Interim Management Report 2020

31 July 2020
Disclaimer: Forward Looking Statements

This presentation/announcement may contain forward looking statements with projections regarding, among other things, the Group’s strategy, revenues, earnings, trading profit, trading margin, finance costs, tax rate, capital expenditure, dividends, cash flow, net debt or other financial measures, the impact of foreign exchange fluctuations, the impact of raw material fluctuations and other competitive pressures. These and other forward looking statements reflect management expectations based on currently available data.

However, actual results will be influenced by, among other things, macro-economic conditions, food industry supply and demand issues, foreign exchange fluctuations, raw material and commodity fluctuations, the successful acquisition and integration of new businesses, the successful execution of business transformation programmes and other, as of today, unknown factors. Therefore actual results may differ materially from these projections.

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.
Interim Management Report 2020

1. Business Update
   Edmond Scanlon, Chief Executive Officer

2. Performance Review

3. Future Prospects
   Marguerite Larkin, Chief Financial Officer
H1 Overview – Managing Through Unprecedented Times

**COVID-19 Response**
Supporting people, customers, community and all stakeholders through period of uncertainty

**Foodservice Recovering**
Recovery of foodservice channel aligned to easing of restrictions on mobility

**Retail Performance**
Q2 growth driven by increased demand for health & wellness and authentic taste solutions

- **Q2 growth**驱动 by increased demand for health & wellness and authentic taste solutions

- **Foodservice Recovering**
  - Recovery of foodservice channel aligned to easing of restrictions on mobility

- **Retail Performance**
  - Q2 growth driven by increased demand for health & wellness and authentic taste solutions

- **COVID-19 Response**
  - Supporting people, customers, community and all stakeholders through period of uncertainty

### Graphs

- **Foodservice Recovery**
  - Jan: 10%
  - Feb: 65%
  - Mar: (65%)
  - Apr: (26%)
  - May: 5%
  - Jun: 5%

- **Retail Performance**
  - 2018: 3%
  - 2019: 3%
  - Q1 2020: 2%
  - Q2 2020: 5%

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## COVID-19 Update

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Impact &amp; Status</th>
<th>Actions</th>
<th>Impact on Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our People</strong></td>
<td><strong>T&amp;N Americas</strong>: Strong retail performance, with foodservice channel recovering well in North America</td>
<td>✔ Employee Safety &amp; Security of Supply</td>
<td>Importance of Supply Chains</td>
</tr>
<tr>
<td></td>
<td><strong>T&amp;N Europe</strong>: Most impacted from restrictions</td>
<td>✔ Targeted Cost Initiatives</td>
<td>Product Portfolios</td>
</tr>
<tr>
<td></td>
<td><strong>T&amp;N APMEA</strong>: China foodservice recovery continues, with ongoing variability in countries across the region</td>
<td>✔ Working With Our Customers</td>
<td>NPD Requirements Shifting</td>
</tr>
<tr>
<td></td>
<td><strong>Consumer Foods</strong>: Category volatility but limited overall impact</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Margin</strong>: Short term impact principally from operating deleverage</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Business Review – Taste & Nutrition

H1 2020
Revenue €2,799m
Trading margin 11.6%

- Overall volume reduction of 5.6% in H1 driven by Q2 decline of 11.8%, where the impact from COVID-19 was most pronounced in April
- Foodservice channel volumes declined 27% in the period
- Retail channel performed well, with strong growth in Q2
  - Beverage, Meals, Snacks and Pharma had good growth
  - Nutrition and wellness portfolio performed strongly
- Developing markets’ volumes declined 3.8%
- Pricing 0.1% – reflecting broadly neutral raw material costs
- Trading profit margin decline of 170bps driven principally by significant operating deleverage in Q2
Taste & Nutrition – Business Performance by Region

**Americas**
€1,547m
H1: (3.9%) | Q2: (10.6%)
- North America foodservice recovering well
- North America retail delivered very strong growth – led by Beverage, Meals and Snacks
- LATAM impacted more from COVID-19 – particularly Brazil

**Europe**
€657m
H1: (8.8%) | Q2: (17.0%)
- Foodservice recovery slower, aligned to lifting of restrictions
- Retail achieved good growth – led by Beverage, Meat and Snacks
- Russia and Eastern Europe delivered very good growth

**APMEA**
€566m
H1: (5.9%) | Q2: (7.9%)
- China performance continued to recover
- Foodservice impacted in Q2 throughout the region
- Retail performance varied – SEA and Middle East performed strongly, with SSA and India most impacted
- Strategic investments in China and the Middle East continued

Note: Volume performance shown above
Business Review – Consumer Foods

H1 2020

Revenue €647m
Trading margin 7.0%

• Volume decline of 7.8% reflecting ready meals contract exit in prior year ¹
• Positive impact from COVID-19 in Q1 was more than offset in Q2
• Pricing of 1.7% reflective of increases in input costs and market pricing
• Trading margin maintained as efficiencies offset COVID-19 impacts and pricing
• Meat-free launches continued to grow strongly

¹ volume performance excluding contract exit of (0.7%)
H1 2020 Financial Review

Marguerite Larkin, Chief Financial Officer

Revenue €3.4bn
Trading Profit €316m
Adjusted EPS 132.1c
H1 2020 Financial Overview

<table>
<thead>
<tr>
<th>Metric</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€3.4bn</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Trading profit</td>
<td>€316m</td>
<td>H1 2019: €383m</td>
</tr>
<tr>
<td>Trading margin</td>
<td>9.3%</td>
<td>H1 2019: 10.7%</td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>132.1c</td>
<td>-19.8% constant currency</td>
</tr>
<tr>
<td>Basic EPS</td>
<td>120.4c</td>
<td>-11.1% reported</td>
</tr>
<tr>
<td>ROACE</td>
<td>10.5%</td>
<td>H1 2019: 11.9%</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>€107m</td>
<td>46% cash conversion</td>
</tr>
</tbody>
</table>

Note: Alternative performance measures are calculated as defined in the 2019 Annual Report.
Group Revenue Analysis

H1 2019
€3,569m

H1 2020
€3,414m

-4.3%

Volume
-6.0%

Price
0.4%

Translation currency
0.1%

Acquisitions / disposals
1.2%
Group Revenue Breakdown

Group Revenue H1 2020

-6.0%
€3.4bn
Group
-7.8%
€0.6bn
Consumer Foods
-5.6%
€2.8bn
Taste & Nutrition

Taste & Nutrition Volume Trend

Recovering well through Q2

Jan
Feb
Mar
Apr
May
Jun
5%
(17%)
(5%)
H1: (5.6%)

1 Includes the impact of the ready meals contract exit
Group Trading Margin Breakdown

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>Operating Deleverage / Portfolio Mix</th>
<th>Net COVID-19 Costs / Initiatives</th>
<th>Net Price</th>
<th>KerryExcel - Net Efficiencies / Investments</th>
<th>Currency</th>
<th>Acquisitions</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Margin</td>
<td>10.7%</td>
<td>(1.1%)</td>
<td>(0.3%)</td>
<td>(0.1%)</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

Significant impact within from COVID-19

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Free Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>H1 2020 €m</th>
<th>H1 2019 €m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading profit</td>
<td>316</td>
<td>383</td>
</tr>
<tr>
<td>Depreciation (net)</td>
<td>101</td>
<td>94</td>
</tr>
<tr>
<td>Movement in average working capital</td>
<td>(116)</td>
<td>(77)</td>
</tr>
<tr>
<td>Pension contributions paid less pension expense</td>
<td>(4)</td>
<td>(11)</td>
</tr>
<tr>
<td><strong>Cash flow from operations</strong></td>
<td><strong>297</strong></td>
<td><strong>389</strong></td>
</tr>
<tr>
<td>Finance costs paid (net)</td>
<td>(25)</td>
<td>(30)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(36)</td>
<td>(29)</td>
</tr>
<tr>
<td>Purchase of non-current assets</td>
<td>(129)</td>
<td>(135)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>107</strong></td>
<td><strong>195</strong></td>
</tr>
</tbody>
</table>

*Cash conversion*  

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46%</td>
<td>67%</td>
</tr>
</tbody>
</table>
Strong Credit Metrics with Long Maturity Profile

Maturity Profile of Net Debt

Net Debt of €2.0bn

- **On demand & up to 1 year (€732m)**
- **< 2 years €85m**
- **2 to 5 years €945m**
- **> 5 years €1,698m**

Strong Credit Metrics

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt: EBITDA*</td>
<td>2.0x</td>
<td>1.9x</td>
</tr>
<tr>
<td>EBITDA: Net interest*</td>
<td>12.8x</td>
<td>14.4x</td>
</tr>
</tbody>
</table>

* Calculated on a pro-forma basis
Other Matters

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerryconnect</td>
<td>North America deployment progressing well</td>
</tr>
<tr>
<td>Pension</td>
<td>Net deficit of €79m – increase due to asset valuations and discount rates</td>
</tr>
<tr>
<td>Dividends</td>
<td>Interim dividend of 25.9 cent proposed</td>
</tr>
<tr>
<td>Raw materials</td>
<td>Minor input cost inflation driven by Consumer Foods</td>
</tr>
<tr>
<td>Currency</td>
<td>Current outlook of 2-3% translation headwind on EPS</td>
</tr>
</tbody>
</table>
Future Prospects

Edmond Scanlon,
Chief Executive Officer
Rapidly Evolving Market Dynamics Across the Supply Chain

### Consumer DEMANDS
- Online & Food Delivery
- Plant-based Options
- Reduced Food Waste / Natural Shelf Life Extension
- Wellbeing & Immunity Protection

### Customer RESPONSE
- New menus and infrastructure
- Expanding ranges
- Renovating portfolios
- No. 1 customer requirement in 2020

### Industry OPPORTUNITY
- Replicating taste experience at home
- New innovative solutions
- Food protection options
- Nutrition & wellness partners

**Sustainability Now a Primary Factor**
Online and Food Delivery – Experiencing a Step Change in Consumer Demand

Customers
Investing in growth opportunity

- New footprint strategies
- New operating models
- New menus

Challenges & Solutions
Meeting consumer needs

Delivery Challenge
- Stability consistency
- Appearance
- Taste/mouthfeel
- Shape maintained

Flavoured Oolong Cream Tea

Kerry
Leading foodservice partner

- Largest technology portfolio
- Holistic partnership model
- Integrated solutions expertise

Kerry Technology
- Integrated dairy technology system
- Natural flavour
- Botanical extracts
- TasteSense™

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The **Broadest and Deepest** Clean Label Food Protection Portfolio

*We have an unrivalled ability to develop innovative integrated solutions that solve complex food protection needs*

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**Increasing Importance**

- Food Safety
- Clean Label / Natural
- Transparency
- Food Waste
- Sustainable

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**Kerry’s Food Protection Journey**

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**Integrated Solutions**

- Taste & Nutrition 5R Approach

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**Clean Label Food Protection Systems**

- Biological Risk Assessment
- Mechanism of Action/Spectrum of Inhibition
- Microbial Challenge Studies
- Global Regulatory Knowledge
- Protective Cultures
- Fermentation Metabolites
- Bio-protective Plant Extracts
- Vinegar Antimicrobials
- Smoke Distillates
- Process Expertise
- Customer Partnerships

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**Insights** | **Culinary** | **Sensory** | **Regulatory** | **Analytical** | **Applications** | **Process**

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**Categories**

- Meat
- Bakery
- Beverage
- Meals
- Dairy
Future Prospects

- **Taste & Nutrition**: managing through the short term challenges to emerge an even stronger customer partner
  - The foodservice channel continues to recover well. We are focusing on particular growth areas in the channel, while continuing to partner 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 to meet the demands of the post-COVID consumer

- **Consumer Foods**: continues to see short-term changes in consumer purchasing behaviour with variability across categories
  - 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 changing environment
Appendix
<table>
<thead>
<tr>
<th></th>
<th>Volumes</th>
<th>Price</th>
<th>Transaction Currency</th>
<th>Translation Currency</th>
<th>Acquisitions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taste &amp; Nutrition</td>
<td>(5.6%)</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>1.4%</td>
<td>(4.0%)</td>
</tr>
<tr>
<td>Consumer Foods</td>
<td>(7.8%)</td>
<td>1.7%</td>
<td>(0.1%)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>(6.2%)</td>
</tr>
<tr>
<td>Group</td>
<td>(6.0%)</td>
<td>0.4%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>1.2%</td>
<td>(4.3%)</td>
</tr>
</tbody>
</table>
## H1 2020 Trading Profit by Business

<table>
<thead>
<tr>
<th></th>
<th>Revenue  €m</th>
<th>Trading Profit  €m</th>
<th>%</th>
<th>Revenue  €m</th>
<th>Trading Profit  €m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taste &amp; Nutrition</strong></td>
<td>2,799</td>
<td>325</td>
<td>11.6%</td>
<td>2,915</td>
<td>388</td>
<td>13.3%</td>
</tr>
<tr>
<td><strong>Consumer Foods</strong></td>
<td>647</td>
<td>45</td>
<td>7.0%</td>
<td>689</td>
<td>48</td>
<td>7.0%</td>
</tr>
<tr>
<td><strong>Eliminations / unallocated</strong></td>
<td>(32)</td>
<td>(54)</td>
<td>–</td>
<td>(35)</td>
<td>(53)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td><strong>3,414</strong></td>
<td><strong>316</strong></td>
<td><strong>9.3%</strong></td>
<td><strong>3,569</strong></td>
<td><strong>383</strong></td>
<td><strong>10.7%</strong></td>
</tr>
</tbody>
</table>
## EPS Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>H1 2020 € cent</th>
<th>H1 2019 € cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic EPS</td>
<td>120.4</td>
<td>135.5</td>
</tr>
<tr>
<td>Brand related intangible asset amortisation</td>
<td>11.7</td>
<td>9.3</td>
</tr>
<tr>
<td>Non-trading items (net of related tax)</td>
<td>–</td>
<td>19.3</td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>132.1</td>
<td>164.1</td>
</tr>
<tr>
<td>Retranslating PY adjusted EPS at current year average fx rates</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Adjusted EPS in constant currency</td>
<td>132.1</td>
<td>164.7</td>
</tr>
</tbody>
</table>
## Net Debt (€m) as at June 2020

<table>
<thead>
<tr>
<th></th>
<th>Debt</th>
<th>@ Floating Rates</th>
<th>@ Fixed Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Euro</strong></td>
<td>2,108</td>
<td>347</td>
<td>1,761</td>
</tr>
<tr>
<td><strong>Sterling</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>US Dollar</strong></td>
<td>621</td>
<td>398</td>
<td>223</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>3</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td><strong>Gross Debt</strong></td>
<td>2,732</td>
<td>748</td>
<td>1,984</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>(736)</td>
<td>(736)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Debt</strong></td>
<td>1,996</td>
<td>12</td>
<td>1,984</td>
</tr>
</tbody>
</table>

Gross Debt:
- 100% @ Floating Rates
- 27% @ Fixed Rates
- 73% Total

Net Debt:
- 100% @ Floating Rates
- 1% @ Fixed Rates
- 99% Total
Shareholder Analysis

Institutional Analysis

- North America 20%
- UK 13%
- Continental Europe | Rest of World 23%
- Ireland 2%

Institutions 58%
Kerry Co-operative 12%
Retail 30%