NEWS RELEASE
27 April 2016

Kerry Group AGM: Interim Management Statement

27 April 2016 - Kerry, the global taste & nutrition and consumer foods group, issues the following Interim Management Statement for the first quarter ended 31 March 2016. This statement is issued in conjunction with the Group's Annual General Meeting which is being held today.

First Quarter Highlights

- 2.9% growth in business volumes
  - Taste & Nutrition +3.1%
  - Consumer Foods +2.1%
- Group trading margin up 50 basis points
  - Taste & Nutrition +40 bps
  - Consumer Foods +20 bps
- Integration of 2015 acquisitions progressing well
- Earnings guidance for full year reaffirmed

BUSINESS PERFORMANCE

The Group maintained good business momentum whilst improving the quality of Group businesses and achieving satisfactory volume growth in Q1 2016. While overall market conditions remain challenging, Kerry has sustained a solid innovation pipeline in response to customer requirements and consumer demand for enhanced nutritional, wellness and convenience offerings. Good progress has been achieved to-date in integration of businesses acquired in 2015.

Kerry's Taste & Nutrition technologies and systems achieved sustained growth in North American markets and an improved performance in Latin America relative to Q1 2015 despite significant adverse currency movements. Market conditions in the EMEA region remain challenging due to the deflationary environment in regional developed markets and continuing geopolitical instability in regional developing markets. Kerry maintained solid business development throughout Asia Pacific markets, delivering strong business volume growth in regional developing markets. Good growth was achieved in the foodservice channel in all regions.

As retailers continue to address the changing marketplace in the UK and Irish consumer foods sectors, market conditions remain highly competitive. However, Kerry Foods delivered a good business performance in Q1 2016, capitalising on current snacking, convenience and food-to-go trends.

Group-wide business volumes grew by 2.9% and net pricing was 1.5% lower in the quarter in line with lower input pricing. Reported revenues increased by 0.9% reflecting the business volume growth, lower pricing, a currency translation headwind of 2.3% and the effect of acquisitions net of disposals of 1.9%.

The Group trading profit margin increased by 50 basis points, reflecting a 40 basis points improvement in Taste & Nutrition, a 20 basis points improvement in Kerry Foods, and reduced spend on the Kerryconnect Programme contributing 10 basis points.

BUSINESS REVIEWS

TASTE & NUTRITION

Combining Kerry's taste capability and unique nutrition & general wellness enabling technology platforms has continued to drive strong innovation and customer engagement in all regions. Building on the Group's significant acquisition investment in 2015, good progress has been achieved to-date in integration of the acquired businesses and broadening the acquired technologies into wider taste and nutrition markets in all regions.

Taste & Nutrition achieved 3.1% business volume growth in the quarter. Pricing declined by 1.5%. Divisional trading profit margin increased by 40 basis points.

The ***Americas Region*** delivered 3.1% business volume growth in the period under review. Taste technologies benefitted from a strong innovation pipeline – assisted by business technologies acquired in 2015. *Red Arrow Products* acquired in December assisted growth in the meat and savoury products sector – in particular in North America. Culinary systems also performed well where *KFI Savory* assisted development. Demand for authentic savoury ingredients and clean-label technologies contributed to good growth in the prepared meals sector. The savoury snack sector exhibited good growth opportunities particular in Mexico and Central American markets. Costa Rican based *Baltimore Spice* assisted development in the Caribbean and Central American markets. Market conditions in Brazil remain challenging due to the inflationary environment but Kerry achieved sustained growth in the foodservice sector through taste technologies and sauce systems. Kerry maintained good growth in the beverage sector assisted by innovative solutions for the fast growing flavoured spirits and craft beer segments. The Group's unique 'Crystals' all-natural flavour technology continued to drive strong growth in the soft drinks sector. *Island Oasis* and *Insight Beverages,* acquired in 2015, significantly broadened Kerry's offerings and applications in the foodservice and convenience channels. Kerry's branded beverage lines also recorded good growth in the foodservice sector. Demand for clean label preservation systems and extended shelf-life products continued to provide good growth opportunities in the bakery sector.

Pharma ingredients maintained solid market development progress through cell nutrition applications. Integration of Biothera Inc's *Wellmune®* business, acquired in September 2015, was significantly advanced with application of the unique immune enhancing ingredient into wider nutritional and food product areas.

EMEA Region market conditions remained challenging where Kerry recorded 0.2% business volume growth relative to Q1 2015. Demand for improved nutritional food and beverage offerings and snacking / convenience lines continued to drive innovation contributing to significant product 'churn'. Retail food and beverage sectors remain highly competitive in a deflationary environment in EMEA developed markets but the foodservice channel provided favourable growth opportunities in both developed and developing EMEA markets. Overall market development in regional developing markets remains seriously constrained by the continuing geopolitical instability and currency volatility.

Taste technologies and systems maintained good growth, particularly through foodservice applications. Kerry's branded beverage offerings continued to progress market development in the region where '*Big Train'* achieved solid growth. Conditions in the European meat industry overall remain stagnant but Kerry is progressing added-value sectoral opportunities through layering of its unique technology portfolio. Dairy taste technologies performed satisfactorily despite the significant downturn in dairy market returns. Sweet systems remained challenged due to the highly competitive industry environment. However, bakery markets again provided opportunities for Kerry fermentation clean-label technologies.

The significant reduction in oil revenues and currency volatility has depressed development in regional developing markets. Drought conditions in South Africa and Sub-Saharan Africa also contributed to food inflation in the region which impacted innovation. Nevertheless Kerry enzyme technologies recorded further market development in the region. *PST Pastacilik Gida* acquired in July 2015, performed well in the bakery, ice cream and foodservice sectors in Turkey and the Middle East.

Returns in the primary dairy sector weakened further in Q1 2016 due to the continued expansion in output in exporting countries and a slowdown in demand in importing countries.

Asia Pacific markets again provided a strong platform for growth of Kerry's Taste & Nutrition technologies and systems. Business volumes grew by 8.7% relative to Q1 2015 in line with strong market development in all regional developing markets. Dairy taste systems saw continued strong growth in Indonesia, the Philippines, Vietnam and China. Premium noodle applications provided good growth opportunities in Japan and South Korea. *Jungjin Foods*, a leading provider of taste technologies and systems in South Korea was acquired at the end of the period. Solid market development continued in India in particular through beverage taste technologies, meat systems and emulsifier / texturant ingredients. Regional foodservice markets and c-stores provided excellent growth opportunities for Kerry beverage taste technologies and sauce systems. Nutritional beverage and infant nutrition applications again grew favourably in China and South East Asia. Meat industry market conditions remained challenging in Australia and New Zealand but Kerry continued to successfully advance beverage and nutritional applications in the region.

CONSUMER FOODS

Retailers in the UK and Irish consumer foods markets continue to evolve market positioning and promotional strategies for the changing consumer shopping and competitive landscape. In general retailers have focused on EDLP strategies in the prevailing deflationary environment. However, Kerry Foods repositioned offerings have continued to capitalise on e-tail, snacking, convenience and food-to-go trends. Business volumes increased by 2.1% relative to Q1 2015, while pricing decreased by 1.3%. The divisional trading profit margin increased by 20 basis points due to the portfolio repositioning and business efficiencies.

Kerry Foods outperformed market growth levels in the chilled meals category. The 'Bisto' and 'Sharwoods' brands performed well in the frozen meals sector. 'Mattessons' again grew strongly in the meat snacking category assisted by a number of successful new product launches. The UK sausage market remains highly competitive due to retailer promotional strategies. 'Richmond' recorded good growth in the frozen sausage sector.

'Cheestrings' continued to perform well in the children's cheese snack sector and maintained encouraging market development in mainland European markets. 'Yollies' continued to gain momentum in the Irish and UK markets. The UK private label spreads category continued to lose market share to block butter and heavily promoted branded offerings. *Rollover Ltd.,* acquired in January 2015, performed well in the leisure and hospitality sectors – extending Kerry Foods' hot-to-go offering.

In Ireland 'Fire and Smoke' branded sliced cooked meats maintained good growth. 'Dairygold' maintained brand leadership in dairy spreads and 'Charleville' achieved good growth in the cheese sector.

FINANCIAL REVIEW

At the end of March net debt stood at €1.6 billion, compared to €1.7 billion at year-end. The Group's consolidated balance sheet remains strong which will facilitate the continued organic and acquisitive growth of Group businesses.

FUTURE PROSPECTS

The Board is confident of delivering 6% to 10% growth in adjusted earnings per share to a range of 320 to 332 cent per share in 2016 as previously guided, taking into account a 4% currency headwind at current exchange rates.

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For further information please contact:

Media	**Investor Relations**
Frank Hayes, Director of Corporate Affairs Tel: +353 66 718 2304 Email: corpaffairs@kerry.ie Kerry Web Site: www.kerrygroup.com	Brian Mehigan, Chief Financial Officer Ronan Deasy, Group Financial Controller William Lynch, Head of Investor Relations Tel: +353 66 718 2253 Email: investorrelations@kerry.ie

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