



06 November 2019

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 2019.

Q3 YTD KEY HIGHLIGHTS

- 3.1% growth in business volumes
 - Taste & Nutrition +3.9%
 - Consumer Foods -0.7% (*excluding contract exit +0.6%*)
- Pricing -0.1%
- Reported revenue +10.0%
- Group trading margin +20bps
 - Taste & Nutrition +20bps
 - Consumer Foods maintained
- Earnings guidance for full year reaffirmed

Edmond Scanlon – Chief Executive Officer Statement

“We are pleased with our performance to date in the period, with volume growth ahead of our markets combined with margin expansion. We enjoyed strong growth in developing markets, as we further deploy our technology and continue our strategic footprint expansion. We continued to make strategic acquisitions, and good progress has been made on the integration of acquisitions completed over the last 12 months which are performing well. We reaffirm our full year 2019 guidance of adjusted earnings per share growth of 7% to 9% on a constant currency basis.”

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Group Performance & Markets

Group reported revenue increased by 10.0%, reflecting business volume growth of 3.1%, a pricing decrease of 0.1%, acquisition contribution of 4.7%, and a favourable translation currency impact of 2.3%. Group trading margin increased by 20bps, reflecting a 20bps improvement in Taste & Nutrition while Consumer Foods margins were maintained.

Major global consumer trends such as clean label, authentic taste, plant-based diets, healthfulness, convenience, sustainability and premiumisation, tailored to local consumer preferences continue to generate increased innovation opportunities. As our customers continue to meet these rapidly changing consumer demands and increase speed to market, Kerry is best positioned as the holistic partner of choice with our unique business model and industry-leading taste and nutrition technology portfolio.

Business Reviews

Taste & Nutrition

- Volume growth of 3.9% driven by Meat, Snacks and Beverage End Use Markets (EUMs)
- Pricing +0.1% – reflecting broadly neutral raw material costs in the period
- Trading margin +20bps – key drivers were enhanced product mix, operating leverage and efficiencies, partially offset by investments for growth and Brexit risk management 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 were the drivers of increased innovation across a wide range of applications. This led to good sales growth in customised solutions incorporating in particular Kerry's fermented ingredients, broad protein portfolio, probiotics, fibre systems, botanicals and natural extracts.

Developing market growth continued to be strong at 9.5%, with developing markets in APMEA being the main driver. Foodservice performed well, with growth of 5.1% despite softness in certain developed markets.

Americas Region

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

North America delivered solid volume growth against a backdrop of softer market volume growth rates, with heightened pricing at a consumer level continuing to impact overall consumption levels. The Meat and Snacks EUMs continued to deliver good growth, while the Meals EUM and other traditional centre of store categories were more challenged. LATAM delivered good growth in the period led by strong growth in the Snacks and Dairy EUMs. The Group also completed the acquisition of *ComeIn Food Systems* – a Mexican producer of seasonings and marinades, complementing our leading offering for the Meat EUM in the region.

The global Pharma EUM had a good performance, led by strong growth in excipients in North America.

The recent acquisitions of *Fleischmann's (FVC)* business, *Southeastern Mills (SEM)* and *Ariake U.S.A.* all performed well and integration is progressing to plan. These acquisitions were complemented by the acquisitions of *Isoage Technologies* and *Biosecur Lab* in the third quarter, which further enhance Kerry's leading food protection and fermentation capability, adding to our portfolio of natural preservation solutions.

Europe Region

- 2.3% volume growth
- Good performance in Beverage, Meat and Snacks EUMs
- Northern Europe & Russia delivered good growth and business development

The region delivered good growth in the period, with the Beverage, Meat and Snacks EUMs performing well.

The Beverage category continues to evolve at pace, with enhanced nutrition and wellness products as well as seasonal offerings coming to market. The Meat EUM delivered strong growth through clean-label and smoke innovations, while there continues to be very good business development within meat-free. The Snacks EUM performed well with a number of launches incorporating new authentic world flavours as well as our TasteSense™ sugar-reduction technology, while the Dairy EUM was impacted by softer demand in the ice-cream category during the period. The Group also completed the acquisition of *Pevesa Biotech* – a specialist plant protein isolates and hydrolysates business based in Spain and serving key nutrition applications.

APMEA Region

- 9.9% volume growth
- Strong growth in Meat, Beverage and Snacks EUMs
- Progressing strategic expansion and business development across the region

Kerry delivered a very strong performance in the period, as the Group continued to successfully deploy the Kerry business model on a country by country basis across the region. The Meat EUM delivered excellent growth as our customers continued to meet key consumer preferences for local authentic taste, value, food safety and home delivery. Kerry's Beverage EUM continued to perform strongly as the category evolves at pace within both the retail and foodservice channels. The Snacks EUM delivered strong growth, particularly with savoury taste innovations meeting local consumer preferences.

We continued to make good progress in expanding our capacity and deploying our technology capabilities in the region. Our strategic expansion in China progressed well, as we upgraded the recently acquired SIAS facility to serve our customers in the Greater Beijing region, and continued the expansion programme at our Nantong facility. In June, the Group opened a new facility in Tumkur, India, which will serve the rapidly expanding South West Asia market. Further to the acquisition of *AATCO* at the end of 2018, the Group also invested in expanding our capabilities in the Middle East region.

Consumer Foods

- Volume -0.7% (excluding contract exit +0.6%)
- Pricing -0.6% reflective of market pricing and input costs not fully recovered
- Trading margin maintained with efficiencies offset by pricing and Brexit risk management costs

Overall volumes in the period were muted, reflective of a subdued marketplace and the impact of the previously reported loss of a ready meals contract. Within 'Everyday Fresh' the *Richmond* chilled sausage range achieved good growth, while the spreads category remained challenged. 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. *Fridge Raiders* also extended their snacking range to reach a broader consumer market. The Group recently launched a number of new plant-based products under the *Naked Glory* and *Richmond* brands. The realignment for growth programme is progressing in line with expectations and is well advanced.

Financial Review

At the end of September, net debt was €2.0 billion. 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 7% to 9% 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.