



07 November 2018

Kerry Group Interim Management Statement

Kerry, the global taste & nutrition and consumer foods group, issues the following Interim Management Statement for the nine months ended 30 September 2018.

Q3 YTD KEY HIGHLIGHTS

- 3.5% growth in business volumes
 - Taste & Nutrition +4.1%
 - Consumer Foods +1.2%
- Pricing (0.2%)
- Group trading margin maintained
 - Good underlying margin expansion, offset by currency impact
 - Taste & Nutrition +20bps
 - Consumer Foods (60bps)
- Earnings guidance for full year reaffirmed

Edmond Scanlon – Chief Executive Officer Statement

“We are pleased with our performance to date in 2018, with volume growth well ahead of our markets and underlying margin expansion in line with expectations. In the third quarter we have delivered good volume growth against very strong comparatives. We have also made good progress across our strategic growth priorities, including the recent acquisition announcements of Fleischmann’s Vinegar Company Inc and AATCO Food Industries LLC. In summary, we are encouraged by the progress we have made in 2018 and reaffirm our full year 2018 guidance of adjusted earnings per share growth of 7% 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

Markets & Group Performance

Consumer demands for authenticity, clean label, premiumisation, healthfulness, convenience and new taste experiences continue to drive product launches and innovation across the marketplace. The high level of product churn is leading to significant change along the supply chain, as traditional models are being challenged to deliver speedy innovation. Kerry's longstanding business model and integrated solutions capability are best positioned to enable customers navigate this changing landscape and meet these fragmented consumer preferences.

Groupwide business volumes grew by 3.5% and pricing decreased by 0.2%, reflecting lower raw material prices on average across the period. Reported revenues increased by 2.2%, encompassing the aforementioned business volume growth and pricing, an adverse transaction currency impact of 0.1%, contribution from acquisitions of 3.9%, and an adverse translation currency impact of 4.9%.

Group trading profit margin was maintained, reflecting a 20 basis points improvement in Taste & Nutrition, with underlying margin improvement in Consumer Foods being offset by the sterling transaction impact, resulting in a 60 basis points margin reduction in the division.

Business Reviews

Taste & Nutrition

- Volume growth of 4.1% driven by Meat, Beverage & Snacks End Use Markets (EUMs)
- Pricing (0.2%) – lower raw material costs reflected in customer partnership agreements
- Trading profit margin +20bps – underlying growth encompassing operating leverage, enhanced product mix, efficiencies and investments

The division achieved good growth across global, regional & local customer groupings. Growth in developed markets was solid, whilst developing markets delivered strong broad-based growth of 9.7%. Foodservice delivered good performance in the period, growing at 5.8% against a backdrop of very strong comparatives, particularly in the latter half of 2017. Consumer demands for new world tastes and better-for-you offerings continue to drive development of innovative nutritional product solutions, providing opportunities for customers to extend their menu offerings.

Kerry's Taste technologies continued to record strong performance, with *TasteSense™* sugar-reduction technology and natural extracts being key drivers of growth. These technologies, in conjunction with Kerry's broader clean label technology portfolio, helped customers meet consumer demands for reduced sugar, natural ingredients, and authentic taste. Customers are increasingly turning to Kerry, as the significance of a partner with a 'from-food for-food' heritage is ever more relevant in today's marketplace.

Americas Region

- 2.8% volume growth
- Good performance in North America, driven by Meat, Snacks & Beverage EUMs
- Mexico and Central America performed well with good growth returning in Brazil in Q3

In North America, Kerry's Meat EUM enjoyed strong growth, as consumer demand for authentic flavours, clean label and a wider range of alternative protein-based products continued to drive new product innovations in both retail and foodservice channels. In the period, the Group acquired *Flavor Source* - based in Arkansas, further enhancing Kerry's authentic taste capabilities for the Meat EUM. The Snacks EUM delivered very good growth through protein snacking, healthier snacking, and snacks offering new innovative global taste experiences. The Beverage EUM achieved good growth, aided by new products delivering added functional health benefits. In LATAM, Central America and Mexico delivered good growth with both the Snacks and Bakery EUMs growing strongly.

Strong growth was achieved into the Pharma EUM on a global basis, driven by excipients in North America and APMEA.

Europe Region

- 2.5% volume growth - versus very strong comparatives
- Good performance in Beverage, Dairy & Meat EUMs
- Foodservice performed well with a number of highly successful seasonal product launches

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, with Kerry's *TasteSense™* sugar-reduction technology and natural extracts being key drivers of growth. The Meat EUM continued to deliver good growth through new authentic taste profiles and Meat-Free technologies. The recent *Hasenosa* acquisition in Spain and the majority shareholding in Netherlands-based *Ojah* are performing well and contributing to good business development for the meat category. The Dairy EUM performed well, as Kerry benefited from consumer demand for premiumisation and dairy-free ranges in the ice cream category. Foodservice played a key role across a number of EUMs, particularly in the Beverage and Meat EUMs with the continued nutritional enhancement of menu ranges and successful seasonal products.

APMEA Region

- 10.1% volume growth
- Good performance across a range of EUMs - led by Meat, Meals & Snacks
- Continued strategic expansion – both organic and acquisitive

The APMEA region continued to deliver excellent growth, well ahead of the market. All developing markets in the region delivered strong performances. Kerry's business model continued to be successfully deployed, with the industry-leading foundational technology portfolio selectively rolled out to meet rapidly evolving local consumer needs across the region. The Meat EUM delivered very strong growth through customer partnerships, with a number of new innovations launched to meet key consumer needs for authentic taste, value and food safety. The Meals EUM continued to perform strongly in Greater China and South East Asia, particularly through new authentic cooking taste profiles. The Snacks EUM delivered strong growth with the continued development of new snacking occasions across the region.

The Group continued to invest in its strategic growth priorities in the region. Good progress was made through investments in ongoing footprint expansion in Indonesia, China and Malaysia. Three acquisitions have been made in the year to date; *Hangman* – a leading 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, and *Season to Season* - a leading South African supplier of taste ingredients and systems to the African snack and food sectors.

Consumer Foods

- Volume growth of 1.2% - continued market outperformance driven by good growth in 'Food to Go'
- Pricing flat – reflecting neutral raw material prices on average across the period
- Trading profit margin (60bps) – underlying margin improvement more than offset by transaction currency

Whilst the UK consumer landscape had been resilient in the first half of 2018, demand softened in a number of categories in the third quarter. 'Everyday Fresh' enjoyed solid growth across the period with the *Richmond* range performing well, benefiting from the successful launch of *Richmond* chicken sausages. In the spreads category, the division's softer butter technology delivered good growth, as traditional spreads continued to lag overall category performance. 'Convenience Meal Solutions' remained challenged in the period, with retailers reducing promotional activity, and sales negatively impacted by the exceptional warm weather in the second and third quarters.

'Food to Go' performed well with strong growth in *Cheestrings* and *Fridge Raiders* ranges. During the third quarter, the relaunch of the *Fridge Raiders* brand was completed, with positive early signs that the new broader range of snacking products is appealing to a wider consumer demographic. *Rollover* and Out of Home meal solutions continued to deliver good growth with a number of new listings. The Brexit mitigation programme is progressing in line with expectations.

Strategic Acquisitions

On October 25th, at Kerry's Investor Day in Singapore, it was announced that agreement was reached to acquire *Fleischmann's Vinegar Company Inc (Fleischmann's)* and *AATCO Food Industries LLC*. These acquisitions further expand the Group's foundational technology portfolio, as well as strengthen its foodservice and developing markets positioning, in line with its strategic growth priorities. Total consideration for the acquisitions is expected to be €365m. These acquisitions have annualised revenues of approximately €150m.

Fleischmann's is a USDA certified all-natural producer of specialty ingredients that further support Kerry's taste and clean label strategies across a number of EUMs. It is headquartered in California and has manufacturing facilities in Washington, New York, Maryland, Illinois, Missouri, Alabama and California.

AATCO Food Industries LLC is a leading provider of culinary sauces to the foodservice channel. Headquartered in Muscat, Oman with manufacturing facilities in Sohar (Oman), Jeddah (Saudi Arabia) and Nashik (India).

AATCO Food Industries provides a platform for business development in the Middle East and Africa.

The Group will finance these acquisitions from existing lines of credit and it is anticipated that the transactions will be completed prior to year-end, subject to routine regulatory and closing conditions.

Financial Review

At the end of September, net debt was €1.4 billion, similar to the year end 2017 level. 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 2018 guidance of adjusted earnings per share growth of 7% 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.