



03 May 2018

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 2018. This statement is issued in conjunction with the Group's Annual General Meeting which is being held today.

FIRST QUARTER HIGHLIGHTS

- 3.7% growth in business volumes
 - Taste & Nutrition +4.3%
 - Consumer Foods +1.6%
- Pricing +0.9%
- Group trading margin maintained
 - Underlying margin expansion offset by transaction currency impact
 - Taste & Nutrition +20bps
 - Consumer Foods (60bps)
- Earnings guidance for full year reaffirmed

Edmond Scanlon – Chief Executive Officer Statement

“We are pleased with the start we have made to 2018, which is in line with our expectations as communicated in February. The Group continued to deliver healthy volume growth and underlying margin expansion. The acquisitions completed over the past year are performing well and integration is progressing to plan. Our industry leading business model and ‘from-food for-food’ heritage are ever more relevant in today’s marketplace and continue to underpin a strong innovation pipeline. In summary, we are encouraged by the start to the year and reaffirm our full year 2018 guidance of adjusted earnings per share growth of 6% to 10% in constant currency.”

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Markets & Group Performance

The rate of consumer driven change and its impact within the industry and along the supply chain continues at pace. Key consumer trends that continued to evolve and develop included authentic world tastes, new snacking formats, sugar reduction, meat-free and clean label. Kerry's longstanding integrated solutions capability is helping customers as they continue to innovate to meet these fragmented consumer preferences.

Groupwide business volumes grew by 3.7% and pricing increased by 0.9% in the quarter. Reported revenues increased by 0.1% reflecting the aforementioned business volume growth and positive pricing, an adverse transaction currency impact of 0.1%, contribution from acquisitions of 4.0%, and an adverse translation currency impact of 8.4%.

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 4.3% driven by Meat, Beverage & Snacks End Use Markets (EUMs)
- Pricing +0.9% – easing raw material inflation managed through customer partnership pricing model
- 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 at 2.6%, whilst developing markets delivered strong growth of 9.5%, with developing APMEA being the main driver. Foodservice delivered good performance in the quarter, growing at 6.1%. Consumer demands for good-food-fast and new world tastes continues to drive development of innovative nutritional product solutions, providing opportunities for customers to extend their menu offerings.

Kerry's Taste technologies recorded a strong performance in the period, 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 in meeting consumer demands for reduced sugar, natural ingredients, and authentic taste. Customers are increasingly turning to Kerry, as the importance of a partner with a 'from-food for-food' heritage is becoming ever more relevant in today's marketplace.

Americas Region

- 2.9% volume growth
- Good performance in North America, driven by Meat, Snacks & Beverage EUMs
- Brazil performed well, whilst Mexico delivered a solid performance

In North America, Kerry's Meat EUM enjoyed a strong quarter, as consumer demand for clean label and a wider range of alternative protein based products continued to grow. The Snacks EUM continues to deliver good growth with innovative flavours, healthier snacking and packaging formats all driving high churn in the category. Kerry's natural extract capabilities were also a key driver of growth in the Beverage EUM. The ready-to-eat cereal category remains challenged, but Kerry continues to outperform the sector through better-for-you, high protein and clean label offerings. The recent acquisitions of the *Kettle* business from Tyson Foods and *Dottley Spice* further strengthened Kerry's positioning and contributed to strong performance in the foodservice channel in the quarter. In LATAM, Brazil performed well with foodservice chains contributing strongly, whilst performance in Mexico was impacted by the timing of customer orders in the quarter.

Within Pharma, good growth was recorded, with excipients in North America delivering strong growth. Kerry's *Ganeden®* probiotics & *Wellmune®* branded immunity enhancing ingredients continued to broaden market reach into wider applications.

Europe Region

- 3.1% volume growth
- Good performance in Beverage, Dairy & Meat EUMs
- Foodservice delivered strong growth through both chains & independent operators

The region delivered a good performance in the quarter, with the Beverage EUM a major contributor through integrated taste & nutrition solutions in both the retail and foodservice channels. Kerry's *Island Oasis* beverage brand showed strong growth, particularly in Southern Europe. The Dairy EUM performed well, as consumer demand for luxury indulgence led to new premium launches in the ice cream sector. The Meat EUM continued to provide good growth opportunities, as Kerry's clean label and coating technologies performed well, aided in part by the recent acquisition of *Hasenosa* in Spain. Kerry's smoke & meat-free technologies were successfully deployed in a number of new launches in the UK and Northern Europe. Agreement was also reached in the period to acquire a majority shareholding in Netherlands based *Ojah* - a market leading plant-based protein manufacturer in Europe, producing textured meat alternatives.

APMEA Region

- 9.7% volume growth
- Good performance in Bakery, Meals & Snacks EUMs
- Continued strategic expansion – both organic and acquisitive

Kerry's newly defined APMEA region, which now includes the Middle East and Africa, delivered strong growth and business development in the quarter. This was led by the Bakery EUM, with strong growth across both savoury and sweet applications. The recent acquisitions of *Tianning Flavours*, *Taste Master* & *Hangman* have further strengthened Kerry's authentic local taste capabilities. These contributed to a strong performance in the Meals EUM with the successful launch of both main menu items, as well as limited-time-offers with a number of foodservice partners in Greater China. The Snacks EUM delivered good opportunities for growth due to the continued development of new snacking occasions across the region. These new occasions are driving considerable change, as local category leaders continue to innovate in bringing developed market concepts tailored for local taste preferences.

The Group continues to invest in its strategic growth priorities in the region. We are expanding our footprint with ongoing investments in Malaysia, Indonesia and China, and also continuing to selectively invest in route to market capabilities to capitalise on our strategic positioning in the region. Two further acquisitions were made in the quarter; *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 1.6% led by good growth in food to go solutions & snacking
- Pricing +1.0% – easing raw material inflation across the quarter
- Trading profit margin (60bps) – underlying margin improvement more than offset by transaction currency

'Everyday Fresh' enjoyed a good quarter, as *Richmond* benefited from the 2017 relaunch in the UK and the *Fire & Smoke* range also continued to perform well. The traditional spreads category continued to be challenged, however *Dairygold* had a solid performance in Ireland, as did the division's softer butter technology through private label brands within the UK. 'Convenience Meal Solutions' were impacted by reduced promotional activity in the quarter. 'Food to Go' had a strong performance across both the *Cheestrings* and *Fridge Raiders* ranges, as they consolidated leadership positions in their target markets. *Rollover* also continued to grow strongly with a number of new listings. Overall divisional volumes in the quarter were impacted by extreme cold weather spells in March. The Brexit mitigation programme made further progress in the quarter and is on track to deliver on its objectives.

Financial Review

At the end of March, net debt remained unchanged from year end at €1.3 billion. The Group's consolidated balance sheet remains strong which will facilitate the continued organic and acquisitive growth of Group businesses.

Board Changes

As previously announced Mr Michael Dowling retires from the Board following today's Annual General Meeting and will be succeeded as Chairman by Mr Philip Toomey. Mr Toomey joined the Board in February 2012 and was appointed as Senior Independent Director to the Board. He was appointed Chairman of the Audit Committee in February 2013. Mr Toomey will step down from the Audit Committee and as Senior Independent Director on taking up the position as Chairman of the Board of Directors.

The Board has agreed to appoint Mr Christopher Rogers as a non-executive Director of the Company with effect from 8 May. Mr Rogers is Senior Independent Director of Travis Perkins PLC and was an Executive Director of Whitbread Group PLC from 2005 to 2016. He served as Global Managing Director of Costa Coffee from 2012 to 2016, having previously held Group Finance Director roles in a number of companies including Whitbread PLC and Woolworth Group PLC. Mr Rogers will replace Mr Toomey as Chairman of the Audit Committee on appointment to the Board.

The Board also agreed to appoint Ms Joan Garahy as Senior Independent Director in succession to Mr Toomey. Ms Garahy joined the Board in January 2012 and is currently Chair of the Remuneration Committee and a member of the Audit Committee.

Future Prospects

The Group reaffirms its full year 2018 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.