08 November 2017

Kerry Group
Interim Management Statement

08 November 2017 – Kerry, the global taste & nutrition and consumer foods group, issues the following Interim Management Statement for the nine months ended 30 September 2017.

KEY HIGHLIGHTS

- 4.2% growth in business volumes
  - Taste & Nutrition +4.6%
  - Consumer Foods +2.5%
- Pricing +2%
- Group trading margin maintained
  - Taste & Nutrition +20bps
  - Consumer Foods (70bps)
- Strong cash flow

Kerry Group Chief Executive Edmond Scanlon said; "The Kerry Business Model continues to deliver speedy innovation in response to the pace of change in the food and beverage industry. We achieved good volume growth in the first nine months of 2017 and for the full year, taking into account the 4% currency translation headwind, we expect to achieve growth in adjusted earnings per share of 4% to 6% on a reported basis to a range of 336 to 343 cent per share".

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Business Performance

Kerry Group maintained a strong business momentum in Q3 2017, delivering good volume growth ahead of category growth rates, driven by successful innovation in response to consumer health and wellness trends. The continuing positive momentum reflects the adaptability and agility of Kerry's Business Model in meeting customer requirements across multiple end-use-markets and broadening diverse market channels. Nutritional labelling requirements and demand for clean label, free-from, meat-free, natural, tasteful food and beverage offerings remain a strong positive catalyst for differentiated product development. Investment in pioneering technologies, assisted by Kerry's Innovation Centre network and 'in-market' Development & Application Centres, continues to provide significant growth opportunities through the Group's global, regional and local customer alliances across developed and developing markets. In particular, growth across foodservice, convenience and e-tail channels in all regions continues to present solid innovation platforms for growth and market development.

Taste & Nutrition Technologies and Systems delivered good growth in North America, a solid performance in Latin America, good growth in the EMEA region and continued double digit growth in Asia.

Despite increasing inflationary pressures in the UK consumer foods market, Kerry Foods maintained good volume growth – benefiting in particular from increased snacking trends in dairy and meat categories.

In the nine months to 30 September 2017 business volumes on a Groupwide basis increased by 4.2%. Pricing increased by 2% against a background of approximately 4% higher raw material costs. Reported revenues increased by 4.5% reflecting the strong business volume growth, increased pricing, adverse currency translation impact of 1.9%, adverse currency transaction impact of 0.3% and the effect of acquisitions net of disposals of 0.5%.

The Group trading margin was maintained, reflecting 20 basis points improvement in Taste & Nutrition, positive margin improvement in Kerry Foods offset by adverse sterling exchange rates resulting in a 70 basis points margin reduction, and an increased spend on the Kerryconnect Programme.

Business Reviews

Taste & Nutrition

Kerry's global Taste & Nutrition businesses achieved 4.6% volume growth in the nine months to the end of September. Net pricing increased by 2%. Divisional trading profit margin increased by 20 basis points due to successful innovation, improved product mix and commercial effectiveness programmes.

Americas Region

Business volumes increased by 3.4% in the Americas region. Despite the impact of consumer trends on 'centre of store' branded offerings, Kerry maintained good growth in North American markets through clean label technologies, food preservation systems, nutritional and taste technologies. Market conditions continued to improve in Brazil. Mexico continued to provide good growth opportunities despite more challenging economic conditions. Development in Central America and the Caribbean region slowed in the period. The foodservice sector, including fast-casual restaurants and QSR's in particular, provided a strong platform for growth across American markets through extended day-part-menus and 'better-for-you' lines of food and beverage convenient offerings. Food and beverage taste technologies performed well overall, with solid growth in meat, bakery and clean label beverage lines. Dairy and culinary technologies maintained strong growth in Brazil. Growth in sweet snacking and nutritional snack offerings offset the continued decline in the traditional breakfast cereal category. Functional Ingredients & Actives maintained good growth through pharmaceutical and food applications. *Wellmune®* immune enhancing ingredients continued to achieve strong growth through wider nutritional applications.

EMEA Region

Sustained focus on 'in-market' customer engagement throughout the EMEA region and progress through commercial effectiveness programmes assisted delivery of 3.7% volume growth in the nine months to end of September 2017. A strong business performance in the region in Q3 against a soft prior year comparator was assisted by good growth in the foodservice sector through seasonal launches and 'limited-time-offerings'. Consumer sentiment showed encouraging improvement with growing demand for clean label and enhanced nutritional offerings which provided strong innovation platforms beyond category growth rates. Foodservice applications grew solidly through menu extension and the aforementioned seasonal programmes. With increased focus on sugar and calorie reduction across Europe, Kerry's 'TasteSense' technologies achieved good growth. The meat industry continued to provide favourable growth opportunities. Development of premium lines in the ice cream category also provided significant innovation opportunities in the sweet sector. Beverage Taste and Systems achieved strong growth through foodservice, convenience and coffee chain applications. Good volume growth was achieved in the savoury and meat sectors in Russia. Market conditions in Sub-Saharan Africa and Middle Eastern markets demonstrated positive improvement in the savoury and beverage sectors. Strong butterfat demand and lower dairy exports from some exporting countries contributed to improved returns from international dairy markets.

Asia-Pacific Region

Excellent growth and market development was maintained in the Asia-Pacific region. Business volumes in the nine months to end of September increased by 10.9%. Strong growth was achieved in the foodservice sector throughout the region, in particular in China and South East Asia. Savoury and dairy technologies performed well in Indonesia, the Philippines, Vietnam and Thailand. Savoury applications also grew well in Australia and New Zealand. *DaVinci* branded beverage systems continued to progress market development in the region. The fast growing convenience and foodservice channels in Japan, China and Thailand provided good growth opportunities for liquid beverage systems. *Wellmune®* maintained solid growth in the regional nutritional beverage sector. Businesses acquired in the region in 2017 performed in line with expectations. In March, *Taste Master* was acquired in Australia strengthening the Group's taste capabilities in the beverage, snack, meat and culinary industries. The acquisition of *Tianning Flavours* was completed in April extending Kerry's savoury and sweet flavour development capabilities in China.

Consumer Foods

The Group's consumer foods business performed well against a background of increasing inflationary pressures in the UK market, sterling volatility following the UK electorate decision to leave the EU, and increased market fragmentation with the continued expansion of discounter retail chains. In the nine months to end of September business volumes grew by 2.5%. With a continuing focus on significant raw material price inflation recovery, pricing increased by 1.9%. The divisional trading profit margin decreased by 70 basis points as the underlying business margin improvement was offset by adverse sterling exchange rate movements.

Double digit growth was achieved in the UK market through branded meat and dairy snacking lines including 'Fridge Raiders' and 'Cheestrings'. Cheestrings also continued to extend its market positioning in mainland Europe. The UK sausage category proved challenging where the relaunch of 'Richmond' assisted brand share. The cooked meats category in the UK and Ireland also proved highly competitive. Kerry Foods meal solutions lines maintained a good performance. In the chilled sector good growth was achieved through ethnic meals and the foodservice channel provided encouraging prospects for frozen meals. Good growth was achieved through butter based spreads in the UK private label spreads category and 'Dairygold' maintained brand share in the Irish market.

Financial Review

Net debt at the end of the period stood at €1.3 billion similar to the year end 2016 level.

Strategic Development

As recently announced, the Group completed the acquisition of *Ganeden®* – a leading technology innovation company focused on patented probiotics and related technologies. *Ganeden®* based in Cleveland, Ohio, has an extensive library of published studies and more than 135 patents for technologies in the supplement, food, beverage, nutrition and personal care markets.

In October, the Group also acquired Mississippi, US based *Dottley Spice,* a leading supplier of seasonings and coatings to the meat processing industry and foodservice sector in North America.

Agreement has also been reached to acquire the US based *Kettle* business of Tyson Foods, a leading provider of culinary systems and custom solutions to the foodservice channel in North America. Operating from a production and development facility in Fort Worth, Texas; the Kettle business has a strong heritage in the fast growing foodservice industry and well established key national customer alliances in particular in the QSR and casual restaurant sectors. The transaction which is subject to regulatory approval is expected to be completed by year end.

Board Changes

The Board has appointed Mr Philip Toomey as Chairman Designate to succeed present Chairman Mr Michael Dowling who will retire from the Board at the Group's Annual General Meeting in May 2018. Michael Dowling was appointed Chairman of the Board in 2015 and has served as a Director since 1998.

Philip Toomey was appointed to the Board in February 2012. On the same date he was appointed as Senior Independent Director to the Board and as a member of the Audit Committee. He was appointed Chairman of the Audit Committee in February 2013.

Philip Toomey was formerly Global Chief Operating Officer for the financial services industry practice at Accenture and has a wide range of international consulting experience. He was also a member of the Accenture Global Leadership Council. He is a Fellow of Chartered Accountants Ireland and a Board member of UDG Healthcare plc to which he was appointed in 2008.

The appointment of Philip Toomey as Chairman Designate follows a selection process by the Nomination Committee of the Board led by James C. Kenny.

Future Prospects

For the full year, taking into account the 4% currency translation headwind, we expect to achieve growth in adjusted earnings per share of 4% to 6% on a reported basis to a range of 336 to 343 cent per share (2016: 323.4 cent).

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.