19 February 2019

Preliminary Statement of Results for the year ended 31 December 2018

Kerry Group, the global taste & nutrition and consumer foods group, reports preliminary results for the year ended 31 December 2018.

HIGHLIGHTS

- Adjusted EPS* of 353.4 cent – up 8.6% on a constant currency basis
- Group revenue of €6.6 billion reflecting 3.5% volume growth
  - Taste & Nutrition +4.1% volume growth
  - Consumer Foods +1.1% volume growth
- Group trading margin maintained at 12.2% despite a 30bps currency headwind
  - Taste & Nutrition +20bps to 15.1%
  - Consumer Foods -60bps to 7.5%
- Basic EPS of 305.9 cent (2017: 333.6 cent – which included a one-off US deferred tax credit)
- Final dividend per share of 49.2 cent (total 2018 dividend up 12% to 70.2 cent)
- Free cash flow of €447m (2017: €501m)

** Before brand related intangible asset amortisation and non-trading items (net of related tax)*

Edmond Scanlon – Chief Executive Officer Statement

"We are pleased with our performance in 2018, with volume growth well ahead of our markets, underlying margin expansion in line with expectations and adjusted earnings per share growth of 8.6% in constant currency. This performance continues to highlight the uniqueness of Kerry's business model in supporting customers, as consumers continue to look for innovation and drive further marketplace fragmentation.

We have also made good progress across our strategic growth priorities, including further developing our industry leading portfolio of taste and nutrition foundational technologies, completing a number of strategic acquisitions and investments aligned to growth priorities as planned.

In 2019 we expect to deliver adjusted earnings per share growth of 6% to 10% on a constant currency basis."

Contact Information

Media			
Catherine Keogh	VP Corporate Affairs & Communications	+353 66 7182304	corpaffairs@kerry.ie
Investor Relations			
Marguerite Larkin	Chief Financial Officer	+353 66 7182292	investorrelations@kerry.ie
William Lynch	Head of Investor Relations	+353 66 7182292	investorrelations@kerry.ie

Website

www.kerrygroup.com

PRELIMINARY STATEMENT OF RESULTS

For the year ended 31 December 2018

The Group achieved volume growth in 2018 well ahead of the market, where the rate of change continues to accelerate. The food and beverage industry and end-to-end supply chain are experiencing unprecedented disruption, as consumers are demanding more than ever before and are challenging traditional business models. The application of Kerry's leading taste and nutrition technology portfolio through our leading business model continues to drive significant value for our customers as they seek to meet rapidly changing consumer demands and increase speed to market. Major global consumer trends such as authenticity, healthfulness, convenience, clean label, sustainability and premiumisation, aligned with local consumer preferences continue to generate increased innovation opportunities.

Taste & Nutrition achieved sustained volume growth in North America, solid growth in Latin America, a good performance in Europe and continued strong growth in APMEA.

While UK and Irish consumer foods markets encountered challenges impacting consumer sentiment, with market growth rates reducing across the year, Kerry's Consumer Foods division delivered a solid underlying performance.

Business Performance

Group revenue on a reported basis increased by 3.1% to €6.6 billion reflecting strong volume growth and contribution from acquisitions, partially offset by adverse currency movements. Business volumes grew by 3.5% and pricing decreased by 0.5% against a backdrop of lower raw material costs in the year. Taste & Nutrition delivered 4.1% volume growth and pricing decreased by 0.5%. Consumer Foods' business volumes increased by 1.1% and pricing decreased by 0.4%.

Group trading margin was maintained at 12.2%, reflecting a 20 basis points improvement in Taste & Nutrition, positive underlying margin improvement in Consumer Foods offset by adverse sterling exchange rates resulting in a 60 basis points margin reduction, and increased net investment on the KerryExcel programme.

Constant currency adjusted earnings per share increased by 8.6% to 353.4 cent (2017 currency adjusted: 325.4 cent). Basic earnings per share decreased by 8.3% to 305.9 cent (2017: 333.6 cent) primarily due to the one-off favourable impact of US tax reform in the prior year. The Board recommends a final dividend of 49.2 cent per share, an increase of 12.1% on the final 2017 dividend. Together with the interim dividend of 21.0 cent per share, this brings the total dividend for the year to 70.2 cent, an increase of 12% on 2017.

Kerry's industry leading research and development expenditure increased to €275m due to additional investment in Taste & Nutrition (2017: €269m). Net capital expenditure amounted to €286m (2017: €297m) as the Group continued to invest in its strategic priorities for growth, in particular taste technologies and developing market facilities. The Group achieved free cash flow of €447m reflecting cash conversion of 72% in the year (2017: €501m / 83%).

Business Reviews

Taste & Nutrition

Kerry, the industry's leading, globally-connected Taste & Nutrition company, provides the largest most innovative portfolio of Taste & Nutrition Technologies and Systems, and Functional Ingredients & Actives for the global food, beverage and pharmaceutical industries.

	2018	Growth
Revenue	€5,351m	4.1%[1]
Trading margin	15.1%	+20bps

[1] *volume growth*

- Volume growth of 4.1% driven by Meat, Beverage and Snacks End Use Markets (EUMs)
- Pricing of (0.5%) – as lower raw material costs were reflected in customer partnership agreements
- Trading margin +20bps – good underlying growth driven by operating leverage, portfolio enhancement and efficiencies, partially offset by currency headwinds and investments for growth

The division achieved good growth across an increasingly diverse customer base. Developing markets delivered strong volume growth of 9.5%, with APMEA the main driver. Foodservice delivered a good performance of 5.8% volume growth, particularly considering the strong comparatives in 2017. Trading profit grew by 5.0% to €805m, reflecting a 20 basis points improvement in trading margin to 15.1%.

Kerry's taste technologies recorded a strong performance across all regions, with TasteSense™ technology and natural extracts being key drivers of growth, as consumer demands for reduced sugar and authentic taste were met through innovations across all categories. Kerry's leading clean label technologies continued to perform well, with its broad protein portfolio, nutritional bioactives, enzyme technologies, food protection and natural preservation solutions all delivering good growth in the year. An increasing number of innovations brought to market combined technologies from both Kerry's authentic taste and nutrition portfolios, as Kerry's Technology & Innovation Centres supported customers from ideation all the way through to launch.

Americas Region

- 2.8% volume growth
- Good performance driven by Meat, Beverage and Snacks EUMs
- LATAM delivered solid growth

High levels of product churn continued across the marketplace, as consumer demands for clean label, new world taste experiences and new convenience formats continued to evolve at pace in both the retail and foodservice channels. These changing dynamics continued to weigh on centre of store categories. Kerry delivered volume growth ahead of the market by winning market share through innovation across different customer categories. Reported revenue in the Americas region increased by 2.5% to €2,745m, reflecting 2.8% volume growth, lower pricing of 0.5%, contribution from business acquisitions of 6.2% and an adverse translation currency impact of 6.0%.

In North America, Kerry's Meat EUM delivered strong growth, meeting consumer demands for authentic ethnic flavours, natural shelf life preservation and a broader range of alternative protein-based products. Smoke & Grill enjoyed strong growth and business development, as Kerry's Red Arrow technologies were deployed across a broader range of meat and meat alternative applications, delivering additional clean label, taste and colour attributes.

The Beverage EUM continued to deliver good growth, as Kerry's development and applications expertise helped customers launch a number of innovative new products across a variety of categories including cold brew, refreshing beverages and functional health beverages.

The Snacks EUM performed well, in particular with growth through innovative healthier savoury snacks and indulgent world taste experiences, as that EUM gains inspiration from other categories. The cereal category remained challenging in the year, as traditional consumption occasions continued to decline. Kerry's dairy taste and clean label technologies benefitted from enhanced wellness and premiumisation trends within the Meals EUM.

Kerry's Ganeden® probiotics and Wellmune® branded immunity enhancing ingredients continued to grow well, as they broadened their market reach with a number of new launches into wider applications.

In LATAM, Mexico and Central America delivered good growth, while Brazil delivered a solid overall performance. The Snacks and Bakery & Confectionery EUMs delivered good growth, with Kerry's cleaner label solutions a key driver. Kerryconnect was also successfully deployed in the region.

The global Pharma EUM once again delivered strong growth, driven by the excellent performance of excipients in North America and APMEA. The Group acquired the pharmaceutical lactose manufacturing facility of Foremost Farms – based in Rothschild, Wisconsin, further strengthening Kerry's pharmaceutical lactose supply base. The Group expanded its bio-processing capacity for natural preservation and food protection at the Rochester, Minnesota facility during the year.

In the last quarter the Group acquired Fleischmann's Vinegar Company, Inc (FVC), a USDA certified all-natural producer of specialty ingredients that further supports Kerry's taste and clean label strategies across a number of EUMs. Headquartered in California, it has manufacturing facilities in Washington, New York, Maryland, Illinois, Missouri, Alabama and California.

Since the year end, the Group acquired Southeastern Mills' (SEM) coatings and seasonings business. SEM manufactures from its strategically located base in Rome, Georgia. This acquisition complements Kerry's authentic taste portfolio and further develops the Group's industry leading offering into the meat EUM.

The Group also reached agreement to acquire Ariake USA, which produces natural clean label savoury taste solutions derived from poultry, pork and vegetables at its facility in Harrisonburg, Virginia. Ariake USA's highly specialised extraction technologies and development capabilities produce a suite of tailored solutions across a number of EUMs.

These acquisitions further enhance Kerry's extensive authentic taste and clean label portfolio, while complementing the Group's from-food-for-food heritage.

Europe Region

- 2.3% volume growth – versus very strong comparatives
- Good performance in Beverage, Meat and Dairy EUMs
- Foodservice performed well with a number of highly successful seasonal product launches and repeat LTOs

The region delivered a good performance, given the very strong comparatives particularly in the second half of 2017. Kerry continued to meet evolving local consumer preferences across the region by progressing its in-market customer engagement strategy. Reported revenue in the Europe region increased by 1.7% to €1,422m, reflecting 2.3% volume growth, lower pricing of 0.6%, an adverse transaction currency impact of 0.2%, contribution from business acquisitions of 1.4% and an adverse translation currency impact of 1.2%.

The Beverage EUM delivered strong performance across a number of beverage categories within both retail and foodservice channels, as Kerry's TasteSense™ sugar-reduction technology, natural extracts, and our protein range were key drivers of growth.

The Meat EUM continued to deliver good growth, with Kerry's clean label technologies, innovative texture solutions and meat-free technologies being successfully deployed in a number of new market launches, as the category continues to evolve at pace. The recent Hasenosa acquisition in Spain and the majority shareholding in Netherlands-based Ojah are performing well and contributing to business development and access to new customers in the meat category.

The Bakery EUM delivered a solid performance, with growth delivered through meeting evolving consumer demands for both clean label and premium offerings. Russia delivered strong growth, particularly into the Meat and Snacks EUMs, while production commenced in Kerry's first manufacturing facility in the country, providing a key platform for future business development and growth.

The Dairy EUM continued to perform well in the rapidly evolving ice cream category, with a number of new launches in both premium and dairy-free ranges using Kerry's taste technologies. International dairy markets remained challenging during the year. Demand from major dairy importing countries for primary dairy products continued to benefit from the appreciation of the nutritional values of dairy. While demand for butterfat in particular remained relatively strong, market stability was impacted by continued shifts in supply / demand balances.

Foodservice played a key role across a number of EUMs, particularly in the Beverage and Meat EUMs through the continued nutritional enhancement of menu ranges, with successful seasonal products and repeat LTOs delivering a very good performance across the year.

APMEA Region

- 10.1% volume growth
- Strong overall performance across EUMs – in particular Meat, Meals and Snacks
- Strategic expansion – both organic and acquisitive

The APMEA region continued to deliver very strong growth well ahead of the market across the region's developing markets. Kerry's business model continued to be successfully deployed, with the selective rollout of our industry-leading foundational technology portfolio to meet rapidly evolving local consumer needs across the region. The region continues to evolve as a highly fragmented marketplace with broad-based market dynamics and consumer trends including convenience, authenticity, wellness and a desire for new. These trends, together with local consumer taste preferences, are driving major consumption change across both retail and foodservice channels. Reported revenue in the APMEA region increased by 10.1% to €1,105m, reflecting 10.1% volume growth, a decrease in pricing of 0.5%, an adverse transaction currency impact of 0.1%, contribution from business acquisitions of 3.4% and an adverse translation currency impact of 2.8%.

The Meat EUM delivered very strong growth through customer partnerships with a number of new innovations, as customers broaden their ranges to meet consumers' changing needs for authentic taste, value and increasingly food safety.

The Meals EUM continued to perform strongly in South East Asia and Greater China across both the retail and foodservice channels, as new authentic cooking taste profiles were deployed across a number of new products.

The Snacks EUM delivered good growth due to the continued development of new snacking occasions across the region. Local category leaders continued to innovate through the introduction of new authentic world flavours, with Kerry's Smoke & Grill, Barbecue and Dairy technologies being deployed across a range of products.

Sub-Saharan Africa achieved strong growth, through better-for-you applications into the Beverage and Snacks EUMs. The foodservice channel continued to outperform the market, with innovations to meet consumers' 'desire for new' including sparkling coffee, and convenience through home delivery, using Kerry's technologies to enhance the overall taste experience.

The Group continued to invest in its strategic growth priorities in the region to improve capabilities and capacity to meet local market opportunities. Good progress was made through investments in ongoing footprint expansion in Indonesia, China and Malaysia. Four acquisitions were completed in the year; Hangman - a leading China-based producer of sweet and savoury flavours, SIAS Food Co. - a leading China-based supplier of culinary and fruit ingredients and systems to the foodservice and food manufacturing industries, Season to Season - a leading South African supplier of taste ingredients and systems to the African snack and food sectors, and AATCO Food Industries LLC - a leading Oman headquartered provider of culinary sauces to the foodservice channel, providing a strategic platform for business development in the Middle East and Africa.

Consumer Foods

Kerry Foods is an industry-leading manufacturer of added-value branded and customer branded chilled food products to the Irish, UK and selected international markets.

	2018	Growth
Revenue	€1,339m	1.1%[1]
Trading margin	7.5%	(60bps)

[1] *volume growth*

- Volume growth of 1.1% led by good performance across the 'Food to Go' range
- Pricing (0.4%) – reflecting lower raw material costs
- Trading margin – growth more than offset by the adverse impact of transaction currency

The consumer and retail landscape within the UK and Ireland continued to change at pace in the year. Consumer confidence softened noticeably in the second half of the year, leading to reduced consumption across a number of categories. The UK retail environment continues to undergo major structural change through increased consolidation of major retailers, further growth of discounter volumes and ranges, and pressure on high street stores - all leading to the need for more streamlined and dynamic supply chains.

Against this backdrop, the business delivered a solid performance in the year. Reported revenue increased by 0.6% to €1,339m, as volume growth and the contribution from business acquisitions were partially offset by foreign currency headwinds. The divisional trading profit margin decreased by 60 basis points to 7.5% as the underlying margin improvement was more than offset by transaction currency headwinds, resulting in a trading profit decrease of 7.1% to €100m.

'Everyday Fresh' delivered solid growth, led by the Richmond range. Richmond chicken sausages were successfully launched in Q2 and contributed well to overall performance. The Denny range benefitted from increased marketing support in Ireland. The traditional spreads category continued to be challenged, however Kerry's softer butter offerings delivered good growth particularly with private label brands in the UK, and the Dairygold brand in Ireland maintained its market leadership position.

'Convenience Meal Solutions' had a difficult year, impacted by reduced promotional activity as well as the extended period of warm weather. Kerry had further business development with 'better-for-you' ranges, while its frozen ready meals outperformed a challenging category.

'Food to Go' performed well with strong growth in Cheestrings across the year. Progress continued to be achieved in the development of the out of home segments with good growth particularly with restaurant chains. The Fridge Raiders brand was relaunched during the year and now encompasses a broader range of snacking products across a wider consumer demographic.

Financial Review

	Reported % change	2018 €'m	2017 €'m
Revenue	3.1%	**6,607.6**	6,407.9
Trading profit	3.1%	**805.6**	781.3
Trading margin		***12.2%***	*12.2%*
Computer software amortisation		**(25.0)**	(24.3)
Finance costs (net)		**(67.0)**	(65.6)
Adjusted earnings before taxation		**713.6**	691.4
Income taxes (excluding non-trading items)		**(89.2)**	(89.5)
Adjusted earnings after taxation	3.7%	**624.4**	601.9
Brand related intangible asset amortisation		**(28.8)**	(23.6)
Non-trading items (net of related tax)		**(55.1)**	10.2
Profit after taxation		**540.5**	588.5
		EPS Cent	EPS Cent
Basic EPS	(8.3%)	**305.9**	333.6
Brand related intangible asset amortisation		**16.3**	13.4
Non-trading items (net of related tax)		**31.2**	(5.8)
Adjusted* EPS	3.6%	**353.4**	341.2
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates		**-**	(15.8)
Adjusted* EPS in constant currency	**8.6%**	**353.4**	325.4

** Before brand related intangible asset amortisation and non-trading items (net of related tax)*

Analysis of Results

Revenue

Group reported revenue increased by **3.1%** to **€6.6 billion** (2017: €6.4 billion), including volume growth of **3.5%,** pricing decrease of **0.5%** related to raw material deflation passed through to customers, an adverse transaction currency impact of **0.1%,** an adverse translation currency impact of **3.4%,** and contribution from business acquisitions of **3.6%**.

FY2017: Group reported revenue +4.5%, volume growth +4.3%, pricing +2.0%, transaction currency (0.2%), translation currency (2.4%), acquisitions +0.8%.

Taste & Nutrition reported revenue increased by **3.7%** to **€5.4 billion** (2017: €5.2 billion), including volume growth of **4.1%,** pricing decrease of **0.5%** related to raw material deflation pass through, an adverse transaction currency impact of **0.1%,** an adverse translation currency impact of **4.0%** and contribution from business acquisitions of **4.2%**.

FY2017: Taste & Nutrition reported revenue +5.7%, volume growth +4.7%, pricing +2.0%, translation currency (1.9%), acquisitions +0.9%.

Consumer Foods reported revenue increased by **0.6%** to **€1.3 billion** (2017: €1.3 billion), including volume growth of **1.1%,** pricing decrease of **0.4%** related to raw material deflation pass through, an adverse transaction currency impact of **0.3%,** an adverse translation currency impact of **0.6%** and contribution from business acquisitions of **0.8%**.

FY2017: Consumer Foods reported revenue (0.1%), volume growth +2.4%, pricing +2.0%, transaction currency (0.9%), translation currency (3.8%), acquisitions +0.2%.

Trading Profit & Margin

Group trading profit increased by **3.1%** to **€805.6m** (2017: €781.3m). Group trading profit margin was maintained at **12.2%**. Underlying margin expansion attributable to operating leverage, portfolio enhancement, efficiencies and the effect of lower pricing were offset by transaction currency headwinds and increased Kerryconnect investment due to the rollout in LATAM and planning for North America.

Trading profit margin in Taste & Nutrition increased by **20 bps** to **15.1%** (2017: 14.9%), due to the benefits of operating leverage, portfolio enhancement, efficiencies and the effect from lower pricing, partially offset by foreign currency headwinds. Trading profit margin in Consumer Foods decreased by **60 bps** to **7.5%** (2017: 8.1%) due to significant transaction currency headwinds, partly offset by underlying margin expansion of 10 bps.

Finance Costs (net)

Finance costs (net) for the year increased by **€1.4m** to **€67.0m** (2017: €65.6m) as acquisition expenditure was partially offset by cash generation and a reduction in pension interest. The Group's average interest rate for the year was **3.8%** (2017: 3.5%).

Taxation

The tax charge for the year before non-trading items was **€89.2m** (2017: €89.5m) representing an effective tax rate of **13.0%** (2017: 13.4%). The reduction in the effective tax rate was due to changes in tax rates in a number of jurisdictions.

Acquisitions & Joint Ventures

During the year the Group completed 10 acquisitions at a total consideration of **€502.2m** and an investment in a joint venture of **€15.6m.** These investments were aligned to the Group's strategic priorities for growth, bringing additional taste and nutritional technologies, expanding our presence in developing markets and adding to our foodservice offering.

The Group also announced it had reached agreement for two further strategic acquisitions for an expected total consideration of **€325.0m**, subject to regulatory approval and customary closing conditions. The acquisition of Southeastern Mills' North American coatings and seasonings business (SEM) was completed after the year end. The Group also expects to complete the acquisition of Ariake USA Inc. – a leading producer of natural clean label savoury taste solutions by the end of Q2 2019.

Non-Trading Items

During the year the Group incurred a non-trading charge of **€55.1m** (2017: income of €10.2m) net of tax. The charge in the year related to costs associated with the integration of recent acquisitions and the completion of the Brexit Currency Mitigation Programme, where good progress was made in reducing the Group's sterling transaction exposure. The prior year non-trading income arose primarily due to the one-off deferred tax credit arising from the US tax reform changes.

Adjusted EPS in Constant Currency

Adjusted EPS in constant currency increased by **8.6%** in the year (2017: +9.4%). This was achieved through volume growth ahead of our markets, underlying margin progression, together with the contribution from the effective integration of acquired businesses. Adjusted EPS increased by **3.6%** to **353.4 cent** (2017: 341.2 cent) after reflecting the adverse translation currency impact of 5.0%.

Basic EPS

Basic EPS decreased by **8.3%** to **305.9 cent** (2017: 333.6 cent) primarily due to the effect in 2017 of a one-off deferred tax credit arising from US tax reform changes. Basic EPS is calculated after accounting for brand related intangible asset amortisation of **16.3 cent** (2017: 13.4 cent) and non-trading item charge of **31.2 cent** net of related tax (2017: net credit of 5.8 cent).

Return on Average Capital Employed

The Group achieved ROACE of **12.0%** (2017: 13.0%) which was in line with the Group's strategic target of 12.0%. The 2018 ROACE was adversely impacted by the timing of investments made in the year and foreign currency movements.

Exchange Rates

Group results are impacted by fluctuations in exchange rates year-on-year versus the euro. The average rates below are the principal rates used for the translation of results. The closing rates below are used to translate assets and liabilities at year end.

	Average Rates		Closing Rates	
	2018	2017	**2018**	2017
Australian Dollar	**1.58**	1.47	**1.62**	1.53
Brazilian Real	**4.34**	3.62	**4.44**	3.96
British Pound Sterling	**0.89**	0.88	**0.90**	0.89
Chinese Yuan Renminbi	**7.82**	7.62	**7.85**	7.80
Mexican Peso	**22.72**	21.30	**22.50**	23.72
US Dollar	**1.18**	1.13	**1.14**	1.20

Balance Sheet

A summary balance sheet as at 31 December is provided below:

	2018 **€'m**	2017 €'m
Property, plant & equipment	**1,767.0**	1,529.6
Intangible assets	**4,095.6**	3,646.7
Other non-current assets	**189.7**	192.2
Current assets	**2,271.4**	2,031.7
Total assets	**8,323.7**	7,400.2
Current liabilities	**1,650.8**	1,567.8
Non-current liabilities	**2,638.5**	2,259.2
Total liabilities	**4,289.3**	3,827.0
Net assets	**4,034.4**	3,573.2
Shareholders' equity	**4,034.4**	3,573.2

Property, Plant & Equipment

Property, plant and equipment increased by **€237.4m** to **€1,767.0m** (2017: €1,529.6m) primarily due to capital expenditure in the year offset by depreciation. Net capital expenditure in the year amounted to **€285.5m** (2017: €297.3m). This planned level of capital investment supports our growth initiatives, and included expanding our industry-leading clean label capability at our facility in Rochester, MI, USA; enhancing our savoury taste centre of excellence in Clark, NJ, USA; and expanding our facility in Nantong, China.

Intangible Assets

Intangible assets increased by **€448.9m** to **€4,095.6m** (2017: €3,646.7m) as additions of €478.6m primarily relating to the 10 businesses acquired during the year were partially offset by foreign exchange movements and the annual amortisation charge.

Current Assets

Current assets increased by **€239.7m** to **€2,271.4m** (2017: €2,031.7m), primarily due to an increase in cash in hand at 31 December 2018.

Retirement Benefits

At the balance sheet date, the net deficit for defined benefit schemes (after deferred tax) was **€44.0m** (2017: €102.0m). The decrease in the net deficit arises mainly due to favourable movement in discount rates, inflation rates and the liability management programme. The net deficit expressed as a percentage of market capitalisation at 31 December 2018 was **0.3%** (2017: 0.6%).

Free Cash Flow

Free cash flow is an important indicator of the strength and quality of the business and of the availability of funds to the Group for reinvestment or for return to the shareholder. In 2018 the Group achieved free cash flow of **€446.5m** (2017: €501.3m).

Free Cash Flow	**2018 €'m**	2017 €'m
Trading profit	**805.6**	781.3
Depreciation (net)	**134.1**	134.0
Movement in average working capital	**(57.1)**	93.5
Pension contributions paid less pension expense	**(40.0)**	(95.3)
Cash flow from operations	**842.6**	913.5
Finance costs paid (net)	**(64.5)**	(60.2)
Income taxes paid	**(46.1)**	(54.7)
Purchase of non-current assets	**(285.5)**	(297.3)
Free cash flow	**446.5**	501.3
Cash conversion[1]	*72%*	*83%*

[1] Cash conversion is free cash flow expressed as a percentage of adjusted earnings after tax

Net Debt

Net debt at the end of the year was **€1,623.5m** (2017: €1,341.7m) reflecting the cash flow generated offset by investment in acquisitions and the dividends paid in the year.

Key Financial Covenants

A significant portion of Group financing facilities are subject to financial covenants as set out in their facility agreements. The Group's balance sheet is in a healthy position. With a net debt to EBITDA* ratio of 1.7 times, the organisation has sufficient headroom to support future growth plans. Group Treasury monitors compliance with all financial covenants and at 31 December the key covenants were as follows:

	Covenant	**2018 Times**	2017 Times
Net debt: EBITDA*	Maximum 3.5	**1.7**	1.4
EBITDA: Net Interest	Minimum 4.75	**14.7**	16.2

**Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined in Financial Definitions.*

Share Price and Market Capitalisation

The Company's shares traded in the range €78.05 to €98.85 during the year. The share price at 31 December 2018 was €86.50 (2017: €93.50) giving a market capitalisation of €15.2 billion (2017: €16.5 billion). Total Shareholder Return for 2018 was -6.8% (2017: +38.6%) reflecting a general decline in global equity markets during the last quarter in 2018 arising from uncertainties due to global trade and Brexit.

Annual Report and Annual General Meeting

The Group's Annual Report will be published at the end of March and the Annual General Meeting will be held in Tralee on 2 May 2019.

Future Prospects

Kerry continues to adapt to the rapidly changing marketplace, investing in and further developing the Kerry business model to consistently outperform our markets and respond to evolving local consumer trends and customer requirements through industry leading innovation.

Kerry's Taste & Nutrition has a strong innovation pipeline with good growth prospects, particularly in developing markets where the business footprint expansion and successful roll out of the consumer led in-country approach continues. Within Consumer Foods we will continue to build on the strategy of realigning the core and investing in adjacencies, whilst navigating the current uncertain environment.

While there continues to be uncertainty with respect to the outcome of the UK's exit from the European Union, Kerry currently anticipates that a managed transition will be the most likely outcome of the negotiations. The Group has mitigation plans in place to limit the potential short term implications of a 'no-deal' scenario. Kerry remains cautious on the UK consumer landscape, but is confident it will continue to outperform the market.

The Group will continue to invest in business development and pursue M&A opportunities aligned to strategic growth priorities.

In 2019 the Group expects to deliver 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 Company undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

Consolidated Income Statement
for the financial year ended 31 December 2018

	Notes	**Before Non-Trading Items 2018 €'m**	**Non-Trading Items 2018 €'m**	**Total 2018 €'m**	Before Non-Trading Items 2017 €'m	Non-Trading Items 2017 €'m	Total 2017 €'m
Continuing operations							
Revenue	2	**6,607.6**	**-**	**6,607.6**	6,407.9	-	6,407.9
Trading profit	2	**805.6**	**-**	**805.6**	781.3	-	781.3
Intangible asset amortisation		**(53.8)**	**-**	**(53.8)**	(47.9)	-	(47.9)
Non-trading items	3	**-**	**(66.9)**	**(66.9)**	-	(54.5)	(54.5)
Operating profit		**751.8**	**(66.9)**	**684.9**	733.4	(54.5)	678.9
Finance income		**0.5**	**-**	**0.5**	0.1	-	0.1
Finance costs		**(67.5)**	**-**	**(67.5)**	(65.7)	-	(65.7)
Profit before taxation		**684.8**	**(66.9)**	**617.9**	667.8	(54.5)	613.3
Income taxes		**(89.2)**	**11.8**	**(77.4)**	(89.5)	64.7	(24.8)
Profit after taxation attributable to owners of the parent		**595.6**	**(55.1)**	**540.5**	578.3	10.2	588.5

	Notes	**2018**	2017
Earnings per A ordinary share		**Cent**	Cent
- basic	4	**305.9**	333.6
- diluted	4	**305.7**	333.2

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2018

	2018 €'m	2017 €'m
Profit after taxation attributable to owners of the parent	**540.5**	588.5
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss:		
Fair value movements on cash flow hedges	**2.2**	5.3
Cash flow hedges - reclassified to profit or loss from equity	**(2.5)**	(29.2)
Net change in cost of hedging	**(2.0)**	-
Deferred tax effect of fair value movements on cash flow hedges	**(0.2)**	(0.6)
Exchange difference on translation of foreign operations	**(0.9)**	(108.8)
Fair value movement on revaluation of financial assets held at fair value through other comprehensive income/available-for-sale	**(1.9)**	3.5
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement on retirement benefits obligation	**34.5**	130.1
Deferred tax effect of re-measurement on retirement benefits obligation	**(6.3)**	(20.2)
Net income/(expense) recognised directly in total other comprehensive income	**22.9**	(19.9)
Total comprehensive income	**563.4**	568.6

Consolidated Balance Sheet
as at 31 December 2018

	31 December 2018 €'m	31 December 2017 €'m
Non-current assets		
Property, plant and equipment	**1,767.0**	1,529.6
Intangible assets	**4,095.6**	3,646.7
Financial asset investments	**35.3**	44.6
Investment in associates and joint ventures	**15.6**	5.8
Other non-current financial instruments	**101.7**	95.4
Deferred tax assets	**37.1**	46.4
	6,052.3	5,368.5
Current assets		
Inventories	**877.8**	797.5
Trade and other receivables	**967.8**	893.1
Cash at bank and in hand	**413.8**	312.5
Other current financial instruments	**10.0**	20.3
Assets classified as held for sale	**2.0**	8.3
	2,271.4	2,031.7
Total assets	**8,323.7**	7,400.2
Current liabilities		
Trade and other payables	**1,482.1**	1,410.5
Borrowings and overdrafts	**13.8**	13.3
Other current financial instruments	**11.0**	9.1
Tax liabilities	**122.4**	108.4
Provisions	**20.3**	25.3
Deferred income	**1.2**	1.2
	1,650.8	1,567.8
Non-current liabilities		
Borrowings	**2,119.7**	1,728.4
Other non-current financial instruments	**5.6**	7.9
Retirement benefits obligation	**53.2**	124.3
Other non-current liabilities	**82.6**	96.7
Deferred tax liabilities	**324.1**	241.9
Provisions	**32.1**	37.1
Deferred income	**21.2**	22.9
	2,638.5	2,259.2
Total liabilities	**4,289.3**	3,827.0
Net assets	**4,034.4**	3,573.2
Issued capital and reserves attributable to owners of the parent		
Share capital	**22.0**	22.0
Share premium	**398.7**	398.7
Other reserves	**(207.3)**	(214.4)
Retained earnings	**3,821.0**	3,366.9
Shareholders' equity	**4,034.4**	3,573.2

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2018

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Group:						
At 1 January 2017		22.0	398.7	(98.0)	2,771.3	3,094.0
Profit after tax attributable to owners of the parent		-	-	-	588.5	588.5
Other comprehensive (expense)/income		-	-	(129.2)	109.3	(19.9)
Total comprehensive (expense)/income		-	-	(129.2)	697.8	568.6
Dividends paid	5	-	-	-	(102.2)	(102.2)
Share-based payment expense		-	-	12.8	-	12.8
At 31 December 2017		22.0	398.7	(214.4)	3,366.9	3,573.2
Profit after tax attributable to owners of the parent		**-**	**-**	**-**	**540.5**	**540.5**
Other comprehensive (expense)/income		**-**	**-**	**(5.1)**	**28.0**	**22.9**
Total comprehensive (expense)/income		**-**	**-**	**(5.1)**	**568.5**	**563.4**
Dividends paid	5	**-**	**-**	**-**	**(114.4)**	**(114.4)**
Share-based payment expense		**-**	**-**	**12.2**	**-**	**12.2**
At 31 December 2018		**22.0**	**398.7**	**(207.3)**	**3,821.0**	**4,034.4**

Other Reserves comprise the following:

	FVOCI/AFS Reserve* €'m	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Cost of Hedging Reserve €'m	Total €'m
At 1 January 2017	-	1.7	0.3	38.3	(147.0)	8.7	-	(98.0)
Other comprehensive income/(expense)	3.5	-	-	-	(108.8)	(23.9)	-	(129.2)
Share-based payment expense	-	-	-	12.8	-	-	-	12.8
At 31 December 2017	3.5	1.7	0.3	51.1	(255.8)	(15.2)	-	(214.4)
Other comprehensive expense	**(1.9)**	**-**	**-**	**-**	**(0.9)**	**(0.3)**	**(2.0)**	**(5.1)**
Share-based payment expense	-	-	-	**12.2**	**-**	-	-	**12.2**
At 31 December 2018	**1.6**	**1.7**	**0.3**	**63.3**	**(256.7)**	**(15.5)**	**(2.0)**	**(207.3)**

*The available-for-sale (AFS) reserve under IAS 39 'Financial Instruments: Recognition and Measurement' becomes the fair value through other comprehensive income reserve (FVOCI) under IFRS 9 'Financial Instruments' at 1 January 2018.

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2018

	Notes	2018 €'m	2017 €'m
Operating activities			
Trading profit		**805.6**	781.3
Adjustments for:			
Depreciation (net)		**134.1**	134.0
Change in working capital		**(78.8)**	9.1
Pension contributions paid less pension expense		**(40.0)**	(95.3)
Payments on non-trading items		**(59.8)**	(34.0)
Exchange translation adjustment		**0.5**	(8.8)
Cash generated from operations		**761.6**	786.3
Income taxes paid		**(46.1)**	(54.7)
Finance income received		**0.5**	0.1
Finance costs paid		**(65.0)**	(60.3)
Net cash from operating activities		**651.0**	671.4
Investing activities			
Purchase of assets (net)		**(296.1)**	(301.3)
Proceeds from the sale of assets		**10.6**	3.1
Capital grants received		**-**	0.9
Purchase of businesses (net of cash acquired)	6	**(476.8)**	(396.5)
(Purchase)/disposal of share in associates and joint ventures		**(14.5)**	29.5
Income received from associates and joint ventures		**-**	-
Disposal of businesses		**-**	-
Payments relating to previous acquisitions		**(11.9)**	(0.9)
Net cash used in investing activities		**(788.7)**	(665.2)
Financing activities			
Dividends paid	5	**(114.4)**	(102.2)
Issue of share capital		**-**	-
Net movement on borrowings (net of swaps)		**350.2**	(144.3)
Net cash movement due to financing activities		**235.8**	(246.5)
Net increase/(decrease) in cash and cash equivalents		**98.1**	(240.3)
Cash and cash equivalents at beginning of the financial year		305.6	561.1
Exchange translation adjustment on cash and cash equivalents		**0.2**	(15.2)
Cash and cash equivalents at end of the financial year		**403.9**	305.6

Reconciliation of Net Cash Flow to Movement in Net Debt		
Net increase/(decrease) in cash and cash equivalents	**98.1**	(240.3)
Cash flow from debt financing	**(350.2)**	144.3
Changes in net debt resulting from cash flows	**(252.1)**	(96.0)
Fair value movement on interest rate swaps (net of adjustment to borrowings)	**(2.6)**	2.8
Exchange translation adjustment on net debt	**(27.1)**	75.2
Movement in net debt in the financial year	**(281.8)**	(18.0)
Net debt at beginning of the financial year	(1,341.7)	(1,323.7)
Net debt at end of the financial year	**(1,623.5)**	(1,341.7)

1. Accounting policies

The financial information included within this statement has been extracted from the audited financial statements of Kerry Group plc for the financial year ended 31 December 2018. The auditors' report was unqualified. The financial information set out in this document does not constitute full statutory financial statements for the financial years ended 31 December 2018 or 2017 but is derived from same. The consolidated financial statements of Kerry Group plc have been prepared in accordance with International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. The financial statements comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements. The Group's financial statements have also been prepared in accordance with IFRS adopted by the European Union ('EU') which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'). The Group's financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative financial instruments) and financial asset investments which are held at fair value. Assets classified as held for sale are stated at the lower of carrying value and fair value less costs to sell. The investments in associates and joint ventures are accounted for using the equity method.

The Group's accounting policies will be included in the 2018 Annual Report & Accounts, which will be published at the end of March and are consistent with those described in the 2017 Annual Report & Accounts.

New standards and interpretations

Certain new and revised accounting standards and new International Financial Reporting Interpretations Committee ('IFRIC') interpretations have been issued. The Group intends to adopt the relevant new and revised standards when they become effective and the Group's assessment of the impact of these standards and interpretations is set out below:

The following Standards and Interpretations are effective for the Group in 2018 but do not have a material effect on the results or financial position of the Group: ***Effective Date***

- IFRS 2 (amendment) — Classification and Measurement of Share-Based Payment Transactions — 1 January 2018
- IFRS 4 (amendment) — Insurance Contracts — 1 January 2018

- IFRS 9 — Financial Instruments — 1 January 2018

IFRS 9, published in July 2014, replaced IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification is dependent on the business model for managing the financial assets and on whether the cash flows represent solely the payment of principal and interest. The Group has quantified the impact on its consolidated financial statements resulting from the application of IFRS 9. The vast majority of financial assets held are trade receivables and cash, which continue to be accounted for at amortised cost. The majority of financial asset investments will continue to be accounted for at fair value through profit or loss with the exception of certain equity instruments which were previously classified as available-for-sale (AFS). Under IFRS 9, the Group will continue to measure these instruments at FVOCI. The AFS reserve has become the FVOCI reserve. On this basis, the classification and measurement changes do not have a material impact on the Group's consolidated financial statements.

Given historic loss rates, normal receivable ageing and the significant portion of trade receivables that are within agreed terms, the move from an incurred loss model to an expected loss model has not had a material impact. For trade receivables, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance.

The Group has elected to adopt the new general hedge accounting model in IFRS 9. The new hedging requirements of IFRS 9 aligns hedge accounting more closely to the Group's risk management policies, as well as making more hedging relationships eligible for hedge accounting. Current hedging arrangements continue to be appropriate under IFRS. Under IFRS 9 when designating a cross currency swap contract as a hedging instrument the currency basis spread can be excluded and accounted for separately through other comprehensive income as a cost of hedging, being recognised in the income statement at the same time as the hedged item affects profit or loss. Accounting for the cost of hedging, which is not material, has been applied prospectively, without restating comparatives.

The impact of adopting IFRS 9 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 January 2018. In line with the transition guidance in IFRS 9 the Group has not restated the 2017 prior year on adoption.

- IFRS 15 — Revenue from Contracts with Customers — 1 January 2018

IFRS 15 was issued to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has adopted IFRS 15 from 1 January 2018, using the modified retrospective approach and has not restated the 2017 prior year on adoption. At the date of adoption, the Group assessed the impact on its consolidated financial statements resulting from the application of IFRS 15. Kerry do not supply services and generally legal title of goods sold is transferred on shipment. In general, there is one performance obligation in each of our sale contracts. In certain parts of the Group's business, the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment (cost plus a margin) for performance completed to date. In these circumstances, revenue is recorded over time rather than at a point in time. Based on the Group's contractual and trading relationships, the impact of adopting IFRS 15 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 January 2018.

- IAS 40 (amendment) — Investment Property — 1 July 2018
- IFRIC 22 — Foreign Currency Transactions and Advance Consideration — 1 January 2018

The following Standards and Interpretations which are not yet effective for the Group and are not expected to have a material effect on the results or financial position of the Group: ***Effective Date***

- IFRS 16 — Leases — 1 January 2019

IFRS 16, published in January 2016, replaces the existing guidance in IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months and to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group will apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption. As at the reporting date, the Group has non-cancellable operating lease commitments of €83.1m. Of these commitments, approximately €0.3m relate to short-term leases and €0.1m are low value leases which will be recognised on a straight-line basis as expense in profit or loss. The Group expects to recognise right-of-use assets of approximately €92.4m on 1 January 2019 and lease liabilities of €103.1m, which includes the impact of new leases entered into and leases acquired through new acquisitions in 2018. The Group has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability at 1 January 2019. As at the reporting date, the Group implementation project was at an advanced state.

- IFRS 17 — Insurance Contracts — 1 January 2021
- IFRIC 23 — Uncertainty over Income Tax Treatments — 1 January 2019

2. Analysis of results

The Group has determined it has two reportable segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition segment manufactures and distributes an innovative portfolio of taste & nutrition solutions and functional ingredients & actives for the global food, beverage and pharmaceutical industries. The Consumer Foods segment manufactures and supplies added value branded and consumer branded chilled food products to the Irish, UK and selected international markets.

	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Group Eliminations and Unallocated 2018 €'m	Total 2018 €'m	Taste & Nutrition 2017 €'m	Consumer Foods 2017 €'m	Group Eliminations and Unallocated 2017 €'m	Total 2017 €'m
External revenue	**5,272.4**	**1,335.2**	**-**	**6,607.6**	5,080.5	1,327.4	-	6,407.9
Inter-segment revenue	**78.2**	**3.8**	**(82.0)**	**-**	78.3	3.6	(81.9)	-
Revenue	**5,350.6**	**1,339.0**	**(82.0)**	**6,607.6**	5,158.8	1,331.0	(81.9)	6,407.9
Trading profit	**805.3**	**100.1**	**(99.8)**	**805.6**	767.2	107.8	(93.7)	781.3
Intangible asset amortisation				**(53.8)**				(47.9)
Non-trading items				**(66.9)**				(54.5)
Operating profit				**684.9**				678.9
Finance income				**0.5**				0.1
Finance costs				**(67.5)**				(65.7)
Profit before taxation				**617.9**				613.3
Income taxes				**(77.4)**				(24.8)
Profit after taxation attributable to owners of the parent				**540.5**				588.5
Segment assets and liabilities								
Segment assets	**5,492.1**	**938.1**	**1,893.5**	**8,323.7**	4,671.6	944.2	1,784.4	7,400.2
Segment liabilities	**(1,201.1)**	**(348.2)**	**(2,740.0)**	**(4,289.3)**	(1,150.5)	(351.8)	(2,324.7)	(3,827.0)
Net assets	**4,291.0**	**589.9**	**(846.5)**	**4,034.4**	3,521.1	592.4	(540.3)	3,573.2
Other segmental information								
Property, plant and equipment additions	**259.1**	**23.6**	**1.0**	**283.7**	246.4	28.8	0.9	276.1
Depreciation (net)	**115.0**	**18.5**	**0.6**	**134.1**	108.5	18.1	7.3	133.9
Intangible asset additions	**0.3**	**2.1**	**28.0**	**30.4**	1.0	1.4	21.2	23.6
Intangible asset amortisation	**17.1**	**6.6**	**30.1**	**53.8**	17.2	6.2	24.5	47.9

Information about geographical areas

	Europe 2018 €'m	Americas 2018 €'m	APMEA* 2018 €'m	Total 2018 €'m	Europe 2017** €'m	Americas 2017 €'m	APMEA* 2017** €'m	Total 2017 €'m
Revenue by location of external customers	**2,757.0**	**2,745.3**	**1,105.3**	**6,607.6**	2,725.4	2,678.3	1,004.2	6,407.9
Segment assets by location	**4,173.7**	**3,160.3**	**989.7**	**8,323.7**	4,210.1	2,451.0	739.3	7,400.2
Property, plant and equipment additions	**87.9**	**142.1**	**53.7**	**283.7**	100.6	122.4	53.1	276.1
Intangible asset additions	**30.1**	**0.3**	**-**	**30.4**	22.6	1.0	-	23.6

*Asia Pacific, Middle East & Africa
**The 2017 segmental analysis has been re-presented to reflect the change in management responsibility whereby the revenues of external customers located in the Middle East & Africa are now reported as part of APMEA (formerly APAC) instead of Europe (formerly EMEA).

Kerry Group plc is domiciled in the Republic of Ireland and the revenues from external customers in the Republic of Ireland were **€456.9m** (2017: €447.8m). The non-current assets located in the Republic of Ireland are **€1,000.3m** (2017: €906.1m).

Revenues from external customers include **€1,560.8m** (2017: €1,550.1m) in the UK and **€2,189.5m** (2017: €2,091.2m) in the USA. The non-current assets in the UK are **€668.9m** (2017: €669.9m) and in the USA are **€1,924.8m** (2017: €1,483.9m). Revenue in respect of Europe includes revenue for Taste & Nutrition of **€1,421.8m** (2017: €1,398.0m) and Consumer Foods of **€1,335.2m** (2017: €1,327.4m).

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8 'Operating Segments'. The accounting policies of the reportable segments are the same as the Group's accounting policies as outlined in the Statement of Accounting Policies. Under IFRS 15 'Revenue from Contracts with Customers' revenue is primarily recognised at a point in time.

3. Non-trading items

	Notes	2018 €'m	2017 €'m
Acquisition integration and restructuring costs	(i)	**(44.2)**	(36.0)
Consumer Foods Brexit Currency Mitigation Programme	(ii)	**(17.3)**	(11.7)
Loss on disposal of businesses and assets*	(iii)	**(5.4)**	(6.8)
		(66.9)	(54.5)
Tax on above	(i)-(iii)	**11.8**	11.9
Tax credit due to change in tax rates	(iv)	**-**	52.8
		11.8	64.7
		(55.1)	10.2

*including impairment of assets held for sale

(i) Acquisition integration and restructuring costs

During the year, acquisition integration and restructuring costs of **€44.2m** (2017: €36.0m) primarily related to costs of integrating acquisitions into the Group's operations and transaction expenses incurred in completing current year acquisitions. These costs reflect the closure of factories, relocation of resources and the restructuring of operations in order to integrate the acquired businesses into the existing Kerry operating model. In the year ended 31 December 2018, a tax credit of **€10.1m** (2017: €10.8m) arose due to tax deductions available on acquisition integration and restructuring costs.

(ii) Consumer Foods Brexit Currency Mitigation Programme

During the year, certain sourcing and production activities have been relocated and other activities restructured as a consequence of Brexit in order to reduce the Group's sterling transaction exposure. The charge relating to this in 2018 is **€17.3m** (2017: €11.7m) and the associated tax credit is **€2.2m** (2017: €1.0m).

(iii) Loss on disposal of businesses and assets

During the year, the Group disposed of property, plant and equipment primarily in Italy, Malaysia and the US for a consideration of **€10.6m** resulting in a loss of **€1.0m**. The Group also disposed of investments in associates for a combined consideration of **€1.1m** resulting in a loss of **€4.4m**.

In 2017, the Group disposed of its 22.5% shareholding in Addo Foods for a consideration of €30.1m resulting in a loss of €4.3m and also disposed of unused property, plant and equipment resulting in a loss of €1.5m.

A tax charge of **€0.5m** (2017: a tax credit of €0.1m) arose on the disposal of assets and businesses.

There were no impairments of assets held for sale recorded in the year. In 2018, assets classified as held for sale were impaired to their fair value less costs to sell by **€nil** (2017: €1.0m).

(iv) Tax credit due to change in tax rates

On 22 December 2017, the US Tax Cuts and Jobs Act ("the Act") was enacted into law. This Act brought about fundamental changes to the US tax system, both from an individual and corporate tax perspective. As a result of the Act, the statutory rate of US federal corporate income tax was reduced from 35% to 21% with effect from 1 January 2018. The reduction in the US corporate income tax rate to 21% required revaluation of Kerry's US deferred tax liabilities. This resulted in a one-off deferred tax credit in 2017, which is reported in the Consolidated Income Statement as a non-trading item of €52.8m.

4. Earnings per A ordinary share

	EPS cent	**2018 €'m**	EPS cent	2017 €'m
Basic earnings per share				
Profit after taxation attributable to owners of the parent	**305.9**	**540.5**	333.6	588.5
Diluted earnings per share				
Profit after taxation attributable to owners of the parent	**305.7**	**540.5**	333.2	588.5

Number of Shares	**2018 m's**	2017 m's
Basic weighted average number of shares	**176.7**	176.4
Impact of share options outstanding	**0.1**	0.2
Diluted weighted average number of shares	**176.8**	176.6
Actual number of shares in issue as at 31 December	**176.3**	176.2

5. Dividends

	2018 €'m	2017 €'m
Group and Company:		
Amounts recognised as distributions to equity shareholders in the financial year		
Final 2017 dividend of **43.90 cent** per A ordinary share paid 18 May 2018 (Final 2016 dividend of 39.20 cent per A ordinary share paid 19 May 2017)	**77.4**	69.0
Interim 2018 dividend of **21.00 cent** per A ordinary share paid 16 November 2018 (Interim 2017 dividend of 18.80 cent per A ordinary share paid 10 November 2017)	**37.0**	33.2
	114.4	102.2

Since the financial year end the Board has proposed a final 2018 dividend of **49.20 cent** per A ordinary share which amounts to €86.7m. The payment date for the final dividend will be 10 May 2019 to shareholders registered on the record date as at 12 April 2019. The consolidated financial statements do not reflect this dividend.

6. Business combinations

During 2018, the Group completed a total of ten acquisitions, all of which are 100% owned by the Group unless otherwise stated.

	Total 2018 €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Non-current assets	
Property, plant and equipment	**79.8**
Brand related intangibles	**314.5**
Computer software	**-**
Current assets	
Cash at bank and in hand	**6.7**
Inventories	**26.4**
Trade and other receivables	**42.1**
Current liabilities	
Trade and other payables	**(27.9)**
Non-current liabilities	
Deferred tax liabilities	**(65.7)**
Other non-current liabilities	**(7.4)**
Total identifiable assets	**368.5**
Goodwill	**133.7**
Total consideration	**502.2**
Satisfied by:	
Cash	**498.6**
Deferred payment	**3.6**
	502.2

Net cash outflow on acquisition:

	2018 €'m
Cash	**498.6**
Less: cash and cash equivalents acquired	**(6.7)**
Less: prepayments made in 2017 in relation to 2018 acquisitions	**(15.1)**
	476.8

The acquisition method has been used to account for businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, the above values are determined provisionally. The valuation of the fair value of assets and liabilities will be completed within the measurement period. For the acquisitions completed in 2017, there have been no material revisions of the provisional fair value adjustments since the initial values were established. No individual acquisition completed during 2018 exceeded the Group's quantitative materiality thresholds or met the qualitative materiality considerations. Therefore, no individual acquisition warranted separate disclosure in the above table.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired businesses and the synergies expected to arise within the Group after the acquisition. **€8.0m** of goodwill recognised is expected to be deductible for income tax purposes.

Transaction expenses related to these acquisitions of **€4.7m** were charged in the Group's Consolidated Income Statement during the financial year. The fair value of the financial assets includes trade and other receivables with a fair value of **€42.1m** and a gross contractual value of **€42.4m**.

From the date of acquisition, the acquired businesses have contributed **€34.0m** of revenue and **€0.2m** of profit after taxation attributable to owners of the parent to the Group. If the acquisition dates had been on the first day of the financial year, the acquired businesses would have contributed **€206.9m** of revenue and **€10.1m** of profit after taxation attributable to owners of the parent to the Group.

The following acquisitions were completed by the Group during 2018:

Acquisition	Acquired	Principal activity
Zhejiang Hangman Food Technologies Co. Ltd	January	Hangman is a China based sweet and savoury flavour and natural extract manufacturer that serves primarily the Chinese market.
Season to Season Flavour Manufacturers (Pty) Limited	February	Season to Season is a leading South African supplier of taste ingredients and systems to the African snack and food sectors.
SIAS (Dachang) Food Co., Ltd	March	SIAS is a leading China based supplier of culinary and fruit ingredients and systems to the foodservice and food manufacturing industries.
Foremost Farms Pharma Lactose	May	Foremost Farms is a producer of pharma lactose, based in the USA.
Ricap S.A. de C.V.	July	Ricap is a Mexico based Dairy Taste supplier.
RTI	August	RTI is a browning and smoke technology business based in Canada which serves both North American and European markets.
Flavor Source	September	Flavor Source is a meat coatings and seasonings supplier based in the USA.
AATCO Food Industries LLC*	November	AATCO is an Omani headquartered producer of sauce and condiments sold to foodservice and industrial customers in Asia, the Middle East and Africa.
Fleischmann's Vinegar Company Inc.	November	Fleischmann's is a market leader and all natural producer of specialty ingredients based in the USA, serving a range of food and beverage end-use applications.
Aromateca, S.A. de C.V.	November	Aromateca is a company dedicated to the production of flavours with operations in both Guatemala and El Salvador.

*The Group has an 80% equity shareholding in AATCO Food Industries LLC. It is consolidated in the Group financial statements as a 100% owned subsidiary on the basis of contractual arrangements.

7. Events after the balance sheet date

Since the financial year end, the Group has:

- completed the acquisition of the business and assets of Southeastern Mills, Inc. based in the US. The Group also expects to complete the previously announced acquisition of Ariake U.S.A., Inc. based in the US in the second quarter of 2019. The combined consideration for these acquisitions is expected to be **€325m**; and
- proposed a final dividend of **49.20 cent** per A ordinary share (note 5).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2018.

8. General information

The statutory financial statements of Kerry Group plc for the financial year ended 31 December 2018 were approved by the Board of Directors and authorised for issue on 18 February 2019 and will be filed with the Registrar of Companies following the annual general meeting. The statutory financial statements of Kerry Group plc for the financial year ended 31 December 2017, to which an unqualified audit opinion was received, were annexed to the annual return and filed with the Registrar of Companies.

FINANCIAL DEFINITIONS

1. Revenue

Volume growth

This represents the sales growth year-on-year, excluding pass-through pricing on raw material costs, currency impacts, acquisitions (net of disposals) and rationalisation volumes.

Volume growth is an important metric as it is seen as the key driver of top-line business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers to cater for raw material price fluctuations. Pricing therefore impacts like-for-like revenue growth positively or negatively depending on whether raw material prices move up or down. A full reconciliation to reported revenue growth is detailed in the revenue reconciliation below.

Revenue Reconciliation

2018	Volume growth	Price	Transaction currency	Acquisitions/ Disposals	Translation currency	Reported revenue growth
Taste & Nutrition	**4.1%**	**(0.5%)**	**(0.1%)**	**4.2%**	**(4.0%)**	**3.7%**
Consumer Foods	**1.1%**	**(0.4%)**	**(0.3%)**	**0.8%**	**(0.6%)**	**0.6%**
Group	**3.5%**	**(0.5%)**	**(0.1%)**	**3.6%**	**(3.4%)**	**3.1%**
2017						
Taste & Nutrition	4.7%	2.0%	0.0%	0.9%	(1.9%)	5.7%
Consumer Foods	2.4%	2.0%	(0.9%)	0.2%	(3.8%)	(0.1%)
Group	4.3%	2.0%	(0.2%)	0.8%	(2.4%)	4.5%

2. EBITDA

EBITDA represents profit before finance income and costs, income taxes, depreciation (including impairment), intangible asset amortisation and non-trading items.

	2018 €'m	2017 €'m
Profit after taxation attributable to owners of the parent	**540.5**	588.5
Finance income	**(0.5)**	(0.1)
Finance costs	**67.5**	65.7
Income taxes	**77.4**	24.8
Non-trading items	**66.9**	54.5
Intangible asset amortisation	**53.8**	47.9
Depreciation (including impairment)	**136.4**	136.2
EBITDA	**942.0**	917.5

3. Trading Profit

Trading profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading profit represents operating profit before specific items that are not reflective of underlying trading performance and therefore hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

	2018 €'m	2017 €'m
Operating profit	**684.9**	678.9
Intangible asset amortisation	**53.8**	47.9
Non-trading items	**66.9**	54.5
Trading profit	**805.6**	781.3

4. Trading Margin

Trading margin represents trading profit, expressed as a percentage of revenue.

	2018 €'m	2017 €'m
Trading profit	**805.6**	781.3
Revenue	**6,607.6**	6,407.9
Trading margin	**12.2%**	12.2%

5. Operating Profit

Operating profit is profit before income taxes, finance income and finance costs.

	2018 €'m	2017 €'m
Profit before tax	**617.9**	613.3
Finance income	**(0.5)**	(0.1)
Finance costs	**67.5**	65.7
Operating profit	**684.9**	678.9

FINANCIAL DEFINITIONS (continued)

6. Adjusted Earnings Per Share and Growth in Adjusted Earnings Per Share on a Constant Currency Basis

The growth in adjusted earnings per share on a constant currency basis is provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation attributable to owners of the parent before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings. A full reconciliation of adjusted earnings per share to basic earnings is provided below. Constant currency eliminates the translational effect that arises from changes in foreign currency year-on-year. The growth in adjusted earnings per share on a constant currency basis is calculated by comparing current year adjusted earnings per share, to the prior year adjusted earnings per share retranslated at current year average exchange rates.

	2018 EPS cent	2017 EPS cent
Basic earnings per share	**305.9**	333.6
Brand related intangible asset amortisation	**16.3**	13.4
Non-trading items (net of related tax)	**31.2**	(5.8)
Adjusted earnings per share	**353.4**	341.2
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates	**-**	(15.8)
Adjusted earnings per share on a constant currency basis	**353.4**	325.4
Growth in adjusted earnings per share on a constant currency basis	**8.6%**	9.4%

7. Free Cash Flow

Free cash flow is trading profit plus depreciation, movement in average working capital, capital expenditure, pensions costs less pension expense, finance costs paid (net) and income taxes paid.

Free cash flow is seen as an important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment or for return to shareholders. Movement in average working capital is used when calculating free cash flow as management believes this provides a more accurate measure of the increase or decrease in working capital needed to support the business over the course of the year rather than at two distinct points in time and more accurately reflects fluctuations caused by seasonality and other timing factors. Average working capital is the sum of each month's working capital over 12 months. Below is a reconciliation of free cash flow to the nearest IFRS measure, which is 'Net cash from operating activities'.

	2018 €'m	2017 €'m
Net cash from operating activities	**651.0**	671.4
Difference between movement in monthly average working capital and movement in the financial year end working capital	**21.7**	84.4
Expenditure on acquisition integration and restructuring costs	**59.8**	34.0
Purchase of assets	**(296.1)**	(301.3)
Proceeds from the sale of property, plant and equipment	**10.6**	3.1
Capital grants received	**-**	0.9
Exchange translation adjustment	**(0.5)**	8.8
Free cash flow	**446.5**	501.3

8. Cash Conversion

Cash conversion is defined as free cash flow, expressed as a percentage of adjusted earnings after tax.

	2018 €'m	2017 €'m
Free cash flow	**446.5**	501.3
Adjusted earnings after tax	**624.4**	601.9
Cash Conversion	**72%**	83%

9. Financial Ratios

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lenders' facility agreements using an adjusted EBITDA, adjusted finance costs (net of finance income) and an adjusted net debt value to adjust for the impact of non-trading items, acquisitions net of disposals and deferred payments in relation to acquisitions. These ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

	Covenant	**2018 Times**	2017 Times
Net debt: EBITDA	Maximum 3.5	**1.7**	1.4
EBITDA: Net interest	Minimum 4.75	**14.7**	16.2

FINANCIAL DEFINITIONS (continued)

10. Average Capital Employed

Average capital employed is calculated by taking an average of the shareholders' funds and net debt over the last three reported balance sheets plus an additional €527.8m relating to goodwill written off to reserves pre conversion to IFRS.

	2018 €'m	H1 2018 €'m	2017 €'m	H1 2017 €'m	2016 €'m
Shareholders' funds	**4,034.4**	3,773.6	3,573.2	3,250.4	3,094.0
Goodwill amortised (pre conversion to IFRS)	**527.8**	527.8	527.8	527.8	527.8
Adjusted equity	**4,562.2**	4,301.4	4,101.0	3,778.2	3,621.8
Net debt	**1,623.5**	1,403.3	1,341.7	1,221.7	1,323.7
Total	**6,185.7**	5,704.7	5,442.7	4,999.9	4,945.5
Average capital employed	**5,777.7**		5,129.4		

11. Return on Average Capital Employed (ROACE)

This measure is defined as profit after tax attributable to owners of the parent before non-trading items (net of related tax), brand related intangible asset amortisation and finance income and costs expressed as a percentage of average capital employed.

	2018 €'m	2017 €'m
Profit after tax attributable to owners of the parent	**540.5**	588.5
Non-trading items (net of tax)	**55.1**	(10.2)
Brand related intangible asset amortisation	**28.8**	23.6
Net finance costs	**67.0**	65.6
Adjusted profit	**691.4**	667.5
Average capital employed	**5,777.7**	5,129.4
Return on average capital employed	**12.0%**	13.0%

12. Total Shareholder Return

Total shareholder return represents the change in the capital value of Kerry Group plc shares plus dividends reinvested in the year.

	2018	2017
Share price (1 January)	€93.50	€67.90
Interim dividend (cent)	**21.0**	18.8
Dividend paid (cent)	**43.9**	39.2
Share price (31 December)	**€86.50**	€93.50
Total shareholder return	**(6.8%)**	38.6%

13. Market Capitalisation

Market capitalisation is calculated as the share price times the number of shares issued.

	2018	2017
Share price (31 December)	**€86.50**	€93.50
Shares in issue ('000)	**176,298.4**	176,182.4
Market capitalisation (€'m)	**15,249.8**	16,473.1

14. Enterprise Value

Enterprise value is calculated as per external market sources. It is market capitalisation plus reported borrowings less total cash and cash equivalents.

15. Net Debt

Net debt comprises borrowings and overdrafts, derivative financial instruments and cash at bank and in hand.

Kerry Group
Prince's Street
Tralee
Co. Kerry
Ireland

T:+ 353 66 718 2000
F:+ 353 66 718 2961

www.kerrygroup.com