

4 November 2020

KERRY GROUP – INTERIM MANAGEMENT STATEMENT

Strong recovery in business performance in third quarter, as improved volumes approached prior year levels

Kerry Group, the global taste & nutrition and consumer foods group, reports business performance for the nine months ended 30 September 2020.

Q3 YTD HIGHLIGHTS

- > Group volume reduction of 4.7% (Q3: -2.1%)
 - > Pricing +0.3%
 - > Group trading margin reduction of 130bps (Q3: -70bps)
 - > Earnings guidance resumed for full year
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Edmond Scanlon, Chief Executive Officer

“This year has seen unprecedented variability and complexity across our industry. The agility and ingenuity of Kerry’s teams in adapting to these changing conditions has contributed to Kerry’s strong recovery in the third quarter, which was in line with previous guidance.

In the foodservice channel, we have seen a strong recovery since April, as restaurants reopened and adapted their operations and menus to cater for increased consumer demand for takeaway, online and delivery. Performance in the retail channel remained strong, primarily through growth in authentic cooking, plant-based offerings and health and wellness products.

We continued to make good progress on a number of strategic fronts. During the third quarter we reached agreement to acquire Bio-K Plus International probiotics in Canada and Jining Nature Group, a leading savoury taste business in China. We also recently launched our 2030 sustainability strategy - *Beyond the Horizon*. This details Kerry’s sustainability targets and will be central to Kerry’s growth strategy, as we continue to innovate with our customers and expand our reach of sustainable nutrition solutions globally.

As we continue to manage through these unprecedented times, we expect to continue our recovery in the final quarter and return to volume growth, while today we also resume providing full year earnings guidance.”

Markets & Performance

This year has seen consumers' purchasing and consumption behaviours significantly disrupted, leading to a much more dynamic marketplace. At-home consumption has been elevated, while the foodservice channel has seen significant shifts, with demand for online and delivery increasing. A number of key consumer trends have accelerated in the period, with increased demand for health and immunity enhancement, natural authentic cooking, sustainability and plant protein, while many consumers reverted to centre-of-store offerings. Customers continue to adapt to this dynamic operating environment. Product portfolios and menu offerings continue to be evaluated, with new product development strategies being focussed on these rapidly changing consumer demands. These dynamics will lead to significant challenges and opportunities across the industry.

The Group's year to date performance has been impacted by COVID-19, most notably in the foodservice channel. Kerry's business has proved resilient throughout, and our response has been centred on supporting our people, customers and local communities. Group reported revenue decreased by 4.5%, reflecting a volume reduction of 4.7%, increased pricing of 0.3%, an adverse translation currency impact of 1.1% and contribution from acquisitions of 1.0%. Group trading margin declined by 130bps primarily due to the significant operating deleverage impact resulting from the sharp decline in foodservice orders when lockdown measures were introduced globally, with additional COVID-related costs being partially offset by cost mitigation actions.

Business Reviews

Taste & Nutrition

- > Continued recovery in foodservice, with ongoing strength in retail
- > Overall YTD volume reduction of 4.4%, reflecting continued recovery (Q3: -1.9% | Q2: -11.8%)
- > Foodservice channel volumes declined 23% year to date (Q3: -15% | Q2: -49%)
- > Retail channel continued to perform well, with strong growth in Beverage, Meals, Snacks and Pharma
- > Trading margin impact decreased with volume recovery, resulting in YTD reduction of 140bps (Q3: -80bps)

After a strong start to the year, the global spread of COVID-19 impacted performance in the foodservice channel particularly in the second quarter, with business volumes recovering well since then. The retail channel continued to perform well, with Kerry's nutrition and wellness technology portfolio delivering very good growth through customised solutions incorporating Kerry's broad protein portfolio, fermented ingredients, probiotics and immunity enhancing technologies. Developing market volumes declined by 2.9% year to date, with continued recovery in the third quarter led by good growth in China.

In addition to the acquisition of *Tecnispice, S.A.* earlier in the year, the Group also reached agreement to acquire two businesses in the third quarter. *Bio-K Plus International Inc.* is a leading biotechnology company with a number of probiotics in beverage and supplement applications in Canada and the US. *Jining Nature Group* - based in Shandong, China is a leader in savoury taste for local meat, snacks and meals markets.

Americas Region

- > Business volumes continued to recover (Q3 YTD: -3.5% | Q3: -2.8%)
- > Foodservice performance continued to improve in the third quarter
- > Retail channel delivered strong growth – led by Beverage, Meals and Dairy

The foodservice channel in North America continued its recovery in the third quarter, led by quick service restaurant chains, while dine-in restaurants and independent operators were more challenged. The retail channel in North America achieved excellent growth in Beverage, particularly in nutritional and plant-based beverages with a number of innovations incorporating Kerry's immunity enhancing technologies, broad protein portfolio and natural extracts. Meals delivered very strong growth through authentic culinary solutions, with increased demand for natural stocks and broths. Overall Meat category performance was impacted by customer product availability on retail shelves, while performance in Dairy was supported by increased demand for clean label nutrition solutions across the category.

In LATAM, the foodservice channel improved through the third quarter. Overall performance in Brazil started to show good signs of recovery led by beverage and ice-cream, while market conditions in Mexico remained more challenged. The global Pharma EUM delivered very strong growth, led by excipients and immunity enhancing technologies.

Europe Region

- > Business volumes saw significant improvement in the third quarter (Q3 YTD: -6.6% | Q3: -2.1%)
- > Foodservice had a strong broad-based recovery across the region in Q3
- > Retail channel delivered good growth in Beverage, Snacks and Meat

This region saw the most notable improvement in performance in the third quarter driven by foodservice, having initially been more impacted from COVID-related restrictions. The retail channel performed well, with Beverage achieving good growth through solutions for nutritional beverages and a number of launches in the low/non-alcoholic category. Snacks had very good growth in savoury applications with a number of large customers, while Confectionery was impacted by product repositioning in the category. Meat performed well in the period, driven by strong growth and business development in plant-based alternatives, as ranges continued to expand within the category. Russia and Eastern Europe continued to deliver strong growth through the third quarter.

APMEA Region

- > Business volumes returned to growth in the third quarter (Q3 YTD: -3.9% | Q3: 0.2%)
- > Foodservice recovery continued in Q3
- > Retail channel continued to progress with excellent growth in Q3 – particularly in Snacks and Dairy

The region returned to overall growth in the third quarter, with strong performances in China and the Middle East. The foodservice channel continued to recover in the third quarter, with variability across the region aligned to local conditions. The retail channel performed well, led by Snacks, Dairy and Meat, while Beverage and Meals were more challenged, as consumers opted for more traditional food and beverage offerings in many geographies across the region. Performance in the third quarter was particularly strong in Snacks and Dairy due to increased demand from regional leaders for Kerry's clean label solutions.

The Group continued to make good progress in expanding its capacity and deploying technology capabilities in China and the Middle East, while also moving into the new Technology & Innovation Centre in Shanghai.

Consumer Foods

- > Good recovery in Q3, with strong performances within the portfolio
- > Overall year to date volume reduction of 6.1% reflecting the effect of the ready meals contract exit
- > Pricing of +1.5% reflective of increases in input costs and market pricing
- > Trading margin +10bps as efficiencies offset COVID-19 impacts and pricing

The division had overall underlying volume growth of 1.4% in the third quarter, and 0.1% year to date before the impact of the prior year ready meals contract exit. The *Richmond* sausage range continued to achieve strong growth, as did the recently launched meat-free ranges under both the *Richmond* and *Naked Glory* brands. The *Denny* brand performed well, while overall meat sales were impacted by reduced retailer deli counter operations. Spreadable butter and the *Dairygold* range performed well due to increased at-home consumption. The chilled meals category was impacted by reduced consumer traffic, particularly in the second quarter, while frozen meals had a good overall performance. The 'Food to Go' category experienced variability in sales performance across the period. After a strong start to the year, *Fridge Raiders* was challenged in the second quarter, before achieving good growth in the third quarter. The *Strings & Things* range, led by *Cheestrings* delivered good overall growth, while *Oakhouse Foods* home delivery meals had exceptionally strong growth across the period.

Financial Review

At the end of September, net debt was €1.8 billion. The Group's consolidated balance sheet remains strong which will facilitate the continued organic and acquisitive growth of the Group.

Sustainability

In October, the Group launched its new sustainability strategy - *Beyond the Horizon*. This details Kerry's key sustainability 2030 commitments and targets, while reflecting how innovation and co-creation will continue to be central to Kerry's growth strategy. Kerry's aim is to increase its reach to over two billion people with sustainable nutrition solutions by 2030, which will be achieved by deploying and enhancing Kerry's solutions across the nutrition spectrum. *Beyond the Horizon* reflects Kerry's vision to become our customers' most valued partner, creating a world of sustainable nutrition.

Future Prospects

Within Taste & Nutrition, the foodservice channel continues to recover well, and we are focusing on particular growth areas in the channel, while partnering with customers on new menu developments. The retail channel continues to deliver good growth due to Kerry's co-creation model and leading solutions offering. We have a good innovation pipeline with strong customer engagement.

Our Consumer Foods business continues to see variability across categories and strong performances within the portfolio.

We will continue to invest for growth and pursue M&A opportunities aligned to strategic growth priorities. Kerry's unique business model, broad taste and nutrition portfolio and industry-leading integrated solutions capabilities are more critical than ever, as we support our customers through this dynamic environment.

While there remains a high level of uncertainty, based on current market conditions, we expect business volumes to return to growth in the final quarter and are guiding a full year earnings per share decrease of 8-11% in constant currency.

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 Company undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

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