

The Kerry Group logo, featuring the word "KERRY" in white capital letters on a blue rectangular background with a thin orange line underneath.

KERRY

Leading to Better

A decorative graphic consisting of a cluster of small orange dots in the bottom left corner of the white footer area.

KERRY GROUP ANNUAL REPORT • 2017

**Chief
Executive's
Review**
pages 10-13



**Business
Reviews**
pages 34-41

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**Kerry Group is the global leader
in Taste and Nutrition serving the food,
beverage and pharmaceutical industries,
and a leading supplier of added value brands
and customer branded foods to the Irish,
UK and selected international markets.**





Leading to Better

Innovative Technologies

STRATEGY
IN ACTION



2017 RESULTS HIGHLIGHTS OF THE YEAR

Continued
strong
underlying
performance



Details of the Group's business performance in 2017 are presented in the Chief Executive's Review pages 10-13 and in the Business Reviews pages 34-41

Group Revenue of

€6.4 billion

2016: €6.1 billion

Volume Growth (Like-For-Like)* of

+4.3%

2016: +3.6%

Net Cash from Operating Activities of

€671 million

2016: €683 million

Free Cash Flow* of

€501 million (83% cash conversion)

2016: €570 million (100% cash conversion)

Trading Profit up 4.2%

€781 million

2016: €750 million

Group Trading Margin* of

12.2%

2016: 12.2%

Basic EPS up 10.1%

333.6 cent

2016: 302.9 cent

Constant Currency Adjusted EPS*

+9.4%

2016: +12.3%

Total Dividend per Share up 12.0% to

62.7 cent

2016: 56.0 cent

Return on Average Capital Employed* of

13.0%

2016: 12.9%

Resulting in Total Shareholder Return of **+38.6%** (2016: -10.3%)

Strong underlying growth across Group businesses.

Group margin maintained despite currency related headwinds.

Kerry's Taste & Nutrition Technologies and Systems drive a strong pipeline of innovation.

Kerry Foods portfolio performs well in a changing consumer foods marketplace.

The Board recommends a final dividend of 43.9 cent per share (an increase of 12% on the final 2016 dividend) payable on 18 May 2018 to shareholders registered on the record date 20 April 2018.

* See Financial Key Performance Indicators section pages 24-25 and the Supplementary Information section page 187 for definitions, calculations and reconciliations of Alternative Performance Measures.

Delivering taste and
nutrition to millions
of people around
the world every day

Our Mission Statement

Kerry Group will be:

- the world leader in Taste and Nutrition serving the food, beverage and pharmaceutical industries, and
- a leading supplier of added value brands and customer branded foods to the Irish, UK and selected international markets.

Through the skills and wholehearted commitment of our employees, we will be leaders in our markets – excelling in product quality, technical and marketing creativity and service to our customers.

We are committed to the highest standards of business and ethical behaviour, to fulfilling our responsibilities to the communities which we serve and to the creation of long term value for all stakeholders on a socially and environmentally sustainable basis.

 **Sustainability Review** pages 42-59

About Us

Kerry Group has a well established Strategy for Growth embracing Kerry's global Taste & Nutrition business and Kerry Foods' – consumer foods business.

+ Business Model pages 14-15 Strategy & Financial Targets pages 18-20

Kerry Taste & Nutrition has successfully grown and developed to become the largest and most technologically advanced developer and provider of taste and nutrition solutions in the world.

Kerry has strong customer alliances with leading global, regional and local food, beverage and pharmaceutical companies.

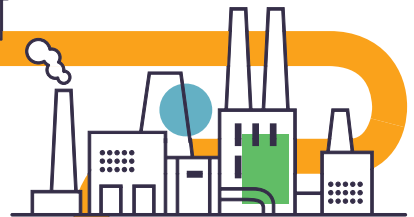
+ Business Review – Taste & Nutrition pages 34-38

Kerry Foods, the Group's consumer foods business, has also established strong strategic and commercial alliances with its retail partners in the Irish, UK and selected international markets. Its brands are household names in their respective markets including category leading brands such as Dairygold, Richmond, Fridge Raiders, Cheestrings and Denny to name but a few. Kerry Foods is also a leading provider of 'Food-to-go' and snacking solutions, and customer branded chilled foods.

+ Business Review – Consumer Foods pages 39-41

900+

R&D Scientists



Operations in

27

countries

130

Manufacturing locations

24,000

Employees



15,000

Products

140

Sales in over 140 countries

KERRY GROUP AT A GLANCE

Group Revenue by Division



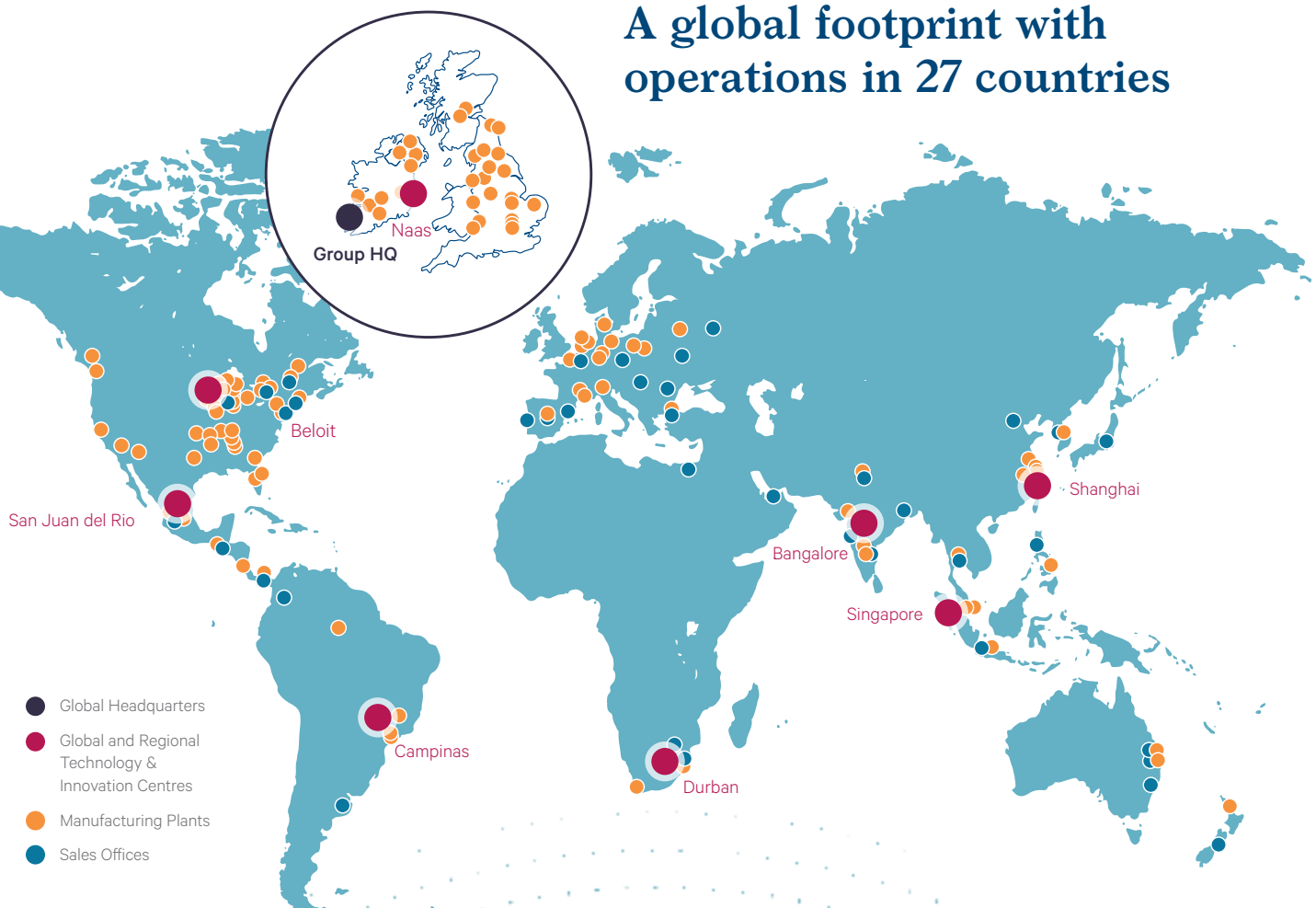
79% Taste & Nutrition
21% Consumer Foods

Group Trading Profit by Division



88% Taste & Nutrition
12% Consumer Foods

A global footprint with operations in 27 countries



TASTE & NUTRITION

Everyday millions of people throughout the world consume food or beverage products incorporating Kerry's Taste & Nutrition technologies or systems.



Business Review –
Taste & Nutrition
pages 34-38

Strategy &
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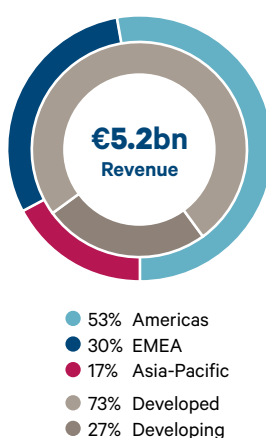
Kerry Taste & Nutrition is the largest and broadest industry innovation and solutions provider in the fragmented \$70 billion global specialty ingredients and flavours market.

We are a 'B2B' (Business to Business) taste, nutrition and functional ingredients solutions provider to all sectors of the food, beverage and pharmaceutical markets, including retail and foodservice end-use-market categories served by our customers.

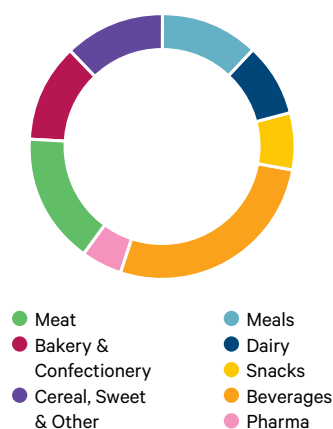
Kerry's market leading insight and innovation, food and beverage heritage, science and technology, applications/culinary excellence, and product process technologies provide the foresight and technology to deliver products that nourish and delight consumers throughout the world.



Region



End Use Markets



CONSUMER FOODS

Kerry Foods is a market leading supplier of added-value branded and customer branded chilled food products to the Irish, UK and selected international markets.



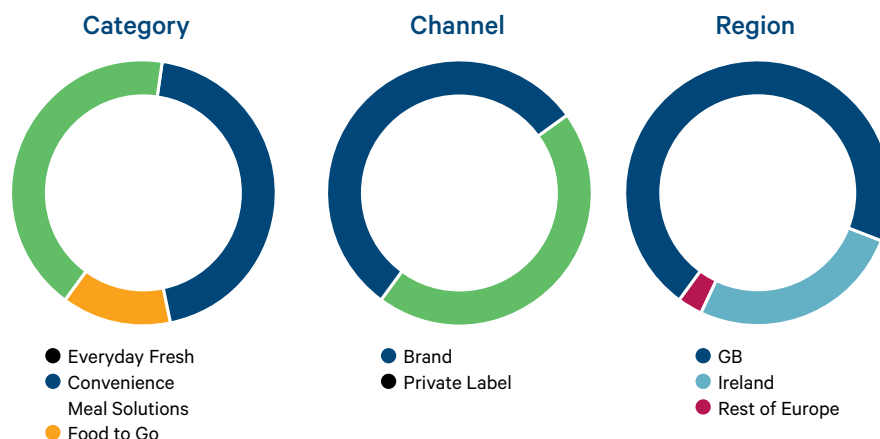
Business Review –
Consumer Foods
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Our consumer food products are marketed directly through multiple retailers, convenience stores and through e-commerce channels in our selected markets. Kerry Foods portfolio of consumer branded products includes high profile brands across three major market sectors; Everyday Fresh (Meat & Dairy), Convenience Meal Solutions and Food to Go.

Kerry Foods is also a leading producer of retail private label products including chilled and frozen meals, cooked meats, cheese and dairy products.

It has also broadened its 'food-to-go' offerings and channel distribution in the 'out-of-home' sector.



12%

Total dividend
for the year is
62.7 cent, an
increase of 12%
on 2016.



**Another year of solid
business performance
with strong top line
growth and successful
business development
across all regions.**

Michael Dowling
Chairman



Business Reviews –
pages 34-41

**Strategy &
Financial Targets**
pages 18-20

In my final Annual Report Statement to shareholders as Chairman, I am pleased to report another year of solid business performance. The Group achieved strong top line growth and successful business development in all regions, in particular in Asian markets. Kerry's performance in the EMEA region showed a welcome recovery, benefiting from the Group's innovation capabilities and ability to support our customer requirements in a rapidly changing marketplace. Foodservice applications in all regions provided excellent opportunities for Kerry technologies and systems.

The Group has established a strong global manufacturing footprint and regional business development is supported by our Global Innovation & Technology Centres, Regional Development & Application Centres and 'in-market' commercial and customer engagement centres.

In 2017, we continued to invest successfully in broadening Kerry's technology portfolio and industry-leading RD&A capabilities. Significant organic and M&A investment continued to meet market requirements and Group growth strategies.

Our consumer foods business in the UK and Ireland has continued to align its structures and business portfolio for today's consumer and market environment, in particular in respect of 'food-to-go', snacking and occasion led propositions.

In recent years, the Group has focused critical attention on Kerry's 'go-to-market' and 1Kerry Programmes. Building on the Group's strong balance sheet and scalable business model, Kerry businesses are well positioned to achieve the Group's new medium term strategic financial targets as presented by management at a Capital Markets Day in October 2017.



Sustainability

Sustainable development is at the heart of our Group mission and our 'Towards 2020' Sustainability Programme represents a journey of continuous improvement which now underpins the Group's strategic objectives and medium term financial targets. Good progress was maintained in delivery of the Group's sustainability objectives in 2017 – an update on performance details across the programme metrics is presented on pages 42 to 59 of this Report.

Dividend

The Board recommends a final dividend of 43.9 cent per share (an increase of 12% on the 2016 final dividend) payable on 18 May 2018 to shareholders registered on the record date 20 April 2018. Together with the interim dividend of 18.8 cent per share, this brings the total dividend for the year to 62.7 cent, an increase of 12% on 2016.

Board & Management Changes

On 30 September 2017, Stan McCarthy, who became Chief Executive of the Group in January 2008, retired as Chief Executive and was succeeded by Chief Executive Designate Edmond Scanlon.

Stan retired as a Director of the Group at year end. On behalf of the Board, I would like to pay tribute to Stan in recognition of his enormous personal contribution to the development of the Kerry organisation – in particular to the success of the Group during his tenure as Chief Executive over the past decade. Stan's vision for the growth of the business and his unrelenting customer-led focus, inspired and informed the Group's 1Kerry Strategies which contributed enormously to the successful development of our Kerry Taste & Nutrition and Kerry Foods' business model. He also led the successful establishment of our Kerry Technology & Innovation Centre network and our Regional Development & Application Centres to support technology development and speedy innovation in support of our valued customers in a rapidly changing marketplace.



Shareholder Analysis

- 28% Retail
- 14% Kerry Co-operative
- 58% Institutions
 - 19% North America
 - 14% UK
 - 17% Continental Europe
 - 5% Rest of World
 - 3% Ireland

Prior to his appointment as Chief Executive, Stan was one of the pioneers of our successful business development in the Americas region.

Flor Healy also retired as Executive Director of the Board in August and stepped down as CEO of Kerry Foods, the Group's consumer foods division prior to year end. I would like to thank Flor for his contribution to the Kerry organisation throughout his career, and in particular for his dedication to the development of Kerry Foods' business interests. Flor was succeeded as CEO of Kerry Foods by Duncan Everett, formerly Kerry Foods' Meats Technology Managing Director and previously Chief Financial Officer of Kerry Foods.

As previously announced, I retire from the Board at the Group's Annual General Meeting on 03 May, and will be succeeded by Chairman Designate Philip Toomey. Philip 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. Philip's appointment as Chairman Designate followed a selection process by the Nomination Committee of the Board led by James C. Kenny.

Positive 2018 Outlook

The Board is confident that the Group's business model and strategies will continue to deliver shareholder value. Management's views regarding the business outlook for 2018 are presented in the Chief Executive's Review of this Report.

Our people are central to Kerry's continued successful growth and development. The Group is well positioned to achieve its future objectives based on the strength of the executive leadership teams and the commitment of all Kerry employees. The organisation is now ably led by Edmond Scanlon and on a personal note I would like to thank Edmond and everyone throughout the Kerry organisation for their contribution to the success of the Group, and to wish the Group continued success into the future.

Michael Dowling
Chairman
19 February 2018



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Our Markets
pages 16-17



Strong volume driven business performance above market growth rates in 2017 reflected the Group's foundational technology capabilities and speed of innovation in response to consumer and customer requirements.

Edmond Scanlon
Chief Executive

Kerry Group achieved a strong volume driven business performance above market growth rates in 2017, reflecting the Group's foundational technology capabilities and speed of innovation in response to consumer and customer requirements. The global marketplace continues to change at an unrelenting pace driven by health & wellness demands, convenience trends, channel proliferation and in particular the growth of out-of-home food and beverage consumption with continued blurring of the landscape between food retail and 'food-to-go'. Nutritional labelling requirements and regulatory changes continue to drive demand for clean label offerings across all end-use-markets providing significant opportunities for differentiated product development.

In 2017 the adaptability and agility of the Kerry Business Model proved highly effective across the increasingly fragmented marketplace through multiple retail, foodservice and ecommerce channels. The Group's focus on profitable growth was further assisted by technology investment and industry-leading RD&A expenditure in Taste & Nutrition. Taste & Nutrition Technologies and Systems achieved sustained volume growth in North America, a good performance in Latin America, a solid recovery in the EMEA region and continued double digit growth in Asia.

In the Group's UK and Irish consumer foods markets, while Kerry Foods maintained a strong category and business development focus, benefiting in particular from the increased snacking and 'food-to-go' consumption trends, the underlying satisfactory divisional business performance was impacted by adverse sterling exchange rate movements.

Leading to Better

Consumer Insights

STRATEGY
IN ACTION



Results

Group revenue on a reported basis increased by 4.5% to €6.4 billion reflecting strong volume growth offset by adverse currency movements. Business volumes grew by 4.3% year-on-year. Net pricing increased by 2% against a background of approximately 4% raw material price inflation. Currency headwinds accelerated during the year contributing an adverse 2.4% translation impact and an adverse 0.2% transaction currency impact relative to revenue. Business acquisitions contributed 0.8%.

Taste & Nutrition delivered 4.7% volume growth and pricing increased by 2%. Kerry Foods' business volumes increased by 2.4% and pricing increased by 2%.

The Group trading margin was maintained at 12.2%, reflecting 20 basis points improvement in Taste & Nutrition, positive underlying 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.

Basic earnings per share increased by 10.1% to 333.6 cent. Adjusted earnings per share increased by 5.5% to 341.2 cent (2016: 323.4 cent) reflecting growth of 9.4% on a constant currency basis over the prior year. The Board recommends a final dividend of 43.9 cent per share, an increase of 12% on the final 2016 dividend. Together with the interim dividend of 18.8 cent per share, this brings the total dividend for the year to 62.7 cent, an increase of 12% on 2016. Expenditure on research and development

increased due to increased investment in Taste & Nutrition to €269m (2016: €261m). Net capital expenditure amounted to €297m (2016: €210m) due to increased investment in Group growth platforms, in particular in taste technologies and developing market facilities. The Group achieved a free cash flow of €501m (2016: €570m).



**Financial Key
Performance Indicators**
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Taste & Nutrition

Taste & Nutrition reported revenue increased by 5.7% to €5.2 billion, reflecting 4.7% volume growth. Net pricing increased by 2%. Trading profit grew by 7.1% to €767m, reflecting a 20 basis points improvement in trading margin to 14.9%. In 2017 Taste & Nutrition accounted for 79% of Group revenue and 88% of Group trading profit.

4.7%

Taste & Nutrition business volumes increased by 4.7%

Sales revenue in the **Americas region** on a reported basis increased by 3.5% to €2,678m, reflecting 3.3% volume growth, a 1.3% increase in net pricing, business acquisitions of 0.4% and an adverse translation currency impact of 1.5%. 'Centre of store' branded offerings continued to be adversely impacted by consumer trends in North America. In Latin American markets, a solid overall performance was achieved in Brazil, Mexico and Central America but development in the Caribbean region slowed relative to the prior year.

The North American meat sector continued to provide strong growth opportunities for Kerry's clean label and authentic taste technologies. Seasonings, coatings and functional meat systems achieved a strong performance in Latin America. Mississippi, US based *Dottley Spice* was acquired in October 2017 – furthering Kerry's position as a leading supplier of seasonings and coatings to the meat processing industry and foodservice sector in North America. The foodservice sector and convenience store channel provided a solid platform for growth across American markets through extended day-part-menus and 'better-for-you' lines of food and beverage convenient offerings. The acquisition of the US based *Kettle* business of Tyson Foods was completed prior to year end. Operating from a production and development facility in Fort Worth, Texas; the Kettle business has a strong heritage in the North American foodservice industry with well-established key customer alliances in the QSR and fast-casual restaurant sectors.

The Group continued to advance business development and performance in the pharmaceutical sector. *Ganeden*, acquired in August, performed well in particular in the beverage sector. Headquartered in Cleveland, Ohio, *Ganeden* produces highly stable probiotic ingredients and significantly strengthens Kerry's position in the nutritional actives market.

Sales revenue in the **EMEA region** on a reported basis increased by 6.2% to €1,537m, reflecting 4.2% volume growth, a 3.4% increase in net pricing, an adverse 0.1% transaction currency impact, business acquisitions of 0.8% and an adverse 2.1% translation currency impact. A solid performance was achieved in the UK market against a background of inflationary food and beverage trends and continuing uncertainty following the UK electorate decision to leave the European Union. In regional developing markets, trading conditions improved in Sub-Saharan Africa and Middle Eastern markets, and Kerry also continued to achieve good growth in Russia.

The meat industry across Europe provided good opportunities for growth through retail and foodservice applications. Establishment of a new production facility to meet customer requirements in the meat and savoury snack sectors in Russia was significantly advanced in 2017. The meat and savoury snack sectors in Middle Eastern markets also provided good growth opportunities for Kerry technologies in 2017. Prior to year end, the Group acquired Galicia, Spain based *Hasenosa* – a leading producer of coatings (including gluten-free lines), marinades and sauces serving the meat and seafood industries in Europe. Since year end, the Group has also reached agreement to acquire Johannesburg, South Africa based *Season to Season* – a leading supplier of Taste ingredients and systems to the African snack and food sectors.

Excellent growth and business development momentum was maintained in **Asia-Pacific** markets in 2017. Sales revenue in the Asia-Pacific region on a reported basis increased by 13.1% to €866m, reflecting 11.1% volume growth, 1.8% increase in net pricing, business acquisitions of 2.9% and an adverse currency translation impact of 2.7%.

All Kerry technologies established in the region achieved solid growth. Development in the dynamic regional foodservice channel proved highly favourable – capitalising on Kerry's innovation capabilities and speed to market. Further expansion of Kerry's manufacturing and technology footprint was achieved through continued investment in Group facilities and strategic acquisitions.

The Group's operational footprint in the Asia-Pacific region was significantly expanded in 2017 through organic investment and the completion of a number of acquisitions. A regional Technology & Innovation Centre was established in Bangalore, India. Regional Application & Development Centres were established in Jakarta, Indonesia; Bangpoo, Thailand and Ho Chi Minh, Vietnam. New production facilities were established across sites located in Plentong, Malaysia; Cikarang, Indonesia; Tumkur, India; Nantong, China; Batangas, Philippines and Brisbane, Australia.

In March 2017, *Taste Master* was acquired in Adelaide, Australia strengthening the Group's taste capabilities in the beverage, snack, meat and culinary industries in Australia and New Zealand. In April, the acquisition of Jurong, China based *Tianning Flavours* was completed providing a significant boost to Kerry's savoury and sweet flavour development capabilities.

Since year end, the Group completed the acquisition of Hangzhou, China based *Hangman Flavours*, further strengthening Kerry's taste positioning and capabilities in Greater China. Agreement has also been reached to acquire Dachang, China based *SIAS Food Co.* – a leading supplier of culinary and fruit ingredients and systems to the foodservice and food manufacturing industries in China.

11.1%

Business volumes in the Asia-Pacific region increased by 11.1%

Consumer Foods

Kerry Foods' business volumes grew by 2.4%. While there was some lag in price recovery in response to the impact of sterling depreciation on products exported from Ireland to the UK, pricing increased by 2%. The divisional trading profit margin decreased by 70 basis points to 8.1% as the underlying margin improvement was more than offset by the adverse sterling exchange rate movements, resulting in a trading profit decrease of 8.1% to €108m.

2.4%

Kerry Foods' business volumes grew by 2.4%

Consumer shopping trends across multiple channels have continued to heighten competitiveness in the UK and Irish consumer foods markets. At retail level, the focus on delivery of 'better value' continues through range simplification, EDLP strategies and investment in customer brands. In the UK market, in an inflationary environment, such trends have adversely impacted trading margins. Discounter chains have continued to gain market share, whilst online shopping continues to grow at pace – driven by innovation and new entrants. Snacking and 'on-the-go' consumption continues to grow, blurring the market landscape between food retail and foodservice.

A strong focus on expanding channel reach in 2017 led to strong growth in 'out-of-home' segments. 'Rollover' recorded good growth and encouraging progress was achieved through pub chains and restaurant chains. The acquisition of *Oakhouse Foods* was completed in November, expanding Kerry Foods' chilled foods route to market through a new 'direct-to-customer' platform.



Consumer shopping trends across multiple channels have continued to heighten competitiveness in the UK and Irish consumer foods markets.



Building on Kerry's breadth and depth of foundational technologies and geographic footprint, Kerry Taste & Nutrition is well placed to deliver the continued organic growth of the business across developed and developing markets.



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Taste & Nutrition**
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**Business Review –
Consumer Foods**
pages 39–41

**Strategy and
Financial Targets**
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Future Prospects

Despite the changing market landscape and significant currency volatility, Kerry businesses are well positioned to continue to grow and develop profitability, and to achieve the Group's new medium term strategic financial targets as presented at its Capital Markets Day in October 2017. The Group expects its targets to be delivered through above industry average volume growth and continued business margin expansion. Building on Kerry's breadth and depth of foundational technologies and geographic footprint, Kerry Taste & Nutrition is well placed to deliver the continued organic growth of the business across developed and developing markets. In European consumer foods markets, building on Kerry Foods' deep consumer insight and core dairy, meals and meat technologies, the business will continue to focus on its 'strategic value creation model' through occasion led propositions in response to consumer, customer and channel requirements.

The Group is in a strong position to continue to invest in the organic growth of its global businesses and to lead the continued consolidation of the industry benefiting from the Group's strong balance sheet and scalable business model.

Edmond Scanlon
Chief Executive
19 February 2018



Kerry is leading to better, by offering so much more to customers



The speciality ingredients and flavours sector is made up of many single ingredient specialists, a few multiple ingredient players, and very few integrated solutions providers. Since the organisation's establishment Kerry has evolved and developed its integrated solutions portfolio.

This has been achieved through investment in its capabilities to create integrated solutions across a range of end use applications and acquiring additional technologies to provide a broad foundation of customer-tailored solutions. In this context Kerry is uniquely global, with unrivalled scale and footprint.

Importantly, while the Group has proven its ability to innovate and leverage our globally interconnected capabilities in an agile and seamless fashion, we have successfully deployed our wide ranging capabilities locally through our expansive local infrastructure and the skill sets of our local teams.

Kerry's Business Model

A. Foundational Technologies



B. Integrated Technology Value Creation



C. Channels & Customers



Kerry's Business Model

Our business model comprises of 3 core elements:

- A. Foundational Technologies – Authentic Taste and Nutrition, Wellness & Functionality
- B. Our unique integrated technology value creation engine
- C. Our unparalleled channels & customers

A. Foundational Technologies

Our differentiated combination of Foundational Technologies provides the widest breadth and depth of innovation support to assist our customers in meeting the needs of today's consumer.

Our Authentic Taste platform is founded and built on a 'from-food-for-food' philosophy; while our Nutrition, Wellness and Functionality platform delivers benefits such as natural preservation, immunity support, digestive health, fortification and cleaner labels.

Together they enable better, more authentic taste with simple, natural, better-for-you nutrition.

B. Integrated Technology Value Creation

The engine of our model is powered by three core elements – Culinary & Insights, Development & Applications, and Product Process Technologies – driving maximum value through their seamless integration, and the targeted leveraging and layering of our expertise and capabilities.

Kerry's Culinary & Insights spans every end-use-market, channel and geography across the world, helping the Group to stay ahead of ever-changing consumer preferences and providing foresight into future consumer demands.

Our globally-connected network of professional chefs are immersed in the local/regional cuisines, tastes and consumer preferences. They leverage Kerry's state-of-the-art culinary kitchen suites and authentic processes to create wholesome recipes that deliver unique

taste solutions derived from natural cooking methods. Our proprietary Taste & Nutrition Discovery platform is purposefully built to facilitate insightful, interactive discovery with our customers, serving as a catalyst for ideation and the rapid co-creation of innovative taste and nutrition solutions.

Our dedicated and inter-connected Development and Applications teams are the innovative artisans who bring our recipes and products to life. Working shoulder to shoulder with our Taste & Nutrition experts, Sensory & Consumer Analytics and Regulatory teams throughout the product development, commercialisation and production process, our Development and Applications teams innovate and provide solutions in response to rapidly changing consumer requirements.

The Group's industry leading Product Process Technology, together with our unparalleled breadth and depth of process engineering expertise and an understanding of the entire supply chain, enables Kerry to drive value by finding new ways of manufacturing consistent, safe and high quality products that consumers can trust.

Kerry's state-of-the-art pilot plant facilities replicate the breadth of both our Taste & Nutrition manufacturing processes as well as those of our customers. Located within our Global Technology & Innovation Centres, these commercialisation centres are accessible to both our development and applications teams and product process technology teams, which is critical to enabling efficient product development and speed to market.

C. Channels & Customers

Kerry is ideally positioned across the retail and foodservice channels which provides the broadest routes to market to successfully grow our business and exploit our unique taste & nutrition solutions.

We will continue to invest in existing, new and emerging sub-channels and selectively leverage the breadth of our capabilities across this range of channels.

Our customer set is well diversified from global to local leaders, with the common need for support in meeting today and tomorrow's consumer demands.

The Kerry business model is truly unique and has enabled the organisation to strengthen and evolve our value-add relationships with our valued customers. We believe this uniquely differentiates us in collaboratively working shoulder to shoulder, from concept to launch – enabling our customers to take on the challenges and opportunities that today's marketplace presents.

Consumer revolution driving unprecedented fragmentation

The pace of consumer-driven change and its impact on our industry is truly unprecedented – driving disruption which is leading to increased fragmentation, and creating significant opportunity for Kerry.

Kerry has positioned consumers very much at the heart of our strategic thinking and at the heart of our strategic planning process.

This informs our commercial focus for the future. Our strategic growth priorities play to our unique capabilities, how we deploy our business model and innovation and investment to ensure that our offering is relevant and differentiated for the future.

Consumer trends are translated into key insights which drive our product innovation delivery.



Leading to Better

Market Reach

STRATEGY
IN ACTION



Kerry is positioned to play right across the global marketplace



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Taste & Nutrition**
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**Strategy &
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pages 18-20

Kerry's customers span across the major retail food and beverage categories and the foodservice channel. These markets are highly fragmented where the top 10 in the global food & beverage market and the foodservice sector represent a relatively small percentage of the total market. Outside of the top 10, this market is highly fragmented and made up of many players.

Kerry's customer profile is broadly one third global companies, one third regional leaders and one third local/smaller players. Our business model is a key enabler for us to win across all customer segments and end-use-markets.

Our customers look to Kerry for support in partnering with them to meet the challenges and opportunities that consumer trends present on a daily basis. We believe that Kerry's business model is uniquely positioned to help customers navigate this ever changing environment.

Food – Retail €2.2TR



Beverages – Retail €2.5TR



Foodservice €3.3TR

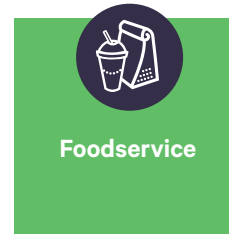


Source: Kerry Internal Estimates, Euromonitor, RTS Food Trending, MC Allegra, Technomic, Globaldata

A combination of growth and return

TASTE & NUTRITION

CONSUMER FOODS



Group Strategic Priorities for Growth

Our Taste & Nutrition Strategic Growth Priorities:

A. Industry Leading Authentic Taste Delivery Capability

- Activated through our enhanced sensory and analytical capability
- Delivering value for our customers both in direct use and through our industry leading applications and culinary expertise



Truetaste™

TasteSense
By Kerry



Leveraging Kerry's Global Taste & Nutrition Business Model

- Market led Foundational Technology innovation focused on our growth platforms
- Leveraging our Innovation Centres of Excellence and external partners
- Guided by an expanded global and local regulatory infrastructure
- Pro-active investment in complementary Foundational Technologies

B. Industry Unique Nutrition, Wellness & Functionality Portfolio

- Continued investment in scientific and clinical validation programmes for our nutrition portfolio for differentiation and sustainability
- Creating innovative applications and Taste & Nutrition solutions fully aligned with the needs of today's consumer



Prodiem™
Vegetable Protein

Upgrade™ Accel™
Durafresh™ Clean Label / Preservation

PlantFare™
Meat Alternatives

Biobake™
Natural Improvers



C. Global Leader in Developing Markets

- Winning with rapidly growing key regional CPG and Retail players
- Expand and leverage our Industry Leading Consumer Centric Customer Application & Product Process Technology Infrastructure
- Ongoing strategic deployment of our Unique Kerry Authentic Taste & Nutrition Solutions Business Model

In our industry



D. Global Market Leader in Foodservice Added Value Solutions

- Strategic customised deployment of our holistic and unique Business Model across Global Chains, Regional and local accounts
- Geographical category expansion
- Expansion in Foodservice Channel with Global, Regional and Independent players (Brands)
- Targeted channel expansion in emerging high growth sub-channels – Convenience and Healthcare

Some of our Foodservice Brands

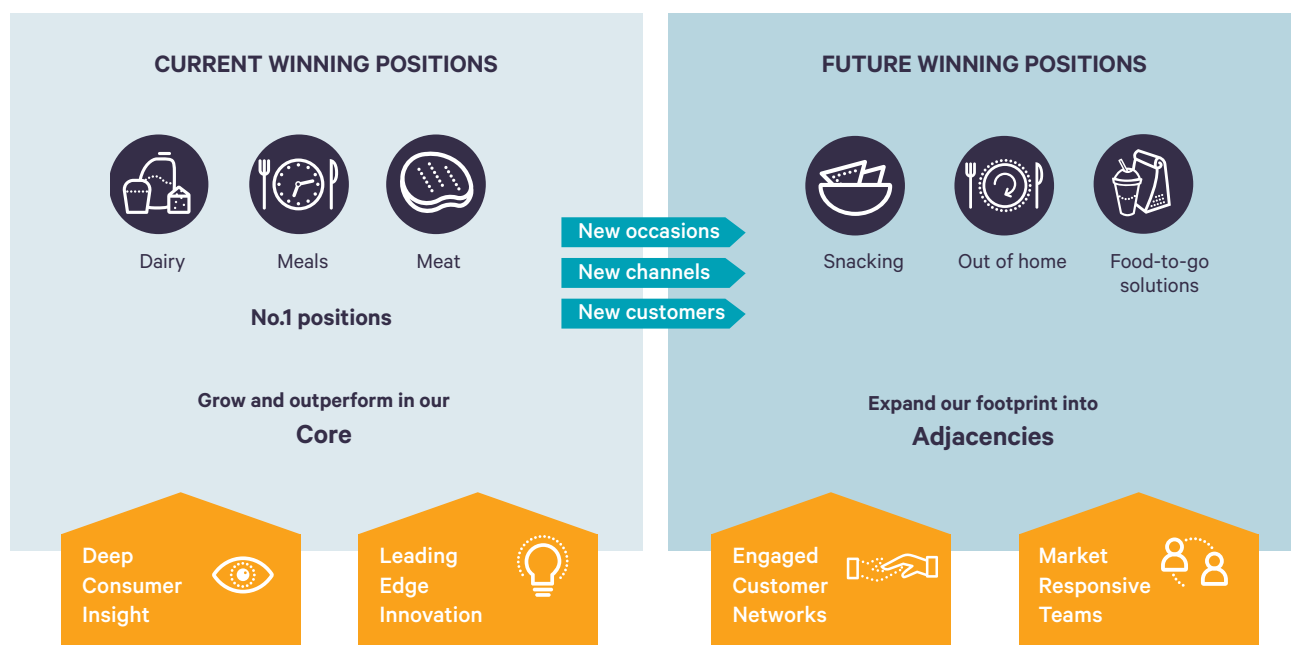


Our Consumer Foods Strategic Growth Priorities:

Growth is key to our success and we will continue to drive growth and outperform in our core business by responding to key consumer trends in meat, meals and dairy, while also leveraging this core expertise to expand our adjacent categories.

In our core business we will continue to outperform by innovating to meet key consumer trends of authentic taste, new health (free from, natural & clean label) and convenience.

Our adjacent category growth priorities of snacking, out-of-home and food-to-go solutions will be driven by new consumption occasions, new channels (e.g. e-commerce) and a broader customer base.



Group Strategic Priorities for Margin Expansion



OPTIMISE LEVERAGE

- Leverage 1 Kerry platform
- Leverage routes to market
- Leverage customer centres
- Leverage footprint



DIFFERENTIATE

- New foundation technologies
- New markets
- New channels / geographies
- Manage churn with agility



DRIVE EFFICIENCY

- Manufacturing excellence
- Supply chain excellence
- Commercial excellence
- Service excellence



RE-INVEST TO GROW

- Fragmentation response
- Localisation of footprint
- Increased R&D
- Kerryconnect/Business Services

Medium Term Financial Targets

Our medium term financial targets are based on a combination of growth and return.

Our overall target of 10%+ average Adjusted EPS Growth represents a balance of volume growth and margin expansion, supported by the reinvestment of cash in our strategic priorities.

Our return metrics ensure that there is an appropriate balance between growth and return.

The overall metrics chosen of Return on Average Capital Employed and Cash Conversion represent a balanced assessment of our performance over time.

We believe the delivery of these financial targets should underpin a Total Shareholder Return outperformance relative to our peers.

Strategic Targets

On average over life of plan

Growth			
Volume growth		Margin Expansion	
Taste & Nutrition	4% to 6% p.a.	Taste & Nutrition	40bps p.a.
Consumer Foods	2% to 3% p.a.	Consumer Foods	20bps p.a.
Group	3% to 5% p.a.**	Group	30bps p.a.
Adjusted EPS Growth* 10%+ p.a.			

* Assumes Constant Currency

** Assumes 2% above market growth

Return	
ROACE 12%+	Cash Conversion >80%
Relative TSR – Outperforming Peers	

STRATEGIC ADVANTAGE

We have a long history of sustained profitable growth.
Group strategy will continue to be achieved through the
commitment and expertise of our people.



10 Year earnings history
page 33

Business Review –
Taste & Nutrition
pages 34-38

Business Review –
Consumer Foods
pages 39-41



Business Model
pages 14-15

Strategy &
Financial Targets
pages 18-20

Technology Leader 	Market Leader 	Proven Success 
Unrivalled foundational technology portfolio Fundamental science & research capability Unparalleled breadth of product process expertise Unique taste & nutrition positioning Application & culinary leadership Global Technology & Innovation Centre platform	The market leader in Taste & Nutrition #1 in Americas, Europe and ROW for Savoury, Dairy & Beverage Leader in clean label natural preservation Largest Taste & Nutrition business in Developing Markets In 5 of the top 10 blockbuster drugs Leader in our chilled foods' categories in UK and Ireland	Consistent delivery of results since 1986 10% CAGR for revenue 14% CAGR for trading profit 13% CAGR for adjusted EPS 16% CAGR on share price 17% CAGR on dividends
Growth Potential 	People 	Sustainable 
Unique Kerry business model Winning across all customer segments Unparalleled offering to Foodservice channel Continued strong growth in developing markets Extensive global footprint platform Proven consolidator	Proven leadership and management capability Ambitious and results driven culture Talent management – Kerry Learning Academy Personal growth opportunities Mobility Diversity	Natural heritage Investing for a sustainable future Milestone linked to performance management 1 Kerry Sustainability Programme Commitment to targets Company wide initiatives



Sustainability Review –
pages 42–59

Enabling sustainable growth locally and globally

With 24,000 employees throughout the world, the Group's diverse high performance teams are central to our innovative culture and ongoing success.

How we create sustainable value

Developing the unique talents and capabilities in our business and functional areas, combining and leveraging our strengths through our unique business model and approach, whilst retaining and nurturing our employee determination and enthusiasm to succeed, are key to the Group's strategy for continued growth and development.

Our Kerry employee-centric culture has evolved to support sustainable growth by driving engagement and performance across our groupwide businesses. The compass of our winning culture and way of working is our shared values.

Our Shared Values

Commitment	Teamwork	Excellence	Entrepreneurial	Value Creation
Customers Passion Science Technology	Respect Diversity Empowered Accountable	Quality Safety Integrity Ethics	Ownership Innovation Agility Drive	Success Results Sustainable ROI
We are wholeheartedly committed to the success of our customers and Kerry. We take great pride in our food and beverage heritage and continuously strengthen our science, technology and applications expertise to passionately serve our customers.	We value and respect each other. We embrace our global diversity as a key driver of our innovation and success. We are empowered and accountable for delivering greater results for our stakeholders, Kerry and our careers.	We execute with excellence in everything we do. We continuously develop our skills and improve our performance. We strive to deliver superior quality and never compromise on the safety of our colleagues or products. We operate with integrity and adhere to the highest standards of business and ethical behaviour.	We are swift and responsive, adapting quickly to the changing market. We seek innovative ideas to drive the business forward and achieve new levels of success for our customers and Kerry.	We prioritise our work to provide greater value for our customers and the business. We generate maximum returns on our investments and continuously seek better ways to deliver long-term value on a socially and environmentally sustainable basis.

ourVoice

In May 2017, Kerry Group initiated its first ever groupwide global employee engagement survey of all Kerry employees.

Branded 'ourVoice', the purpose of the survey was to seek feedback with a view to better enabling and empowering employees to develop their careers, deliver high performance and make Kerry a better organisation and place to work.

Partnering with IBM, a global leader in employee engagement surveys, the survey was carried out online over a three week period using 28 different languages. Over 88% of Kerry employees participated worldwide, a best in class participation level for organisations of Kerry's size.

Following the compilation and analysis of the survey results a comprehensive engagement process took place to inform employees of the results at a region, business, function, site and team level.

Action plans were initiated across the Group to build on the collective strengths of the organisation and to prioritise areas for improvement as identified in the 'ourVoice' survey.

Our approach to Diversity, Inclusion and Belonging

Further to the launch of the Group's Global Diversity Programme in 2016, we have introduced a number of initiatives during 2017 to progress this important agenda.

This programme demonstrates Kerry's continued commitment to fostering a dynamic workforce culture and an inclusive environment where all our employees can contribute to the organisation's success and excel in their own Kerry career. Highlights in 2017 include the launch of our 'world of opportunity' series promoting Kerry's career philosophy, global career

opportunities and new career development frameworks; the establishment of employee led networks to raise awareness, enhancements to our recruitment processes to attract new sources of diverse talent; volunteering programmes activated across our main locations and local policies updated to offer more flexible working arrangements.

Talent		Attract the best, grow and ignite their talents and deliver sustainable success for all, by building an empowered and diverse workforce.
People Development		Offer colleagues valuable learning experiences and development, which empowers them to achieve their career ambitions and realise their full potential.
Agile Working		Enable colleagues to take personal responsibility for finding a more balanced way to realise career aspirations and life goals.
Volunteering		Fulfill our responsibilities to the communities in which we are located, by creating a connection between ourselves and our neighbours that enables both them and our company to thrive.
Inclusion		To foster an environment where independence of thought is highly valued and where all individuals (irrespective of diverse race, colour, ethnicity, culture, gender, sexual orientation, gender identity and expression, religion, nationality, age, disability, marital and parental status) are encouraged to achieve their full potential and fully contribute to the goals of the Group.

Kerry Code of Conduct

Through our Kerry Code of Conduct we focus critical attention on ethical business practices and provision of a safe and healthy workplace. Achieving results ethically and in compliance with all relevant legislation will always be an absolute expectation at Kerry Group. We operate zero tolerance for labour abuses and support effective abolition of child and forced labour worldwide. The Group's 'Employee Concerns' hotline provides a mechanism by which employees can report issues in confidence through an independent channel.

Reward and Recognition

Kerry Group's aim is to attract, retain and motivate employees through reward programmes which are competitively advantageous, support the business strategy, align with employee needs and recognise employee performance, potential and value added contribution. At Kerry, 'Total Reward' is more than just pay – it encompasses financial rewards including base salary, incentives and benefits; non financial rewards including

learning, career development, growth and international opportunities as well as providing a culture where employees can flourish.

Health & Wellbeing at Kerry

The health and safety of our employees is a key priority for the Group and Kerry's safety policy establishes the fundamental principles that all employees must consider in their role and their business decisions. Global Health & Safety Management Systems are fully implemented throughout all Group businesses and in 2017 we achieved a further 14% improvement in global safety metrics. We also continued to support a range of initiatives at site level throughout the Group to encourage people to become more active and to promote greater awareness of health and wellbeing.

In 2017
we achieved
a further 14%
improvement in global
safety metrics
14%

Learning, Leadership and Talent

In 2017 Kerry made further investments to strengthen our approach to developing the critical skills, knowledge, behaviours and experiences that will be required to grow our business both now and into the future through the provision of targeted learning and development interventions that will enhance individual, leadership and team performance.

In addition, the Group launched a new Group annual talent review process supported by the introduction of a more structured global approach to identifying and accelerating the development of high potential leadership and functional talent in order to strengthen our internal succession pipelines.

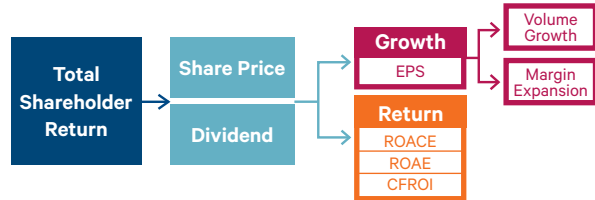
The Group's successful Graduate Development Programme continues to play a central role in attracting and developing future talent to enable longer term sustainable growth of the organisation.



Non-Financial KPIs
are detailed in our
Sustainability Review
pages 42-59

FINANCIAL KEY PERFORMANCE INDICATORS (2013-2017)

Drivers of Shareholder Return (2013-2017)



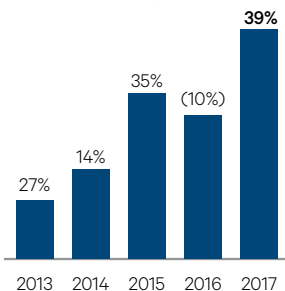
The Group's strategic objective is to maximise shareholder return by delivering on the targets of growth in business profitability and exceeding return on investment hurdles.

GROWTH



Definition*

Total Shareholder Return (TSR) represents the change in the capital value of Kerry Group shares plus dividends reinvested.



Strategic Linkage

TSR is an important indicator of how successful the Group has been in terms of shareholder value creation.

Performance

The Group achieved a TSR of +38.6% in 2017.

The Group has achieved Compound Growth of +139% in TSR since the beginning of 2013 over the course of the last five year plan. This is compound growth at an equivalent annual rate of 19.1%.

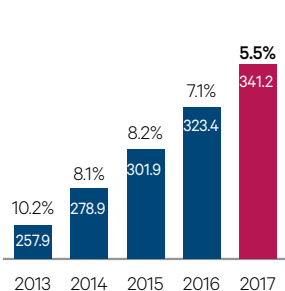
Link to Remuneration

Performance metric for long term incentive plan.



Definition*

Adjusted EPS growth represents the change in adjusted EPS in the current year compared to adjusted EPS achieved in the prior year. Adjusted EPS is considered more reflective of the Group's underlying trading performance than basic EPS.



Strategic Linkage

EPS growth is a key performance metric as it encompasses all the components of growth that are important to the Group's stakeholders. Volume growth and margin expansion are the two key drivers of EPS growth.

Performance

The Group achieved adjusted EPS growth of 5.5% in the year, which was below the Group's medium term target of 10% per annum, but reflects a strong underlying performance when you consider the significant currency headwinds in 2017. Constant currency EPS growth achieved in the year was 9.4%.

Over the course of the five year plan, the Group achieved average adjusted EPS growth of 7.8% in reporting currency and 9.7% on a constant currency basis, slightly below the target range.

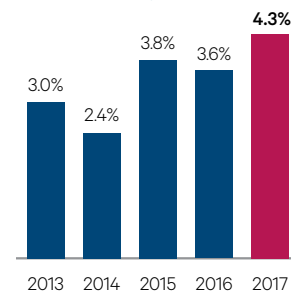
Link to Remuneration

Performance metric for short & long term incentive plans.



Definition*

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



Strategic Linkage

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.

Performance

The Group achieved continuing volume growth in 2017 of 4.3%, within the Group's target range of 3-5% p.a. and a strong performance relative to the marketplace.

Over the course of the five year plan, the Group achieved average volume growth of 3.4%, which was within the target range.

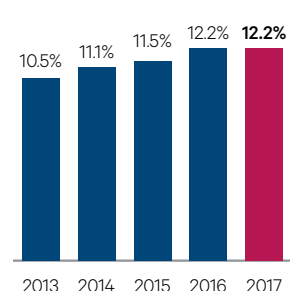
Link to Remuneration

Key driver of adjusted EPS growth (performance metric for short & long term incentive plans).



Definition*

Trading margin expansion represents the change in trading margin in the current year compared to trading margin achieved in the prior year. Trading margin represents annual trading profit, expressed as a percentage of revenue.



Strategic Linkage

Trading margin expansion is a key measure of profitability. It demonstrates improvement in the product mix being sold and also improvement in the operating efficiency of the business.

Performance

The Group maintained its trading margin at 12.2% in 2017, as underlying growth was offset by sterling related challenges arising in the Consumer Foods business and increased Kerryconnect spend.

Over the course of the five year plan, the Group achieved total margin expansion of 260bps (average margin expansion of +52bps per annum) just above the Group target, which included the benefit arising from the Kerryconnect project.

Link to Remuneration

Key driver of adjusted EPS growth (performance metric for short & long term incentive plans).

The metrics and results outlined below were the important measurement indicators of Group performance in meeting its strategic objectives from 2013-2017. Business strategy is set by the Board of Directors and all Kerry employees work towards achieving these goals. Remuneration is directly linked with performance versus targets.

KPI	Target (p.a.)	Performance 2013-2017 (p.a.)
Growth	Adjusted EPS Growth	10%+ ● +7.8% (+9.7% constant currency)
	Revenue	3% to 5% LFL volume growth ● +3.4%
	Margin	+50bps ● +52bps
Return	ROACE	12%+ ● 13.6%
	ROAE	15%+ ● 17.3%
	CFROI	12%+ ● 11.3%

RETURN

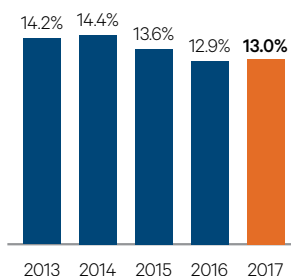
Return on Average Capital Employed (ROACE)

13.0%

5 Year Average 13.6%

Definition*

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



Strategic Linkage

ROACE is a key measure of the return the Group achieves on its investment in capital expenditure projects, acquisitions and other strategic investments, expressed as a percentage of what resources are available to the Group.

Performance

The Group achieved ROACE of 13.0% in 2017, which is above the Group's target of 12%.

Over the course of the five year plan, the Group achieved average ROACE of 13.6%, which was above the Group target.

Link to Remuneration

Performance metric for long term incentive plan.

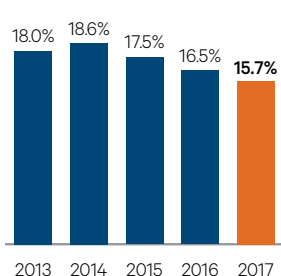
Return on Average Equity (ROAE)

15.7%

5 Year Average 17.3%

Definition*

This measure is defined as profit after tax before non-trading items (net of tax) and brand related intangible asset amortisation, expressed as a percentage of average equity.



Strategic Linkage

ROAE is a key measure of the return the Group achieves on its investment in capital expenditure projects, acquisitions and other strategic investments, expressed as a percentage of what shareholders have invested in the Group.

Performance

The Group achieved ROAE of 15.7% in 2017, above the Group's target of 15%.

Over the course of the five year plan, the Group achieved average ROAE of 17.3%, which was above the Group target.

Link to Remuneration

Similar metric to ROACE (performance metric for long term incentive plan).

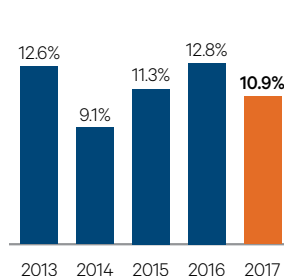
Cash Flow Return on Investment (CFROI)

10.9%

5 Year Average 11.3%

Definition*

CFROI is calculated as free cash flow before finance costs paid (net), expressed as a percentage of average capital employed.



Strategic Linkage

CFROI is important as it measures the Group's cash return on invested assets.

Performance

The Group achieved a CFROI of 10.9% in 2017.

Over the course of the five year plan, the Group achieved average CFROI of 11.3%. This was slightly below the Group's target of 12% due to the significant spend on capital expenditure in the period linked with the 1 Kerry Programme, in particular the Group's Global Technology & Innovation Centre architecture and investment in Kerryconnect.

Link to Remuneration

Free Cash Flow (performance metric for short term incentive plan) is the key driver of CFROI.

CASH

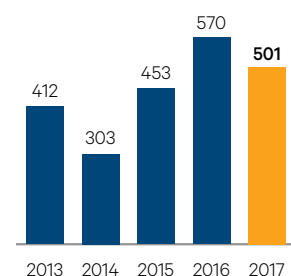
Free Cash Flow

€501m

5 Year Average €448m
Total Cash Generated €2.2bn

Definition*

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



Strategic Linkage

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.

Performance

The Group achieved strong free cash flow of €501m in 2017, reflecting strong cash generation, offset by an increase in capital expenditure.

Over the course of the five year plan, the Group generated €2.2bn of free cash flow – reflecting 84% cash conversion (free cash flow to adjusted earnings after tax).

Link to Remuneration

Performance metric for short term incentive plan.

* These are non-IFRS measures or Alternative Performance Measures. Definitions, calculations and reconciliations for these are set out within the Supplementary Information section - Financial Definitions on pages 187-191.



Brian Mehigan
Chief Financial Officer



Financial Key
Performance Indicators
pages 24-25

Non-Financial KPIs –
Sustainability Review
pages 42-59

Volume Growth

+4.3% (2016: 3.6%)

Margin Improvement

0bps (2016: +70bps)

Adjusted EPS

+5.5%

(2016: +7.1%)

Constant Currency EPS

+9.4%

(2016: +12.3%)

Basic EPS

+10.1% (2016: +1.4%)

Free Cash Flow

€501m

(2016: €570 million)

Delivering another year of solid performance

The Group delivered a strong underlying business performance in 2017 with adjusted earnings per share growth of 5.5% (2016: 7.1%), which was 9.4% growth in constant currency (2016: 12.3%). Basic EPS growth was 10.1% (2016: 1.4%). This was achieved thanks to good revenue growth, including volume growth of 4.3% (2016: 3.6%) and maintaining the Group margin at 12.2%.

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2017 and of the Group's financial position at that date.

Financial Key Performance Indicators (2013-2017)

The performance metrics outlined below were identified as the Group's Financial Key Performance Indicators (KPIs) for the five year plan cycle (2013-2017). These KPIs are used to measure the financial and operational performance of the Group and to track progress in achieving long term targets. The targets and performance for these KPIs are summarised in the table below. A more expansive analysis of the Group's performance for each KPI is included in the Financial Key Performance Indicators section of the Strategic Report.

GROWTH	Target p.a.	(2013-2017) Average p.a.	Constant Currency
Adjusted* EPS growth	10%+	7.8%	9.7%
Volume growth	3% to 5% ¹	3.4%	
Trading profit margin expansion	+50bps p.a. ²	+52bps	

RETURN	Target p.a.	(2013-2017) Average p.a.
Return on average capital employed (ROACE*)	12%+	13.6%
Return on average equity (ROAE*)	15%+	17.3%
Cash flow return on investment (CFROI)	12%+	11.3%

The targets above assume neutral currency and raw material costs

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

1. Assumes market growth rate of 2% to 3% p.a.

2. Includes 100bps benefit arising from the Kerryconnect project

Analysis of Results

	% change	2017 €'m	2016 €'m
Revenue	4.5%	6,407.9	6,130.6
Trading profit	4.2%	781.3	749.6
Trading margin		12.2%	12.2%
Computer software amortisation		(24.3)	(23.4)
Finance costs (net)		(65.6)	(70.4)
Adjusted earnings before taxation		691.4	655.8
Income taxes (excluding non-trading items)		(89.5)	(86.7)
Adjusted earnings after taxation	5.8%	601.9	569.1
Brand related intangible asset amortisation		(23.6)	(23.0)
Non-trading items (net of related tax)		10.2	(13.0)
Profit after taxation		588.5	533.1
		EPS Cent	EPS Cent
Basic EPS	10.1%	333.6	302.9
Brand related intangible asset amortisation		13.4	13.1
Non-trading items (net of related tax)		(5.8)	7.4
Adjusted* EPS	5.5%	341.2	323.4
Constant currency adjusted* EPS growth		+9.4%	+12.3%

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

Revenue

On a reported basis, Group revenue increased by **4.5%** to **€6.4 billion** (2016: €6.1 billion). Volumes grew by **4.3%**, product pricing increased by **2.0%** and transaction related currency had a negative impact of **0.2%**. Business acquisitions contributed **0.8%**, and there was a negative reporting currency impact of **2.4%**.

2016: Group reported revenue +0.4%, volumes +3.6%, product pricing (2.1%), transaction currency (0.3%), acquisitions +3.3%, translation currency (4.1%).

In Taste & Nutrition, reported revenue increased by **5.7%** to **€5.2 billion** (2016: €4.9 billion). Volumes grew by **4.7%** and product pricing increased by **2.0%**. Business acquisitions contributed **0.9%** and there was a negative reporting currency impact of **1.9%**.

2016: Taste & Nutrition reported revenue +3.5%, volumes +4.0%, product pricing (2.1%), transaction currency (0.1%), acquisitions +4.9%, translation currency (3.2%).

In Consumer Foods, reported revenue decreased slightly by **0.1%** to **€1.3 billion** (2016: €1.3 billion). Volumes increased by **2.4%**, product pricing increased by **2.0%** and transaction related currency had a negative impact of **0.9%**. Business acquisitions contributed **0.2%** and there was a negative reporting currency impact of **3.8%**.

2016: Consumer Foods reported revenue (9.7%), volumes +2.1%, product pricing (2.0%), transaction currency (1.1%), disposals (2.1%), translation currency (6.6%).

Trading Profit & Margin

On a reported basis, Group trading profit increased by **4.2%** to **€781.3m** (2016: €749.6m). Group trading profit margin was maintained at **12.2%**. Underlying margin expansion attributable to portfolio enhancement, operating leverage and efficiencies was offset by transaction currency headwinds, increased Kerryconnect investment and the denominator pricing effect.

Trading profit margin in Taste & Nutrition increased by **20bps** to **14.9%** (2016: 14.7%), due to the benefits of portfolio enhancement, operating leverage and efficiencies, offset by the denominator pricing effect and currency headwinds. Trading profit margin in Consumer Foods decreased by **70bps** to **8.1%** (2016: 8.8%) due to significant transaction currency headwinds, partly offset by underlying margin expansion.

A comprehensive analysis of the revenue and trading performance of the Taste & Nutrition and Consumer Foods divisions is included in the Business Reviews on pages 34 to 41.

Computer Software Amortisation

Computer software amortisation increased to **€24.3m** (2016: €23.4m) reflecting the ongoing progression of the Kerryconnect project. The capitalised element of the cost of this project is being amortised over a seven year period.

Finance Costs (net)

Finance costs (net) for the year decreased by €4.8m to **€65.6m** (2016: €70.4m) due to strong cash generation in the year and the repayment of US \$192m of senior notes which matured on 20 January 2017. The Group's average interest rate for the year was **3.5%** (2016: 3.5%).

Taxation

The tax charge for the year before non-trading items was **€89.5m** (2016: €86.7m) representing an effective tax rate of **13.4%** (2016: 13.7%).

On 22 December 2017, the US Tax Cuts and Jobs Act ('the Act') was enacted into law. This Act brings 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 has been 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 Income Statement as a non-trading item of **€52.8m**.

The final impact of the changes from this new law are subject to a number of detailed provisions in the legislation and any implementation guidance issued by the Treasury Department and the IRS. Kerry will continue to monitor any developments and give due consideration to the impact of any guidance, along with ongoing market interpretation and assessment on the accounting implications of this Act.

Acquisitions

During the year the Group completed eight acquisitions at a net cost of **€397.2m**. The acquisition of Hangman Flavours in China was also completed shortly after year end.

Non-Trading Items

Non-trading items totaling an income of **€10.2m** (2016: charge of €13.0m) net of tax were recorded in 2017. The Group recorded an exceptional deferred tax credit arising from the recent US tax reform changes as noted above, which was partly offset by costs relating to the integration of businesses acquired in recent years and the Brexit mitigation programme underway in the Consumer Foods division.

Adjusted EPS

Adjusted EPS increased by **5.5%** to **341.2 cent** (2016: 323.4 cent). The year-on-year increase was negatively impacted by translation currency headwinds. On a constant currency basis, adjusted EPS increased by 9.4% over the prior year.

Basic EPS

Basic EPS increased by **10.1%** to **333.6 cent** (2016: 302.9 cent) after accounting for brand related intangible asset amortisation of **13.4 cent** (2016: 13.1 cent) and a non-trading item credit of **5.8 cent** net of related tax (2016: charge of 7.4 cent).

Return on Investment

This is measured by the Group on a profit basis using ROACE and ROAE, and on a cash basis using CFROI. In 2017 the Group achieved ROACE of **13.0%** (2016: 12.9%) and ROAE of **15.7%** (2016: 16.5%) which were above the Group's return on investment hurdles. The Group achieved CFROI of **10.9%** (2016: 12.8%) which was below the Group target as a result of capital expenditure and other strategic investments which are expected to drive business growth in the longer term.

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	
	2017	2016	2017	2016
Australian Dollar	1.47	1.48	1.53	1.46
Brazilian Real	3.62	3.84	3.96	3.44
British Pound Sterling	0.88	0.82	0.89	0.86
Canadian Dollar	1.46	1.46	1.50	1.42
Chinese Yuan Renminbi	7.62	7.32	7.80	7.31
Malaysian Ringgit	4.85	4.58	4.87	4.73
Mexican Peso	21.30	20.67	23.72	21.87
South African Rand	15.03	16.08	14.76	14.50
US Dollar	1.13	1.11	1.20	1.05

Dividends

The Board has proposed a final dividend of 43.9 cent per A ordinary share, payable on 18 May 2018 to shareholders registered on the record date of 20 April 2018. When combined with the interim dividend of 18.8 cent per share, the total dividend for the year amounted to 62.7 cent per share (2016: 56.0 cent per share), which is an increase of 12.0%.

Kerry's policy is to pay a dividend each year and has an unbroken record of dividend growth. Over 31 years as a listed company, the Group has grown its dividend at a compound rate of 17.0%. The Group's aim is to have double digit dividend growth each year, in line with EPS growth ambitions.

Impact of Brexit

While the exact outcome of the UK's exit from the European Union is still unclear, our Business Brexit teams continue to work through the potential implications for Kerry. Sterling mitigation plans are well progressed, as the Group continues to restructure less profitable businesses, execute the KerryExcel cost optimisation programme and reduce transaction currency exposure. Given our well established manufacturing footprint in the UK and in the Eurozone, we are very well positioned to deal with the potential challenges and realise the opportunities that will arise.

Balance Sheet

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

	2017 €'m	2016 €'m
Property, plant & equipment	1,529.6	1,451.9
Intangible assets	3,646.7	3,444.3
Other non-current assets	192.2	285.7
Current assets	2,031.7	2,240.0
Total assets	7,400.2	7,421.9
Current liabilities	1,567.8	1,693.4
Non-current liabilities	2,259.2	2,634.5
Total liabilities	3,827.0	4,327.9
Net assets	3,573.2	3,094.0
Shareholders' equity	3,573.2	3,094.0

Intangible Assets & Acquisitions

Intangible assets increased by €202.4m to **€3,646.7m** (2016: €3,444.3m) as additions of €401.3m during the year were partially offset by foreign exchange movements and the annual amortisation charge.

Current Assets

Current assets decreased by €208.3m to **€2,031.7m** (2016: €2,240.0m), primarily due to a decrease in cash on hand at 31 December 2017 arising from the repayment of US \$192m of senior notes during the year.

Retirement Benefits

At the balance sheet date, the net deficit for defined benefit schemes (after deferred tax) was **€102.0m** (2016: €291.9m). The decrease in the net deficit since the previous year arises primarily from strong investment returns and cash contributions. The net deficit expressed as a percentage of market capitalisation at 31 December 2017 was **0.6%** (2016: 2.4%).

Shareholders' Equity

Shareholders' equity increased by €479.2m to **€3,573.2m** (2016: €3,094.0m), resulting from profits generated during the year, offset in part by dividends.

A full reconciliation of shareholders' equity is disclosed in the Consolidated Statement of Changes in Equity on page 126.

Capital Structure

The Group finances its operations through a combination of equity and borrowing facilities, including bank borrowings and senior notes from capital markets.

The financing structure of the Group is managed in order to optimise shareholder value while allowing the Group to take advantage of opportunities that might arise to grow the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions from cash flow or borrowings while maintaining its investment grade debt status.

This is managed by setting net debt to EBITDA targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within twelve to eighteen months; otherwise consideration would be given to issuing additional equity in the Group.

Free Cash Flow

Free cash flow is seen as 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 2017 the Group achieved another strong year of free cash flow of **€501.3m** (2016: €569.9m) despite higher capital expenditure to support future growth.

	2017 €'m	2016 €'m
Free Cash Flow		
Trading profit	781.3	749.6
Depreciation (net)	134.0	129.8
Movement in average working capital	93.5	137.7
Pension contributions paid less pension expense	(95.3)	(118.2)
Cash flow from operations	913.5	898.9
Finance costs paid (net)	(60.2)	(61.5)
Income taxes paid	(54.7)	(57.3)
Purchase of non-current assets	(297.3)	(210.2)
Free cash flow	501.3	569.9
Cash conversion*	83%	100%

* 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 **€1,341.7m** (2016: €1,323.7m). The increase during the year is analysed in the table below:

	2017 €'m	2016 €'m
Movement in Net Debt		
Free cash flow	501.3	569.9
Acquisitions (net of disposals) including payments relating to previous acquisitions	(367.9)	(26.0)
Difference between average working capital and year end working capital	(84.4)	(76.0)
Non-trading items	(34.0)	(21.2)
Equity dividends paid	(102.2)	(91.2)
Exchange translation adjustment	(8.8)	0.1
(Increase)/decrease in net debt resulting from cash flows	(96.0)	355.6
Fair value movement on interest rate swaps	2.8	(5.4)
Exchange translation adjustment on net debt	75.2	(23.8)
(Increase)/decrease in net debt in the year	(18.0)	326.4
Net debt at beginning of year	(1,323.7)	(1,650.1)
Net debt at end of year	(1,341.7)	(1,323.7)

Exchange impact on net debt

The exchange rate translation adjustment of **€75.2m** results primarily from borrowings denominated in US dollar translated at a year end rate of \$1.20 versus a rate of \$1.05 in 2016.

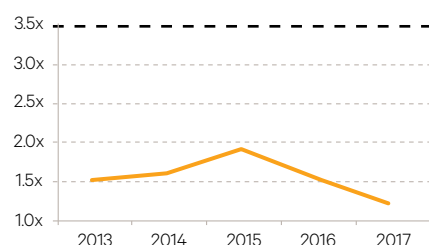
Maturity Profile of Net Debt	2017 €'m	2016 €'m
Within 1 year	299.2	397.8
Between 1 and 2 years	-	-
Between 2 and 5 years	(226.9)	(143.8)
Over 5 years	(1,414.0)	(1,577.7)
Net debt at end of year	(1,341.7)	(1,323.7)
Weighted average maturity (years)	6.0	6.4

Key Financial Covenants

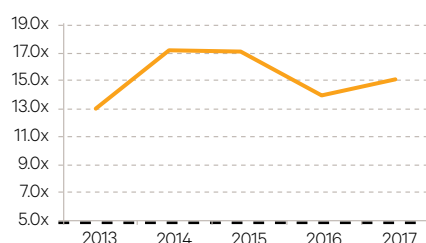
A significant portion of Group financing facilities are subject to financial covenants as set out in their facility agreements. The Group's balance sheet is in a healthy position. With a net debt to EBITDA* ratio of 1.4 times, the organisation has sufficient headroom to support future growth plans. Group Treasury monitors compliance with all financial covenants and at 31 December the key covenants were as follows:

	Covenant	2017 Times	2016 Times
Net debt: EBITDA*	Maximum 3.5	1.4	1.5
EBITDA: Net interest*	Minimum 4.75	16.2	14.0

Net debt: EBITDA*



EBITDA: Net interest*



* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 158.

Credit Facilities

Undrawn committed facilities at the end of the year were **€1,100.0m** (2016: €1,100.0m) while undrawn standby facilities were **€323.0m** (2016: €360.0m).

Full details of the Group's financial liabilities, cash at bank and in hand and credit facilities are disclosed in notes 23 and 24 to the consolidated financial statements.

Share Price and Market Capitalisation

The Company's shares traded in the range €64.18 to €94.30 during the year. The share price at 31 December 2017 was €93.50 (2016: €67.90) giving a market capitalisation of €16.5 billion (2016: €12.0 billion). Total Shareholder Return for 2017 was +38.6% (2016: -10.3%).

Financial Risk Management

Within the Group risk management framework as described in the Risk Report on page 60, the Group has a Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group does not engage in speculative trading.

Further details relating to the Group's financial and compliance risks and their associated mitigation processes are discussed in the Risk Report on pages 60 to 68 and in note 24 to the consolidated financial statements.

New Strategic Targets

The Group outlined its new medium term targets at its Capital Markets Day held in October 2017. These key metrics, as outlined below, have been identified as the Financial Key Performance Indicators (KPIs) for the Group for the new strategic plan, and continue to be a combination of growth and return metrics. These KPIs will be used to measure the financial and operational performance of the Group and will track progress in achieving long term targets. The Group will report on progress against these targets each year.

Strategic Targets

On average over the life of the plan

GROWTH	Target p.a.
Volume growth	3% to 5% ¹
Trading profit margin expansion	+30bps
Adjusted* EPS growth	10%+

RETURN	Target p.a.
Return on average capital employed (ROACE*)	12%+
Cash Conversion ²	>80%
Relative Total Shareholder Return (TSR)	Outperforming Peers

Targets assume constant currency

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

¹ Assumes 2% above market growth rate

² Cash conversion is free cash flow expressed as a percentage of adjusted earnings after tax

Summary and Financial Outlook

Against the backdrop of a volatile economic and market environment, the Group delivered another strong performance in 2017 generating revenue of **€6.4 billion**, trading profit of **€781m** and free cash flow of **€501m**. At year end the balance sheet is also in a good position and with a net debt: EBITDA ratio of **1.4 times**, the Group has sufficient headroom to support the future growth plans of the organisation.

The Group looks forward to further underlying financial growth and development in the year ahead.

A strong history of positive results

	2008 €'m	2009 €'m	2010 €'m	2011 €'m	**2012 €'m	2013 €'m	2014 €'m	2015 €'m	2016 €'m	2017 €'m
Revenue	4,790.8	4,520.7	4,960.0	5,302.2	5,848.3	5,836.7	5,756.6	6,104.9	6,130.6	6,407.9
Trading profit	409.2	422.3	470.2	500.5	559.0	611.4	636.4	700.1	749.6	781.3
Computer software amortisation	(3.6)	(4.5)	(4.3)	(5.4)	(8.7)	(11.5)	(13.6)	(18.7)	(23.4)	(24.3)
Finance costs (net)	(77.6)	(69.8)	(60.5)	(46.0)	(62.1)	(67.6)	(52.9)	(69.3)	(70.4)	(65.6)
Adjusted earnings before taxation*	328.0	348.0	405.4	449.1	488.2	532.3	569.9	612.1	655.8	691.4
Income taxes (excluding non-trading items)	(62.7)	(61.2)	(68.7)	(74.6)	(77.3)	(79.1)	(79.6)	(81.1)	(86.7)	(89.5)
Adjusted earnings after taxation*	265.3	286.8	336.7	374.5	410.9	453.2	490.3	531.0	569.1	601.9
Brand related intangible asset amortisation	(11.3)	(12.3)	(11.8)	(13.9)	(14.7)	(16.6)	(14.4)	(18.7)	(23.0)	(23.6)
Non-trading items (net of related tax)	(77.0)	(73.3)	(0.7)	0.1	(135.5)	(352.2)	4.0	13.1	(13.0)	10.2
Profit after taxation attributable to owners of the parent	177.0	201.2	324.2	360.7	260.7	84.4	479.9	525.4	533.1	588.5
Adjusted EPS (cent)*	151.8	163.9	192.1	213.4	234.0	257.9	278.9	301.9	323.4	341.2

*Adjusted EPS, adjusted earnings before taxation and adjusted earnings after taxation are calculated before brand related intangible asset amortisation and non-trading items (net of related tax) and are considered more reflective of the Group's underlying trading performance.

**2012 was restated in line with IAS 19 (2011) 'Employee Benefits' which was adopted as required by IFRS in 2013. All other years are presented as reported.

Leading to Better

Tailored Solutions

Taste & Nutrition

Consumers want great-tasting products made from trusted, authentic and wholesome ingredients and flavours. Kerry delivers these solutions to food and beverage producers.



Business Model
pages 14-15

Strategy &
Financial Targets
pages 18-20

Revenue

2017

€5,159m

Growth

4.7%*

Trading Profit

2017

€767m

Growth

+7.1%

Trading Margin

2017

14.9%

Growth

+20bps

* Volume growth

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

'Mindful' consumption, driven by the connected consumer revolution, has increased demand for speedy innovation as the marketplace aligns to consumer trends favouring enhanced taste profiles, premiumisation, clean label, 'free-from', personalised, convenient, sustainably sourced food and beverage offerings. Kerry's Technology & Innovation Centre network, supporting the Group's in-market application and commercial centres achieved solid market development across all regions. Development in regional developing markets continued to advance favourably, with an excellent performance reported in the Asia-Pacific region. Demand for 'food-to-go' and out-of-home consumption continued to drive increased innovation requirements in the foodservice channel in all regions. Business performance also benefited from Kerry's commercial effectiveness programmes and the Group's continued industry-leading RD&A investment and capital expenditure programmes.

Taste & Nutrition reported revenue increased by 5.7% to €5.2 billion, reflecting 4.7% volume growth. Net pricing increased by 2%. Trading profit grew by 7.1% to €767m, reflecting a 20 basis points improvement in trading margin to 14.9%. In 2017 Taste & Nutrition accounted for 79% of Group revenue and 88% of Group trading profit.



STRATEGY
IN ACTION



Clean label and elevated taste requirements were to the fore in driving innovation across American end-use-markets in 2017.

'Centre of store' branded offerings continued to be adversely impacted by consumer trends in North America but demand for health & wellness, natural, organic, non-GMO, meat-free snacking lines and natural food preservation led to strong development and innovation opportunities throughout food and beverage categories across retail and foodservice channels. In Latin American markets, a solid overall performance was achieved in Brazil, Mexico and Central America but development in the Caribbean region slowed relative to the prior year.

Sales revenue in the Americas region on a reported basis increased by 3.5% to €2,678m, reflecting 3.3% volume growth, a 1.3% increase in net pricing, business acquisitions of 0.4% and an adverse translation currency impact of 1.5%.



3.3%

Business volumes in the Americas region increased by 3.3%



The North American meat sector continued to provide strong growth opportunities for Kerry's clean label and authentic taste technologies. Seasonings, coatings and functional meat systems achieved a strong performance in Latin America. Savoury Taste grew well in the stocks and broths segments. Mississippi, US based Dottley Spice was acquired in October 2017 – furthering Kerry's position as a leading supplier of seasonings and coatings to the meat processing industry and foodservice sector in North America.

Culinary Foundations achieved encouraging growth in the prepared meals category. 2017 also saw an increased focus on plant based proteins and premium meat alternatives – in particular in the foodservice channel as providers launched new vegan and meal alternative menu options. Global and regional chains in Brazil also provided good growth opportunities for Culinary Systems and sauce applications.

Kerry's fermented ingredients technologies recorded strong growth in the North American meat and bakery sectors. Introduction of gluten-free, organic and non-GMO lines to the portfolio contributed to the continuing strong performance in 2017. The US \$28m expansion programme at the Group's Rochester, Minnesota facility was significantly advanced to increase manufacturing capacity of naturally derived fermented ingredients. Dairy systems recorded good growth in Brazil and the South Cone. *Ben Alimentos* was acquired in June expanding the Group's dairy technology capacity in Brazil. In the North American snacks sector good growth was achieved through strategic accounts across multiple technologies including sweet, dairy and culinary systems. Savoury snacks achieved continued growth in Central America and through regional accounts in Mexico. The traditional breakfast cereal category continued to decline in North America.

Kerry's *TasteSense* sugar reduction technology received US regulatory approval in October which will assist development in the soft drinks sector. Functional ingredients achieved good growth in the craft beer sector. Strong growth was achieved in the RTD coffee sector in North America where Kerry's 'Cold Brew' technology continues to achieve encouraging results. The foodservice sector and convenience store channel provided a solid platform for growth across American markets through extended day-part-menus and 'better-for-you' lines of food and beverage convenient offerings. The acquisition of the US based *Kettle* business of Tyson Foods was completed prior to year end. Operating from a production and development facility in Fort Worth, Texas; the *Kettle* business has a strong heritage in the North American foodservice industry with well-established key customer alliances in the QSR and fast-casual restaurant sectors.



The Group continued to advance business development and performance in the pharmaceutical sector. Cell nutrition recorded continued growth through custom-developed complex media systems. Excipients performed strongly in North America – in particular through *Sheffield Anhydrous* premium lines. *Wellmune®* recorded excellent growth in all regions including new applications in the North American dietary supplements market. *Ganeden*, acquired in August, performed well in particular in the beverage sector. Headquartered in Cleveland, Ohio, *Ganeden* produces highly stable probiotic ingredients and significantly strengthens Kerry's position in the nutritional actives market.

Despite the prevailing competitive environment compounded by currency volatility and market uncertainty due to geopolitical issues, Kerry achieved a strong business and operational performance in the EMEA region in 2017.

A renewed focus on commercial effectiveness and 'in-market' customer engagement throughout the region assisted overall business performance. Growth in the foodservice sector was particularly encouraging through innovative seasonal launches and 'limited-time-offerings'.



4.2%

Business volumes in the EMEA region increased by 4.2%



A solid performance was achieved in the UK market against a background of inflationary food and beverage trends and continuing uncertainty following the UK electorate decision to leave the European Union. In regional developing markets, trading conditions improved in Sub-Saharan Africa and Middle Eastern markets, and Kerry also continued to achieve good growth in Russia.

Sales revenue in the EMEA region on a reported basis increased by 6.2% to €1,537m, reflecting 4.2% volume growth, a 3.4% increase in net pricing, an adverse 0.1% transaction currency impact, business acquisitions of 0.8% and an adverse 2.1% translation currency impact.

Kerry taste technologies achieved double digit growth across geographies and end-use-markets in the region. *TasteSense* delivered a strong innovation pipeline in food and beverage categories responding to consumer demand and regulatory changes for reduced sugar.

The meat industry across Europe provided good opportunities for growth through retail and foodservice applications. Kerry recorded good growth through regional QSRs and through retail suppliers in the UK, Ireland and Russia. Coatings technologies performed well leading to investment in additional production capacity in Germany. Establishment of a new production facility to meet customer requirements in the meat and savoury snack sectors in Russia was significantly advanced in 2017. The meat and savoury snack sectors in Middle Eastern markets also provided good growth opportunities for Kerry technologies in 2017. Prior to year end, the Group acquired Galicia, Spain based *Hasenosa* – a leading producer of coatings (including gluten-free lines), marinades and sauces serving the meat and seafood industries in Europe. Since year end, the Group has also reached agreement to acquire Johannesburg, South Africa based *Season to Season* – a leading supplier of Taste ingredients and systems to the African snack and food sectors.



Dairy & Culinary technologies achieved solid growth in 2017, in particular in the foodservice sector through seasonal QSR applications including appetisers, desserts and beverages. Sweet technologies performed well in the ice cream sector, benefiting from consumer trends favouring premium lines, 'better-for-you' variants and indulgent offerings. Hydrolysed proteins recorded good growth in the confectionery and bar markets.

Beverage applications grew strongly across Europe capitalising on clean label demands and Kerry's *TasteSense* and *Simply Nature* technologies, in addition to the Group's branded foodservice offerings and delivery systems. *Island Oasis* was successfully launched across the Iberian market and *Da Vinci* continued to achieve above-market growth rates.

Nutritional technologies maintained good growth through infant and life-stage applications. Lower dairy exports from some exporting countries and strong butterfat demand contributed significant upward momentum to international dairy pricing in the first half of 2017. However, a rapid growth in milk output from Q3 saw supply outpacing demand which led to considerably lower dairy market pricing.

Excellent growth and business development momentum was maintained in Asia-Pacific markets in 2017. All Kerry technologies established in the region achieved solid growth.

Development in the dynamic regional foodservice channel proved highly favourable – capitalising on Kerry's innovation capabilities and speed to market. Further expansion of Kerry's manufacturing and technology footprint was achieved through continued investment in Group facilities and strategic acquisitions.



Sales revenue in the Asia-Pacific region on a reported basis increased by 13.1% to €866m, reflecting 11.1% volume growth, 1.8% increase in net pricing, business acquisitions of 2.9% and an adverse currency translation impact of 2.7%.

Beverage systems grew strongly through tea, coffee and nutritional applications. Liquid beverage systems performed well through foodservice chains, in particular in China, Japan and Thailand. Culinary systems also performed well in the foodservice sector and through soup, sauce, and dressings applications and the bakery and snack sectors in Malaysia, Singapore, China, Australia and New Zealand. Dairy systems grew strongly throughout the region. Meat systems maintained solid growth across all channels in Australia, New Zealand, Thailand and China.

Enzymes and specialised proteins maintained good growth in Asia. *Wellmune*® achieved solid growth, in particular through functional beverage applications in China. The Group's operational footprint in the Asia-Pacific region was significantly expanded in 2017 through organic investment and the completion of a number of acquisitions.

A regional Technology & Innovation Centre was established in Bangalore, India. Regional Application & Development Centres were established in Jakarta, Indonesia; Bangkok, Thailand and Ho Chi Minh, Vietnam. New production facilities were established across sites located in Plentong, Malaysia; Cikarang, Indonesia; Tumkur, India; Nantong, China; Batangas, Philippines and Brisbane, Australia.

In March 2017, *Taste Master* was acquired in Adelaide, Australia strengthening the Group's taste capabilities in the beverage, snack, meat and culinary industries in Australia and New Zealand. In April, the acquisition of Jurong, China based *Tianning Flavours* was completed providing a significant boost to Kerry's savoury and sweet flavour development capabilities.

Since year end, the Group completed the acquisition of Hangzhou, China based *Hangman Flavours*, further strengthening Kerry's taste positioning and capabilities in Greater China. Agreement has also been reached to acquire Dachang, China based *SIAS Food Co.* – a leading supplier of culinary and fruit ingredients and systems to the foodservice and food manufacturing industries in China.

11.1%

Business volumes in the Asia-Pacific region increased by 11.1%



Consumer Foods

We combine 'telling insights' with superior technology to develop products and foods that consumers love.



Business Model
pages 14-15

Strategy &
Financial Targets
pages 18-20

Revenue

2017

€1,331m

Growth

2.4%*

Trading Profit

2017

€108m

Growth

(8.1%)

Trading Margin

2017

8.1%

Growth

(70bps)

* Volume growth



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.

Consumer shopping trends across multiple channels have continued to heighten competitiveness in the UK and Irish consumer foods markets. At retail level, the focus on delivery of 'better value' continues through range simplification, EDLP strategies and investment in customer brands. In the UK market, in an inflationary environment, such trends have adversely impacted trading margins. Discounter chains have continued to gain market share, whilst online shopping continues to grow at pace – driven by innovation and new entrants. Snacking and 'on-the-go' consumption continues to grow, blurring the market landscape between food retail and foodservice.



Leading to Better

Added-value

Kerry Foods' business volumes grew by 2.4%. While there was some lag in price recovery in response to the impact of sterling depreciation on products exported from Ireland to the UK, pricing increased by 2%. The divisional trading profit margin decreased by 70 basis points to 8.1% as the underlying margin improvement was more than offset by the adverse sterling exchange rate movements, resulting in a trading profit decrease of 8.1% to €108m.

Snacking occasions continued to drive strong category growth in the meat and cheese categories. 'Fridge Raiders' achieved strong growth in the meat sector assisted by an increase in promotional frequency and a successful 'Call of Duty' marketing campaign. Dairy snacking grew by 11% with 'Cheestrings' and 'Attack-a-Snak' performing well in response to increased marketing support and wider distribution. In Ireland, Kerry Foods also successfully launched an innovative adult cheese snacking range under the 'Go Go's' brand.

'Charleville' also introduced the premium range 'Crafty Creations' and 'Charleville Snackfulls' snacking products.

In the grocery meats sector, the rebrand of 'Richmond' had a positive impact in the UK sausage category. 'Richmond Perfect Bake' was rebranded to 'Oven Ready' to highlight the brand's convenience benefit. Kerry Foods' brands performed satisfactorily in the Irish meats sector despite the continued focus of retailers on private label and growth of discounter sales.



In Ireland 'Dairygold' maintained its market leadership positioning, assisted by innovative product launches and a successful 'Make a Minute' marketing campaign.



'Denny' remains the number 1 meats brand in its core categories. 'Galtee' saw good growth in the sausage and sliced cooked meat categories. 'Denny Fresh Pack' was successfully launched in the cooked meats category. 'Fire & Smoke' maintained strong growth in the Irish and UK prepack meats segment. 'Fire & Smoke Snack Pots' achieved continued growth in the chilled snacking sector.

Kerry Foods' grocery dairy business maintained growth in a challenging category environment. In the UK good volume growth was achieved through private label customer brands incorporating Kerry's spreadable butter technologies. In Ireland 'Dairygold' maintained its market leadership positioning, assisted by innovative product launches and a successful 'Make a Minute' marketing campaign. The 'Dairygold Deli' range launch in 2017 created a new 'Fresh Flavours' category segment.

Kerry Foods outperformed market growth rates in chilled and frozen ready meals ranges. This performance was driven by an ongoing focus on enhanced nutrition, lower calories and salt, and clean label declarations – with a number of range relaunches and an increasing presence in health and 'free from' segments.

A strong focus on expanding channel reach in 2017 led to strong growth in 'out-of-home' segments. 'Rollover' recorded good growth and encouraging progress was achieved through pub chains and restaurant chains. The acquisition of Oakhouse Foods was completed in November, expanding Kerry Foods' chilled foods route to market through a new 'direct-to-customer' platform.



11%

Dairy snacking grew by 11%



Leading to Better

Sustainable Growth

ENVIRONMENT

Climate / Efficiency / Waste

pages 46-47



MARKETPLACE

Quality / Sourcing / Nutrition

pages 48-51



WORKPLACE

People / Ethics

pages 52-55



COMMUNITY

Economic / Social

pages 56-59



Securing Sustainable Growth

“ At Kerry, our goal is leading to better for all those we interact with and 2017 saw us continue to manage our sustainability commitments as part of our overall business performance. We remain on track for the achievement of our environmental targets and have delivered our waste reduction goal two years ahead of schedule.

We lead the industry in the delivery of Taste & Nutrition solutions and provide an unrivalled platform to support our customers in the creation of healthier, more nutritious products. We have engaged further with our supply base around our expectations and we are the first large dairy processor to achieve 100% certification of our milk suppliers under Ireland's internationally accredited 'Sustainable Dairy Assurance Scheme'.

Internally, we continue to build a better place to work, supporting people to flourish and grow with the organisation. Across communities, we remain an active supporter of projects that contribute to improving lives in the countries where we operate and in areas of extreme poverty.

In 2018, we will further integrate sustainability within our business operations. We will explore new and innovative ways of working that benefit the business and its stakeholders and will seek to collaborate with others as we advance our journey towards sustainable growth.”

– Edmond Scanlon, Chief Executive

At Kerry Group, sustainability is at the heart of our business. As a world leader in Taste & Nutrition and as a major consumer foods organisation in Europe, we are committed to the highest standards of business and ethical behaviour, to fulfilling our responsibilities to the communities which we serve and to the creation of long-term value on a socially and environmentally sustainable basis.

Our Approach

Kerry's sustainability plan represents a journey of continuous improvement – an ongoing process and strategy to secure sustainable growth. The Group's 'Towards 2020' programme, was launched in 2015 and builds on the success of our previous initiatives. The programme is structured around four key pillars and aims to minimise our environmental footprint while enhancing the positive impact of the organisation. Under each pillar, we have prioritised the most material issues for Kerry Group and its stakeholders. We have carefully examined the ways in which we can reduce adverse impacts and create value, and we have set measurable targets for improvement in these areas over a five year period.



ENVIRONMENT
SUSTAINABILITY



MARKETPLACE
SUSTAINABILITY



WORKPLACE
SUSTAINABILITY



COMMUNITY
SUSTAINABILITY

SECURING SUSTAINABLE GROWTH

'Towards 2020' and the UN Sustainable Development Goals

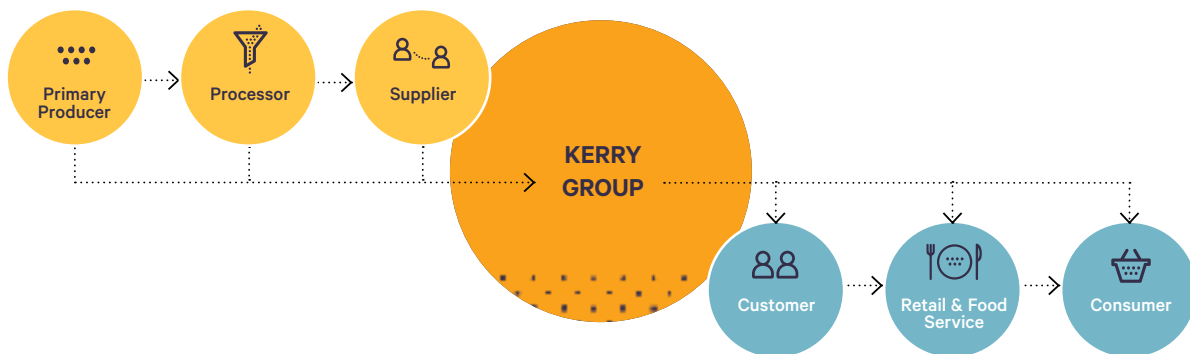
In 2015, members of the United Nations adopted a set of 17 Sustainable Development Goals (SDGs) that outline priority areas for global action over the period to 2030. The private sector has a crucial role to play in the realisation of these goals and Kerry can make an important contribution. In this review, we highlight the SDGs we impact on under each pillar, however, there are a small number of the SDGs that have greater strategic relevance for our business.



As a global leader in the food and beverage industry, our most significant contribution to the SDGs will come through supporting our customers to improve the health and nutrition of their products, and by doing so in a manner that does not compromise the environment, the rights of others or the long term effectiveness of our business. We will continue to be successful while playing a positive role in the broader sustainable development agenda and we see the greatest potential for impact and opportunity in SDGs 2, 3 and 12.



Our Value Chain



Materiality

Prioritising the most material sustainability issues for Kerry and its stakeholders is a central part of our strategy. In the development of our programme, we consulted widely with internal and external audiences to help refine our approach and to focus on critical areas of impact. The management of sustainability risk is undertaken by the Group's Sustainability Council and captured through the overarching risk management framework. We monitor emerging sustainability themes and continue to ensure the alignment of our strategy with business and stakeholder needs.

Stakeholder Engagement

We are committed to an ongoing engagement that facilitates a better understanding of stakeholder needs and the ways in which we can address them. Among our key stakeholders are our customers, suppliers, employees, investors, local communities and regulatory bodies. We track our engagement with key stakeholders and use this information to inform the assessment of our 'Towards 2020' programme, both in terms of materiality and performance. Our ability to demonstrate this level of engagement is a core part of our independent AA1000(AS) accreditation.

Collaboration

Delivering sustainability at Kerry Group is a shared responsibility and each employee has a role to play in realising our ambitions for 2020 and beyond. However, we accept that the broader challenges presented by sustainability demand a more holistic approach. In addition to promoting greater internal cooperation, we are engaged in partnerships with customers, suppliers and relevant third parties to help achieve our 2020 goals. In 2017, we engaged in a number of new collaborative projects, details of which are laid out in this review.

Governance

The Group's Sustainability Council has been established under delegation from the Board of Directors. It is chaired by a senior member of the Group's executive committee and reports twice yearly to the Board. The Sustainability Council is made up of functional leadership from across the organisation and its role is to assess the risks and opportunities presented by sustainability and to agree the means by which these should be addressed.

The responsibility for implementation rests with the relevant functional leadership, while the Council appraises the ongoing Group performance.

1 Kerry Sustainability Programme - 'Towards 2020'

	ENVIRONMENT Climate / Efficiency / Waste	MARKETPLACE Quality / Sourcing / Nutrition	WORKPLACE People / Ethics	COMMUNITY Economic / Social
ASPIRATIONS	Continue to improve our environmental stewardship Drive efficiency in resource use (energy & water) Exceed in efforts to reduce waste and increase recycling Deliver on our brand sustainability strategy plan	Through our focus on science and technology development, we will generate innovative products that contribute to improving health and wellbeing across all life-stages, creating better lifestyles for people today and future generations Through our leading innovation and product development expertise, we will continue to enhance the nutritional value of our ingredients and continue to assist our valued customers Make quality a distinguishing capability Ensure responsible sourcing practices	Continue to conduct our business in a responsible and ethical manner and be an employer of choice Through our Code of Conduct we will continue to provide a safe and healthy environment in which to work Continue to embrace diversity and promote inclusion across the Group	Be a responsible neighbour by driving and supporting outreach initiatives in our local communities Continue to partner with international programmes to help alleviate hunger in developing regions Promote Kerry Community Lead Projects in each region
FIVE YEAR STRATEGIC PLAN	Achieve 100% ISO 14001 approval (Kerry manufacturing sites) Achieve an overall 13% reduction in GHG emissions by 2020 compared to baseline year 2013, reflecting an overall 25% reduction compared to baseline year 2009 Reduce water use by 7% by 2020 compared to baseline year 2013, reflecting an overall reduction of 11% by 2020 compared to baseline year 2011 Reduce waste by 12% by 2020 compared to baseline year 2013, reflecting an overall 32% reduction compared to baseline year by 2011 Achieve Zero Waste to Landfill where technically feasible in each jurisdiction	Leverage Kerry's Taste & Nutrition technology platforms and applications expertise to improve nutritional values of food and beverage products in partnership with our customers Deliver on our Kerry Foods' 'Better For You' Programme Partner with our customers in sustainable sourcing of strategic ingredients. Achieve Kerry sustainable raw material sourcing targets across our raw material categories Ensure our Supplier Code of Conduct is communicated to all direct suppliers Ensure 100% of 'high risk' supply partners are formalised as members of SEDEX Maintain Global Food Safety Initiative (GFSI) certification of all Kerry manufacturing sites	Drive ethical business practices and compliance to Kerry Code of Conduct Ensure wages are competitive and all labour standards are fair, equitable and meet or exceed local guidelines Embrace diversity across our workforce, our customer base and the communities we serve Continue to improve Health and Safety metrics across all Group sites Promote training and learning opportunities to ensure ongoing development	Assist and actively engage people in development programmes in our communities to improve: health and nutrition; entrepreneurship; community development; education, arts and sport; and sustainable agriculture Assist NGO Partners with selected projects in the developing world Develop Kerry Community Lead Projects in each region Assist community development programmes in association with Kerry Vanilla Project in Madagascar
2018 GOALS	Achieve Group ISO 14001 approval targets for 2018 Implement Kerry Carbon Reduction Projects for 2018 in line with our 2020 targets Implement Kerry Water Reduction Projects for 2018 in line with our 2020 targets Implement Kerry Waste Reduction Projects for 2018 in line with our 2020 targets Continue to advance our Origin Green Programme in Ireland	Implement Kerry Global Quality Management System (GQMS) and Kerry Foods Manufacturing Standard (KFMS). Certify all plants against an accredited Global Food Safety Initiative (GFSI) standard Maintain SEDEX membership across all Group manufacturing sites Maintain SMETA or equivalent certification across all Kerry developing market manufacturing plants Support and partner with International Nutrition Research programmes Achieve Kerry Foods' 'Better For You' Programme annual goals Progress Kerry sustainable raw material sourcing objectives Promote Health, Nutrition & General Wellness through Kerry's Nutrition Centre of Excellence and the Kerry 'Health & Nutrition Institute' Continue to advance our Origin Green Programme in Ireland	Drive day to day business decisions through our defined Kerry Values Achieve annual target for all Kerry employees to have completed the Kerry Code of Conduct Training through the Learning Academy Ensure compliance with Global Health & Safety Management Systems Achieve a further 5% reduction in recognised Global Health & Safety metrics across all sites Promote diversity by building a workplace that is free of prejudice and actively fosters the appreciation of diversity throughout the organisation Continue to advance our Origin Green Programme in Ireland	Formalise community engagement programmes in all our communities through Kerry Community Relations Committees and Community Relations Ambassadors Share Community support best practices through 'Kerry Community Relations' site Formalise support for employee philanthropy programmes Continue to advance our Origin Green Programme in Ireland

As environmental indicators continue to show signs of a world under increasing pressure, the urgent need for action to decouple growth from environmental impacts becomes ever clearer.

Reduction in CO₂ intensity versus base year

-9.4%

Reduction in Water intensity versus base year

-4.3%

Reduction in Waste intensity versus base year

-18%

Reduction in Waste sent to Landfill versus base year

-30%

Food redistribution in the UK and Ireland

>290,000 meals

Performance versus ISO 14001 approval targets

100%

Carbon Reduction at Menstrie (Scotland)

Our Menstrie site in Scotland is the global production centre for Kerry's yeast business. We manufacture yeast based ingredients for a variety of food and cell nutrition applications, as well as being a leading supplier of yeast to the beverage industry. As one of the largest users of energy in Kerry, it was an obvious target for improvement, when looking to make carbon savings. In 2017, Kerry implemented a suite of energy saving technologies, all designed to reduce the sites carbon footprint. The project required significant capital investment, and the major elements were successfully delivered in Q3 2017. The investment aims to deliver a 10% reduction in site energy use.

Climate change, the availability of fresh water, waste materials and the continuing loss of biodiversity represent global challenges that have serious implications for the food and beverage industry. Given our sectors dependence on the natural environment for its long term success, there is a compelling business case for acting now to preserve and enhance it.

Under the environmental pillar of our 'Towards 2020' programme, Kerry is focused on minimising direct impacts from its manufacturing operations. Kerry's Environmental Policy outlines requirements for all sites and we have an established management system in place to track key environmental performance metrics across the Group. Performance is regularly reviewed by both functional teams and the Group's Sustainability Council to ensure that we are on track to deliver against each of our stated environmental targets.

Our Environmental activities contribute to the following **UN Sustainable Development Goals**.



Emissions

With concentrations of carbon dioxide in the atmosphere at record levels, 2017 was among the warmest years on record. The continuing change to climate has wide ranging implications for our business and at Kerry we are committed to reducing our carbon intensity. Our current goal is a further 13% reduction between 2015 and 2020, versus a 2013 base year. We calculate our footprint in accordance with the GHG Protocol (see note 1) and our data is independently assured by a third party, Jacobs. This assurance is provided in accordance with AA1000AS(2008) and a summary assurance statement is provided in this review. We report on our performance to a range of stakeholders, including through the CDP platform.

Our performance in 2017, saw the Group reduce its emissions intensity by over 9% versus our base year and we remain firmly on track to deliver our target reduction by 2020.

Carbon	2013 Base Year	2020 Target	2017 Target	2017 Performance
Co ₂ per Tonne FG*	307.88	267.86	289.13	279.02
% Change	–	-13%	-6%	-9.4%

*Novem Adjusted

Notes

- 1) The GHG Protocol sets the global standard for how to measure, manage and report greenhouse gas emissions.
- 2) Kerry Group's KPI on Carbon is a relative measure of CO₂ divided by Tonnes of Finished Goods.
- 3) Our measurement and target performance is of Scope 1 & 2 emissions from our manufacturing facilities (this accounts for 98% of Kerry Group's Scope 1 & 2 emissions).
 - a. Scope 1 emissions consist of fuel and fugitive emissions. No process emissions are generated from Kerry's activities.
 - b. Scope 2 emissions consist of electricity consumption by sites.
- 4) Kerry Group's actual performance has been adjusted to reflect like-for-like performance to our baseline year. We use the Novem Methodology for carbon reporting to adjust our baseline target reduction number in order to account for changes to product mix that have had a material effect on carbon intensity.
- 5) The Novem Methodology predicts what the absolute GHG emissions for the production of a group of products would be if the base year emissions per tonne were applied to today's production levels and product mix. This allows a meaningful comparison between two production periods based on improvements in the emissions per tonne for each product group. The Novem procedure applies only where targets are relative and Kerry Group measures GHG emissions on a CO₂ per tonne of output basis.
- 6) CDP is an international non-profit working with business, investors and governments to help manage environmental risk and drive emissions reduction.

Jacobs Summary Assurance Statement

Jacobs has assured Kerry's greenhouse gas performance data (scope one, scope two emissions and selected scope three emissions) as well as water withdrawal and discharge data from its manufacturing facilities for 2017 in accordance with AA1000AS (2008). Jacobs evaluated the systems and processes used to collate and report the greenhouse gas, water withdrawal and water discharge performance data. Jacobs has been able to obtain a moderate level of assurance for the data reported in the Group Annual Report 2017.

JACOBS



Water

Water plays a crucial role in our business from the production of our raw materials to the end use of our final products, yet there is increasing pressure being placed on this shared resource. At Kerry, we are focused on reducing our water intensity and have targeted a further 7% reduction in the water used to make our products between 2015 and 2020, versus a 2013 base year. We are also focused on water quality and seek to ensure that any water which we return to the natural environment meets the necessary quality standards.

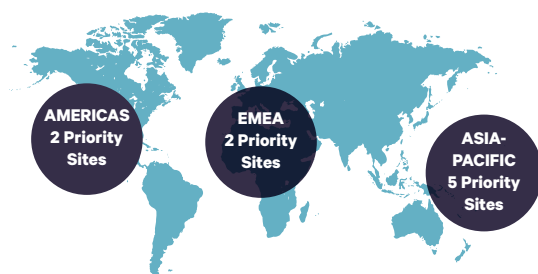
In 2017, we expanded our reporting through CDP's water programme and our 2017 water data is now subject to independent assurance. Our 2017 performance has seen some significant reductions in water use at key sites although operational requirements have created a challenging environment for the achievement of our water goals. In 2017, we delivered a reduction of 4.3%, marginally behind our target for the year. We remain committed to our 2020 goal and will explore further initiatives in 2018 that will help us deliver on our water target.

Water	2013 Base Year	2020 Target	2017 Target	2017 Performance
m ³ per Tonne FG	4.69	4.36	4.47	4.49
% Change	–	-7%	-4.7%	-4.3%

Notes

- 1) Our target for water is a relative measure of metres cubed (m³) divided by tonnes of product produced.
- 2) Our target performance is water usage at our manufacturing facilities.
- 3) Our actual performance has been adjusted to reflect like-for-like performance to our base year.

We also continue to view of our water footprint within the wider context of global water risk. With the help of the World Resources Institute's 'Aquaduct Tool' we have identified a number of water priority sites across the Group. These are sites operating in areas of potential water scarcity where we are taking measures to improve water stewardship. In 2017, total water withdrawals across these sites was down 12% versus our 2016 water intake and water intensity improved by 4%.



Water Reduction at Newmarket (Ireland)

Our Newmarket site in Ireland is a producer of dairy products, including cheese, and typically uses up to 200 million litres of water per year. Given local water constraints, we began to look at other ways to secure the water requirement for the site. The cheese-making process at Newmarket produces whey as a by-product from the milk. This whey is concentrated using a filtration system and leaves behind a waste stream that is mostly water.

Traditionally, this was discharged as a waste, however in 2017, Newmarket began to recover this permeate, bringing it up to potable standard for use on site. As a result of the project, the site saw water reductions of over 52,000m³ in 2017.

Waste

Kerry's aim is to reduce the amount of waste produced per tonne of product while also aiming to divert any waste material towards other productive uses.

Our target is for a further 12% reduction in waste intensity between 2015 and 2020, versus a 2013 base year, building on a 20% reduction achieved up to 2014. We are also aiming to achieve the goal of zero waste to landfill, where technically feasible.

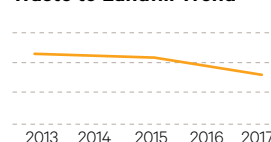
In 2017, we achieved an 18% reduction in waste intensity, with the result that we have now surpassed our 2020 goal, two years ahead of target. Over the next two years we will continue to focus on waste reduction at site level and evaluate ways to further conserve the natural resources which we use.

Waste	2013 Base Year	2020 Target	2017 Target	2017 Performance
Kgs per Tonne FG	97.05	85.40	87.16	79.66
% Change	–	-12%	-10%	-18%

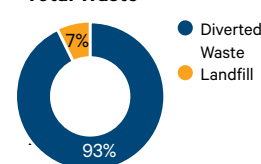
Waste to Landfill

Where we do have waste streams, we look for opportunities to turn this waste into a resource and aim to achieve Zero Waste to Landfill by 2020, (where technically feasible). In 2017, the proportion of total waste sent to landfill was reduced by 4%. As a result landfill volumes in 2017 made up 7% of the Group's total waste, down from 9% in 2016, and a further 10 sites achieved the zero waste to landfill goal. We expect to see further progress in 2018, with continuing reductions to landfill volumes across the remaining years of our current 'Towards 2020' programme.

Waste to Landfill Trend



Total Waste



Notes

- 1) Our target is a relative measure of waste divided by tonnes of product produced.

Focus on Food Waste (UK & Ireland)

Kerry Foods is a leading producer of consumer foods in Ireland and the UK and has been diverting food from waste for redistribution since 2015. In 2017, we donated almost 130 tonnes of food to those in need, enough for over 290,000 meals, through our charity partners, 'FareShare' in the UK and 'Heart to Hand' in Ireland.

In 2017, Kerry Foods signed up to the food waste targets under Sustainable Development Goal 12. Through engagement with the Champions 12.3 initiative, a coalition inspiring progress toward achieving SDG Target 12.3, Kerry Foods has committed to halving food waste across its business by 2030. With the requisite systems already in place as part of the Group's overall environmental management system, Kerry Foods will begin reporting on food waste volumes and progress in 2018.

Environmental Management Systems

In 2017, we continued the roll out of the ISO 14001 Environmental Management System across our major manufacturing sites and are ahead of target for completion. We expect to complete certification of all targeted sites in 2018, ahead of our 2020 deadline. We have also begun to deploy the ISO 50001 Energy Management System at a number of selected sites, which are large energy users within the Group.

In today's marketplace, the pace of change within our industry is unprecedented and technology continues to drive disruptive innovation and alternative business models.

Spend on Research, Development & Application In 2017

€269m

Kerry manufacturing sites with GFSI certification

99%

Kerry manufacturing sites with SEDEX membership

100%

Kerry developing region sites with SMETA or equivalent certification

100%

Kerry milk suppliers certified under an accredited farm level sustainability programme

100%

Consumers have instant access to information and an unparalleled level of product choice. Brands are increasingly being challenged about product ingredients and the potential consequences on consumer health. Transparency is also increasingly being demanded with regard to how these ingredients have been produced and the implications for people and the environment. Our product impact extends from the raw material suppliers we work with through to our customers and the end consumer. Our mission is to deliver the highest quality products that create value for all our stakeholders while contributing positively to the health and sustainability of consumer diets.

Our Marketplace activities contribute to the following **UN Sustainable Development Goals**.



Health & Nutrition

Dietary risk remains a leading cause of mortality and yet many of these deaths are preventable. Today we are confronted by the double burden of malnutrition, where we face dual threats of undernutrition and obesity. According to the World Health Organisation (WHO), if current trends continue, the number of obese children globally will surpass that of the undernourished by 2022. The WHO outlines that sustainability as it applies to health should consider the management of resources in ways which support the health and well-being of present and future generations.¹

As the world's leading Taste & Nutrition company, we are focused on improving diets through enhanced nutrition and critically, we understand the interdependent nature of the relationship between nutrition and taste. Although health and wellness is an increasingly important consideration for consumers when choosing food and beverage products, taste remains the primary driver of purchase decisions so development of healthier products must not require consumers to compromise.

In a holistic approach to new product development, we seek to balance our customer requirements with consumer insights and leverage our expertise and unrivalled portfolio of technologies and solutions to deliver great tasting products that contribute to enhanced wellbeing. At €269 million, we have an industry leading investment in Research, Development and Application. We bring all of this expertise and knowledge together to deliver our customers goals around nutrition and satisfy the growing consumer demand for cleaner, healthier diets.

In 2017, we continued to work with a range of partners from industry and academia to advance the understanding of these topics and the Kerry Health & Nutrition Institute continues to make a growing contribution to the expert discourse on the science and policy of health, nutrition and general wellness.

¹ World Health Statistics 2017: Monitoring health for the SDGs.



Kerry Health & Nutrition Institute (KHNI)

Supported by a Scientific Advisory Council, the Institute aims to translate taste and nutrition science and policy into actionable insights for the food and beverage industry.

The website, khni.kerry.com, provides a digital platform for stakeholders from students to experienced industry professionals and researchers to find timely and relevant information on market challenges and evolutions in scientific research.

In 2017, the Kerry Health & Nutrition Institute sponsored three global webinars to advance our thought leadership, on topics relevant to the industry, which included "How Can Nutrition Address the Immune Health Needs of Today's Consumers;" "Plant Proteins: Overcoming Inherent Hurdles;" and "Clean Label: More Than Ingredients."

These webinars contributed to significant global reach and engagement with Kerry teams. The Kerry Health & Nutrition Institute was also actively engaged in scientific conferences, sponsoring two key sessions at global Food and Nutrition Conference and Expo (health care professional conference), while also presenting at leading global food and beverage trade meetings.

Kerry Foods' 'Better For You' Programme



POSITIVE NUTRITION

Yollies yoghurt lolly is a source of calcium and vitamin D



CLEAN LABEL

Go Go's cheese spread contains no emulsifiers



SODIUM

5% reduction achieved within cheese category



SUGAR

5% reduction achieved within yoghurt category

Kerry Foods' 'Better For You' Programme aims to improve existing products and develop new ones that can contribute to a healthy balanced diet and lifestyle.

The primary focus of our 'Better For You' programme is to reduce calories, saturated fat, sugars and sodium, and add positive nutrition as appropriate without compromising on taste.

Following on from previous reformulation work and in line with Public Health England's sugar reformulation targets, in 2017 we achieved a 5% sugar reduction in the yoghurt category and a 5% sodium reduction within the cheese category.

In Ireland, Kerry Foods is one of 14 major food and drink manufacturers participating in the FDII (Food and Drink Industry Ireland) Reformulation project. The first phase of the project assessed the impact of reformulation activity by 14 companies, between 2005 and 2012 and Kerry Foods is a signatory to phase 2 of this project, which will be published in 2018.

Building on previous reformulation achievements, Kerry Foods continues to explore new technologies to achieve further reformulation across our portfolio.

Quality & Food Safety

Kerry is committed to excelling in the provision of the highest quality products and to ensuring the complete safety of all the goods which we produce. We mitigate food safety risk through proactive risk assessment with a farm to fork review. The supply quality team, in conjunction with the procurement function, operate strict controls to ensure that raw materials are sourced from approved vendors that meet Kerry standards. Suppliers are annually assessed at their site of manufacture through our risk-based audit plan and the Group's supply quality team had a food safety audit footprint in 42 of the countries we sourced from in 2017.

Kerry continuously seeks to improve the process of standardisation and accuracy of specifications for global raw materials and from 2017, a newly formed Global Raw Material Centre of Excellence will centrally manage the creation of global specifications for specific raw material categories. At our manufacturing sites, we incorporate robust preventive controls, sanitation excellence, product protection, crisis prevention, and we continuously improve through horizon scanning and embedding best practices. We work with recognised assurance standards such as the Global Food Safety Initiative (GFSI), an industry-driven initiative that reduces food safety risks by delivering equivalence between effective food safety management systems. In 2017, 99% of our sites were accredited under GFSI standards.

We also recognise that challenges around food safety and food fraud are not unique to Kerry and our Supply Quality team continues to work closely with industry peers on various food fraud initiatives. In August 2017, we were featured in Michigan State University (MSU) Food Fraud Initiative as an outcome of our ongoing efforts and work with SSAFE's² food fraud initiative.

Responsible Sourcing

As the world leader in Taste & Nutrition, we provide the largest portfolio of technology and customised solutions to the food, beverage and pharmaceutical industries. With operations in 27 countries and 15,000 products, our suppliers are integral to our ongoing success. They are also important actors in supporting our responsible sourcing efforts, given that many of the most significant sustainability challenges we face lie upstream. Given the complexity of our raw material supply chains and our distance from agricultural production across many commodities, it is important

that we work collaboratively with our suppliers to better understand our sustainability impacts and how to drive improvement.

As part of our 'Towards 2020' goals, we aim to ensure that those involved in the production of our raw materials are treated fairly and that human rights are respected. We want to minimise the environmental impacts associated with the production of key commodities and work with customers, suppliers and other industry partners to ensure the long term sustainability of our raw material sources.

Sustainable Agriculture

In 2017, Kerry continued to refine its category level approach, placing a focus on the commodities outlined below. We assess customer requirements across other categories on an ongoing basis and all suppliers are subject to the requirements of the Group's Supplier Code of Conduct.

Dairy	Vanilla
Meat	Herbs & Spices
Palm Oil	Paper Packaging

Although we retain close links to farming through our dairy heritage, we do not own or operate any farms. In most instances our relationship with farmers is an indirect one, maintained through our suppliers.

Through the identification of high level impacts associated with key commodities, we focus our efforts on improvements in priority areas. We understand that the issues and the methods for achieving progress will vary depending on the context and we do not prescribe a single best approach. Instead we look for engagement with our suppliers and commitments to measurable and continuous improvement. We are members of a number of important multi-stakeholder initiatives, through which we seek to work collaboratively with others in advancing responsible sourcing at a category and industry level. These initiatives include the SAI Platform, Innovation Centre for US Dairy, Sustainable Spices Initiative, Origin Green, Roundtable on Sustainable Palm Oil and the Sustainable Vanilla Initiative.



Working
with nature



Focus on Palm Oil

Kerry continues to pursue its commitment to responsibly sourced palm oil and publishes a detailed progress report on the Group website annually. Our 2017 publication highlighted that 88% of our volume in scope had been sourced from suppliers that operate in accordance with the requirements set out in the Group's palm oil policy. We have also achieved traceability to the mill for 97% of our global palm oil volumes. To further our impact on sustainable palm production, Kerry is identifying opportunities to work with suppliers, growers and other industry stakeholders to support small palm growers. Smallholders are responsible for 40% of palm production, yet these farmers often lack the resources and access to information that could help them to produce more sustainably. For more see www.kerrygroup.com/sustainability

² SSAFE is a global non-profit that helps integrate food safety, animal health and plant health across food supply chains.

Deforestation

Forests cover almost 30% of the world's surface and play a vital role in supporting sustainable agriculture and livelihoods. However, the production of some agricultural commodities has been linked with deforestation. At Kerry, we want to ensure that the raw materials we use are sourced from areas that do not contribute to further tropical forest loss. In 2017, we published our commitment to ensuring that no deforestation is associated with targeted supply chains by 2025. We will engage with suppliers and other industry partners directly and through platforms such as Tropical Forest Alliance 2020 in our efforts to realise this goal.



Sustainable Dairy

Developed by Bord Bia (the Irish Food Board) under Origin Green, the Sustainable Dairy Assurance Scheme (SDAS) is a rigorous, independently verified and internationally accredited assurance programme. In 2017, Kerry became the first major milk processor to achieve 100% certification of its milk suppliers under SDAS.

The Group's 3,200 milk suppliers, located in South West Ireland, provide Kerry with over 1.2 billion litres of milk annually. Using a natural grass based production system, they are already considered to be among the most sustainable producers. Having now completed an initial audit, these family farms will undergo independent assessment every 18 months, a process that enables the carbon footprinting of each individual farm.

The SDAS audit satisfies Kerry's longstanding requirements on quality, food safety and traceability at farm level, while the evaluation of performance on sustainability criteria such as environmental management, animal health and welfare, pasture management, and health and safety will now help to ensure more sustainable production.

Social Compliance

At Kerry, we are committed to upholding internationally recognised human rights, both in our own organisation and within our wider sphere of influence. We are a member of SEDEX (Social and Ethical Data Exchange), the world's leading collaborative platform for sharing responsible sourcing data, which aims to drive continuous improvement across global value chains.

100% of our sites are registered on SEDEX and complete the self-assessment questionnaire (SAQ), making our performance across labour rights, health and safety, the environment and business ethics at each site visible to selected stakeholders. In addition, we have SEDEX Members Ethical Trade Audits (SMETA) covering each of our sites in developing regions.

In 2017, the Group's Supplier Code of Conduct was communicated to all our direct vendors.



This document clearly sets out our expectations with respect to upholding the rights of workers. It explicitly prohibits the use of child or forced labour in any activities connected with Kerry Group, and sets forth the detailed standards we expect our supply partners to uphold.

We adopt a targeted approach to monitoring supplier compliance with this Code. Through the use of independent risk evaluation tools and internal assessment, we have identified higher risk suppliers, based on geographic location and/or the risk associated with the product supplied to Kerry. For each of these suppliers, we seek further engagement through SEDEX to help us assess their performance. In 2017, 40% of these suppliers were registered on SEDEX, in line with our target for 100% registration of all 'higher risk' suppliers by 2020.

Marketing and Communications

In addition to creating healthy and sustainable products, we want to ensure that these are marketed responsibly. We are passionate about promoting the real value of food but we recognise that we must carefully consider how we communicate this, with particular attention given to the status of children. All our advertising and brand positioning conforms to national advertising codes of practice. We provide on-pack nutritional labelling and additional information services e.g. brand websites, to help consumers make informed choices. The Group has established best practice guidelines for nutritional labelling across our portfolio, in line with 'Food Information to Consumers' legislation. In addition to mandatory labelling requirements, we support the voluntary addition of front-of-pack 'Reference Intake' information to aid consumer choice. We also employ customer enquiry lines which are manned by experienced teams who can help respond to any additional customer requests.

Origin Green

Origin Green is Ireland's national food and drink sustainability programme, uniting government, the private sector and food producers through Bord Bia, the Irish Food Board. The programme is unique in terms of its scale and the collaboration among stakeholders. It is a comprehensive, evidence based initiative with independent verification of results that aims to make Ireland a world leader in sustainably produced food and beverage.



As a founder member, Kerry continues to play a leading role in the achievement of the programmes objectives. In 2017, we became the first major dairy processor to achieve 100% certification of our milk suppliers under the Sustainable Dairy Assurance Programme, developed as part of Origin Green.

As a condition of membership, Kerry has adopted a sustainability charter covering each of its manufacturing locations in the Republic of Ireland. Under this charter, these sites have targeted reductions in key environmental areas. We also have responsible sourcing commitments and stated goals with respect to health, nutrition and community support, all of which are aligned with our Group-wide sustainability objectives. We report our progress to Bord Bia on an annual basis and our report is subject to independent verification as part of our continued membership.

WORKPLACE

Our 24,000 people are the key to Kerry's success and under the Workplace pillar we are focused on creating an environment where people feel valued and encouraged to contribute.

Our innovative and entrepreneurial culture is key to our success and we want to engage our people through the way we conduct our business, rewarding talent, providing prospects to grow and develop and the opportunity to make a difference.

Under the Workplace pillar, we contribute to the following **UN Sustainable Development Goals**.



Kerry's Global Workforce

**24,000
employees**

Improvement in
Health & Safety Metrics

14%

Learning & Development

**118,000
Courses Taken**

Kerry's Position on Child
and Forced Labour

**Zero
Tolerance**



The Group's Code of Conduct clearly defines the standards of behaviour that are expected from all colleagues and every day we seek to live out the values it enshrines.

Ethics & Integrity

At Kerry we believe that acting with integrity is the foundation for long term success and we are resolute in our view that business results must always be achieved ethically and legally. The Group's Code of Conduct clearly defines the standards of behaviour that are expected from all colleagues and every day we seek to live out the values it enshrines. The Code covers a comprehensive range of potential workplace challenges and provides clear guidance for colleagues across four key themes:

Live Our Values
Obey The Law
Protect Our Assets
Respect Each Other

The code is made available across the Group in multiple languages and is clear on each colleague's responsibility to uphold the requirements under the headings above.

In 2016, training on the Group's Code of Conduct was introduced for all colleagues and in 2017 we achieved a 70% increase in module completions.

The Group provides clear guidance for anyone that wishes to report an issue. The Employee Concerns Disclosure Policy details the appropriate means of reporting alleged misconduct and encourages employees to freely voice concerns without feeling intimidated. Retaliation against any individual for reporting a concern or cooperating in an investigation is not tolerated. The Group operates an Ethics Hotline through which employees and third parties can report their concerns anonymously.

We also seek to extend our values on ethical business practice to those whom we do business with and our requirements are reflected in our Supplier Code of Conduct (see the Group website www.kerrygroup.com).

Human Rights

We conduct our business in a manner that respects the rights and dignity of all people. Our support of internationally recognised Human Rights is consistent with our dedication to enriching our workplace, partnering with our supply chain, and supporting the communities where we operate.

Kerry's Global Human Rights Policy reflects our commitment to upholding internationally recognised Human Rights, as established in the Universal Declaration on Human Rights and the International Labour Organisation's Core Conventions. The Group's Human Rights policy applies to all Kerry Group employees and also sets out expectations on our business and supply chain partners to conduct their business in ways that uphold the principles set out in the policy.

The use of child or forced labour is strictly prohibited across all our operations and facilities. We do not tolerate any form of unacceptable treatment of workers and we respect all laws establishing a minimum age for employment.

We have processes in place to ensure compliance and to support implementation and monitoring of the Group's Human Rights policy. All Group businesses are members of SEDEX and complete the Self-Assessment Questionnaire, which includes questions regarding young employees, forced labour and human rights. In developing regions, where there is potential for an increased risk of infringement, all of our sites are covered by SMETA, or equivalent, audits.

Our Supplier Code of Conduct is explicit in demanding that those who seek to do business with the Group also uphold the rights of workers and expressly forbids the use of child labour, forced or involuntary labour of any type. For more information on our engagement with suppliers in this area see our Responsible Sourcing Section on page 50.

The Group also publishes an annual Slavery and Human Trafficking Statement which is available on the Group website at www.kerrygroup.com.



In 2017
we achieved
a further 14%
improvement in global
safety metrics
14%

Health & Wellbeing

Ensuring the health and safety of our employees is a priority for Kerry. Led by the Global Health Safety and Environment (HSE) Steering Team, Kerry has implemented a Group-wide Health and Safety Management System that defines consistent ways of working and creates standard requirements across each region. Dedicated HSE personnel in all sites work with plant managers to ensure that we consistently promote a culture of safety and responsibility.

We measure performance on an ongoing basis and progress reports are presented at bi-monthly sustainability council meetings. We celebrate success internally and share best practice among sites to ensure consistent performance across all locations and regions.

As a Group, we have targeted a 5% year-on-year improvement in our health and safety metrics and in 2017 we delivered an improvement of 14%.

While this represents a significant and ongoing improvement versus target, we realise that this is an area requiring continued focus to ensure that we provide the safest possible working environment.

Given the significant time employees spend in the workplace, employers can also play an important role in personal wellbeing beyond basic health and safety. At Kerry, we want to support colleagues in leading healthier, more active lives and in 2017, we continued to promote greater wellbeing through a range of initiatives. These included a number of health and wellness events across the regions that encourage employees to pay greater attention to their physical and mental wellbeing. These events cater for a wide range of abilities and interests and include a mixture of health checks, fitness and team activities, relaxation and professional advice.



ourVoice

In an increasingly competitive landscape for attracting talent, we aim to create a workplace where colleagues are challenged in their roles and have the opportunity to make a meaningful contribution to the success of the business.

Employee Engagement

Employee engagement benefits both our colleagues and the business as a whole with outcomes shown to include higher levels of wellbeing, performance and retention.

While we have previously conducted regional and divisional engagement activities, May 2017 saw Kerry initiate its first Group-wide engagement survey for all Kerry employees. Entitled 'ourVoice', the purpose of the survey was to seek feedback from employees with a view to better enabling and empowering them to develop in their careers, deliver high performance and make Kerry a better organisation and place to work.

The survey responses highlighted key areas where Kerry is doing well and also areas where it has the opportunity to improve. The feedback noted a high level of consistency across the Group, a strong sense of purpose and belonging by employees with a belief in the future success of Kerry and a very positive focus on quality right across the organisation.

Areas where employees felt Kerry has the opportunity to improve included more focus on the employee experience to ensure people feel connected with the organisation, and placing a greater focus on communications between management teams and the wider employee population.

Following the compilation and analysis of the survey results, a comprehensive collaboration process took place to inform employees of the results at a regional, business, function, site and team level. Action plan committees, consisting of employees and management representatives, were formed to identify key changes that can be made in the short, medium and long term to drive Kerry forward and make it a better place to work. The implementation of these action plans is now underway across the Group.



Our People page 22



Diversity & Inclusion

Kerry is committed to the principles of equality and diversity and states its requirements for a discrimination free workplace as part of the Group's Code of Conduct. More recently, the integration of our dedicated Diversity and Inclusion policy seeks to embed these principles more fully within our core values.

We know that diversity is socially important but research also suggests a clear business case for embracing a more representative workplace, with companies that demonstrate a commitment in this area achieving greater levels of innovation³ and financial returns⁴.

To be successful in a global marketplace companies need to embrace the diverse views, backgrounds, cultures and abilities that are reflective of customers, consumers and the wider world.

We aim to recruit leading talent with different skills and experiences that can come together to create new ideas, product concepts and ways of working that deliver a sustained competitive advantage. This starts with the Group's Board and senior management where we have made strides in recent years to ensure more equal representation based on gender (see page 90).

³ <http://onlinelibrary.wiley.com/doi/10.1111/fima.12205/abstract>

⁴ <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

Learning & Development

In a fast changing world we know that colleagues have an appetite for ongoing development and lifelong learning. At Kerry, we believe in people with big ideas and want to provide them with opportunities to acquire the skills and professional expertise that can deliver ongoing business success and help to grow their careers.

As part of the development process we undertake continuous investment in people and adopt a structured approach to talent management through our dedicated 'mySuccess' platform. We empower employees to be proactive about their own career progression with support from line managers and local HR representatives. We provide a range of learning opportunities from graduate training through to leadership development programmes.



['Towards 2020' page 45](#)

Performance reviews provide an opportunity for employees and managers to set goals and evaluate performance with ongoing feedback and coaching conversations, as well as formal year end reviews. Training or development needs identified as a result of this two-way process are then met through the Kerry Learning Academy, which provides tailored learning opportunities for employees across the organisation.

Programmes focus on the development of functional and core leadership skills that enhance capability and drive performance. Learning support is made available through classroom, online and interactive content that provides instruction, stimulates discussion and encourages collaboration. In 2017, Kerry colleagues collectively undertook over 118,000 courses with a 19% increase in the number of employees who had undertaken at least one course versus 2016.



+19%

increase in the number of employees who had undertaken at least one course versus 2016.

Compensation & Benefits

Compensation and benefits are a core part of our employee management strategy. We provide competitive rates of pay and ensure fair compensation practices across all our locations. Employees are rewarded in line with their individual and business performance and this includes their achievements against key sustainability metrics for relevant colleagues. Compensation forms a core part of the overall employee benefits package, which is tailored to help meet a variety of short and long term needs.

We provide competitive rates of pay and ensure fair compensation practices across all our locations.



With facilities in 27 countries, we play an important part in the local communities where we operate and in regions where our support can help to transform lives.

Broad Community Engagement Programme

FIVE FOCUS AREAS

Farmers engaged under 'Project Leche'

68

New 'Rain' Project for West Africa

Agreed

Food donated to those in need by Kerry and its employees globally

300,000 Meals



Photo: WFP/Hetze Tosta

We have a proud tradition of community engagement, stemming from our history as a co-operative, and we continue to look at ways to positively impact on those around us.

Within local communities our primary areas of focus and support are as follows:

- a) Health, Hunger & Nutrition
- b) Entrepreneurship
- c) Community Development
- d) Education, Arts & Sport
- e) Sustainable Agriculture

Through our community activities we contribute to the following Sustainable Development Goals.



Health, Hunger & Nutrition

As a company focused on Nutrition, we understand the importance of a healthy balanced diet across all life stages. Through our community programmes we are engaging in partnerships that aim to improve health, eradicate hunger, and promote better nutrition among some of the world's poorest communities.

World Food Programme

Kerry is the first Irish company to partner with the World Food Programme (WFP), the food assistance branch of the United Nations and the world's leading humanitarian organisation fighting hunger. Together, our pioneering 3 year partnership, 'Project Leche', is piloting the safe and sustainable inclusion of dairy products within WFP's Home Grown School Meals (HGSM) programme in the Department of Choluteca, in the dry corridor of Honduras.

Honduras is one of the poorest countries in Latin America, where one in four children suffer chronic malnutrition. Recurrent natural disasters and a susceptibility to the effects of climate change contribute to food insecurity. Weather extremes such as prolonged drought and hurricanes severely affect the ability of subsistence farmers to produce enough food to feed their families. Project Leche aims to support the work of WFP and the HGSM programme through 3 key objectives, namely:

- Improve the nutritional value of school meals by increasing the dairy component.
- Create a sustainable local milk supply with enhanced quality and quantity thereby providing market access for smallholder farmers.
- Increase nutritional awareness amongst children, teachers and parents.

Noon Foundation

In 2017, Kerry continued its support under a 5 year partnership with the Noon Trust in India. Kerry Foods, as the leading UK producer of authentic, convenient Indian cuisine has close ties to the region through the late Lord Gulam Noon, British based businessman and founder of Noon Products which is now a Kerry Group business. As part of our programme with the Noon Trust, Kerry is funding the establishment of a 'Kerry Wing' at the Noon Hospital and Research Centre in Rajasthan. Kerry's funding will allow for the expansion of affordable ophthalmic services on site as part of a dedicated Centre of Excellence for Eye Care in the region.

RAIN Project

Kerry continues to partner with Concern Worldwide on the RAIN (Realigning Agriculture to Improve Nutrition) programme. In 2017, we finalised plans for a new four year project based in West Africa. In keeping with Concern Worldwide's objectives, the project will work with those facing hunger and malnutrition within the world's poorest communities. The project, which will commence in 2018, builds on the learnings from our previous RAIN initiative in Zambia and will incorporate a focus on adaptation and resilience in the face of increasing challenges posed by climate change.



supporting



World Food Programme

In 2017, Kerry and WFP successfully concluded the first full year of Project Leche and have established a platform in the pilot region to deliver on the project goals over the next two years. Highlights from 2017 include:

- Engagement of local agricultural and nutritional expertise to help implement the programme on the ground.
- The completion of a baseline survey for milk producers and processors to establish how milk is currently produced, highlighting target areas for improvement.
- Creation of a peer-to-peer learning model similar to that used among Kerry milk suppliers in Ireland.
- Identification of farm leaders to act as demonstration farms for best practice and the facilitation of farm workshops in conjunction with Zamorano University.
- Nutritional assessment of school children in the project area establishing a baseline for schools against which progress can be measured.
- Development and implementation of training plans for producers, processors and teachers.
- Commencement of monitoring for children with obesity, low weight for their age (underweight), or low height for their age (stunting).
- Engagement with important local and regional institutions to support this work including health authorities, district directors, municipal directors, teachers and mothers of the region. The project team has also engaged with SENASA (the National Food Safety and Security Service of Honduras) and the Institute of Nutrition of Central America and Panama.

Noon Hospital & Research Centre

The Noon Hospital and Research Centre is a comprehensive 100 bed hospital facility in Rajasthan, India. Located at Bhawani Mandi, it provides essential health care services for people within a 100km radius. The hospital provides world-class service based on patient need and has state-of-the art operating theatres, intensive care unit, neonatal ICU and eye department.

India has the world's largest population of blind people and those worst affected are the rural poor with little access to basic health care. However, timely treatment can save the sight in over 80% of cases. Previously, people living in the Bhawani Mandi area either had to travel long distances at great expense or the majority lost their eyesight and they and their families fell into poverty.

To help combat this, the Noon Hospital established its specialist Eye Department in 2008, providing a range of services that tackle the leading causes of sight loss. It treats approximately 25,000 patients a year and since April 2013, 2,760 patients have undergone surgery, 700 of which were cataract surgeries carried out for free. Due to its success and with only one Consultant, the Eye Department is functioning at full capacity, yet demand for its services continues to increase year-on-year. With the support of Kerry Group, work began on building the new KERRY WING of the 'Noon Eye Care Centre of Excellence' in April 2017. The ground floor of the entire wing will be dedicated to eye care and the Centre will have three consultation rooms and the latest ophthalmic equipment.

The increase in staffing capacity and equipment will ensure that demand for its services can be met and vulnerable patients requiring treatment will not be turned away. To meet the current demand, and working closely with the National Programme for Control of Blindness, the hospital plans to double the number of free surgeries to 240 per year on opening in March of 2018.



Entrepreneurship

Kerry is driven by a fast paced and entrepreneurial culture and this is something we seek to extend through our community engagement activities. We help foster innovation and development through our community projects, many of which give rise to local employment, support disadvantaged areas and promote local enterprise. We provide learning opportunities for young people through work placement programmes at our major corporate centres.

In 2017, Kerry volunteers in Brazil used their unique expertise to develop an 80 hour culinary course that would assist young adults pursue a career in food. Known as 'Jovem Chef' (Young Chef) the programme helped 15 to 24 year old students to start their culinary journey. In addition to the course learnings, there was an overall prize of a scholarship for the Institute of Gastronomy for the best performer in the final course competition.

Education, Arts and Sport

Access to quality education is critically important in helping children to prosper and in 2017 Kerry continued to engage in activities that support school children. In Madagascar a core element of our Tsara Kalitao programme relates to improving education (see page 59). In Ireland, we continue to support the 'Thomas F Meagher Foundation' in its work on civic responsibility and their efforts to promote an open and inclusive society.

In South Africa, we established a 'Kerry Discovery Centre' at the John Wesley primary school in New Germany. This reading lab provides an inviting learning environment for over 600 students, and will have a positive impact on the children's education. Aside from the vastly improved accessibility to information on the internet, the reading lab will also encourage students to engage with reading and provide a place to immerse themselves in their favourite stories.

In 2017, we also supported 'Enable Ireland' to construct an accessible outdoor play area at their centre in Tralee. Once finalised, this amenity will help support learning and development for children with more complex needs.

In the Art's, Kerry is proud to support 'Listowel Writers Week', an internationally acclaimed literary festival. In addition to supporting the wider festival, we also sponsor the prestigious 'Kerry Group Irish Novel of the Year Award' for Irish Fiction. Kerry is also corporate sponsor to 'Siamsa Tire', the National Folk Theatre of Ireland, which aims to protect, explore and develop traditional art-forms in music, song and dance.

Our connection with community and amateur sport is ongoing and we are proud sponsors of all Kerry GAA teams. We support the local community games, which aims to encourage children in a range of sporting disciplines and we are partners of the Rás Mumhan, an international amateur cycling event that takes place in Ireland each spring. In 2017, we also made a €500,000 commitment to support the Kerry Sports Academy at the Institute of Technology Tralee. Scheduled to open in January 2019, the Kerry Sports Academy will be home to the UNESCO Chair in Inclusive Physical Education, Sport Fitness, and Recreation and the National Centre for Adapted Physical Activity.

We have a proud tradition of community engagement, stemming from our history as a co-operative, and we continue to look at ways to positively impact on those around us.





Sustainable Agriculture

Sustainable agriculture is a core element of our responsible sourcing strategy. Agriculture is of fundamental importance to the communities where it is practiced, however, the trend towards greater urbanisation means that support for agriculture is of critical importance in maintaining rural communities.

In Madagascar, where we source our vanilla beans, we are working with our supply partner and other experts to improve conditions for farmers and their families through a range of measures. Kerry established the Tsara Kalitao project in Maroambihy district of the Sava Region, North East Madagascar in 2014. Meaning 'Good Quality' in Malagasy, the project aims to support farmers and their families while improving the quality and traceability of the raw material supplied to Kerry.

The programme has been developed with three pillars for improvement:

1. Farmer Livelihood;
2. Empowering Women; and
3. Education.

Starting out in 3 villages with under 300 farmers, today we have expanded our work to almost 900 farmers across 11 villages with an impact on nearly 5,000 people.

For a more detailed report on progress under the Tsara Kalitao programme, see our website www.kerrygroup.com/sustainability

Tsara Kalitao Food Aid

In March 2017, the 'Tsara Kalitao' project region was hit by cyclone Enawo. To help those affected during this period, Kerry provided food aid to more than 3,000 people across 9 villages, ensuring that farm families could meet their nutritional needs in the immediate aftermath of the storm.



Community Development

We operate across a diverse range of communities with differing needs and in each of our regions we are committed to supporting projects, many of which are colleague led, that make a difference to those around us. In Honduras, our partnership with a local customer improved the infrastructure at the Alfonso Hernández Córdova Institute. Thanks to this project, sanitation facilities have been improved benefiting the institute's 1500 students and 54 teachers.

In Malaysia, we continued to support the Eco-Schools programme, an international initiative designed by the Foundation for Environmental Education (FEE). With participants from more than 40,000 schools in over 50 countries it helps to guide schools in implementing a whole-school approach towards environmental and sustainability education. Over the course of 2017, our ECO Mentors, together with volunteers from our Plentong and Tampoi sites, worked closely with WWF Malaysia and UniWorld International School to successfully complete a range of environmental projects.

In the USA, we partner with 'The United Way', an organisation that works to strengthen the health, education and financial stability of individuals and families in our communities. In 2017, over 300 Kerry volunteers were active in contributing to their Annual Day of caring. Elsewhere, at Kerry sites across North America, colleagues collected over 13,000kgs of food and other essentials for those in need within our local communities.

The total donations were enough to provide approximately 20,000 meals to food pantry's and charities across our Kerry locations.

At Group level, we make a significant contribution to a range of community initiatives, particularly in South West Ireland where the company was founded. Among these is our ongoing support for University Hospital Kerry, a partnership that has now raised over €2 million for the purchase of vital medical equipment since its inauguration. We proudly support the fundraising efforts for Children's Medical & Research Foundation in Dublin, the Kerry Hospice as well as a number of regional festivals and cultural events.

We also embarked on a new initiative in 2017 to recognise community volunteers. In collaboration with the North East and West Kerry Development Company, we launched the 'Community Vibrancy Recognition Programme'. This programme aims to highlight those projects and volunteers whose work makes a significant contribution to enhancing community life, but which is often known only to those directly involved. Through the programme we want to celebrate this work, promote sharing of best practice among community groups and inspire greater support for community activism.



Effective Risk Management

Kerry's risk management framework ensures that robust processes exist to identify and effectively manage risks so that Kerry can continue to grow profitably.

The Board has identified a number of risks which, if they arise, could potentially impact the reputation of the Group and the achievement of its strategic objectives. It is the responsibility of the Board to determine the nature and extent of the risks it is willing to accept in pursuit of achieving its strategic objectives.

The Group's diversity in terms of geography and manufacturing footprint, as well as its broad portfolio of customers and products, helps limit the impact that any one risk may have. However, all risks must be monitored and managed to ensure that the potential impact remains within the acceptable level of tolerance to achieve a profitable return for shareholders.

Kerry Group Risk Management Framework

The Group's risk management framework is designed to identify, manage and mitigate potential risks which may have a material impact on the achievement of the Group's objectives and is outlined in the diagram below. The Board has implemented appropriate governance structures to ensure that there is clarity of ownership and responsibility for risk management throughout the Group.



Board of Directors

The Board has overall responsibility for risk management, internal control systems, setting the risk appetite and determining the risk tolerance for the Group. It has also set the tone that defines the culture, values and expected behaviours of the organisation through the development of the Group Code of Conduct.

During the year, as part of the risk management programme, the Board also considered how the Group's principal risks and uncertainties could potentially impact the going concern and longer term viability of the Group. The conclusions of this assessment are outlined on page 68.

Audit Committee

Under delegation from the Board, the Audit Committee is responsible for evaluating the design and effectiveness of the Group's risk management and internal control systems and determining the nature and extent of its principal risks. During the year the Committee monitors and reviews the Group's risk management and internal control systems through its review of reports received from Internal Audit, the Group External Auditor and management on the operation of material financial, operational and compliance controls.

A detailed description of the activities carried out by the Committee for the year under review is outlined in the Audit Committee Report on pages 83 to 87.

Risk Oversight Committee

The Risk Oversight Committee (ROC) comprises of a number of senior executives and is chaired by the Chief Financial Officer. The ROC supports the Audit Committee in the risk management process through ongoing monitoring and evaluation of the risk environment and ensuring continuous improvement in the effectiveness of risk mitigation activities.

Responsibility for the Group risk assessment process is owned by the ROC who maintain the Group risk register and report changes in the Group's principal risks and uncertainties to the Audit Committee on an annual basis. This process is described in more detail on page 61.

A schedule of presentations to the Board and Audit Committee on the principal risks and uncertainties is agreed at the start of the year and risk is a regular agenda item at Board and Audit Committee meetings where members of the ROC, or nominated functional leadership, present on these risks. These presentations, and subsequent discussions, assist the Directors in assessing the potential impact of risks to the Group's strategy and operations as well as the effectiveness of internal controls.

Executive Management

Executive management are responsible for ensuring the effective operation of internal controls which have been designed to manage the principal risks and uncertainties on a day-to-day basis. The 'three lines of defence' model as set out below ensures that accountability for risk management is embedded into the Group's processes and procedures.

A number of management committees have also been established to support risk management initiatives across key functional areas including the Group Finance Committee, the ICT Security Steering Committee, the Sustainability Council, the Global Health, Safety and Environmental (HSE) Leadership Team and the Brexit Steering Committee.

Three Lines of Defence

The Group operates a three lines of defence model to ensure that there is a clear delegation of responsibility for the management of risk and that communication of the risk agenda is effective.

1st Line of Defence

The first line of defence are operational management who have responsibility for maintaining an effective risk management and internal control environment and for executing control procedures on a day-to-day basis within their sites or business units. They are also responsible for proactively ensuring compliance with Group policies and procedures. Embedding risk management into standard ways of working ensures that potential risks are identified at an early stage, escalated as appropriate and that controls are established to manage these risks.

2nd Line of Defence

The second line of defence are oversight functions, including Group compliance and functional leadership teams, who in conjunction with management are responsible for monitoring the operation of internal controls on an ongoing basis. They are also responsible for providing support and expertise to operational management with regard to the management of specific risks and the design of appropriate internal controls. Examples of tools employed for continuous monitoring include monthly performance reviews, functional audits, internal control self-assessment questionnaires and ICT security monitoring.

3rd Line of Defence

Internal audit and external professional advisors are responsible for providing independent assurance to the Audit Committee and the Board on the adequacy and effectiveness of the risk management and internal control frameworks operated by the 1st and 2nd lines of defence. As part of its annual programme of work, internal audit conduct regular reviews of risk management processes and give advice and recommendations on how to improve the overall control environment.

Risk Assessment Process

The Group's risk assessment process is a co-ordinated bottom-up and top-down Group wide approach that facilitates the identification and evaluation of risks, as well as assessing how the risks are monitored, managed and mitigated. This process is facilitated by Internal Audit and overseen by the ROC. Risks were evaluated through bottom-up input from management across all divisional and functional areas who, through a programme of workshops, interviews and a survey performed a detailed review exercise to update the Group Risk Register.

During this process all existing strategic, operational and financial & compliance risks are considered along with potential new and emerging risks at a business and functional level throughout the Group. In assessing the potential impact and likelihood of each risk identified, management evaluate the risks at a residual level after existing internal controls have been considered. A standard risk scoring matrix provides guidance on impact and likelihood to ensure consistency in reporting.

The output from the workshops, interviews and survey are consolidated and ranked to identify the principal risks and uncertainties for the Group. Executive management review and validate the results of this process providing further input where necessary. The ROC then review the Group Risk Register and submit it to the Audit Committee for approval.

The interaction and relationships between risks are considered and discussed. It is acknowledged by management and the Board that risks do not always exist in isolation and that the crystallisation of more than one risk at the same time could have a significant impact on the Group.

The Audit Committee and Board formally approved the Group risk register and have confirmed in the Corporate Governance Report that a robust assessment of these risks was completed including those risks which could threaten the business model, future performance, solvency or liquidity of the Group. Throughout the year, the Board consider the appropriateness of the strategies and actions to address these risks in pursuit of the Group's strategic objectives.

Risk Appetite

The Kerry Group Board of Directors consider and assess risks in three broad categories namely; strategic, operational and financial & compliance. As a Taste & Nutrition and Consumer Foods business, the Board has a low risk appetite for risks which may impact the Group's reputation or brands in the operational or financial & compliance areas such as product quality and health & safety. However, in pursuit of strategic growth objectives, the Board understands that there is a trade-off between risk and reward in making certain strategic investment decisions and a higher level of risk may be accepted in these areas e.g. emerging market expansion, acquisitions or capital investments.

Through the risk management framework all strategic investment decisions are approved by the Board. These are supported by documentation and presentations, along with senior management input to ensure that the risks associated with each transaction are fully understood and accepted.

Principal Risks and Uncertainties

The following table describes the principal risks and uncertainties that have been identified by the Board, the mitigating actions for each and an update on any change in the profile of each risk during the year. The Board has determined that these are the principal risks and uncertainties which could impact the Group in the achievement of its objectives. Additionally, each risk has been linked to the Group's strategies for growth and margin expansion as outlined in the Strategic Report on pages 18-20.

This table presents the Board's view of the Group's principal risks and uncertainties and does not represent an exhaustive list of all the risks that may impact the Group. There are additional risks which are not yet considered material or which are not yet known to the Board but which could assume greater importance in the future.

RISK TREND KEY



Risk is unchanged



Risk has increased



Risk has decreased

Link to Strategies as per Strategic Report **pages 18-20**

1

**Taste & Nutrition
Strategic Growth
Priorities**

2

**Consumer Foods
Strategic Growth
Priorities**

3

**Margin
Expansion
Drivers**

Risk Description and Potential Impact	Mitigation	Risk Trend and Link to Strategy
Strategic Risks		
Portfolio Management		
The Group operates across many markets and channels, and demand for products is impacted by a variety of factors including economic, demographic, technology and competitor actions. The Group must adapt and change to meet the ever increasing demands of the consumer which is resulting in unprecedented fragmentation of the marketplace. Successfully achieving growth targets is dependent upon the Group's ability to strategically evaluate and respond to this dynamic market place, and ensure it optimises its portfolio of markets, customers, technologies and channels. Failure to plan and respond to these evolving market place dynamics could have an adverse impact on the future profitability of the Group.	The Group's business model, strategy and operational activities are reviewed and approved by the Board on a regular basis to ensure that the Group is responding effectively to changing market trends. As described in 'Business Model' on page 14 the positioning of the Taste & Nutrition business as an integrated solutions provider underpinned by its unique business model and continuous investment in 'Culinary and Insights' helps it to stay ahead of ever-changing consumer preferences and provides foresight into future consumer demands. Kerry Foods has positioned its portfolio to drive growth in its core businesses of Meat, Meals and Dairy while also leveraging its consumer insights expertise to expand into fast growing adjacent categories. Ongoing portfolio review is a key pillar of the Group's strategic planning process as it facilitates a prioritised allocation of resources based on growth and margin expansion opportunities as well as return on investment. In 2017, in line with the strategic planning cycle, the Group updated investors on its Strategic Plan for the next five years. This was underpinned by a top-down and bottom-up approach with significant involvement from senior management, cross-functional regional teams and the Board who provided support and constructive challenge throughout the process. The Strategic Plan was approved by the Board and subsequently presented to the investment community at the Capital Markets Day held in October.	 The Board considers that this risk is broadly in line with the prior year. 1 2

Risk Description and Potential Impact	Mitigation	Risk Trend and Link to Strategy
Strategic Risks		
Geopolitical Risk and Brexit		
A key pillar in the Group's growth strategy is its continued expansion in developing markets which exposes it to external factors which may impact the results of the Group. These factors include a complex and evolving legal and regulatory environment as well as political instability, currency volatility, the impact of tariffs and duties and varying standards of quality and security. Brexit: There is ongoing uncertainty surrounding the impact of the United Kingdom's impending departure from the European Union. This uncertainty has resulted in negative consumer sentiment in the UK market and adverse sterling exchange rate movements which have negatively impacted the Group's Irish based Consumer Foods business. The outcome of negotiations may expose the Group to a number of additional risks including trade tariffs and labour restrictions.	The diversity of countries in which the Group operates ensures that it is not overly exposed to any one particular geography. Experienced management with local and regional expertise support the Group in understanding how business and commercial transactions are conducted in each country / region. The Group's legal, regulatory and compliance structures ensure that applicable laws and regulations are complied with. This is supported by the Group Code of Conduct which outlines how Kerry expects to conduct business in all regions. Senior management regularly review the performance and trends of KPIs for markets and geographies against strategic objectives to ensure that future decision making is reliably informed. Group policies require businesses to hedge transactional currency exposures and long term supply or purchase contracts which give rise to currency exposures. Brexit: The Group has an established manufacturing footprint in the UK and across Europe and is working to ensure that it is well positioned to deal with the challenges and opportunities arising from Brexit negotiations. An executive steering committee is in place to assess the impact of the potential scenarios which may arise once negotiations are complete. In addition, contingency plans are being developed and the Group has identified cost optimisation (KerryExcel) and business reorganisation opportunities to mitigate any negative impact.	 Given the current political and macro-economic environment the Board believes that this risk has increased.   

Risk Description and Potential Impact	Mitigation	Risk Trend and Link to Strategy
Strategic Risks		
Business Acquisition and Divestiture		
Acquisitions and divestitures continue to be a core element of the Group's growth and portfolio management strategy. There is a risk that the anticipated benefits of such transactions are not delivered resulting in a delay in the delivery of the expected return on investment and a subsequent impact on the strategic development of the Group. A failure to deliver on an acquisition's anticipated benefits may occur due to an inaccurate evaluation of the target business, an over estimation or failure to achieve expected synergies, poor management of the transaction, poor planning and implementation of the integration or the transaction not adding shareholder value as expected.	The Group continually reviews its overall business portfolio in the context of its long term Strategic Plan. Board approval is required for all transactions and regular updates are presented to the Board on potential targets, including strategic evaluations of any proposed significant investments. This includes an assessment of their ability to generate the required return on investment and a review of their strategic fit within the Group. The Group has developed significant experience and capabilities in this area and has a successful track record. A clearly defined process is employed to ensure that the evaluation of a target is comprehensive and that the execution of the acquisition is effective. A similar process is implemented for the execution of divestitures. A strong governance system is in place to oversee the integration process for acquisitions including the appointment of a senior business owner supported by a team of appropriately skilled personnel who monitor the integration project and review the performance of the acquired entities. Post-acquisition reviews are conducted by senior management, the results and learnings of which are presented to the Board as a regular agenda item. The Group talent management programme ensures that the retention of key acquired talent is a focus of the integration process and where necessary the management team of the acquired entity is strengthened by the transfer of experienced Kerry management.	↔ The Board considers that this risk is broadly in line with the prior year. 1 2 3

Risk Description and Potential Impact	Mitigation	Risk Trend and Link to Strategy
Operational Risks		
Quality, Food Safety and Regulatory		
Adherence to stringent food quality and safety controls is critical to ensure the safety and integrity of raw materials and products throughout the Group's supply chain. The Group must also ensure compliance with continuously evolving legal and regulatory obligations in the areas of food safety, quality, labelling and the environment. Breach of food quality or safety controls or other regulations could expose the Group to product liability claims, product recalls, customer complaints or litigation, which may have a negative impact on the Group's results and / or reputation.	A Global Quality and Food Safety structure has been established providing leadership in key areas such as Hazard Analysis and Critical Control Points (HACCP), global supply quality and crisis management. A global steering committee supports a strong quality and food safety culture across the Group and ensures best practices are implemented across the organisation. Food safety risk is mitigated through detailed and proactive risk assessments across the full product lifecycle. A Global Quality Management System (GQMS), consisting of robust policies, procedures and training, supports the Group's manufacturing and supply chain functions. Kerry manufacturing sites are subject to regular audits by internal teams, customers and independent bodies who audit against recognised global food safety standards. The global supply quality team, in conjunction with the procurement function, operate strict controls to ensure that raw materials are sourced from approved vendors and meet Kerry's standards. The Group has a strong regulatory function and employs suitably qualified and experienced staff with global and regional expertise. Employees receive quarterly regulatory updates and continuous training on best practices. In addition, the Group closely monitors and engages with external industry organisations on emerging issues. Adequate product liability insurance is maintained across the Group.	↔ The Board considers that this risk is broadly in line with the prior year. 1 2 3

Risk Description and Potential Impact	Mitigation	Risk Trend and Link to Strategy
Operational Risks		
Margin Management		
The Group's cost base and margin can be impacted by fluctuations in commodities, freight, energy, labour and other input costs. These fluctuations can be influenced by global supply and demand, weather events, political decisions or changes in regulations. Given increased competitive pressures in the market place, an inability to pass on cost increases to customers may impact the Group's margins.	The Group maintains a strong commercial focus on procurement, pricing and cost improvement initiatives to manage and mitigate this risk. In addition, all global commercial teams have been trained in margin management principles. Material commodity exposures are monitored continuously and an active risk management approach is in place, which includes taking purchasing cover on a back to back basis depending on the category of sales contracts. Contractual mechanisms are in place with many customers to 'pass-through' changes in commodity prices. The Group employs skilled and experienced purchasing and commercial managers to ensure that fluctuations in input costs are reflected in the pricing of our products. Monitoring is in place to identify any potential exposures by commodity type and business and detailed margin reporting by customer, product and business ensures that commercial teams maintain an ongoing focus on performance in this area.	The Board considers that this risk is broadly in line with the prior year. 1 2 3
Talent Management		
The ongoing success of the Group is dependent on attracting, developing, engaging and retaining qualified and appropriately skilled employees. An inability to secure, build and engage a robust talent pipeline could impact the Group's ability to achieve its strategic growth objectives.	An integrated talent management framework is in place to assess and plan for people development through talent reviews and critical role succession planning. This includes a continued emphasis on talent sharing, recruitment, mobility, and retention of key acquired talent. There is also a strong graduate recruitment programme in operation which supports the Group's succession planning programme. There is ongoing focus on the diversity of our talent pipeline and nurturing local talent in developing markets. The Group operates a Global Learning Academy focused on leadership, commercial and functional capabilities to support the professional growth of employees at all levels both in current and future roles. During 2017, employee engagement was measured via a Group wide survey. Following the consolidation and analysis of the results a comprehensive engagement process took place to communicate results to employees. Action plans were initiated across the Group to build on the collective strengths of the organisation and prioritise areas for improvement. The Global Mobility Team supports the deployment of key talent as they move across locations within the organisation. The Group continues to evolve its organisational structure to ensure it remains responsive to changing market place dynamics.	Given the increasingly competitive global talent marketplace the Board believe that this risk has increased. 1 2 3

Risk Description and Potential Impact	Mitigation	Risk Trend and Link to Strategy
Operational Risks		
Cybercrime and Information Security		
The Group is dependent on a robust ICT infrastructure for the operation of its principal business processes. There is a global threat of significant and increasingly sophisticated cyber-attacks including phishing, ransomware, malware and social engineering. These attacks may result in ICT systems being compromised and / or confidential data being accessed, and may have a significant customer, financial, reputational and operational impact. Other issues leading to disruption of the Group's ICT systems could impact business operations in a number of ways, including disruption to sales, production and supply chain, ultimately impacting the Group's results and ability to serve customers.	The Group, as part of its ICT Governance framework, have an ICT Security Steering Committee to ensure that resources are being effectively utilised to prevent critical system breaches and protect the Group's assets. An ongoing security enhancement programme is in place which continuously develops and deploys additional layers of protection in areas such as intrusion prevention, document control and identity management. ICT carries out business impact assessments on core systems and continually tests and refines business recovery plans to ensure efficient system recovery. The Group continually invests in ICT and during the year a significant project was undertaken to migrate critical infrastructure to a cloud platform, thus enabling restoration of key enterprise applications rapidly in the event of a major system failure. There is a continual focus on raising the awareness of ICT security to all employees.	 Given that globally reported incidents of cybercrime are increasing as are levels of persistence and sophistication, the Board believes this risk has increased. 
Kerryconnect		
As part of the strategy to roll out a common ICT solution and standard ways of working across the Group, the deployment of Kerryconnect will commence in the Americas region in 2018. Any delay to the project or go-live issues may dilute business resources and disrupt operations reducing the Group's ability to serve customers. An over-run in costs due to scope creep, delayed implementation or failure to deliver projected efficiencies may have a negative financial impact on the Group.	The Kerryconnect programme is supported by an executive steering team and a robust governance framework. The Kerryconnect implementation team has accumulated significant knowledge and experience from prior rollouts in Europe and APAC, and takes these learnings into the next stage of deployment. As in previous deployments a phased approach to rollout will be taken in the Americas region, with rollout in Latin America to commence in Q1 2018 and planning for the deployment in North America beginning in Q3 2018. Critical KPIs and other issues are reviewed at regular steering meetings.	 Given the significant knowledge and experience of the Kerryconnect team, the Board considers that this risk is stable. 
Intellectual Property Management		
Kerry develops, manufactures and delivers taste and nutrition technology based ingredients and integrated solutions to customers in the food, beverage and pharmaceutical industries. Any failure to protect the Group's Intellectual Property (IP) or prevention of unauthorised access to sensitive data could have an adverse effect on the Group's business and cause significant reputational damage.	Kerry Group continues to focus on developing, enhancing and protecting its IP portfolio. As a global leader in the taste & nutrition market, Kerry considers its IP security and that of its customers to be paramount. In addition to Kerry's policy on trade secret protection, Kerry has developed sophisticated tailored IP policies and strategies to protect and defend against infringements or misuse by employees or third parties. All of these policies form the foundation of Kerry's IP regime and represent a key area of focus for the Group. Kerry has made a number of patent applications and patent acquisitions during 2017 to enable the Group to safeguard the investment made in developing new technologies. Protection of IP is also a key focus of the ICT Security Steering Committee and IP protection clauses are a standard element of employment contracts.	 The Board considers that this risk is broadly in line with the prior year.   

Risk Description and Potential Impact	Mitigation	Risk Trend and Link to Strategy
Financial & Compliance Risks		
Taxation		
Given the Group's global network it is exposed to an increasingly complex and evolving international tax environment. Such matters as changes in tax laws, changing legal interpretations, tax audits and transfer pricing judgements may impact the Group's tax liability or reporting requirements. Failure to accumulate and appropriately consider relevant tax information may result in non-compliance with tax regulations or adverse tax consequences.	The Group employs a team of dedicated tax experts who support the Group in ensuring compliance with all taxation matters globally. The Group also engages external taxation advisors for additional tax advice and research and guidance on matters of compliance where appropriate. A strong emphasis is placed on proactively engaging with tax authorities in all material jurisdictions.	 Given significant ongoing changes in the international tax environment, including the recent US tax reform, the Board believes this risk has increased. 3
Treasury Risk		
The international nature of the Group's operations means that it has transactions and activities across many jurisdictions which expose it to liquidity, foreign exchange, interest rate and counterparty risks.	The Group's financial position remains strong with significant cash resources and relatively long debt maturities. The Group's Treasury function actively manages all treasury risks through cash-flow forecasts, foreign currency exposure netting and hedging, monitoring of funding requirements and management of interest rate and counterparty risk. A Group Finance Committee, which is described on page 32 is in place and oversees the Group's treasury and funding policies and activities. The Board routinely review and approve Group financing options.	 The Board considers that this risk is broadly in line with the prior year. 3

Going Concern and Longer Term Viability Statements

The Board, having reviewed the Group's principal risks and uncertainties, assessed the going concern and longer term viability of the Group in line with the requirements of the UK Corporate Governance Code and the Irish Annex. Its conclusions on these assessments are outlined below.

Going Concern

The consolidated financial statements have been prepared on the going concern basis of accounting.

The Directors have considered the Group's business activities and how it generates value, together with the main trends and factors likely to affect future development, business performance and position of the Group as described in the Business Reviews on pages 34 to 41. The Group's 2018 budget was reviewed and approved at the December Board meeting. The Directors have also examined the financial position of the Group, including cash flows, liquidity position, borrowing facilities, financial instruments and financial risk management, as described on pages 26 to 32 and additionally as described in note 24 to the financial statements.

As a result of this review, the Directors report that they have satisfied themselves and consider it appropriate that the Group and the Company is a going concern, having adequate resources to continue in operational existence for the foreseeable future and have not identified any material uncertainties in the Group and the Company's ability to continue over a period of at least 12 months.

Longer Term Viability Statement

The Directors have assessed the prospects of the Group over a period of three years to 31 December 2020.

Although the Group's Strategic Plan covers a period of five years, the Board considers that three years is the most appropriate period to assess the longer term viability of the Group as current capital expenditure plans, commercial arrangements and financial projections etc. are considered to be more reliable and robust over this period.

The Board have considered how the occurrence of one or more of the Group's principal risks and uncertainties could materially impact the Group's business model, future performance, solvency or

liquidity by assessing the impact of these risks in severe but plausible scenarios. While each of the principal risks and uncertainties could have an impact on the Group's performance, a significant food quality failure, an acquisition not delivering expected returns or a failure to achieve targeted revenue or margins were considered most likely to threaten the Group's longer term viability. These scenarios were stress tested to assess their impact on the Group's solvency, liquidity and cash flow. This analysis projected that significant headroom existed in all scenarios tested.

The Board considers that the diverse nature of the Group's geographies, markets, customer base, and product portfolio provide significant mitigation against the impact of a serious business interruption. Based on the results of this analysis the Directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

DIRECTORS' REPORT

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Chairman & Executive Directors

Committee Membership Key

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Indicates Committee Chair



Mr. Michael Dowling (73) N **Chairman of the Board**

Michael is a former Secretary General of the Irish Department of Agriculture, Food and Forestry and a Board member of the Agricultural Trust. He is also Chairman of the Board of Management of the University College Cork (UCC) / Teagasc Food Innovation Alliance. He was appointed Chairman of the Board in 2015 and has served as a Director for 20 years. He is also a member of the Nomination Committee since January 2001 and was appointed as Committee Chairman in 2015.

Appointed: 3 March 1998 and as Chairman 1 January 2015

Mr. Edmond Scanlon (44) **Executive Director** **Chief Executive Officer**

Edmond joined Kerry's graduate development programme in Ireland in 1996. He was appointed Vice President Finance, Supply Chain and Operations of Kerry's Global Flavours Division in 2004. In 2007, he was appointed Vice President Mergers & Acquisitions, Kerry Americas Region, before being appointed Global President Kerry Functional Ingredients & Actives in late 2008. In 2012, he was appointed President of Kerry China, prior to his appointment as President & CEO Kerry Asia-Pacific region in November 2013. Edmond was appointed Executive Director and Group CEO on 1 October 2017.

Appointed: 1 October 2017



Mr. Brian Mehigan (56) **Executive Director** **Chief Financial Officer**

Brian joined Kerry Group in 1989, having previously worked in practice for six years. He held a number of senior finance positions within Kerry between 1989 and 2002. He is a Fellow of Chartered Accountants Ireland and a graduate of UCC. Brian has served as CFO and as an Executive Director on the Board for 16 years.

Appointed: 25 February 2002

Mr. Gerry Behan (53) **Executive Director** **President and CEO** **Kerry Taste and Nutrition**

Gerry joined Kerry's graduate recruitment programme in 1986 and has held a number of senior financial and management roles primarily in the Americas region. He was appointed President and Chief Executive Officer of Kerry's Global Taste & Nutrition business in 2011. Gerry has served as an Executive Director on the Board for 10 years.

Appointed: 13 May 2008

Non-Executive Directors



Dr. Hugh Brady (58) A N
Independent Non-Executive Director

Hugh is President and Vice Chancellor of the University of Bristol in the UK, a position he has held since 2015. He was previously President of University College Dublin (UCD) from 2004 to 2013.

Prior to this, Hugh had a successful career as a physician and biomedical research scientist in the US where he served on the faculty of Harvard Medical School for almost a decade prior to returning to his alma mater as Professor of Medicine and Therapeutics in UCD.

Hugh is a non-Executive Director on the Board of ICON Plc.

In addition, Hugh has held many national and international leadership roles including Chairman of the Irish Health Research Board and Chairman of the Universitas 21 Network of global research universities.

Hugh joined both the Audit and Nomination Committees in 2015.

Appointed: 24 February 2014



Mr. Gerard Culligan (43)
Independent Non-Executive Director

Gerard operates his own business in the agribusiness sector.

Gerard is a Director and co-owner of two private companies in the marine industry.

Appointed: 1 June 2017



Dr. Karin Dorrepaal (56) N R
Independent Non-Executive Director

Karin was an Executive Director on the Board of Schering AG in Berlin, a Dax30 pharmaceutical company, from 2004 until 2006 when it was acquired by Bayer AG. In this role Karin was responsible for the Diagnostic Imaging business as well as worldwide manufacturing and procurement. Between 1990 and 2004, Karin was a partner at Booz & Co., a consultancy firm where she specialised in the pharmaceutical industry advising clients on issues regarding strategy, sales, marketing and supply chain.

Karin received her Ph.D. from the Free University of Amsterdam, The Netherlands and also holds an MBA from the Erasmus University Rotterdam School of Management.

Currently, Karin is a non-Executive Director on the Boards of Gerresheimer AG, Paion AG (vice Chairperson) and Almirall S.A. Karin is also a Director of a number of private companies.

Karin joined the Remuneration Committee in January 2015 and Nomination Committee in December 2015.

Appointed: 1 January 2015



Ms. Joan Garahy (55) A R
Independent Non-Executive Director

Joan is Managing Director of ClearView Investments & Pensions Limited. She has 29 years experience advising on and managing investment funds. She is a former Managing Director of HBCL Investments & Pensions and Director of investments at HC Financial Services. In the past, Joan worked with the National Treasury Management Agency (Ireland) as head of research at the National Pension Reserve Fund (Ireland) and was also head of research with Hibernian Investment Managers.

Joan is a non-Executive Director on the Boards of ICON Plc and Irish Residential Properties REIT Plc as well as being a Director of a number of private companies.

In February 2012, Joan was appointed Chairperson of the Remuneration Committee and joined the Audit Committee on the same date.

Appointed: 11 January 2012



Mr. James C. Kenny (64) N R
Independent Non-Executive Director

James was formerly Executive Vice President of US based Kenny Construction Inc. and President of Kenny Management Services Inc. He previously served as US Ambassador to Ireland from July 2003 to June 2006.

James is a non-Executive Director on the Board of Hub Group, a multimodal transportation company, listed on the NASDAQ.

James joined both the Remuneration and Nomination Committees in February 2012.

Appointed: 1 June 2011



Mr. Tom Moran (62) A R
Independent Non-Executive Director

Tom has had a long and distinguished career within the Irish Public Sector and most recently was Secretary General of the Irish Department of Agriculture, Food and the Marine from 2005 to 2014. Tom also held a number of international policy and international trade negotiation leadership roles. Tom formerly served as Ireland's Agriculture Attaché to France and to the OECD.

Tom is currently a Board member of An Bord Bia, the Irish Food Board, and chairs its Dairy Subsidiary Board. He is Chairman of the Irish Government Public Appointments Service and also sits on a number of Government Committees.

Tom joined the Audit Committee in December 2015 and the Remuneration Committee in February 2016.

Appointed: 29 September 2015



Mr. Con Murphy (53)
Independent Non-Executive Director

Con operates his own business in the agribusiness sector and is Chairman of the Irish Montbeliarde Cattle Society. Con is a member of the Board of Murrowside Limited, a small private company.

Appointed: 1 June 2017



Mr. Philip Toomey (64) A
Independent Non-Executive Director

Philip 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.

Philip is a Board member of UDG Healthcare Plc where he served as Chairman of the Audit Committee from 2008 to 2017.

Philip was appointed as Senior Independent Director in February 2012 and joined the Audit Committee on the same date. He was appointed Chairman of the Audit Committee in February 2013. Philip was appointed Chairman designate to the Board in November 2017 and will succeed Mr. Michael Dowling in this role in May 2018.

Appointed: 20 February 2012

REPORT OF THE DIRECTORS

Directors and Other Information

Directors

Michael Dowling, Chairman
Edmond Scanlon, Chief Executive Officer*
Brian Mehigan, Chief Financial Officer*
Gerry Behan, President & CEO Taste & Nutrition*
Hugh Brady
Gerard Culligan
Karin Dorrepaal
Joan Garahy
James C. Kenny
Tom Moran
Con Murphy
Philip Toomey

*Executive Director

Secretary and Registered Office

Brian Durran
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
Ireland

Registrar and Share Transfer Office

Brian Durran
Registrar's Department
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
Ireland

Website

www.kerrygroup.com

The Directors submit their Annual Report together with the audited financial statements for the year ended 31 December 2017.

Principal Activities

Kerry Group is a world leader in the global food industry. The Group's industry leading portfolio of taste & nutrition foundational technologies and integrated systems deliver unique, innovative solutions to customers across the food, beverage and pharmaceutical industries. Kerry Foods, the Group's Consumer Foods business, is one of the leading suppliers of added-value branded and customer branded chilled food products in the Irish and UK markets.

Listed on the Irish and London Stock Exchanges, Kerry has an international presence with 130 manufacturing facilities across the world.

Results

The Directors are pleased to report another strong performance for 2017 with an increase in adjusted earnings per share (EPS) which is before brand related intangible asset amortisation and non-trading items (net of related tax) of **5.5%** over 2016 to **341.2 cent** (2016: 323.4 cent) and an increase in basic EPS to **333.6 cent** (2016: 302.9 cent). Trading margin for the year was maintained at **12.2%** (2016: 12.2%). The Group achieved a free cash flow of **€501m** (2016: €570m). Further details of the results for the year are set out in the Consolidated Income Statement, in the related notes forming part of the consolidated financial statements and in the financial and business reviews. The financial key performance indicators of the Group are discussed on pages 24 to 25.

Events after the Balance Sheet Date

On 19 February 2018, the Directors recommended a final dividend totaling **43.9 cent** per share in respect of the year ended 31 December 2017 (see note 10 to the financial statements). This final dividend per share is an increase of **12.0%** over the final 2016 dividend per share paid on 19 May 2017. This dividend is in addition to the interim dividend paid to shareholders on 10 November 2017, which amounted to **18.8 cent** per share.

The payment date for the final dividend is 18 May 2018 to shareholders registered on the record date 20 April 2018.

Since year end, the Group has completed the acquisition of China based Zhejiang Hangman Food Technologies Co. Ltd.

The Group has also reached agreement to acquire Dachang, China based SIAS Food Co. and Johannesburg, South Africa based Season to Season Flavour Manufacturers (Pty) Limited.

Share Capital

Details of the share capital are shown in note 27 of the financial statements. The authorised share capital of the Company is €35,000,000 divided into 280,000,000 A ordinary shares of 12.5 cent each, of which **176,182,405** shares were in issue at 31 December 2017.

The A ordinary shares rank equally in all respects. There are no limitations on the holding of securities in the Company.

There are no restrictions on the transfer of fully paid shares in the Company but the Directors have the power to refuse the transfer of shares that are not fully paid. There are no deadlines for exercising voting rights other than proxy votes, which must be received by the Company at least 48 hours before the time of the meeting at which a vote will take place. There are no restrictions on voting rights except:

- where the holder or holders of shares have failed to pay any call or instalment in the manner and at the time appointed for payment; or
- the failure of any shareholder to comply with the terms of Article 14 of the Company's Articles of Association (disclosure of beneficial interest).

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities or on voting rights.

The Directors have the authority to issue new shares in the Company up to a maximum of 20 million new A ordinary shares. This authority will expire on 4 August 2018 and it is intended to seek shareholder approval to renew the authority at the Annual General Meeting (AGM) to be held on 3 May 2018.

Shareholders approved the authority for the Directors to allot shares for cash on a non-pro rata basis up to a maximum of 8,805,450 shares at the AGM held on the 4 May 2017, representing 5% of the A Ordinary Shares in issue on 6 March 2017. Shareholders also approved an authority to allot a further 8,805,450 A Ordinary Shares (5%) for cash on a non-pro rata basis provided the additional authority will only be used for the purpose of an acquisition or specified capital investment announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed with the announcement of the issue. Neither authorities have been exercised and will expire on the 4 August 2018 and it is intended to seek shareholder approval for their renewal at the 2018 AGM.

During 2017, **25,898** shares and **41,980** share options vested under the Company's Short and Long Term Incentive Plans. In the same period, **129,596** share options were exercised. Further details are shown in note 28 to the financial statements.

The Company may purchase its own shares in accordance with the Companies Act 2014 and the Company's Articles of Association. At the 2017 AGM, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital but the authority was not exercised. This authority is due to expire on 4 August 2018 and it is intended to seek shareholder approval for its renewal at the 2018 AGM.

Articles of Association

The Articles of Association empower the Board to appoint Directors but also require such Directors to retire and submit themselves for re-election at the next AGM following their appointment. Specific rules regarding the re-election of Directors are referred to on page 89.

The regulations contained in the Articles of Association of the Company may be amended by special resolution with the sanction of shareholders in a general meeting.

Change of Control Provisions

The Company's financing arrangements include 'Change of Control' provisions which give its lending institutions the right to withdraw their facilities in the event of a change of control occurring unless they agree otherwise in writing. Other than change of control provisions in those arrangements, the Company is not a party to any other significant agreements which contain such a provision.

Acquisitions and Disposals

The Group completed a number of acquisitions during the year. The businesses acquired are described in the Chief Executive's Review and in note 30 to the financial statements.

Research and Development

The Group is fully committed to ongoing technological innovation in all sectors of its business, providing integrated customer focused product development by leveraging our global technology capabilities and expertise. To facilitate this, the Group has invested in highly focused research, development and application centres of excellence with a strategically located Global Technology & Innovation Centre, based in Naas, Ireland which is supported by Regional Development & Application Centres. Expenditure on research and development amounted to **€268.7m** in 2017 (2016: €260.7m).

Sustainability

The Group delivered good progress on its sustainability objectives in 2017 and in the implementation of the Kerry Group Sustainability Strategy 'Towards 2020' programme. The Group remains committed to the highest standards of business and ethical behaviour, to fulfilling its responsibilities to the communities it serves and to the creation of long term value for all stakeholders on a socially and environmentally sustainable basis.

Details regarding the Group's sustainability performance, policies and programmes in respect of the marketplace, environment, workplace and the community are outlined in the Sustainability Review on pages 42 to 59.

Future Developments

Kerry Group is well positioned across global food, beverage and pharmaceutical growth markets and our strong technology platforms will continue to lead innovation and category growth. The Group published its new Strategic Plan in October 2017 setting out medium term targets for growth and return. The Group is confident that good growth rates are achievable through application of our industry leading taste & nutrition technologies in developed and developing markets. In addition, in the Group's core consumer foods categories, the underlying strength of Kerry Foods' brands, its focus on product innovation and positioning in convenience growth categories, as well as expansion into adjacent markets such as snacking, out-of-home and food-to-go solutions will sustain profitable growth. The Group is well positioned to actively pursue strategic acquisition opportunities which will support top-line and earnings growth into the future. Further details regarding the Group's Strategic Plan are included in the 'Strategy & Financial Targets' section of this report on pages 18 to 20.

Board and Committee Changes

Stan McCarthy retired as Group CEO on 30 September 2017 and retired from the Board on 31 December 2017.

Edmond Scanlon was appointed Group CEO on 1 October 2017 and was appointed to the Board on the same date.

Flor Healy retired as CEO of Kerry Foods effective 8 August 2017 and stepped down from the Board on the same date.

Patrick Casey retired from the Board on 30 April 2017.

Gerard Culligan and Con Murphy were appointed to the Board on 1 June 2017.

There were no changes to the composition of the Committees of the Board during 2017.

Directors

The Board, at the date of this report, consists of a Chairman, three Executive and eight independent non-Executive Directors. The names and biographical details of the Directors are set out on pages 70 to 71.

The Chairman, Mr. Michael Dowling, will retire from the Board following the 2018 AGM. In November 2017, the Senior Independent Director, Mr. Philip Toomey, was appointed as Chairman designate to the Board and will assume the role of Chairman on 4 May 2018. Following the individual performance evaluation of all Directors, as outlined in the Corporate Governance Report on pages 80 and 81, the Board recommends the re-election of all Directors seeking re-election.

The Directors' and Company Secretary's interests in shares and debentures are included in the Remuneration Report on page 113.

Substantial Interests

The Directors have been notified of the following shareholdings of 3% or more in the issued share capital of the Company:

Shareholder	Number Held	%
Kerry Co-operative Creameries Limited (KCC)	24,048,456	13.7%
Blackrock Investment Management	9,165,717	5.2%
Sun Life Financial Group	5,546,214	3.2%

Apart from the aforementioned, the Company has not been notified of any interest of 3% or more in the issued share capital of the Company.

Corporate Governance

The Corporate Governance Report on pages 78 to 82 sets out the Company's application of the principles, and compliance with, the provisions of the 2016 UK Corporate Governance Code and Irish Annex (the Code). The going concern statement in the Risk Report on page 68 sets out the Company's basis for the adoption of the going concern basis of accounting in preparing the consolidated financial statements.

Principal Risks and Uncertainties

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, a description of the principal risks and uncertainties facing the Group are outlined on pages 62 to 68.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the assets, liabilities and financial position of the Company and the Group, and of the profit or loss of the Group for that period. Under that law the Directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards ('IFRSs') and IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs and IFRSs as adopted by the European Union. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS and IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the company keeps adequate accounting records which correctly explain and record the transactions of the company, enabling at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy and ensuring that the financial statements are prepared in accordance with IFRSs and IFRSs as adopted by the European Union, comply with the Companies Act 2014 and as regards to the Group financial statements, Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website (www.kerrygroup.com). Irish legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. The Directors are also required by applicable law and the Listing Rules issued by the Irish Stock Exchange and the UK Listing Authority to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance.

Each of the Directors, whose names and functions are listed on page 72, confirms that, to the best of their knowledge and belief:

- the consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with IFRSs and IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, and financial position of the Group and the undertakings included in the consolidation, taken as a whole, as at that date and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs and IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017;
- the Business Review includes a fair review of the development and performance of the business for the year ended 31 December 2017 and the position of the Company and the Group at the year end;
- the Report of the Directors provides a description of the principal risks and uncertainties which may impact the future performance of the Company and the Group at the year end; and
- the Annual Report and financial statements, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's performance, business model and strategy and is fair, balanced and understandable.

Directors' Compliance Policy Statement

The Company complies with its relevant obligations (as defined in the Companies Act 2014). The Directors have drawn up a compliance policy statement (as defined in section 225(3)(a) of the Companies Act 2014) and arrangements and structures are in place that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations. The Directors confirm that these arrangements and structures were reviewed during the financial year. As required by Section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with the relevant obligations. In discharging their responsibilities under Section 225, the Directors relied on the advice both of persons employed by the Company and of third parties who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

Accounting Records

To ensure that proper accounting records are kept for the Company in accordance with section 281 to 285 of the Companies Act 2014, the Directors employ appropriately qualified accounting personnel and maintain appropriate accounting systems.

The accounting records of the Company are maintained at the Company's registered office.

Disclosure of Information to the Auditors

Each of the Directors, who were members of the Board at the date of approval of this Report of the Directors, confirms that:

- so far as they are aware there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Accountability and Audit

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is set out on page 75 with the responsibilities of the Company's Independent Auditors outlined on page 121.

The financial statements on pages 122 to 186 have been audited by PricewaterhouseCoopers (PwC), Chartered Accountants.

The statutory Auditors, PwC, have expressed their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Political Donations

During the year the Company made no political contributions which require disclosure under the Electoral Act 1997.

Group Entities

The principal subsidiaries and associated undertakings are listed in note 36 to the financial statements.

Retirement Benefits

Information in relation to the Group's retirement benefit schemes is given in note 26 to the financial statements.

Taxation

So far as the Directors are aware, the Company is not a close company within the definition of the Taxes Consolidation Act 1997. There has been no change in this respect since 31 December 2017.

Financial Instruments

The financial risk management objectives and policies along with a description of the use of financial instruments are set out in note 24 to the financial statements.

Information Required to be Disclosed by Listing Rule 6.8.1, Republic of Ireland Listing Authority

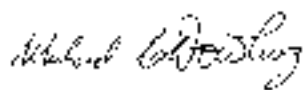
For the purposes of Listing Rule 6.8.1, the information required to be disclosed can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Statement of accounting policies
(2)	Publication of unaudited financial information	Supplementary information
(3)	Details of small related party transactions	Note 33 to the financial statements
(4)	Details of long term incentive schemes	Remuneration Committee Report
(5) – (14)	Section 5 – 14 of Listing Rule 6.8.1	Not applicable

Cross References

All information cross referenced in this report forms part of the Report of the Directors.

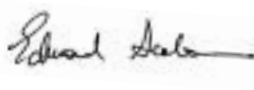
Signed on behalf of the Board:



Michael Dowling

Chairman

19 February 2018



Edmond Scanlon

Chief Executive Officer

19 February 2018



Michael Dowling
Chairman of the Board

Dear Shareholder,

I am pleased to present the Kerry Group Corporate Governance Report for the year ended 31 December 2017.

On behalf of the Board I can confirm that for the year under review the Group has fully complied with the 2016 UK Corporate Governance Code and the Irish Annex (the Code).

The Board, in conjunction with the Nomination Committee, ensures that there are robust plans in place to facilitate Board, Executive and senior management succession. During 2017, the Board oversaw the CEO transition process together with undertaking a formal process to recruit a new Board Chairman. A number of Executive and non-Executive Director changes occurred during the year, the details of which are set out in the Nomination Committee Report on page 88.

Each year the Board undertakes a formal evaluation of its effectiveness and that of its Committees. In 2017, this was an internal self-assessment which was conducted by the Chairman of the Board and the Senior Independent Director using Thinking Board, a software programme provided by a UK based external consultancy firm, Independent Audit Limited. The evaluation concluded that the Board and its Committees are performing well. Details of the process and resulting actions arising from this review can be found on pages 80 and 81.

The Board sets the tone and culture for the way in which the Group operates. This culture is underpinned by a robust risk management framework consisting of policies, procedures and tasks, including a Code of Conduct which defines business conduct standards for anyone working for, or on behalf of, the Group. As Chairman, I will ensure, with Board support, that the principles of the Code continue to be implemented in 2018, maintaining the Group's commitment to achieving high standards of governance.

Details of the Group's activities and the operations of the Board, contained in the following report, outline the manner in which the Group has achieved compliance with the Code through the activities and operations of the Board and its Committees during the year.

A handwritten signature in dark ink, appearing to read 'Michael Dowling'.

Michael Dowling
Chairman of the Board

Leadership

Board Composition and Membership

The Board is responsible for ensuring the long term success of the Company through experienced leadership and establishing effective control and oversight of the Group's activities.

There are 12 members of the Board, which comprises of a non-Executive Chairman, Chief Executive, Chief Financial Officer, one other Executive Director, and eight non-Executive Directors.

Mr. Michael Dowling will not seek re-election at the AGM to be held on 3 May 2018 and will step down as Chairman of the Board on the same date. The Senior Independent Director, Mr. Philip Toomey, who was appointed as the Chairman designate, will assume this role on 4 May 2018.

The Directors are of the opinion that the composition of the Board provides the extensive relevant business experience needed to oversee the effective operation of the Group's activities and that the individual Directors bring a diverse range of skills, knowledge and experience, including industry and international experience, necessary to provide effective governance and oversight of the Group.

Board Role and Operations

The Board is responsible for delivering long term value to the Group's shareholders while exercising business judgement on developing strategy, delivering objectives and managing the risks that face the organisation. The Board has a formal schedule of matters specifically reserved to it for decision as noted overleaf and has delegated other responsibilities to management for day-to-day operations within the context of the Kerry Group Governance Framework as outlined on page 80.

Schedule of Matters Reserved for the Board

- Appointments to the Board;
- Ensuring compliance with corporate governance, legal, statutory and regulatory requirements;
- Approval of the overall Group strategic and operating plans;
- Monitoring and review of risk management and internal control systems;
- Approval of acquisitions and divestitures;
- Treasury policy and major corporate activities;
- Approval of annual budgets (revenue and capital);
- Approval of preliminary results, interim management statements and interim financial statements;
- Assessment of the long term viability of the Group and the going concern assumption; and
- The preparation of, and confirmation that, the annual report and financial statements present a fair, balanced and understandable assessment of the Company's position and prospects.

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by shareholders in General Meetings and to the Company's Memorandum and Articles of Association. The fundamental responsibility of the Directors is to exercise their business judgement on matters of critical and long term significance to the Group.

The Chairman ensures that all Directors have full and timely access to such information as they require to discharge their responsibilities fully and effectively. Board papers are issued to each Director at least one week in advance of Board meetings and include the meeting agenda, minutes of the previous Board meeting and all papers relevant to the agenda. The Chairman, in conjunction with the Company Secretary, has primary responsibility for setting the agenda for each meeting. All Directors continually receive comprehensive reports and documentation on all matters for which they have responsibility to allow them to fully complete their duties as a Director. All Directors participate in discussing strategy, trading updates, financial performance, significant risks and operational activities. Board meetings are of sufficient duration to ensure that all agenda items and any other material non-agenda items that may arise are adequately addressed.

Each Director has access to the advice and services of the Company Secretary, whose responsibility it is to ensure that Board procedures are followed and that applicable rules and regulations are complied with. In accordance with an agreed procedure, in the furtherance of their duties, each Director has the authority to engage independent professional advice at the Company's expense. There is a Directors and Officers liability policy in place for all Directors and Officers of the Company against claims from third parties relating to the execution of their duties as Directors and Officers of the Company and any of its subsidiaries.

New Group Strategic Plan and Capital Markets Day

The Board collaborated with Executive management in the development of the new Group Strategic Plan to help ensure that the direction of the plan was appropriate and a good fit for the Group in

the long term. During 2017, the Board provided input and strategic guidance to Executive management in relation to the priorities for growth, capital investment requirements, the key risks facing the plan and how these are to be addressed and managed. The Board also travelled to the Group's operations in the United States, met with senior management and agreed the strategic plan for the Americas region. During the year, the Board met with management of other Taste & Nutrition regions and the Consumer Foods business to review their respective strategic plans. The Board approved the Group Strategic Plan at the October Board meeting prior to its release at the Capital Markets Day held later that month at its Kerry Global Technology and Innovation Centre in Naas. Mr. Michael Dowling, Chairman of the Board, Mr. Philip Toomey, Senior Independent Director, and Ms. Joan Garahy, Chairperson of the Remuneration Committee, attended the Capital Markets Day on behalf of the Board.

Meetings and Attendance

The Board meets sufficiently regularly to ensure that all its duties are discharged effectively. All Directors are expected to prepare for and attend meetings of the Board and the AGM. Should any Director be unable to attend a Board meeting in person, conferencing arrangements are available to facilitate participation. In the event that a Board member cannot attend or participate in the meeting, the Director may discuss and share opinions on agenda items with the Chairman, Chief Executive, Senior Independent Director or Company Secretary in advance of the meeting.

During 2017, the Board met seven times and there was full attendance by all members of the Board at meetings held during their time in office.

Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and the division of duties between them is formally established, set out in writing and agreed by the Board. The Chairman is responsible for leadership of the Board and ensuring its effectiveness in all respects. The Executive Directors, led by the Chief Executive, are responsible for the management of the Group's business and the implementation of Group strategy and policy.

Senior Independent Director

The principal role of the Senior Independent Director is to provide a sounding board for the Chairman and to act as an intermediary for other Directors as required. The Senior Independent Director is responsible for the appraisal of the Chairman's performance throughout the year. He is also available to meet shareholders upon request, in particular if they have concerns that cannot be resolved through the Chairman or the Chief Executive.

Independence

The Board, as a whole, has assessed the non-Executive Directors independence and confirmed that, in its opinion, all non-Executive Directors are independent in accordance with the Code.

Board Committees

The Board has three Committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, which support the operation of the Board through their focus on specific areas of governance. Each Committee is governed by its terms of

reference, available from the Group's website (www.kerrygroup.com) or upon request, which sets out how it should operate including its role, membership, authority and duties. Reports on the activities of the individual Committees are presented to the Board by the respective Committee Chairmen.

Further details on the duties, operations and activities of all Board Committees can be found in their respective reports on pages 83 to 115.

Kerry Group Governance Framework

Kerry Group has a clear Governance Framework with defined responsibilities and accountabilities as outlined in the diagram below. This Governance Framework is designed to safeguard long term shareholder value.

Board Effectiveness

Board Induction and Development

On appointment to the Board, each new non-Executive Director undergoes a full formal induction programme. This induction includes an overview of their duties and responsibilities as a Director, presentations on the Group's operations and results, meetings with key executive management and an outline of the principal risks and uncertainties of the Group.

Throughout the year, the Board as a whole engages in development through a series of consultations with subject matter experts on a range of topics including risk management, corporate governance and strategy. Presentations are also made by Executive Directors and senior management on various topics throughout the year in relation to their areas of responsibility.

On an annual basis, a Board meeting is combined with a comprehensive schedule of visits, over a week-long period, to the Group's operating facilities to allow Directors further develop

their understanding of the Group's activities and meet with local senior management. The June 2017 Board meeting was held in the Group's Technology and Innovation Centre in Beloit, Wisconsin, following which the Board visited its new Taste & Nutrition Discovery Centre and three manufacturing facilities in Jackson and Manitowoc, Wisconsin and Clark, New Jersey. These visits focused on Kerry's Taste & Nutrition Strategy as well as Kerry's newly acquired authentic taste technologies and expertise.

As part of their personal development plans, individual non-Executive Directors were also afforded the opportunity to visit a number of the Group's international facilities and operations during 2017.

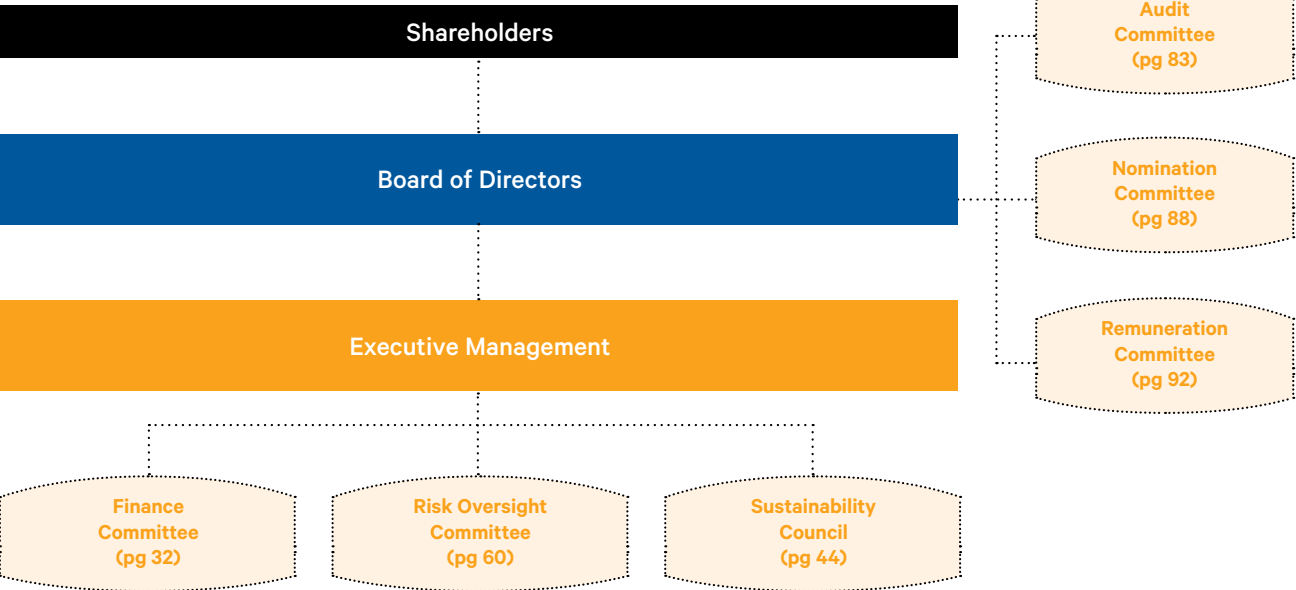
Individual Board members training requirements are reviewed with the Chairman and Company Secretary and training is provided to address these needs.

Board Performance Evaluation

In accordance with provisions of the Code, a performance evaluation of the Board is carried out annually and facilitated externally every third year. In 2017, the Board performed an internal self-evaluation of the performance of the Board, Board Committees, the Chairman and individual Directors against a set of pre-defined key criteria. The review was conducted by the Chairman of the Board and the Senior Independent Director and was facilitated by the Company Secretary. The review was undertaken using Thinking Board, Independent Audit Limited's governance self-assessment process. Independent Audit Limited, based in the UK, is recognised as a leading firm of board reviewers, and has no other connections to the Group.

The Chairman appraised the performance of each of the non-Executive Directors by meeting each Director individually. The key areas reviewed were independence, contribution and attendance at Board meetings, interaction with Executive Directors, the Company Secretary and senior management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings and the overall time and commitment to their role on the Board.

Kerry Group Governance Framework



In addition, the Senior Independent Director formally appraised the performance of the Chairman. This appraisal was similar to the non-Executive Director evaluation process which included feedback from all Directors on the Chairman's performance during the year.

In November 2017, the non-Executive Directors met without the presence of the Executive Directors and, led by the Chairman, undertook a formal review of the performance of the individual Executive Directors.

To conclude on the appraisal of the non-Executive Directors, the Chairman and the Executive Directors, results were collated, summarised and presented to the Board. The appraisal process concluded that each Director is performing well and is committed to their role in terms of dedication of time and attendance at meetings.

At the December Board meeting, the Board considered the outcome of the Board evaluation report (including the Board Committees).

Topics Covered During Board Performance Evaluation Included
– Board Remit and Responsibilities
– Board Skills and Dynamics
– Board Meetings
– Strategy, Risk and Performance
– Decision Making Process
– Board Communications
– Support for the Board

Overall, the Board concluded that no area of significant weakness had been identified and that it operated effectively throughout the period under review. A number of points for improvement were identified and action plans established to address them.

The Chairman, along with the Company Secretary, will ensure that suggestions from the 2017 self-evaluation report and areas for consideration arising from the Directors' appraisal, where identified, will be addressed during 2018.

The review resulted in a number of suggestions to which the Board will give further consideration in 2018. The main areas for potential improvements arising from the review are included in the table below:

Key Action Points Arising from Board Performance Self-Evaluation
– Continued focus on succession planning for Board and Committee refreshment
– Enhancing the quality of Board discussion through focus on strategic issues
– Continued oversight of key risks
– Increased involvement of internal & external subject matter experts to provide deeper insight into business and strategic issues

Progress against recommendations from the previous evaluation was also considered and the Board is satisfied that improvements have been made that have enhanced the operation and effectiveness of both the Board and its Committees.

Accountability

Risk Management and Internal Controls

The internal control framework in Kerry Group is defined as a system encompassing the policies, processes, tasks and behaviours, which together facilitate the Group's effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its business objectives.

The systems which operate in Kerry Group provide reasonable, but not absolute, assurance on:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of the financial information produced.

The Board has delegated certain duties to the Audit Committee in relation to the ongoing monitoring and review of risk management and internal control systems. The work performed by the Audit Committee is described in its report on pages 83 to 87.

Full details of the risk management systems are described in the Risk Report on pages 60 to 61.

The principal risks and uncertainties facing the Group, including those that could threaten the business model, future performance, solvency or liquidity are described on pages 62 to 68. The Directors confirm that they have carried out a robust assessment of these risks and the actions that are in place to mitigate them.

The Directors confirm that they have also reviewed the effectiveness of the systems of risk management and internal control which operated during the period covered by these financial statements and up to the date of this report and that no significant failings or weaknesses were identified. The procedures adopted comply with the guidance contained in Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014) as published by the Financial Reporting Council in the UK.

Features of Internal Control in Relation to the Financial Reporting Process

The main features of the internal control and risk management systems of the Group in relation to the financial reporting process include:

- The Board review and approve a detailed annual budget and monitor performance against the budget through periodic Board reporting;
- Prior to submission to the Board with a recommendation to approve, the Audit Committee review the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements;
- Adherence to the Group Code of Conduct and Group policies published on the Group's intranet ensures the key controls in the internal control system are complied with;

- Monthly reporting and financial review meetings are held to review performance at business level ensuring that significant variances between the budget and detailed management accounts are investigated and that remedial action is taken as necessary;
- The Group has a Financial Compliance function to establish compliance policies and monitor compliance across the countries in which the Group operates;
- The Group operates a control self-assessment system covering the key controls for a number of key Financial and Operational functions within the Group;
- A well-resourced and appropriately skilled Finance function is in place throughout the Group;
- Completion of key account reconciliations at reporting unit and Group level;
- Centralised Taxation and Treasury functions and regional Shared Service Centres established to facilitate appropriate segregation of duties;
- The Group Finance Committee has responsibility for raising finance, reviewing foreign currency risk, making decisions on foreign currency and interest rate hedging and managing the Group's relationship with its finance providers;
- The Board, through the Audit Committee, completes an annual assessment of risks and controls;
- Appropriate ICT security environment; and
- The Internal Audit function continually reviews the internal controls and systems and makes recommendations for improvement which are reported to the Audit Committee.

Fair, Balanced and Understandable

The Directors have concluded that the Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects. This assessment was completed by the Audit Committee and the activities undertaken in reaching this conclusion are discussed on page 84.

Relations with Shareholders

Shareholder Communications

The Board ensures that an effective channel of communication with existing and potential shareholders exists. The Group is committed to interacting with Kerry's investment community to share details of its Strategic Plan, long term targets and trading performance.

The Group annual and interim reports together with its Interim Management Statements are the principal mediums through which the Company communicates with its shareholders.

Where necessary, the Board and Committee Chairmen engage with shareholders on specific topics and, where relevant, provide feedback to other Directors. The Chairman and Senior Independent Director are also available throughout the year to meet shareholders on request.

During the year, the Chief Executive, Chief Financial Officer and the Investor Relations team engaged with investors through a variety of formats including hosting a Capital Markets Day for investors in October 2017.

At the Capital Markets Day, the investment community was updated on Kerry Group's Strategic Plan which included its' strategies for growth and return, and new medium term financial targets. It was also an opportunity for many investors to meet with Kerry's leadership team and to get an insight into the Group's business model, market trends and strategic initiatives. Simultaneously, the presentations were available to investors globally through an on-line webcast and a formal press release that was issued that day.

The Investor Relations team maintains constant engagement with the investment community answering financial, sustainability and other queries as they arise. Throughout the year, the Investor Relations team met over 600 investors through participation at roadshows and attendance at conferences in 15 cities globally. In addition, a significant amount of published material including results, share price information, presentations and news releases are accessible to all shareholders on the Group's website (www.kerrygroup.com) and through the Kerry Group Investor Relations online application, which is available on iPad, iPhone and Android. Through the investors section of the website, shareholders and others can subscribe to receive automated Kerry Group plc email alerts when new information is posted to the site.

Annual General Meeting

The AGM provides an opportunity for the Directors to deliver presentations on the business and for shareholders, both institutional and private, to question the Directors directly.

All Directors attend the AGM and are available to meet with shareholders and answer questions as required. Notice of the AGM, proxy statement and the Annual Report and financial statements are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed at the AGM on each substantially separate issue including a particular resolution relating to the adoption of the Directors' and Auditors' reports and the financial statements. Details of the proxy votes for and against each resolution, together with details of votes withheld are announced after the result of the votes by hand. These details are published on the Group's website following the conclusion of the AGM. At the AGM held on 4 May 2017, there were no material votes cast against any resolutions.

Download our Investor App
at kerrygroup.com



AUDIT COMMITTEE REPORT

Philip Toomey
Chairman of the
Audit Committee



Dear Shareholder,

On behalf of the Audit Committee it is my pleasure to present our report for the year ended 31 December 2017.

The report details how the Audit Committee fulfilled its responsibilities during the year under the 2016 UK Corporate Governance Code and the Irish Annex (the Code) and the 2016 Financial Reporting Council (FRC) Guidance on Audit Committees.

During the year the Committee dedicated significant time supporting the Board in executing its duties in relation to reviewing and monitoring on an ongoing basis the Group's risk management and internal control systems. The Committee received detailed presentations on a number of key risk areas including management of intellectual property, the deployment of Kerryconnect, margin management and an update on ICT risks with a particular focus on cybercrime.

The Committee is responsible for assisting the Board in monitoring the Group's financial reporting process including the independence

and effectiveness of the Group's external auditor. The Committee has reviewed in detail both the financial and non-financial sections of the Group's Annual Report and has confirmed to the Board that the report when taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, business model and strategy of the Group.

The Committee has considered the requirements of the Companies Act 2014 in relation to the Directors' Compliance Statement and is satisfied that appropriate steps have been undertaken by the Company to ensure that it is materially compliant with its relevant obligations.

During the year, KPMG performed an External Quality Assessment on the Internal Audit function which concluded that the function was effective in providing independent assurance to the Group and conforms with the vast majority of the Chartered Institute of Internal Auditors (CIIA) standards.

In November 2017, I was appointed Chairman designate to the Board and I will assume my role as Chairman on 4 May 2018. The Nomination Committee is overseeing a formal process to identify and select a candidate to succeed me as Audit Committee Chairman.

I will be available to shareholders at the forthcoming AGM to answer any questions relating to the role of the Committee.



Philip Toomey
Chairman of the Audit Committee

Roles and Responsibilities

The main roles and responsibilities of the Committee, which reflect the Code and the Guidance on Audit Committees, are set out in written terms of reference which are available from the Group's website (www.kerrygroup.com) or upon request.

The key responsibilities outlined in the terms of reference are included in the table overleaf.

Committee Membership

During 2017, the Audit Committee comprised four independent non-Executive Directors; Dr. Hugh Brady, Ms. Joan Garahy, Mr. Tom Moran and was chaired by Mr. Philip Toomey.

As required by the Code, the Board is satisfied that both Mr. Philip Toomey and Ms. Joan Garahy have recent and relevant financial experience, as set out in their biographical details on page 71.

The Board is satisfied that together, the members of the Committee bring a broad range of relevant experience and expertise from a wide variety of industries and backgrounds, and as a whole has competence relevant to the sectors in which the Group operates.

The Company Secretary is the Secretary of the Committee.

During the year the Audit Committee Chairman provided a letter to the Board outlining how the Committee discharged its duties in 2017.

Committee Meetings

The Committee met six times during the year and there was full attendance by Committee members at all meetings.

Typically the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Head of Internal Audit, as well

Primary Responsibilities of the Audit Committee

- Ensuring the interests of shareholders are properly protected in relation to financial reporting and internal control;
- Assisting the Board in executing its duties in relation to risk management and oversight and monitoring of internal controls;
- Monitoring the work of the Internal Audit function;
- Making recommendations to the Board in relation to the appointment, reappointment and removal of the Group's external auditor as well as monitoring their effectiveness and independence;
- Reviewing the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and considering the appropriateness of accounting policies and practices;
- Advising the Board on whether it believes there are any material uncertainties that may impact the Group's ability to continue as a going concern or impact the Group's long term viability;
- Advising the Board on whether the Annual Report and Financial Statements, when taken as a whole are fair, balanced and understandable;
- Reviewing and assessing the effectiveness of the Group's whistleblowing arrangements; and
- Advising the Board in relation to compliance with stock exchange and other legal or regulatory requirements.

as representatives of the external auditor are invited to attend meetings of the Committee. In addition, the Chairman of the Board attends meetings at the invitation of the Committee. When required, other key executives and senior management are invited to attend meetings to provide a deeper insight on agenda items related to the Group's principal risks.

The Committee meet with the external auditor and the Head of Internal Audit, without other executive management being present, on an annual basis in order to discuss any issues which may have arisen in the year under review.

After each Committee meeting, the Chairman of the Committee reports to the Board on the key issues which have been discussed.

Committee Evaluation

The internal evaluation of Board effectiveness described on pages 80 to 81 included a review by the Committee of its own effectiveness. The Audit Committee was deemed to be operating effectively and efficiently. The Committee is satisfied that formal and transparent arrangements for considering corporate reporting, risk management, internal control principles and for maintaining an appropriate relationship with the Company's auditor exist.

Key Activities

Financial Reporting and Significant Financial Judgements

The Audit Committee reviewed the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements before submitting them to the Board of Directors with a recommendation to approve. These reviews focused on, but were not limited to:

- the appropriateness and consistency of accounting policies and practices;
- the going concern assumption;
- compliance with applicable financial reporting standards, corporate governance requirements and the clarity and completeness of disclosures; and
- significant areas in which judgement had been applied in the preparation of the financial statements in accordance with the accounting policies.

A key responsibility of the Committee is to consider the significant areas of complexity, management judgement and estimation that have been applied in the preparation of the financial statements. The Committee has, with the support of PwC as external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management have made appropriate estimates and judgements. The table on page 85 sets out the significant issues considered by the Committee in relation to the financial statements for the year ended 31 December 2017.

Fair, Balanced and Understandable

At the request of the Board, the Audit Committee reviewed the content of the Annual Report to ensure that it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In satisfying this responsibility, the Committee considered the following:

- the timetable for the co-ordination and preparation of the Annual Report and Consolidated Financial Statements, including key milestones as presented at the December Audit Committee meeting;
- the systematic approach to review and sign-off carried out by senior management with a focus on consistency and balance;
- a detailed report from senior finance management was presented to the Audit Committee outlining the process through which they assessed the narrative and financial sections of the 2017 Annual Report and accounts to ensure that the criteria of fair, balanced and understandable has been achieved; and
- the draft Annual Report and Financial Statements were available to the Audit Committee in sufficient time for review in advance of the Committee meeting to facilitate adequate discussion at the meeting.

Having considered the above in conjunction with the consistency of the various elements of the reports, the narrative reporting and the language used, the Committee confirmed to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, business model and strategy.

Significant Financial Reporting Judgements	
Carrying Value of Intangible Assets	Intangible assets, as disclosed in note 12 to the financial statements, represents the largest number on the Group balance sheet at €3.6bn. The Committee considered the process used to identify and value intangible assets arising on acquisitions as well as the process to complete the annual impairment review of the Group's intangible assets and specifically the assumptions used for the future cash flows, discount rates, perpetuity rates and growth rates. The Committee found that the assumptions used for the above valuation and annual impairment review are appropriate following discussions with senior management and the external auditor.
Taxation	Significant judgement and a high degree of estimation is required when arriving at the Group's tax charge and liability. The Committee, in conjunction with tax professionals, reviewed and discussed the basis for the judgments in relation to uncertain tax positions and challenged management on their assertions and also considered the outcome of the external auditors' review of the tax charge and liability. As a result, the Committee believes the impact of uncertain tax positions has been appropriately reflected in the tax charge and liability.
Retirement Benefit Obligations	The Group operates a number of post-retirement benefit schemes, the valuations of which can fluctuate significantly with changes in underlying valuation assumptions. The Committee recognise the uncertainty inherent in these assumptions particularly those related to discount rates, inflation rates and life expectancy. The Committee, having discussed with senior management and considered the view of the external auditors, are satisfied that both the methodology and valuation assumptions, prepared by external actuaries and adopted by management, are appropriate.

Internal Control and Risk Management

The Audit Committee supports the Board in its duties to review and monitor, on an ongoing basis, the effectiveness of the Group's risk management and internal control systems. A detailed overview of the Group's risk management framework is set out in the Risk Report on pages 60 and 61.

Throughout the year, the Committee:

- reviewed and approved the assessment of the principal risks and uncertainties that could impact the achievement of the Group's strategic objectives as described on pages 62 to 68;
- received presentations on a selection of principal risks and discussed with senior management the material internal controls that exist to mitigate these to levels within the Group's risk appetite;
- reviewed quarterly reports from the Head of Internal Audit based on internal audits completed outlining non-compliances with Group controls and management's action plans to address them;
- considered reports from the Head of Internal Audit on fraud investigations or other significant control failures which occurred during the year and approved plans to address and remediate the issues identified;
- received updates from the Group Financial Controller on any control weaknesses identified through monthly financial review meetings;
- considered the results of the Kerry Control Reporting System (the internal control self-assessment review of material finance, operational and compliance controls) and concluded that the controls are operating effectively;
- assessed the Group's risk management and internal control framework in line with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting; and
- reviewed the report from the external auditor in respect of significant financial accounting and reporting issues, together with significant internal control weakness observations.

The Audit Committee, having assessed the above information, is satisfied that the internal control and risk management framework is operating effectively and has reported this opinion to the Board.

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the operation and effectiveness of the Internal Audit function including its focus, plans, activities and resources. To fulfil these duties the Committee:

- reviewed and approved the Group internal audit strategy and annual plan to ensure alignment with the Group's principal risks;
- considered and were satisfied that the competencies, experience and level of resources within the internal audit team were adequate to achieve the proposed plan;
- considered the role and effectiveness of internal audit in the overall context of the Group's risk management framework and were satisfied that the function has appropriate standing within the Group;
- received quarterly updates from the Head of Internal Audit on progress against the agreed plan including the results of internal audit reports and management's actions to remediate issues identified;
- received updates on the nature and extent of non-audit activity performed by internal audit;
- held a meeting with the Head of Internal Audit without the presence of management;
- ensured that the Head of Internal Audit had regular meetings with the Chairman of the Audit Committee and had access to the Chairman of the Board if required; and
- ensured co-ordination between Group Internal Audit and the external auditor to maximise the benefits from clear communication and co-ordinated activities.

In order to comply with the Chartered Institute of Internal Auditors (CIIA) requirements, an External Quality Assessment (EQA) by an independent body is conducted at least every five years to confirm conformance with the International Professional Practice Framework of the CIIA. KPMG was engaged during 2017 to complete a full external assessment. This assessment considered the positioning, people and processes of the function, and these were assessed against the CIIA standards and also against best practice and peer organisations. The output from the review was presented by KPMG to the Audit Committee at the November meeting.

The assessment found that the Internal Audit function was effective in providing independent assurance to the Group and conforms with the vast majority of the CIIA standards. In addition, the assessment contained a number of recommendations to be considered to further evolve and strengthen the Internal Audit function's effectiveness.

On the basis of the above the Committee concluded that for 2017 the Internal Audit function was performing well and is satisfied that the quality, experience and expertise of the function is appropriate for the Group.

External Auditor

On behalf of the Board the Audit Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making recommendations to the Board on the appointment, reappointment and removal of the external auditor, assessing their independence and effectiveness and negotiating the audit fee.

During the year, the Committee met with the external auditor without management present to discuss any issues that may have arisen during the audit of the Group's Consolidated Financial Statements.

Independence and provision of Non-Audit Services

The Committee is responsible for ensuring that the external auditor is independent and for implementing appropriate safeguards where the external auditor also provides non-audit services to the Group.

PwC confirmed to the Audit Committee that they are independent from the Group under the requirements of the Auditing Practices Board's Ethical Standards for Auditors. The lead engagement partner on the Group's audit is John McDonnell who was appointed in 2016 and it is planned that he will rotate at the end of financial year 2020 in order to ensure continued independence and objectivity. In accordance with the Group's policy on the hiring of former employees of the external auditor, the Committee reviews and approves any appointment of an individual, within three years of having previously been employed by the external auditor, to a senior managerial position in the Group.

A formal policy governing the provision of non-audit services by the external auditor is in place and this policy is reviewed and approved by the Audit Committee on an annual basis. This policy is designed to safeguard the objectivity and independence of the external auditor and to prevent the provision of services which could result in a potential conflict of interest. The policy outlines

the services that can be provided by the external auditor, the relevant approval process for these services, and those services which the external auditor is prohibited from providing (as outlined in Article 5 of EU Regulation 537/2014). Prohibited services include activities such as certain tax services, book-keeping and work relating to the preparation of accounting records and financial statements that will ultimately be subject to external audit, financial information system design and implementation, internal auditing and any work where a mutuality of interest is created that could compromise the independence of the external auditors.

In line with the policy, during 2017 all non-audit services and fees were approved by the Audit Committee. The Committee is satisfied that the fees paid to PwC for non-audit work, which were minimal, did not compromise their independence or integrity. Further details of the fees paid to the external auditors during the year are outlined in note 3 to the financial statements. Having considered all of the above, the Committee concluded that the Group's external auditor is independent.

Effectiveness

Post completion of the 2016 audit, in conjunction with PwC, review meetings were held with senior finance management across all regions and it was confirmed by both parties that no issues had arisen during the audit process.

At the November Audit Committee meeting, PwC outlined to the Committee in detail the external audit plan. The Committee discussed the significant audit risks and key audit matters, audit scope and materiality amongst other matters. The Audit Committee agreed that the plan and the materiality at which any misstatements should be reported by PwC to the Committee was appropriate.

Prior to the finalisation of the 2017 Financial Statements, the Audit Committee received a detailed presentation and final report from PwC. The Committee also considered feedback from the lead partner and senior executives in concluding that PwC effectively delivered against the objectives of the agreed audit plan.

In assessing the effectiveness of the external auditor the Audit Committee also considered the following:

- the quality of presentations to the Board and Audit Committee;
- the technical insights provided relevant to the Group; and
- demonstration of a clear understanding of the Group's business and key risks.

On the basis of the above the Committee is satisfied with the effectiveness of the external auditors.

Appointment

The Audit Committee reviews annually the appointment of the external auditor, taking into account the auditor's effectiveness and independence. On that basis, the Committee recommended to the Board that PwC should continue in office as the auditor to the Group in respect of the year ending 31 December 2018.

The Audit Committee approved the remuneration of the external auditor, details of which are set out in note 3 to the financial statements.

Directors' Compliance Statement

During the year, the Audit Committee reviewed the appropriateness of the Directors Compliance Policy Statement which was developed in 2016. The Committee received a report from senior management on the review undertaken during the financial year of the compliance structures and arrangements in place to ensure the Company's material compliance with its relevant obligations. On the basis of this report, the Committee confirmed to the Board its opinion that the Company is in material compliance with its relevant obligations.

Whistleblowing and Fraud Arrangements

During the year, the Head of Internal Audit provided the Committee with summaries of fraudulent matters outlining the details of such incidents, key control failures, any financial loss and actions for improvement.

The Group employs a comprehensive and confidential reporting procedure to assist management and employees to work together to address fraud, abuse, and other misconduct in the workplace. The Committee reviewed the operation of these procedures during the year and were satisfied with the process.

NOMINATION COMMITTEE REPORT

Michael Dowling
Chairman of the
Nomination Committee



Dear Shareholder,

On behalf of the Nomination Committee, I am pleased to present our report for the year ended 31 December 2017.

The Nomination Committee is responsible for evaluating the structure, size, composition and successional needs of the Board and making recommendations on same, with due regard for Board diversity. Additionally, the Committee is responsible for the review of the results of the annual Board evaluation process as it relates to the Board and Committee performance and composition.

In February 2017, upon the recommendation of the Nomination Committee, the Board appointed Mr. Edmond Scanlon to succeed Mr. Stan McCarthy as CEO with effect from 1 October 2017. Mr. Scanlon was appointed as an Executive Director to the Board on the same date.

On 19 February 2018 the Board, upon the recommendation of the Committee, agreed its intention to appoint Ms. Marguerite Larkin to the Board and as Chief Financial Officer with effect from 30 September 2018. Ms. Larkin will succeed Mr. Brian Mehigan who will assume the role of Chief Strategy Officer on the same date.

A primary focus of the Committee in 2017 was succession planning for the role of the Chairman of the Board. In November 2017, following a process undertaken by an independent sub-committee and supported by external advisors, Mr. Philip Toomey was appointed as the Chairman designate and will assume the role of Chairman on 4 May 2018.

During the year under review, the Committee continued to lead the Board refreshment process ensuring the composition of the Board has the correct balance of skills, knowledge, experience, diversity and independence. Non-Executive Director succession continues to be a focus as we identify a pipeline of appropriate talent.

An internal review of the effectiveness of the Board and its Committees was conducted during 2017 and the outcome of this review is that the Board and its Committees are performing well. Further details are set out on page 91.

The Committee continues to plan strategically for Board and senior management succession.

Michael Dowling
Chairman of the Nomination Committee

Role and Responsibilities

The main roles and responsibilities of the Committee, which were reviewed during 2017, are set out in written terms of reference which are available from the Group's website (www.kerrygroup.com) or upon request.

The key responsibilities outlined in the terms of reference are included in the following table:

Primary Responsibilities of the Nomination Committee

- Evaluating the balance of skills, experience, independence, knowledge and diversity of the Board to ensure optimum size and composition;
- Ensuring an appropriate nomination process is in place for Board appointments;
- Ensuring a formal induction plan is in place for each new Director on appointment;
- Reviewing a candidate's other commitments to ensure that on appointment, a candidate has sufficient time to undertake the role;
- Reviewing the Board Diversity Policy;
- Making recommendations to the Board on the appointment and re-appointment of both Executive and non-Executive Directors;
- Making recommendations to the Board concerning membership of Board Committees in consultation with the Chairs of the Committees;
- Ensuring plans and processes are in place for succession planning for Directors, including the Chairman, Senior Independent Director, non-Executive Directors and senior management positions; and
- Overseeing the conduct of the annual evaluation of the Board and its Committees.

The Chairman of the Board or an independent non-Executive Director of the Company acts as the Chairman of the Committee. The Chairman of the Board does not chair the Committee when it is dealing with the matter of succession to the Chairmanship.

Committee Membership

During 2017, the Nomination Committee comprised three independent non-Executive Directors; Dr. Hugh Brady, Dr. Karin Dorrepaal, Mr. James Kenny and was chaired by Mr. Michael Dowling, Chairman of the Board.

The Board ensures that the membership of the Nomination Committee is refreshed in accordance with the Group's Corporate Governance Policy. The quorum for Committee meetings is two and only Committee members are entitled to attend. The Nomination Committee may extend an invitation to other persons to attend meetings or to be present for particular agenda items as required. The Company Secretary acts as Secretary of the Committee.

During 2017, the Committee engaged Heidrick & Struggles, an international specialist recruitment firm, and Mr. Peter Lever, a UK based independent management consultant, to assist with Board refreshment and Executive succession planning. Neither Heidrick & Struggles nor Mr. Lever have any other connection to the Group.

Committee Meetings

The Committee met four times during the year and there was full attendance by Committee members at all meetings.

Nomination Process

There is a formal, rigorous and transparent procedure determining the nomination for appointment of new Directors to the Board. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Committee engages specialist recruitment consultants to assist in the identification and selection process. The Committee makes recommendations to the Board concerning appointments of Executive or non-Executive Directors, having considered the blend of skills, experience, independence and diversity deemed appropriate and reflecting the global nature of the Group.

The Nomination Committee also makes recommendations to the Board concerning the reappointment of any non-Executive Director at the conclusion of their specified term and the re-election of all Directors who are the subject of annual rotation. The terms and conditions of appointment of non-Executive Directors are set out in formal letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the AGM of the Company.

The key stages in the nomination process are outlined in the following diagram.



BOARD REFRESHMENT POLICY

On an ongoing basis, the Nomination Committee reviews and assesses the structure, size, composition and overall balance of the Board and makes recommendations to the Board with regard to refreshment and succession planning.

Appointments to the Board are for a three year period, subject to shareholder approval and annual re-election, after consideration of annual performance evaluation and statutory provisions relating to the removal of a Director. The Board may appoint such Directors for a further term not exceeding three years and may consider an additional term if deemed appropriate.

During the year, the Chairman conducted a rigorous review of all non-Executive Directors as part of the Board evaluation process, taking into account the need for progressive refreshment of the Board. The Board explains to shareholders, in the papers accompanying the resolutions to elect and re-elect the non-Executive Directors, why it believes the individual should be re-elected based on the results of the formal performance evaluation.

DIVERSITY POLICY

Diversity is fully embraced at Kerry and the Group is committed to having a work environment that is respectful of everyone. In order to achieve a positive and productive workplace, all employees must work together and realise each individual has something unique to contribute to the overall success of Kerry.

The Group's Diversity and Inclusion policy is an integral part of the Group Code of Conduct ensuring that diversity and inclusion are embedded in Kerry Group's core values. Within this, the Group seeks to recruit, hire and retain the best talent from a diverse mix of backgrounds, with the skills and experiences to drive new ideas, products and services providing a sustained competitive advantage.

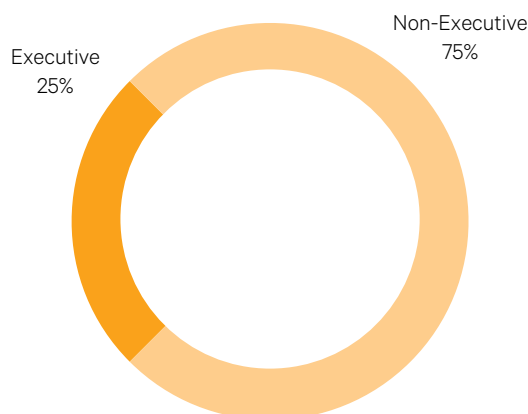
The Board believes in the benefits of having a diverse Board and the benefits that it can bring to its effective operation. Differences in background, gender, skills, experiences, nationality and other attributes are considered in determining the optimum composition

of the Board and with the aim to balance it appropriately. With regard to the specific issue of gender diversity, the Board currently has 2 (17%) female representatives. In line with its diversity policy, and recommended best practice, the Board's ambition is to further increase this number in the short to medium term. All Board appointments are made on merit, with due regard to diversity.

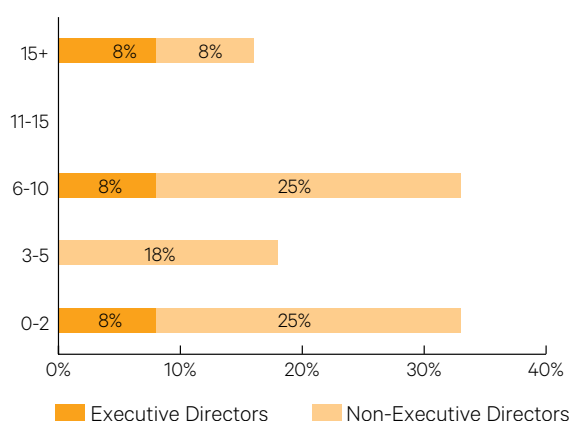
In reviewing Board composition and agreeing a job specification for new non-Executive Director appointments, the Committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to complement the range and balance of skills, knowledge and experience on the Board. As part of the identification process external consultants are required to present a list of potential candidates, who meet the stated specification and requirements, comprising candidates of diverse backgrounds for consideration by the Committee.

A summary of the Group's current position relating to Board and senior management diversity is provided below:

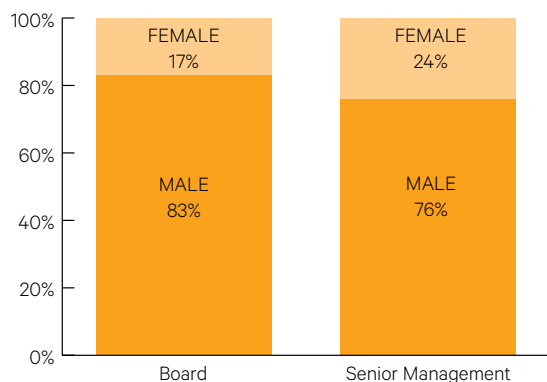
Executive / Non-Executive Directors



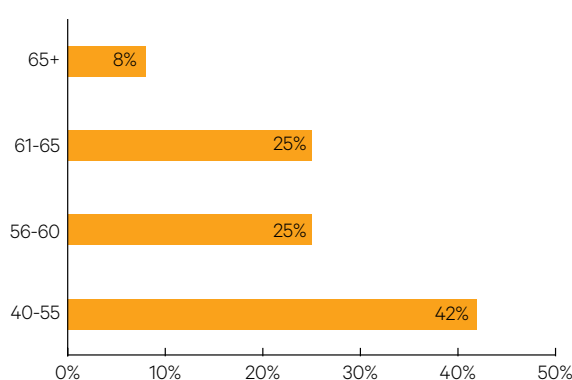
Board Tenure (Years)



Diversity



Board Age Profile



Key Activities

The key activities of the Committee throughout the year are detailed below:

Subject	Committee Activity
Group CEO Succession	In February 2017, the Board approved the appointment of Mr. Edmond Scanlon as CEO designate to succeed Mr. Stan McCarthy upon his retirement. Mr. Scanlon assumed the role of CEO on 1 October 2017 and was appointed to the Board on the same date. Edmond had previously served as the President and CEO of the Kerry Asia-Pacific region and was formerly President of Kerry China. Mr. Stan McCarthy officially retired as Group CEO on 30 September 2017 and retired from the Board on 31 December 2017.
Chairman Succession	In May 2017, Mr. Michael Dowling notified the Board of his intentions to step down as Chairman and retire from the Board. A separate sub-committee comprising Dr. Hugh Brady, Dr. Karin Dorrepaal, Mr. Tom Moran and chaired by Mr. James Kenny conducted a formal process to identify and recommend a candidate to succeed Mr. Dowling. The Committee engaged external consultants to assist in the process to identify a candidate. Following the conclusion of this process, the sub-committee recommended the appointment of Mr. Philip Toomey and this was endorsed by the Board at its meeting in November 2017.
Group CFO Succession	Following the conclusion of a process to identify and appoint a new Chief Financial Officer, the Nomination Committee recommended to the Board that the successful candidate, Ms. Marguerite Larkin, be appointed to the Board when she assumes the CFO role on 30 September 2018. This recommendation was approved by the Board on 19 February 2018.
Board Refreshment	Following a process overseen by the Committee, in conjunction with external advisors, two new non-Executive Directors, Mr. Gerard Culligan and Mr. Con Murphy, were appointed to the Board on 1 June 2017.
Audit Committee Chairman	The Nomination Committee has commenced a formal process to identify a suitable candidate to succeed Mr. Philip Toomey as Chairman of the Audit Committee.
Board Size and Composition	In 2017, as part of its remit, the Committee considered the size and composition of the Board. At 31 December 2016, the Board comprised 12 members. Following the retirement of Mr. Flor Healy and Mr. Patrick Casey and the appointments of Mr. Edmond Scanlon, Mr. Gerard Culligan and Mr. Con Murphy, the Board size increased to 13 members and reduced to 12 following the retirement of Mr. Stan McCarthy on 31 December 2017. The Committee will continue to consider both Board size and composition during 2018.
Re-election of Directors	The Committee recommended that all Directors, subject to and seeking re-election, be put forward for re-election at the Group's 2018 AGM.
Board and Committees Effectiveness Evaluation	As outlined in detail on pages 80 and 81, an internal evaluation of the Board and its Committees took place in 2017 in line with the provisions of the 2016 UK Corporate Governance Code and the Irish Annex. The Committee considered the outcome of this evaluation and identified the areas relevant to the Nomination Committee. Each recommendation was assessed and an action plan was developed to address areas for potential improvement. These recommendations will be reviewed and considered by the Committee in 2018.
Company Secretary	During 2017, the Company Secretary, Mr. Brian Durran, notified the Board of his intention to retire from his role in February 2018. A process was undertaken to identify a candidate to replace Mr. Durran. Upon the recommendation of the Nomination Committee, the candidate selected, Mr. Ronan Deasy, the current Group Financial Controller, was approved by the Board and will assume this role on 1 March 2018.
Kerry Foods CEO Succession	The Nomination Committee was consulted on the appointment of the new Kerry Foods CEO following the resignation of Mr. Flor Healy.



Joan Garahy
Chairperson of the
Remuneration Committee

Section A: Chairperson's Annual Statement

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2017.

Remuneration Policy

The Group's Remuneration Policy is outlined in Section C on pages 98 to 102 and has been updated to align it with our new strategic plan.

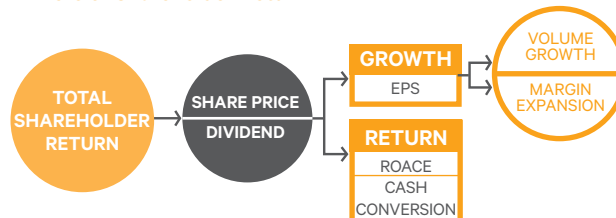
The Committee is confident that the Group's Remuneration Policy operates to the highest standards in achieving its strategic objectives, is properly governed and is in line with best market practice.

The updated Remuneration Policy is being put to a separate advisory (non-binding) shareholder vote for the first time at the AGM on 3 May 2018, in addition to a further advisory shareholder vote on the rest of the Directors Remuneration Report. The Remuneration Policy will provide the framework for remuneration decisions made by the Committee for three years from the date of the AGM.

Pay for Performance

The Committee ensures alignment with Shareholder long term interests by aligning remuneration metrics with the Group's business model and strategic objectives and by ensuring sufficient stretch in the performance targets.

Drivers of Shareholder Return



As outlined in the Strategic Report on page 24, Volume Growth and Margin Expansion are the main drivers of Adjusted Earnings Per Share (EPS) which is the key performance metric for measuring growth. Return on Average Capital Employed (ROACE) is a key measure of how efficiently the Group employs its available capital. Cash Conversion is also an important indicator of the cash the Group generates for reinvestment or for return to shareholders.

These are the main Group metrics which drive the Executive Directors Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP). Together these metrics deliver Total Shareholder Return which aligns the interest of the Executive Directors with that of the shareholders. Our remuneration philosophy also supports our long term approach by deferring a significant part of annual and long term variable remuneration into share awards, which provides clear alignment with the long term interests of shareholders, together with requiring executives to acquire and maintain significant shareholdings in the Group.

In line with best market practice, Malus and Clawback provisions apply to the Executive Directors STIP and LTIP awards.

Remuneration Policy Implementation 2018

The previous three year review cycle of CEO & Executive Director remuneration arrangements was completed in 2015 and formed the basis of pay decisions implemented in 2016 and 2017. In line with the Group's strategic planning cycle, new medium term targets were communicated to the market during 2017. In parallel, to ensure remuneration is linked with the plan, we undertook a review during 2017 of the Executive Director remuneration policy, including Short and Long Term Incentive Plans, one year earlier than normal.

Basic Salary

The review, performed in conjunction with Willis Towers Watson, determined that there were no significant base salary adjustments or STIP/LTIP opportunity increases required and that current levels of remuneration are in line with our Irish, UK, USA and European market peers and are appropriate to the roles. For 2018, the basic salaries of the CFO and the CEO of Taste & Nutrition will be increased by 2.5% - 3% in line with general wage inflation. As outlined below, the new CEO Edmond Scanlon's initial base salary is being set at €1,050,000 effective from 1 October 2017 and will be reviewed on an annual basis in line with performance.

Updates to 2018 Short and Long Term Incentive Plans

The structure of both the STIP and LTIP incentive schemes were reviewed in 2017 to ensure that they develop in line with the Group's strategic goals and that the metrics and calibrations are appropriate and linked to the strategic plan.

STIP

The outcome of the review concluded that in the past a high percentage of the STIP award was associated with the annual adjusted EPS growth metric and it was also the heaviest weighted metric in the LTIP plan. In order to reduce the emphasis on the EPS growth metric, and to more closely align remuneration metrics with our new strategic plan and the drivers of sustainable EPS growth, the Remuneration Committee decided that for Executive Directors the EPS metric would be replaced by Volume Growth and Margin Expansion metrics.

LTIP

In setting the EPS threshold for the 2018 LTIP award the Committee has taken into account a number of factors including adjusted EPS growth performance for recent years, the strategic plan presented recently to shareholders, current market guidance and three year rolling performance for LTIP's currently inflight. In this regard, the Board are comfortable that the threshold for the adjusted EPS growth metric remains at 6% for the 2018 award, with a more challenging target and maximum remaining at 10% and 12% respectively.

The Group reports in euros, but the significant majority of its revenues are generated outside of the Eurozone. As a result of this, currency volatility has a significant impact on our adjusted EPS growth when calculated on a reported currency basis. The Board decided in 2017 as part of the strategic planning process to permanently move to constant currency Adjusted EPS as our core measure of financial growth and communicated this to shareholders at our Capital Markets Day held in Naas, Ireland on 11 October 2017, which I attended. In addition, on behalf of the Committee I consulted directly with the Irish Association of Investment Managers (IAIM), the proxy agencies and a number of our major shareholders by conference call in December 2017 to discuss the change. There was significant support from the parties consulted. The Committee thus decided that from 2018 onwards, including current LTIP programmes, Kerry will measure the adjusted EPS growth metric on a constant currency basis when reporting Group results and when assessing performance for LTIP outturn purposes.

The Committee believes that these adjustments will appropriately align the incentives for Executive Directors and senior management with the strategic targets communicated to the market.

We are confident that our Remuneration Policy will ensure executives continue to deliver significant value to our shareholders as history has clearly demonstrated they have, and that our performance measures remain relevant, stretching and aligned to the strategic plan.

Non-Executive Director Remuneration Policy for 2018

The last review of non-Executive Director Remuneration levels was undertaken in 2014 and increases were made effective from 1 January 2015.

In line with the three year review cycle the Chairman and non-Executive Directors fees were reviewed and benchmarked against 3 Peer groups during 2017 (i.e. ISEQ 10, Kerry's TSR Peer Group and a combined FTSE-TSR Peer Group). The review found that our basic non-Executive Director fees were well below the median fee levels of the 3 peer groups analysed and that the Chairman's fee was in the lower quartile. This result is reflective of the Group's heritage, historical Board composition and the fact that non-Executive Director fees have not, in the past, been subject to annual increases for inflation. Following consultation with major shareholders, market aligned adjustments are therefore being applied effective from January 2018. The Chairman's annual fee is being increased by 55% to €357,500 and the non-Executive Director basic fee is being increased by 34% to €78,000, bringing their total fees in line with the median fee levels of the peer groups analysed. It was agreed to maintain the separate fees applying to membership/chair of Committees and other fees at current levels, as these are deemed to be correctly benchmarked.

Remuneration Policy Outturn 2017

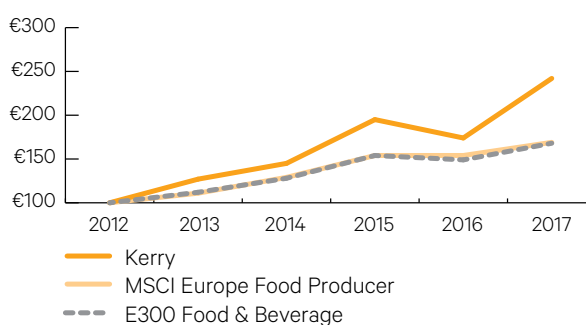
In the face of challenging external global business environment conditions in 2017, and in particular the ongoing impact of adverse currency movements, the Group again delivered a good financial performance for the year as is shown in the 2017 performance table.

2017 Performance	Target	Results
Adjusted EPS	342.8 cent	341.2 cent
Group Free Cash Flow	€400m	€501m
ROACE	12%	13%

The outturn for the Adjusted EPS growth metric was slightly below the target for 2017. The outturn for the Group free cash flow and ROACE metrics exceeded target performance.

As can be seen in the Total Shareholder Return graph, Kerry's Total Shareholder Return increased by 39% during 2017 and with reinvestment of dividends returned 142% over the last 5 years.

5 Year Total Shareholder Return (Value of €100 Invested on 31/12/2012)

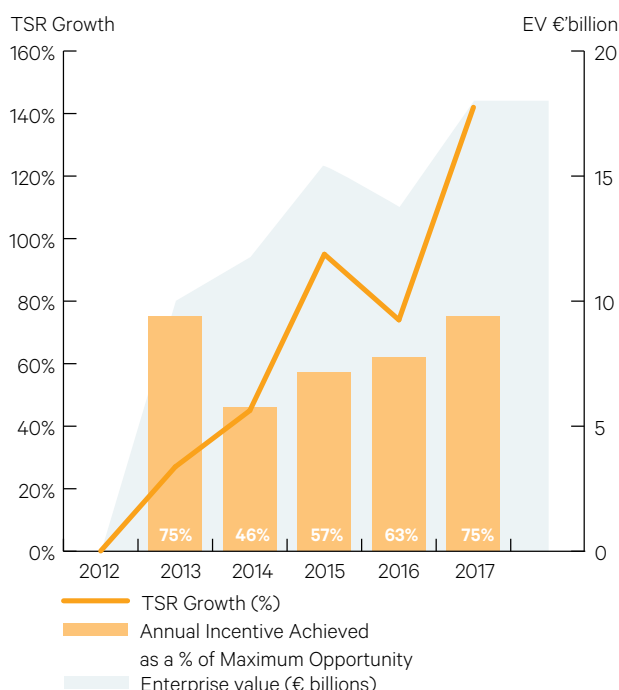


2017 Annual Incentive Outturn

When assessing the annual incentive outturn for 2017, the Committee discussed whether or not the €52.8m deferred tax credit arising from the recently enacted US Tax Cuts & Jobs Act should be included in the outturn for the adjusted EPS growth metric. Following discussion, the Committee exercised its discretion and decided to exclude the tax credit from the calculation which resulted in a 35.8% lower outturn for the metric than if it had been included.

The accompanying chart, which shows the very good group performance over the last 5 years, also illustrates the challenging and stretching nature of targets set by the Committee for performance metrics used for annual incentive purposes.

TSR Growth, Enterprise Value Growth & Annual Incentive Payout



For 2017, the STIP payouts to Executive Directors were on average 75.3% of the maximum available opportunity.

Long Term Incentive Plan 2015-2017 Outturn

When assessing the outcome of the EPS metric the Committee addressed two areas of discretion. Firstly, the Committee decided to exclude the €52.8m benefit of the deferred tax credit arising from the recently enacted US Tax Cuts & Jobs Act. Secondly the Committee decided, having consulted with IAIM, the proxy agencies and a number of our major shareholders, to change the calculation of the adjusted EPS metric to bring it into line with the decision announced at the recent Capital Markets Day, to use constant currency rates when measuring financial performance rather than reported rates.

The net result of these two decisions was to decrease the calculated outturn of the 2015-2017 LTIP award by 8.8% of the maximum opportunity.

The final outturn of the 2015-17 LTIP award following the above Committee discretion exercised, was 62.3% of maximum opportunity.

Other Matters

New Appointments to the Board

As announced in February 2017, Stan McCarthy our Group CEO announced his retirement after 40 years with Kerry and 10 years as Group CEO. He stepped down as Group CEO on 30 September 2017 and was succeeded by Edmond Scanlon who had previously served as President and CEO of the Kerry Asia-Pacific region.

Edmond Scanlon's base salary, as new Group CEO, has been set at €1,050,000 effective from 1 October 2017 and will apply up until the end of 2018. The initial salary level has been set 20% lower than that of his predecessor Stan McCarthy and will be reviewed on an annual basis in line with performance. Current STIP and LTIP opportunities for the Group CEO were deemed appropriate and will remain the same at 150% and 200% of basic pay respectively.

Departing Executives

As noted above, Stan McCarthy retired as Group CEO with effect from 30 September 2017. Stan McCarthy continued to serve Kerry in an executive capacity on his existing terms until he retired on 31 December 2017.

Flor Healy also retired from the Board on 8 August 2017 and stepped down as CEO of Consumer Foods after 33 years with Kerry and worked with his successor Duncan Everett to provide a smooth handover.

Severance Payments

No ex gratia severance payments were made to Executive Directors on leaving the Group and only payments covered under their employment agreements were paid.

Contractual Non-Compete/Non-Solicitation Payments

In consideration for abiding with the contractual non-compete/non-solicitation requirements of Stan McCarthy's employment agreement (and in order to protect the Group's customer base, employees and intellectual property), he is to be paid a non-compete payment of 12 months' base salary (monthly in arrears). His accumulated entitlements under the LTIP scheme will be based on the actual future outcomes for the inflight schemes, reduced for the time periods post his retirement on a pro-rated basis. These conditional awards also remain subject to the normal performance conditions/vesting dates and are still bound by the further two year deferral requirements.

Committee Performance

An internal review of the Remuneration Committee's performance was undertaken by the Committee during 2017 and found that the Committee was operating effectively.

Conclusion

The Committee continues to review the Group's remuneration policy to ensure that it remains aligned to long term shareholders' interests, is correctly reported in line with relevant legislation and provides the right framework to attract, retain and motivate the Executive Directors to meet the Group's objectives. I would also like to take this opportunity to thank the members of the Remuneration Committee for their commitment during what proved to be a very busy and productive year.

As noted earlier the remuneration policy and implementation thereof will be put to shareholders as two separate advisory votes at this year's AGM. Last year 97% of our shareholders who voted, voted in favour of the Directors Remuneration report. On behalf of the Remuneration Committee, I believe that we have put together a Rewards policy and programme for 2018 which is again worthy of shareholder support.



Joan Garahy
Chairperson, of the Remuneration Committee

Section B: Remuneration Committee & Key Activities

Committee Membership

During 2017, the Remuneration Committee comprised four independent Non-Executive Directors; Mr. James C. Kenny, Dr. Karin Dorrepaal, Mr. Tom Moran and was chaired by Ms. Joan Garahy. Details of the skills and experience of the Directors are contained in the Directors' biographies on pages 70 to 71.

Role and Responsibilities

On behalf of the Board, the Remuneration Committee is responsible for determining the remuneration policy for the CEO and the other Executive Directors on an annual basis. The CEO is invited to attend Remuneration Committee meetings, but does not attend Committee meetings when his own remuneration is discussed. The Committee also has access to internal and external professional advice as required. The Committee follows an annual and tri-annual calendar with matters scheduled and planned well in advance. Decisions are made within agreed reference terms, with additional meetings held as required. In considering the agenda, the Committee gives due regard to overall business strategy, the interests of shareholders and the performance of the Group.

The Remuneration Committee also completes an assessment of its own performance on an annual basis and reports any recommendations to the Board.

The main responsibilities of the Committee, which were reviewed during 2017, are set out in its written terms of reference and are available from the Group's website (www.kerrygroup.com) and upon request.

Primary Responsibilities of the Remuneration Committee

- To review the remuneration of the CEO and Executive Directors;
- To review the remuneration of the Chairman and non-Executive Directors;
- To review and approve incentive plan structures and targets;
- To agree the design of all share incentive plans for approval by the shareholders;
- To ensure the contractual terms of Executive Directors are deemed fair and reasonable;
- To place before shareholders at each AGM, a Directors' Remuneration Report outlining the Group's policy and disclosures on remuneration;
- To arrange where appropriate, external benchmarking of overall remuneration levels and the effectiveness of share based incentives and long term incentive schemes;
- To receive recommendations from the CEO and have oversight of the salaries and overall remuneration of senior management;
- To review annually its own performance and terms of reference to ensure it is operating effectively; and
- To exercise discretion when appropriate, in the interest of alignment and fairness.

Remuneration Committee Meetings and Activities 2017

The Committee met five times during the year and there was full attendance by Committee members at the meetings.

The key activities undertaken by the Committee in discharging its duties during 2017 are set out below:

Subject	Remuneration Committee Activity
Remuneration Report	A review of best practice remuneration reporting was completed during 2017 to ensure compliance with relevant legislation and reporting requirements while also ensuring the delivery of a report, which is transparent and understandable for all shareholders. As part of this review, the Committee considered the recent updates and guidance by the main shareholder representative bodies and proxy agencies, together with the 2014 Irish Companies Act and the recently introduced EU Shareholders' Rights Directive. The Committee is satisfied that the Group is complying fully with relevant best practice reporting.
Basic Salary	A detailed benchmark review of Executive Directors' salaries is scheduled on a three year cycle however due to the Group strategic planning exercise carried out during 2017, this review was brought forward by one year and completed in 2017 with the assistance of Willis Towers Watson. See Implementation Section on page 103 for details on the outcome of the review.
Short Term Incentive Plan (STIP)	A detailed benchmark review of the Group's STIP plan was undertaken in 2017 by the Committee with the assistance of Willis Towers Watson, to ensure that the plan design, metrics and targets are appropriately stretching and aligned with the new strategic plan. While there were no changes to the overall opportunity arising from this review the Committee decided to change the metrics that will be used in future awards. The Committee exercised discretion where required when reviewing all matters in relation to the 2017 STIP outcomes and the targets for 2018. See Implementation Section on page 103 for details on the outcome of the review.

Subject	Remuneration Committee Activity
Long Term Incentive Plan (LTIP)	A detailed benchmark review of the Group's LTIP plan was undertaken in 2017 by the Committee, with the assistance of Willis Towers Watson, to ensure that the plan design, metrics and targets are appropriately stretching and aligned with the new strategic plan. While there were no changes to the overall opportunity or metrics used arising from this review, the calculation of the adjusted EPS metric was changed to align with how it will be reported in the future. The Committee exercised discretion where required when reviewing all matters in relation to the 2015-17 LTIP outcomes and the targets for 2018-20. See Implementation Section on page 104 for details on the outcome of the review.
Chairman & Non-Executive Directors' Fees	In line with the 3 year review cycle, a detailed benchmark review of the Chairman and non-Executive Directors' fees was undertaken in 2017 with the assistance of Willis Towers Watson. The Chairman's fee and the non-Executive Directors basic fee were changed following this review. See Implementation Section on page 105 for details on the outcome of the review.
Executive Contracts	During 2017 the Committee formalised the service contracts with the new Group CEO and the existing Executive Directors. This was achieved through discussion and agreement with each Executive Director. In addition, a new Executive Directors Recruitment and Payment for Loss of office policy was agreed with the assistance of Willis Towers Watson. See Remuneration Policy Section on page 99 for details on the new policy.
Shareholder Consultation	The Committee reviewed the results of the vote by shareholders on the 'Say on Pay' at its first meeting following the 2017 AGM. The resolution of the shareholder vote was 97% in support of the report. In the context of the 2017 review to be implemented in 2018, the Committee engaged with major institutional shareholders who provided important input and commentary which were considered by the Committee in 2017. These inputs together with inputs received from shareholder representative bodies/governance groups (including the Irish Association of Investment Managers) and the result of shareholders votes, informed the final remuneration proposals for 2018.
Senior Management Review	Within its terms of reference, there is a requirement for the Committee to have oversight of the salaries and overall remuneration of senior management. During 2017 routine benchmarking was undertaken in relation to senior management together with a review of gender pay. Recommendations and proposed changes following this review were presented to the Committee for information purposes.
Committee Evaluation	During the year the Committee reviewed and updated its' Terms of Reference. A copy of these terms is available on the group website www.kerrygroup.com.

Remuneration Committee Advisors

The Remuneration Committee is authorised by the Board to appoint external advisors and Willis Towers Watson is the advisor to the Remuneration Committee. Willis Towers Watson has also provided management remuneration information and pension advisory services to the Group during the period under review. The Committee ensures that the nature and extent of these other services does not affect the advisor's independence. The fees incurred with Willis Towers Watson for advising the Committee in 2017 were €247,000 (2016: €107,000).

Section C: Remuneration Policy

In line with the Group's business planning cycle, our strategic plan was updated during 2017. In parallel, to ensure remuneration is linked with the plan, a review of the remuneration policy together with a detailed benchmarking review of both Executive Director and non-Executive Director remuneration, including Short and Long Term Incentive plans, was undertaken during 2017.

Following the review, no changes to opportunity levels are proposed for the CEO or Executive Directors, however refinements are required to align the Remuneration policy with the Strategic plan and these are outlined below.

The Group's Executive Director remuneration philosophy is to ensure that executive remuneration properly reflects the duties and responsibilities of the executives, and is sufficient to attract, retain and motivate individuals of the highest quality on an international basis. Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to encourage performance at the highest levels in line with the Group's strategy.

Peer Group

We benchmark ourselves against comparable companies (our 'compensation peer group') to ensure that our Executive Director compensation is competitive in the marketplace. The Committee uses peer group data to benchmark our compensation with respect to base salary, short and long term incentives and total compensation. For the review completed in 2017, our compensation peer group was comprised of 28 Irish, UK, USA and European companies (including all the companies in the LTIP peer group), which are comparable to the Group in terms of size, geographical spread and complexity of business, and operate in the Food & Beverage and other sectors. It also considered pay and employment conditions elsewhere in the Group.

The Committee considers the level of pay in terms of the balance between the fixed and variable elements of remuneration. Fixed elements of remuneration are defined as basic salary, pension and other benefits with the variable elements being performance related incentives with both short and long term components.

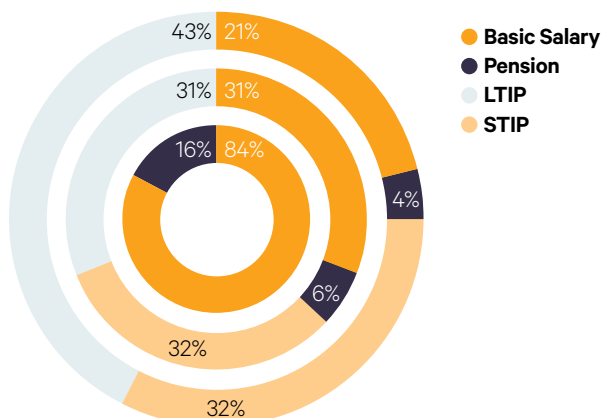
A high proportion of Executive Directors' potential remuneration is based on short term and long term performance related incentive programmes. By incorporating these elements, the Remuneration Committee believes that the interest and risk appetite of the Executive Directors is properly aligned with the interests of the shareholders and other stakeholders.

Necessary expenses incurred undertaking company business are reimbursed and/or met directly so that Executive Directors are no worse off on a net of tax basis for fulfilling company duties.

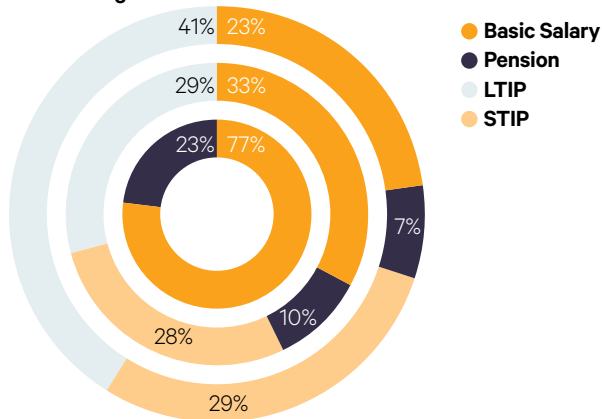
Illustration of Remuneration Policy

The following diagram shows the minimum, target and maximum composition balance between the fixed and variable remuneration components for each Executive Director effective for 2018. The inner most circle represents the minimum potential scenario for remuneration, with the middle circle representing target and the outer circle representing maximum potential.

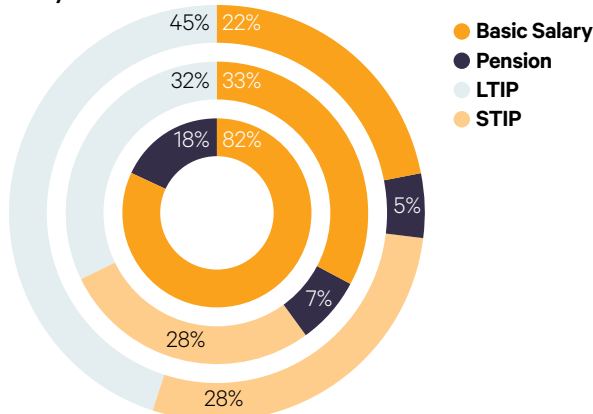
Edmond Scanlon



Brian Mehigan



Gerry Behan



Service Contracts

The Executive Directors and the new CEO have service contracts in place which can be terminated by either party giving 12 months' notice. In addition, all service contracts include pay in lieu of notice, non-compete and non-solicitation provisions of up to 12 months' post departure, in order to protect the Group's customer base, employees and intellectual property.

No ex-gratia severance payments are provided for in respect of the CEO or Executive Directors.

Remuneration Policy for Recruitment of New Executive Directors

The Remuneration Committee will determine the contractual terms for new Executive Directors, subject to appropriate professional advice to ensure that these reflect best practice and are subject to the limits specified in the Group's approved policy as set out in this report.

Salary levels for new Executive Directors will take into account the experience and calibre of the individual and his/her remuneration expectations. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years, subject to individual performance and development in the role.

Benefits and pension will be provided in line with the approved policy, with relocation, travel or other expenses provided if necessary.

The structure of the variable pay element will be in accordance with and subject to the limits set out in the Group's approved policy detailed below. Different performance measures may be set initially for STIP in the year an Executive Director joins the Group taking into account the responsibilities of the individual and the point in the financial year that he or she joins the Board. Subject to the rules of the scheme, an LTIP award may be granted after joining the Group.

If it is necessary to buy-out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer) in the case of an external appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The general policy is that payment should be no more than the Committee considers is required to provide reasonable compensation for remuneration being forfeited and any payment made will be restricted to a maximum of one year's target remuneration.

The Group's policy is that the period of notice for new Executive Directors should not exceed 12 months and should include pay in lieu of notice, non-compete and non-solicitation provisions to protect the Group.

The Committee will ensure that any arrangements agreed will be in the best interests of the Company and shareholders.

Payments for Loss of Office

In the event of an Executive Director's departure, the Group's policy on termination is as follows:

- The Group will pay any amounts it is required to make in accordance with or in settlement of a director's statutory employment rights and in line with their employment agreement;
- The Group will seek to ensure that no more is paid than is warranted in each individual case;
- STIP and LTIP awards will be paid out in line with plan rules on exit (i.e. for good leavers as defined in the LTIP rules), with awards prorated to normal vesting date, subject to performance and the 2 year holding requirement.
- Other payments, such as legal or other professional fees, repatriation or relocation costs and/or outplacement fees, may be paid if it is considered appropriate and at the discretion of the Committee.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Change of Control

Outstanding STIP and LTIP awards/options would normally vest and become exercisable on a change of control, subject to plan rules, including the satisfaction of any performance conditions and pro-rating. The Committee may exercise its discretion to vary the level of vesting having regard to the circumstances and reasons for the events giving rise to the change of control.

Remuneration Policy Table

The following table details the remuneration policy for the Group's Executive Directors:

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics
Basic Salary			
Reflects the value of the individual, their skills and experience	- Remuneration Committee sets the basic salary and benefits of each Executive Director - Determined after taking into account a number of elements including the Executive Directors' performance, experience and level of responsibility - Paid monthly in Ireland and bi-weekly in the US - Salary is referenced to job responsibility and internal/external market data - Pay conditions across the Group are also considered when determining any basic salary adjustments	- Set at a level to attract, retain and motivate Executive Directors - Reviewed annually - Full benchmark review undertaken every three years	Not applicable
Competitive salaries are set to promote the long term success of the company and attract, retain and motivate Executive Directors to deliver strong performance for the Group in line with the Group's strategic objectives			
Benefits			
To provide a competitive benefit package aligned with the role and responsibilities of Executive Directors	These benefits primarily relate to the use of a company car or a car allowance	Not applicable	Not applicable
Short Term Performance Related Incentives (STIP)*			
To incentivise the achievement, on an annual basis, of key performance metrics and short term goals beneficial to the Group and the delivery of the Group's strategy	- Achievement of predetermined performance targets set by the Remuneration Committee - Performance targets aligned to published strategic targets 75% of the award payable in cash 25% awarded by way of shares/options to be issued two years after vesting following a deferral period - Malus & clawback provisions are in place for awards under the STIP (see page 101)	- Maximum opportunity is 125% - 150% of basic salary - Target opportunity is 70% of maximum opportunity for on-target performance	- Volume Growth - Margin Expansion - Cash Conversion - Personal and Strategic Objectives
A 25% deferral in shares/options provides a 2 year retention element and aligns Executive Directors' interests with shareholders' interests			
Long Term Performance Related Incentives (LTIP)**			
Retention of key personnel and incentivisation of sustained performance against key Group strategic metrics over a longer period of time	- The awards vest depending on a number of separate performance metrics being met over a three year performance period - Conditional awards over shares or share options in the Group 50% of the earned award delivered at vesting date 50% of the earned award issued following a two year deferral period (i.e. giving a combined performance period and deferral period of 5 years) - Malus & clawback provisions are in place for awards under LTIP (see page 101)	- Maximum opportunity is 180% - 200% of basic salary - Target opportunity is 50% of maximum opportunity for on-target performance	- Adjusted Earnings Per Share - Total Shareholder Return - Return on Average Capital Employed
Share based to provide alignment with shareholder interests			
A 50% deferral provides a retention element and aligns Executive Directors' interests with shareholders' interests			

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics
Shareholding Requirement			
Maintain alignment of the interests of the shareholders and the Executive Directors and commitment over the long term	Executive Directors are expected to build and to hold shares in the Company to a minimum level of 180% - 200% of their basic salary over a five year period	Not applicable	180% - 200% of basic salary
Pension			
To provide competitive retirement benefits to attract and retain Executive Directors	- Pension arrangements may vary based on the executives' location - Irish resident Executive Directors participate in the general employee defined contribution pension scheme or receive a contribution to an after tax savings scheme (where the lifetime earnings cap has been reached) - The existing Executive Director in the US participates in the Group's defined benefit and defined contribution pension schemes	Pension values may vary based on local practice	Not applicable

* The Committee may at its discretion, when it considers it appropriate and in the best interest of the Company and shareholders, amend or vary the performance metrics of the STIP related Incentives and the calculation methodology thereof, to ensure alignment, fairness and to comply with new laws, regulations/regulatory guidance.

** In line with plan rules the Committee may, at its discretion when it considers it appropriate, in the best interest of the Company and shareholders, (after consulting with the Irish Association of Investment Managers), amend or vary the performance metrics of the LTIP related Incentives, the calculation methodology thereof and the composition of the TSR peer group, to ensure alignment, fairness and to comply with new laws, regulations/regulatory guidance.

Any changes to performance conditions will not be materially less challenging than the original conditions.

Pensions

The Group CEO participates in the general employee Irish defined contribution scheme and the CFO participates in an after tax savings scheme, in lieu of pension benefits. The existing US resident Executive Director participates in a US defined contribution scheme and a US defined benefit pension scheme.

Shareholding Requirement

All existing Executive Directors, have significantly exceeded the minimum shareholding requirement. See table on page 113 in section D for details. Edmond Scanlon, the new CEO, has already achieved a shareholding of 123% of basic salary and, in line with policy, has 5 years to increase his shareholding to the minimum 200%.

Malus / Clawback

The Committee has the discretion to reduce or impose further conditions on the STIP and LTIP awards prior to vesting (malus). The Committee further has the discretion to recover incentives paid within a period of two years from vesting (clawback), where the Audit Committee determines that:

- a material misstatement of the Company's audited financial results or a serious wrongdoing has occurred; and
- as a result of that misstatement or serious wrongdoing, there will need to be a restatement of the accounts and that the incentive awarded was in excess of the amount that would have been awarded, had there not been such a misstatement.

Any recalculation shall be effected in such manner and subject to such procedures as the Group determines to be measured and appropriate, including repayment of any excess incentive or set off against any amounts due or potentially due to the participant under any vested or unvested incentive awards.

The company retains the right to apply malus and clawback provisions to former directors STIP and LTIP awards. Other elements of remuneration are not subject to malus or clawback provisions.

Consideration of Employment Conditions Elsewhere in the Group

When setting the remuneration policy for Executive Directors, the Remuneration Committee takes into account the pay and employment conditions of the other employees in the Group. Senior management are invited to participate in both the STIP and LTIP to incentivise performance through the achievement of short term and long term objectives and through the holding of shares in the Group. While the Committee does not consult directly with employees when setting remuneration for Executive Directors, it does take into account information provided by our external advisors, Willis Towers Watson, in conjunction with feedback provided by the Human Resource function.

Non-Executive Directors' Remuneration Policy

Non-Executive Directors' fees, which are determined by the Board as a whole, fairly reflect the responsibilities and time spent by the non-Executive Directors on the Group's affairs. In determining the fees, which are set within the limits approved by shareholders, consideration is given to both the complexity of the Group and the level of fees paid to non-Executive Directors in comparable companies. On a three year cycle, the Committee reviews non-Executive Directors' fees and present any recommendations to the full Board for approval. The last review was undertaken in 2014 and in line with the 3 year cycle a detailed benchmarking exercise was undertaken during 2017. Non-Executive Directors do not participate in the Group's incentive plans, pension arrangements or other elements of remuneration provided to the Executive Directors. Non-Executive Directors are reimbursed for travel and accommodation expenses (and any personal tax that may be due on those expenses). Non-Executive Directors are encouraged to build up a shareholding in Kerry.

Section D: Remuneration Policy Implementation

PART I: REMUNERATION POLICY IMPLEMENTATION 2018

The main proposed changes to the Remuneration policy and Executive Director and non-Executive Director remuneration following the detailed benchmarking review carried out during 2017 are outlined below.

Basic Salary and Benefits

The benchmark review completed in 2017, concluded that the existing Executive Directors remuneration is in line with market peers. For 2018, the basic salaries of the CFO and CEO of Taste & Nutrition will be increased by 2.5%-3% in line with general wage inflation. The new CEO Edmond Scanlon's base salary was set at €1,050,000 effective from 1st October 2017 and will remain at this level for 2018. Benefits relate primarily to the use of a company car/car allowance. Any travel arrangements or travel costs required for business purposes will also be met by the Group, on a net of tax basis.

Short Term Performance Related Incentive Award (STIP)

The structure of the scheme was reviewed in 2017 to ensure that it develops in line with the Group's strategic goals, the metrics are appropriate, linked to strategy and appropriately calibrated. The outcome of the review concluded that in the past a high % of the STIP award was based on the adjusted EPS metric, which is also the heaviest weighted metric covered in the LTIP plan. In order to reduce the emphasis on EPS growth and to more closely align remuneration metrics with our new Strategic plan, the Remuneration Committee decided that the EPS metric should be replaced by Volume Growth and Margin Expansion metrics both of which are the key drivers of EPS growth.

2018 STIP – Performance Metrics and Weightings						
Group Metrics	CEO		CFO		CEO Taste & Nutrition	
	% of award		% of award		% of award	
	Target	Max	Target	Max	Target	Max
Volume growth*	28%	40%	28%	40%	28%	40%
Margin expansion*	21%	30%	21%	30%	21%	30%
Cash conversion	14%	20%	14%	20%	14%	20%
Personal and strategic	7%	10%	7%	10%	7%	10%
Total	70%	100%	70%	100%	70%	100%

* The above metrics are measured at a Group level for the CEO and CFO and at a Taste and Nutrition level for the CEO of Taste & Nutrition

The Committee is of the view that the targets for the STIP are commercially sensitive and it would be detrimental to the Company to disclose them in advance of or during the relevant performance period. The Committee will disclose those targets at the end of the relevant performance period in that year's Annual Report, if those targets are no longer considered commercially sensitive.

Finally, the malus and clawback provisions of the STIP, which include a two year clawback provision (outlined on page 101), were reviewed and were deemed to be appropriate and effective and continue to apply to former Directors.

Alignment to Strategy

The above are considered key metrics as they align with the Group's strategic objectives while also ensuring the long term operational and financial stability of the Group. Volume Growth and Margin Expansion are key performance metrics as they are the main drivers of Adjusted EPS Growth. Cash Conversion is key to ensuring there are sufficient funds available for reinvestment or for return to shareholders. Personal and Strategic objectives, that are relevant to each Executive's specific area of responsibility, are key in ensuring strategic and functional goals are capable of being rewarded.

25% of the overall annual incentive payment is delivered through shares/share options, with the remaining 75% being delivered in cash. A two year deferral period is in place for share/share option awards made under the scheme.

How Remuneration Links with Strategy

Performance Measure	Strategic Priority	Incentive Scheme
Volume growth	Key driver of revenue growth	STIP
Margin expansion	Key driver of profit growth	STIP
Cash conversion	Cash generation for reinvestment or return to shareholders	STIP
Personal and strategic objectives	Reward the development and execution of business strategies	STIP
Adjusted EPS growth	Delivery of the Group's long term growth strategy	LTIP
TSR	Delivery of shareholder value	LTIP
ROACE	Balance growth and return	LTIP

See Financial Key Performance Indicators (KPIs) on pages 24 and 25 for more information on the link between the performance metrics used for incentive purposes and the Group's strategy for the 5 years ending 2017.

Long Term Performance Related Incentive Plan (LTIP)

LTIP Award Year	2018			2017		
Performance Metrics	Threshold	Target	Maximum	Threshold	Target	Maximum
EPS (50% weighting)*						
Kerry's EPS growth per annum	6%	10%	12%	6%	10%	12%
% of award which vests	25%	50%	100%	25%	50%	100%
ROACE (20% weighting)						
ROACE return achieved	10%	12%	14%	10%	12%	14%
% of award which vests	25%	50%	100%	25%	50%	100%
Relative TSR (30% weighting)						
Position of Kerry in peer group	Median	Median to 75th%	Greater than 75th%	Median	Median to 75th%	Greater than 75th%
% of award which vests	30%	30% - 100%	100%	30%	30% - 100%	100%

* Adjusted EPS growth is measured on a constant currency basis

The Committee reviewed the overall effectiveness of the LTIP in 2017 in conjunction with Willis Towers Watson to ensure it is structured appropriately to incentivise Executive Directors and senior management across the Group. The level of opportunity under this scheme available to the CEO and Executive Directors (currently 200%/180%) is to remain unchanged following the review. Similarly, the LTIP performance metrics and weightings were also reviewed in 2017 and are to remain unchanged.

The Committee believes that the Rewards programme, while challenging and stretching, also needs to be realistically capable of rewarding the commitment and performance of the Executive Directors and senior management team over the rolling three year cycles. It recognises in a global organisation that external factors, such as currency translation, can misrepresent a strong underlying performance.

To ensure that the adjusted EPS growth metric properly reflects the appropriate measure of the Group's strategy as shared with shareholders at our recent Capital Markets Day in October 2017 and after consulting with the IAIM, the proxy agencies and a number of major shareholders on conference calls in December 2017, from 2018 onwards, Kerry will calculate adjusted EPS growth on a constant currency basis when reporting Group results and when assessing performance for LTIP outturn purposes.

In setting the EPS threshold for the 2018 LTIP award the Committee has taken into account a number of factors including adjusted EPS growth performance for recent years, the strategic plan presented recently to shareholders, current market guidance and three year rolling performance for LTIP's currently inflight. In this regard, the Board are comfortable that the threshold for the adjusted EPS growth metric remains at 6% for the 2018 award, with a more challenging target and maximum remaining at 10% and 12% respectively.

We believe this approach taken in the context of our overall competitive and stretching programme is appropriate and in the best interests of our shareholders.

Non-Executive Remuneration Review

In line with the three year review cycle the Chairman and non-Executive Directors fees were reviewed and benchmarked against 3 Peer groups during 2017 (i.e. ISEQ 10, Kerry's TSR Peer Group and a combined FTSE-TSR Peer Group). It was found that our basic non-Executive Director fees were significantly lower than the median of the three peer groups analysed. This result is reflective of the Group's heritage, historical Board composition and the fact that non-Executive Director fees have not in the past, been subject to annual increases for inflation. Therefore, following consultation with IAIM, the proxy agencies and a number of our major shareholders, increases are being applied effective from January 2018. The Chairman's annual fee is being increased by 55% to €357,500 and the non-Executive Director basic fee is being increased by 34% to €78,000 to bring their total fees in line with median fee levels of the peer groups analysed. It was agreed to maintain the separate fees applying to membership/chair of Committees and other fees at current levels, as these are deemed to be correctly benchmarked.

Non-Executive Directors may be reimbursed for travel and accommodation expenses (and any personal tax that may be due on those expenses). Non-Executive Directors are not remunerated in Kerry shares or options, however non-Executive Directors are encouraged to build up a personal shareholding.

Shareholder Engagement

The Committee considers the guidelines issued by the bodies representing the major institutional shareholders and the feedback provided by such proxy groups and shareholders, when completing its annual and tri-annual review of the Group's Executive Remuneration policies and practices. The Committee engaged with a number of major institutional shareholders and proxy agencies (including the IAIM) during late 2017 to consult with them on the proposed changes to policy for 2018 and took on board their feedback. The Committee is committed to continued consultation with shareholders in regards to its remuneration policy.

PART II: REMUNERATION POLICY OUTTURN 2017

Disclosures regarding Directors' remuneration have been drawn up on an individual Director basis in accordance with the requirements of the 2014 Irish Companies Act, the UK Corporate Governance Code, the Irish Annex, the Irish Stock Exchange and the UK Listing Authority.

The information in the tables 1, 4, 5, 6, 7 and 8 below including relevant footnotes (identified as audited) forms an integral part of the audited financial statements as described in the basis of preparation on page 130. All other information in the remuneration report is additional disclosure and does not form an integral part of the audited financial statements.

Executive Directors' Remuneration

As Stan McCarthy and Gerry Behan are paid in the USA in US dollars, the reporting of their year on year remuneration can be impacted by the exchange rate movement of the US dollar against the euro. We have therefore shown their remuneration in their home country currency (US dollars) for comparison purposes.

Table 1: Individual Remuneration for the year ended 31 December 2017 (Audited)

	Basic Salaries		Benefits		Pensions ²		Performance Related ³		LTIP ⁴		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Stan McCarthy	1,486	1,450	115	109	359	333	1,671	1,346	2,341	768	5,972	4,006
Gerry Behan ⁵	877	851	280	31	192	185	835	696	1,469	478	3,653	2,241
Total US \$ ¹	2,363	2,301	395	140	551	518	2,506	2,042	3,810	1,246	9,625	6,247
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total US \$ in EUR € ¹	2,091	2,083	350	128	487	469	2,218	1,848	3,372	1,127	8,518	5,655
Edmond Scanlon ⁶	263	–	168	–	51	–	295	–	31	–	808	–
Brian Mehigan	687	616	39	29	204	182	644	479	789	339	2,363	1,645
Flor Healy ⁷	351	568	13	14	91	134	–	434	–	361	455	1,511
	3,392	3,267	570	171	833	785	3,157	2,761	4,192	1,827	12,144	8,811

Note 1: The table shows the Executive Directors' pay in the currency of payment to ensure clarity in reflecting the year on year payment comparisons.

Note 2: The pension figures outlined above for both Stan McCarthy and Gerry Behan include both defined benefit and defined contribution retirement benefits. The pension figure for Edmond Scanlon relates to Irish defined contribution benefits. Both Brian Mehigan and Flor Healy participated in an after tax savings scheme in lieu of pension benefits and the figures included above reflect this including life cover.

Note 3: This STIP amount represents 75% delivered in cash with 25% delivered by way of shares/share options which are deferred for two years.

Note 4: The share price used to calculate the value of the LTIP is the average share price for the three months up to the end of the year being reported.

Note 5: Included in Gerry Behan's benefits figure is a once off relocation allowance of €200,000 to assist with housing costs as part of his ongoing global assignment to Ireland.

Note 6: The new CEO Edmond Scanlon was appointed to the Board on 1 October 2017 and his remuneration including STIP and LTIP reflected in the table above, relates to the period 1 October to 31 December 2017. Included in his benefits figure is a once off gross taxable housing allowance of €159,375 to cover his rental costs on relocating to Ireland from Singapore.

Note 7: Flor Healy retired from the Board on 8 August and his remuneration reflected in the table above relates to the period 1 January to 8 August 2017. He was paid €297,788 remuneration in the period 9 August to 31 December 2017 in respect of his employment up to date of leaving (2016: €nil).

Basic Salary Increases

As outlined in last year's report, phase two of the CFO's agreed pay increase was implemented with effect from 2017 and provided for an increase of 11.5%. This completed the phased implementation of the total increase agreed in 2015. For 2017, the basic salaries of the other Executive Directors were adjusted by 2.5% - 3% in line with general wage inflation.

Edmond Scanlon's initial base salary as new Group CEO has been set at €1,050,000 effective from 1 October 2017, which is 20% lower than that of his predecessor Stan McCarthy but will be reviewed on an annual basis in line with performance.

Annual Incentive Outcomes (STIP)

Table 2: Annual Bonus Achievement Against Targets

Group Financial Metrics (CEO & CFO – 90% weighting)

Metric	1. Adjusted EPS (CEO & CFO – 70% weighting)	2. Group Cash Flow (All – 20% weighting)
Targets	Threshold	€300m
	Target	€400m
	Max	€500m
Actual performance	341.2 cent	€501m
Bonus outcome	64.2%	100%
Link to strategy	Key performance metric as it encompasses all the components of growth (volume and margin expansion) that are important to Group stakeholders.	Important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment and for return to stakeholders.

The Committee considers the metrics shown above, to be appropriate and aligned to our strategic plan with a key focus on the Group financial metrics of Adjusted EPS growth and Group Free Cash Flow (overall weighting for CEO and CFO of 90%). These are vital in driving growth and ensuring there are sufficient funds available for reinvestment or for return to shareholders.

Personal and Strategic Objectives & Business Metrics

Metric	3. Personal and Strategic (All – 10% weighting)	4. Business Operating Profit (CEO T&N – 20% weighting)
Targets	Threshold	0
	Target	7
	Max	10
Actual performance	10	7.1
Bonus outcome	100%	71%
Link to strategy	Specific to the Executive's responsibility linked to the strategic plan and supporting the successful transition to a new CEO.	Measure the underlying profit generated by the business and whether management is converting growth into profit efficiently.

Details of Personal and Strategic Objectives

The Executive Directors are also measured against Personal and Strategic objectives, which this year focus on the development and communication of a new strategic plan for the Group and supporting the new CEO to transition into his role. Performance against these objectives is determined by the Committee by reference to key targets agreed with the Executives at the start of the year.

Directors	Objectives	Achievements	Bonus Outcome
Retiring CEO, new CEO, CFO, CEO Taste & Nutrition	– Develop a new strategic plan and communicate effectively to all stakeholders	– New strategic plan developed and successfully communicated to all stakeholders (including the Capital Markets Day held in October 2017)	– 100%
	– Implementation of CEO succession plan	– Successful transition to the new CEO completed	

The Committee reviewed the annual bonus outcome and concluded that excellent progress was made by the Executive Directors against the objectives outlined above, which resulted in a maximum award for this metric being achieved.

When assessing the annual incentive outturn for 2017 the Committee discussed whether or not the €52.8m deferred tax credit arising from the recently enacted US Tax Cuts & Jobs Act, should be included in the outturn for the adjusted EPS growth metric. Following discussion, the Committee exercised its discretion and decided to exclude the tax credit from the calculation on the grounds of size and the uncontrollable circumstances surrounding the US tax change events. This decision resulted in a 35.8% lower outturn for the metric than if it had been included.

The internal targets for the Executive Directors which were set by the Remuneration Committee were challenging and stretching in the current environment and as a result an average weighted pay-out of 75.3% of max opportunity (107.6% of target opportunity) was achieved.

Long Term Incentive Plan (LTIP)

2013 LTIP

The terms and conditions of the plan were approved by shareholders at the 2013 AGM. The Remuneration Committee approves the terms, conditions and allocation of conditional awards under the Group's LTIP to Executive Directors and senior management. Under this plan, Executive Directors and senior management are invited to participate in conditional awards over shares or share options in the Company.

Subject to performance metrics being met, the LTIP award will vest over a three year performance period. 50% of the award is delivered at the vesting date with the remaining 50% of the award being delivered following a two year deferral period. This provides for a combined performance period and deferral period of 5 years.

The first conditional awards under this scheme were made to Executive Directors in 2013. Awards made under the plan potentially vest or partially vest three years after the award date if the predetermined performance targets are achieved. The maximum award that can be made to an individual Executive Director under the LTIP over a 12-month period is equivalent to 180% - 200% of basic salary for that period.

An award may lapse if a participant ceases to be employed within the Group before the vesting date. The market price of the shares on the date of each award outlined above is disclosed in note 28 to the financial statements. The proportion of each conditional award which vests will depend on the adjusted EPS growth, TSR and ROACE performance of the Group during the relevant three year performance period.

EPS Performance Test

Up to 50% of the award vests according to the Group's average adjusted EPS growth over the performance period. This measurement is determined by reference to the growth in the Group's adjusted EPS calculated on a constant currency basis in each of the three financial years in the performance period in accordance with the vesting schedule outlined in the following table:

	Adjusted EPS Growth Per Annum	Percentage of the Award Which Vests
Threshold	8%	25%
Target	10%	50%
Maximum	12%	100%

Below 8% none of the award vests. Between 8% and 10%, 25% - 50% vesting occurs on a straight line basis. Between 10% and 12%, 50% - 100% vesting occurs on a straight line basis.

When assessing the outturn for this metric on the 2015 LTIP award the Committee decided to exclude the €52.8m benefit of the deferred tax credit arising from the recently enacted US Tax Cuts & Jobs Act on the grounds of size and the uncontrollable circumstances surrounding the US tax rate changes. This decision to exercise discretion had a negative impact of 25% on the overall measurement of the outturn for the 2015 LTIP award.

In addition, the Committee decided to exercise its discretion to adapt the calculation of adjusted EPS for the EPS performance test to take account of the change to the Group's strategic measures as presented at the Group's recent Capital Markets Day on October 2017 and as discussed with the IAIM, the proxy agencies and a number of major shareholders on conference calls in December 2017. The calculated outcome was measured on a constant currency basis across the three year performance period resulting in an annual average adjusted EPS growth of 8.6%. This decision to exercise discretion had a positive impact of 16.3% on the overall measurement of the outturn for the 2015 LTIP award.

The outcome of the EPS performance test, calculated on a constant currency basis, is an annual average adjusted EPS growth of 8.6% which results in an award outcome of 16.3% out of a possible maximum of 50%.

TSR Performance Test

30% of the award vests according to the Group's TSR performance over the period measured against the TSR performance of a peer group of listed companies over the same three year performance period. The peer group consists of Kerry and the following companies:

Aryzta	Givaudan	Kellogg's	Sensient Technologies
Chr. Hansen	Glanbia	McCormick & Co.	Symrise
Barry Callebaut	Greencore	Nestlé	Tate & Lyle
Corbion	Danone	Novozymes	Unilever
General Mills	IFF	Premier Foods	

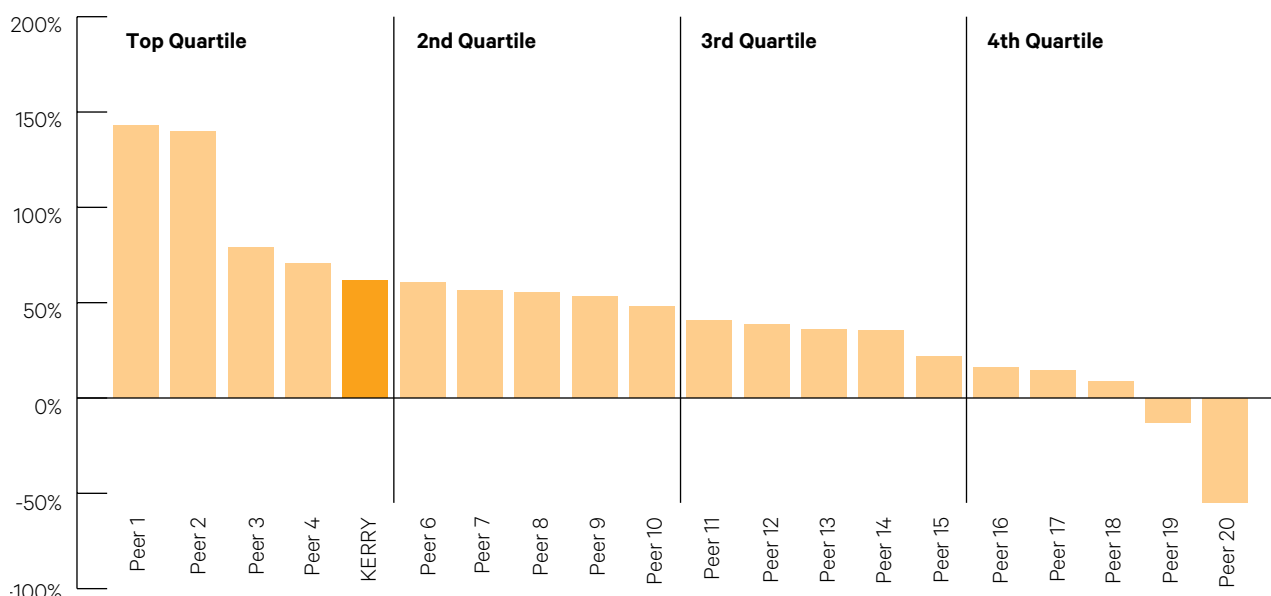
When assessing whether the performance hurdle has been met, this measurement is determined by reference to the ranking of Kerry's TSR over the three year performance period, in comparison with the TSR performance of the companies in the peer group. The awards vest in line with the following table:

Position of Kerry in the Peer Group	Percentage of the Award Which Vests
Below median	0%
Median	30%
Between median and 75th percentile	Straight line between 30% and 100%
Greater than 75th percentile	100%

The performance graph below shows Kerry's TSR compared to the peer companies over the three year performance period from 1 January 2015 to 31 December 2017 for the LTIP awards which issued in 2015. These awards have a vesting date on or before 30 April 2018.

3 Year TSR: Kerry and Comparator 1 Jan 2015 - 31 Dec 2017

See chart on page 114, which illustrates the Group's TSR performance from 2008 to 2017



The outcome of the measurement of the TSR condition in relation to the 2015 awards is in the 1st Quartile, resulting in a maximum award outcome of 30%.

ROACE Performance Test

20% of the award vests according to the Group's ROACE over the performance period. ROACE represents a good perspective on the Group's internal rate of return and financial added value for shareholders. ROACE supports the strategic focus on growth and margins through ensuring cash is reinvested to generate appropriate returns.

This measurement will be determined by reference to the ROACE in each of the three financial years included in the performance period:

	Return on Capital Employed	Percentage of the Award Which Vests
Threshold	10%	25%
Target	12%	50%
Maximum	14%	100%

Below 10% none of the award vests. Between 10% and 12%, 25% - 50% vesting occurs on a straight line basis. Between 12% and 14%, 50% - 100% vesting occurs on a straight line basis.

The outcome of the measurement of the ROACE condition in relation to the 2015 awards is a ROACE of 13.2% which resulted in a reward outcome of 16% out of a maximum of 20%.

Table 3: Overall Outcome of the 2015 LTIP Award Vesting in 2018

Long Term Incentive Plan	TSR Performance (30% of Award)	Actual Vesting of TSR Award	EPS Performance (50% of Award)	Actual Vesting of EPS Award	ROACE Performance (20% of Award)	Actual Vesting of ROACE Award	Total % Vested
2013 LTIP Plan	1st Quartile*	30%	8.6% growth*	16.3%	13.2%	16%	62.3%

* See TSR, EPS and ROACE tables above for details of performance metrics.

The following table shows the Executive Directors' and Company Secretary's interests under the LTIP. Conditional awards at 1 January 2017 relate to awards made in 2014, 2015 and 2016 which have a three year performance period. The 2014 awards vested in 2017. The 2015 awards will potentially vest in 2018 and 2016 awards will potentially vest in 2019. The market price of the shares on the date of each award is disclosed in note 28 to the financial statements.

Executive Directors' and Company Secretary's Interests in Long Term Incentive Plan

Table 4: Individual Interest in LTIP (Audited)

	LTIP Scheme	Conditional Awards at 1 January 2017	Share Awards Vested During the Year	Share Option Awards Vested During the Year	Share Awards Relinquished During the Year	Conditional Awards Made During the Year	Conditional Awards at 31 December 2017	Share Price at Date of Conditional Award Made During the Year
Directors								
Stan McCarthy	2013	105,714	(10,333)	–	(24,814)	37,534	108,101	€74.52
Edmond Scanlon ¹	2013	40,295	–	–	–	–	40,295	–
Brian Mehigan	2013	45,525	–	(5,038)	(12,098)	16,602	44,991	€74.52
Flor Healy ²	2013	46,540	–	(5,373)	(55,237)	14,070	–	€74.52
Gerry Behan	2013	64,798	(6,420)	–	(15,417)	22,144	65,105	€74.52
Company Secretary								
Brian Durran	2013	10,747	–	(1,612)	(2,608)	3,489	10,016	€74.52

Note 1: Edmond Scanlon was appointed to the Board on 1 October 2017, his opening conditional awards are reflected as at that date and include 9,146 career share awards granted to him prior to his appointment as an Executive Director. No new conditional awards were made in the period 1 October to 31 December 2017.

Note 2: Flor Healy stepped down from the Board on 8 August 2017 and his closing conditional awards are reflected as at that date.

Conditional LTIP awards made in 2017 have a three year performance period and will potentially vest in 2020. 50% of the shares/ share options which potentially vest under the LTIP, are issued immediately upon vesting. The remaining 50% of the award is issued to participants following a two year deferral period.

Career shares have a three year performance period. The amount of career shares actually awarded will be contingent upon performance measured over the three year performance period and are subject to a 4 year deferral period. Therefore, the award will only vest and be available after 7 years from date of conditional award.

The following table shows the share options which are held by the Executive Directors and the Company Secretary under the STIP and LTIP:

Table 5: Share Options Held Under the STIP and LTIP (Audited)

	Share Options Outstanding at 1 January 2017	Share Options Exercised During the Year	Share Options Vested During the Year ³	Share Options Outstanding at 31 December 2017	Exercise Price Per Share
Directors					
Edmond Scanlon ¹	4,167	–	–	4,167	€0.125
Brian Mehigan	68,808	(10,000)	6,643	65,451	€0.125
Flor Healy ²	99,634	(51,730)	6,829	54,733	€0.125
Company Secretary					
Brian Durran	19,673	(9,946)	1,905	11,632	€0.125

Note 1: Edmond Scanlon was appointed to the Board on 1 October 2017 and his opening share option balance is reflected as at that date. No options were exercised or vested in the period 1 October to 31 December.

Note 2: Flor Healy stepped down from the Board on 8 August 2017 and his closing share option balance is reflected as at that date and his exercised options/vested options cover the period 1 January to 8 August.

Note 3: Share Options which vested in March 2017 related to 2014 LTIP awards and 25% of the 2016 STIP (paid in March 2017). 50% of share options vested under the LTIP are subject to a two year deferral period and 25% of the STIP payments which are delivered in share options are subject to a two year deferral period.

Once vested, share options under the LTIP can be exercised for up to seven years before they lapse. For share options subject to the two year deferral period, they can be exercised for up to five years following the end of the two year deferral period, before they lapse i.e. seven years following the vest date.

Executive Directors' Pensions

The pension benefits under defined benefit pension plans of each of the Executive Directors during the year are outlined in the following table.

Table 6: Defined Benefit – Pensions Individual Summary (Audited)

	Accrued Benefits on Leaving Service at End of Year		
	Increase During the Year (Excluding Inflation) €'000	Accumulated Total at End of Year €'000	Transfer Value of Increase in Accumulated Accrued Benefits €'000
Stan McCarthy	142	1,121	2,143
Gerry Behan	25	428	148
Flor Healy¹	–	255	–
2017	167	1,804	2,291
2016	178	1,667	1,455

Note 1: Flor Healy retired from the Board on 8 August 2017 and his accumulated total above is reflected as at that date. There is no increase in the deferred benefits for Flor Healy as the link to salary was removed in August 2016.

Note 2: Contributions were made to an Irish defined contribution plan in respect of Edmond Scanlon. Brian Mehigan participated in an after tax savings scheme in lieu of pension benefits. These contributions are reflected in the single figure table (table 1) on page 106.

Non-Executive Directors' Remuneration Paid in 2017

Table 7: Remuneration Paid to Non-Executive Directors in 2017 (Audited)

	Fees 2017 €	Fees 2016 €
Michael Ahern	–	43,000
Hugh Brady	78,000	78,000
Paddy Casey*	14,333	43,000
Gerard Culligan**	33,833	–
James Devane	–	43,000
Karin Dorrepaal	78,000	78,000
Michael Dowling	230,000	230,000
Joan Garahy	93,000	93,000
James C. Kenny	97,000	97,000
Con Murphy**	33,833	–
John Joseph O'Connor	–	43,000
Philip Toomey	98,000	98,000
Tom Moran	78,000	76,333
	833,999	922,333

* Retired on 30 April 2017

** Appointed to the Board on 1 June 2017

Non-Executive Directors' remuneration consists of fees only. Non-Executive Directors are reimbursed for travel and accommodation expenses and any personal tax that may be due on those expenses. The gross amount of these expenses that were deemed to be taxable is €24,849.

Payments to Former Directors

Flor Healy was paid €297,788 remuneration in the period 9 August to 31 December 2017 in respect of his employment up to date of leaving (2016: €nil).

Payments for Loss of Office

There were no payments for loss of office in 2017 (2016: €nil).

Directors' and Company Secretary's Interests

There have been no contracts or arrangements with the Company or any subsidiary during the year, in which a Director of the Company was materially interested and which was significant in relation to the Group's business. The interests of the Directors and the Company Secretary of the Company and their spouses and minor children in the share capital of the Company, all of which were beneficial unless otherwise indicated, are shown overleaf:

Table 8: Directors and Company Secretary Shareholdings (Audited)

	31 December 2017 Ordinary Shares Number	31 December 2017 Share Options Number	31 December 2017 Total Number	1 January 2017 Ordinary Shares Number	1 January 2017 Share Options Number	1 January 2017 Total Number
Directors						
Gerry Behan	58,379	–	58,379	57,969	–	57,969
- Deferred ¹	10,636	–	10,636	6,562	–	6,562
Hugh Brady	500	–	500	–	–	–
Gerard Culligan ⁴	–	–	–	–	–	–
Paddy Casey ⁵	20,052	–	20,052	20,052	–	20,052
Karin Dorrepaal	–	–	–	–	–	–
Michael Dowling	4,200	–	4,200	4,200	–	4,200
Joan Garahy	1,050	–	1,050	1,050	–	1,050
Flor Healy ³	58,210	46,861	105,071	58,210	95,409	153,619
- Deferred ¹	–	7,872	7,872	–	4,225	4,225
James C. Kenny	–	–	–	–	–	–
Stan McCarthy	132,927	–	132,927	127,105	–	127,105
- Deferred ¹	17,627	–	17,627	10,866	–	10,866
Brian Mehigan	40,334	57,694	98,028	40,334	64,164	104,498
- Deferred ¹	–	7,757	7,757	–	4,644	4,644
Tom Moran	–	–	–	–	–	–
Con Murphy ⁴	7,721	–	7,721	7,721	–	7,721
Edmond Scanlon ²	9,611	2,083	11,694	9,611	2,083	11,694
- Deferred ¹	–	2,084	2,084	–	2,084	2,084
Philip Toomey	6,000	–	6,000	6,000	–	6,000
Company Secretary						
Brian Durran	13,000	9,798	22,798	13,000	18,614	31,614
- Deferred ¹	–	1,834	1,834	–	1,059	1,059

Note 1: The deferred shares and share options above, relate to 25% of the Executive Directors and Company Secretary's 2015 and 2016 STIP awards and 50% of the 2013 and 2014 LTIP award (vested in March 2016 and 2017 respectively). These awards are subject to a two year deferral period and will be delivered in shares/share options in March 2018 and March 2019 respectively.

Note 2: The new CEO Edmond Scanlon was appointed to the Board on 1 October 2017 and his opening shareholdings are reflected as at that date.

Note 3: Flor Healy retired from the Board on 8 August 2017 and his closing shareholding above is reflected as at that date.

Note 4: Con Murphy and Gerard Culligan were appointed to the Board on 1 June 2017 and their opening shareholdings are reflected as at that date.

Note 5: Paddy Casey retired from the Board on 30 April 2017 and his closing shareholding above is reflected as at that date.

Shareholding Guidelines

The table below sets out the Executive Directors' shareholding at 31 December 2017 shown as a multiple of basic salary. Please refer to the Remuneration Policy Table on page 101 in Section C for details of the Executive Director shareholding requirements.

Table 9: Individual Shareholding as a Multiple of Basic Salary

Executive Director	As a Multiple of Basic Salary
Edmond Scanlon	1.2x
Brian Mehigan	14.5x
Gerry Behan	8.3x

Note 1: The share price used to calculate the above is the share price as at 31 December 2017.

TSR Performance and Chief Executive Officer Remuneration

The graph below illustrates the TSR performance of the Group over the past nine years showing the increase in value of €100 invested in Group's shares from 31 December 2008 to 31 December 2017. Also outlined in the table below, the remuneration of the Chief Executive Officer is calculated in line with the methodology captured under legislation which was enacted for UK incorporated companies.

9 Year Total Shareholder Return (Value of €100 Invested on 31/12/2008)

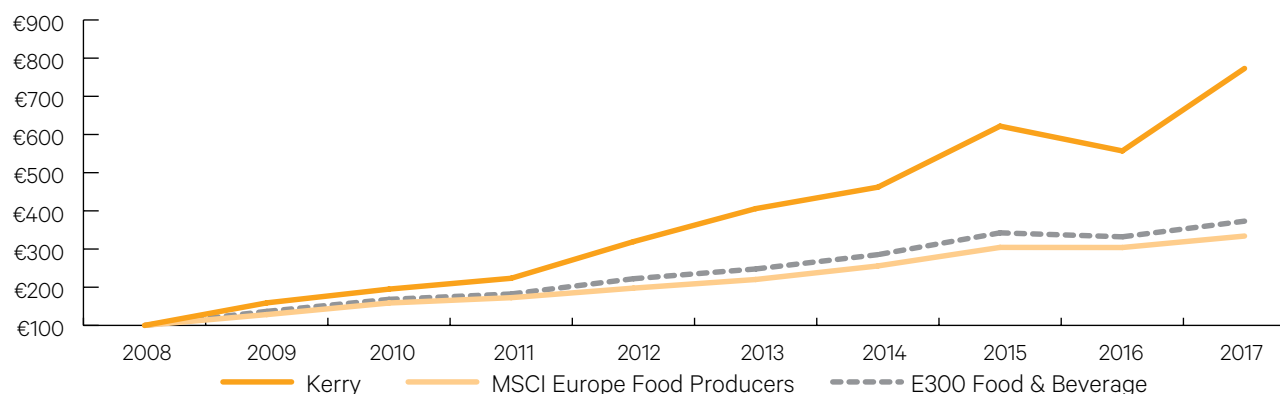


Table 10: Remuneration Paid to the CEO 2009 – 2017

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Chief Executive Officer – Stan McCarthy	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total remuneration \$'000	2,434	2,804	4,596	4,528	4,742	4,366	4,619	4,006	5,972
Annual incentive achieved as a % of maximum	57%	90%	73%	74%	70%	57%	58%	62%	75%
LTIP achieved as a % of maximum	N/A ¹	N/A ¹	100%	100%	100%	91.9%	61.8% ²	29.4%	62.3%

Note 1: There was no LTIP with a performance period ending in 2009 or 2010.

Note 2: This is the combined average of the 2015 LTIP paid out from the 2006 and 2013 plans.

Chief Executive Officer – Edmond Scanlon	2017 €'000
Total remuneration €'000 ¹	808
Annual incentive achieved as a % of maximum	75%
LTIP achieved as a % of maximum	62.3%

Note 1: The new CEO Edmond Scanlon was appointed to the Board on 1 October 2017 and his remuneration reflected in the table above relates to remuneration from that date.

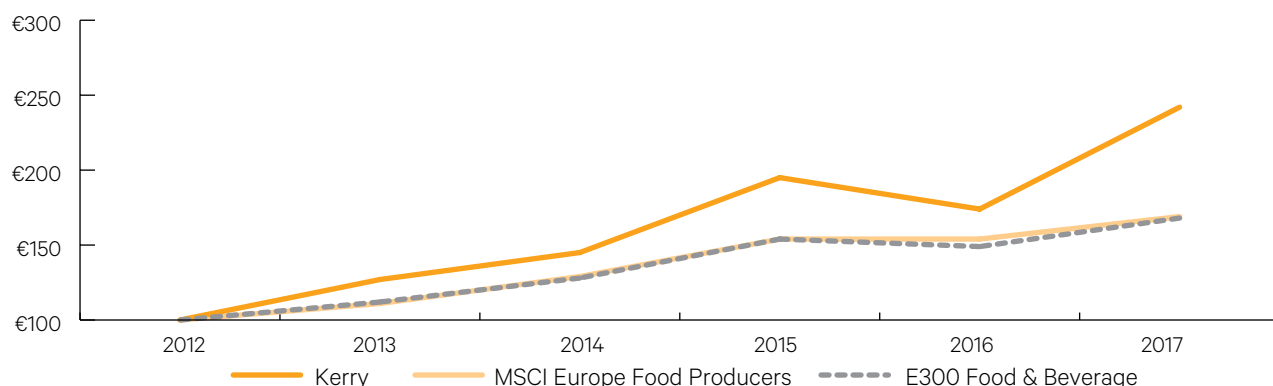
Table 11: CEO Pay v Normal Employee Pay Comparison

In line with the recently enacted European Shareholders Rights directive, outlined below is the annual change over the last five financial years for:

- the remuneration of the CEO,
- the average remuneration of employees of the company (calculated on a full time equivalent basis) other than directors, and
- the performance of the company.

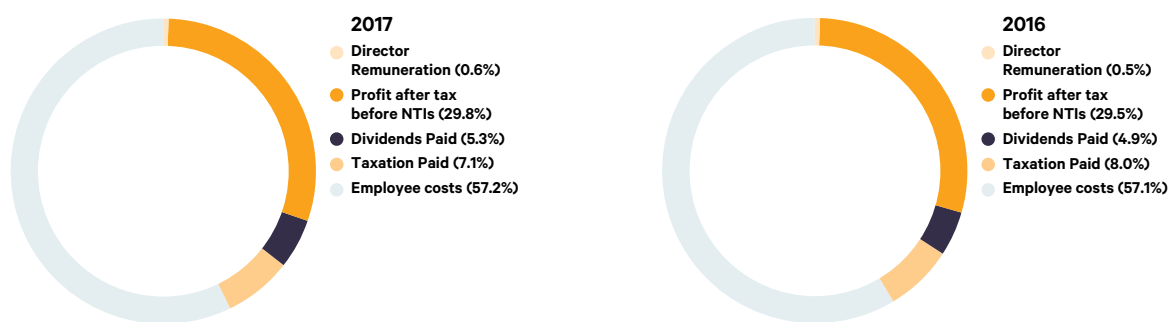
	2013	2014	2015	2016	2017
Chief Executive Officer					
Basic pay YoY % change	2%	2%	2%	9%	2.5%
All Group Employees					
Average basic pay YoY % change	3.1%	3.4%	3.6%	3.5%	3.1%

Performance of the company: 5 Year Total Shareholder Return



Relative Importance of Spend on Pay

The total amount spent on Executive Director remuneration (including Long Term Incentive Plan) and overall employee pay is outlined below in relation to retained profit, dividends paid and taxation paid.



Dilution

The Group offers Executive Directors and senior management the opportunity to participate in share based schemes as part of the Group's remuneration policy. In line with best practice guidelines, the company ensures that the level of share awards granted under these schemes, over a rolling ten year period, does not exceed 10% of the Group's share capital. The dilution resulting from vested share awards/ share options for the ten year period to 31 December 2017 is 1.3%.

The potential future dilution level from unvested share awards/share options as a result of these schemes is a further 0.6%.

Statement on Shareholder Voting

Below is an overview of the voting which took place at the most recent AGM to approve the Directors' Remuneration Report.

Table 12: 2017 AGM – Votes on Remuneration

Total Votes Cast	Votes For	Votes Against	Votes Withheld/Abstained
98,942,291	98,216,695	3,216,421	155,938
	96.8%	3.2%	

The Committee appreciates the level of support shown by the shareholders for the Remuneration Report and is committed to continued consultation with shareholders with regard to the remuneration policy.

Report on the audit of the financial statements

Opinion

In our opinion Kerry Group plc's consolidated financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company balance sheets as at 31 December 2017;
- the Consolidated income statement and statement of comprehensive income for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended;
- the Consolidated and Company cash flow statements for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements and are described as being an integral part of the financial statements as set out in the Basis of preparation on page 130. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the Group and Company, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the consolidated and company financial statements comply with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

Our Audit Approach

Overview



Materiality

- €33m (2016: €31.5m) – Consolidated financial statements
Based on 5% of profit before tax and non-trading items.
- €7m (2016: €7m) – Company financial statements
Based on 1% of net assets.

Audit scope

- We conducted audit work in 39 reporting components. We paid particular attention to these components due to their size or characteristics and to ensure appropriate audit coverage. An audit on the full financial information of 35 components and specified procedures on selected account balances of a further 4 components were performed.
- Taken together, the reporting components where an audit on the full financial information was performed accounted for in excess of 90% of Group revenues and Group profit before taxation and non-trading items.

Key audit matters

- Goodwill and indefinite life intangible assets impairment assessment
- Business combinations
- Taxation
- Pension liabilities

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite life intangible assets impairment assessment Refer to note 1 'Statement of accounting policies' and note 12 'Intangible assets'. The Group has goodwill and indefinite life intangible assets of €3.3 billion at 31 December 2017 representing approximately 44% of the Group's total assets at year end. The most significant allocation of the carrying value of goodwill and indefinite life intangible assets relates to the America's region of the Taste and Nutrition segment. These assets are subject to impairment testing on an annual basis or more frequently if there are indicators of impairment. We focused on this area given the scale of the assets and because the determination of whether an impairment charge for goodwill or indefinite life intangible assets was necessary involves significant judgement in estimating the future results of the business and determining the appropriate discount rate to use.	Our audit team assisted by our valuation experts interrogated the Group's impairment models and evaluated the methodology followed and key assumptions used. We assessed management's future cash flow forecasts, and the process by which they were drawn up, and concluded they were consistent with the latest Board approved strategic plan. In evaluating these forecasts we considered the Group's historic performance and its past record of achieving strategic objectives. We also tested the mathematical accuracy of the cash flow model. We considered the appropriateness of the Group's forecast growth rate assumptions used to calculate terminal values at year five, by comparing them to independent sources (for example, OECD statistics) of projected growth rates for each region. We challenged management's calculation of the discount rates used by recalculating an acceptable range of discount rates (adjusted to reflect risks associated with each group of CGUs) using observable inputs from independent external sources and concluded the discount rates used by management fell within that range. We performed our own sensitivity analysis on the impact of changes in key assumptions on the impairment assessment, for example the cash flows, discount rate and the rates of growth assumed by management. We assessed the appropriateness of the related disclosures within the financial statements.

Key audit matter	How our audit addressed the key audit matter
Business combinations Refer to note 1 'Statement of accounting policies' and note 31 'Business combinations'. The Group completed 8 acquisitions during 2017, the most significant of which were Ganeden Biotech Inc. and the Kettle business of Tyson Foods in the Americas region of the Taste and Nutrition segment. The Group was required to determine the fair values of all acquired assets and liabilities including the identification and valuation of intangible assets. The most significant acquired asset in all cases was brand related intangibles. In accordance with IFRS3, 'Business Combinations', the valuations referred to above have been prepared on a provisional basis. The group will finalise its valuations within the 12 month measurement period. We focused on this area as significant judgement is exercised in selecting an appropriate valuation model. Judgement is also exercised in determining assumptions such as revenue growth rates and the excess earnings rate which underlie the cash flows in the model. Other important estimates include the discount rate and contributory asset charge.	We obtained and evaluated the reports prepared by management's valuation specialists to value brand related intangibles. We were assisted by our in house valuation experts who assessed the reasonableness of the valuation methodologies and assumptions used by the Group. We considered the assumptions used to derive the cash flows underlying the valuation model, (including growth rates and the excess earnings rate) by agreeing them to the board approved business case and external data where available. We also considered the discount rate and contributory asset charge in light of the acquiree's industry and geography. We were satisfied that the methodology and assumptions used were reasonable.
Taxation Refer to note 1 'Statement of accounting policies' and note 7 'Taxation'. The global nature of the Group means that it operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. Tax legislation is open to different interpretations and the tax treatments of many items is uncertain. Tax audits can require several years to conclude and transfer pricing judgements may impact the Group's tax liabilities. Management judgement and estimation is required in the measurement of uncertain tax positions, in the context of the recognition of current and deferred tax assets/liabilities. This area required our focus due to its inherent complexity and the estimation and judgement involved in the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities.	We obtained an understanding of the Group tax strategy through discussions with management and the Group's in-house tax specialists. The team, assisted by PwC International and Irish taxation specialists, challenged judgements used and estimates made by management to measure uncertain tax positions, in the context of the recognition of current and deferred tax assets/liabilities. This included obtaining explanations regarding the tax treatment applied to material transactions and evidence to corroborate management's explanations. Such evidence included management's communications with local tax authorities and copies of tax advice obtained by management from its external tax advisors. Based on the evidence obtained, while noting the inherent uncertainty with such tax matters, we determined the measurement of uncertain tax positions, in the context of the recognition of current and deferred tax assets/liabilities as at 31 December 2017 to be within an acceptable range of reasonable estimates.
Pension liabilities Refer to note 1 'Statement of accounting policies' and note 26 'Retirement benefit obligation'. The Group operates defined benefit pension plans in a number of jurisdictions principally, Ireland, the UK and USA. As at 31 December 2017 the deficit on the Retirement Benefit Obligation amounted to €124.3 million. The liability in respect of these defined benefit plans is valued on an actuarial basis and this valuation is subject to a number of assumptions, which include the discount rate and mortality rates. Mortality rates have been revised when compared with the prior year in Ireland and the UK. We focussed on this area because a modest change in the assumptions above can result in a material change in the amount of the overall deficit.	Our in-house actuarial experts assisted us in considering and challenging the reasonableness of the actuarial assumptions used by management regarding discount rates, mortality rates and inflation by comparing the assumptions to in-house benchmark data. Based on our procedures, we found that the actuarial assumptions used were within an acceptable range of reasonable estimates. We considered the disclosures at note 26, including the sensitivity analysis in relation to key actuarial assumptions and found them to be reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured along two business segments: Taste and Nutrition and Consumer Foods across 27 countries. The majority of the Group's components are supported by one of five principal shared service centres in Ireland, Malaysia, the United Kingdom and the United States.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls including those performed at the Group's shared service centres, and the industry in which the Group operates.

We determined that an audit of the full financial information should be performed at 35 components due to their size or risk characteristics and to ensure appropriate coverage. These 35 components span 13 countries and included components that control central Group functions such as Treasury and Employee Benefits. Taken collectively these components represent the principal business of the Group and account for in excess of 90% of Group revenue and Group profit before tax and non-trading items. Specific audit procedures on certain balances and transactions were performed at 4 of the remaining reporting components primarily to ensure appropriate audit coverage.

The Group team performed the audit of the central function components and component auditors within PwC ROI and from other PwC network firms operating under our instruction performed the audit on all other components and the required supporting audit work at each of the five principal shared service centres.

The Group team were responsible for the scope and direction of the audit process. Where the work was performed by component auditors, we determined the level of involvement the Group team needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

In 2016, our first year of auditors of the Group, the Group team commenced a programme of planned site visits that is designed so that senior team members will visit the full scope audit locations regularly on a rotational basis. In the current year, representatives from the Group team visited component locations in Ireland, the UK, the USA and Asia Pacific.

These visits involved meeting with our component teams to confirm their audit approach. The visits also involved discussing and understanding the significant audit risk areas, holding meetings with local management, and obtaining updates on local laws and regulations and other relevant matters. In addition to

the visits noted above, the Group team interacted regularly with the component teams during all stages of the audit. Post audit conference calls were held with all in scope audit teams to discuss their final key audit findings which were reviewed in detail by members of the Group team.

This, together with audit procedures performed by the Group team over IT systems, treasury, the consolidation process and key audit matters including uncertain tax positions, impairment testing of goodwill and indefinite lived intangible assets, business combinations and post-retirement benefits, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Overall materiality	€33.0m (2016: €31.5m).	€7.0m (2016: €7.0m).
How we determined it	5% of profit before taxation and non-trading items.	1% of net assets of the Company.
Rationale for benchmark applied	We applied this benchmark because in our view this is a metric against which the recurring performance of the Group is commonly measured by its stakeholders and it results in using a materiality level that excludes the impact of volatility in earnings.	The entity is a holding company whose main activity is the management of investments in subsidiaries.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was €1m to €24m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1.65m (Group audit) (2016: €1.6m) and €0.35m (Company audit) (2016: €0.35m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (Ireland) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement, on page 68, in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's or the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Rule 6.8.3(3) of the Listing Rules for the Main Securities Market of the Irish Stock Exchange is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the Company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report. (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements:
 - the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance report; and
 - the information required by Section 1373(2)(d) of the Companies Act 2014 included in the Report of the Directors; is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Report and the Report of the Directors. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) is contained in the Directors' Report. (CA14)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

- We have nothing material to add or to draw attention to regarding:
- The directors' confirmation on page 81 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
 - The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
 - The directors' explanation on page 68 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group (continued)

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit. (Listing Rules)

Other code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 76, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 84 and 85 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on pages 75 and 76, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company's Balance Sheet is in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 28 April 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2016 to 31 December 2017.

John McDonnell

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

19 February 2018

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Before Non-Trading Items 2017 €'m	Non-Trading Items 2017 €'m	Total 2017 €'m	Before Non-Trading Items 2016 €'m	Non-Trading Items 2016 €'m	Total 2016 €'m
	Notes						
Continuing operations							
Revenue	2	6,407.9	-	6,407.9	6,130.6	-	6,130.6
Trading profit	2/3	781.3	-	781.3	749.6	-	749.6
Intangible asset amortisation	12	(47.9)	-	(47.9)	(46.4)	-	(46.4)
Non-trading items	5	-	(54.5)	(54.5)	-	(21.0)	(21.0)
Operating profit	3	733.4	(54.5)	678.9	703.2	(21.0)	682.2
Finance income	6	0.1	-	0.1	1.1	-	1.1
Finance costs	6	(65.7)	-	(65.7)	(71.5)	-	(71.5)
Profit before taxation		667.8	(54.5)	613.3	632.8	(21.0)	611.8
Income taxes	7	(89.5)	64.7	(24.8)	(86.7)	8.0	(78.7)
Profit after taxation attributable to owners of the parent		578.3	10.2	588.5	546.1	(13.0)	533.1
Earnings per A ordinary share				Cent			Cent
- basic	9			333.6			302.9
- diluted	9			333.2			302.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €'m	2016 €'m
Profit after taxation attributable to owners of the parent		588.5	533.1
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		5.3	29.3
Cash flow hedges - reclassified to profit or loss from equity	24	(29.2)	(13.3)
Deferred tax effect of fair value movements on cash flow hedges	17	(0.6)	0.9
Exchange difference on translation of foreign operations		(108.8)	(17.9)
Fair value movement on revaluation of available for sale financial assets	13	3.5	-
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement on retirement benefits obligation	26	130.1	(170.3)
Deferred tax effect of re-measurement on retirement benefits obligation	17	(20.2)	25.5
Net expense recognised directly in total other comprehensive income		(19.9)	(145.8)
Total comprehensive income		568.6	387.3

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

		31 December 2017 €'m	31 December 2016 €'m
	Notes		
Non-current assets			
Property, plant and equipment	11	1,529.6	1,451.9
Intangible assets	12	3,646.7	3,444.3
Financial asset investments	13	44.6	39.3
Investment in associates	14	5.8	40.7
Non-current financial instruments	23	95.4	153.0
Deferred tax assets	17	46.4	52.7
		5,368.5	5,181.9
Current assets			
Inventories	16	797.5	743.0
Trade and other receivables	19	893.1	847.3
Cash at bank and in hand	23	312.5	564.7
Other current financial instruments	23	20.3	80.1
Assets classified as held for sale	18	8.3	4.9
		2,031.7	2,240.0
Total assets		7,400.2	7,421.9
Current liabilities			
Trade and other payables	20	1,410.5	1,351.6
Borrowings and overdrafts	23	13.3	192.5
Other current financial instruments	23	9.1	20.9
Tax liabilities		108.4	95.2
Provisions	25	25.3	30.4
Deferred income	21	1.2	2.8
		1,567.8	1,693.4
Non-current liabilities			
Borrowings	23	1,728.4	1,867.0
Other non-current financial instruments	23	7.9	7.3
Retirement benefits obligation	26	124.3	352.8
Other non-current liabilities	22	96.7	95.1
Deferred tax liabilities	17	241.9	247.2
Provisions	25	37.1	40.8
Deferred income	21	22.9	24.3
		2,259.2	2,634.5
Total liabilities		3,827.0	4,327.9
Net assets		3,573.2	3,094.0
Issued capital and reserves attributable to owners of the parent			
Share capital	27	22.0	22.0
Share premium		398.7	398.7
Other reserves		(214.4)	(98.0)
Retained earnings		3,366.9	2,771.3
Shareholders' equity		3,573.2	3,094.0

The financial statements were approved by the Board of Directors on 19 February 2018 and signed on its behalf by:

Michael Dowling, Chairman

Edmond Scanlon, Chief Executive Officer

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

		31 December 2017 €'m	31 December 2016 €'m
	Notes		
Non-current assets			
Property, plant and equipment	11	0.4	0.6
Investment in subsidiaries	15	637.7	637.7
		638.1	638.3
Current assets			
Cash at bank and in hand	23	-	0.1
Trade and other receivables	19	115.9	99.4
		115.9	99.5
Total assets		754.0	737.8
Current liabilities			
Trade and other payables	20	8.2	10.4
Borrowings and overdrafts	23	-	0.1
		8.2	10.5
Non-current liabilities			
Deferred income	21	0.1	0.1
		0.1	0.1
Total liabilities		8.3	10.6
Net assets		745.7	727.2
Issued capital and reserves			
Share capital	27	22.0	22.0
Share premium		398.7	398.7
Other reserves		53.1	40.3
Retained earnings		271.9	266.2
Shareholders' equity		745.7	727.2

The company earned a profit of **€107.9m** for the year ended 31 December 2017 (2016: €118.8m).

The financial statements were approved by the Board of Directors on 19 February 2018 and signed on its behalf by:

Michael Dowling, Chairman

Edmond Scanlon, Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Group:						
At 1 January 2016		22.0	398.7	(103.9)	2,473.3	2,790.1
Profit after tax attributable to owners of the parent		-	-	-	533.1	533.1
Other comprehensive expense		-	-	(1.9)	(143.9)	(145.8)
Total comprehensive (expense)/income		-	-	(1.9)	389.2	387.3
Dividends paid	10	-	-	-	(91.2)	(91.2)
Share-based payment expense	28	-	-	7.8	-	7.8
At 31 December 2016		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	10	-	-	-	(102.2)	(102.2)
Share-based payment expense	28	-	-	12.8	-	12.8
At 31 December 2017		22.0	398.7	(214.4)	3,366.9	3,573.2

Other Reserves comprise the following:

	Note	AFS Reserve €'m	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Total €'m
At 1 January 2016		-	1.7	0.3	30.5	(129.1)	(7.3)	(103.9)
Other comprehensive (expense)/income		-	-	-	-	(17.9)	16.0	(1.9)
Share-based payment expense	28	-	-	-	7.8	-	-	7.8
At 31 December 2016		-	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	28	-	-	-	12.8	-	-	12.8
At 31 December 2017		3.5	1.7	0.3	51.1	(255.8)	(15.2)	(214.4)

The nature and purpose of each reserve within shareholders' equity are described in note 35.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Company:						
At 1 January 2016		22.0	398.7	32.5	238.6	691.8
Profit after tax	8	-	-	-	118.8	118.8
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	118.8	118.8
Dividends paid	10	-	-	-	(91.2)	(91.2)
Share-based payment expense	28	-	-	7.8	-	7.8
At 31 December 2016		22.0	398.7	40.3	266.2	727.2
Profit after tax	8	-	-	-	107.9	107.9
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	107.9	107.9
Dividends paid	10	-	-	-	(102.2)	(102.2)
Share-based payment expense	28	-	-	12.8	-	12.8
At 31 December 2017		22.0	398.7	53.1	271.9	745.7

Other Reserves comprise the following:

	Note	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Total €'m
At 1 January 2016		1.7	0.3	30.5	32.5
Share-based payment expense	28	-	-	7.8	7.8
At 31 December 2016		1.7	0.3	38.3	40.3
Share-based payment expense	28	-	-	12.8	12.8
At 31 December 2017		1.7	0.3	51.1	53.1

The nature and purpose of each reserve within shareholders' equity are described in note 35.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €'m	2016 €'m
Operating activities			
Trading profit	29	781.3	749.6
<i>Adjustments for:</i>			
Depreciation (net)		134.0	129.8
Change in working capital	29	9.1	61.7
Pension contributions paid less pension expense		(95.3)	(118.2)
Payments on non-trading items		(34.0)	(21.2)
Exchange translation adjustment		(8.8)	0.1
Cash generated from operations		786.3	801.8
Income taxes paid		(54.7)	(57.3)
Finance income received		0.1	1.1
Finance costs paid		(60.3)	(62.6)
Net cash from operating activities		671.4	683.0
Investing activities			
Purchase of assets	29	(301.3)	(223.8)
Proceeds from the sale of assets		3.1	12.1
Capital grants received		0.9	1.5
Purchase of businesses (net of cash acquired)	30	(396.5)	(22.2)
Disposal/(purchase) of share in associates	5/14	29.5	(6.7)
Income received from associates	14	-	5.0
Disposal of businesses		-	(2.0)
Payments relating to previous acquisitions		(0.9)	(0.1)
Net cash used in investing activities		(665.2)	(236.2)
Financing activities			
Dividends paid	10	(102.2)	(91.2)
Issue of share capital	27	-	-
Repayment of borrowings (net of swaps)		(144.3)	(25.6)
Net cash movement due to financing activities		(246.5)	(116.8)
Net (decrease)/increase in cash and cash equivalents		(240.3)	330.0
Cash and cash equivalents at beginning of the financial year		561.1	231.2
Exchange translation adjustment on cash and cash equivalents		(15.2)	(0.1)
Cash and cash equivalents at end of the financial year	29	305.6	561.1
Reconciliation of Net Cash Flow to Movement in Net Debt			
Net (decrease)/increase in cash and cash equivalents		(240.3)	330.0
Cash flow from debt financing		144.3	25.6
Changes in net debt resulting from cash flows		(96.0)	355.6
Fair value movement on interest rate swaps (net of adjustment to borrowings)		2.8	(5.4)
Exchange translation adjustment on net debt	29	75.2	(23.8)
Movement in net debt in the financial year		(18.0)	326.4
Net debt at beginning of the financial year		(1,323.7)	(1,650.1)
Net debt at end of the financial year	23	(1,341.7)	(1,323.7)

COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €'m	2016 €'m
Operating activities			
Trading profit	29	106.2	116.0
<i>Adjustments for:</i>			
Depreciation	11	0.2	0.2
Change in working capital	29	(4.2)	(24.4)
Net cash from operating activities		102.2	91.8
Financing activities			
Dividends paid	10	(102.2)	(91.2)
Issue of share capital	27	-	-
Net cash movement due to financing activities		(102.2)	(91.2)
Net increase in cash and cash equivalents		-	0.6
Cash and cash equivalents at beginning of the financial year		-	(0.6)
Cash and cash equivalents at end of the financial year	29	-	-

1. Statement of accounting policies

General information

Kerry Group plc is a public limited company incorporated in the Republic of Ireland. The registered number is 111471 and registered office address is Prince's Street, Tralee, Co. Kerry. The principal activities of the Company and its subsidiaries are described in the Business Reviews.

Basis of preparation

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 the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the notes to the financial statements. The financial statements include the information in the remuneration report that is described as being an integral part of the financial statements. Both the Parent Company and Group 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 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 Parent Company's financial statements are prepared using accounting policies consistent with the accounting policies applied to the consolidated financial statements by the Group.

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 are accounted for using the equity method.

The consolidated and company financial statements have been prepared on a going concern basis of accounting.

The consolidated financial statements contained herein are presented in euro, which is the functional currency of the Parent Company, Kerry Group plc. The functional currencies of the Group's main subsidiaries are euro, US dollar and sterling.

Certain income statement headings and other financial measures included in the consolidated financial statements are not defined by IFRS. The Group make this distinction to give a better understanding of the financial performance of the business.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries), all of which prepare financial statements up to 31 December. Accounting policies of subsidiaries are consistent with the

policies adopted by the Group. Control is achieved where the Company has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the financial year are included in the Consolidated Income Statement from the date the Company gains control until the date the Company ceases to control the subsidiary. All inter-group transactions and balances are eliminated on consolidation.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment.

The Group's share of its associates' post-acquisition profits or losses is recognised in 'Share of associate loss/(profit) after tax' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any impairment in value. Where indicators of impairment arise, the carrying amount of the associate is tested for impairment by comparing its recoverable amount with its carrying amount.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated to the extent that they do not provide evidence of impairment. The accounting policies of associates are amended where necessary to ensure consistency of accounting treatment at Group level.

Revenue

Revenue represents the fair value of the consideration received or receivable, for taste and nutrition applications and consumer foods branded and non-branded products, from third party customers. Revenue is recorded at invoice value, net of discounts, allowances, volume and promotional rebates and excludes VAT. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually upon shipment, or in line with terms agreed with individual customers and when the amount of revenue and costs incurred can be measured reliably. Revenue is recorded when the collection of the amount due is reasonably assured. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is no longer probable.

1. Statement of accounting policies (continued)

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.

Segmental analysis

Operating segments are reported in a manner consistent with the internal management structure of the Group and the internal financial information provided to the Group's Chief Operating Decision Maker (the executive directors) who is responsible for making strategic decisions, allocating resources, monitoring and assessing the performance of each segment. Trading profit as reported internally by segment is the key measure utilised in assessing the performance of operating segments within the Group. Other Corporate activities, such as the cost of corporate stewardship and the cost of the Kerryconnect programme, are reported along with the elimination of inter-group activities under the heading 'Group Eliminations and Unallocated'. Intangible asset amortisation, non-trading items, net finance costs and income taxes are managed on a centralised basis and therefore, these items are not allocated between operating segments and are not reported per segment in note 2.

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.

Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs. Freehold land is stated at cost and is not depreciated. Depreciation on the remaining property, plant and equipment is calculated by charging equal annual instalments to the Consolidated Income Statement at the following annual rates:

- Buildings	2% - 5%
- Plant, machinery and equipment	7% - 25%
- Motor vehicles	20%

The charge in respect of periodic depreciation is calculated after establishing an estimate of the asset's useful life and the expected residual value at the end of its life. Increasing/(decreasing) an asset's expected life or its residual value would result in a (decreased)/increased depreciation charge to the Consolidated Income Statement as well as an increase/(decrease) in the carrying value of the asset.

The useful lives of Group assets are determined by management at the time the assets are acquired and reviewed annually for appropriateness. These lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Historically, changes in useful lives or residual values have not resulted in material changes to the Group's depreciation charge.

Assets in the course of construction for production or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and other directly attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other property assets.

Assets classified as held for sale

Assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if, at the financial year end, the sale is highly probable, the asset is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Intangible assets

(i) Goodwill

Goodwill arises on business combinations and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary entity at the date control is achieved.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Irish/UK GAAP amounts subject to impairment testing. Goodwill written off to reserves under Irish/UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

At the date control is achieved, goodwill is allocated for the purpose of impairment testing to cash generating units or groups of cash generating units (CGUs) provided they represent the lowest level at which management monitor goodwill for impairment purposes. Goodwill is not amortised but is reviewed for indications of impairment at least annually and is carried at cost less accumulated impairment losses, where identified. Impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill (not previously written off to reserves) is included in the determination of the profit or loss on disposal.

(ii) Brand related intangibles

Brand related intangibles acquired as part of a business combination are valued at their fair value at the date control is achieved. Intangible assets determined to have an indefinite useful life are not amortised and are tested for impairment at least annually. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. In arriving at the conclusion that these brand related intangibles have an indefinite life, management considers the nature and type of the intangible asset, the absence of any legal or other limits on the assets use, the fact the business and products have a track record of stability, the high barriers to market entry and the Group's commitment to continue to invest for the long term to extend the period over which the intangible asset is expected to continue to provide economic benefits. The classification of intangible assets as indefinite is reviewed annually.

1. Statement of accounting policies (continued)

Intangible assets (continued)

(ii) Brand related intangibles (continued)

Finite life brand related intangible assets are amortised over the period of their expected useful lives, which range from 2 to 20 years, by charging equal annual instalments to the Consolidated Income Statement. The useful life used to amortise finite intangible assets relates to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. Historically, changes in useful lives have not resulted in material changes to the Group's amortisation charge.

(iii) Computer software

Computer software separately acquired, including computer software which is not an integral part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined as follows are met:

- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Computer software is amortised over its expected useful life, which ranges from 3 to 7 years, by charging equal annual instalments to the Consolidated Income Statement. Amortisation commences when the assets are ready for use.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually for impairment or when indications exist that the asset may be impaired. For the purpose of assessing impairment, these assets are allocated to CGUs using a reasonable and consistent basis for corporate assets. An impairment loss is recognised immediately in the Consolidated Income Statement for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Value in use is determined as the discounted future cash flows of the CGU. The key assumptions during the financial year for the value in use calculations are discount rates, cash flows and growth rates.

When an impairment loss (other than on goodwill) subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not exceeding its carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is reviewed by assessing the asset's value in use when compared to its carrying value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes raw materials, direct labour and all other expenditure incurred in the normal course of business in bringing the products to their present location and condition. Cost is calculated at the weighted average cost incurred in acquiring inventories. Net realisable value is the estimated selling price of inventory on hand less all further costs to completion and all costs expected to be incurred in distribution and selling. Write-downs of inventories are primarily recognised under 'raw materials and consumables' in the Consolidated Income Statement.

Income taxes

Income taxes include both current and deferred taxes. Income taxes are charged or credited to the Consolidated Income Statement except when they relate to items charged or credited directly in other comprehensive income or shareholders' equity. In this instance the income taxes are also charged or credited to other comprehensive income or shareholders' equity.

The current tax charge is calculated as the amount payable based on taxable profit and the tax rates applying to those profits in the financial year together with adjustments relating to prior years. Deferred taxes are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Group is subject to uncertainties, including tax audits, in any of the jurisdictions in which it operates. The Group accounts for uncertain tax positions in line with IFRIC 23 'Uncertainty over Income Tax Treatments'. The Group considers each uncertain tax treatment separately or together with one or more uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that a taxation authority will accept an uncertain tax treatment the Group reflects the effect of the uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rate. The Group reflects the effect of uncertainty for each uncertain tax treatment using an expected value approach or a most likely approach depending on which method the Group expects to better predict the resolution of the uncertainty. The unit of account for recognition purposes is the income tax/deferred tax assets or liabilities and the Group does not provide separately for uncertain tax positions. When the final tax outcome for these items is different from amounts recorded, such differences will impact the income tax and deferred tax in the period in which such a determination is made, as well as the Group's cash position.

Deferred taxes are calculated based on the temporary differences that arise between the tax base of the asset or liability and its carrying value in the Consolidated Balance Sheet. Deferred taxes are recognised on all temporary differences in existence at the balance sheet date except for:

- temporary differences which arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, or on the initial recognition of goodwill for which a tax deduction is not available; and
- temporary differences which arise on investments in subsidiaries where the timing of the reversal is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

1. Statement of accounting policies (continued)

Income taxes (continued)

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Deferred tax assets are reviewed at each reporting date.

Current income tax assets and current income tax liabilities are offset where there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis. Deferred income tax assets and deferred income tax liabilities are offset where there is a legally enforceable right to offset the recognised amounts, the deferred tax assets and deferred tax liabilities relate to taxes levied by the same taxation authority and the Group intends to settle on a net basis.

Retirement benefits obligation

Payments to defined contribution plans are recognised in the Consolidated Income Statement as they fall due and any contributions outstanding at the financial year end are included as an accrual in the Consolidated Balance Sheet.

Actuarial valuations for accounting purposes are carried out at each balance sheet date in relation to defined benefit plans, using the projected unit credit method, to determine the schemes' liabilities and the related cost of providing benefits. Scheme assets are accounted for at fair value using bid prices.

Current service cost and net interest cost are recognised in the Consolidated Income Statement as they arise. Past service cost, which can be positive or negative, is recognised immediately in the Consolidated Income Statement. Gains or losses on the curtailment or settlement of a plan are recognised in the Consolidated Income Statement when the curtailment or settlement occurs. Re-measurement on retirement benefits obligation, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest cost) are recognised in full in the period in which they occur in the Consolidated Statement of Comprehensive Income.

The defined benefit liability recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of any plan assets. Defined benefit assets are also recognised in the Consolidated Balance Sheet but are limited to the present value of available refunds from, and reductions in future contributions to, the plan.

Provisions

Provisions can be distinguished from other types of liability by considering the events that give rise to the obligation and the degree of uncertainty as to the amount or timing of the liability. These are recognised in the Consolidated Balance Sheet when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the balance sheet date, after taking account of the risks and uncertainties surrounding the obligation.

The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 25 to the consolidated financial statements.

Non-trading items

Certain material items, by virtue of their nature and amount, are disclosed separately in order for the user to obtain a proper understanding of the financial information. These items relate to events or circumstances that are not related to normal trading activities and are labelled collectively as 'non-trading items'.

Non-trading items include gains or losses on the disposal of businesses, disposal of assets (non-current assets and assets classified as held for sale), costs in preparation of disposal of assets, material restructuring costs and material transaction, integration and restructuring costs associated with acquisitions. Non-trading items are disclosed in note 5 to the consolidated financial statements.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the financial year it is incurred.

Development expenditure is assessed and capitalised as an internally generated intangible asset only if it meets all of the following criteria:

- it is technically feasible to complete the asset for use or sale;
- it is intended to complete the asset for use or sale;
- the Group has the ability to use or sell the intangible asset;
- it is probable that the asset created will generate future economic benefits;
- adequate resources are available to complete the asset for sale or use; and
- the development cost of the asset can be measured reliably.

Capitalised development costs are amortised over their expected economic lives. Where no internally generated intangible asset can be recognised, product development expenditure is recognised as an expense in the financial year it is incurred. Accordingly, the Group has not capitalised product development expenditure to date.

Grants

Grants of a capital nature are accounted for as deferred income in the Consolidated Balance Sheet and are released to the Consolidated Income Statement at the same rates as the related assets are depreciated. Grants of a revenue nature are credited to the Consolidated Income Statement to offset the matching expenditure.

Dividends

Dividends are accounted for when they are approved, through the retained earnings reserve. Dividends proposed do not meet the definition of a liability until such time as they have been approved. Dividends are disclosed in note 10 to the consolidated financial statements.

Operating leases

Annual rentals payable under operating leases are charged to the Consolidated Income Statement on a straight line basis over the period of the lease.

1. Statement of accounting policies (continued)

Share-based payments

The Group has granted share-based payments to Executive Directors and senior executives under a long term incentive plan and to Executive Directors under a short term incentive plan.

The equity-settled share-based awards granted under these plans are measured at the fair value of the equity instrument at the date of grant. The cost of the award is charged to the Consolidated Income Statement over the vesting period of the awards based on the probable number of awards that will eventually vest, with a corresponding credit to shareholders' equity.

For the purposes of the long term incentive plan, the fair value of the award is measured using the Monte Carlo Pricing Model. For the short term incentive plan, the fair value of the expense equates directly to the cash value of the portion of the short term incentive plan that will be settled by way of shares/share options.

At the balance sheet date, the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Consolidated Income Statement and in the Statement of Changes in Equity. Share-based payments are disclosed in note 28 to the consolidated financial statements.

Foreign currency

Foreign currency transactions are translated into functional currency at the rate of exchange ruling at the date of the transaction. Exchange differences arising from either the retranslation of the resulting monetary assets or liabilities at the exchange rate at the balance sheet date or from the settlement of the balance at a different rate are recognised in the Consolidated Income Statement when they occur.

On consolidation, the income statements of foreign currency subsidiaries are translated into euro at the average exchange rate. If this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, a weighted average rate is used. The balance sheets of such subsidiaries are translated at the rate of exchange at the balance sheet date. Resulting exchange differences arising on the translation of foreign currency subsidiaries are taken directly to a separate component of shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate.

On disposal of a foreign currency subsidiary, the cumulative translation difference for that foreign subsidiary is recycled to the Consolidated Income Statement as part of the profit or loss on disposal.

Borrowing costs

Borrowing costs incurred for qualifying assets, which take a substantial period of time to construct, are added to the cost of the asset during the period of time required to complete and prepare the asset for its intended use. Other borrowing costs are expensed to the Consolidated Income Statement in the period in which they are incurred.

Business combinations

The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable

assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the date the Group assumes control of the acquiree. Acquisition related costs are recognised in the Consolidated Income Statement as incurred. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held investment in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Certain assets and liabilities are not recognised at their fair value at the date control was achieved as they are accounted for using other applicable IFRSs. These include deferred tax assets/liabilities and also any assets related to employee benefit arrangements.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement measured at fair value at the date control is achieved. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

Any fair value adjustments in relation to acquisitions completed prior to 1 January 2010 have been accounted for under IFRS 3 'Business Combinations (2004)'.

Investments in subsidiaries

Investments in subsidiaries held by the Parent Company are carried at cost less accumulated impairment losses.

Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured at fair value.

All financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe of the market concerned.

Financial assets and liabilities are offset and presented on a net basis in the Consolidated Balance Sheet, only if the Group holds an enforceable legal right of set off for such amounts and there is an intention to settle on a net basis or to realise an asset and settle the liability simultaneously. In all other instances they are presented gross in the Consolidated Balance Sheet.

1. Statement of accounting policies (continued)

Financial instruments (continued)

Financial assets and liabilities are classified into specified categories in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. These categories are as follows:

- available-for-sale financial assets;
- loans and receivables;
- financial assets at fair value through profit or loss (FVTPL);
- held to maturity investments;
- financial liabilities measured at amortised cost; and
- financial liabilities at fair value through profit or loss (FVTPL).

The classification is determined at the time of initial recognition of the financial asset or liability and is based upon its nature and purpose.

(i) Available-for-sale financial assets

Group financial asset investments are classified as available-for-sale as they are non-derivative assets and are not designated at FVTPL on initial recognition. Available-for-sale investments are stated at their fair value at the balance sheet date. Movements in fair value are recorded in other comprehensive income until the asset is disposed of unless there is deemed to be an impairment on the original cost, in which case the loss is taken directly to the Consolidated Income Statement. Upon disposal, the fair value movement in other comprehensive income is transferred to the Consolidated Income Statement.

Quoted market prices are used to determine the fair value of listed shares where there is an active market. Where there is not an active market, a valuation model is used to determine the fair value of shares. A market is deemed not to be active when a low level of trading exists and willing buyers and sellers are not readily available.

(ii) Loans and receivables

Loans and receivables consist primarily of trade and other receivables and cash and cash equivalents.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are stated at amortised cost, which approximates fair value given the short term nature of these assets which are neither past due more than 3 months or impaired. An allowance for doubtful trade receivables is created based on incurred loss experience or where there is objective evidence that amounts are irrecoverable. Movements in this allowance are recorded in 'other external charges' which is included within Trading Profit in the Consolidated Income Statement.

Cash and cash equivalents carried at amortised cost consists of cash at bank and in hand, bank overdrafts held by the Group and short term bank deposits with a maturity of three months or less from the date of placement. Cash at bank and in hand and short term bank deposits are shown under current assets on the Consolidated Balance Sheet. Bank overdrafts are shown within 'Borrowings and overdrafts' in current liabilities on the Consolidated Balance Sheet but are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. The carrying amount of these assets and liabilities approximates to their fair value.

(iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when the financial assets are either held for trading or they are designated upon initial recognition as FVTPL.

Certain derivatives that are not designated and effective as a hedging instrument are classified as held for trading. The Group does not have any other financial assets classified as held for trading.

(iv) Held to maturity investments

The Group currently does not have any held to maturity investments.

(v) Financial liabilities measured at amortised cost

Other non-derivative financial liabilities consist primarily of trade and other payables and borrowings. Trade and other payables are stated at amortised cost, which approximates to their fair value given the short term nature of these liabilities. Trade and other payables are non-interest bearing.

Debt instruments are initially recorded at fair value, net of transaction costs. Subsequently they are reported at amortised cost, except for hedged debt. To the extent that debt instruments are hedged under qualifying fair value hedges, the carrying value of the debt instrument is adjusted for changes in the fair value of the hedged risk, with changes arising recognised in the Consolidated Income Statement. The fair value of the hedged item is primarily determined using the discounted cash flow basis.

(vi) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL arise when the financial liabilities are either held for trading or they are designated upon initial recognition as FVTPL.

The Group classifies as held for trading certain derivatives that are not designated and effective as a hedging instrument. The Group does not have any other financial liabilities classified as held for trading.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when objective evidence highlights that the estimated future cash flows from the investment have been affected.

For quoted and unquoted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost is considered to be objective evidence of impairment.

For trade receivables, unusual or increasingly delayed payments, increase in average credit period taken or known financial difficulties of a customer, in addition to observable changes in national or local economic conditions in the country of the customer, are considered indicators that the trade receivable balance may be impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Consolidated Income Statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to 'other external charges' in the Consolidated Income Statement.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty, indicated through unusual or increasingly delayed payments or increase in average credit period taken;

1. Statement of accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

- evidence that the counterparty is entering bankruptcy or financial re-organisation; and
- observable changes in local or economic conditions.

Derecognition of financial liabilities

The Group derecognises financial liabilities only when the Group's obligations are discharged, cancelled or expire.

Derivative financial instruments and hedge accounting

Derivatives are carried at fair value. The Group's activities expose it to risks of changes in foreign currency exchange rates and interest rates in relation to international trading and long term debt. The Group uses foreign exchange forward contracts, interest rate swaps and forward rate agreements to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Hedge accounting is applied to the derivative instruments where they are effective in offsetting the changes in fair value or cash flows of the hedged item. The relevant criteria required in order to apply hedge accounting is as follows:

- the hedged item and the hedging instrument are specifically identified;
- the hedging relationship is formally documented to identify the hedged risk and how the effectiveness is assessed;
- the effectiveness of the hedge can be reliably measured;
- the hedge must be expected to be highly effective and this is tested regularly throughout its life; and
- a forecast transaction that is the subject of the hedge must be highly probable.

Fair value of financial instrument derivatives

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available a discounted cash flow analysis is used based on the applicable yield curve adjusted for counterparty risk for the duration and currency of the instrument, which are observable:

- foreign exchange forward contracts are measured using quoted forward exchange rates to match the maturities of these contracts; and
- interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves adjusted for counterparty credit risk.

Cash flow hedges

Where derivatives, including forward foreign exchange contracts, forward commodity contracts and floating to fixed interest rate swaps or cross currency swaps are used, they are primarily treated as cash flow hedges. The gain or loss relating to the effective portion of the interest rate swaps and cross currency interest rate swaps is recognised in other comprehensive income and is reclassified to profit or loss in the period when the hedged item is recognised through profit or loss. Any such reclassification to profit or loss is recognised within finance costs in the Consolidated Income Statement and all effective amounts directly offset against movements in the underlying hedged item. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. The gain or loss relating to the effective portion of forward foreign exchange contracts and forward commodity contracts is recognised in other comprehensive income and is reclassified to profit or loss in the period the hedged item is recognised through

profit or loss. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. When the hedged firm commitment or forecasted transaction occurs and results in the recognition of an asset or liability, the amounts previously recognised in the hedge reserve, within other comprehensive income are reclassified through profit or loss in the periods when the hedged item is impacting the Consolidated Income Statement.

If a hedge is no longer effective or a hedging relationship ceases to exist, hedge accounting is discontinued prospectively and any cumulative gain or loss on the instrument previously recognised in other comprehensive income is retained in other comprehensive income until the forecasted transaction occurs, at which time it is released to the Consolidated Income Statement. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss in other comprehensive income is transferred to the Consolidated Income Statement immediately.

Cash flow hedge accounting is applied to foreign exchange forward contracts which are expected to be effective in offsetting the changes in fair value of expected future cash flows. In order to achieve and maintain cash flow hedge accounting, it is necessary for management to determine, at inception and on an ongoing basis, whether a forecast transaction is highly probable and whether the hedge is effective.

Fair value hedges

Where fixed to floating interest rate swaps are used, they are treated as fair value hedges when the qualifying conditions are met. Changes in the fair value of derivatives that are designated as fair value hedges are recognised directly in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued prospectively when the hedging relationship ceases to exist or the Group revokes the designation. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised over the remaining maturity of the hedged item through the Consolidated Income Statement from that date.

Trading derivatives

Certain derivatives which comply with the Group's financial risk management policies are not accounted for using hedge accounting. This arises where the derivatives; a) do not qualify for hedge accounting; b) provide an effective hedge against foreign currency borrowings without having to apply hedge accounting; or c) where management have decided not to apply hedge accounting. In these cases the instrument is reported independently at fair value with any changes recognised in the Consolidated Income Statement. In all other instances, cash flow or fair value hedge accounting is applied.

Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make certain estimations, assumptions and judgements that affect the reported profits, assets and liabilities.

Estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised.

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements (continued)

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described below and in the respective notes to the consolidated financial statements.

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired or whether a reversal of an impairment of intangible assets (other than on goodwill) should be recorded requires comparison of the value in use for the relevant CGUs (or groups of CGUs) to the net assets attributable to those CGUs. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and terminal values. Such estimates and judgements are subject to change as a result of changing economic conditions. Details of the assumptions used and key sources of estimation involved are detailed in note 12 to these consolidated financial statements.

Business combinations

When acquiring a business, the Group is required to bring acquired assets and liabilities on to the Consolidated Balance Sheet at their fair value, the determination of which requires a significant degree of estimation and judgement.

Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Judgement is required in the assessment and valuation of these intangible assets. For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after tax cash flows expected to be generated from the purchased intangible asset using risk adjusted discount rates, revenue forecasts and estimated customer attrition as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

Depending on the nature of the assets and liabilities acquired, determined provisional fair values may be associated with uncertainty and possibly adjusted subsequently as allowed by IFRS 3.

Business combinations are disclosed in note 30 to the consolidated financial statements.

Income tax charge and income/deferred tax assets and liabilities

Significant judgement and a high degree of estimation is required in determining the income tax charge as the Group operates in many jurisdictions and the tax treatment of many items is uncertain with tax legislation being open to different interpretation. Furthermore, the Group can also be subject to uncertainties, including tax audits in any of the jurisdictions in which it operates, which by their nature, are often complex and can require several years to conclude. The Group considers these uncertain tax positions in the recognition of its income tax/deferred tax assets or liabilities. In line with its accounting policy,

the Group bases its assessment on the probability of a tax authority accepting its general treatment having regard to all information available on the tax matter and when it is not probable reflects the uncertainty in income tax/deferred tax assets or liabilities. When applying its accounting policy at the year end the Group generally considered each uncertain tax treatment separately and reflected the effect of the uncertainty in the income tax/deferred tax assets or liabilities using an expected value approach as this better predicts the resolution of the uncertainty. Such estimates are determined based on management judgement, interpretation of the relevant tax laws, correspondence with the relevant tax authorities and external tax advisors and past practices of the tax authorities. Where the final outcome of these tax matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax charge in the period in which such determination is made.

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset exists.

Income taxes and deferred tax assets and liabilities are disclosed in notes 7 and 17 to the consolidated financial statements, respectively.

Retirement benefits obligation

The estimation of and accounting for retirement benefits obligation involves judgements made in conjunction with independent actuaries. These involve estimates about uncertain future events based on the environment in different countries, including life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in note 26.

Other areas

Other areas where accounting estimates and judgements are required, though the impact on the consolidated financial statements is not considered as significant as those mentioned above, are non-trading items (note 5), property, plant and equipment (note 11), intangible assets (note 12), financial asset investments (note 13), assets classified as held for sale (note 18), rebates included in trade and other receivables (note 19), financial instruments (notes 23 and 24) and provisions (note 25).

1. Statement of accounting policies (continued)

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:

Standards and Interpretations effective for Kerry Group in 2017 but not material to the results and financial position of the Group: **Effective Date**

- IAS 7 (amendments) Statement of Cash Flows 1 January 2017
- IAS 12 (amendments) Income Taxes 1 January 2017

Standards and Interpretations which are not yet effective for Kerry Group and are not expected to have a material effect on the results or the 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, replaces the existing guidance in 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. The Group has assessed the potential 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 will 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. On this basis, the classification and measurement changes will 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 will not have a material impact. The new hedging requirements of IFRS 9 will align 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 with the only difference being a change to the cost of hedging. This change to cost is not material. Based on analysis to date the impact of IFRS 9 will not be material. In line with the transition guidance in IFRS 9 the Group will not restate the 2017 prior period 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 assessed the potential impact on its consolidated financial statements resulting from the application of IFRS 15. Findings from our review of IFRS 15 are that the impact of this new standard on the Group's results is unlikely to be material. 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 should be recorded over time rather than at a point in time as is our current policy.
- Based on analysis conducted to date of its contractual and trading relationships, the Group currently estimates that the impact of IFRS 15 is not material and no material impact on profits in future periods is expected. In line with the transition guidance in IFRS 15 the Group will not restate the 2017 prior period on adoption.

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

The following revised standards are not yet effective and the impact on Kerry Group is currently under review:

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 depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. During 2017 the Group commenced a review of its contractual leases and early indications from this initial review is that IFRS 16 will result in an increase in finance leased assets (right-of-use asset) of approximately €57.5m, and a corresponding increase in financial liabilities of the same amount, on the Consolidated Balance Sheet of the Group's financial statements.

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 2017 €'m	Consumer Foods 2017 €'m	Group Eliminations and Unallocated 2017 €'m	Total 2017 €'m	Taste & Nutrition 2016 €'m	Consumer Foods 2016 €'m	Group Eliminations and Unallocated 2016 €'m	Total 2016 €'m
External revenue	5,080.5	1,327.4	-	6,407.9	4,800.1	1,330.5	-	6,130.6
Inter-segment revenue	78.3	3.6	(81.9)	-	79.4	2.0	(81.4)	-
Revenue	5,158.8	1,331.0	(81.9)	6,407.9	4,879.5	1,332.5	(81.4)	6,130.6
Trading profit	767.2	107.8	(93.7)	781.3	716.4	117.3	(84.1)	749.6
Intangible asset amortisation				(47.9)				(46.4)
Non-trading items				(54.5)				(21.0)
Operating profit				678.9				682.2
Finance income				0.1				1.1
Finance costs				(65.7)				(71.5)
Profit before taxation				613.3				611.8
Income taxes				(24.8)				(78.7)
Profit after taxation attributable to owners of the parent				588.5				533.1
Segment assets and liabilities								
Segment assets	4,671.6	944.2	1,784.4	7,400.2	4,441.5	928.3	2,052.1	7,421.9
Segment liabilities	(1,150.5)	(351.8)	(2,324.7)	(3,827.0)	(1,156.9)	(428.1)	(2,742.9)	(4,327.9)
Net assets	3,521.1	592.4	(540.3)	3,573.2	3,284.6	500.2	(690.8)	3,094.0
Other segmental information								
Property, plant and equipment additions	246.4	28.8	0.9	276.1	160.7	36.8	2.1	199.6
Depreciation (net)	108.5	18.1	7.3	133.9	109.2	16.2	3.8	129.2
Intangible asset additions	1.0	1.4	21.2	23.6	0.9	0.9	14.7	16.5
Intangible asset amortisation	17.2	6.2	24.5	47.9	19.6	6.1	20.7	46.4

Information about geographical areas

	EMEA 2017 €'m	Americas 2017 €'m	Asia Pacific 2017 €'m	Total 2017 €'m	EMEA 2016 €'m	Americas 2016 €'m	Asia Pacific 2016 €'m	Total 2016 €'m
Revenue by location of external customers	2,864.0	2,678.3	865.6	6,407.9	2,777.0	2,588.5	765.1	6,130.6
Segment assets by location	4,300.2	2,451.0	649.0	7,400.2	4,510.4	2,373.5	538.0	7,421.9
Property, plant and equipment additions	100.6	122.4	53.1	276.1	83.3	76.9	39.4	199.6
Intangible asset additions	22.6	1.0	-	23.6	16.2	0.3	-	16.5

2. Analysis of results (continued)

Information about geographical areas (continued)

Kerry Group plc is domiciled in the Republic of Ireland and the revenues from external customers in the Republic of Ireland were **€447.8m** (2016: €429.4m). The non-current assets located in the Republic of Ireland are **€906.1m** (2016: €936.8m).

Revenues from external customers include **€1,550.1m** (2016: €1,534.8m) in the UK and **€2,091.2m** (2016: €2,053.1m) in the USA. The non-current assets in the UK are **€669.9m** (2016: €673.3m) and in the USA are **€1,483.9m** (2016: €1,385.7m).

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.

3. Operating profit

Operating profit for the financial year has been arrived at after charging/(crediting) the following operating costs:

	Notes	Continuing Operations 2017 €'m	Continuing Operations 2016 €'m
Revenue		6,407.9	6,130.6
<i>Less operating costs:</i>			
Raw materials and consumables		3,591.7	3,318.3
Other external charges		436.8	469.9
Staff costs		1,196.1	1,142.0
Depreciation (including impairment)	11	136.2	132.8
Capital grants amortisation	21	(2.2)	(3.0)
Other operating charges		339.3	348.0
Foreign exchange (gains)/losses		(29.0)	(14.1)
Change in inventories of finished goods		(43.4)	(12.8)
Share of associate loss/(profit) after tax	14	1.1	(0.1)
Trading profit		781.3	749.6
Intangible asset amortisation	12	47.9	46.4
Non-trading items	5	54.5	21.0
Operating profit		678.9	682.2
<i>And is stated after charging:</i>			
Research and development costs		268.7	260.7

3. Operating profit (continued)

Auditors' remuneration

	PwC Ireland 2017 €'m	PwC Other 2017 €'m	PwC Worldwide 2017 €'m	PwC Ireland 2016 €'m	PwC Other 2016 €'m	PwC Worldwide 2016 €'m
<i>Statutory disclosure:</i>						
Group audit	1.3	1.3	2.6	1.2	1.3	2.5
Other assurance services	-	-	-	-	-	-
Total assurance services	1.3	1.3	2.6	1.2	1.3	2.5
Tax advisory services	-	-	-	0.1	0.4	0.5
Other non-audit services	0.1	-	0.1	-	-	-
Total non-audit services	0.1	-	0.1	0.1	0.4	0.5
Total auditors' remuneration	1.4	1.3	2.7	1.3	1.7	3.0
Assurance services			96%			83%
Non-audit services			4%			17%
Total			100%			100%

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of **€4,720** (2016: €4,720) which are due to the Group's auditor in respect of the Parent Company. Reimbursement of auditors' expenses amounted to **€0.2m** (2016: €0.2m).

4. Total staff numbers and costs

The average number of people employed by the Group was:

	Taste & Nutrition 2017 Number	Consumer Foods 2017 Number	Total 2017 Number	Taste & Nutrition 2016 Number	Consumer Foods 2016 Number	Total 2016 Number
EMEA	6,087	7,124	13,211	5,723	7,117	12,840
Americas	7,438	-	7,438	7,088	-	7,088
Asia Pacific	3,320	-	3,320	3,108	-	3,108
	16,845	7,124	23,969	15,919	7,117	23,036

The aggregate payroll costs of employees (including Executive Directors) was:

	Taste & Nutrition 2017 €'m	Consumer Foods 2017 €'m	Total 2017 €'m	Taste & Nutrition 2016 €'m	Consumer Foods 2016 €'m	Total 2016 €'m
EMEA	332.0	282.1	614.1	310.4	271.7	582.1
Americas	472.3	-	472.3	461.0	-	461.0
Asia Pacific	109.7	-	109.7	104.2	-	104.2
	914.0	282.1	1,196.1	875.6	271.7	1,147.3

Social welfare costs of **€83.3m** (2016: €91.0m) and share-based payment expense of **€12.8m** (2016: €7.8m) are included in payroll costs. Pension costs included in the payroll costs are disclosed in note 26. Included in the above payroll costs disclosure is **€6.8m** (2016: €5.3m) which has been capitalised as part of computer software in intangible assets.

5. Non-trading items

	Notes	2017 €'m	2016 €'m
Loss on disposal of assets and businesses	(i)	(5.8)	(1.3)
Acquisition integration and restructuring costs	(ii)	(36.0)	(19.6)
Consumer Foods Brexit mitigation programme	(iii)	(11.7)	-
Impairment of assets held for sale	(iv)	(1.0)	(0.1)
		(54.5)	(21.0)
Tax on above	(i)-(iv)	11.9	8.0
Tax credit due to change in tax rates	(v)	52.8	-
		64.7	8.0
		10.2	(13.0)

(i) Loss on disposal of assets and businesses

	Note	Total 2017 €'m
Assets and businesses		
Property, plant and equipment		(4.3)
Investments in associates	14	(34.4)
Assets classified as held for sale		(0.4)
Net assets and businesses disposed		(39.1)
Consideration		
Cash received		33.3
Disposal related costs		-
Total consideration received		33.3
Loss on disposal of assets and businesses		(5.8)

Net cash inflow on disposal:

	Total 2017 €'m
Cash	33.3
Less: cash at bank and in hand balance disposed of	-
	33.3

During the year, 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.

In 2016, the Group disposed of property, plant and equipment and assets classified as held for sale primarily in Ireland and the UK and a small business in the Taste & Nutrition segment.

A tax credit of €0.1m (2016: a tax credit of €1.0m) arose on the disposal of assets and businesses.

5. Non-trading items (continued)

(ii) Acquisition integration and restructuring costs

The acquisition integration and restructuring costs of **€36.0m** (2016: €19.6m) primarily relates to costs of integrating acquisitions completed since 2015, including Red Arrow and Island Oasis, plus acquisitions completed during 2017 into the Group's operations. This cost also includes transaction expenses incurred in completing current year acquisitions. Acquisition integration costs represent additional investment by the Group in the acquired businesses, in order to realise their full value and achieve expected synergies. These costs reflect restructuring of operations, integration of R&D and administration functions, redundancies, relocation of resources and other related expenses in order to integrate the businesses into the existing Kerry operating model.

In the year ended 31 December 2017, a tax credit of **€10.8m** (2016: €7.0m) arose due to tax deductions available on acquisition integration and restructuring costs.

(iii) Consumer Foods Brexit mitigation programme

As a result of the decision of the UK electorate to leave the European Union, Kerry has initiated a programme to optimise and restructure its cost base and product lines in order to maintain the competitiveness of the parts of the Consumer Foods business that have substantial sterling transaction exposure. The charge relating to this in 2017 is **€11.7m** and the associated tax credit is **€1.0m**.

(iv) Impairment of assets held for sale

In 2017, assets classified as held for sale were impaired to their fair value less costs to sell by **€1.0m**.

(v) 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 brings 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 has been 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 Income Statement as a non-trading item of **€52.8m**.

The final impact of the changes from this new law are subject to a number of detailed provisions in the legislation and any implementation guidance issued by the Treasury Department and the Internal Revenue Service (IRS). Kerry will continue to monitor any developments and give due consideration to the impact of any guidance, along with ongoing market interpretation and assessment on the accounting implications of this Act.

6. Finance income and costs

	Note	2017 €'m	2016 €'m
Finance income:			
Interest income on deposits		0.1	1.1
Finance costs:			
Interest payable		(58.1)	(64.1)
Interest rate derivative		0.6	0.5
		(57.5)	(63.6)
Net interest cost on retirement benefits obligation	26	(8.2)	(7.9)
Finance costs		(65.7)	(71.5)

7. Income taxes

	Notes	2017 €'m	2016 €'m
Recognition in the Consolidated Income Statement			
Current tax expense in the financial year		81.9	68.6
Adjustments in respect of prior years		(0.7)	(3.7)
		81.2	64.9
Deferred tax in the financial year	17	(56.4)	13.8
Income tax expense		24.8	78.7
Included in the above is the following tax (credit)/charge on non-trading items:			
Current tax		(1.2)	0.6
Deferred tax		(63.5)	(8.6)
	5	(64.7)	(8.0)

The tax on the Group's profit before tax differs from the amount that would arise applying the standard corporation tax rate in Ireland as follows:

	2017 €'m	2016 €'m
Profit before taxation	613.3	611.8
Taxed at Irish Standard Rate of Tax (12.5%)	76.7	76.5
Adjustments to current tax and deferred tax in respect of prior years	(0.2)	1.3
Net effect of differing tax rates	11.1	12.8
Changes in standard rates of taxes	(52.8)	(2.8)
Income not subject to tax	(1.9)	(2.2)
Utilisation of unprovided deferred tax assets	(6.9)	(5.6)
Other adjusting items	(1.2)	(1.3)
Income tax expense	24.8	78.7

An increase in the Group's applicable tax rate of 1% would reduce profit after tax by €6.1m (2016: €6.1m). Factors that may affect the Group's future tax charge include the effects of restructuring, acquisitions and disposals, changes in tax legislation and rates and the use of brought forward losses.

8. Profit attributable to Kerry Group plc

In accordance with section 304 (2) of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year is **€107.9m** (2016: €118.8m).

9. Earnings per A ordinary share

	Notes	EPS cent	2017 €'m	EPS cent	2016 €'m
Basic earnings per share					
Profit after taxation attributable to owners of the parent		333.6	588.5	302.9	533.1
Brand related intangible asset amortisation	12	13.4	23.6	13.1	23.0
Non-trading items (net of related tax)	5	(5.8)	(10.2)	7.4	13.0
Adjusted earnings		341.2	601.9	323.4	569.1
Diluted earnings per share					
Profit after taxation attributable to owners of the parent		333.2	588.5	302.0	533.1
Adjusted earnings		340.8	601.9	322.4	569.1

In addition to the basic and diluted earnings per share, an adjusted earnings per share is also 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.

	Note	2017 m's	2016 m's
Number of Shares			
Basic weighted average number of shares		176.4	176.0
Impact of share options outstanding		0.2	0.5
Diluted weighted average number of shares		176.6	176.5
Actual number of shares in issue as at 31 December	27	176.2	176.0

10. Dividends

	2017 €'m	2016 €'m
Group and Company:		
Amounts recognised as distributions to equity shareholders in the financial year		
Final 2016 dividend of 39.20 cent per A ordinary share paid 19 May 2017		
(Final 2015 dividend of 35.00 cent per A ordinary share paid 13 May 2016)	69.0	61.6
Interim 2017 dividend of 18.80 cent per A ordinary share paid 10 November 2017		
(Interim 2016 dividend of 16.80 cent per A ordinary share paid 18 November 2016)	33.2	29.6
	102.2	91.2

Since the financial year end the Board has proposed a final 2017 dividend of **43.90 cent** per A ordinary share which amounts to €77.3m. The payment date for the final dividend will be 18 May 2018 to shareholders registered on the record date as at 20 April 2018. The consolidated financial statements do not reflect this dividend.

11. Property, plant and equipment

	Notes	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Construction in Progress €'m	Motor Vehicles €'m	Total €'m
Group:						
Cost						
At 1 January 2016		1,003.9	1,722.4	91.6	18.3	2,836.2
Businesses acquired		2.0	4.6	-	0.3	6.9
Additions		20.0	55.7	123.0	0.9	199.6
Transfer from construction in progress		4.1	55.6	(59.7)	-	-
Businesses disposed		2.2	(3.3)	-	-	(1.1)
Disposals		(7.5)	(38.4)	-	(1.3)	(47.2)
Transfer from/(to) held for sale		38.7	52.4	0.3	(3.4)	88.0
Exchange translation adjustment		(19.5)	(37.0)	(1.6)	0.1	(58.0)
At 31 December 2016		1,043.9	1,812.0	153.6	14.9	3,024.4
Businesses acquired	30	19.0	17.0	0.9	0.3	37.2
Additions		17.2	70.0	187.6	1.3	276.1
Transfer from construction in progress		53.1	65.9	(119.0)	-	-
Businesses disposed	5	-	-	-	-	-
Disposals	5	(10.0)	(24.7)	-	(1.2)	(35.9)
Transfer to held for sale		(14.5)	(19.9)	-	-	(34.4)
Exchange translation adjustment		(57.2)	(98.1)	(11.6)	(0.6)	(167.5)
At 31 December 2017		1,051.5	1,822.2	211.5	14.7	3,099.9
Accumulated depreciation and impairment						
At 1 January 2016		314.5	1,096.0	-	15.3	1,425.8
Charge during the financial year	3	30.8	100.4	-	1.0	132.2
Businesses acquired		0.5	3.2	-	0.3	4.0
Impairments	3	3.7	3.6	-	-	7.3
Businesses disposed		(0.3)	(2.8)	-	-	(3.1)
Disposals		(3.8)	(36.5)	-	(1.1)	(41.4)
Transfer from/(to) held for sale		42.4	48.6	-	(3.4)	87.6
Exchange translation adjustment		(10.0)	(29.9)	-	-	(39.9)
At 31 December 2016		377.8	1,182.6	-	12.1	1,572.5
Charge during the financial year	3	31.7	103.4	-	1.0	136.1
Impairments	3	3.8	1.2	-	-	5.0
Businesses disposed	5	-	-	-	-	-
Disposals	5	(1.3)	(24.7)	-	(1.1)	(27.1)
Transfer to held for sale		(9.3)	(19.9)	-	-	(29.2)
Exchange translation adjustment		(18.8)	(67.8)	-	(0.4)	(87.0)
At 31 December 2017		383.9	1,174.8	-	11.6	1,570.3
Carrying value						
At 31 December 2016		666.1	629.4	153.6	2.8	1,451.9
At 31 December 2017		667.6	647.4	211.5	3.1	1,529.6

Included in the impairments above is **€4.9m** (2016: €6.7m) charged to non-trading items.

11. Property, plant and equipment (continued)

	Land and Buildings Total €'m
Company:	
Cost	
At 1 January 2016	4.7
At 31 December 2016 and 2017	4.7
Accumulated depreciation	
At 1 January 2016	3.9
Charge during the financial year	0.2
At 31 December 2016	4.1
Charge during the financial year	0.2
At 31 December 2017	4.3
Carrying value	
At 31 December 2016	0.6
At 31 December 2017	0.4

12. Intangible assets

	Notes	Goodwill €'m	Brand Related Intangibles €'m	Computer Software €'m	Total €'m
Cost					
At 1 January 2016		2,245.9	1,350.2	196.5	3,792.6
Businesses acquired		8.5	11.7	0.2	20.4
Additions		-	-	16.5	16.5
Transferred from held for sale		-	-	0.9	0.9
Disposals		-	-	(1.3)	(1.3)
Exchange translation adjustment		(35.1)	(4.7)	(0.4)	(40.2)
At 31 December 2016		2,219.3	1,357.2	212.4	3,788.9
Businesses acquired	30	125.3	252.3	0.1	377.7
Additions		-	-	23.6	23.6
Purchase adjustment		(0.2)	-	-	(0.2)
Transferred (to)/from held for sale		-	-	-	-
Disposals		-	-	(0.1)	(0.1)
Exchange translation adjustment		(115.1)	(56.6)	(1.4)	(173.1)
At 31 December 2017		2,229.3	1,552.9	234.6	4,016.8
Accumulated amortisation and impairment					
At 1 January 2016		24.5	184.0	101.5	310.0
Charge during the financial year	3	-	23.0	23.4	46.4
Businesses acquired		-	-	0.1	0.1
Disposals		-	(0.3)	(1.1)	(1.4)
Impairment		-	-	-	-
Transferred from held for sale		-	-	0.8	0.8
Exchange translation adjustment		(1.9)	(9.0)	(0.4)	(11.3)
At 31 December 2016		22.6	197.7	124.3	344.6
Charge during the financial year	3	-	23.6	24.3	47.9
Disposals		-	-	-	-
Impairment		-	-	-	-
Transferred (to)/from held for sale		-	-	-	-
Exchange translation adjustment		(4.1)	(17.0)	(1.3)	(22.4)
At 31 December 2017		18.5	204.3	147.3	370.1
Carrying value					
At 31 December 2016		2,196.7	1,159.5	88.1	3,444.3
At 31 December 2017		2,210.8	1,348.6	87.3	3,646.7

Allocation of the purchase price in a business combination affects the results of the Group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised. This could result in differing amortisation charges based on the allocation to finite life and indefinite life intangible assets.

Included in the cost of brand related intangibles are intangibles of **€1,062.9m** (2016: €893.7m) which have indefinite lives.

Approximately **€8.0m** (2016: €6.0m) of computer software additions during the year were internally generated. Included in this are payroll costs of **€6.8m** (2016: €5.3m). The Group has not capitalised product development expenditure in 2017 (2016: €nil).

The Group has no separate individual intangible asset that is material, as all intangibles acquired are integrated and developed within the existing business.

12. Intangible assets (continued)

Impairment testing

Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis, or more frequently if there are indicators of impairment. These assets are allocated to groups of cash generating units (CGUs). The recoverable amount of each of the four CGUs is determined on value in use calculations. Intangible assets acquired in a business combination are allocated to CGUs that are expected to benefit from the business acquisition, rather than where the assets are owned.

Cash flow forecasts employed for the value in use calculations are for a five year period based on the Group's Strategic Plan approved by the Directors and a terminal value which is applied to the year five cash flows. The terminal value reflects the discounted value of the cash flows beyond year five which is based on the weighted average long term growth rates for each CGU.

No impairment was recognised in 2017 or 2016 as a result of the impairment testing which identified significant headroom in the recoverable amount of the related CGUs as compared to their carrying value. In 2017, there was no specific impairment charge (2016: €nil) in relation to goodwill recorded in non-trading items in the Consolidated Income Statement due to the classification of a business as held for sale.

A summary of the allocation of the carrying value of goodwill and indefinite life intangible assets by CGU, is as follows:

	Goodwill 2017 €'m	Goodwill 2016 €'m	Indefinite Life Intangibles 2017 €'m	Indefinite Life Intangibles 2016 €'m
Taste & Nutrition				
EMEA	529.5	531.8	106.1	106.4
Americas	1,155.5	1,156.4	855.1	690.2
Asia Pacific	118.6	97.7	55.5	50.0
Consumer Foods				
EMEA	407.2	410.8	46.2	47.1
	2,210.8	2,196.7	1,062.9	893.7

Key assumptions

Forecasts are generally derived from a combination of internal and external factors based on historical experience and take account of expected growth in the relevant region. The key assumptions for calculating value in use calculations are those relating to the discount rate, growth rate and cash flows. The table below outlines the weighted average discount rates and weighted average long term growth rates used in the terminal value for each CGU:

	Discount Rates 2017	Discount Rates 2016	Growth Rates 2017	Growth Rates 2016
Taste & Nutrition				
EMEA	7.4%	6.7%	2.0%	1.9%
Americas	7.5%	6.7%	2.4%	2.4%
Asia Pacific	9.0%	8.3%	5.1%	4.9%
Consumer Foods				
EMEA	7.2%	6.4%	2.0%	2.0%

Management estimate discount rates using pre-tax rates consistent with the Group's weighted average cost of capital and the risks specific to the CGUs. A higher discount rate is applied to higher risk markets, while a lower rate is applied to more stable markets.

Long term growth rates are based on external market data and are broadly in line with long term industry growth rates. Generally, lower growth rates are used in mature markets while higher growth rates are used in emerging markets.

The assumptions used by management in estimating cash flows for each CGU include future profitability, capital expenditure requirements, depreciation levels and working capital investment based on the Group's Strategic Plan. The cash flows included in the value in use calculations are generally determined based on historical performance, management's past experience, management's expectation of future trends affecting the industry and other developments and initiatives in the business. Capital expenditure requirements to maintain the CGUs performance and profitability are based on the Group's strategic plans and broadly assume that historic investment patterns will be maintained. Working capital requirements are forecast to move in line with activity.

12. Intangible assets (continued)

Sensitivity analysis

Sensitivity analysis has been performed across the four CGUs. If the discount rate was 1% higher than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2017 or 2016. Further, a 5% increase would not have resulted in an impairment charge in 2017 or 2016 as there is headroom in the discounted cash flows. If the estimated growth rate was 1% lower than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2017 or 2016. If the estimated cash flows were 5% lower than management's estimates, again there would have been no requirement for the Group to recognise any impairment charge in 2017 or 2016. Management believes that no reasonable change, in normal circumstances, in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

13. Financial asset investments

	Available-for-sale Investments €'m	Other Investments €'m	Total €'m
At 1 January 2016	4.1	29.9	34.0
Additions	-	4.5	4.5
Exchange translation adjustment	-	0.8	0.8
At 31 December 2016	4.1	35.2	39.3
Additions	-	6.4	6.4
Fair value movement recognised in other comprehensive income	3.5	-	3.5
Exchange translation adjustment	(0.4)	(4.2)	(4.6)
At 31 December 2017	7.2	37.4	44.6

Available-for-sale investments

The available-for-sale investments represent investments in equity securities. These investments have no fixed maturity or coupon rate. A fair value assessment was performed in 2017 which resulted in an uplift to the carrying value of these assets of **€3.5m** (2016: €nil).

Other investments

The Group maintains Rabbi Trusts in respect of non-qualified deferred compensation plans in the USA. The assets of the trusts primarily consist of equities, bonds and cash which are restricted for use. The equities and bonds are fair valued through profit or loss at each financial year end using quoted market prices. The corresponding liability is recognised within other non-current liabilities (note 22).

14. Investments in associates

	Notes	2017 €'m	2016 €'m
At 1 January		40.7	38.9
Acquisition		0.6	6.7
Disposal	5	(34.4)	-
Share of (loss)/profit after tax during the financial year	3	(1.1)	0.1
Income received from associate		-	(5.0)
At 31 December		5.8	40.7

During the year, the Group disposed of its 22.5% shareholding in Addo Foods for a consideration of **€30.1m** resulting in a loss of **€4.3m**. The amounts included in these financial statements in respect of the post-acquisition profits or losses of these associates are taken from their latest financial statements prepared up to their financial year end, together with management accounts for the intervening periods to the Group's year end.

15. Investments in subsidiaries

	2017 €'m	2016 €'m
Company:		
At beginning and end of year - at cost	637.7	637.7

16. Inventories

	2017 €'m	2016 €'m
Raw materials and consumables	318.5	312.4
Finished goods and goods for resale	446.5	403.1
Expense inventories	32.5	27.5
At 31 December	797.5	743.0

Write-downs of inventories recognised as an expense approximates to **1.2%** (2016: 1.5%) of raw materials and consumables in the Consolidated Income Statement.

17. Deferred tax assets and liabilities

The following is an analysis of the movement in the major categories of deferred tax liabilities/(assets) recognised by the Group:

	Note	Property, Plant and Equipment €'m	Intangible Assets €'m	Tax Credits and NOLs €'m	Retirement Benefits Obligation €'m	Short Term Temporary Differences and Other Differences €'m	Total €'m
At 1 January 2016		102.5	214.7	(10.5)	(52.5)	(53.6)	200.6
Consolidated Income Statement movement	7	(4.2)	8.4	(2.3)	16.1	(4.2)	13.8
Recognised in other comprehensive income during the financial year		-	-	-	(25.5)	(0.9)	(26.4)
Related to businesses acquired/(disposed)		0.8	1.9	(1.8)	-	(0.7)	0.2
Exchange translation adjustment		0.2	6.9	(0.4)	-	(0.4)	6.3
At 31 December 2016		99.3	231.9	(15.0)	(61.9)	(59.8)	194.5
Consolidated Income Statement movement	7	(24.0)	(63.7)	(4.7)	16.9	19.1	(56.4)
Recognised in other comprehensive income during the financial year		-	-	-	20.2	0.6	20.8
Related to businesses acquired/(disposed)		0.2	51.5	(2.5)	-	(2.0)	47.2
Exchange translation adjustment		(7.7)	(14.4)	1.0	2.4	8.1	(10.6)
At 31 December 2017		67.8	205.3	(21.2)	(22.4)	(34.0)	195.5

The short term temporary differences and other temporary differences recognised in other comprehensive income comprise fair value movements on cash flow hedges of **€0.6m** (2016: (€0.9m)) and an exchange difference on translation of foreign operations of **€nil** (2016: €nil). In the above table, NOLs refers to Net Operating Losses.

17. Deferred tax assets and liabilities (continued)

The following is an analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2017 €'m	2016 €'m
Deferred tax assets	(46.4)	(52.7)
Deferred tax liabilities	241.9	247.2
	195.5	194.5

The total deductible temporary differences for which deferred tax assets have not been recognised is **€10.7m** (2016: €29.7m). The Group does not have any unrecognised losses which have an expiry date.

Deferred tax has not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The deferred tax liabilities which have not been recognised in respect of these temporary differences are not material as the Group can rely on the availability of participation exemptions and tax credits in the context of the Group's investments in subsidiaries.

An increase of 1% in the tax rates at which deferred tax is calculated would increase the net deferred tax balance of the Group by €9.2m (2016: €7.4m).

18. Assets classified as held for sale

	2017 €'m	2016 €'m
Property, plant and equipment (net of grants)	8.3	4.9
	8.3	4.9

In 2017, the Group held certain property, plant and equipment classified as held for sale in the Taste & Nutrition segments in Asia-Pacific and EMEA.

19. Trade and other receivables

	Group 2017 €'m	Group 2016 €'m	Company 2017 €'m	Company 2016 €'m
Trade receivables	800.7	781.1	-	-
Less impairment allowance for doubtful trade receivables	(29.0)	(23.4)	-	-
Trade receivables due within 1 year	771.7	757.7	-	-
Other receivables and prepayments	60.0	41.7	-	-
Amounts due from subsidiaries	-	-	115.9	99.4
VAT receivable	57.6	45.1	-	-
Receivables due after 1 year	3.8	2.8	-	-
	893.1	847.3	115.9	99.4

All receivable balances are due within 1 year except for **€3.8m** (2016: €2.8m) outlined above. All receivable balances are within terms with the exception of certain trade receivables which are past due and are detailed below.

The following table shows an analysis of trade receivables split between past due and within terms accounts, where past due is deemed to be when an account exceeds the agreed terms of trade:

	2017 €'m	2016 €'m
Within terms	642.9	627.2
Past due not more than 1 month	108.1	108.5
Past due more than 1 month but less than 2 months	14.9	15.9
Past due more than 2 months but less than 3 months	4.2	5.8
Past due more than 3 months	1.6	0.3
Trade receivables (net)	771.7	757.7

The following table summarises the movement in the allowance for doubtful trade receivables:

	2017 €'m	2016 €'m
At beginning of financial year	23.4	26.6
Charged to the Consolidated Income Statement	13.7	8.4
Utilised or reversed during the financial year	(6.2)	(11.7)
Exchange translation adjustment	(1.9)	0.1
At end of financial year	29.0	23.4

Trade and other receivables are stated at amortised cost less allowance for impairment. The fair value of these receivables approximates their carrying value as these are short term in nature; hence, the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Credit terms and the charging of interest are determined in individual countries. The Group has provided for all receivables where there is objective evidence, including historical loss experience, that amounts are irrecoverable. The Group does not typically require collateral in respect of trade receivables.

The quality of past due not impaired trade and other receivables is considered good, therefore no significant impairment charge has been recorded in the Consolidated Income Statement in 2017 or 2016.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. These credit limits are reviewed regularly throughout the financial year.

There is no significant concentration of credit risk or transaction currency risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Further disclosures on currency risk are provided in note 24 to the financial statements.

20. Trade and other payables

	Group 2017 €'m	Group 2016 €'m	Company 2017 €'m	Company 2016 €'m
Trade payables	1,200.7	1,159.0	-	-
Other payables and accruals	186.2	175.1	2.4	4.5
Deferred payments on acquisition of businesses	13.8	8.7	5.8	5.9
PAYE	3.8	2.9	-	-
Social security costs	6.0	5.9	-	-
	1,410.5	1,351.6	8.2	10.4

Trade and other payables are stated at amortised cost, which approximates to fair value given the short term nature of these liabilities. The above balances are all due within 1 year.

21. Deferred income

	Note	Group 2017 €'m	Group 2016 €'m	Company 2017 €'m	Company 2016 €'m
Capital grants					
At beginning of the financial year		27.1	27.3	0.1	0.1
Transfer from held for sale		-	1.0	-	-
Grants received during the financial year		0.1	2.3	-	-
Amortised during the financial year	3	(2.2)	(3.0)	-	-
Disposal		(0.5)	(0.5)	-	-
Exchange translation adjustment		(0.4)	-	-	-
At end of the financial year		24.1	27.1	0.1	0.1
Analysed as:					
Current liabilities		1.2	2.8	-	-
Non-current liabilities		22.9	24.3	0.1	0.1
		24.1	27.1	0.1	0.1

There are no material unfulfilled conditions or other contingencies attaching to any government grants received.

22. Other non-current liabilities

	Group 2017 €'m	Group 2016 €'m	Company 2017 €'m	Company 2016 €'m
Other payables and accruals	92.7	94.0	-	-
Deferred payments on acquisition of businesses	4.0	1.1	-	-
	96.7	95.1	-	-

All of the above balances are due within 2 to 5 years except for €0.3m (2016: €0.5m) which is not due until after 5 years.

23. Analysis of financial instruments by category

The following table outlines the financial assets and liabilities held by the Group at the balance sheet date:

		Loans & Receivables & Other Financial Assets/(Liabilities) at Amortised Cost	Assets/ (Liabilities) at Fair Value through Profit or Loss	Derivatives Designated as Hedging Instruments	Available- for-sale Investments	Total
	Notes	2017 €'m	2017 €'m	2017 €'m	2017 €'m	2017 €'m
Group:						
Financial asset investments	13	-	37.4	-	7.2	44.6
Forward foreign exchange contracts	24 (i.i)	-	-	20.3	-	20.3
Interest rate swaps	24 (ii.ii)	-	-	95.4	-	95.4
Trade and other receivables	19	893.1	-	-	-	893.1
Cash at bank and in hand	24 (iii.i)	312.5	-	-	-	312.5
Total financial assets		1,205.6	37.4	115.7	7.2	1,365.9
Current assets		1,205.6	-	20.3	-	1,225.9
Non-current assets		-	37.4	95.4	7.2	140.0
		1,205.6	37.4	115.7	7.2	1,365.9
Borrowings and overdrafts	24 (iii.i)	(1,721.7)	(20.0)	-	-	(1,741.7)
Forward foreign exchange contracts	24 (i.i)	-	-	(9.1)	-	(9.1)
Interest rate swaps	24 (ii.ii)	-	-	(7.9)	-	(7.9)
Trade and other payables	20/22	(1,507.2)	-	-	-	(1,507.2)
Total financial liabilities		(3,228.9)	(20.0)	(17.0)	-	(3,265.9)
Current liabilities		(1,423.8)	-	(9.1)	-	(1,432.9)
Non-current liabilities		(1,805.1)	(20.0)	(7.9)	-	(1,833.0)
		(3,228.9)	(20.0)	(17.0)	-	(3,265.9)
Total net financial (liabilities)/assets		(2,023.3)	17.4	98.7	7.2	(1,900.0)

Included in the above table are the following components of net debt:

Analysis of total net debt by category

Bank overdrafts	(6.9)	-	-	-	(6.9)
Bank loans	(6.4)	-	-	-	(6.4)
Senior notes	(1,708.4)	(20.0)	-	-	(1,728.4)
Borrowings and overdrafts	(1,721.7)	(20.0)	-	-	(1,741.7)
Interest rate swaps	-	-	87.5	-	87.5
Cash at bank and in hand	312.5	-	-	-	312.5
Total net debt	(1,409.2)	(20.0)	87.5	-	(1,341.7)

23. Analysis of financial instruments by category (continued)

All Group borrowings are guaranteed by Kerry Group plc. No assets of the Group have been pledged to secure the borrowings.

Part of the Group's debt portfolio includes US\$750m of senior notes issued in 2013 and US\$408m (2016: US\$600m) of senior notes issued in 2010. At the time of issuance, US\$250m of the 2013 senior notes and US\$500m of the 2010 senior notes were swapped, using cross currency swaps, to euro. US\$192m of the 2010 senior notes were repaid in January 2017 and the related swaps matured at that date. In addition, the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, to US dollar.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of **€20.0m** (2016: €28.4m) represents the part adjustment to the carrying value of debt from applying fair value hedge accounting for interest rate risk. This amount is primarily offset by the fair value adjustment on the corresponding hedge items being the underlying cross currency interest rate swaps.

	Notes	Loans & Receivables & Other Financial Assets/(Liabilities) at Amortised Cost 2016 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2016 €'m	Derivatives Designated as Hedging Instruments 2016 €'m	Available- for-sale Investments 2016 €'m	Total 2016 €'m
Group:						
Financial asset investments	13	-	35.2	-	4.1	39.3
Forward foreign exchange contracts	24 (i.i)	-	8.3	46.5	-	54.8
Interest rate swaps	24 (ii.ii)	-	-	178.3	-	178.3
Trade and other receivables	19	847.3	-	-	-	847.3
Cash at bank and in hand	24 (iii.i)	564.7	-	-	-	564.7
Total financial assets		1,412.0	43.5	224.8	4.1	1,684.4
Current assets		1,412.0	8.3	71.8	-	1,492.1
Non-current assets		-	35.2	153.0	4.1	192.3
		1,412.0	43.5	224.8	4.1	1,684.4
Borrowings and overdrafts	24 (iii.i)	(2,031.1)	(28.4)	-	-	(2,059.5)
Forward foreign exchange contracts	24 (i.i)	-	(2.7)	(18.3)	-	(21.0)
Interest rate swaps	24 (ii.ii)	-	-	(7.2)	-	(7.2)
Trade and other payables	20/22	(1,446.7)	-	-	-	(1,446.7)
Total financial liabilities		(3,477.8)	(31.1)	(25.5)	-	(3,534.4)
Current liabilities		(1,544.1)	(2.7)	(18.2)	-	(1,565.0)
Non-current liabilities		(1,933.7)	(28.4)	(7.3)	-	(1,969.4)
		(3,477.8)	(31.1)	(25.5)	-	(3,534.4)
Total net financial (liabilities)/assets		(2,065.8)	12.4	199.3	4.1	(1,850.0)

Included in the above table are the following components of net debt:

Analysis of total net debt by category

Bank overdrafts	(3.6)	-	-	-	(3.6)
Bank loans	(6.9)	-	-	-	(6.9)
Senior notes	(2,020.6)	(28.4)	-	-	(2,049.0)
Borrowings and overdrafts	(2,031.1)	(28.4)	-	-	(2,059.5)
Interest rate swaps	-	-	171.1	-	171.1
Cash at bank and in hand	564.7	-	-	-	564.7
Total net debt	(1,466.4)	(28.4)	171.1	-	(1,323.7)

23. Analysis of financial instruments by category (continued)

The following table outlines the financial assets and liabilities held by the Company at the balance sheet date:

	Notes	2017 €'m	2016 €'m
Company:			
Loans & receivables & other financial assets at amortised cost			
Cash at bank and in hand		-	0.1
Trade and other receivables	19	115.9	99.4
Total financial assets - all current		115.9	99.5
Financial liabilities at amortised cost			
Borrowings and overdrafts		-	(0.1)
Trade and other payables	20	(8.2)	(10.4)
Total financial liabilities - all current		(8.2)	(10.5)
Total net financial assets		107.7	89.0

24. Financial instruments

Capital management

The financing structure of the Group is managed in order to optimise shareholder value while allowing the Group to take advantage of opportunities that might arise to grow the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions from cash flow or borrowings while maintaining its investment grade debt status.

The capital structure of the Group consists of debt related financial liabilities, cash and cash equivalents, deferred payments on acquisitions of businesses and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity, as represented in the table below:

	Notes	2017 €'m	2016 €'m
Issued capital and reserves attributable to owners of the parent		3,573.2	3,094.0
Total net debt	23	1,341.7	1,323.7
Deferred payments on acquisition of businesses	20/22	17.8	9.8
		4,932.7	4,427.5

During 2017 the Group exercised the second extension option on the €1.1bn revolving credit facility agreement entered into in April 2015. The Group had previously exercised the first extension option during 2016. The facility now matures in April 2022.

The senior notes are rated by Standard & Poor's and Moody's.

Capital is managed by setting net debt to earnings before finance income and costs, income taxes, depreciation (net), intangible asset amortisation and non-trading items (EBITDA) targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within 12 to 18 months; otherwise consideration would be given to issuing additional equity in the Group.

Net debt is subject to seasonal fluctuations that can be up to 25% above year end debt levels.

24. Financial instruments (continued)

Capital management (continued)

Except for public bonds, the majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. Principal among these are:

- the ratio of net debt to EBITDA of a maximum of 3.5 times; and
- EBITDA to net interest charge of a minimum of 4.75 times.

At 31 December these ratios were as follows:

	2017 Times	2016 Times
Net debt: EBITDA*	1.4	1.5
EBITDA: Net interest*	16.2	14.0

* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 189.

Financial risk management objectives

The Group has a clearly defined Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group operates a centralised treasury function, which manages the principal financial risks of the Group and Company.

The principal objectives of the Group's Financial Risk Management Programme are:

- to manage the Group's exposure to foreign exchange rate risk;
- to manage the Group's exposure to interest rate risk;
- to ensure that the Group has sufficient credit facilities available; and
- to ensure that counterparty credit risk is monitored and managed.

Residual exposures not managed commercially are hedged using approved financial instruments. The use of financial derivatives is governed by the Group's policies and procedures. The Group does not engage in speculative trading.

The principal objectives of the Group's Financial Risk Management Programme are further discussed across the following categories:

- (i) Foreign exchange rate risk management - key foreign exchange exposure of the Group and the disclosures on forward foreign exchange contracts.
- (ii) Interest rate risk management - key interest rate exposures of the Group and the disclosures on interest rate derivatives.
- (iii) Liquidity risk management - key banking facilities available to the Group and the maturity profile of the Group's debt.
- (iv) Credit risk management - details in relation to the management of credit risk within the Group.
- (v) Price risk management - details in relation to the management of price risk within the Group.
- (vi) Fair value of financial instruments - disclosures in relation to the fair value of financial instruments.
- (vii) Offsetting financial instruments - disclosures in relation to the potential offsetting values in financial instruments.

(i) Foreign exchange rate risk management

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency. Group policy is to manage foreign currency exposures commercially and through netting of exposures wherever possible. Any residual exposures arising on foreign exchange transactions are hedged in accordance with Group policy using approved financial instruments, which consist primarily of spot and forward exchange contracts and currency swaps.

As at 31 December, the Group had an exposure to US dollar assets of **€6.3m** (2016: €0.3m) and a sterling liability of **€4.3m** (2016: €2.8m). Based on these net positions, as at 31 December 2017, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have (decreased)/increased the profit after tax of the Group for the financial year by (€0.1m) (2016: €0.1m).

The Group's gain or loss on the retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve. As at 31 December 2017 a 5% strengthening of the euro against the US dollar and sterling, holding all other items constant, would have resulted in an additional translation reserve loss of €15.7m (2016: €12.2m) and €17.8m (2016: €20.4m) respectively.

24. Financial instruments (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts

The Group's activities expose it to risks of changes in foreign currency exchange rates in relation to international trading, primarily sales in US dollar and sterling out of the Eurozone. The Group uses forward foreign exchange contracts to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

The following table details the portfolio of forward foreign exchange contracts at the balance sheet date:

	Notes	2017 €'m Asset	2017 €'m Liability	2017 €'m Total	2016 €'m Asset	2016 €'m Liability	2016 €'m Total
Designated in a hedging relationship:							
Forward foreign exchange contracts - cash flow hedges	(a)	20.3	(9.1)	11.2	46.5	(18.3)	28.2
- current		20.3	(9.1)	11.2	46.3	(18.2)	28.1
- non-current		-	-	-	0.2	(0.1)	0.1
At Fair Value through Profit or Loss:							
Forward foreign exchange contracts - trading derivatives	(b)	-	-	-	8.3	(2.7)	5.6
- current		-	-	-	8.3	(2.7)	5.6
Forward foreign exchange contracts		20.3	(9.1)	11.2	54.8	(21.0)	33.8

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months.

The Group does not hold any forward foreign exchange contracts classified as fair value hedges.

(a) Forward foreign exchange contracts - cash flow hedges

The following table details the foreign exchange contracts classified as cash flow hedges at 31 December:

	Fair Value Asset		Notional Principal	
	2017 €'m	2016 €'m	2017 €'m	2016 €'m
Forward foreign exchange contracts				
less than 1 year	11.2	28.1	1,951.2	1,044.5
1 - 2 years	-	0.1	65.2	10.5
Forward foreign exchange contracts - cash flow hedges	11.2	28.2	2,016.4	1,055.0

At 31 December 2017, an asset of **€2.8m** (2016: €28.9m) of the fair value is included in the hedging reserve, which will primarily be released to the Consolidated Income Statement within **3 months** (2016: 14 months) of the balance sheet date. All forward contracts relate to sales revenue and purchases made in their respective currencies and forward foreign exchange contracts that provide a hedge against foreign currency receivables from 'within Group' lending.

During 2017, a gain of **€29.9m** (2016: a gain of €14.1m) has been taken to foreign exchange gains in the Consolidated Income Statement in respect of forward foreign exchange contracts that matured during the year. There were no transactions during 2017 or 2016 which were designated as hedges that did not occur, nor are there hedges on forecast transactions that are no longer expected to occur.

During 2017 **€28.9m** (2016: €2.6m) of the gains and losses in other comprehensive income on forward foreign exchange contracts as at 31 December 2016 were released to the Consolidated Income Statement as follows:

- within 3 months: **€12.6m** (2016: €0.3m);
- within 3 to 6 months: **€7.2m** (2016: €nil);
- within 6 to 9 months: **€5.3m** (2016: €0.4m); and
- within 9 to 12 months: **€3.8m** (2016: €1.9m).

At 31 December 2017 and 2016 no ineffectiveness was recognised in the Consolidated Income Statement from foreign currency cash flow hedges.

24. Financial instruments (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts (continued)

(b) Forward foreign exchange contracts - trading

In 2016 the Group held forward foreign exchange contracts that provided a hedge against foreign currency receivables from 'within Group' lending. These derivatives were classified as trading derivatives and held at fair value through profit or loss.

The following table details the forward foreign exchange contracts classified as trading derivatives at 31 December:

	Fair Value Asset		Notional Principal	
	2017 €'m	2016 €'m	2017 €'m	2016 €'m
Forward foreign exchange contracts - trading	-	5.6	-	795.8

The fair value gain of **€nil** (2016: a gain of €5.6m) is directly offset by a loss of **€nil** (2016: a loss of €5.6m) on the retranslation to balance sheet rates on foreign currency receivables from 'within Group' lending and cash pooling.

(ii) Interest rate risk management

The Group is exposed to interest rate risk as the Group holds borrowings on both a fixed and floating basis. This exposure to interest rate risk is managed by optimising the mix of fixed and floating rate borrowings and by using interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value

The Group's exposure to interest rates on financial assets and liabilities are detailed in the table below including the impact of cross currency swaps (CCS) on the currency profile of net debt:

	Total Pre CCS €'m	Impact of CCS €'m	Total after CCS €'m	Floating Rate Debt €'m	Fixed Rate Debt €'m
Euro	682.6	373.9	1,056.5	272.9	783.6
Sterling	(123.7)	-	(123.7)	(123.7)	-
US Dollar	916.9	(373.9)	543.0	334.4	208.6
Others	(66.6)	-	(66.6)	(66.6)	-
At 31 December 2017	1,409.2	-	1,409.2	417.0	992.2
Euro	404.6	536.0	940.6	41.4	899.2
Sterling	(116.8)	-	(116.8)	(116.8)	-
US Dollar	1,225.8	(536.0)	689.8	358.0	331.8
Others	(47.2)	-	(47.2)	(47.2)	-
At 31 December 2016	1,466.4	-	1,466.4	235.4	1,231.0

The currency profile of debt highlights the impact of the US\$658m (2016: US\$750m) of cross currency swaps entered into at the time of issuance of senior notes. For the 2013 senior notes, US\$250m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. For the 2010 senior notes, US\$408m were swapped from US dollar fixed to euro floating and are accounted for as fair value hedges. The retranslation of the foreign currency debt of US\$658m (2016: US\$750m) to the balance sheet rate resulted in a foreign currency loss of **€79.3m** (2016: €179.4m) which is directly offset by a gain of **€79.3m** (2016: €179.4m) on the application of hedge accounting on the cross currency swaps.

In addition, the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, from euro fixed to US dollar floating and are accounted for as fair value hedges of the related debt. The fair value of the related derivative includes an asset of **€12.4m** (2016: €9.7m liability) for movement in exchange rates since the date of execution which is directly offset by a loss of **€12.4m** (2016: €9.7m gain) on the application of hedge accounting on the cross currency swaps.

The weighted average interest rate for fixed borrowings as at 31 December 2017 is **2.55%** (2016: 2.57%) and the weighted average period for which the rate is fixed is **6.7 years** (2016: 6.6 years).

24. Financial instruments (continued)

(ii) Interest rate risk management (continued)

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value (continued)

The floating rate financial liabilities are at rates which fluctuate mainly based upon LIBOR or EURIBOR and comprise of bank borrowings and other financial liabilities bearing interest rates fixed in advance for periods ranging from 1 to 6 months. At the year end **30%** (2016: 16%) of net debt and **42%** (2016: 39%) of gross debt was held at floating rates. If the interest rates applicable to floating rate net debt were to rise by 1% holding all other items constant, the profit of the Group before taxation and non-trading items in the Consolidated Income Statement could decrease by 0.6% (2016: 0.4%).

(ii.ii) Interest rate swap contracts

The Group's activities expose it to risks of changes in interest rates in relation to long term debt. The Group uses interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair values.

The Group adopts an 'exit price' approach to valuing interest rate derivatives to allow for credit risk. All hedges are highly effective on a prospective and retrospective basis.

The following table details the portfolio of interest rate derivative contracts at the balance sheet date:

	Notes	2017 €'m Asset	2017 €'m Liability	2017 €'m Total	2016 €'m Asset	2016 €'m Liability	2016 €'m Total
Designated in a hedging relationship:							
Interest rate swap contracts - cash flow hedges	(a)	-	(4.5)	(4.5)	45.2	-	45.2
- current		-	-	-	25.5	-	25.5
- non-current		-	(4.5)	(4.5)	19.7	-	19.7
Interest rate swap contracts - fair value hedges	(b)	95.4	(3.4)	92.0	133.1	(7.2)	125.9
- non-current		95.4	(3.4)	92.0	133.1	(7.2)	125.9
Interest rate swap contracts		95.4	(7.9)	87.5	178.3	(7.2)	171.1

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months. The classification of the maturity profile of the interest rate derivative contracts are set out in the tables (a) - (b) below.

(a) Interest rate swap contracts - cash flow hedges

Under interest rate swap contracts, including cross currency interest rate swaps, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the cash flow hedges, where the Group receives a floating or a fixed interest rate and pays fixed interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value (Liability)/Asset		Notional Principal	
	2017 %	2016 %	2017 €'m	2016 €'m	2017 €'m	2016 €'m
Interest rate swap contracts						
less than 1 year	-	4.38	-	25.5	-	87.2
1 - 2 years	-	-	-	-	-	-
2 - 5 years	-	-	-	-	-	-
> 5 years	2.58	2.58	(4.5)	19.7	208.6	237.0
Interest rate swap contracts - cash flow hedges			(4.5)	45.2	208.6	324.2

24. Financial instruments (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(a) Interest rate swap contracts - cash flow hedges (continued)

Of the fair value (liability)/asset of **(€4.5m)** (2016: €45.2m), a gain of **€13.2m** (2016: €66.9m) is attributed to foreign exchange rate fluctuations. The current year foreign exchange movement of **(€53.7m)** (2016: €10.0m) includes an amount of (€25.4m) on the expiry of interest rate swap contracts during the year while the remaining balance has been recognised in the Consolidated Income Statement and directly offsets the impact incurred on the retranslation of the underlying hedged foreign currency borrowings.

At 31 December 2017 a liability of **€18.0m** (2016: €20.2m) has been recognised in the hedging reserve and will be released to the Consolidated Income Statement over the life of the interest rate swaps of this debt. During 2017, a charge of **€0.7m** (2016: €0.8m) has been taken to finance costs in the Consolidated Income Statement in respect of amounts held in the hedging reserve at 31 December 2016. The balance of **€0.3m** (2016: €1.5m) relates to the recognition of credit value adjustments.

The interest rate swaps settle on a 6 monthly basis, the difference between the floating rate or fixed rate due to be received and the fixed rate to be paid are settled on a net basis.

(b) Interest rate swap contracts - fair value hedges

Under interest rate swap contracts including cross currency interest rate swaps, the Group agrees to exchange the difference between the floating and fixed interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the fair value hedges, where the Group receives a fixed interest rate and pays a floating interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset	Notional Principal
	2017 %	2016 %	2017 €'m	2016 €'m
Interest rate swap contracts				
2 - 5 years	4.78	4.83	62.2	64.1
> 5 years	3.14	3.52	29.8	61.8
Interest rate swap contracts - fair value hedges			92.0	125.9
			723.9	798.8

The interest rate swaps settle on a 6 monthly or annual basis. The floating interest rate paid by the Group is based on 6 month EURIBOR or LIBOR. All hedges are highly effective on a prospective and retrospective basis.

Of the fair value asset of **€92.0m** (2016: €125.9m) at 31 December 2017, a gain of **€78.5m** (2016: €102.8m) is attributed to foreign exchange rate fluctuations. The current year foreign exchange movement of **(€24.3m)** (2016: €6.3m) has been recognised in the Consolidated Income Statement to directly offset the impact incurred on the retranslation of the underlying hedged foreign currency borrowings. In addition, an amount of **€16.4m** (2016: €28.4m) relates to interest rate risk and the current year movement has been recognised in the Consolidated Income Statement, offset by €20.0m for the fair value adjustment to the underlying hedged foreign currency borrowings for interest rate risk. The balance of **€2.9m** (2016: €5.3m) relates to the recognition of credit value adjustments.

(iii) Liquidity risk management

Liquidity risk considers the risk that the Group could encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. There is no significant concentration of liquidity risk.

Group funding and liquidity is managed by ensuring that sufficient facilities are available from diverse funding sources with an appropriate spread of debt maturities to match the underlying assets. The Group uses cash flow forecasts to constantly monitor the funding requirements of the Group.

Group businesses are funded from cash generated from operations, borrowings from banks and senior notes from capital markets. It is Group policy to ensure that:

- sufficient facilities are available to cover its gross forecast debt by at least 1.25 times; and
- 75% of total facilities available are committed.

Both targets were met at 31 December 2017 and 2016.

Funding is sourced from banks via syndicated and bilateral arrangements and from institutional investors.

All Group credit facilities are arranged and managed by Group Treasury and approved by the Board of Directors. Where possible, facilities have common security, financial covenants and terms and conditions.

24. Financial instruments (continued)

(iii) Liquidity risk management (continued)

At 31 December 2017, the Group had undrawn committed bank facilities of **€1,100m** (2016: €1,100m), and a portfolio of undrawn standby facilities amounting to **€323.0m** (2016: €360.0m). In April 2017 the Group exercised a 1 year extension option on the revolving credit facility. The undrawn committed facilities comprise primarily of a revolving credit facility maturing between **4 - 5 years** (2016: between 4 - 5 years).

(iii.i) Contractual maturity profile of non-derivative financial instruments

The following table details the Group's remaining contractual maturity of its non-derivative financial instruments excluding trade and other payables (note 20) and other non-current liabilities (note 22), of which **€1,410.5m** (2016: €1,351.6m) is payable within 1 year, **€96.4m** (2016: €94.6m) between 2 and 5 years and **€0.3m** (2016: €0.5m) is payable after 5 years. This information has been drawn up based on the undiscounted cash flows of financial liabilities to the earliest date on which the Group can be required to repay. The analysis includes both interest commitments and principal cash flows. To the extent that interest rates are floating, the rate used is derived from interest rate yield curves at the end of the reporting date and as such, are subject to change based on market movements.

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts	6.9	-	-	-	6.9
Bank loans	6.4	-	-	-	6.4
Senior notes	-	-	277.8	1,430.6	1,708.4
Borrowings and overdrafts	13.3	-	277.8	1,430.6	1,721.7
Deferred payments on acquisition of businesses	13.8	1.3	2.7	-	17.8
	27.1	1.3	280.5	1,430.6	1,739.5
Interest commitments	54.5	54.5	134.1	59.9	303.0
At 31 December 2017	81.6	55.8	414.6	1,490.5	2,042.5

Reconciliation to net debt position:

Borrowings and overdrafts	13.3	-	277.8	1,430.6	1,721.7
Senior notes - fair value adjustment	-	-	11.3	8.7	20.0
Borrowings - reported	13.3	-	289.1	1,439.3	1,741.7
Interest rate swaps	-	-	(62.2)	(25.3)	(87.5)
Cash at bank and in hand	(312.5)	-	-	-	(312.5)
Total net debt as at 31 December 2017	(299.2)	-	226.9	1,414.0	1,341.7

24. Financial instruments (continued)

(iii) Liquidity risk management (continued)

(iii.i) Contractual maturity profile of non-derivative financial instruments (continued)

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts	36	-	-	-	36
Bank loans	6.9	-	-	-	6.9
Senior notes	182.0	-	197.2	1,641.4	2,020.6
Borrowings and overdrafts	192.5	-	197.2	1,641.4	2,031.1
Deferred payments on acquisition of businesses	8.7	0.3	0.8	-	9.8
	201.2	0.3	198.0	1,641.4	2,040.9
Interest commitments	60.0	59.5	160.1	106.1	385.7
At 31 December 2016	261.2	59.8	358.1	1,747.5	2,426.6
Reconciliation to net debt position:					
Borrowings and overdrafts	192.5	-	197.2	1,641.4	2,031.1
Senior notes - fair value adjustment	-	-	10.7	17.7	28.4
Borrowings - reported	192.5	-	207.9	1,659.1	2,059.5
Interest rate swaps	(25.6)	-	(64.1)	(81.4)	(171.1)
Cash at bank and in hand	(564.7)	-	-	-	(564.7)
Total net debt as at 31 December 2016	(397.8)	-	143.8	1,577.7	1,323.7

(iii.ii) Contractual maturity profile of derivative financial instruments

The following table details the Group's remaining contractual maturity of its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. To the extent that the amounts payable or receivable are not fixed, the rate used is derived from interest rate yield curves at the end of the reporting date and as such are subject to change based on market movements.

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Interest rate swaps inflow	34.2	34.2	127.0	59.2	254.6
Interest rate swaps outflow	(20.4)	(21.6)	(61.6)	(23.9)	(127.5)
Net interest rate swaps inflow	13.8	12.6	65.4	35.3	127.1
Forward foreign exchange contracts inflow	11.2	-	-	-	11.2
At 31 December 2017	25.0	12.6	65.4	35.3	138.3

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Interest rate swaps inflow	63.9	38.4	153.9	143.0	399.2
Interest rate swaps outflow	(20.2)	(20.7)	(64.7)	(57.0)	(162.6)
Net interest rate swaps inflow	43.7	17.7	89.2	86.0	236.6
Forward foreign exchange contracts inflow	33.7	0.1	-	-	33.8
At 31 December 2016	77.4	17.8	89.2	86.0	270.4

Included in the interest rate swaps inflow and outflow is the foreign currency differential on final maturity of the cross currency interest rate swaps as follows:

Swaps inflow

- Up to 1 year - swaps inflow of **€nil** (2016: €25.4m)
- 2 - 5 years - swaps inflow of **€53.9m** (2016: €57.3m)
- Greater than 5 years - swaps inflow of **€37.8m** (2016: €96.7m)

Swaps outflow

- Greater than 5 years - swaps outflow of **€nil** (2016: €9.7m)

24. Financial instruments (continued)

(iii) Liquidity risk management (continued)

(iii.iii) Summary of borrowing arrangements

(a) Bank loans

Bank loans comprise committed term loan facilities, committed revolving credit facilities, bilateral term loans and other uncommitted facilities:

- Demand facilities;
- Syndicate revolving credit facilities of €1.1bn maturing April 2022; and
- Bilateral term loans with maturities ranging up to 1 year.

(b) 2015 Euro senior notes

The Group issued a debut 10 year euro bond of €750m with a maturity date on 10 September 2025.

(c) 2013 US dollar senior notes

The Group issued a 10 year USA debut public bond of US\$750m with a maturity date on 9 April 2023.

(d) 2010 senior notes

The Group placed US\$600m of senior notes with USA institutional investors in four tranches with maturity as follows:

- Tranche A of US\$192m - matured and repaid on 20 January 2017
- Tranche B of US\$208m - maturing on 20 January 2020
- Tranche C of US\$125m - maturing on 20 January 2022
- Tranche D of US\$75m - maturing on 20 January 2025

Both the committed syndicate facilities and the 2010 senior notes have financial covenants attached to them. The Group was in full compliance with these covenants for the financial years 2017 and 2016.

(iv) Credit risk management

Cash deposits and other financial assets give rise to credit risk on the amounts due from counterparties.

The Group controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 December 2017 and 2016 all cash, short term deposits and other liquid investments had a maturity of less than 3 months.

Credit risk exposure to financial institutions is actively managed across the portfolio of institutions by setting appropriate credit exposure limits based on a value at risk calculation that takes EBITDA of the Group and calculates approved tolerance levels based on credit default swap rates for the financial institutions. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling the institutions with which the Group enters into derivative contracts. Credit default swaps for those financial institutions are as published by independent credit rating agencies and are updated and reviewed on an ongoing basis.

The Group's exposure to its counterparties is continuously monitored and the aggregate value of transactions entered into is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable at operating unit level at least on a monthly basis.

The Group's maximum exposure to credit risk consists of gross trade receivables (note 19), cash deposits (note 23) and other financial assets (note 23), which are primarily interest rate swaps and foreign exchange contracts.

In relation to credit risk on derivative financial instruments, where appropriate, the Group credit risk is actively managed across the portfolio of institutions through monitoring the credit default swaps (CDS) and setting appropriate credit exposure limits based on CDS levels. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling institutions with which the Group enters into derivative contracts.

24. Financial instruments (continued)

(v) Price risk management

The Group's exposure to equity securities price risk due to financial asset investments held is considered to be low as the level of securities held versus the Group's net assets is not material.

The Group purchases a variety of commodities which can experience price volatility. It is Group policy to manage commodity price risk commercially via back to back arrangements with customers, through forward purchasing and limited use of derivatives.

(vi) Fair value of financial instruments

(a) Fair value of financial instruments carried at fair value

Financial instruments recognised at fair value are analysed between those based on:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- those involving inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

		Fair Value Hierarchy	2017 €'m	2016 €'m
Financial assets				
Interest rate swaps		Level 2	95.4	178.3
Forward foreign exchange contracts		Level 2	20.3	54.8
Financial asset investments:	Fair value through profit or loss	Level 1	37.4	35.2
	Available-for-sale	Level 3	7.2	4.1
Financial liabilities				
Interest rate swaps		Level 2	(7.9)	(7.2)
Forward foreign exchange contracts		Level 2	(9.1)	(21.0)

The reconciliation of Level 3 assets is provided in note 13. There have been no transfers between levels during the current or prior financial year.

(b) Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Fair Value Hierarchy	Carrying Amount 2017 €'m	Fair Value 2017 €'m	Carrying Amount 2016 €'m	Fair Value 2016 €'m
Financial liabilities					
Senior notes - Public	Level 2	(1,368.0)	(1,407.0)	(1,451.8)	(1,471.0)
Senior notes - Private	Level 2	(340.4)	(354.9)	(568.8)	(585.4)
		(1,708.4)	(1,761.9)	(2,020.6)	(2,056.4)

(c) Valuation principles

The fair value of financial assets and liabilities are determined as follows:

- assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- other financial assets and liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates adjusted for counterparty credit risk which is calculated based on credit default swaps of the respective counterparties.

24. Financial instruments (continued)

(vii) Offsetting financial instruments

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. No collateral is paid or received.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

The table also sets out where the Group has offset bank overdrafts against cash at bank and in hand based on a legal right of offset as set out in the banking agreements.

	Gross amounts of financial assets in the Consolidated Balance Sheet €'m	Gross amounts of financial liabilities in the Consolidated Balance Sheet €'m	Amounts of financial instruments presented in the Consolidated Balance Sheet €'m	Related financial instruments that are not offset €'m	Net amount €'m
31 December 2017					
Financial assets					
Cash at bank and in hand	312.5	-	312.5	-	312.5
Forward foreign exchange contracts	20.3	-	20.3	(8.1)	12.2
Interest rate swaps	95.4	-	95.4	(5.7)	89.7
	428.2	-	428.2	(13.8)	414.4
Financial liabilities					
Bank overdrafts	-	(6.9)	(6.9)	-	(6.9)
Forward foreign exchange contracts	-	(9.1)	(9.1)	8.1	(1.0)
Interest rate swaps	-	(7.9)	(7.9)	5.7	(2.2)
	-	(23.9)	(23.9)	13.8	(10.1)
31 December 2016					
Financial assets					
Cash at bank and in hand	564.7	-	564.7	-	564.7
Forward foreign exchange contracts	54.8	-	54.8	(15.7)	39.1
Interest rate swaps	178.3	-	178.3	(6.2)	172.1
	797.8	-	797.8	(21.9)	775.9
Financial liabilities					
Bank overdrafts	-	(3.6)	(3.6)	-	(3.6)
Forward foreign exchange contracts	-	(21.0)	(21.0)	15.7	(5.3)
Interest rate swaps	-	(7.2)	(7.2)	6.2	(1.0)
	-	(31.8)	(31.8)	21.9	(9.9)

25. Provisions

	Insurance €'m	Non-Trading Items €'m	Total €'m
Group:			
At 1 January 2016	73.5	17.3	90.8
Provided during the financial year	1.6	0.5	2.1
Utilised during the financial year	(9.7)	(1.6)	(11.3)
Transferred to payables and accruals	-	(3.6)	(3.6)
Exchange translation adjustment	(6.6)	(0.2)	(6.8)
At 31 December 2016	58.8	12.4	71.2
Provided during the financial year	0.4	4.4	4.8
Utilised during the financial year	(7.0)	(2.7)	(9.7)
Transferred to payables and accruals	-	(3.0)	(3.0)
Exchange translation adjustment	(0.9)	-	(0.9)
At 31 December 2017	51.3	11.1	62.4
		2017	2016
		€'m	€'m
Analysed as:			
Current liabilities		25.3	30.4
Non-current liabilities		37.1	40.8
		62.4	71.2

Insurance

The Group operates a level of self-insurance and under these arrangements the Group retains certain insurance exposure up to pre-determined self-insurance thresholds. These thresholds are reviewed on a regular basis to ensure they remain appropriate. The insurance provision represents amounts provided based on industry information, actuarial valuation and historical data in respect of claims that are classified as incurred but not reported and also the outstanding loss reserve. Both are covered by the Group's self-insurance schemes. The methodology of estimating the provision is periodically reviewed to ensure that the assumptions made continue to be appropriate. The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. Historically, the average time for settlement of outstanding claims ranges from 3 - 6 years from claim date.

Non-trading items

Non-trading items relate to restructuring and acquisition integration provisions incurred in 2017 together with a residual amount incurred in 2013. These costs are expected to be paid within 18 months.

26. Retirement benefits obligation

The Group operates post-retirement benefit plans in a number of its businesses throughout the world. These plans are structured to accord with local conditions and practices in each country they operate in and can include both defined contribution and defined benefit plans. The assets of the schemes are held, where relevant, in separate trustee administered funds.

Defined benefit post-retirement schemes exist in a number of countries in which the Group operates, primarily in Ireland and the Netherlands (Eurozone), the UK and the USA (included in Rest of World). These defined benefit plans comprise final salary pension plans, career average salary pension plans and post-retirement medical plans. The post-retirement medical plans operated by the Group relate primarily to a number of USA employees. Defined benefit schemes in Ireland, the UK, and the USA are administered by Boards of Trustees. The Boards of Trustees generally comprise of representatives of the employees, the employer and independent trustees. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations.

The values used in the Group's financial statements are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the various schemes as at 31 December 2017 using the projected unit credit method. All assets in the schemes have been measured at their fair value at the balance sheet date. Full actuarial valuations for funding purposes are carried out for the Group's pension plans in line with local requirements. The actuarial reports are not available for public inspection.

26. Retirement benefits obligation (continued)

As part of the 1Kerry strategy the Group continues to harmonise, standardise and integrate the benefit offering to employees across the countries in which it operates. This programme is being rolled out across our European, American and Asian entities over a five year period. The review in 2017 primarily focused on a number of countries in Europe including Ireland and the Netherlands. As a result of the review a number of benefit changes were introduced which included a decision to close the defined benefit schemes in the Netherlands effective from January 2017 with future service being offered to employees in a multi-employer scheme. In Ireland members continued to avail of an opportunity to transfer their past service benefits to the defined contribution scheme. The impact of the benefit changes relating to pensions implemented in 2017 on the Consolidated Income Statement was €23.6m while scheme liabilities were reduced by €163.5m. In 2016, €13.5m was recognised in the Consolidated Income Statement relating primarily to the closure of the Irish defined benefit schemes to future accrual and a number of members who transferred their benefits out of the Irish defined benefit scheme. Consequently the defined contribution costs have significantly increased.

The defined benefit plans expose the Group to actuarial risks such as interest rate risk, investment risk, inflation risk and mortality risk.

Interest rate risk

The calculation of the present value of the defined benefit obligation is sensitive to the discount rate which is derived from the interest yield on high quality corporate bonds at the balance sheet date. Market conditions in recent years have resulted in volatility in discount rates which has significantly impacted the present value of the defined benefit obligation. Such changes lead to volatility in the Group's Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Comprehensive Income. It also impacts on the funding requirements for the plans.

Investment risk

The net deficit recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of the plan assets. When assets return a rate less than the discount rate this results in an increase in the net deficit. Currently the plans have a diversified portfolio of investments in equities, bonds and other types of investments. External investment consultants periodically conduct an investment review and advise on the most appropriate asset allocation taking account of asset valuations, funding requirements, liability duration and the achievement of an appropriate return on assets.

Inflation risk

A significant proportion of the defined benefit obligation is linked to inflation. An increase in inflation rates will increase the defined benefit obligation. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

Mortality risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

(i) Recognition in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income

The following amounts have been recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income in relation to defined contribution and defined benefit post-retirement plans:

	2017 €'m	2016 €'m
Service cost:		
- Costs relating to defined contribution schemes	54.8	30.5
- Current service cost relating to defined benefit schemes	13.8	20.7
- Past service and settlements	(23.6)	(13.5)
Net interest cost	8.2	7.9
Recognised in the Consolidated Income Statement	53.2	45.6
Re-measurements of the net defined benefit liability:		
- Return on plan assets (excluding amounts included in net interest cost)	(85.3)	(149.4)
- Experience gains on schemes' liabilities	(5.2)	(4.1)
- Actuarial gains arising from changes in demographic assumptions	(38.8)	(14.5)
- Actuarial (gains)/losses arising from changes in financial assumptions	(0.8)	338.3
Recognised in the Consolidated Statement of Comprehensive Income	(130.1)	170.3
Total	(76.9)	215.9

The total service cost is included in total staff numbers and costs (note 4) and the net interest cost is included in finance income and costs (note 6).

26. Retirement benefits obligation (continued)

(ii) Recognition in the Consolidated Balance Sheet

The Group's net defined benefit post-retirement schemes' deficit at 31 December, which has been recognised in the Consolidated Balance Sheet, was as follows:

	31 December 2017 €'m	31 December 2016 €'m
Present value of defined benefit obligation	(1,477.3)	(1,718.4)
Fair value of plan assets	1,353.0	1,365.6
Net recognised deficit in plans before deferred tax	(124.3)	(352.8)
Net related deferred tax asset	22.3	60.9
Net recognised deficit in plans after deferred tax	(102.0)	(291.9)

(iii) Financial and demographic assumptions

The principal financial assumptions used by the Group's actuaries in order to calculate the defined benefit obligation at 31 December, some of which have been shown in range format to reflect the differing assumptions in each scheme, were as follows:

	2017			2016		
	Eurozone %	UK %	Rest of World %	Eurozone %	UK %	Rest of World %
Inflation assumption	1.70	3.10	2.50	1.70	3.20	2.50
Rate of increase in salaries	N/A*	3.00	3.00	2.70*	3.00	3.00
Rate of increase for pensions in payment and deferred pensions	1.70	2.10 - 3.10	-	1.70	2.20 - 3.20	-
Rate used to discount schemes' liabilities	2.00 - 2.10	2.60	3.20 - 3.50	2.00	2.70	3.25 - 4.00

* Not applicable due to closure of the Netherlands and Irish defined benefit plans to future accrual (2016: The rate applies to the defined benefit plans in the Netherlands only).

The most significant demographic assumption is mortality. The mortality assumptions used are based on advice from the pension schemes' actuaries and reflect each scheme's population. The life expectancy of a member retiring at 31 December at age 65, now and in 20 years' time, some of which have been shown in range format to reflect the differing assumptions in each scheme, is as follows:

	2017			2016		
	Eurozone Years	UK Years	Rest of World Years	Eurozone Years	UK Years	Rest of World Years
Male - retiring now	21 - 22	21	21 - 22	22 - 23	21	21 - 22
Female - retiring now	23 - 25	23	23 - 24	24 - 25	23	23 - 24
Male - retiring in 20 years' time	23 - 24	23	22 - 24	24 - 25	23	22 - 24
Female - retiring in 20 years' time	25 - 27	25	24 - 25	26 - 27	25	24 - 25

26. Retirement benefits obligation (continued)

(iii) Financial and demographic assumptions (continued)

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. The assumptions may differ from the actual data as a result of changes in economic and market conditions as well as the actual experience within each scheme. The present value of post-retirement benefit schemes' liabilities is heavily dependent on the discount rate. As the discount rate is based on a market driven measure, which is the interest yield on high quality corporate bonds at the balance sheet date, the present value of post-retirement benefit schemes' liabilities can fluctuate significantly from valuation to valuation. The expected rate of inflation impacts the schemes' liabilities in that inflation is the basis for the calculation of the assumed future salary and revaluation increases in each scheme where applicable. In relation to demographic assumptions, differing expectations regarding current and future changes in mortality rates can have a significant impact on the schemes' liabilities.

The table below gives an approximate indication of the impact of a change in the principal financial actuarial assumptions (discount rate, inflation rate, salary increases and pensions in payment and deferred pension increases) and the principal demographic actuarial assumption (mortality) on the schemes' liabilities. The present value of the defined benefit obligation has been calculated using the projected unit credit method. The impact on the defined benefit obligation at 31 December 2017 is calculated on the basis that only one assumption is changed with all other assumptions remaining unchanged. The assessment of the sensitivity analysis below could therefore be limited as a change in one assumption may not occur in isolation as assumptions may be correlated. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

Assumption	Change in assumption	Impact on schemes' liabilities
Discount rate	Increase/decrease of 0.50%	Decrease/increase of 11.2%
Inflation rate	Increase/decrease of 0.50%	Increase/decrease of 7.5%
Salary increases	Increase/decrease of 0.50%	Increase/decrease of 1.4%
Pensions in payment and deferred pensions increases	Increase/decrease of 0.50%	Increase/decrease of 3.2%
Mortality	Increase/decrease in life expectancy of 1 year	Increase/decrease of 3.4%

(iv) Reconciliations for defined benefit plans

The movements in the defined benefit schemes' obligation during the financial year were:

	2017 €'m	2016 €'m
Present value of the defined benefit obligation at beginning of the financial year	(1,718.4)	(1,576.0)
Current service cost	(13.8)	(20.7)
Past service and settlements	23.6	13.5
Interest expense	(40.2)	(50.0)
Contributions by employees	(2.9)	(6.0)
Benefits paid	48.2	51.5
Re-measurements:		
- experience gains on schemes' liabilities	5.2	4.1
- actuarial gains arising from changes in demographic assumptions	38.8	14.5
- actuarial gains/losses arising from changes in financial assumptions	0.8	(338.3)
Decrease arising on settlement	139.9	74.9
Other movements	(5.9)	-
Exchange translation adjustment	47.4	114.1
Present value of the defined benefit obligation at end of the financial year	(1,477.3)	(1,718.4)
Present value of the defined benefit obligation at end of the financial year that relates to:		
Wholly unfunded plans	(30.4)	(30.1)
Wholly or partly funded plans	(1,446.9)	(1,688.3)
	(1,477.3)	(1,718.4)

26. Retirement benefits obligation (continued)

(iv) Reconciliations for defined benefit plans (continued)

The weighted average duration of the defined benefit obligation at 31 December 2017 is approximately **21 years** (2016: approximately 23 years).

The movements in the schemes' assets during the financial year were:

	2017 €'m	2016 €'m
Fair value of plan assets at beginning of the financial year	1,365.6	1,270.3
Interest income	32.0	42.1
Contributions by employer	85.5	125.4
Contributions by employees	2.9	6.0
Benefits paid	(48.2)	(51.5)
Re-measurements:		
- return on plan assets (excluding amounts included in net interest cost)	85.3	149.4
Decrease arising on settlement	(139.9)	(74.9)
Other movements	5.9	-
Exchange translation adjustment	(36.1)	(101.2)
Fair value of plan assets at end of the financial year	1,353.0	1,365.6

The fair values of each of the categories of the pension schemes' assets at 31 December were as follows:

	2017 €'m	2016 €'m
Equities		
- Global Equities	681.1	683.5
- Emerging Market Equities	70.4	64.9
- Global Small Cap Equities	65.0	67.7
Government Fixed Income	311.7	321.0
Other Fixed Income	122.9	121.5
Multi-asset Funds		
- Diversified Growth Funds	95.7	52.8
- Hedge Funds	-	1.6
Cash and other	6.2	52.6
Total fair value of pension schemes' assets	1,353.0	1,365.6

The majority of equity securities and bonds have quoted prices in active markets. The schemes' assets are invested with professional investment managers. Investments in the Group's own financial instruments, if any, are solely at the discretion of the investment managers concerned. The actual amount of the Group's own financial instruments held by the pension schemes during 2017 and 2016 were not material. No property held by the pension schemes was occupied by the Group nor were any other pensions schemes' assets used by the Group during 2017 or 2016.

(v) Funding for defined benefit plans

There are a number of defined benefit pension plans being operated by the Group in a number of countries, and within some of these countries multiple plans are operated. Each plan is required to be operated in line with local legislation, conditions, practices and the regulatory framework in place for the specific country. As a result, there are a number of different funding arrangements in place that accord with the specific local legislative, regulatory and actuarial requirements.

Future accrual where applicable is funded partly by the employees, where they are required to contribute a fixed percentage of pensionable salary; and partly by the Group's subsidiaries, being a percentage of pensionable salary as advised by the actuaries and agreed between the Group and the relevant Trustees. Deficit funding is carried out by cash contributions from the Group's subsidiaries. Similar to the funding of future accrual, these funding arrangements have been advised by the pension schemes' actuaries and agreed between the Group and the relevant Trustees. It is the aim of the Group to eliminate the most significant deficits, being those in Ireland and the UK, on average over ten years. Actuarial valuations, which are not available for public inspection, are carried out every three years in Ireland and the UK; and every year in the USA. During the financial year ending 31 December 2018, the Group expects to make contributions of approximately €56.9m in relation to its defined benefit plans.

27. Share capital

	2017 €'m	2016 €'m
Group and Company:		
Authorised		
280,000,000 A ordinary shares of 12.50 cent each	35.0	35.0
Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)		
At beginning of the financial year	22.0	22.0
Shares issued during the financial year	-	-
At end of the financial year	22.0	22.0

The Company has one class of ordinary share which carries no right to fixed income.

Shares issued

During 2017 a total of **171,574** (2016: 126,362) A ordinary shares, each with a nominal value of 12.50 cent, were issued at nominal value per share under the Long Term and Short Term Incentive Plans.

The total number of shares in issue at 31 December 2017 was **176,182,405** (2016: 176,010,831).

Share buy back programme

At the 2017 Annual General Meeting shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital. In 2017 and 2016, no shares were purchased under this programme.

28. Share-based payments

The Group operates two equity-settled share-based payment plans. The first plan is the Group's Long Term Incentive Plan and the second is the element of the Group's Short Term Incentive Plan that is settled in shares/share options after a 2 year deferral period. Details on each of these plans are outlined below.

The Group recognised an expense of **€12.8m** (2016: €7.8m) related to equity-settled share-based payment transactions in the Consolidated Income Statement during the financial year. The expectation of meeting performance criteria was taken into account when calculating this expense.

(i) Long Term Incentive Plan

The Group operates an equity settled Long Term Incentive Plan (LTIP) under which an invitation to participate was made to Executive Directors and senior executives. The proportion of each invitation which vests will depend on the Adjusted Earnings Per Share (EPS) performance, Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) of the Group during a three year period ('the performance period'). The invitations made in 2015, 2016 and 2017 will potentially vest in 2018, 2019 and in 2020 respectively. 50% of the award will be issued at the date of vesting, with 50% being issued after a 2 year deferral period.

Up to 50% of the shares/share options subject to an invitation will vest according to the Group's adjusted EPS growth compared with target during the performance period. Up to 30% of the shares/share options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 20% of the shares/share options will vest according to the Group's ROACE versus predetermined targets. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

Under the Long Term Incentive Plan (LTIP), the Group introduced career shares awards, under which an invitation to participate was made to a limited number of senior executives. The proportion of each invitation which vests will depend on personal objectives during a three year period ('the performance period') and the senior executives remaining within the Group for a four year period ('the retention period'). The invitations made in 2014, 2015 and 2017 will potentially vest in 2020, 2021/2022 and 2023 respectively. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

28. Share-based payments (continued)

(i) Long Term Incentive Plan (continued)

A summary of the status of the LTIP as at 31 December and the changes during the financial year are presented below:

	Number of Conditional Awards 2017	Number of Conditional Awards 2016
Outstanding at beginning of the financial year	1,055,768	1,035,376
Forfeited	(54,860)	(80,418)
Shares vested	(56,751)	(75,923)
Share options vested	(77,122)	(62,369)
Relinquished	(227,871)	(98,130)
New conditional awards	468,171	337,232
Outstanding at end of the financial year	1,107,335	1,055,768

	Number of Share Options 2017	Number of Share Options 2016
Share options arising under the LTIP		
Outstanding at beginning of the financial year	230,762	255,928
Vested	43,379	40,520
Exercised	(129,596)	(65,686)
Lapsed	(3,028)	-
Outstanding and exercisable at end of the financial year	141,517	230,762

Share options under the LTIP scheme have an exercise price of 12.5 cent. The remaining weighted average life for share options outstanding is **4.2 years** (2016: 4.1 years). The weighted average share price at the date of exercise was **€77.60** (2016: €78.10). 36,973 share options which vested in the financial year are deferred and therefore are not exercisable at year end. 3,230 of the share options which vested during the year had previously been deferred.

28. Share-based payments (continued)

(i) Long Term Incentive Plan (continued)

At the invitation grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

LTIP Scheme	2017 Conditional Award at Grant Date	2016 Conditional Award at Grant Date	2015 Conditional Award at Grant Date	2014 Conditional Award at Grant Date
Conditional Award Invitation date	March 2017	March 2016	March 2015	March 2014
Year of potential vesting	2020/2023	2019	2018/2020/2021	2017/2020
Share price at grant date	€74.52	€79.80	€64.92	€53.80
Exercise price per share/share options	€0.125	€0.125	€0.125	€0.125
Expected volatility	20.7%	19.1%	18.4%	20.8%
Expected life	3/6 years	3 years	3/5/6 years	3/6 years
Risk free rate	(0.8%)	(0.5%)	0.0%	0.4%
Expected dividend yield	0.7%	0.7%	0.8%	0.9%
Expected forfeiture rate	5.0%	5.0%	5.0%	5.0%
Weighted average fair value at grant date	€61.64/€70.94	€68.72	€52.96/€61.74	€44.74/€50.47
Valuation model	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. The TSR performance over the period is measured against the TSR performance of a peer group of listed companies. Non-market based performance conditions, such as the EPS and ROACE conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest.

(ii) Short Term Incentive Plan

In 2013 the Group's Short Term Incentive Plan for Executive Directors was amended to incorporate a share-based payment element with 25% of the total bonus to be settled in shares/share options. The shares/share options awarded as part of this scheme will be issued 2 years after the vesting date once a deferral period has elapsed. There are no further performance conditions relating to the shares/share options during the deferral period.

A share-based payment expense is recognised in the Consolidated Income Statement for the scheme to reflect the cash value of the bonus to be paid by way of shares/share options. The first shares/share options issued under the Short Term Incentive Plan, which relate to the 2013 financial year, vested in 2014 and were deferred until 2016. The second tranche of the issuance of the shares/share options under the Short Term Incentive Plan, which relate to the 2014 financial year, vested in 2015 and were deferred until 2017. The third tranche of the issuance of the shares/share options under the Short Term Incentive Plan, which relate to the 2015 financial year, vested in 2016 and will be deferred until 2018. The fourth tranche of the issuance of the shares/share options under the Short Term Incentive Plan, which relate to the 2016 financial year, vested in 2017 and will be deferred until 2019.

29. Cash flow components

	Notes	Group 2017 €'m	Group 2016 €'m	Company 2017 €'m	Company 2016 €'m
Profit before taxation		613.3	611.8	106.2	116.0
Intangible asset amortisation	12	47.9	46.4	-	-
Non-trading items	5	54.5	21.0	-	-
Finance income	6	(0.1)	(1.1)	-	-
Finance costs	6	65.7	71.5	-	-
Trading profit		781.3	749.6	106.2	116.0

Change in working capital

Increase in inventories		(77.7)	(5.3)	-	-
Increase in trade and other receivables		(48.7)	(18.5)	(16.5)	(16.1)
Increase/(decrease) in trade and other payables		107.9	78.6	(0.5)	(16.1)
Increase/(decrease) in non-current liabilities		14.8	(0.9)	-	-
Share-based payment expense	28	12.8	7.8	12.8	7.8
		9.1	61.7	(4.2)	(24.4)

Purchase of assets

Purchase of property, plant and equipment		(271.3)	(202.8)	-	-
Purchase of intangible assets	12	(23.6)	(16.5)	-	-
Purchase of financial assets	13	(6.4)	(4.5)	-	-
		(301.3)	(223.8)	-	-

Cash and cash equivalents

Cash at bank and in hand	23	312.5	564.7	-	0.1
Bank overdrafts	23	(6.9)	(3.6)	-	(0.1)
		305.6	561.1	-	-

Net debt reconciliation

	Note	Other assets		Liabilities from financing activities			Total €'m
		Cash at bank and in hand €'m	Interest Rate Swaps €'m	Overdrafts due within 1 year €'m	Borrowings due within 1 year €'m	Borrowings due after 1 year €'m	
Net debt as at 1 January 2016		236.4	163.4	(5.2)	(33.2)	(2,011.5)	(1,650.1)
Cash flows		328.4	-	1.5	(152.9)	178.6	355.6
Foreign exchange adjustments		(0.1)	(0.2)	0.1	(2.8)	(20.8)	(23.8)
Other non-cash movements		-	7.9	-	-	(13.3)	(5.4)
Net debt as at 31 December 2016	23	564.7	171.1	(3.6)	(188.9)	(1,867.0)	(1,323.7)
Cash flows		(236.9)	(25.4)	(3.4)	170.7	(1.0)	(96.0)
Foreign exchange adjustments		(15.3)	0.9	0.1	11.8	77.7	75.2
Other non-cash movements		-	(59.1)	-	-	61.9	2.8
Net debt as at 31 December 2017	23	312.5	87.5	(6.9)	(6.4)	(1,728.4)	(1,341.7)

30. Business combinations

During 2017, the Group completed a total of eight acquisitions, all of which are 100% owned by the Group.

	Notes	Total 2017 €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:		
<i>Non-current assets</i>		
Property, plant and equipment	11	37.2
Brand related intangibles	12	252.3
Computer software	12	0.1
<i>Current assets</i>		
Cash at bank and in hand		6.3
Inventories		30.0
Trade and other receivables		15.2
<i>Current liabilities</i>		
Trade and other payables		(19.2)
<i>Non-current liabilities</i>		
Deferred tax liabilities		(47.2)
Other non-current liabilities		(2.8)
Total identifiable assets		271.9
Goodwill	12	125.3
Total consideration		397.2
Satisfied by:		
Cash		387.7
Deferred payment		9.5
		397.2
Net cash outflow on acquisition:		
Cash		387.7
Less: cash and cash equivalents acquired		(6.3)
Prepayments in relation to 2018 acquisitions		15.1
		396.5

The acquisition method of accounting has been used to consolidate the 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 2016, there have been no material revisions of the provisional fair value adjustments since the initial values were established.

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. €16.3m 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 €15.2m and a gross contractual value of €15.6m.

From the date of acquisition, the acquired businesses have contributed €33.9m of revenue and €1.9m 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 €256.8m of revenue and €11.1m of profit after taxation attributable to owners of the parent to the Group.

30. Business combinations (continued)

The following acquisitions were completed by the Group during 2017:

Acquisition	Acquired	Principal activity
Taste Master	March	Taste Master is a flavours business with its R&D centre and main factory located in South Australia. Taste Master operates in five process areas, namely; Fragrance, Dry Blending, Liquid Flavours, Spray Drying and Extruded Products.
Tianning Flavours	April	Tianning is a leading flavour manufacturer based in China. The company is recognised in the Chinese market for supplying high-quality products and its customer base spans across a number of end-use-market categories, including dairy, beverage, ice cream, bakery, culinary and snacks.
Ben Alimentos	June	Ben Alimentos, based in Goias, Brazil, was purchased in order to facilitate increased capacity for our existing dairy systems business in Brazil.
Ganeden	August	Ganeden is a leading US technology innovation company, focused on patented probiotics and related technologies. Ganeden has an extensive library of published studies and more than 135 patents for technologies in the supplement, food, beverage, nutrition and personal care markets. Ganeden's proprietary probiotic brand, BC30, is being formulated in an increasing number of key food and beverage brands throughout the world.
Dottley Spice	October	Dottley Spice is a US based dry blending operation that supplies coatings and seasoning blends to some of the leading poultry processors, restaurant chains and food distribution companies in North America.
Hasenosa	November	Hasenosa, based in Spain, produces speciality flours, batters and tempuras, conventional and Japanese breadcrumbs, texturised vegetable protein, sauces, marinades, products for the fish and meat industry, as well as other products for the precooked, frozen and chilled food industry.
Oakhouse Foods	November	Oakhouse Foods has become one of the UK's leading direct to consumer ready meal providers, delivering meals that are quick and easy to prepare at home for elderly consumers.
Kettle business of Tyson Foods	December	The Kettle business of Tyson Foods is a US based business producing artisan-inspired side dishes, appetisers and dips for consumers and foodservice. The Kettle Collections brand is available for purchase by consumers and through leading restaurant chains and food distribution companies globally.

31. Contingent liabilities

	2017 €'m	2016 €'m
Company:		
(i) Guarantees in respect of borrowings of subsidiaries	1,721.7	2,031.1

- (ii) For the purposes of Section 357 of the Companies Act, 2014, the Company has undertaken by Board resolution to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland, as set out in note 36, in respect of all amounts shown as liabilities or commitments in the statutory financial statements as referred to in Section 357 (1) (b) of the Companies Act, 2014 for the financial year ending on 31 December 2017 or any amended financial period incorporating the said financial year. All other provisions of Section 357 have been complied with in this regard. The Company has given similar indemnities in relation to its subsidiaries in Germany (section 264 of the Commercial Code), Luxembourg (Article 70 of the Luxembourg law of 19 December 2002 as amended) and the Netherlands (Article 2 of the Dutch Civil Code), as set out in note 36. In addition, the Company has also availed of the exemption from filing subsidiary financial statements in Luxembourg, the Netherlands and Ireland.

The Company does not expect any material loss to arise from these guarantees and considers their fair value to be negligible.

32. Other financial commitments

- (i) Commitments for the acquisition of property, plant, equipment and computer software at 31 December for which no provision has been made in the accounts are as follows:

	2017 €'m	2016 €'m
Group:		
Commitments in respect of contracts placed	108.4	44.9
Expenditure authorised by the Directors but not contracted for at the financial year end	145.9	198.9
	254.3	243.8

- (ii) At the balance sheet date the Group had commitments under non-cancellable operating leases which fall due as follows:

	2017 €'m	2016 €'m
Within 1 year	21.9	20.3
Within 2 to 5 years	41.5	34.6
After 5 years	11.8	12.2
	75.2	67.1

The operating lease charges during 2017 amounted to **€27.8m** (2016: €27.5m).

The Group leases various buildings, plant and machinery, and motor vehicles under non-cancellable lease arrangements. The Group has a number of leases but none of these leases are individually material. The leases have various terms, escalation clauses and renewal rights. These leases range from less than 1 year to 94 years.

33. Related party transactions

(i) Trading with Directors

In their ordinary course of business as farmers, certain Directors have traded on standard commercial terms with the Group's Agribusiness division. Aggregate purchases from, and sales to, these Directors amounted to **€0.3m** (2016: €0.4m) and **€0.1m** (2016: €0.1m) respectively. The trading balance outstanding to the Group at the financial year end was **€nil** (2016: €nil).

All transactions with Directors were on standard commercial terms. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the financial year for bad or doubtful debts in respect of amounts owed by Directors.

(ii) Trading between Parent Company and subsidiaries

Transactions in the financial year between the Parent Company and its subsidiaries included dividends received of **€120.0m** (2016: €124.0m), cost recharges of **€11.5m** (2016: €5.3m), and trade and other receivables of **€115.8m** (2016: €99.3m). The Parent Company has also provided a guarantee in respect of borrowings of subsidiaries which is disclosed in note 31.

(iii) Trading with associate company

Details of transactions and balances outstanding with associate are as follows:

	Rendering of services		(Sale)/Purchase of goods		Amounts receivable at 31 December	
	2017	2016	2017	2016	2017	2016
	€'m	€'m	€'m	€'m	€'m	€'m
Associate	-	0.5	(0.8)	(0.1)	0.1	-

These trading transactions are undertaken and settled at normal trading terms. No loans were advanced in 2017 and 2016 and no interest was received.

(iv) Trading with other related parties

As detailed in the Directors' Report, Kerry Co-operative Creameries Limited is considered to be a related party of the Group as a result of its significant shareholding in the Parent Company. During 2017, dividends of **€13.9m** (2016: €12.5m) were paid to Kerry Co-operative Creameries Limited based on its shareholding. A subsidiary of Kerry Group plc traded product to the value of **€0.2m** (2016: €0.1m) on behalf of Kerry Co-operative Creameries Limited.

(v) Transactions with key management personnel

The Board of Directors are deemed to be key management personnel of Kerry Group plc as they are responsible for planning, directing and controlling the activities of the Group.

In addition to their salaries and short term benefits, the Group also contributes to post-retirement defined benefit, defined contribution and saving plans on behalf of the Executive Directors. The Directors also participate in the Group's Long Term Incentive Plan (LTIP) (note 26 and 28).

Remuneration cost of key management personnel is as follows:

	2017 €'m	2016 €'m
Short term benefits (salaries, fees and other short term benefits)	8.0	7.1
Post-retirement benefits	0.8	0.8
LTIP accounting charge	2.9	1.7
Other long term benefits	-	-
Termination benefits	-	-
Total	11.7	9.6

Retirement benefit charges of **€0.3m** (2016: €0.3m) arise under a defined benefit scheme relating to **2** directors (2016: 2 directors) and charges of **€0.5m** (2016: €0.5m) arise under a defined contribution scheme relating to **5** directors (2016: 4 directors). The LTIP accounting charge above is determined in accordance with the Group's accounting policy for share-based payments.

Post-retirement benefits in the above table and the statutory and listing rules disclosure in respect of pension contributions in the executive directors remuneration table in the remuneration report are determined on a current service cost basis.

The aggregate amount of gains accruing to Executive Directors on the exercise of share options is €4.6m (2016: €1.2m). Dividends totalling **€0.1m** (2016: €0.1m) were also received by key management personnel during the financial year, based on their personal interests in the shares of the company.

34. Events after the balance sheet date

Since the financial year end, the Group has:

- completed the acquisition of Zhejiang Hangman Food Technologies Co., Ltd. based in China. The Group also reached agreement to acquire SIAS Food Co., based in China and Season to Season Flavour Manufacturers (Pty) Limited based in Johannesburg, South Africa. The combined consideration for these transactions was €76.0m.
- proposed a final dividend of **43.90 cent** per A ordinary share (note 10).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2017.

35. Reserves

Available-for-sale (AFS) reserve

The available-for-sale reserve represents the unrealised gains and losses on the available-for-sale financial assets held by the Group.

Capital redemption reserve

Capital redemption reserve represents the nominal cost of the cancelled shares in 2007.

Other undenominated capital

Other undenominated capital represents the amount transferred to reserves as a result of renominatising the share capital of the Parent Company due to the euro conversion in 2002.

Share-based payment reserve

The share-based payment reserve relates to invitations made to employees to participate in the Group's Long Term Incentive Plan and the element of the Group's Short Term Incentive Plan that is settled in shares/share options. Further information in relation to this share-based payment is set out in note 28.

Translation reserve

Exchange differences relating to the translation of the balance sheets of the Group's foreign currency operations from their functional currencies to the Group's presentation currency (euro) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Hedging reserve

The hedging reserve represents the effective portion of gains and losses on hedging instruments from the application of cash flow hedge accounting for which the underlying hedged transaction is not impacting profit or loss. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Retained earnings

Retained earnings refers to the portion of net income, which is retained by the Group rather than distributed to shareholders as dividends.

36. Group entities

Principal subsidiaries and associated undertakings

Country	Company Name	Nature of Business	Registered Office
Ireland	Breo Brands Limited	Consumer Foods	1
	Breo Foods Limited	Consumer Foods	1
	Carteret Investments	Investment	1
	Cuarto Limited	Taste & Nutrition	1
	Dawn Dairies Limited	Consumer Foods	1
	Denny Foods Limited	Investment	1
	Duffy Meats Limited	Consumer Foods	1
	Dynaboo Limited	Consumer Foods	1
	Fambee Limited	Consumer Foods	1
	Glenealy Farms (Turkeys) Limited	Consumer Foods	1
	Golden Vale Clare Limited	Investment	1
	Golden Vale Dairies Limited	Agribusiness	1
	Golden Vale Holdings Limited	Investment	1
	Golden Vale Investments Limited	Investment	1
	Golden Vale Limited	Investment	1
	Henry Denny & Sons (Ireland) Limited	Consumer Foods	1
	Kerry Agribusiness Holdings Limited	Investment	1
	Kerry Agribusiness Trading Limited	Agribusiness	1
	Kerry Creameries Limited	Agribusiness	1
	Kerry Food Ingredients (Cork) Limited	Taste & Nutrition	1
	Kerry Group Business Services Limited	Services	1
	Kerry Group Financial Services	Services	1
	Kerry Group Finance International Limited	Services	1
	Kerry Group Services International Limited	Services	1
	Kerry Group Services Limited	Services	1
	Kerry Health and Nutrition Institute Limited	Taste & Nutrition	1
	Kerry Holdings (Ireland) Limited	Investment	1
	Kerry Ingredients & Flavours Limited	Taste & Nutrition	1
	Kerry Ingredients (Ireland) Limited	Taste & Nutrition	1
	Kerry Ingredients Holdings (Ireland) Limited	Investment	1
	Kerry Treasury Services Limited	Services	1
	Kerrykream Limited	Consumer Foods	1
	Lifesource Foods Research Limited	Consumer Foods	1
	National Food Ingredients Limited	Taste & Nutrition	1
	Newmarket Co-operative Creameries Limited	Taste & Nutrition	1
	Pixundo Limited	Consumer Foods	1
	Plassey Holdings Limited	Investment	1
	Platters Food Company Limited	Consumer Foods	1
	Princemark Holdings Designated Activity Company	Services	1
	Putaxy Limited	Investment	1
	Quandu Limited	Consumer Foods	1
	Rye Developments Limited	Services	1
	Rye Investments Limited	Consumer Foods	1
	Rye Valley Foods Limited	Consumer Foods	1
	Selamor Limited	Consumer Foods	1
	Tacna Investments Limited	Investment	1
	Trundu Limited	Consumer Foods	1

36. Group entities (continued)

Principal subsidiaries and associated undertakings (continued)

Country	Company Name	Nature of Business	Registered Office
Ireland	William Blake Limited	Taste & Nutrition	1
	Zenbury International Limited	Services	1
UK	Henry Denny & Sons (NI) Limited	Consumer Foods	2
	Dairy Produce Packers Limited	Taste & Nutrition	2
	Golden Cow Dairies Limited	Consumer Foods	2
	Golden Vale (NI) Limited	Investment	2
	Leckpatrick Dairies Limited	Consumer Foods	2
	Leckpatrick Holdings Limited	Investment	2
	RVF (UK) Limited	Consumer Foods	2
	Kerry Foods Limited	Consumer Foods	3
	Kerry Holdings (U.K.) Limited	Investment	3
	Kerry Savoury Foods Limited	Consumer Foods	3
	Noon Group Limited	Consumer Foods	3
	Noon Products Limited	Consumer Foods	3
	Oakhouse Foods Limited	Consumer Foods	3
	Rollover Holdings Limited	Consumer Foods	3
	Rollover Group Limited	Consumer Foods	3
	Rollover Limited	Consumer Foods	3
	EBI Foods Limited	Taste & Nutrition	4
	Gordon Jopling (Foods) Limited	Taste & Nutrition	4
	Kerry Ingredients (U.K.) Limited	Taste & Nutrition	4
	Kerry Ingredients Holdings (U.K.) Limited	Investment	4
	Titusfield Limited	Taste & Nutrition	4
	Kerry Flavours UK Limited	Taste & Nutrition	4
	Spicemanns Limited	Taste & Nutrition	5
	The Bodychef Limited (42.8% shareholding)	Consumer Foods	6
Belgium	Kerry Holdings Belgium NV	Taste & Nutrition	7
Netherlands	Kerry (NL) B.V.	Taste & Nutrition	8
	Kerry Group B.V.	Investment	8
Czech Republic	Kerry Ingredients & Flavours s.r.o.	Taste & Nutrition	9
France	Kerry Ingredients France S.A.S.	Taste & Nutrition	10
	Kerry Ingredients Holdings France S.A.S.	Investment	10
	Kerry Savoury Ingredients France S.A.S.	Taste & Nutrition	10
	Kerry Flavours France S.A.S.	Taste & Nutrition	11
Germany	Kerry Food GmbH	Taste & Nutrition	12
	Kerry Ingredients GmbH	Taste & Nutrition	12
	SuCrest GmbH	Taste & Nutrition	13
	Vicos Nahrungsmittel GmbH	Taste & Nutrition	13
	Red Arrow Handels GmbH	Taste & Nutrition	14
Belarus	Unitary Manufacturing Enterprise 'Vitella'	Taste & Nutrition	15
Denmark	Cremo Ingredients A/S	Taste & Nutrition	16
Italy	Kerry Ingredients & Flavours Italia S.p.A.	Taste & Nutrition	17
Poland	Kerry Polska Sp. z o.o.	Taste & Nutrition	18
Hungary	Kerry Hungaria KFT.	Taste & Nutrition	19
Luxembourg	Kerry Luxembourg S.a.r.l.	Services	20
	Zenbury International Limited S.a.r.l.	Services	20
	Everdine Holding S.a.r.l. (28.6% shareholding)	Consumer Foods	21

36. Group entities (continued)

Principal subsidiaries and associated undertakings (continued)

Country	Company Name	Nature of Business	Registered Office
Romania	Kerry Romania s.r.l.	Taste & Nutrition	22
Russia	Kerry LLC	Taste & Nutrition	23
South Africa	Kerry Ingredients South Africa (Proprietary) Limited	Taste & Nutrition	24
	Orley Foods (Proprietary) Limited	Taste & Nutrition	25
Spain	Vendin S.L.	Taste & Nutrition	26
	Harinas y Sémolas del Noroeste, S.A. (Hasenosa)	Taste & Nutrition	27
Slovakia	Dera SK s.r.o.	Taste & Nutrition	28
Sweden	Tarber AB	Taste & Nutrition	29
Ukraine	Kerry Ukraine Limited	Taste & Nutrition	30
USA	Kerry Holding Co.	Investment	31
	Kerry, Inc.	Taste & Nutrition	31
	Ganeden Biotech, Inc.	Taste & Nutrition	32
	Insight Beverages, Inc.	Taste & Nutrition	33
Canada	Kerry (Canada) Inc.	Taste & Nutrition	34
Mexico	Kerry Ingredients (de Mexico) S.A. de C.V.	Taste & Nutrition	35
Brazil	Ben Alimentos Ltda.	Taste & Nutrition	36
	Kerry do Brasil Ltda.	Taste & Nutrition	37
	Kerry da Amazonia Ingredientes e Aromas Ltda.	Taste & Nutrition	38
Costa Rica	Baltimore Spice Central America S.A.	Taste & Nutrition	39
Chile	Kerry Chile Ingredientes, Sabores Y Aromas Ltda.	Taste & Nutrition	40
Colombia	Kerry Ingredients & Flavours Colombia S.A.S.	Taste & Nutrition	41
Panama	Baltimore Spice Panamá S.A.	Taste & Nutrition	42
Guatemala	Baltimore Spice Guatemala S.A.	Taste & Nutrition	43
El Salvador	Baltimore Spice de El Salvador S.A. de C.V.	Taste & Nutrition	44
Thailand	Kerry Ingredients (Thailand) Limited	Taste & Nutrition	45
Philippines	Kerry Food Ingredients (Philippines), Inc.	Taste & Nutrition	46
	Kerry Manufacturing (Philippines), Inc.	Taste & Nutrition	47
Singapore	Kerry Ingredients (S) PTE Limited	Taste & Nutrition	48
Malaysia	Kerry Ingredients (M) Sdn. Bhd.	Taste & Nutrition	49
	Kerry Group Business Services (ASPAC) Sdn. Bhd.	Taste & Nutrition	49
Japan	Kerry Japan Kabushiki Kaisha	Taste & Nutrition	50
China	Kerry Food Ingredients (Hangzhou) Company Limited	Taste & Nutrition	51
	Kerry Ingredients Trading (Shanghai) Company Limited	Taste & Nutrition	52
	Kerry Food (Nantong) Company Limited	Taste & Nutrition	53
	Tianning Flavour & Fragrance (Jiangsu) Co., Limited	Taste & Nutrition	54
Indonesia	PT Kerry Ingredients Indonesia	Taste & Nutrition	55
India	Kerry Ingredients India Private Limited	Taste & Nutrition	56
Australia	Kerry Ingredients Australia Pty Limited	Taste & Nutrition	57
New Zealand	Kerry Ingredients (NZ) Limited	Taste & Nutrition	58
South Korea	Kerry Ingredients Korea LLC	Taste & Nutrition	59
	Jungjin Food Co. Limited	Taste & Nutrition	60

Notes

- (1) All group entities are wholly owned subsidiaries unless otherwise stated.
- (2) Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.
- (3) With the exception of the USA, Canadian and Mexican subsidiaries, where the holding is in the form of common stock, all holdings are in the form of ordinary shares.

36. Group entities (continued)

Registered Office

1	Prince's Street, Tralee, Co. Kerry, Ireland.
2	Millburn Road, Coleraine, Northern Ireland, BT52 1QZ, United Kingdom.
3	Thorpe Lea Manor, Thorpe Lea Road, Egham, Surrey TW20 8HY, England.
4	Bradley Road, Royal Portbury Dock, Bristol BS20 7NZ, England.
5	59 Kelvin Avenue, Hillington, Glasgow G52 4LR, Scotland.
6	20 Central Avenue, St. Andrews Business Park, Norwich NR7 0HR, England.
7	Havenlaan 86C, Bus 204, 1000 Brussels, Belgium.
8	Maarssebroeksedijk 2a, 3542 DN Utrecht, The Netherlands.
9	Jindřišská 937/16, Nové Město, 110 00 Praha 1, Czech Republic.
10	43 rue Louis Pasteur, 62575 Blendecques, France.
11	Zone Industrielle du Plan, BP 82067, 06131 Grasse, CEDEX, France.
12	Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
13	Neckarstraße 9, 65239 Hochheim/Main, Germany.
14	Hanna-Kunath-Strasse 25, 28199, Bremen, Germany.
15	P. Brovki Str., 44 210039 Vitebsk, Belarus.
16	Tofttegardsvej 3, DK-5620, Glamsbjerg, Denmark.
17	Via Capitani Di Mozzo 12/16, 24030 Mozzo, Bergamo, Italy.
18	25-558 Kielce, Ul. Zagnanska 97a, Kielce, Poland.
19	1093 Budapest, Várház krt. 13, Hungary.
20	17 Rue Antoine Jans, L-1820 Luxembourg, Grand-Duchy of Luxembourg, Luxembourg.
21	5, Heienhaff, L-1736 Senningerberg, Grand-Duchy of Luxembourg, Luxembourg.
22	BIROUL NR.5, Etaj 5, Nr. 4D, CORP C, Strada GARA HERĂSTRĂU, București Sectorul 2, Romania.
23	RigaLand Business Centre, 26 km Baltiya Highway, Krasnogorskiy District, 143421, Moscow, Russia.
24	Block 3, 4-6 Lucas Drive, Hillcrest, Durban, Kwazulu-Natal, South Africa.
25	13-15 Chain Avenue, Montague Gardens, 7441 Western Cape, South Africa.
26	Calle Coto de Doñana, 15, 28320 Pinto, Madrid, Spain.
27	Polígono Industrial de las Gándaras de Budino, O Porrino, Pontevedra, Spain.
28	Križkova 9, Bratislava, Slovakia.
29	Box 1420 - Frejgatan 13, 114 79 Stockholm, Sweden.
30	4 Korolenkivska str., Kiev, Ukraine.
31	3400 Millington Road, Beloit WI 53511, United States.
32	5800 Landerbrook Drive, Suite 300, Mayfield Heights OH 44124, United States.
33	635 Oakwood Road, Lake Zurich IL 60047, United States.
34	615 Jack Ross Avenue Woodstock ON N4S 8A4, Canada.
35	Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guanajuato, Mexico.
36	City of Rialma, State of Goiás, at Acesso BR-153, s/n, saída Sul, Fazenda Genipapo, Zona Urbana, Brazil.
37	Avenida Mercedes Benz 460, Distrito Industrial, Campinas, Sao Paulo, 13054-750, Brazil.
38	Rua Hidra 188, Santo Agostinho, Manaus, 69036-520, Brazil.
39	Del Liceo de Pavas 200 Oeste, 100 Norte Zip Code 1035-1200, San José, Costa Rica.
40	C.M. El Trovador No. 4280, Of 1205, Las Condes, Suc. Cerro Portezuelo 9901, Quilicura, Santiago, Chile.
41	Carrera 7 No 71-52, Torre A Piso 5, Bogota, Colombia.
42	Parque Industrial Costa del Este Calle Avenida Principal y 3ra Lote 88. Corregimiento, Parque Lefevre 0819-01869, Panama.
43	Avenida Petapa 52-20 zona 12, Guatemala.
44	Condominio Edificio Gran Plaza Of 401 Col. San Benito. Boulevard El Hipodromo, San Salvador, El Salvador.
45	No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.
46	GF/SFB#1, Mactan Economic Zone 1, Lapulapu City, Cebu, Philippines.
47	5th Ave Bgc, Taguig, Metro Manila, Philippines.
48	8 Biomedical Grove, #02-01/04 Neuros, Singapore 138665, Singapore.

36. Group entities (continued)

Registered Office (continued)

49	Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia.
50	Kamiyacho Sankei Building, 2F, 1-7-2, Azabudai 1-chome, Minato-ku, Tokyo 106-0041, Japan.
51	Renhne Industry Zone, Jiulong Village, Hangzhou, China.
52	Room 248, Ximmao Building, 2 Tai Zhong Road South, Waigaoqiao Free Trade Zone, Shanghai, China.
53	North side of Xiang, Jiang Road, RuDong County, Nantong, China.
54	Dujiashan, Huayang, Jurong, Jiangsu Province, China.
55	JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.
56	Unit No. 302, 3rd Floor, Ecospace Campus 3B, Marathahalli – Sarjapur Outer Ring Road, Bellandur, Bangalore – 560103, Karnataka, India.
57	No 8 Holker Street, Newington, NSW 2127, Australia.
58	11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.
59	2th Fl., Sheenbang Bldg, 1366-18, Seocho-dong, Seocho-Gu, Seoul, 137-863, Republic of Korea.
60	#82 Yuolgum-5gil, Sunghwan-eup, Cheonan-si, Choongchungnam-do, Republic of Korea.

SUPPLEMENTARY INFORMATION

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

FINANCIAL DEFINITIONS

1. Revenue

Volume growth

This represents sales growth year-on-year, excluding pass-through pricing, 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. A full reconciliation to reported revenue growth is detailed in the revenue reconciliation below.

Revenue Reconciliation

	Volume growth	Price	Transaction currency	Translation currency	Acquisitions/ Disposals	Reported revenue growth
2017						
Taste & Nutrition	4.7%	2.0%	0.0%	(1.9%)	0.9%	5.7%
Consumer Foods	2.4%	2.0%	(0.9%)	(3.8%)	0.2%	(0.1%)
Group	4.3%	2.0%	(0.2%)	(2.4%)	0.8%	4.5%
2016						
Taste & Nutrition	4.0%	(2.1%)	(0.1%)	(3.2%)	4.9%	3.5%
Consumer Foods	2.1%	(2.0%)	(1.1%)	(6.6%)	(2.1%)	(9.7%)
Group	3.6%	(2.1%)	(0.3%)	(4.1%)	3.3%	0.4%

2. EBITDA

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

	2017 €'m	2016 €'m
Profit after taxation attributable to owners of the parent	588.5	533.1
Finance income	(0.1)	(1.1)
Finance costs	65.7	71.5
Income taxes	24.8	78.7
Non-trading items	54.5	21.0
Intangible asset amortisation	47.9	46.4
Depreciation (including impairment)	136.2	132.8
EBITDA	917.5	882.4

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.

	2017 €'m	2016 €'m
Operating profit	678.9	682.2
Intangible asset amortisation	47.9	46.4
Non-trading items	54.5	21.0
Trading profit	781.3	749.6

4. Trading Margin

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

	2017 €'m	2016 €'m
Trading profit	781.3	749.6
Revenue	6,407.9	6,130.6
Trading margin	12.2%	12.2%

5. Operating Profit

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

	2017 €'m	2016 €'m
Profit before tax	613.3	611.8
Finance income	(0.1)	(1.1)
Finance costs	65.7	71.5
Operating profit	678.9	682.2

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

In addition to growth in adjusted earnings per share, the growth in adjusted earnings per share on a constant currency basis is also 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 is provided in note 9 of these consolidated financial statements. 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.

	2017 EPS cent	2016 EPS cent
Basic earnings per share	333.6	302.9
Brand related intangible asset amortisation	13.4	13.1
Non-trading items (net of related tax)	(5.8)	7.4
Adjusted earnings per share	341.2	323.4
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates	-	(11.6)
Adjusted earnings per share on a constant currency basis	341.2	311.8
Growth in adjusted earnings per share on a constant currency basis	9.4%	12.3%

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'.

	2017 €'m	2016 €'m
Net cash from operating activities	671.4	683.0
Difference between movement in monthly average working capital and movement in the financial year end working capital	84.4	76.0
Expenditure on acquisition integration and restructuring costs	34.0	21.2
Purchase of assets	(301.3)	(223.8)
Proceeds from the sale of property, plant and equipment	3.1	12.1
Capital grants received	0.9	1.5
Exchange translation adjustment	8.8	(0.1)
Free cash flow	501.3	569.9

8. 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. As outlined on page 158, these ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

	Covenant	2017 Times	2016 Times
Net debt: EBITDA	Maximum 3.5	1.4	1.5
EBITDA: Net interest	Minimum 4.75	16.2	14.0

9. Average Equity

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

	2017 €'m	H1 2017 €'m	2016 €'m	H1 2016 €'m	2015 €'m
Shareholders' funds	3,573.2	3,250.4	3,094.0	2,877.0	2,790.1
Goodwill amortised (pre conversion to IFRS)	527.8	527.8	527.8	527.8	527.8
Adjusted equity	4,101.0	3,778.2	3,621.8	3,404.8	3,317.9
Average equity	3,833.7		3,448.2		

10. Return on Average Equity (ROAE)

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

	2017 €'m	2016 €'m
Profit after tax	588.5	533.1
Non-trading items (net of tax)	(10.2)	13.0
Brand related intangible asset amortisation	23.6	23.0
Profit after tax before NTIs (net of tax) and brand related intangible asset amortisation	601.9	569.1
Average equity	3,833.7	3,448.2
Return on average equity	15.7%	16.5%

11. 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.

	2017 €'m	H1 2017 €'m	2016 €'m	H1 2016 €'m	2015 €'m
Shareholders' funds	3,573.2	3,250.4	3,094.0	2,877.0	2,790.1
Goodwill amortised (pre conversion to IFRS)	527.8	527.8	527.8	527.8	527.8
Adjusted equity	4,101.0	3,778.2	3,621.8	3,404.8	3,317.9
Net debt	1,341.7	1,221.7	1,323.7	1,519.7	1,650.1
Total	5,442.7	4,999.9	4,945.5	4,924.5	4,968.0
Average capital employed	5,129.4		4,946.0		

12. 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.

	2017 €'m	2016 €'m
Profit after tax attributable to owners of the parent	588.5	533.1
Non-trading items (net of tax)	(10.2)	13.0
Brand related intangible asset amortisation	23.6	23.0
Net finance costs	65.6	70.4
Adjusted profit	667.5	639.5
Average capital employed	5,129.4	4,946.0
Return on average capital employed	13.0%	12.9%

13. Cash Flow Return on Investment (CFROI)

CFROI is calculated as free cash flow before finance costs (net) expressed as a percentage of average capital employed. Average capital employed for the CFROI calculation is the same as that used for ROACE.

	2017 €'m	2016 €'m
Net cash from operating activities	671.4	683.0
Difference between movement in average working capital	84.4	76.0
Expenditure on acquisition integration and restructuring costs	34.0	21.2
Purchase of assets	(301.3)	(223.8)
Proceeds from the sale of property, plant and equipment	3.1	12.1
Capital grants received	0.9	1.5
Exchange translation adjustment	8.8	(0.1)
Free cash flow	501.3	569.9
Finance costs paid (net)	60.2	61.5
Operating free cash flow	561.5	631.4
Average capital employed	5,129.4	4,946.0
Cash flow return on investment	10.9%	12.8%

14. Total Shareholder Return

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

	2017	2016
Share price (1 January)	€67.90	€76.31
Interim dividend (cent)	18.8	16.8
Final dividend (cent)	43.9	39.2
Share price (31 December)	€93.50	€67.90
Total shareholder return	38.6%	(10.3%)

15. Market Capitalisation

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

	2017	2016
Share price (31 December)	€93.50	€67.90
Shares in issue (m)	176,182.4	176,010.8
Market capitalisation (€'m)	16,473.1	11,951.1

16. Enterprise Value

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

17. Net Debt

Net debt comprises borrowings and overdrafts, derivative financial instruments and cash at bank and in hand. See full reconciliation of net debt in note 23 to the financial statements on pages 155 to 157.

KERRY GROUP

Prince's Street

Tralee

Co. Kerry

V92 EH11

Ireland

T: +353 66 718 2000

www.kerrygroup.com

