-leading taste and nutrition technology portfolio and unique business model continue to drive significant value for our customers as they seek to meet these rapidly evolving consumer demands and increase speed to markets.

Business Reviews

Taste & Nutrition

- Volume growth of 3.8% driven by Meat, Snacks and Dairy End Use Markets (EUMs)
- Pricing -0.1% reflective of customer partnership agreements with relatively neutral raw material costs
- Trading profit margin +10bps - good underlying growth driven mainly by enhanced product mix, operating leverage and efficiencies, offset by investments and Brexit risk-mitigation costs

Kerry’s nutrition and wellbeing technology portfolio had a strong performance in the period, as demand for great-tasting products with improved nutritional attributes continued to accelerate across the globe. Our unique taste and nutrition positioning, food science expertise and deep understanding of the intersection of taste and nutrition attributes mean more customers are seeing Kerry as their key innovation partner. This has led to good sales growth in customised solutions incorporating in particular Kerry’s fermented ingredients, broad protein portfolio, probiotics, botanicals and natural extracts.

Developing market growth continued to be strong at 9.0%, with developing APMEA being the main driver. Foodservice performed well in the quarter, growing at 5.1% with the North American market a little softer at the beginning of the year. The Group completed the acquisitions of Southeastern Mills (SEM) and Ariake USA Inc in the period.

Americas Region

- 2.6% volume growth
- Solid performance in North America, driven by Meat, Snacks and Dairy EUMs
- LATAM performed well

In North America, Kerry’s Meat EUM enjoyed another strong quarter, as our industry-leading portfolio continued to support customers as they innovate to meet consumer demands for new regional flavours, cleaner labels, natural shelf-life preservation and plant-based alternatives. This performance was complemented by the acquisition of Southeastern Mills (SEM), which performed well in the period. The Snacks EUM delivered good growth through healthier snacking and new world taste experiences. The Dairy EUM benefitted from the ongoing evolution of the ice cream category towards premiumisation, along with lower-calorie offerings. The Foodservice channel had a soft start to the year, which impacted performance in the Beverage and Meals EUMs.

In LATAM, Brazil performed well particularly in the Dairy and Beverage EUMs, while Mexico’s performance was led by good growth in the Snacks EUM. The global Pharma EUM had a solid performance, whilst impacted by the timing of customer orders in the quarter. The recently acquired Fleischmann’s business (FVC) performed well and the Group also completed the acquisition of Ariake USA Inc at the end of the period.

Europe Region

- 2.4% volume growth
- Strong performance in Beverage, with good growth in Meat and Snacks EUMs
- Northern Europe and Russia delivered strong growth

The region delivered a good performance in the quarter, led by strong growth in the Beverage EUM, as Kerry continued to support customers as they improve their product ranges. This growth was broad-based, as Foodservice customers enhanced their beverage offerings across their menus, a number of launches incorporated Kerry's botanicals and natural extracts capabilities, and non-alcoholic launches also featured Kerry's brewing and taste technologies. The Meat EUM performed very well, with multi-texture coating systems delivering new sensorial taste experiences, along with further growth through 'better-for-you' launches. Good business development was also achieved in plant-based meat alternatives, as Kerry's offering was enhanced by the recent JV with Ojah. The Snacks EUM performed well, with strong demand for innovations incorporating Kerry's *Ganeden* probiotic technology. Northern Europe and Russia had particularly strong growth, led by local and regional customers.

APMEA Region

- 9.3% volume growth
- Strong performance in Meat, Beverage and Snacks EUMs
- Continued strategic expansion and business development

The APMEA region delivered another strong performance, with broad-based growth across the region led by China. The Meat EUM delivered excellent growth with a range of new innovations to meet key consumer preferences for local authentic taste, value and food safety. The Beverage EUM performed very well, particularly in the Foodservice channel as customers continue to broaden their menu offerings to target new and evolving consumption occasions. Strong growth was achieved through the branded *DaVinci* range into independent distributors. The dynamic Snacks EUM delivered very good growth, as the category continued to evolve at pace to meet consumer demand for new world taste experiences. We continue to make good progress in expanding our capacity and processing capabilities in the region, with ongoing strategic investments in China, India and the Middle East.

Consumer Foods

- Volume growth of 0.8%
- Pricing of -0.3% reflecting primarily lower raw material input costs
- Trading profit margin -10bps impacted by Brexit risk-mitigation costs

The division had a solid performance in the context of a subdued marketplace. 'Everyday Fresh' performed in line with expectations, with growth in Meat offset by challenges within the Dairy sub-category. The *Richmond* brand had solid growth particularly with chicken sausages, along with the *Denny* brand in Ireland. The traditional spreads category continued to be challenged, however Kerry had solid growth in spreadable butter. Within 'Convenience Meal Solutions' the chilled meals sub-category continued to be impacted by reduced promotional activity, while the frozen meals sub-category had a good performance across the range. 'Food to Go' performed well, as strong growth in *Cheestrings* was complemented by a number of new listings at the end of the quarter. *Fridge Raiders* also extended their snacking range to reach a broader consumer market. The realignment for growth programme announced in February is progressing to plan.

Financial Review

At the end of March net debt was €1.9 billion, reflecting the acquisitions completed in the period. The Group's consolidated balance sheet remains strong which will facilitate the continued organic and acquisitive growth of Group businesses.

Future Prospects

The Group reaffirms its full year 2019 guidance of adjusted earnings per share growth of 6% to 10% on a constant currency basis.

Disclaimer: Forward-Looking Statements

This announcement contains forward-looking statements which reflect management expectations based on currently available data. However, actual results may differ materially from those expressed or implied by these forward-looking statements.

These forward-looking statements speak only as of the date they were made and the Group undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.