GLOBALLY CONNECTED WINNING LOCALLY

KERRY GROUP
ANNUAL REPORT
2018

CONTENTS

25,000+

Employees

Globally Connected

Winning Locally

LOCAL GLOBAL

+

900+ R&D Scientists

Kerry Group is a 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.

STRATEGIC REPORT

How we add value

Kerry has developed an unparalleled suite of capabilities, deployed through the engine of Kerry's business model.

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Kerry Group at a Glance pages 6-9

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DIRECTORS' REPORT

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SUPPLEMENTARY INFORMATION

Sustainable Growth

€1m committed to tackling hunger and malnutrition through the Realigning Agriculture to Improve Nutrition (RAIN) Programme in Niger.

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Sustainability Review pages 49-72

Pictured: John, Aisling, Makayla and Saoirse Brosnan, Minard West, Lispole, Co. Kerry, Ireland.

CONNE

STRATEGIC REPORT

CT

LOCAL
GLOBAL

We partner with our local customers and suppliers, fully leveraging our global capabilities to help nourish the world through exceptional taste and nutrition.

2018 RESULTS

FINANCIAL HIGHLIGHTS

Group Revenue

€6.6bn

2017: €6.4 billion

Volume Growth (Like-For-Like)* of

+3.5%

2017: +4.3%

Net Cash from Operating Activities of

€651m

2017: €671 million

Free Cash Flow* of

€447m (72% cash conversion)

2017: €501 million (83% cash conversion)

Trading Profit up 3.1%

€806m

2017: €781 million (up 4.2%)

Group Trading Margin* of

12.2%

2017: 12.2%

Basic EPS down 8.3%

305.9cent

2017: 333.6 cent (up 10.1%)

Constant Currency Adjusted EPS*

+8.6%

2017: +9.4%

Total Dividend per Share up 12.0% to

70.2cent

2017: 62.7 cent (up 12.0%)

Return on Average Capital Employed* of

12.0%

2017: 13.0%

Total Shareholder Return of (6.8%) (2017: +38.6%)

+

Details of the Group's business performance in 2018 are presented in the Chief Executive's Review pages 12-15 and in the **Business Reviews** pages 42-48

* See Financial Key Performance Indicators section pages 30-31 and the Supplementary Information section page 203 for definitions, calculations and reconciliations of Alternative Performance Measures.

Continued strong underlying performance

- Continued strong business growth ahead of our markets
- Group margin maintained despite currency related headwinds
- Kerry's Taste & Nutrition technologies and systems driving a strong pipeline of innovation
- Foods division performed well relative to a challenging consumer marketplace
- The Board recommends a final dividend of 49.2 cent per share (an increase of 12.1% on the final 2017 dividend) payable on 10 May 2019 to shareholders registered on the record date 12 April 2019

900+
R&D Scientists

€6.6bn
Group Revenue

147
Manufacturing Locations Globally

Pictured: Kerry Global Technology and Innovation Centre in Naas, Co. Kildare, Ireland.

KERRY GROUP AT A GLANCE

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

140+

Sales in over 140 countries

Follow our journey of progress and innovation overleaf

+

Details of the Group's business performance in 2018 are presented in the Chief Executive's Review pages 12-15 and in the **Business Reviews** pages 42-48

Our Mission Statement

Kerry Group will be:

- a 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.

25,000+

Employees

About Us

Since our modest beginnings in 1972, in a greenfield site in Listowel, Co. Kerry, Ireland we have grown from strength to strength to become a leading player in the global food and beverage industry, with current annualised sales of €6.6 billion.

This journey has been one of dynamic growth and strategic acquisition, guided by our in-depth understanding of international market dynamics, insights into consumer trends, shifting taste preferences and evolving nutritional requirements.

As an organisation, we never stand still and are clear with our colleagues, customers and stakeholders; who we are, what we do, how we do it, where we are going and why we matter – we call this The Kerry Way.

Kerry Taste & Nutrition has successfully grown to become the largest and most technologically advanced developer and provider of taste and nutrition solutions in the world. We are the industry reference and the customer preference in the global food and beverage industry.

Kerry Foods, the Group's consumer foods division, has grown its presence with retail partners in the Irish, UK and selected international markets. Many of the division's brands are household names in their respective markets including category leading brands such as Dairygold, Richmond, Fridge Raiders, Cheestrings and Denny. Kerry Foods is also a leading provider of customer branded chilled foods.

Group Revenue by Division

- 80% Taste & Nutrition
- 20% Consumer Foods

Group Trading Profit by Division

- 89% Taste & Nutrition
- 11% Consumer Foods

Pictured: John and Owen Brosnan on their family farm, which is SDAS certified under the Origin Green programme.

From a small dairy company in the south west of Ireland to a global leader, the Kerry journey is a story of how belief and vision were combined to create a unique company.

THE EARLY YEARS

1972 Establishment of North Kerry Milk Products in Listowel, Co. Kerry. Dedicated to the manufacture of dairy proteins for export to the U.S.

1974 Formation of Kerry Co-operative to grow integrated dairy processing business.

1978 Opening of new headquarters in Tralee, Co. Kerry.

1982 Diversification into the convenience meat business with the acquisition of Denny & Duffy's in Ireland.

1984 Established U.S. Office in John Hancock Tower in Chicago.

1986 Transition from Kerry Co-op to Kerry Group plc with the launch on the Dublin Stock Market.

1987 Kerry opened its first overseas food ingredients manufacturing plant in Jackson, Wisconsin.

1988 Acquired Beatreme to become the No.1 speciality food ingredients company in the U.S., at a cost that equated to Kerry's market capitalisation at the time.

DEVELOPING A FOOD INGREDIENTS BUSINESS

1990 Listed on London Stock Exchange 19 April 1990.

1994 Invested in Latin America with acquisition of a facility in Irapuato, Mexico. Acquisition of DCA Food Industries Inc. brings international capability in coatings, bakery and fruit ingredients. Acquisition of Mattessons Wall's brings major UK household brands into Kerry Foods.

1997 Acquired SDF Foods, Malaysia – Kerry's first move into manufacturing in South East Asia.

1998 Further expanded in Europe with the acquisition of the food ingredients division of Dalgety (DFI) with manufacturing facilities located in the UK, France, Germany, Italy, the Netherlands, Hungary, Poland and Ireland. With it came dedicated flavour capability through the UK and Australian based Mastertaste flavour business. Extended presence in the Asia Pacific region with the acquisition of the ingredients business of Australian food group Burns Philp.

1999 Commissioned processing facility in Minais Gerais, Três Corações, Brazil.

2001 Acquisition of Golden Vale brings the Cheestrings brand to Kerry Foods, which is now marketed in 8 European countries.

2003 Acquisition of foodservice branded business Da Vinci Gourmet, a supplier of flavoured syrups for speciality coffee chains.

2004 Global Functional Ingredients & Actives platform developed, through the acquisition of Quest; a leader in the innovation and application of bio-ingredients and pharma ingredients. Continued to build a flavour and beverage portfolio through the acquisition of Manheimer, Flavurence, Fructamine, Oregon Chai and Laboratorios Krauss.

2005 Acquisition of Noon Foods, UK, producers of authentic Asian ready meals for the UK market. Announced the establishment of the first manufacturing plant in Hangzhou, China.

Pictured: Kerry Taste & Nutrition Discovery Centre, Beloit, Wisconsin, USA.

BUILDING A GLOBAL ORGANISATION

2008 Roll-out of 1 Kerry 'go-to-market' programme.

2009 Continued growth of Kerry Foods with acquisition of Breeo Foods. Global Technology & Innovation Centre opened in Beloit, allowing customers to work side-by-side with Kerry's research teams to develop unique and innovative products.

2011 Completed the acquisition of Cargill Flavor Systems, strengthening Kerry's extracts and flavours capability.

2014 Opened R&D centre in Singapore to support innovation in the Asia Pacific, Middle East and Africa region. Regional Development & Application Centres opened in Moscow, Dubai and Durban.

2015 Opening of the Global Technology & Innovation Centre in Naas, providing a focal point for scientific research, innovative processing technologies and market leading technology platforms. Acquisition of Red Arrow, a leading provider of natural smoke flavours. Expanded beverage systems capabilities with acquisition of Island Oasis, a leader in all-natural premium cocktail mixes. Kerry Taste & Nutrition is born, delivering better taste, health and wellbeing globally.

2017 The acquisition of Ganeden, a producer of patented probiotics, significantly strengthens Kerry's position in the nutritional actives market. Acquired Taste Master and Tianning Flavours in Asia further expanding our taste foundational technology portfolio and footprint to meet local consumer preferences within the region.

2018 Opened our first manufacturing plant in Russia, producing ingredients for the meat processing and snacks market. Extended our taste and clean label capabilities with the acquisition of Fleischmann's Vinegar Company Inc., a USDA certified all-natural producer of specialty ingredients. Acquisition of AATCO Food Industries LLC, a leading Oman headquartered provider of culinary sauces, providing a strategic platform for business development in the Middle East and Africa.

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Details of the Group's business performance in 2018 are presented in the **Chief Executive's Review** pages 12-15 and in the **Business Reviews** pages 42-48

Creating Value for all Stakeholders

Kerry has a proven track record of sustainable delivery and value creation for all its stakeholders. The value created by Kerry for a number of its stakeholders is outlined below:

SHAREHOLDERS	Kerry has a longstanding history of sustained delivery of results combined with delivering on sustainability initiatives. The Group has delivered compound TSR of 16% since going public in 1986
EMPLOYEES	Kerry has an ambitious collaborative culture. We invest in leadership, professional and technical capabilities for employees, and provide opportunities for personal growth and career development
CUSTOMERS	Kerry works across a broad range of customers and end use markets to improve food and beverage products through innovation and enabling speed to market
CONSUMERS	Kerry has a number of platforms to educate and empower customers and their consumers to make better food, beverage and lifestyle choices, including the Kerry Health and Nutrition Institute (KHNI)
SUPPLIERS	Kerry has an extensive network of suppliers spread across the globe
GOVERNMENT	Kerry makes a positive contribution to governments in the territories in which we operate through tax contributions, procurement from local vendors and job creation
COMMUNITY	Kerry works with local and international partners (e.g. World Food Programme and Concern Worldwide) to support local community development and improve health and nutrition in some of the world's poorest communities

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Key Performance Indicators pages 30-31
Sustainability Review pages 49-72

€114m
Dividend paid to shareholders

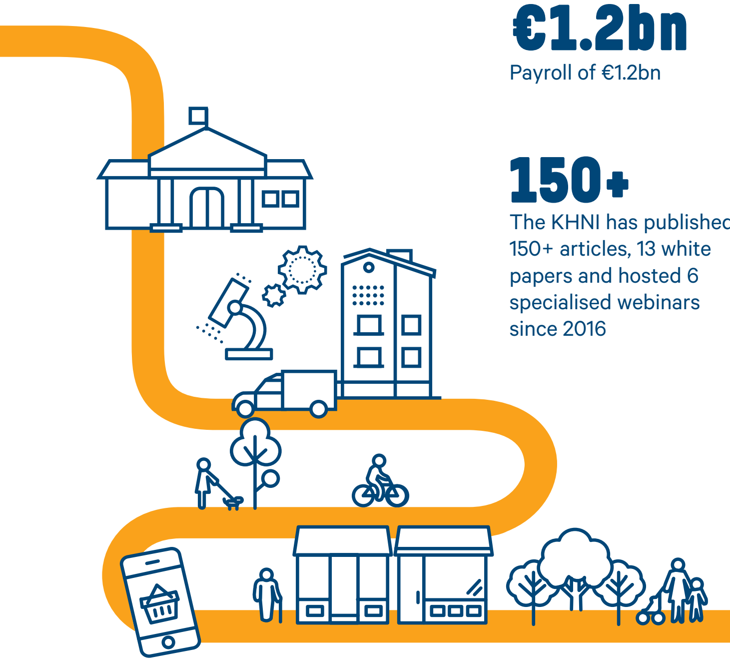
900+
R&D scientists

€1.2bn
Payroll of €1.2bn

90%
of waste diverted from landfill

150+
The KHNI has published 150+ articles, 13 white papers and hosted 6 specialised webinars since 2016

€1m
Committed further €1m in 2018 to improve nutrition among some of the world's poorest people through the RAIN programme in Niger. We also work with the World Food Programme.



KERRY GROUP AT A GLANCE

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Taste & Nutrition Business Review pages 42-46
Consumer Foods Business Review pages 47-48

Taste & Nutrition

At Kerry Taste & Nutrition, we understand consumers want to enjoy delicious meals and beverages made from ingredients they know and trust. This is driving manufacturers, retailers and foodservice providers to re-evaluate their recipes, processes and the ingredients they use in the development of their products.

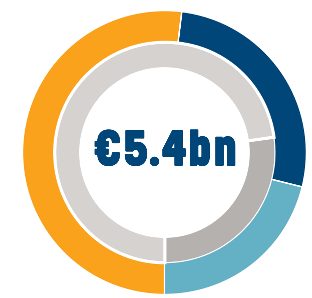
In a $75 billion fragmented market, Kerry has the largest and broadest range of taste, nutrition and functional ingredient solutions and technologies available to re-formulate existing products and create new products across all food and beverage end use markets.

We inspire and are inspired by food, and our global team of expert food scientists, chefs, baristas, brewers, mixologists, bakers and nutritionists bring with them a deep passion and commitment to their work, building our reputation as a trusted supplier to the world's leading food, beverage and pharma companies.

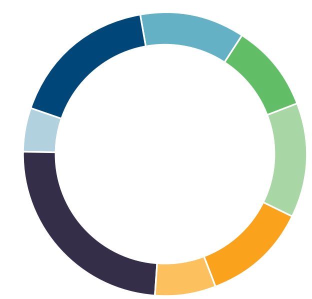
At Kerry, we know success in the food and beverage industry requires an ability to stay ahead of ever-changing consumer demand. We understand and innovate to fill the gap between what consumers are looking for and what is technically possible.

We empower our customers to deliver products that will delight and nourish their consumers across the globe.

Revenue by Region



Revenue by End Use Markets (EUM)



15,000+
products

WHERE WE OPERATE

32 Countries with manufacturing facilities

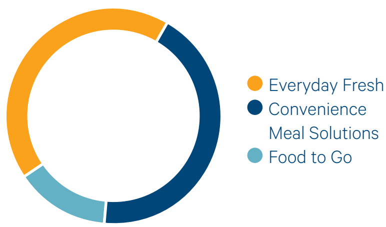
Consumer Foods

Kerry Foods is the consumer foods division of Kerry Group and is a leading supplier of chilled and frozen food products in the UK and Ireland, focussing on dairy, meat, snacking and meal solutions.

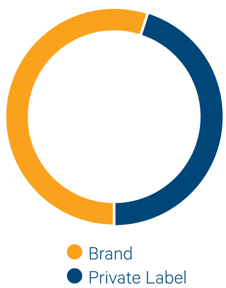
Kerry Foods is home to many of the market's best-performing and best-loved brands including Dairygold, Richmond, Fridge Raiders, Cheestrings and Denny. Kerry Foods brands can be found in kitchens, supermarkets, service stations, convenience stores and entertainment venues the length and breadth of the UK and Ireland, as well as in some selected international markets. In addition to these brands, Kerry Foods customer branded products can be found in leading supermarkets in the UK and Ireland.

Key to the success in the categories in which Kerry Foods play is the ability to bring innovative product offerings to the market to excite and engage our customers and consumers.

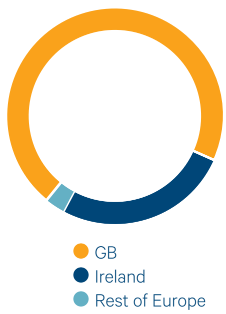
Revenue by Category



Revenue by Channel



Revenue by Region



CHAIRMAN'S STATEMENT

Kerry continues to successfully invest in developing its business model and deploying it in local markets across the globe.

In this, my first Chairman's statement, I am pleased to report another year of positive business performance, as the Group achieved good volume growth and progress in the development of the strategic growth priorities. The Group continued to deliver broad based volume growth, with very strong performance in most developing markets across the globe, particularly in Asia as the Group further invested in capabilities and capacity to meet evolving local consumer preferences.

Taste & Nutrition continued to successfully advance the deployment of its unique business model into local markets across the globe in conjunction with investments in the Group's strategic growth priorities. Kerry opened its first manufacturing facility in Russia, as well as establishing its first manufacturing footprint in the Middle East through the acquisition of AATCO Food Industries LLC. There were a number of significant strategic acquisitions announced that further enhanced Kerry's industry-leading foundational technology portfolio, noteworthy examples being Fleischmann's Vinegar Company, Inc. and Ariake USA.

Consumer Foods further advanced its strategic growth priorities with the 'Food To Go' category delivering strong growth in the year. This performance was achieved in a challenging environment, as the uncertainty in relation to the UK's exit from the European Union impacted UK consumer confidence in the second half of 2018 and resulted in reduced consumption in a number of the division's core categories.

In October, the Group hosted its first investor day in Asia. Its focus was on South East Asia, where an overview was provided into Kerry's intrinsic culture of responsible sustainable growth in the region. It is underpinned by a business model that resonates with local customers and has provided the platform for a track record of strong organic growth in the region. The event was an excellent demonstration of how Kerry continues to successfully invest in developing its business model and deploying it in local markets across the globe.

Strategic Development

2018 is the first year of the Group's new strategic plan and the management team has made a successful start implementing the strategic priorities for growth and margin expansion as noted above. Kerry's business model embraces the Group's leadership in Taste & Nutrition and Kerry Foods' leadership positioning in its selected consumer foods platforms. Strategic development of our platforms for growth is underpinned by continued organic growth and acquisition investment. In a year of significant acquisition investment, the Group completed ten acquisitions at a net cost of €502m.

We continue to pursue organic and acquisition growth opportunities which build on the Group's business model and can be structurally integrated.

Sustainability

We see an increasing awareness of sustainability and the importance of balancing economic growth with environmental and social wellbeing. Sustainability is at the heart of everything we do and through the Group's 'Towards 2020' programme we promote value creation that benefits all our stakeholders. Good progress has been made across our key target areas in 2018 and more detail on our sustainability performance is presented in the Sustainability Review section of this report on pages 49 to 72.

Dividend

The Board recommends a final dividend of 49.2 cent per share (an increase of 12.1% on the 2017 final dividend) payable on 10 May 2019 to shareholders registered on the record date 12 April 2019.

Together with the interim dividend of 21.0 cent per share, this brings the total dividend for the year to 70.2 cent, an increase of 12% on 2017.

Board & Management Changes

Michael Dowling retired as Director and Chairman of the Board following the Group's Annual General Meeting on 3 May 2018. As Chairman, I wish to thank Michael for his enormous contribution to the Kerry organisation over the years. Michael served as Chairman since 1 January 2015 and as a Director since 3 March 1998. On behalf of the Board, I wish to pay tribute to Michael for his commitment and dedication to the success of the Group throughout his years of service.

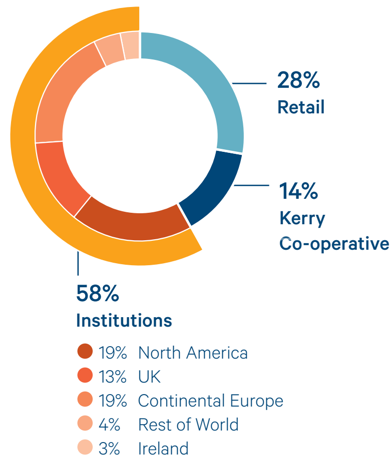
As previously announced, Marguerite Larkin was appointed Chief Financial Officer on 30 September 2018 succeeding Brian Mehigan who took up the position of Chief Strategy Officer. I would like to welcome Marguerite to this Executive Board position and to thank Brian for his personal contribution to the Board and to the governance of the organisation since his appointment as an Executive Director of the Company on 25 February 2002. Brian provided unstinted service to the Board and has served as a key member of the Group's leadership team over the years.

I also welcome Christopher Rogers who joined the Board as a non-Executive Director and Chairman of the Audit Committee in May 2018. Christopher has considerable financial and food and beverage industry experience and I look forward to him making a significant contribution to the Board.

Operational Visits

As part of an ongoing programme, the June 2018 Board meeting was held in Kerry's Regional Application Centre, in Durban, South Africa. The visit focused on Kerry's Taste & Nutrition Strategy for Sub Saharan Africa (SSA) and Middle East, North Africa and Turkey (MENAT) sub-regions. It also afforded Board members the opportunity to meet and engage with key leaders and emerging talent from many countries in the sub-regions.

Shareholder Analysis



While in South Africa the Board visited the site for the Group's new manufacturing facility in Durban and undertook a market immersion tour during which the Board saw firsthand the different markets for the Group's products in South Africa and had the opportunity to meet with major customers. During 2018, I made additional visits to our operations in Ireland, Singapore, Turkey and the UK.

Our People

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.

Prospects

Your Board remains confident that the Group's business model and strategies will continue to deliver shareholder value and benefit our other stakeholders in the years to come. The view of management regarding the business outlook for 2019 is presented in the Chief Executive's Review.

Finally, on behalf of the Board, and on a personal note, I would like to thank Edmond and everyone throughout the Kerry organisation for their contribution to the ongoing success of the Group.

Philip Toomey Chairman
18 February 2019

CHIEF EXECUTIVE'S REVIEW

The Group achieved volume growth in 2018 well ahead of the market, where the rate of change continues to accelerate.

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

Sustainability continues to emerge as a growing priority, especially for consumers, as they try to make a positive impact through their food choices. As the industry seeks to respond, Kerry's innovation capabilities and continued progress against key sustainability goals supports customer ambition and value creation for a broader set of stakeholders.

The Group again delivered volume growth ahead of its markets. Taste & Nutrition achieved sustained volume growth in North America, solid growth in Latin America, a good performance in Europe and continued strong growth in APMEA.

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

Results

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

Taste & Nutrition delivered 4.1% volume growth and pricing decreased by 0.5%. Consumer Foods' business volumes increased by 1.1% and pricing decreased by 0.4%.

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

Constant currency adjusted earnings per share increased by 8.6% to 353.4 cent (2017 currency adjusted: 325.4 cent). Basic earnings per share decreased by 8.3% to 305.9 cent (2017: 333.6 cent) primarily due to the one-off favourable impact of US tax reform in the prior year.

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

4.1%

Volume growth in Taste & Nutrition of 4.1% – well ahead of the market

Business Review
TASTE & NUTRITION

Taste & Nutrition reported revenue increased by 3.7% to €5,351m, as volume growth and the contribution from business acquisitions were partially offset by significant translation currency headwinds. Trading profit grew by 5.0% to €805m, reflecting a 20 basis points improvement in trading margin to 15.1%.

2.8%

Volume growth in Americas of 2.8% driven by Meat, Beverage and Snacks EUMs

Americas

Reported revenue in the Americas region increased by 2.5% to €2,745m, reflecting 2.8% volume growth, lower pricing of 0.5%, contribution from business acquisitions of 6.2% and an adverse translation currency impact of 6.0%.

In North America, high levels of product churn continued across the marketplace, as consumer demands for clean label, new world taste experiences and new convenience formats continued to evolve at pace. Kerry's Meat End Use Market (EUM) delivered strong growth, meeting consumer demands for authentic ethnic flavours, natural shelf life preservation and a broader range of alternative protein-based products. The Beverage EUM continued to deliver good growth, as Kerry's development and applications expertise helped customers launch a number of innovative new products across a variety of categories including cold brew, refreshing beverages and functional health beverages. The Snacks EUM performed well, in particular with growth through healthier savoury snacks.

Kerry's Ganeden® probiotics and Wellmune® branded immunity enhancing ingredients continued to grow well, as they broadened their market reach with a number of new launches into wider applications. In LATAM, Mexico and Central America delivered good growth, while Brazil delivered a solid overall performance. The Snacks and Bakery & Confectionery EUMs delivered good growth, with Kerry's cleaner label solutions a key driver. Kerryconnect was also successfully deployed in the region. The global Pharma EUM once again delivered strong growth, driven by the excellent performance of excipients in North America and APMEA.

In the last quarter the Group acquired Fleischmann's Vinegar Company, Inc. (FVC), a USDA certified all-natural producer of specialty ingredients that further supports Kerry's taste and clean label strategies across a number of EUMs. Since the year end, the Group acquired Southeastern Mills' (SEM) coatings and seasonings business. SEM manufactures from its strategically located base in Rome, Georgia. The Group also reached agreement to acquire Ariake USA, which produces natural clean label savoury taste solutions derived from poultry, pork and vegetables at its facility in Harrisonburg, Virginia. These acquisitions further enhance Kerry's extensive authentic taste and clean label portfolio, while complementing the Group's from-food-for-food heritage.

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Taste & Nutrition Business Review pages 42-46
Consumer Foods Business Review pages 47-48

The opening of Kerry's first manufacturing plant in Russia, 18 September 2018. Pictured: Andrei Razin, Minister for Agriculture for the Moscow Region; Olivier Picard, Managing Director Kerry Russia; Edmond Scanlon, Chief Executive Kerry Group and Malcolm Sheil, President & CEO Kerry Europe.

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Taste & Nutrition Business Review
pages 42-46

Consumer Foods Business Review
pages 47-48

2.3%

Volume growth in Europe of 2.3% driven by Beverage, Meat and Dairy EUMs

Europe

Reported revenue in the Europe region increased by 1.7% to €1,422m, reflecting 2.3% volume growth, lower pricing of 0.6%, an adverse transaction currency impact of 0.2%, contribution from business acquisitions of 1.4% and an adverse translation currency impact of 1.2%.

The region delivered a good performance, given the very strong comparatives particularly in the second half of 2017. The Beverage EUM delivered strong performance across a number of beverage categories within both retail and foodservice channels. The Meat EUM continued to deliver good growth, with Kerry's clean label technologies, innovative texture solutions and meat-free technologies being successfully deployed in a number of new market launches.

The Dairy EUM continued to perform well in the rapidly evolving ice cream category, with a number of new launches in both premium and dairy-free ranges using Kerry's taste technologies. Russia delivered strong growth, particularly into the Meat and Snacks EUMs, while production commenced in Kerry's first manufacturing facility in the country, providing a key platform for future business development and growth. Foodservice played a key role across a number of EUMs, particularly in the Beverage and Meat EUMs.

10.1%

Volume growth in APMEA of 10.1% driven by Meat, Meals and Snacks EUMs

APMEA

Reported revenue in the APMEA region increased by 10.1% to €1,105m, reflecting 10.1% volume growth, a decrease in pricing of 0.5%, an adverse transaction currency impact of 0.1%, contribution from business acquisitions of 3.4% and an adverse translation currency impact of 2.8%.

The APMEA region continued to deliver very strong growth well ahead of the market across the region's developing markets. The Meat EUM delivered very strong growth through customer partnerships with a number of new innovations as customers broaden their ranges to meet consumers' changing needs for authentic taste, value and increasingly, food safety. The Meals EUM continued to perform strongly in South East Asia and Greater China across both the retail and foodservice channels, as new authentic cooking taste profiles were deployed across a number of new products. The Snacks EUM delivered good growth due to the continued development of new snacking occasions across the region. Sub-Saharan Africa achieved strong growth, through better-for-you applications into the Beverage and Snacks EUMs.

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

1.1%

Volume growth in Consumer Foods of 1.1% – a solid performance with market growth rates reducing across the year

Business Review
CONSUMER FOODS

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

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

'Everyday Fresh' delivered solid growth, led by the Richmond range. Richmond chicken sausages were successfully launched in Q2 and contributed well to overall performance. Kerry's softer butter offerings delivered good growth particularly with private label brands in the UK. 'Convenience Meal Solutions' had a difficult year, impacted by reduced promotional activity as well as the extended period of warm weather. 'Food to Go' performed well with strong growth in Cheestrings across the year. The Fridge Raiders brand was relaunched during the year and now encompasses a broader range of snacking products across a wider consumer demographic.

Future Prospects

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

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

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

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

Edmond Scanlon Chief Executive
18 February 2019

OUR PEOPLE

Globally connected and winning locally

Our Culture

Our people are the heartbeat of our business. We collaborate as a globally connected, locally led, high performing team. We leverage our diverse, entrepreneurial and results focused culture, talents and expertise to innovate and lead to better value for our customers, our shareholders, our people, our communities and our environment.

We strive for excellence in the delivery of our core business capabilities and differentiate ourselves as an organisation through our people. Our groupwide approach to people leadership is underpinned by our shared goal of nurturing a positive environment where all our people are inspired to develop themselves, to learn together and to grow our business; winning for our customers and for Kerry. Every day, our 25,000+ people leverage our global expertise and taste and nutrition capabilities to develop innovative food and beverage solutions that offer new growth opportunities for our customers. We represent more than 117 nationalities with operations across 147 locations; we are committed to fostering a great place to work, where our people can be at their best and are able to contribute fully to our shared success.

With 25,000+ employees throughout the world, the Group's diverse high performance teams are central to our innovative culture and ongoing success.

Pictured: Kerry Graduates Juan Alda Bechini, Theresa Ziemer, Tomaz Verdinek and Kelsey Hunter.

LOCAL GLOBAL

Our Graduate Programme continues its successful history of developing the next generation of Kerry expertise and sustainable leadership.

INSPIRE

Our Values

At Kerry, we truly value individual uniqueness and we come together to uphold our shared commitments to 'lead to better' for our customers, our people and our shareholders. As such, we nurture an inclusive and collaborative team environment where we deliver with excellence and embrace our entrepreneurial spirit to create new growth and sustainable value for our customers. Our core values are:

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Commitment

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.

Teamwork

We value and respect each other. We embrace our global diversity as a key driver of innovation and success. We are empowered and accountable for delivering greater results for our stakeholders, Kerry and our careers.

Excellence

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.

Entrepreneurship

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 for Kerry.

Value Creation

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.

Fostering Diversity, Inclusion and Belonging

90%

Nearing 90% participation rates in ourVoice feedback programmes

As a global business, we appreciate and value our dynamic mix of people who bring new perspectives, experiences and thought leadership to enable our organisation to continuously grow and innovate for our customers. Having established our Global Diversity Programme in 2016, we continue to advance our commitment to nurturing a diverse workforce culture where everyone can contribute to our success and excel professionally and personally.

Highlights from 2018 include raising awareness and educating our people on the importance of Diversity, Inclusion and Belonging in Kerry; promoting global career opportunities through new connected technology; establishing a Groupwide Diversity, Inclusion & Belonging employee taskforce to collaborate on focused activities across Kerry; enhancements to our recruitment processes to attract new sources of diverse talent; local initiatives to offer more flexible working arrangements; and a series of volunteering programmes activated across our main locations. We have also strengthened strategic partnerships within Ireland, through our membership of the Irish Chapter of the 30% Club and the Agri-Food Diversity & Inclusion Forum, in conjunction with Bord Bia.

One significant activity during 2018 has been engaging representative groups from across Kerry to help us refresh and build upon our current approach to Diversity, Inclusion and Belonging, which has resulted in a revised strategy and set of objectives for action in 2019.

Enhancing our Employee Experience

Two-way dialogue and a focus on continuous improvement are core elements of our inclusive and collaborative culture. Our Kerry Group ourVoice programme, initiated in 2017, is a key global platform for engaging and connecting our people more closely with our business goals. Almost 90% of our people participated in our first Groupwide employee engagement survey in 2017 and we were delighted with the positive reinforcement by our people of their belief in the future direction of Kerry. Through our follow-up committees and focus groups, we identified opportunities for improvement in our people and business processes, our communications and our leadership capabilities.

Activities undertaken in response to ourVoice at a global level in 2018 include:

- **Investing in new HR technology to manage our people processes more effectively and efficiently across the organisation.** Launched in October 2018, mySuccess is a one-stop portal which enables a better experience for our people, external candidates, leaders and HR colleagues. It offers a mobile enabled single point of access for all people information which will reduce complexity, increase speed, and drive improved business performance for Kerry. We also upgraded our learning management system to enhance access to development opportunities, helping our people to progress their careers within Kerry.
- **Strengthening people leader capabilities to grow and lead our business for the future.** At Kerry, inspiring our people relies on our 3,500 people leaders and their ability to create clarity and alignment to deliver for our customers. During 2018, through research and focus groups, we rearticulated the role of the people leader at Kerry, resulting in a new framework and set of objectives for all people leaders, reinforced through our performance management process. With ongoing leadership development activities planned, this will help strengthen our commitments to nurturing talent as a catalyst for growth, to helping our people develop successful and rewarding careers with Kerry and to building sustainable, effective and diverse teams that deliver exceptional results.

  We continue to monitor progress against our improvement opportunities through ongoing dialogue with our leadership teams and targeted pulse surveys within our business, to ensure Kerry continues to be a great place to work, thrive and succeed. We will be reviewing our approach to employee engagement, including our groupwide survey in 2019, to ensure its continued effectiveness and alignment with our business needs.

Promoting a safe and healthy workplace and working practices for our people

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- **Safety First, Quality Always.** Food safety and the safety of our people are core priorities for Kerry, and our commitment to our people and our customers is reinforced through our 'Safety First, Quality Always' way of working. We embed this approach in all key processes across the company, including research, development and applications (new product development), procurement (supplier management programmes) and engineering (sanitation and safety by design).

  We continue to invest in our people, our processes and infrastructure, strengthening our functional capability through technical learning and career development opportunities, and creating new roles in our supply chain to enhance our global capabilities. These global capabilities include workplace safety, food microbiology, food safety innovation and culture, sanitation, and auditing to improve our own global quality, safety, health and environmental standards and policies as well as to meet industry and regulatory requirements. With strong capital investment in our plants and in state-of-the-art quality system management software, we are reinforcing our best in class systems that will protect our people, consumers, customers and our planet for the future through our Kerry culture of 'Safety First, Quality Always'.

- **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. Our programme of compliance modules, covering Information Security, Intellectual Property, Anti-Fraud and Code of Conduct, has been completed by 80% of our people over the past two years. This will be an ongoing focus for our business throughout 2019.

  Achieving results ethically and in compliance with all relevant legislation will always be an absolute expectation at Kerry Group. We operate a zero tolerance approach to labour abuses and support effective abolition of child and forced labour worldwide. The Group's 'Express a Concern' hotline provides a mechanism by which employees can report issues in confidence through an independent channel.

- **Health & Wellbeing.** Personal health and wellbeing of all our people is paramount. At Kerry we appreciate the importance of having a supportive wellbeing programme in place. Our framework has four pillars – nutritional, physical, emotional and financial – to support locally appropriate initiatives and drive a better awareness of the importance of wellbeing throughout our communities. We will continue to develop and embed wellbeing practices through our leadership development and employee effectiveness programmes.

8%

Health & Safety 8% year-on-year improvement

>102,000

Learning & Development courses completed

Strengthening our Talent Pipeline

500+

Over 500 moves supported through our 'world of opportunity' initiative and global mobility programmes

At Kerry we pride ourselves in our ability to offer opportunities for all our people to grow professionally and personally. Through our 'world of opportunity' initiative promoted throughout 2018 and our global mobility programmes, we supported over 500 moves during 2018, with our people relocating for assignments in all corners of the world, contributing their expertise to drive local growth for our customers and Kerry and to gain new cultural and life experiences. With an explicit focus on leveraging our global footprint to develop future leaders, we encourage our early career employees, typically graduates and those with less than 5 year's experience, to seek out global opportunities to broaden their experiences to support their career progression; this group currently represents over a quarter of all international moves in Kerry.

Kerry's renowned Graduate Development Programme continues to be a core component of our strategy to strengthen our future talent pipeline, providing opportunities for graduates to work and develop across a wide range of core disciplines, enabling longer term sustainable leadership for the organisation. In 2018 we revisited our approach to ensure Kerry remains competitive in today's graduate marketplace and to further build on our offering for 2019.

Rewards and Recognition

Kerry Recognition
BETTER BECAUSE OF YOU

In line with our aim to be the first choice for the best talent around the world, our reward programmes are locally advantageous to support both the business strategy and the needs of our people as well as focused on recognising their performance, potential and business value creation.

We are committed to gender pay equality and will continue to proactively monitor the pay of male and female colleagues doing similar roles to ensure it is comparable. We appoint and promote based on merit and will continue to encourage the career development of all our people, paying attention to our promotion and recruitment practices with regards to gender, to support greater female representation at all levels.

At Kerry, 'Total Reward' is about more than just pay and financial rewards, it encompasses robust learning, career development, personal growth and worldwide opportunities in an inclusive culture where all our people can flourish. During 2018, we established a Global Recognition Framework to promote the further growth and consistency of our regional and local recognition programmes. These programmes enable our people to celebrate each other's day-to-day achievements – by living Kerry's shared values and leading to better to support our vision.

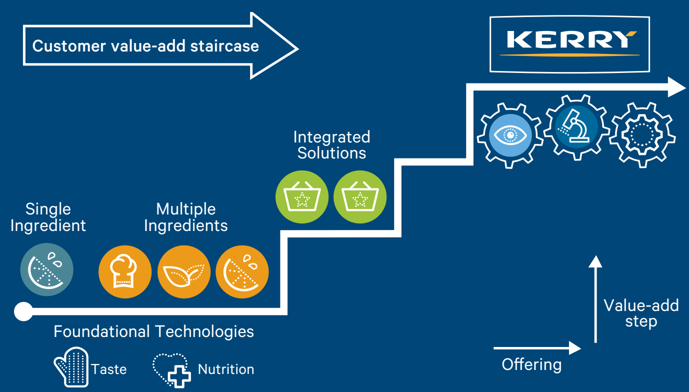
OUR BUSINESS MODEL

Adding value by offering so much more to customers and consumers

The evolution of Kerry's model – how we create value

Since our establishment in 1972, Kerry has evolved and developed its ingredient solutions portfolio, which represents the majority of the Group's sales to the Food and Beverage industry. This has been achieved through investment in the people and in the capabilities needed to drive the three cogs of Kerry's value creation engine, as well as through the acquisition of additional foundational technologies, providing a broad foundation to create customer-tailored solutions.

Kerry's proven business model enables us to innovate through leveraging our globally connected capabilities in an agile and seamless fashion. A consumer centric culture and the successful deployment of our wide-ranging capabilities in local markets through our expansive infrastructure mean that Kerry can successfully meet local consumer needs, deliver on our strategy and drive sustainable business performance.



Kerry's business model – the industry leader

The speciality ingredients and flavours sector is made up of many single ingredient specialists, a few multiple ingredient players, and very few providers of integrated solutions.

Integrated solutions providers perform an extra step in the supply chain, and the value add these providers offer to customers can vary significantly depending on their capabilities. At one end of the spectrum, there are companies who can create a limited number of integrated solutions into a limited number of applications. Kerry, at the other end of the spectrum, has developed an unparalleled suite of capabilities, deployed through the engine of Kerry's business model. This makes Kerry the only truly holistic integrated solutions provider, with a wide breadth of customised integrated solutions deployed across a wide range of market applications.

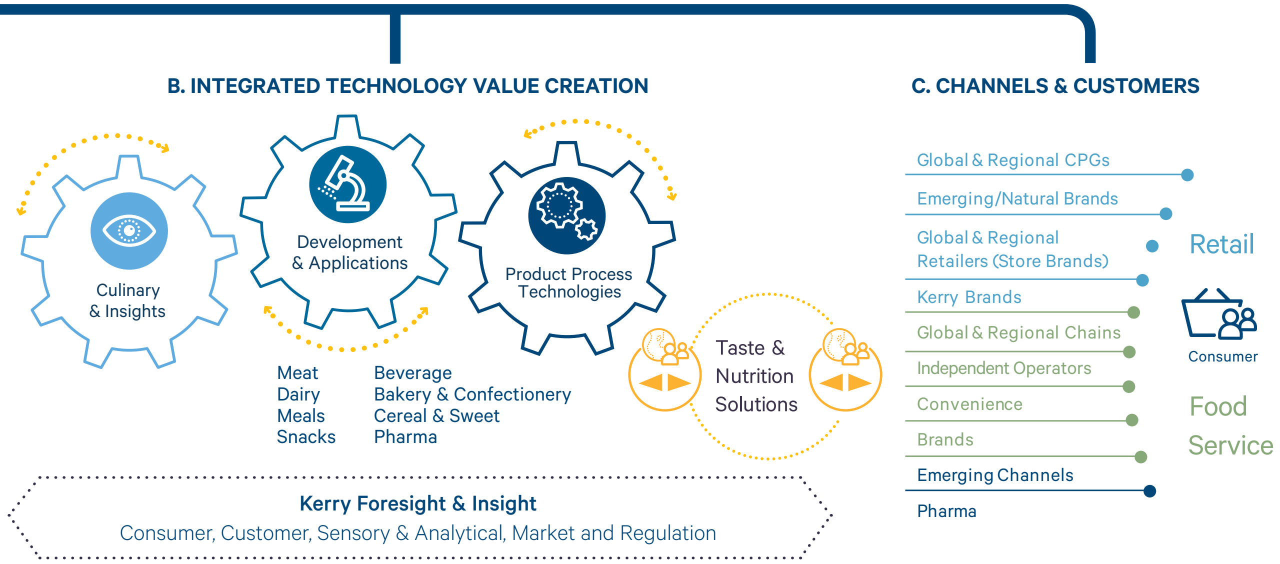
A. FOUNDATIONAL TECHNOLOGIES
Authentic Taste,
Nutrition, Wellness & Functionality

Kerry's leading foundational technology portfolio provides an unparalleled platform for the innovation of new solutions to meet the needs of today's consumer, utilising our Authentic Taste and Nutrition, Wellness & Functionality platforms. Our Authentic Taste platform is founded on a 'from-food-for-food' heritage and philosophy, with a broad range of foundational technology capabilities in Dairy, Savoury, Smoke & Grill, Citrus, Tea & Coffee, Beverage and Sweet amongst others. Our Nutrition, Wellness & Functionality platform delivers benefits such as natural preservation, immunity support, digestive health, sustainable efficiencies, fortification and cleaner labels. These benefits are achieved by leveraging this broad foundational technology platform which includes Proteins, Fibre, Enzymes, Probiotics, Fermented Ingredients and Texturants amongst others. Together they enable better, more authentic taste with simple, natural, better-for-you nutrition.

3 **Kerry's business model comprises 3 core inputs**

A. Foundational Technologies – Authentic Taste, Nutrition, Wellness & Functionality
B. A unique integrated technology value creation engine – deployed through specialist end use market teams
C. Unparalleled channel and customer access

KERRY BUSINESS MODEL



B. INTEGRATED TECHNOLOGY VALUE CREATION

A unique integrated technology value creation engine – deployed through specialist end use market teams

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 expertise and capabilities.

Kerry's **Culinary & Insights** cover a variety of end use markets, channels and geographies across the world, enabling 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 regional and local 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 authentic cooking methods.

Our proprietary Taste & Nutrition Discovery platform is designed 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.

Kerry's dedicated and inter-connected **Development & Applications** teams are the innovative artisans who bring our recipes and products to life. They work with our taste and nutrition experts, sensory and consumer analytics and regulatory teams throughout the product development, commercialisation and production process. Kerry's Development & Applications teams innovate and provide solutions in response to rapidly changing consumer requirements.

The Group's industry-leading **Product Process Technologies**, together with our unparalleled breadth and depth of process engineering expertise, our understanding of the entire supply chain, and our from-food-for-food heritage, enable 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 and 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, enabling efficient product development and speed to market.

Our consumer centric model is anchored around **End Use Markets** as we focus our value creation engine to develop new winning products in the market.

C. CHANNELS & CUSTOMERS

Unparalleled channel and customer access

Kerry's Taste & Nutrition and Consumer Foods divisions are uniquely positioned across the retail and foodservice channels to provide the broadest routes to market to successfully grow our business and leverage our unique taste and nutrition solution capabilities.

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 diversified, and ranges from global to regional and local leaders, with a 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 value-add relationships with our customers. The ability to work collaboratively with customers at every stage from concept to launch differentiates Kerry in the marketplace, and enables our customers to take on the challenges and opportunities that today's marketplace presents.

OUR MARKETS

Where the consumer is at the centre of everything we do

Kerry is a consumer-led organisation. Our business model, structures and strategies continue to evolve, centred around a deep understanding of diverse local consumer preferences across the globe.

A. CONSUMER PREFERENCES

Kerry continues to meet a wide range of rapidly evolving consumer preferences. Across the global consumer landscape, today's most pronounced preferences include clean and cleaner label, convenience, nutrition & wellness, authenticity and premiumisation. These distinct preferences can mean different things to consumers in different parts of the world. Central to Kerry's approach is the fundamental understanding of how to address these needs and support customers as they seek to innovate to win in today's marketplace. These ever-evolving consumer preferences are redefining consumption occasions right across end use markets and channels.

B. END USE MARKETS

Kerry serves the consumer through eight major end use market categories, across a vast range of applications with over 15,000 different products. As consumer preferences increasingly transcend traditional end use market category boundaries, Kerry's breadth of applications expertise is more relevant than ever in positioning the Group as the industry preference as an innovation partner.

C. CHANNELS

Kerry serves the market through a number of different channels in Retail and Foodservice. These routes to market are changing at an unprecedented level, creating challenges and opportunities.

Retail: This channel is experiencing major change as consumer purchasing behaviour evolves, creating challenges for traditional retail business models (e.g. traditional high-street) and opportunities for businesses that can address emerging needs of growing sub-channels (e.g. online, convenience). Many large consumer packaged goods companies are struggling to keep pace with this change, as many smaller companies are gaining share, leading to market fragmentation.

Foodservice: This channel has been revolutionised over the past decade and menus continue to evolve at pace, as foodservice businesses seek to meet consumer needs and preferences through new platforms (e.g. snacking, beverage), enhancement of nutritional aspects of menus (calorie counts), limited time offers/seasonal products and home delivery services. These dynamics are leading to increased levels of innovation within the foodservice channel.

Kerry's holistic business model and deep understanding of the end-to-end supply chain ideally positions the Group to support customers in meeting these continually evolving needs by bringing more products to market in an expedient manner.

CUSTOMERS

Kerry's customer base broadly comprises one third global companies, one third regional leaders and one third local/smaller players. The Group works effectively across this wide range of customers and tailors its approach to best serve each individual customer type, addressing the challenges and opportunities within the categories in which they operate, and supports them as they innovate and move into new categories, new channels and new end use markets.

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140+

Sales in over 140 countries

STRATEGY & FINANCIAL TARGETS

STRATEGIC PRIORITIES FOR GROWTH

The Group has clear strategic priorities for growth, which are the main drivers of our medium-term organic growth targets and focus areas for capital allocation. These are complemented by our margin expansion objectives and underpinned by a returns discipline.

TASTE & NUTRITION

STRATEGIC PRIORITIES FOR GROWTH	AUTHENTIC TASTE	KERRY – Kerry's Unique Proposition	NUTRITION, WELLNESS & FUNCTIONALITY
OVERVIEW	Our **Authentic Taste platform** is founded on a 'from-food-for-food' heritage and philosophy, with a broad range of foundational technology capabilities in Dairy, Savoury, Smoke & Grill, Citrus, Tea & Coffee, Beverage and Sweet amongst others.	The combination of Authentic Taste and Nutrition, Wellness & Functionality through application is where significant value is added for our customers, and this intersection is the sweet spot for Kerry – with our strategic positioning, industry-leading capabilities and applications expertise.	Our **Nutrition, Wellness & Functionality platform** delivers benefits such as natural preservation, immunity support, digestive health, sustainable efficiencies, fortification and cleaner labels. These benefits are achieved by leveraging this broad foundational technology platform which includes Proteins, Fibre, Enzymes, Probiotics, Texturants, Food Protection and Natural Preservation Solutions amongst others.
BRANDS/ POSITIONING	Selected brands: Inspiring Dairy™, Red Arrow, Taste Sense™, wellmune, Upgrade™, Prodiem™, Ultranor™, DairySource™, Authentic Savoury™, Simply Nature™, TrueTaste™, Ganeden, Plantfare™, Emulgold™, Durafresh™, Biobake™		
FOCUS	• Enhance authentic and natural taste technology portfolio • Advance our leading authentic cooking taste capabilities as part of our *Chef to Shelf* programme • Leverage authentic and natural taste capability to deliver world taste experiences	• Enhance technology portfolio with technologies that deliver across both strategic pillars • Drive innovation in new and fast-growing applications areas – e.g. plant protein • Invest in the fundamental food science and further expand network of research partners • Evaluate and explore strategic partnership and M&A opportunities	• Enhance nutrition, wellness & functionality technology portfolio • Further leverage industry-leading clean label portfolio into a broader range of applications in line with evolving consumer demands • Further investment in scientific and clinically validated nutrition programmes in conjunction with the development of the Kerry Health and Nutrition Institute
KEY 2018 ACHIEVEMENTS	• Further developed Taste Sense™ sugar-reduction technology with a number of new launches • Further leveraged our capabilities and industry-leading technology position in smoke & grill • Further expanded our foundational technology portfolio with technology innovation and strategic authentic taste acquisitions	• Delivered a number of innovations encapsulating Kerry's unique taste & nutrition positioning • Acquired Fleischmann's Vinegar Company – further supporting Kerry's clean label strategy • Agreed to acquire Ariake USA – significantly complementing the Group's authentic taste and clean label portfolio	• Expanded our industry-leading clean label capability and bio-processing technology capacity with our plant in Rochester • Further enhanced our existing plant-based protein capability and expanded with Ojah technologies • Ganeden® probiotics & Wellmune® immunity enhancing ingredients had a number of new launches across a wide range of end use markets

The **Taste & Nutrition** division's leading strategic priorities for growth are Authentic Taste combined with Nutrition, Wellness & Functionality. These are intrinsically intertwined, as Kerry's philosophy and ways of working focus on delivering great tasting products, whilst enhancing their nutrition, wellness and functionality.

The Group also continues to advance our leading positions in Developing Markets and the Foodservice channel.

The **Consumer Foods** division is a leader in its categories in the chilled cabinet, and is focused on best positioning its offering in the changing marketplace to drive further growth.

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Strategic Priorities for Margin Expansion
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DEVELOPING MARKETS

We have an excellent track record of growth in Developing Markets as customers continue to realise the potential of having a partner with Kerry's local knowledge and global expertise and capabilities.

Kerry's target is to continue to achieve average volume growth in developing markets of 10%+ per annum over the five year plan.

In our industry

we are the largest + we are the fastest growing = 2018 €1.4bn

- Expand our footprint and roll out our consumer-led in-country approach through organic investment and M&A
- Global foundational technology portfolio selectively deployed with strategic customers
- Holistic business model selectively deployed, aligned to local consumer preferences
- Invest in capabilities to continue to deliver sustainable growth into the future

- Strong organic performance, with volume growth of 9.5% despite a backdrop of volatility in many developing markets
- Established first manufacturing footprint in Russia and also completed an acquisition in the Middle East, establishing a platform in these regions for future business growth
- Acquired a number of different businesses across a range of developing markets – China, India, Middle East and South Africa

FOODSERVICE

Kerry has an unrivalled position as a partner to the Foodservice channel. The breadth of our offering and depth of capabilities allows customers to work with Kerry right across their menu, both in enhancing the taste proposition and improving the nutritional value and functionality of their products.

Kerry's target is to achieve average volume growth in Foodservice of 7% per annum over the five year plan.

Selected brands

- Targeting strategic accounts: new platforms, menu nutritional development, limited time offers and seasonal products
- Brand strategy: selective geographical and sub-channel deployment, supported by our digital strategy, along with enhancement of our brand portfolio
- New and emerging sub-channels: e.g. convenience and health
- Further embed Kerry's cross functional teams within our customers' innovation and culinary development processes

- Achieved volume growth of 5.8%, a good performance in light of the very strong comparatives in the prior year
- Further strengthened customer relationships by tailoring our offering right across the menus of a number of strategic customers
- Expanded our Foodservice presence through internal deployment of resources and leveraging new acquisitions with positioning in the Foodservice channel

CONSUMER FOODS

Core
New occasions
New channels
New customers
Adjacencies

We are a leader in our chilled foods' categories in the UK and Ireland.

We will continue to drive growth and outperform our markets in our core business by responding to key consumer trends in meat, meals and dairy, while also leveraging this core expertise in developing and expanding adjacent categories.

Selected brands

Our focus is on continuing to grow and outperform in our core business, where we enjoy leading positions, while also expanding our offering in targeted adjacencies.

- Core business: continue to outperform by innovating to meet key consumer trends of authentic taste, healthfulness and convenience
- Adjacent categories: focus on growth priorities of snacking, out-of-home and food-to-go solutions which will be driven by new consumption occasions, new channels and a broader customer base

- Achieved volume growth ahead of our markets, which were challenged in the year due to softer consumer demand
- Achieved strong growth in our adjacent categories, particularly in snacking through the Cheestrings and Fridge Raiders ranges
- Fridge Raiders successfully relaunched to a wider market and demographic

STRATEGY & FINANCIAL TARGETS

STRATEGIC PRIORITIES FOR MARGIN EXPANSION

Operating Leverage	Portfolio Evolution	KerryExcel Savings	KerryExcel Investment
OPTIMISE LEVERAGE	**DIFFERENTIATE**	**DRIVE EFFICIENCY**	**RE-INVEST TO GROW**
Leverage 1 Kerry platform	New foundational technologies	Manufacturing excellence	Fragmentation response
Leverage routes to market	New markets	Supply chain excellence	Localisation of footprint
Leverage customer centres	New channels/geographies	Commercial excellence	Increased R&D
Leverage footprint	Manage churn with agility	Service excellence	Kerryconnect/Business Services

Medium Term Financial Targets

The 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. The metrics of return on average capital employed and cash conversion represent a balanced assessment of performance over time.

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

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

Strategic Medium Term 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.

Above assumes 2% above market growth rates

Constant currency adjusted EPS* +10% p.a.

Returns

ROACE* 12%+

Cash conversion >80%

Relative Total Shareholder Return – outperforming peers

Cash conversion is expressed as a percentage of adjusted earnings after tax.

*Adjusted EPS and ROACE are calculated before brand related intangible asset amortisation and non-trading items (net of related tax).

The medium term targets above for the period commencing FY2018 were outlined at the Group's Capital Markets Day in October 2017.

Full definitions can be found on pages 30-31.

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.

Technology Leader

- Unrivalled technology portfolio
- Deep science and research expertise aligned to global network of partners
- Unparalleled breadth of product process expertise
- Unique expertise on technology integration for solution delivery
- Industry-leading application & culinary expertise
- Best-in-industry infrastructure of global and local technology & application centres

Market Leader

- Global Leader in Taste & Nutrition to Food & Beverage Industry
- Largest Taste & Nutrition business in Developing Markets
- Global Leader in Taste & Nutrition solutions into Meat/ Meat Alternative market
- Global Leader in Clean Label solutions (in particular natural preservation & natural taste)
- In 5 of the world's top 10 blockbuster drugs
- Leader in our chilled foods' categories in UK and Ireland

Proven Success

- 32 years of consistent 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 dividend per share

Growth Potential

- Industry-leading business model
- Unique Taste & Nutrition positioning with long runway of technology deployment opportunities
- Winning across all customer segments and channels
- Further strong growth potential in developing markets
- Extensive global footprint platform to meet local needs
- Proven consolidator

People

- Proven leadership and management capability
- Ambitious, results-driven and collaborative culture
- Investment in leadership, professional and technical capabilities for the future
- Opportunities for personal growth and career fulfilment
- Global mobility programme
- Diverse and inclusive teams
- Reward & recognition focus

Sustainable

- Natural, community based heritage
- Investing for a sustainable future
- Strong delivery against targets
- Milestones linked to performance management
- Innovative health & wellbeing programmes supporting communities globally

CAGR = Compound Annual Growth Rate.

FINANCIAL KEY PERFORMANCE INDICATORS

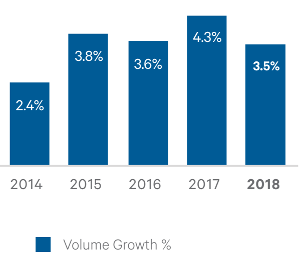
The metrics outlined below are the important measurement indicators of Group performance in meeting its financial objectives. The Group's financial objective is to maximise shareholder return by delivering on the targets of growth in business profitability and meeting return on investment hurdles.

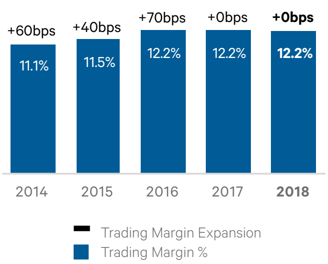
The Group also has a range of non-financial metrics that are used to measure performance with customers, suppliers, community, environmental targets and employee engagement. These non-financial metrics are shown in the Sustainability Report and complement the financial metrics detailed below.

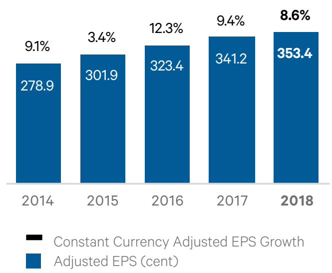
GROWTH

	Volume Growth	Trading Margin Expansion	Constant Currency Adjusted EPS Growth
Key Financial Performance Metric	**3.5%**	**+0bps**	**+8.6%**
Definition[1]	Volume growth represents sales growth year-on-year, excluding pass-through pricing on raw material costs, currency impacts, acquisitions (net of disposals) and rationalisation volumes.	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 trading profit expressed as a percentage of revenue.	Constant currency adjusted EPS growth represents adjusted EPS in the current year compared to adjusted EPS achieved in the prior year calculated on a constant currency basis. Adjusted EPS is considered more reflective of the Group's underlying trading performance than basic EPS.
Performance Commentary	The Group achieved continuing volume growth in 2018 of 3.5%, which was a strong performance relative to the marketplace.	The Group maintained its trading margin of 12.2% in 2018. This represented good underlying growth being offset by sterling related challenges arising in the Consumer Foods business, increased business investments and Kerryconnect spend.	The Group achieved constant currency adjusted EPS growth of 8.6% in the year reflecting a consistent solid performance.

Historical Performance







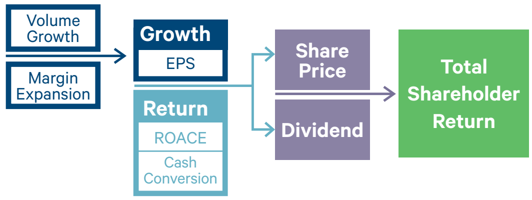
	Volume Growth	Trading Margin Expansion	Constant Currency Adjusted EPS Growth
Strategic Linkage	Volume growth is an important metric as it is seen as the key driver of top-line business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers 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.	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.	EPS growth is a key performance metric as it encompasses the components of growth important to the Group's stakeholders. Volume growth and margin expansion are the two key drivers of EPS growth.
Link to Remuneration	Volume growth is a metric in the short term incentive plan and is a key driver of adjusted EPS growth, which is a metric for the long term incentive plan.	Trading margin expansion is a metric in the short term incentive plan and is a key driver of adjusted EPS growth, which is a metric for the long term incentive plan.	Constant currency adjusted EPS growth is a performance metric for the long term incentive plan.

[1] These are non-IFRS measures or Alternative Performance Measures. Definitions, calculations and reconciliations for these are set out above and within the Supplementary Information section – Financial Definitions on pages 203-206.

Business strategy is set by the Board of Directors and all Kerry employees work towards achieving these goals.

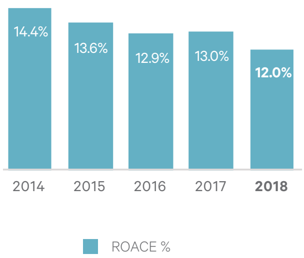
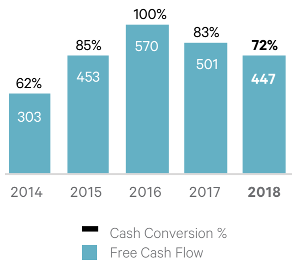
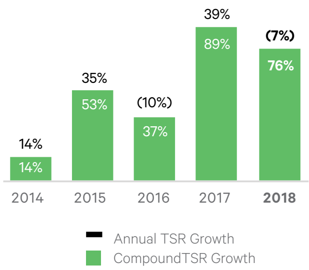
Performance evaluation takes account of all key performance indicators. Remuneration is directly linked with performance versus targets.

Drivers of Shareholder Return



Non-Financial KPIs are detailed in our Sustainability Review page 51

RETURN

Return on Average Capital Employed (ROACE) 12.0%	Cash Conversion 72%	Total Shareholder Return (TSR) (6.8%)
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.	Cash conversion is defined as free cash flow, expressed as a percentage of adjusted earnings after tax.	TSR represents the change in the capital value of Kerry Group shares plus dividends reinvested.
The Group achieved ROACE of 12.0% in 2018. This was a strong performance, as it was impacted by the timing of investments made in the year and foreign currency movements.	The Group achieved Cash Conversion of 72% in 2018. This was impacted by the level of planned capital investment for growth and working capital due to revenue growth and investment for the rollout of Kerryconnect in the Americas.	The Group achieved a TSR of (6.8%) in 2018, which outperformed the mean and median of Kerry's peer set. This result was also ahead of the MSCI Food, Beverage & Tobacco producers index, as global markets were affected by a number of factors including uncertainty around global trade and Brexit negotiations. The Group has achieved compound growth of 76% in TSR over the course of the last five years.
		
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.	Cash conversion is an important metric as it measures how much of the Group's adjusted earnings is converted into cash.	TSR is an important indicator of how successful the Group has been in terms of shareholder value creation.
ROACE is a performance metric for the long term incentive plan.	Cash conversion is a performance metric for the short term incentive plan.	TSR is a performance metric for the long term incentive plan.

FINANCIAL REVIEW

Delivering another year of solid performance

+
Group Key Performance Indicators
pages 30-31
Financial Statements
pages 138-202

Marguerite Larkin
Chief Financial Officer

The Group delivered another year of solid performance against a backdrop of economic and market uncertainty, combined with increased marketplace fragmentation and industry changes. Adjusted EPS growth in constant currency was 8.6% (2017: 9.4%). This was achieved through consistent organic growth ahead of our markets, underlying margin progression, together with the contribution from the integration of acquired businesses.

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2018 and of the Group's financial position at that date.

The Key Financial Performance Indicators outlined below are used to track business and operational performance and help the Group continue to drive value creation. The Group has a disciplined financial approach of targeting continued growth while meeting its return on investment objectives. This combination of growth and return ensures the Group's financial objective of maximising shareholder return is achieved.

A combination of Growth and Return

GROWTH	**Group Volume Growth** +3.5% Outperforming our market	**Group Trading Margin** 12.2% Good underlying progression	**Constant Currency Adjusted EPS*** +8.6% **Basic EPS** (8.3%)[1]
RETURN	**ROACE*** +12.0% On target	**Free Cash Flow** €447m 72% conversion[2]	**Increased Total Dividend** +12.0% Final dividend of 49.2 cent proposed

Definitions, calculations and reconciliations for these are set out within the Key Performance Indicators section and within the Supplementary Information section – Financial Definitions on pages 203-206.

* Before brand related intangible asset amortisation and non-trading items (net of related tax).
[1] Basic EPS in the prior year included effect of a one-off deferred tax credit arising from the US tax reform changes.
[2] Expressed as a percentage of adjusted earnings after tax.

Analysis of Results

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

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

Revenue

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

2017: Group reported revenue +4.5%, volume growth +4.3%, pricing +2.0%, transaction currency (0.2%), translation currency (2.4%), acquisitions +0.8%.

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

2017: Taste & Nutrition reported revenue +5.7%, volume growth +4.7%, pricing +2.0%, translation currency (1.9%), acquisitions +0.9%.

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

2017: Consumer Foods reported revenue (0.1%), volume growth +2.4%, pricing +2.0%, transaction currency (0.9%), translation currency (3.8%), acquisitions +0.2%.

Trading Profit & Margin

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

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

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 42-48.

Computer Software Amortisation

Computer software amortisation increased to **€25.0m** (2017: €24.3m) 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.

Brand Related Intangible Asset Amortisation

Brand related intangible asset amortisation increased to **€28.8m** (2017: €23.6m) primarily from recent acquisitions.

Finance Costs (net)

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

Taxation

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

Acquisitions & Joint Ventures

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

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

Non-Trading Items

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

Adjusted EPS in Constant Currency

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

Basic EPS

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

Return on Average Capital Employed

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

Exchange Rates

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

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

Dividends

The Board has proposed a final dividend of 49.2 cent per A ordinary share, payable on 10 May 2019 to shareholders registered on the record date of 12 April 2019. When combined with the interim dividend of 21.0 cent per share, the total dividend for the year amounts to 70.2 cent per share (2017: 62.7 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 32 years as a listed company, the Group has grown its dividend at a compound rate of 16.9%. The Group's aim is to have double digit dividend growth each year.

Balance Sheet

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

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

Property, Plant & Equipment

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

Intangible Assets

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

Current Assets

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

Retirement Benefits

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

Shareholders' Equity

Shareholders' equity increased by €461.2m to **€4,034.4m** (2017: €3,573.2m), 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 142.

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

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

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

Net Debt

Net debt at the end of the year was **€1,623.5m** (2017: €1,341.7m) reflecting the cashflow generated offset by investment in acquisitions and the dividends paid in the year. The increase during the year is analysed in the table below:

Movement in Net Debt	2018 €'m	2017 €'m
Free cash flow	**446.5**	501.3
Acquisitions (net of disposals) including payments relating to previous acquisitions	**(503.2)**	(367.9)
Difference between average working capital and year end working capital	**(21.7)**	(84.4)
Non-trading items	**(59.8)**	(34.0)
Equity dividends paid	**(114.4)**	(102.2)
Exchange translation adjustment	**0.5**	(8.8)
Increase in net debt resulting from cash flows	**(252.1)**	(96.0)
Fair value movement on interest rate swaps	**(2.6)**	2.8
Exchange translation adjustment on net debt	**(27.1)**	75.2
(Increase) in net debt in the year	**(281.8)**	(18.0)
Net debt at beginning of year	(1,341.7)	(1,323.7)
Net debt at end of year	**(1,623.5)**	(1,341.7)

Exchange impact on net debt

The exchange rate translation adjustment of **€27.1m** results primarily from borrowings denominated in US dollar translated at a year end rate of $1.14 versus a rate of $1.20 in 2017.

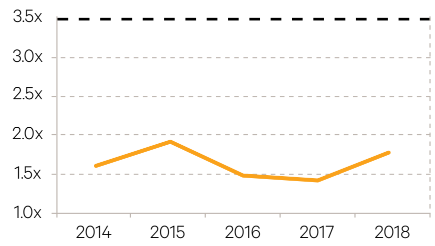
Maturity Profile of Net Debt	2018 €'m	2017 €'m
Within 1 year	**400.0**	299.2
Between 1 and 2 years	**(142.2)**	-
Between 2 and 5 years	**(1,082.8)**	(226.9)
Over 5 years	**(798.5)**	(1,414.0)
Net debt at end of year	**(1,623.5)**	(1,341.7)
Weighted average maturity (years)	**4.8**	6.0

Key Financial Covenants

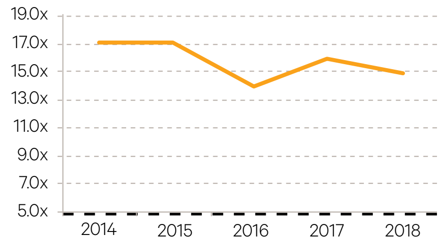
A significant portion of Group financing facilities are subject to financial covenants as set out in their facility agreements. The Group's balance sheet is in a healthy position. With a net debt to EBITDA* ratio of 1.7 times, the organisation has sufficient headroom to support future growth plans. Group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

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

Net debt: EBITDA*



EBITDA: Net interest*



* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 205.

Credit Facilities

Undrawn committed facilities at the end of the year were **€750.0m** (2017: €1,100.0m) while undrawn standby facilities were **€320.0m** (2017: €323.0m).

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

Financial Risk Management

Within the Group risk management framework as described in the Risk Report on page 73, 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 73-86 and in note 24 to the consolidated financial statements.

Summary and Financial Outlook

The Group delivered another year of solid performance in 2018 generating revenue of **€6.6 billion**, trading profit of **€806m** and free cash flow of **€447m**, against a backdrop of economic and market uncertainty, combined with increased marketplace fragmentation and industry changes. At year end the balance sheet is also in a good position and with a net debt: EBITDA ratio of **1.7 times**, the Group has sufficient headroom to support the future growth plans of the organisation.

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

10 YEAR EARNINGS HISTORY

A strong history of positive results

	2009 €'m	2010 €'m	2011 €'m	**2012 €'m	2013 €'m	2014 €'m	2015 €'m	2016 €'m	2017 €'m	**2018 €'m**
Revenue	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	**6,607.6**
Trading profit	422.3	470.2	500.5	559.0	611.4	636.4	700.1	749.6	781.3	**805.6**
Computer software amortisation	(4.5)	(4.3)	(5.4)	(8.7)	(11.5)	(13.6)	(18.7)	(23.4)	(24.3)	**(25.0)**
Finance costs (net)	(69.8)	(60.5)	(46.0)	(62.1)	(67.6)	(52.9)	(69.3)	(70.4)	(65.6)	**(67.0)**
Adjusted earnings before taxation*	348.0	405.4	449.1	488.2	532.3	569.9	612.1	655.8	691.4	**713.6**
Income taxes (excluding non-trading items)	(61.2)	(68.7)	(74.6)	(77.3)	(79.1)	(79.6)	(81.1)	(86.7)	(89.5)	**(89.2)**
Adjusted earnings after taxation*	286.8	336.7	374.5	410.9	453.2	490.3	531.0	569.1	601.9	**624.4**
Brand related intangible asset amortisation	(12.3)	(11.8)	(13.9)	(14.7)	(16.6)	(14.4)	(18.7)	(23.0)	(23.6)	**(28.8)**
Non-trading items (net of related tax)	(73.3)	(0.7)	0.1	(135.5)	(352.2)	4.0	13.1	(13.0)	10.2	**(55.1)**
Profit after taxation attributable to owners of the parent	201.2	324.2	360.7	260.7	84.4	479.9	525.4	533.1	588.5	**540.5**
Adjusted EPS (cent)*	163.9	192.1	213.4	234.0	257.9	278.9	301.9	323.4	341.2	**353.4**

* 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. Growth in Adjusted EPS on a constancy currency basis is disclosed on page 204.

** 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.

Pictured: Kerry Chefs Richard Troman, Donal Lock, Ciara Mulkerrins, Ciaran Ryan and Rian Morris.

CREATE

BUSINESS REVIEW

LOCAL GLOBAL

Leveraging our 'from-food-for-food' heritage, we excel at creating authentic taste and improving nutrition to help customers grow and win in today's local consumer-driven marketplace.

BUSINESS REVIEW

TASTE & NUTRITION

Revenue

2018

€5,351m

Volume Growth

4.1%

Trading Margin

2018

15.1%

Growth

+20bps

Kerry's business model and the application of our leading taste and nutrition technology portfolio continue to drive significant value for our customers as they seek to meet rapidly changing consumer demands and increase speed to market.

The division achieved good growth across an increasingly diverse customer base. Developing markets delivered strong volume growth of 9.5%, with APMEA the main driver. Foodservice delivered a good performance of 5.8% volume growth, particularly considering the strong comparatives in 2017. Reported revenue increased by 3.7% to €5,351m, as volume growth and the contribution from business acquisitions were partially offset by significant translation currency headwinds. Trading profit grew by 5.0% to €805m, reflecting a 20 basis points improvement in trading margin to 15.1%.

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

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.

Americas region

High levels of product churn continued across the marketplace, as consumer demands for clean label, new world taste experiences and new convenience formats continued to evolve and drive innovation.

2.8%

Business volumes in the Americas region increased by 2.8%

Kerry delivered volume growth ahead of the market by winning market share through innovation across different customer categories. Reported revenue in the Americas region increased by 2.5% to €2,745m, reflecting 2.8% volume growth, lower pricing of 0.5%, contribution from business acquisitions of 6.2% and an adverse translation currency impact of 6.0%.

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

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

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

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

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

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

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

Since the year end, the Group acquired Southeastern Mills' (SEM) coatings and seasonings business. SEM manufactures from its strategically located base in Rome, Georgia.

This acquisition complements Kerry's authentic taste portfolio and further develops the Group's industry-leading offering into the meat EUM.

The Group also reached agreement to acquire Ariake USA, which produces natural clean label savoury taste solutions derived from poultry, pork and vegetables at its facility in Harrisonburg, Virginia. Ariake USA's highly specialised extraction technologies and development capabilities produce a suite of tailored solutions across a number of EUMs. These acquisitions further enhance Kerry's extensive authentic taste and clean label portfolio, while complementing the Group's from-food-for-food heritage.

We innovate with foresight. Working as a locally-led and globally connected team, we combine our culinary creativity with in-depth science and technical expertise to help customers win with consumers today and in the future.

INNOVA

Pictured: Dr. Khaled Zitoun, Dr. Lisa Ryan, Dr. Ciaran Forde and Dr. Aoife Marie Murphy, Kerry Health and Nutrition Institute (KHNI).

Europe region

Kerry continued to meet evolving local consumer preferences across the region by progressing its in-market customer engagement strategy.

2.3%

Business volumes in the Europe region increased by 2.3%

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

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

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

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

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

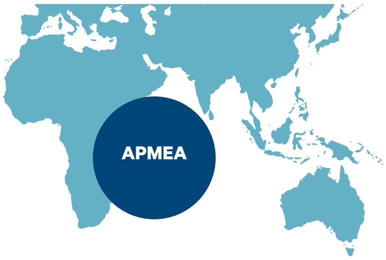
Foodservice played a key role across a number of EUMs, particularly in the Beverage and Meat EUMs through the continued nutritional enhancement of menu ranges, with successful seasonal products and repeat LTOs delivering a very good performance across the year.

APMEA region

Kerry's business model continued to be successfully deployed, with the selective rollout of our industry-leading foundational technology portfolio to meet rapidly evolving local consumer needs across the region.

10.1%

Business volumes in the APMEA region increased by 10.1%



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

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

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

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

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

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

+

Strategic Priorities for growth
pages 26-27

Business Model
pages 22-23

BUSINESS REVIEW

CONSUMER FOODS

Revenue

2018

€1,339m

Volume Growth

1.1%

Trading Margin

2018

7.5%

Growth

(60bps)

The consumer and retail landscape within the UK and Ireland continued to change at pace in the year.

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

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

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.

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

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

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

SECURING
SUSTAINABLE
GROWTH

SUSTAINABILITY REVIEW

Edmond Scanlon speaking at the EDA 'European Dairy platform' forum in November.

As a responsible business, and a leader within the food and beverage industry, we understand the important contribution Kerry can make to more sustainable development. In 2018, we saw numerous reminders of the need for more urgent action on social and environmental issues, particularly climate change.

As the world's leading Taste & Nutrition company, we believe that we can create the greatest value for our stakeholders by actively supporting the transition to healthier, more sustainable diets. With the emergence of an increasingly conscious consumer, products must now meet the dual demands of enhancing individual wellbeing while protecting people and the planet.

With the world's leading portfolio of taste and nutrition solutions, Kerry is ideally positioned to support our customers in the creation of great tasting, clean label products that are healthier, more nutritious and have a lower environmental impact. In 2018, we continued to evolve our taste and nutrition portfolio in this regard through developments such as our joint venture with plant protein leader Ojah.

We also look to support those beyond the reach of our products. On World Food Day 2018, we launched the second phase of the RAIN (Realigning Agriculture for Improved Nutrition) Programme in Niger, with the goal of improving access to nutrition for some of the world's poorest people.

Kerry Group remains focused on reducing the environmental footprint of our business and through the work of our Sustainability Council and regional teams, we have delivered against all annual environmental targets, surpassing our 2020 goals for both carbon and waste. Additionally, we made a commitment to the use of more sustainable plastic packaging through membership of the UK Plastics Pact.

In a year when urgent need for action on climate change was highlighted, we know that an even greater effort is required by companies like Kerry. As we enter the final year of our Towards 2020 Programme, we are looking at how we can scale up our positive impact in our workplace, our marketplace and in our wider society.

In 2019, as we look to further integrate sustainability in our business, we will continue to explore new and innovative ways of working to create value for our stakeholders and advance our journey of sustainable growth.

Edmond Scanlon

Edmond Scanlon Chief Executive

RAIN Programme (page 69)

Halima Fbid (28) walks one and a half hours to gather water each day with her daughter Lamchara (4). Tahoua, Niger.

Photo: Jennifer Nolan.

KEY HIGHLIGHTS SUSTAINABILITY PILLARS

ENVIRONMENTAL SUSTAINABILITY

Reduction in carbon intensity
Versus 2013 base year
16.4%

Reduction in water intensity
Versus 2013 base year
6.6%

Reduction in waste intensity
Versus 2013 base year
22.7%

MARKETPLACE SUSTAINABILITY

Food Safety
Sites with GFSI certification
100%

Responsible Sourcing
Certification of milk suppliers maintained at
100%

Research, Development & Application
Industry-leading investment
€275m

WORKPLACE SUSTAINABILITY

Health & Safety
Year-on-year reduction in reported incidents
8%

Workplace Audits
Across sites in developing markets
100%

Learning & Development
Courses completed by our people
>102,000

COMMUNITY SUSTAINABILITY

RAIN Programme
Commitment to tackling malnutrition
€1m

Project Leche
Honduran teachers trained on nutrition
208

Special Olympics
New partnership to support athletes over
2 Years

Note: Non-financial KPIs do not include the impact from recently completed acquisitions.

Non-Financial Statement

In accordance with the new regulations relating to non-financial disclosures we provide information on the required topics across this report. Relevant information on each topic can be found below.

Reporting Requirements	Our Policies	Page Reference
Environmental Matters	Environmental Policy	Page 55
Social and Employee Matters	Health & Safety Policy; Group Code of Conduct; Diversity, Inclusion & Belonging Policy; Employee Concerns Disclosure Policy	Pages 65 to 67
Respect for Human Rights	Human Rights Policy	Page 65
Anti-bribery and Corruption	Anti-Bribery Policy; Group Code of Conduct	Page 65
Business Model		Pages 22 to 23
Non-financial KPIs		Pages 55, 58, 64 and 68

Few industries are as fundamentally linked to sustainability as the food and beverage industry. With a projected world population of almost 10 billion people by 2050, producing enough food to meet the growing demand represents both an opportunity and a significant challenge.

The current food system has a substantial environmental and social impact. Agriculture accounts for nearly a quarter of all greenhouse gas emissions, uses 70% of fresh water and is a leading cause of deforestation and biodiversity loss. Current diet and lifestyle choices are also a leading contributor to disease. According to the World Health Organisation, what we eat and drink is now the second highest risk factor for early death, making what we produce, and how we produce it, critical considerations for the Group.

At Kerry, sustainability is at the heart of our business. We are focused on making a positive contribution through our everyday actions and we remain committed to the creation of long term value for all stakeholders on a socially and environmentally sustainable basis.

Our Approach

Kerry's Towards 2020 Sustainability Programme reflects our vision for making the world of food, beverage and pharma better. Launched in 2015, the programme builds on previous initiatives and reflects our heritage as a farmer cooperative. Kerry has grown from those agricultural roots to become a world leader and now, through our global reach, we aim to positively impact on the lives of those we connect with.

The Towards 2020 Programme is structured around four pillars; Environment, Marketplace, Workplace and Community and aims to protect the natural environment, enhance the lives of the people who create and consume our products, and connect us with the communities around us. Under each pillar, we have prioritised the most material issues for Kerry and its stakeholders. We have carefully examined the ways in which we can reduce our adverse impacts and identified where our skills and support can make a positive difference. We have set measurable targets for improvement in these areas over a five-year period. As we enter the final year of our programme in 2019, we are well positioned to deliver on these targets, providing momentum for further progress in the years ahead.

Towards 2020 and the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) provide a globally accepted roadmap for addressing many of the most urgent global economic, environmental and social challenges. Although the seventeen goals were agreed at international level, the challenges we face require broad participation and there is a crucial need for the private sector to play its part.

As a world leader in the food and beverage industry, our most significant contribution to the SDGs will come through enabling our customers improve the healthfulness and nutritional value of their products and doing so in a way 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 throughout this review, we highlight the SDGs we impact on under each pillar. While we touch on a number of the goals, we identify below the SDGs that have greater strategic relevance for our business and we see the greatest potential for impact and opportunity in SDGs 2, 3 and 12.

SUSTAINABLE DEVELOPMENT GOALS

2 ZERO HUNGER

Goal 2:
Zero Hunger
Our capabilities support the development of cost effective, healthier and more nutritious food. We also support sustainable agricultural production and greater food security through our responsible sourcing and community development programmes.

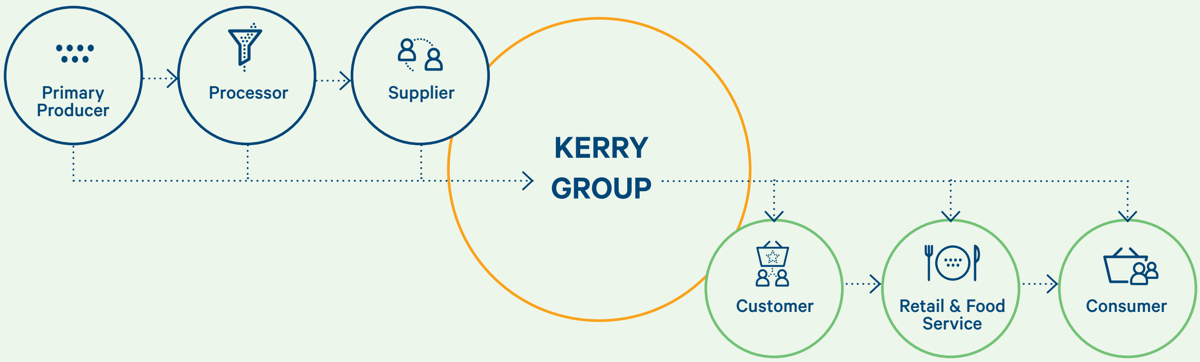
3 GOOD HEALTH AND WELL-BEING

Goal 3:
Good Health and Wellbeing
Diet is a leading cause in the proliferation of non-communicable disease and at Kerry, our technologies and expertise support customers in the development of healthier products that can make a positive impact on the wellbeing of consumers.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12:
Responsible Consumption & Production
With an increasing population and a tension between food production and environmental protection, we are committed to sustainable sourcing and production across our operations. Our solutions can also support our customers in the development of more sustainable consumer products.

Our Value Chain



Materiality

Our approach to sustainability is centred on addressing and reporting on the most material issues for Kerry and its stakeholders. In 2018, we undertook a comprehensive review of material topics to reaffirm that our Towards 2020 Programme is adequately positioned to address the most significant sustainability issues.

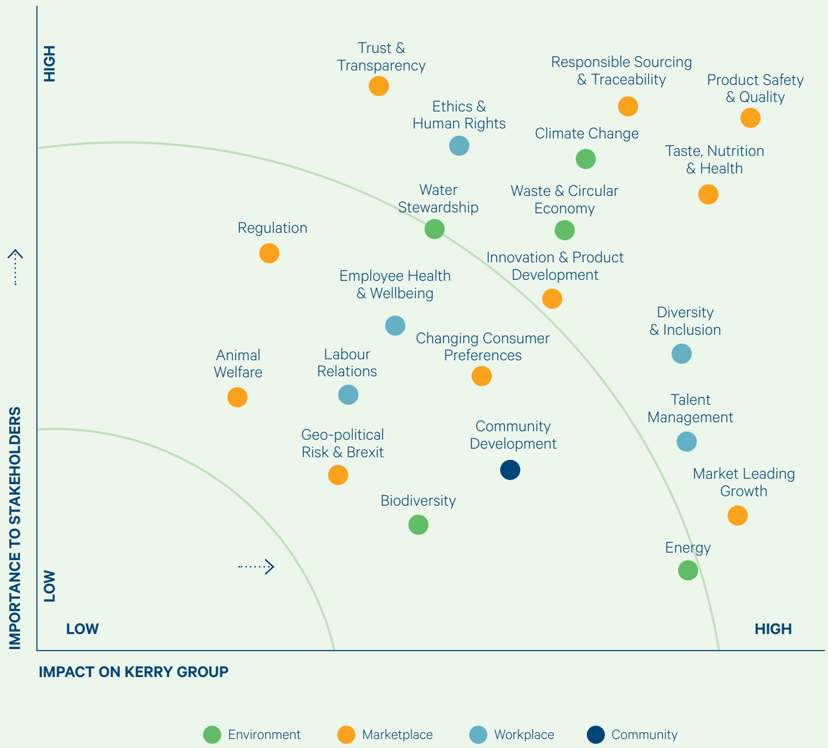
As part of the revised materiality assessment, we engaged with a wide range of stakeholders through a number of channels. In-depth interviews with key internal and external stakeholders were critical in confirming priority areas and for better understanding our stakeholders' expectations. The outputs from these interviews were supported by a survey of a broader stakeholder group. The survey findings helped to validate the information received through the interview process and provided an opportunity for input from a larger and more diverse stakeholder group.

The outcome of the assessment has confirmed good alignment among internal and external stakeholders across a range of sustainability topics and confirmed that the Towards 2020 Programme remains well placed to address our most material issues. The assessment also supported feedback received through ongoing engagement with stakeholders, particularly with regard to the evolution in some topic areas, for example, plastic packaging within the area of waste and the circular economy.

The topics covered in this report are designed to reflect the outputs of this materiality assessment. All of these topics are reviewed as part of the broader risk assessment process, however, at this point not all are considered to be principal risks for the Group (see page 75). We will continue to keep these topics under review, particularly with respect to organisational changes and emerging themes.

The assessment will also be central to the development of the next phase of our Sustainability Programme as we seek to ensure continued alignment with business and stakeholder needs.

Materiality Matrix



The pace of change and the scale of the challenges within our industry require that we work collaboratively to develop shared understanding and common solutions for many of the issues identified.

Stakeholder Engagement

We are committed to ongoing and constructive engagement with our key internal and external stakeholders and through a process of two-way engagement, we incorporate their views into our business activities.

We are engaged in partnerships with key stakeholder groups and relevant third parties to help achieve our 2020 goals. In 2018, we participated in a number of new collaborative projects, details of which are laid out in this report. Kerry is also a member of a number of trade organisations and multi-stakeholder initiatives, through which we seek to advance a healthier, more sustainable food system.

Before undertaking the materiality assessment in 2018, we revisited the process for stakeholder analysis to ensure we continue to interact appropriately with various stakeholder groups. Having clearly identified those who we impact, and those groups that can influence and impact Kerry, we tailored our materiality assessment to ensure input from diverse stakeholder groups.

Among our key stakeholders are employees, shareholders, communities, customers, consumers, government and suppliers including farmers. We understand that among and within these groups, there can be different and sometimes conflicting views. As part of our engagement we seek to balance these competing stakeholder interests and respond in a way that maximises the value for all those connected with the organisation.

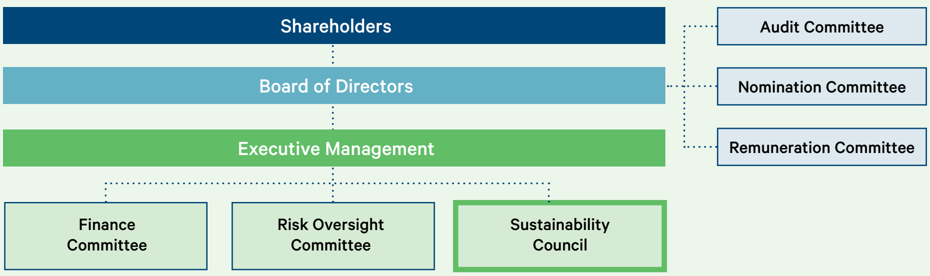
Stakeholder Groups

We use a variety of channels to support the engagement process, many of which are tailored for specific stakeholder groups. Our ability to demonstrate a robust engagement process is a core part of our independent AA1000 (AS) accreditation and throughout this report we provide examples of how we engage and work with the various stakeholders outlined above. For more on how we create value for our stakeholders, see page 7.

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 at least annually 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, as well as agreeing 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.



ENVIRONMENT

16.4%	Reduction in carbon intensity versus 2013 base year	**6.6%**	Reduction in water intensity versus 2013 base year
22.7%	Reduction in waste intensity versus 2013 base year	**30.2%**	Reduction in waste sent to landfill versus 2013 base year

At Kerry we are mindful of our impact on the environment and recognise the fundamental importance of a healthy ecosystem for our shared future. We understand that our day-to-day activities contribute to some of the world's key environmental challenges and our ability to successfully address these is vital in retaining our licence to operate.

We aim to minimise our impacts in accordance with the Group's Environmental Policy and we seek to integrate environmental considerations into all aspects of our business. Our policy commits us to carrying out our activities in an environmentally responsible manner, to complying with all applicable environmental legislation, implementing good environmental practice and continuously improving performance.

We have a comprehensive monitoring and reporting framework in place across all Kerry sites and performance is under ongoing review by regional Health, Safety and Environmental Directors, supported by their teams. With bi-monthly reporting to the Group's Sustainability Council, we continue to deliver improvements across the key areas of emissions, water and waste.

This performance is supported by the implementation of recognised environmental management systems across our sites. In 2018, 80% of eligible sites were certified to the ISO 14001 Environmental Management System. We also continue to increase the number of energy intensive sites with ISO 50001 Energy Management certification, adding a further five locations in 2018.

Our environmental activities contribute to the achievement of the following UN Sustainable Development Goals.

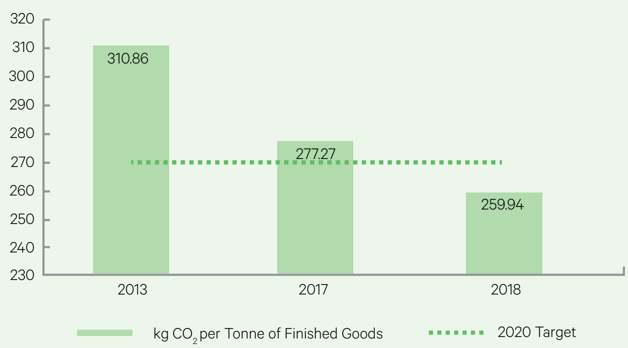
Reducing Emissions

Like many organisations, Kerry is conscious of the potential impact climate change will have on people and the planet, and we continue to examine how we can manage the risks and opportunities that this presents for our business. Key risks include changing customer and consumer preferences, disruption to operations and supply chains as well as regulatory and policy responses to mitigate the worst effects of climate change. We also see an opportunity for companies like Kerry who are tackling their own emissions and can support a transition to products with a lower environmental footprint.

As part of our ongoing commitment on carbon, we track and report our impact. In 2015, we set a target for a 13% reduction across Scope 1 and Scope 2 emissions (See note 1). We measure and report performance in accordance with the GHG Protocol (See note 2) and our data is independently assured to AA1000AS (2008). We note the recommendations of the Task Force on Climate Related Financial Disclosures and aim to incorporate these as part of future reporting in this area.

We are pleased to report that in 2018 we have surpassed our 2020 carbon target, a year ahead of schedule, with a 16.4% reduction versus our 2013 base year. These savings have been delivered through an ongoing focus on energy efficiency and the delivery of capital projects with significant carbon reduction potential.

Carbon Intensity



Notes:
1. 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.
2. The GHG Protocol sets the global standard for how to measure, manage and report greenhouse gas emissions.
3. Kerry's actual performance has been adjusted to reflect like-for-like performance compared 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.

Jacobs Summary Assurance Statement

JACOBS

AA1000 Licensed Assurance Provider 000-79

Jacobs has assured Kerry's greenhouse gas performance data (Scope 1/Scope 2 emissions and selected Scope 3 emissions) as well as water withdrawal and discharge data from its manufacturing facilities for 2018 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 2018.

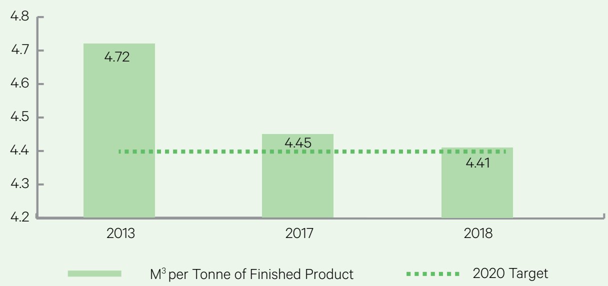
Using Water Efficiently

Water plays a critical role in our business from the production of our raw materials to the manufacture and use of our final products. There is increasing pressure on this shared resource and by 2025, the UN estimates that two-thirds of the global population could be living under water stress conditions.

We strive to manage our water use as efficiently as possible, especially in water stressed areas and our stated goal is to reduce the amount of water we use by 7% by 2020, versus a 2013 baseline. We also ensure that we protect natural water sources by meeting local requirements around waste water that leaves our sites.

In 2018, we made further progress against our target with a 6.6% reduction in water intensity, delivering close to our 2020 goal. In 2019, we will continue to pursue opportunities for greater water efficiency to ensure we meet our 2020 reduction target.

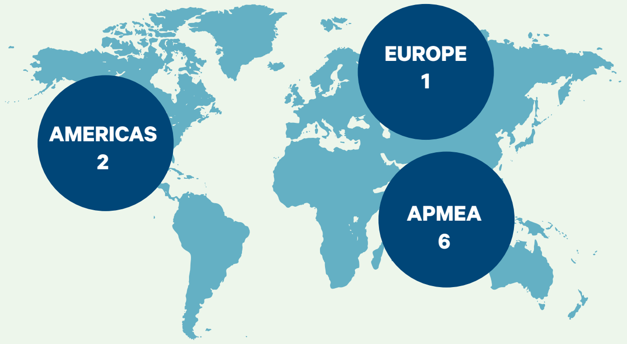
Water Intensity



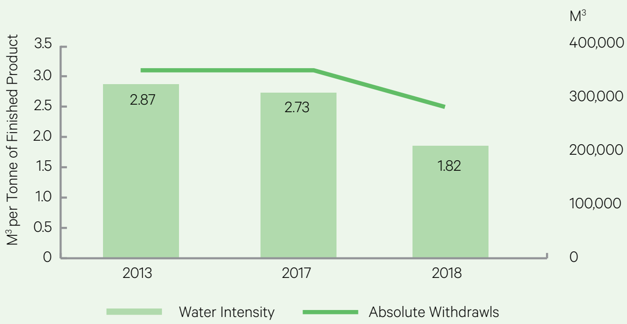
We also continue to view our water footprint within the wider context of global water risk. Given the uneven distribution of water resources, some of our locations are potentially more challenged by water stress. To help determine how increasing competition for scarce water resources may impact Kerry, we use the World Resources Institute's Aqueduct Tool to help in our assessment.

With the aid of this tool, we have identified nine locations globally that are priority water sites. We maintain a careful focus on water use at these facilities and our efficiency across these locations significantly exceeds that for the Group. We understand however that absolute water withdrawal is the key metric in these locations and across relevant sites we continue to make progress in reducing these volumes. In 2018, total water withdrawals across the nine sites reduced by 24.6%, versus our 2013 base year.

Location of Priority Water Sites



Water Use – Priority Sites

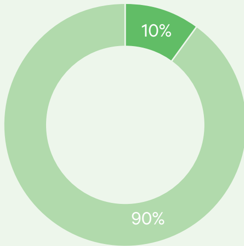


Generating Less Waste

The current linear production model of 'take-make-dispose' is one that fails to adequately capture the full value of resources. As global population and income levels rise, pressure on natural resources continues to grow. For companies to operate more sustainably and to ensure continued access to the raw materials required, there is a clear need for a transition to a more circular economy.

Across our sites we are exploring ways to reduce, reuse and recycle materials. Where we do generate waste material, we seek to find ways in which this can be utilised elsewhere. In 2018, 90% of this waste was diverted from landfill and towards other productive uses. This represents an increase of 3% of waste sent to landfill versus 2017, however, this increase is due largely to a correction to waste classifications at one site. Overall, we have reduced waste to landfill by 30.2% versus our 2013 base year.

Waste by Disposal Method



Diverted Waste
Landfill

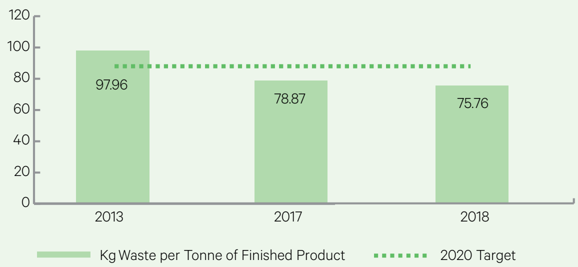
Plastic Packaging

Plastics play a critical role in the food industry, particularly for product protection and extending shelf life. However, the use of plastics has become a key issue for consumers, customers and regulators, as public consciousness grows about the long term impacts of plastics on the natural environment. As a producer of branded goods and private label, our consumer foods division, Kerry Foods, use plastic packaging in their customer offerings. In 2018, Kerry Foods undertook significant work to understand their plastics footprint and through membership of the UK Plastics Pact, has set a target for 100% of its plastic packaging to be reusable, recyclable or compostable by 2025.

THE UK PLASTICS PACT

At Kerry, we continue to make excellent progress on waste reduction having set ourselves a goal of a 12% reduction by 2020, versus a 2013 base year. In 2017, we surpassed that target and last year we continued the momentum, realising a 22.7% reduction against our 2013 base year. We remain committed to further reducing our waste volumes as we enter the final year of our programme and we continue to look at how we can capture greater value from these waste streams.

Waste Intensity



Food Waste

We also maintain a close focus on food waste and we are a supporter of the Champions 12.3 initiative through our Kerry Foods business. The initiative aims to halve food waste by 2030 and in 2018, Kerry Foods published its first food waste data ahead of the second annual Champions 12.3 event in New York in September. This event brought together leaders from across business, government and civil society to help accelerate progress towards achieving this goal.

MARKETPLACE

€275m	Spend on research, development & application in 2018	100%	Kerry manufacturing sites with GFSI certification
100%	Kerry manufacturing sites with Sedex membership	100%	Kerry milk suppliers under an accredited farm level sustainability programme

As in many industries, the food industry faces a variety of challenges keeping up with the unprecedented pace of change. Driven by consumer trends, changing demographics and the ever-increasing prevalence of technology, business models are evolving as the marketplace continues to shift. Growing preferences for healthier options, concerns over environmental sustainability, increased competition from challenger brands and alternative food sources are creating a new dynamic within the industry.

Consumers want to know what is in their food and beverage products. Transparency is increasingly being demanded around how ingredients have been produced and the implications for people and the planet. At Kerry, our impact extends from the raw materials we source right through to the product's effect on the end consumer. Our marketplace goal is to deliver the highest quality products and use our position in the value chain to contribute positively to the health and sustainability of consumer diets.

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

Health & Nutrition

According to the World Health Organisation, 71% of global deaths are attributable to non-communicable diseases and with unhealthy diets identified as one of four primary risk factors, there is a growing level of scrutiny on how food and beverage products impact wellbeing. With almost 40% of adults overweight, it's evident that current diets and lifestyle are increasingly implicated in a range of chronic conditions.

Amid growing awareness of the link between diet and health, there is increasing demand from consumers for products that they can trust to maintain and enhance wellbeing. As the world's leading Taste & Nutrition company, we are ideally placed to support our customers in the development of healthier, clean label product offerings that meet these changing consumer expectations, while continuing to deliver the same authentic taste of firm favourites and satisfying the demand for new and exciting flavours.

Clean Label

We have the industry's leading portfolio of taste and nutrition technologies and our product development and innovation work brings together Kerry's unrivalled global capabilities to develop market leading solutions based on local needs and taste preferences. We lead the industry with our investment in Research, Development and Application. In 2018, we invested a further €275 million in this area to ensure we continue to shape the future of food. For more see Our Markets page 24.

150+

The KHNI has published 150+ articles, 13 White Papers and hosted 6 specialised webinars since 2016

We continue to work with others to support Kerry's leadership position and are engaged with external centres of expertise, through which we share and acquire new knowledge. The Kerry Health and Nutrition Institute (KHNI) has established itself as a leading source of thought leadership in the area of diet and health. In 2018, KHNI published more than 60 articles and ran a highly successful webinar series attended by the world's top 10 food and beverage companies.

Kerry Foods' 'Better For You' Programme

Within our consumer foods division, Kerry Foods, we continue to look at how to improve our branded products through the 'Better For You' Programme. The primary focus of the programme is to reduce calories, saturated fat, sugars, salt and add positive nutrition as appropriate, without compromising on taste.

Following on from previous reformulation work and in line with Public Health England's (PHE) reformulation targets, in 2018 we achieved a 13% reduction in salt in our Richmond sausage brand and building on the 5% sugar reduction achieved within the yoghurt category in 2017, we continue to reduce sugar to meet the PHE's 2020 sugar reformulation targets.

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

Creating Sustainable Solutions

TasteSense™	Clean Smoke	Plant Protein
Better for you, naturally.	**Natural Flavour. Pure & Simple.**	**Good for you and for the planet.**
Consumers want healthier food and beverage options, but reformulation can negatively impact taste. Our TasteSense™ portfolio helps customers remove undesirable ingredients (sugar, salt) from their products, replacing them with healthier options that preserve aroma, flavour and texture, while delivering a clean label solution.	With a proprietary process using only wood, heat, water and filtration, condensed natural smoke is 100% natural and completely chemical-free. We capture the healthy and flavourful parts of the smoke, and use the tar and charcoal filtered out during the production process to run our plant instead of using fossil fuels.	Consumers are interested in dietary choice as evidenced by growing trends such as veganism and interest in more sustainable foods and beverages. We combine taste, nutrition and functionality across plant protein sources to create easy-to-use, high protein solutions with a lower environmental footprint.

Ensuring Quality & Food Safety

We strive to produce safe, high quality products and have stringent food and product safety requirements in place across the Group, as outlined in our Food Safety and Quality Policy. We take a 'farm to fork' view that incorporates preventive controls through to horizon scanning and embedding best practice. We have rolled out a global quality management system and in 2018, 100% of our sites achieved Global Food Safety Initiative (GFSI) certification. GFSI is an industry-driven initiative that reduces food safety risks by delivering equivalence between effective food safety management systems and we leverage this platform to ensure food safety and compliance with quality standards.

Kerry also requires that its suppliers of raw materials comply with strict requirements as laid out in the Group's Supplier Requirements Manual. In 2018, our global Supply Quality Team had a food safety verification audit footprint in 45 countries where direct materials are sourced, in line with Kerry's annual supplier risk assessment and geographic expansion. Following the establishment of our Global Raw Material Centre of Excellence, we have created and agreed global buying specifications with strategic suppliers and continue to pursue ongoing category transformation, reducing complexity, lowering risk and increasing efficiency and supplier trust.

Like many of the sustainability challenges we face, issues around food safety and food fraud in the supply chain are not unique to Kerry. In 2018, our global Supply Quality Team worked closely with industry organisations and peers to support and influence the strategic development of global food safety standards. We participated in the review of the British Retail Consortium (BRC) Global Food Standard and were part of a joint SSAFE (Safe Supply of Affordable Food Everywhere) and Accenture review of six global food and beverage companies, resulting in an industry best practice guide to help manage food safety in mergers and acquisitions.

Responsible Sourcing

Much of the environmental impacts associated with our products occurs in the supply chain, often at farm level. Although we do not own or operate any farms, Kerry is committed to promoting good agricultural practices and to upholding the rights of workers who help to produce our raw materials.

With a raw material spend of almost €4 billion, Kerry sources products from thousands of suppliers, providing vital support to agricultural communities around the world. However, some of the raw materials we use can present social and environmental challenges. Addressing these challenges can prove difficult within a complex and global supply chain and, where possible, we seek to work with other stakeholders on a pre-competitive basis to find common solutions.

We continue to work to improve the traceability and sustainability of our raw materials and have a focus on six strategically important raw material categories. Certification standards play an important part in demonstrating good practice, however, we also engage closely with suppliers across these six categories and work collaboratively at farm level in a number of priority areas.

- Dairy
- Vanilla
- Meat
- Herbs & Spices
- Palm Oil
- Paper Packaging

We are members of a number of important multi-stakeholder initiatives, through which we seek to work with others to advance responsible sourcing at category and industry level. These initiatives include the SAI Platform, Innovation Centre for U.S. Dairy, Sustainable Spices Initiative, Origin Green, Roundtable on Sustainable Palm Oil and the Sustainable Vanilla Initiative.

Protecting Workers in our Supply Chain

Our Supplier Code of Conduct sets out our expectation that all suppliers act ethically, honestly and in accordance with all applicable laws. It is explicit in stating our respect for internationally recognised human rights and Kerry does not tolerate the use of forced or child labour, in any operations connected with the Group.

We monitor compliance based on risk and use independent input to help determine our areas of focus. Kerry is a member of SEDEX (Supplier Ethical Data Exchange), the world's leading collaborative platform for sharing responsible sourcing data, and we use this platform to assess our suppliers and help drive improvements in labour standards. To further support us in these efforts, we recently joined the Food Network for Ethical Trade (FNET). Established in 2016, this industry initiative aims to improve human rights in global food supply chains through a common approach to managing ethical trade.

Sedex Member FNET

Our 2020 goal is for all direct suppliers classified as high risk to be members of SEDEX. We continue to make good progress towards that goal with 60% of these suppliers registered in 2018. Under our Supplier Code of Conduct, Kerry reserves the right to conduct independent audits of suppliers to confirm compliance and in 2018, 20% of our high risk suppliers had independent SMETA (SEDEX Members Ethical Trade Audit) audits in place.

Promoting Sustainable Agriculture:

Palm Oil

At Kerry, we believe that working with industry partners to effect change is the best long term solution for the palm industry. As a member of the Roundtable on Sustainable Palm Oil (RSPO), we continue to pursue the sourcing of more sustainable palm oil and achieved our 2018 target of 100% physical RSPO certification across all Kerry Foods branded products.

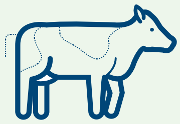
We also published our second palm oil progress report during 2018, outlining that 96% of our volumes were sourced in accordance with the Group's Palm Oil Policy and highlighting increased traceability for our volumes back to both the mill (98%) and plantation (48%). For more information see this progress report on www.kerrygroup.com.

Dairy

Kerry's liquid milk suppliers use a natural, grass-based production system that is among the most carbon efficient in the world. Still, dairy production has a significant environmental footprint and Kerry's Agribusiness division works closely with our farmers to support them in implementing more sustainable practices in areas such as grassland management, soil health, water quality and animal welfare.

100% of Kerry's milk suppliers are certified under the Sustainable Dairy Assurance Scheme (SDAS), through which each farm is independently audited against 170 requirements. Sustainability data is assessed and every farmer is provided with a carbon footprint for their farm, together with information on what changes to farm practice could help to reduce this.

In 2018, through our membership of the Sustainable Agriculture Initiative (SAI) Platform, Kerry was also an active participant in piloting the Dairy Sustainability Framework (DSF), alongside other industry partners. Our expectation is that the DSF will provide a common approach to assessing sustainability at farm level that can support Kerry's responsible sourcing targets for those dairy ingredients where we do not have a direct relationship with farmers.



100%

100% of Kerry's milk suppliers are certified under the Sustainable Dairy Assurance Scheme (SDAS)

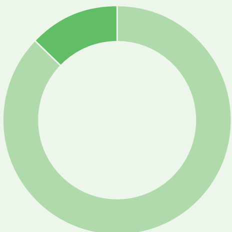
Project Ilham

In 2018, Kerry launched a smallholder programme in collaboration with Bunge Loders Croklaan, IOI Plantation and the Fortuna mill in Sabah, Malaysia. Known as Project Ilham, or 'Inspiration' in the Malay language, the programme aims to support smallholder farmers to improve their yields, thereby increasing production, without the need for additional land and helping to improve the livelihoods of farm families. Our goal with the programme is to help these smallholders to increase their standard of living while introducing good agricultural practices that will help them to meet the levels required by recognised certification standards.

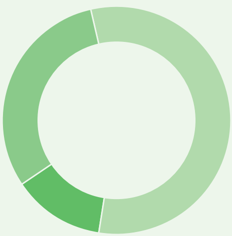
Meat

In 2018, we further engaged with our supply base to understand our key impact areas. With a focus on the priority issues of animal welfare, antibiotic use and sources of feed, we examined how our suppliers are currently addressing these key areas of risk. The outputs from this engagement are outlined below and confirm that we work with suppliers who employ leading farm practices and the majority have third party certification or policy commitments addressing these topics. We will continue to work with them and others to look at how further improvements can be made.

Animal Welfare and Antibiotics



Animal Feed (Deforestation)



Vanilla

In Madagascar, Kerry's Tsara Kalitao Programme supports more sustainable vanilla production. With a focus on improving livelihoods, empowering women and educating children, the programme takes a holistic and long term approach to sustainability in the regions where we source.

At farm level, agronomists work to improve agricultural practices among farmers, helping them to progress production techniques, boost their yields and thereby increase their income. In 2018, vanilla beans produced under the programme were awarded organic certification reflecting the natural methods of cultivation.

We also look at other ways of protecting farm incomes and with the increase in the price of vanilla, the incentive for theft of beans prior to harvest has increased, reinforcing the importance of the community watch programme initiated in participating villages.

We are also focused on ensuring that children across these villages have the opportunity to stay in school and are pleased to note the increase in the level of educational attainment by children at schools participating in this element of the programme. For more information see our vanilla progress report on www.kerrygroup.com.

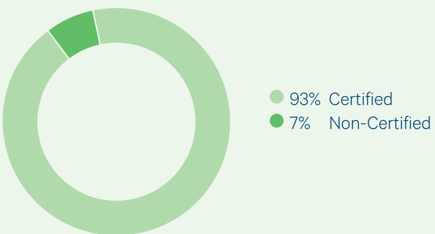
Herbs & Spices

Within this category we have established a programme that aims to source only from primary processors. These supply partners are chosen for their consistent high quality and reliability, their proximity to farming communities and their commitment to working in close collaboration with these farmers. Kerry is also an active member of the Sustainable Spice Initiative, a platform which aims for fully sustainable spice production and trade. Sustainably certified spices are not widely available and certification programmes are in their infancy relative to other commodities. However, in 2018 as we seek to build a more sustainable sector, we have committed to working towards 10% certified sustainable sourcing in our top 3 product categories by 2021 and to achieve or exceed 25% certified sustainable sourcing in our top 3 product categories by 2025.

Paper Packaging

Our 2020 target is to procure 90% of our fibre based packaging from sources that are certified, verified or recycled. In 2018, we exceeded that target with 93% of our volume by spend meeting these requirements. Accepted certification standards include Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) and the Sustainable Forestry Initiative (SFI). Having surpassed our 2020 target, we will continue to look at how we ensure the sustainability of our remaining volumes into the future.

Paper Packaging



No Deforestation

Forests play a critical role in supporting our ecosystem and are a source of fuel and food for over a billion people, yet forests globally are under threat. According to the World Resources Institute, almost 16 million hectares of tree cover were lost in 2017. Agriculture is a leading cause of deforestation and Kerry has committed to ensuring that the raw materials we use do not contribute to further forest loss by 2025. Our no deforestation commitment is across targeted supply chains that represent a high risk of deforestation and includes meat, dairy and palm oil. We also recognise that soy production, particularly for use in animal feed, is a key risk category. In 2018, we became a member of the UK Roundtable on Responsible Soy. As part of our efforts in this category, we will examine the impacts of our direct and indirect soy purchases in more detail through 2019.

Marketing and Communications

At Kerry, we are committed to providing clear product information, which supports consumers in making healthy choices. All advertising and brand positioning conforms to national advertising codes of practice and we are conscious of the potential impact of marketing to children and young people. 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.

A National Commitment

Origin Green is Ireland's national food and drink sustainability programme led by Bord Bia (Irish Food Board). The programme brings together farmers, producers, retailers and foodservice operators with the goal of making Ireland a world leader in more sustainable food production.

Origin Green enables Ireland's food industry to set and achieve measurable sustainability targets and Kerry is proud to be a founder member. As part of our Origin Green charter, we have set commitments for improvement across specified target areas including responsible sourcing, manufacturing operations and social impact.

These commitments are fully aligned with the Group's broader sustainability goals and we continue to lead with the delivery of our programme. The independent verification of our performance under Origin Green also helps to provide further assurance around our progress on these issues.

Origin Green IRELAND

The Origin Green programme brings together farmers, producers, retailers and foodservice operators with the goal of making Ireland a world leader in more sustainable food production.

WORKPLACE

>25,000 Employees	Kerry's global workforce	**8%**	Reduction in reported health & safety incidents
>102,000 Courses Completed	Learning & Development	**100%**	SMETA audits across sites in developing markets

As a global organisation, our ability to attract and retain the very best people from around the world is essential for delivering on our strategic goals. The 25,000 plus colleagues who come together within Kerry's innovative and entrepreneurial culture are a key source of competitive advantage, and central to our ongoing success.

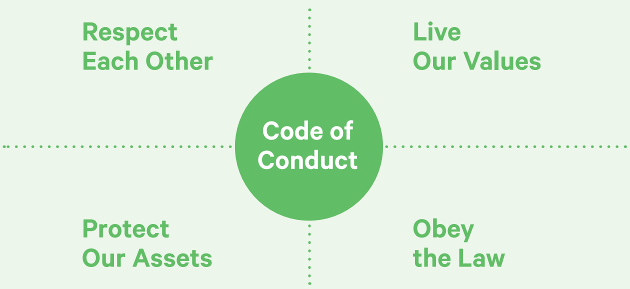
In an increasingly competitive landscape for talent, and amidst changing employee expectations, Kerry is focused on creating a safe and inclusive workplace, where people can thrive. We recognise that delivering on our goals requires a positive working environment, where people feel valued.

We understand the need for the appropriate policies and procedures to promote employee wellbeing, and to protect and enhance the Group's reputation, and we know that by engaging people more fully we can realise a shared ambition for success.

Under the Workplace pillar, we are building an environment where people develop their potential and feel empowered to succeed. We do this through the way we conduct our business, reward talent, provide prospects to grow and give people the opportunity to make a difference.

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

Doing the Right Thing



At Kerry, doing business with integrity is fundamental to the way we operate and the foundation for our long term success. Business results must always be achieved ethically and legally and the Group's comprehensive Code of Conduct clearly defines the standards and expectations set for all Kerry colleagues. The policies behind the code provide clear guidance for our daily interactions and these policies are reviewed annually. The ongoing responsibility for their implementation rests with Group management, supported by relevant functions including HR and Internal Audit.

The Code of Conduct is made available across the Group in multiple languages and is applied to all aspects of our business. All colleagues are required to familiarise themselves with this code on joining Kerry and we mandate ongoing training through our learning academy. In 2018, 80% of all eligible colleagues had achieved Code of Conduct certification.

Where employees have concerns about business conduct, the Group provides clear guidance on how to report these. The Employee Concerns Disclosure Policy details the appropriate means of reporting alleged misconduct. It encourages employees to speak up if they believe something is not right and is clear about the protection afforded to whistleblowers. However, we understand that there can be a reluctance to report in person and so to ensure that people are comfortable in expressing their concerns, the Group operates an ethics hotline, through which employees and third parties can report an issue anonymously (www.kerrygroup.ethicspoint.com).

In 2018, we continued to monitor and investigate all reported issues via this 'Express a Concern Service'. The majority of the concerns reported (88%) relate to internal HR issues although we continue to see third party engagement with this service. During the year, the Group's Audit Committee reviewed the operation of this facility and confirmed to the Board that they were satisfied it was operating effectively (see page 105).

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.

Fighting Bribery & Corruption

As part of the Group Code of Conduct, Kerry's Anti-Bribery Policy describes our zero tolerance approach and provides guidelines to all employees regarding potential situations involving bribery. This policy, together with policies on fraud, money-laundering, fair competition and engaging with Government officials, all support Kerry's efforts to ensure that corrupt practices do not form part of our business relationships. Internally, we ask questions on bribery and corruption of each business unit as part of the ongoing assessments undertaken by the Group's Internal Audit Team. In 2018, no incidences of bribery or corruption were uncovered across the Group.

As a business, we are also a member of SEDEX (Supplier Ethical Data Exchange) and each of our sites globally are registered with the platform. As part of this membership, each site completes a self-assessment focused on areas aligned with our Code of Conduct, including ethical business practice. Furthermore, 75% of our sites, including all those in developing regions, are subject to an independent SMETA (SEDEX Members Ethical Trade Audit) or equivalent audit.

Upholding Human Rights

We conduct our business in a manner that respects the rights and dignity of all people. 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 employees and also sets out our expectations of business and supply chain partners to conduct their business in a way that upholds 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 sites are registered with SEDEX and complete a self-assessment, 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 independent SMETA, or equivalent, audits.

Our Supplier Code of Conduct is explicit in demanding that those who seek to do business with the Group uphold the rights of workers and expressly forbids the use of child labour, or 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 60.

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

Improving Health & Safety

Ensuring the health and safety of our employees is a priority for Kerry. Led by the Global Health, Safety and Environmental (HSE) steering team, Kerry has implemented a Group-wide Health and Safety Policy and management system that defines consistent ways of working and establishes standard requirements across each region. While calling out responsibilities and accountability at all levels, our Health and Safety Policy outlines the role for all employees to work safely and challenge any unsafe behaviour. Employees are supported by HSE personnel across our sites, who work with site managers to ensure we consistently promote a culture of Safety First, Quality Always.

We measure performance on an ongoing basis and progress reports are presented at regular intervals to the Group's Sustainability Council. We celebrate success internally and share best practice among our 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. In 2018, we delivered an improvement of 8%, resulting in a cumulative 30% improvement since the commencement of our Towards 2020 Programme in 2015. While this represents significant progress, we recognise that there is no acceptable level of accident or injury and so continue to strive for the safest possible working environment.

Safety First, Quality Always

Contributing to Wellbeing

Given the significant time employees spend in the workplace, we know that as an employer we can play an important role in personal wellbeing beyond health and safety. At Kerry, we want to support our colleagues in leading healthier, more active lives and in 2018, we defined four key areas of support: Nutritional, Emotional, Physical and Financial. Within this global framework, we have begun to expand a number of locally relevant initiatives and promote a greater awareness around the concept of wellbeing.

Our local site wellness champions work hard to ensure that we have locally appropriate activities to support each area and our wellbeing and benefits partners offer a wide range of support such as employee assistance, advice programmes, talks and workshops, gyms, activity clubs, health screening and financial education.

Mental Health Day

In 2018, we recognised World Mental Health Day globally through various executive sponsored activities. At our site in Shillelagh, Ireland, 90 colleagues participated in practical training and guidance on emotional wellbeing through a partnership with a local charity 'Talk to Tom'.

Engaging Employees

We aim to create a workplace where our people are challenged in their roles and have the opportunity to make a meaningful contribution to the success of the business. Employee engagement benefits both our people and the business as a whole, with outcomes shown to include higher levels of wellbeing, performance and retention.

In 2017, we conducted the first Group-wide employee engagement survey, 'ourVoice', providing us with a better understanding of how our people view our organisation. The results of the survey, provided an insight into areas where Kerry is doing well and also areas where there is an opportunity to improve.

Following the survey, action plan committees, consisting of our people and management representatives, were formed to identify key changes that could be made in the short, medium and long term to drive Kerry forward and make it a better place to work. In 2018, the work of these committees has been ongoing, and implementation of the action plans has been rolled out across the Group.

Example highlights of group-led activities include, our investment in new HR technology to manage our people processes more effectively and efficiently across the organisation which resulted in the launch of the 'mySuccess' platform in October 2018. Also, in response to an opportunity to strengthen our people leader capabilities and create greater clarity on the role of the people leader at Kerry, we have introduced a new framework and set of objectives for all people leaders, which will be reinforced through the performance management process in 2019.

In 2019, we will conduct a follow-up survey to assess the outcomes of action plans both globally and locally to continue to enhance our approach to engaging our people and improving their experience at Kerry.

8%

Health & Safety
8% year-on-year improvement

Promoting Diversity, Inclusion & Belonging

As a global organisation, we understand that Diversity, Inclusion & Belonging (DIB) are essential elements for a successful workplace and since the introduction of our Global Diversity Programme in 2016, we have continued to embrace these principles for innovation and growth through attracting the best talent to our business, growing our own people and capabilities and building more agile working practices.

Our Diversity, Inclusion and Belonging Policy reinforces our focus on these areas across all Group activities, supported by our global taskforce established during 2018, to help us gain a better understanding of the issues facing the organisation and the ways in which we can take positive action on this agenda.

In addition, Kerry has taken up membership of the Irish Chapter of the 30% Club and is represented on the advisory group of an industry led Agri-food D&I Forum, led by Bord Bia and aligned with the 30% Club. As part of these partnerships, Kerry has contributed to an industry wide review on gender balance, results of which were published in an external report entitled 'Diversity & Inclusion in the Irish Food & Drinks Sector: Women in Business' in September 2018. This has helped to inform our continued approach to diversity, inclusion and belonging across Kerry as well as beginning to set the standards for all Irish based companies in our sector.

Other steps taken have included improved internal reporting to monitor progress of diversity and inclusion initiatives and commissioning expert research, to engage all our people in shaping further development of our wider diversity, inclusion and belonging agenda within Kerry for 2019.

Developing Talent

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. We encourage our people to take responsibility for developing their own careers through exploring new experiences and seeking opportunities that will enable them to fulfil their aspirations, whilst continuing to drive our business forward.

Kerry recognises that talent management is therefore key to enabling our people to achieve our business goals and we undertake continuous investment in colleagues, adopting a structured approach to talent management through our dedicated 'mySuccess' platform.

The 'mySuccess' platform provides a structured mechanism for our people and managers to discuss performance and career progression with ongoing feedback and coaching, as well as formal year end reviews. Training or development needs identified as a result of this two-way process are supported through the Kerry Learning Academy, which facilitates the provision of tailored and more general learning solutions across the organisation. These solutions include classroom, online and interactive content that provides instruction, stimulates discussion and encourages collaboration from structured graduate training through to leadership development programmes. In 2018, Kerry colleagues completed over 102,000 courses.

One of the opportunities identified as a result of our most recent employee engagement survey was the enhancement of our learning solutions with additional tools and resources. During 2018, we engaged with our people across the organisation, working within each of our different functions and business areas to develop a series of career frameworks. These frameworks offer step-by-step guidance for our people in developing a challenging and rewarding career within Kerry, aligned to their individual capabilities and interests. (For more, see Our People, pages 16-21).

KERRY Learning Academy

mySuccess

Rewarding Performance

Compensation and benefits are a core part of our talent 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 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.

> 102,000

Learning & Development courses completed

COMMUNITY

RAIN Programme Niger	Addressing food security	**Project Leche** Honduras	Improving nutrition
Special Olympics	Building more inclusive communities	**Kerry Volunteers**	Connecting people locally

With our heritage as a cooperative, Kerry has a proud tradition of working to positively impact on the lives of those around us. We play a critical role in the lives of local communities through the value created by our business activities, the jobs we provide, the raw materials we purchase and the products we produce. However, we realise that we can have an even greater impact by working with others and harnessing the goodwill and passion of our people.

As a leader in the food industry, the key focus of our community programmes is on nourishing the lives of those who are beyond our day-to-day reach. Our flagship programmes centre on improving health and nutrition, reducing hunger and providing assistance in ways that will make a lasting difference to those most in need. With these programmes we work at multiple levels in countries and communities at different stages of development. We seek to collaborate with partners who are established locally and with whom we can work to help effect transformational change.

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

RAIN Programme

Realigning Agriculture to Improve Nutrition (RAIN) is a multi-disciplinary approach to tackling hunger and malnutrition in some of the world's poorest regions. In partnership with Concern Worldwide, a leading international development agency, Kerry has previously supported the successful implementation of the RAIN Programme in the Mumbwa district of Zambia, from 2011 to 2015.

Building on the success and learnings from that programme, Kerry announced in 2018 that it would commit a further €1 million to bring a second phase of the RAIN programme to Niger, West Africa. Niger is a landlocked and largely arid state on the edge of the Sahara desert and is rated by the UN as one of the world's least-developed nations.

The Tahoua region, where the RAIN Programme is located, is one of the most impoverished regions in Niger. Here small-scale farmers depend on rain-fed subsistence agriculture, but with erratic rainfall, pest invasion and inadequate responses to climate change, the poorest families in Tahoua exist in a state of chronic poverty.

Through the RAIN Programme, Kerry aims to build resilience within these communities and to achieve this the programme focuses on the following objectives:
- Increasing food production and diversity of nutrient-rich diet
- Promoting key health practices for improved maternal and child nutrition
- Improving access to reliable and safe water sources and sanitation
- Reducing inequalities experienced by the extreme poor and vulnerable, particularly women and girls
- Strengthening the capacity of local structures to identify issues and solutions within the community

By addressing these broader factors contributing to hunger and malnutrition, this second phase of the RAIN Programme will make a positive, long term impact on the lives of some of the world's poorest people.

2018 marked the first of the four year implementation period and already we have begun to see the impacts. In keeping with Concern Worldwide's ethos of working with the 'poorest of the poor', 1,000 extremely vulnerable households have been selected for participation across seven villages. Baseline surveys were conducted to help monitor progress and partnerships have been built with the local community and key stakeholders to promote ownership and ensure long term sustainability.

Across the key objective areas, progress has been made as follows:

Increasing food production and diversity of nutrient rich diet:
- Seventy lead farmers were trained on adoptive climate smart agriculture techniques and households were provided with short cycle bio-fortified millet seed. To diversify food production, kitchen sack gardens were established among participants enabling households to produce and consume fresh vegetables and raise extra income.

Promote key health practices for improved maternal and child nutrition
- A network of trained community volunteers were supported to conduct education and awareness raising activities and promote behaviour change around health and hygiene practices.

Improve access to reliable and safe water sources and improved sanitation
- Water management committees were established in the targeted villages and provided with hygiene kits to promote safe water management from source to consumption. Monthly awareness sessions were conducted to improve hygiene practices.

Reduce inequalities experienced by the extreme poor and vulnerable, particularly women and girls
- Community level inter-generational and gender dialogues were introduced in all seven villages. Other awareness raising and sensitisation activities were conducted to help change prevailing social norms and redress gender based inequalities.

Strengthen the capacity of local structures to identify issues and solutions within the community
- Collaborative agreements were put in place with relevant government departments and seven Community Early Warning and Emergency Response Committees were established across the targeted villages with support from regional and village authorities.

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 three-year partnership, 'Project Leche', is piloting the safe and sustainable inclusion of dairy products within WFP's Home Grown School Meals (HGSM) Programme in 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. Here Kerry's expertise in nutrition and sustainable dairy production is supporting small communities to overcome food security concerns and improve nutrition.

KERRY supporting WFP World Food Programme

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.

The second year of Project Leche successfully concluded in 2018, with improvements in the student's nutrition, the livelihoods of smallholder farmers and the improvement of healthy eating practices amongst the wider community. As part of the project, Kerry Agribusiness brought a number of Honduran farmers to Ireland in April 2018, and with the support of our milk suppliers, demonstrated and shared best practice milk production. Through this peer-to-peer platform, we aimed to illustrate practical examples of where improvements can be made on Honduran farms and the potential benefits these could bring.

Impact in 2018

Nutritional Impact	Sustainable Milk Production	Education & Awareness
1.6% decrease in rates of stunting.	Collaboration and exchange of learnings amongst smallholder producer associations, marking a 40% increase in activity.	121 mothers participating in School Feeding Committees received training on nutrition, food hygiene and preparation.
Severe and moderate wasting rates reduced from 8.1% to 1.5%.	Increases in milk production in both the summer and winter seasons with volumes up 33% and 18% respectively, versus baseline.	208 teachers have received nutrition and awareness training, empowering them with the skills and knowledge to educate children on healthier eating.
8% decrease in the presence of intestinal parasites amongst participating students.	A selection of farmers, identified as Monitor Producers have seen a collective increase in income of $1,200 per year. Monitor Producers act as leaders in best practices and facilitate training amongst the wider farming community.	Teacher and community networks have been established leading to greater knowledge and awareness, contributing towards a cycle of healthier eating in schools and at home.

Noon Foundation

Our Kerry Foods division is the leading UK producer of authentic, convenient Indian cuisine and has close ties to India through the late Lord Gulam Noon, British based businessman and founder of Noon Products, which is a Kerry business.

Prior to his death in 2015, Lord Noon had founded the Noon Foundation, through which the Noon Hospital and Research Centre was established. The hospital in Rajasthan, India, provides essential medical services for rural communities which would otherwise lack access to quality healthcare. The comprehensive facility provides world-class services with state-of-the art operating theatres, an intensive care unit, neonatal ICU and eye department and boasts highly skilled staff.

In partnership with the Noon Memorial Legacy Trust, Kerry agreed to support the development of the hospital in 2016 and to enable the expansion of the services it provides. As part of a five year programme of support, in March 2018, Kerry was delighted to officially open a fourth wing at the hospital focusing on eye care.

India is home to the world's largest population of blind people and the difficulty of losing vision is exacerbated by the fact that once blind, many lose their livelihoods forcing them, and often their families, into a life of poverty. However, in many instances blindness is preventable with timely access to the right treatment. Critically for Kerry, the Noon Hospital provides healthcare on the basis of need rather than ability to pay, and offers those in the surrounding region access to the high quality treatment they require.

The new 'Kerry Wing' houses the hospital's ophthalmic department, which treats a variety of health issues, including glaucoma, blindness, trachoma and cataracts and is accredited by the state Government through the District Blindness Control Society for prevention of blindness.

Since opening its doors in March, this new centre of excellence for eye care has treated almost 18,000 patients, and has allowed for a 20% increase in surgeries, including a 79% increase in cataract surgeries, provided for free to those most in need.

Connecting People

At Kerry, we are a community of over 25,000 committed and passionate individuals and under our community pillar, we want to encourage our people to take the opportunity to engage with the communities around them.

To support this, the Kerry Volunteer Programme provides paid leave for colleagues who want to engage in local community programmes. Many employees have already availed of the opportunity, often alongside their colleagues, and we hope to substantially grow the number and impact of Kerry volunteers over time.

Our local community initiatives span a broad range of activities and include enterprise, education, arts, sport and community development. With local ownership, each of our sites has the opportunity to select and engage with activities that make a difference to their local communities.

Special Olympics

Special Olympics

One community programme that has captured the imagination of our colleagues has been our two-year partnership with the Special Olympics announced in 2018 and launched in the UK, Ireland, The Netherlands and Poland.

The mission of Special Olympics is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community. This aligns with our desire at Kerry to support the inclusion of people with intellectual disabilities in our local communities.

18,000

The 'Kerry Wing' of the Noon hospital has treated almost 18,000 patients

2 Year

Special Olympics 2 year partnership to support athletes

We are delighted that throughout 2018 our people have fully embraced all opportunities to volunteer at Special Olympics events around our partner countries. At the Ireland Games in June, and the Great Britain games in August, we supported a total of 120 Kerry volunteers. In addition, our Kerry volunteers have been fundraising, mentoring athletes and developing their leadership skills through joint problem-solving with the Special Olympics Board in Great Britain.

In recognition of the dedication and commitment shown by our people to this partnership this year, we will be offering a unique opportunity for Kerry volunteers to attend the World Games in Abu Dhabi, in March 2019. In addition, we are planning to leverage our Kerry expertise in food and nutrition in partnership with the Special Olympic country boards, to offer advice and support at a grass roots level to athletes and their families on nutrition and healthy eating.

Sport

We believe that sport can play an important part in a healthy active lifestyle, helping bring communities together and promoting both physical and mental wellbeing. Kerry are proud supporters of many amateur sports including all Kerry county GAA teams, Rás Mumhan, Ireland's premier international amateur cycling event, and local community games which encourage children in a range of sporting disciplines.

We also continue to support the Kerry Sports Academy at the Institute of Technology Tralee, Ireland. Scheduled to open in 2019, it will be home to the UNESCO Chair in Inclusive Physical Education, Sport Fitness and Recreation and CARA, the National Centre for Adapted Physical Activity.

Community Development

Enterprise plays a key role in maintaining strong and vibrant communities, however, the increasing trend towards urbanisation poses a serious challenge for many rural locations. In Ireland, we are founder members of the Kerry SciTech initiative, which aims to link talented individuals with exciting opportunities across a range of startups and more established companies in the south west region.

We also know that not-for-profit organisations play a vital part in community life and we are proud supporters of numerous charities. We understand their reliance on volunteers who undertake much of the unseen work and as well as our financial assistance, we are proud that Kerry colleagues help make such an impact.

Habitat for Humanity

In 2018 our Crossville, Tennessee, site in North America partnered with the Cumberland County Habitat for Humanity, an organisation that provides families in need with safe, affordable homes. As part of the process, future homeowners work alongside volunteers and other Habitat homeowners on everything from preparing the building site to construction in order to build 'sweat equity' in their new home and invest in their long term success.

Support for the Arts

In Southwest Ireland, where the Group is headquartered, we are a key contributor to the local arts. We are proud to sponsor the internationally acclaimed literary festival 'Listowel Writers Week', including the festival's top prize 'The Kerry Group Novel of the Year'.

We are also corporate sponsor to Ireland's National Folk Theatre, Siamsa Tire, an organisation that helps keep Irish folk traditions alive through production and training of young people in the traditional arts.

Education

We understand the importance of education in promoting economic opportunities and as an organisation we offer a number of scholarships across our regions each year. In Malaysia, Kerry has supported primary school children in providing back to school packs, computers for schools and partnering with WWF (World Wildlife Fund) to organise an Eco-Schools Training Programme. Our sustainable vanilla programme in Madagascar also has a key focus on education (see page 62).

We are sponsors of the Origin Green Ambassador Programme, through which 10 talented individuals are selected to complete an MSc in Business Sustainability. The programme is designed to help equip businesses for the sustainability challenges that lie ahead by growing the expertise and pool of talent within our industry. Kerry is also a supporter of post-doctoral research across the humanities and sciences through University College Dublin's Newman Fellowship Programme.

RISK REPORT

EFFECTIVE RISK MANAGEMENT

As a leader in the global taste and nutrition industry, it is critical that Kerry has a robust risk management framework in place to identify, assess, prioritise and effectively manage its risks in order to ensure that it can continue to grow profitably.

The Group's success depends on its ability to identify and exploit the opportunities generated by the business and to determine the nature and extent of the risks it is willing to take 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, suppliers 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

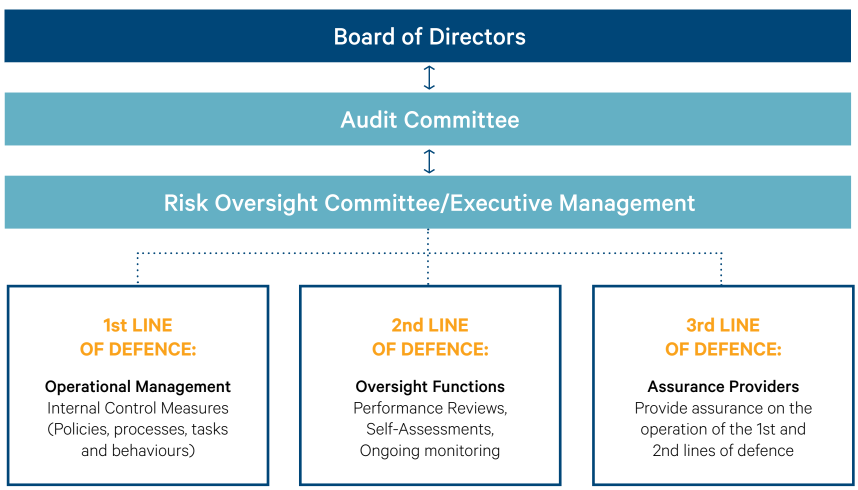
The Board has implemented appropriate governance structures to ensure that there is clarity of ownership and responsibility for risk management throughout the Group. An overview of the Group's risk management and internal control framework, responsibilities within it and the relationship between functions is outlined in the diagram.

Board of Directors

The Board of Directors are ultimately responsible for the management of risk and for setting the Group's risk appetite. The Board ensures that appropriate risk management and internal control systems, designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives, are in place. The Board also sets 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 considered how the Group's principal risks and uncertainties could potentially impact the going concern and long term viability of the Group. The conclusions of this assessment are outlined on page 86.

Kerry Group Risk Management Framework



Audit Committee

Under delegation from the Board, the Audit Committee is responsible for providing structured and systematic oversight of the Group's risk management and internal control systems. The Audit Committee reviews and monitors the effectiveness of the Group's risk management and internal control systems throughout the year 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. The Chairman of the Audit Committee reports to the Board at each Board meeting on its activities both in regard to audit matters and risk management.

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 101-105.

Risk Oversight Committee

The Risk Oversight Committee (ROC) is chaired by the Chief Financial Officer and comprises senior Group and divisional management. The ROC supports the Audit Committee in the risk management process through ongoing monitoring and evaluation of the risk environment and the controls in place to manage those risks in addition to consideration of emerging risks which may impact the Group in the future. The ROC also ensures that there is a continuous focus on improving 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 and Board on an annual basis.

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 both key existing business risks and newly emerging 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 Quality, Health, Safety and Environmental (QHSE) 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 is operational management who have day-to-day responsibility for implementing and monitoring effective internal controls 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 involves 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 processes 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 Groupwide approach that facilitates the identification and evaluation of risks, as well as assessing how the risks are monitored, managed and mitigated. As an enhancement to this process in 2018, a consideration of key emerging risks was also completed. This process is facilitated by Internal Audit and overseen by the ROC. Both ongoing and emerging risks were evaluated through bottom-up input from management across all divisional and functional areas who, through a programme of one-on-one interviews and a survey, performed a detailed review exercise to update the Group risk register.

During this process all existing strategic, operational, 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 evaluates 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 interviews and survey are consolidated and ranked to identify the key 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 that could threaten the business model, future performance, solvency or liquidity of the Group. Throughout the year, the Board considers 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 financial & compliance or operational 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. developing 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 table overleaf 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 26-28.

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. Likewise, some of the current risks may drop off the schedule as management actions are implemented or changes in the operating environment occur.

The Board has reviewed the principal risks and considers that, while there has not been a significant change in these risks in the past year, they do continue to closely monitor the ongoing political situation in the UK with regard to the UK's impending exit from the EU in March 2019 as it is likely that the outcome will have implications for the Group. The Board also continues to monitor risk in the context of the growth of the Group through geographic expansion and ongoing acquisitions, in addition to regulatory change.

Emerging Risks

The new 2018 UK Corporate Governance Code which is effective for financial years commencing on or after 1 January 2019, includes an additional requirement for Boards to consider emerging risks as part of their overall risk management responsibilities. In order to comply with this new requirement, the Group's risk assessment process was enhanced in 2018 to include a consideration of key emerging risks.

Having reviewed the outcome of the risk assessment process, the Board is satisfied that there are no significant emerging risks that could impact the achievement of the Group's strategic objectives in the near term. However, there are a number of risks which must be monitored as they may have a potential impact for the Group in the future. Key emerging risks in this category include, Technology Innovation and Disruption, Climate Change and Water Scarcity.

Principle Risks and Uncertainties

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities

Consumer Foods Strategic Growth Priorities

Margin Expansion Drivers

Risk	Trend/Link	Description and Impact
PORTFOLIO MANAGEMENT **Strategic Risk**	**Trend** **Link to Strategic Priorities**	The Group operates across a diverse portfolio of markets and channels, and demand for products is impacted by a variety of factors including economic, demographic, technology and competitor actions. In addition, ever increasing consumer demands are 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 marketplace, and ensure it optimises its portfolio of markets, customers, technologies and channels. Failure to plan and respond to these evolving marketplace dynamics could have an adverse impact on the future growth and profitability of the Group.
BREXIT **Strategic Risk**	**Trend** **Link to Strategic Priorities**	The UK's scheduled exit from the EU in March 2019 has the potential to significantly change the terms of trade which currently exist between the EU and the UK. The Group continues to monitor the ongoing political situation and whilst the outcome is difficult to predict, it has considered the potential impacts across a number of different scenarios. The Group believes that in a worst case scenario i.e. a 'no-deal' Brexit, the risks are manageable in the medium-term. However, there may be a short term impact to its operational supply chain which may result in additional costs. The implementation of World Trade Organisation (WTO) level tariffs will also have a significant impact on trade, the impact of which will need to be managed through the Group's sourcing and pricing model.

Risk Trend

Risk is unchanged — Risk has increased — Risk has decreased

Mitigation	Developments in 2018
– The Group's strategy and business plans are designed to ensure that resources are prioritised towards those technologies and markets having greatest long term potential for the Group. Proposed investments are assessed using Return on Average Capital Employed (ROACE) which is one of the Group's key performance indicators as shown on page 31. All significant investments and strategic plans are reviewed by the Board on a regular basis. – Post implementation reviews are undertaken of all major investment projects to ensure that expected returns are achieved and to inform future decisions in relation to resource allocation where appropriate. – As described in 'Our Business Model' on pages 22-23 the positioning of the Taste & Nutrition business as an integrated solutions provider underpinned by its unique business model is a key differentiator in the marketplace. – Investment in 'Culinary and Insights' enables the Group to stay ahead of ever-changing consumer preferences and provides foresight into future consumer demands and market and competitor intelligence.	– In 2018, the Group continued to evolve its organisational structure to ensure that it remains both responsive to changing marketplace dynamics and fit for purpose to deliver on its strategic plan. – Significant progress was made in leveraging and strengthening the Group's industry-leading portfolio of foundational technologies e.g. TasteSense, Smoke & Grill and Clean Label preservation. – During the year, the Group CEO hosted a conference for over 200 leaders from across the globe to support the Group's objective of being a locally led and globally connected, customer centric organisation. The objective of the conference included driving customer driven decision making across the organisation to maximise the value we create for customers and the Group.
– A cross functional Executive Steering Committee is in place that meets on a regular basis to access the consequences of Brexit, with all major business functions represented. – The Group's operational footprint across Europe and the UK provides it with a well balanced and flexible platform from which to serve European and Global customers, regardless of the outcome of the Brexit process. – The Group has considerable expertise in managing cross-border product movements, having purchases and sales in over 140 countries.	– The Group has been engaging with key vendors and customers to ensure adequate inventory is in place in the event of supply chain disruption. – The Group has invested in IT systems and processes to ensure it is ready to deal with the potential increased documentation and regulatory requirements. – In order to minimise the cost implications of trade tariffs, the Group plans to optimise its global sourcing capabilities as well as localising raw material sourcing and finished goods production where feasible. – Where on-costs due to the change in trade tariffs cannot be eliminated through other means, the Group plans to recover increased costs through customer pricing.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities

Consumer Foods Strategic Growth Priorities

Margin Expansion Drivers

Risk	Trend/Link	Description and Impact
GEOPOLITICAL **Strategic Risk**	**Trend** **Link to Strategic Priorities**	As a global business operating across many jurisdictions, the Group is exposed to changes in the geopolitical environment. Such changes include economic or political instability, increasingly complex legal and regulatory frameworks, currency volatility and varying standards of quality and security. 2018 has also seen an increase globally in the level of protectionist trade policies, tariffs and sanctions. Such ongoing change and volatility may have a potential impact on the future growth and profitability of the Group. In 2018, 27% of Taste & Nutrition's revenue came from developing markets. As outlined in the Group's 'Strategic Priorities for Growth' on page 27 developing markets will remain a key pillar for growth in the future, thereby exposing the Group to potentially increased economic and political volatility.
BUSINESS ACQUISITION AND DIVESTITURE **Strategic Risk**	**Trend** **Link to Strategic Priorities**	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 may not be delivered resulting in a delay in the achievement 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.

Risk Trend

Risk is unchanged | Risk has increased | Risk has decreased

Mitigation	Developments in 2018
– The Group conducts rigorous due diligence when entering or commencing business activities in new markets. – The diversity of countries in which the Group operates ensures that it is not overly exposed to any one particular geography. – The Group's legal, regulatory and compliance functions ensure that applicable laws and regulations are complied with. In addition, a dedicated team of experts is in place to oversee compliance in the areas of customs, tariffs and duties. This team ensures compliance across all jurisdictions and also monitors ongoing developments to ensure the Group is best positioned to deal with changes as they arise. – Group policies require businesses to hedge transactional currency exposures and long term supply or purchase contracts which give rise to currency exposures.	– The Group has invested in enhanced supply chain technology solutions to support its international business in an increasingly complex trading environment. – In 2018, the Group continued to invest in its structure to ensure that the appropriate skills and expertise are available to support its growth in developing markets. This included investment in the Group Country Compliance structure, operations and supply chain management and Country/End Use Market sales structures.
– 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 expertise in identifying and evaluating appropriate targets and conducting due diligence and subsequent transaction execution. – A strong governance system is in place to oversee the integration process for acquisitions including the appointment of a senior business owner who, supported by a team of appropriately skilled personnel, 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.	– A significant number of new acquisitions were successfully added to the Group during 2018 which included manufacturing operations in new countries such as Oman and El Salvador. – The Group further strengthened its resource capability in the M&A team to support its growth strategy. The internal team is supplemented by external expert resources when and where required.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities | Consumer Foods Strategic Growth Priorities | Margin Expansion Drivers

Risk	Trend/Link	Description and Impact
QUALITY, FOOD SAFETY & REGULATORY **Operational Risk**	**Trend** **Link to Strategic Priorities**	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, litigation, customer dissatisfaction or consumer illness, which may have a negative impact on the Group's results and/or reputation.
TALENT MANAGEMENT **Operational Risk**	**Trend** **Link to Strategic Priorities**	The ability to attract, develop and retain appropriately qualified employees is critical if the Group is to continue to compete and grow effectively. A failure to identify, attract and retain a strong senior management talent pipeline may impact the Group's ability to achieve its strategic growth objectives.

Risk Trend

Risk is unchanged	Risk has increased	Risk has decreased

Mitigation	Developments in 2018
– A Global Quality and Food Safety structure provides leadership in key areas such as Hazard Analysis and Critical Control Points (HACCP) and global supply quality. – 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. The Group closely monitors and engages with external industry organisations on emerging issues. – The Group has appropriate crisis management processes in place to deal with any incident that may arise. – Adequate product liability insurance is maintained across the Group.	– The Group has maintained a continued focus on achieving a 'right first time' quality culture through people development and ongoing training programmes. – A strong capital investment programme in the Group's plants supports a continual raising of the bar in terms of quality standards. – The Group continues to enhance its global quality standards and policies to include key learnings and industry/regulatory change. – The Group has implemented industry-leading environmental microbiology monitoring programmes to proactively detect and prevent potential issues in its plants.
– The Group's employment policies and practices are kept under regular review. – The Group has established a Global Community of Expertise for Leadership, Learning and Talent to assist in mitigating talent risk and building organisational capabilities for the future. – Salaries and other benefits are benchmarked regularly to ensure that the Group remains competitive and the Group operates both short and long term structures to ensure that high performing employees are adequately rewarded and retained. – A wide range of training programmes including a focused graduate development programme, are in place. – A Global Mobility Team supports the deployment and relocation of key talent within the organisation. – Talent acquisition teams facilitate opportunities to develop internal talent globally and promote Kerry externally to support the development of future talent pipelines.	– The Group continued to implement appropriate responses to its most recent global employee engagement survey (ourVoice) which was conducted in 2017. – The Group maintained ongoing focus on enhancing the diversity of its talent pipeline and nurturing local talent in developing markets. – A new global HR system to support the Group's talent management processes was deployed. – Succession plans were refreshed with a focus on critical leadership roles within the Group and this will further expand in 2019. – Introduction of a robust and objective approach to identifying, assessing and accelerating talent readiness to meet business needs. This will be further evolved as part of our approach to leadership development, supported by appropriate policies and governance in 2019. – Establishment of a Global Recognition Framework to promote the further growth and consistency of regional and local recognition programmes, reinforcing our shared values.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities

Consumer Foods Strategic Growth Priorities

Margin Expansion Drivers

Risk	Trend/Link	Description and Impact
INFORMATION SECURITY & CYBERCRIME **Operational Risk**	**Trend** ↑ **Link to Strategic Priorities**	The Group is dependent on a robust ICT infrastructure for the operation of its principal business processes. 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. 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, confidential data being accessed or theft of Intellectual Property (IP) or financial assets. Such issues could have a significant customer, financial, operational or reputational impact. The Group is responsible for ensuring that appropriate policies and procedures are in place to ensure that it is compliant with all relevant data privacy legislation. A breach of such legislation could result in legal fines and damage to the Group's reputation.
MARGIN MANAGEMENT **Operational Risk**	**Trend** ↑ **Link to Strategic Priorities**	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 the current inflationary environment and increased competitive pressures in the marketplace, an inability to pass on cost increases to customers may impact the Group's margins.
KERRYCONNECT **Operational Risk**	**Trend** ↔ **Link to Strategic Priorities**	As part of the strategy to roll out a common ICT solution and standard ways of working across the Group, the deployment of Kerryconnect commenced in the North America region at the end of 2018 and is planned to complete in 2021. Project delays, or go-live issues may dilute critical resources and disrupt operations reducing the Group's ability to serve customers. An overrun in costs due to scope creep, delayed implementation or failure to deliver projected efficiencies may have a negative financial impact on the Group.

Risk Trend

Risk is unchanged | Risk has increased | Risk has decreased

Mitigation	Developments in 2018
– A dedicated ICT security team is in place which is supported by an Executive ICT Security Steering Committee. – An ongoing security enhancement programme is in place which continuously develops and deploys additional measures in the areas of intrusion protection, data loss prevention and identity management. This programme is aligned to the Centre for Internet Security Critical Control framework which is a globally recognised best practice tool in the area of ICT security controls. – As part of the Group's crisis management processes, ICT carries out business impact assessments on core systems and regularly tests and refines business recovery plans to ensure efficient system recovery. Critical infrastructure is hosted in a cloud platform, which enables the restoration of key enterprise applications rapidly in the event of a major system failure. – The 'Leading to Safer' awareness programme ensures continued focus on raising the awareness of ICT security to all employees through mandatory online training, poster/internal intranet campaigns and simulated phishing exercises. – The Group has established an appropriate governance structure with regards to data protection which has included the recruitment of an experienced Group Data Protection Officer.	– In 2018, an external consultant was engaged to conduct a cyber security risk assessment. This confirmed that the Group has made significant progress in establishing strong cyber security practices. The recommendations from this review have been incorporated into the ICT security team's roadmap to further strengthen the overall cyber security maturity posture of the Group – The Group has invested in cyber insurance to transfer part of the risk of any deliberate attack over to our insurer. – An extensive programme of work was completed to ensure the Group complies with the requirements of the new EU General Data Protection Regulation (GDPR) legislation.
– 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. – The commercial implications of commodity price movements are continuously assessed 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.	– A strategic review of the commercial pricing processes was completed and a number of improvement initiatives were identified to enhance its ways of working. – The Group continues to strengthen its investment in skilled and experienced procurement and commercial managers and is also investing in ICT systems to embed standard processes across 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 roll-outs in other regions (Europe, APMEA, LATAM) and takes these learnings into the next stage of deployment. – As in previous deployments a phased approach to rollout will be taken in North America with the first sites scheduled to go live in Q4 2019. Critical KPIs and other issues are reviewed at regular steering meetings.	– The LATAM Kerryconnect deployment was completed in 2018 without any significant interruption to the business. – The North American deployment schedule was approved by the Executive Steering team and key appointments were made to support the roll-out. Pre-implementation work has commenced and is operating to schedule.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities

Consumer Foods Strategic Growth Priorities

Margin Expansion Drivers

Risk	Trend/Link	Description and Impact
INTELLECTUAL PROPERTY MANAGEMENT Operational Risk	**Trend** **Link to Strategic Priorities**	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.
TAXATION Financial and Compliance Risk	**Trend** **Link to Strategic Priorities**	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.
TREASURY Financial and Compliance Risk	**Trend** **Link to Strategic Priorities**	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.

Risk Trend

Risk is unchanged | Risk has increased | Risk has decreased

Mitigation	Developments in 2018
– The Group continues to focus on developing, enhancing and protecting its IP portfolio. As a global leader in the taste and 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. – Protection of IP is also a key focus of the ICT Security Steering Committee. – IP protection clauses are a standard element of both commercial and employment contracts.	– Kerry has made a number of patent applications and acquisitions during 2018 to enable the Group to safeguard the investment made in developing new technologies. – Throughout 2018, the Group has continued to enhance its IP training programmes to ensure all employees are aware of their responsibilities in protecting the Group's IP assets. – The Group continued to develop its centre of expertise within the IP Legal team.
– The Group employs a team of dedicated tax experts who support the Group in ensuring compliance with all taxation matters globally. A programme of continuous professional development ensures that the team is up to date on relevant tax law changes. – 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 constructively engaging with tax authorities across the jurisdictions in which the Group operates.	– Appropriate actions were taken to address the implemented statutory tax changes resulting from individual jurisdictional tax changes. – The Group maintained continued focus on addressing the OECD Base Erosion and Profit Sharing requirements.
– A Group Finance Committee is in place which monitors treasury risk on an ongoing basis. – The Group maintains significant cash and debt resources with relatively long term maturities to ensure the Group's liquidity requirements are met. – The Group's Treasury function actively manages all treasury risks through cash-flow forecasts, foreign currency exposure netting and hedging, monitoring and meeting funding requirements across its jurisdictions and management of interest rate and counterparty risk.	– The Group continually evaluates the nature of its foreign exchange exposures to ensure its hedging strategy is appropriate. – Continuous monitoring of exposure to individual banks, tightening counter-party limits where appropriate. – During the year, the Group facilitated liquidity extension into a number of additional jurisdictions.

GOING CONCERN AND VIABILITY ASSESSMENT

The Board, having reviewed the Group's principal risks and uncertainties, assessed the going concern and long term viability of the Group in line with the requirements of the 2016 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 42-48. The Group's 2019 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 32-38 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 that cast a significant doubt on the Group's and the Company's ability to continue as a going concern over a period of at least 12 months.

Viability Assessment

Assessment of Prospects

In line with Provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have carried out a rigorous review of the prospects of the Group over the medium term. In assessing the prospects of the Group and its ability to meet its liabilities as they fall due, the Board have taken account of the Group's strategic planning cycle, capital investment plans, the business model, its diverse portfolio and the innovation pipeline. The Directors have also considered the Group's strong cash generation and debt maturity profile in addition to the principal risks and uncertainties detailed on pages 75-85. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are outlined in the financial review on pages 32-38.

Assessment of Viability

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 long term viability of the Group as current capital expenditure plans, commercial arrangements and financial projections are considered to be more reliable and robust over this period.

The Board has 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 long term viability.

These scenarios were stress tested both individually and in combination to assess their impact on the Group's solvency, liquidity and cash flow. This analysis indicated that significant headroom existed in all scenarios tested. In addition, 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.

Viability Statement

Based on their assessment of prospects and viability, 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 the assessment.

LOCAL GLOBAL

We are regulatory experts, serving as trusted partners helping customers navigate the dynamic regulatory landscape to comply and grow locally and globally.

INFORM

Pictured: Zeynep Ilkbahar, Dr. Yvonne Traynor and Sarah Hogan, Kerry Regulatory and Scientific Affairs.

BOARD OF DIRECTORS

CHAIRMAN & EXECUTIVE DIRECTORS

Mr. Philip Toomey (65)
Chairman of the Board

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 was appointed Chairman of the Board on 3 May 2018 and has served as a Director for seven years. He is Chairman of the Nomination Committee having previously served as Senior Independent Director and Chairman of the Audit Committee.

Appointed: 20 February 2012 and as Chairman 3 May 2018

N

Mr. Edmond Scanlon (45)
Executive Director
Chief Executive

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 in October 2017.

Appointed: 1 October 2017

Ms. Marguerite Larkin (47)
Executive Director
Chief Financial Officer

Marguerite was formerly a senior partner with Deloitte and held a number of leadership roles within Deloitte Ireland including Audit Assurance and Risk Advisory Leader, Head of Consumer Business Industry Practice, Client & Industries Partner and was a member of the Executive Committee. She has over 25 years global experience and has served as lead client partner for a number of multinationals operating in a broad range of industries including food & beverage, pharma and technology.

Marguerite is a Fellow of Chartered Accountants Ireland and holds a Bachelor of Commerce degree and Masters in Accountancy.

Marguerite was appointed Executive Director and Group Chief Financial Officer on 30 September 2018.

Appointed: 30 September 2018

Mr. Gerry Behan (54)
Executive Director
President and CEO
Kerry Taste & 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 11 years.

Appointed: 13 May 2008

Changes to the composition of the Board and its Committees for the year ended 31 December 2018

Mr. Michael Dowling
Retired as Chairman and from the Board on 3 May 2018.

Mr. Philip Toomey
Appointed Chairman of the Board on 3 May 2018.

Mr. Christopher Rogers
Appointed to the Board and as Audit Committee Chairman on 8 May 2018.

Ms. Joan Garahy
Appointed Senior Independent Director on 3 May 2018.

Mr. Brian Mehigan
Transitioned from Group CFO to Chief Strategy Officer on 30 September 2018 and resigned from the Board on 28 December 2018.

Ms. Marguerite Larkin
Appointed Executive Director and Group CFO on 30 September 2018.

Committee Membership Key

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

NON-EXECUTIVE DIRECTORS

Dr. Hugh Brady (59)
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

A N

Mr. Gerard Culligan (44)
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 (57)
Independent Non-Executive Director

Karin was an Executive Director on the Board of Schering AG in Berlin 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

R N

Ms. Joan Garahy (56)
Senior Independent Non-Executive Director

Joan is Managing Director of ClearView Investments & Pensions Limited. She has 30 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. She was appointed Senior Independent Director on 3 May 2018.

Appointed: 11 January 2012 and as Senior Independent Director 3 May 2018

R A

Mr. James C. Kenny (65)
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

R N

Mr. Tom Moran (63)
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

A R

Mr. Con Murphy (54)
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 a small private company.

Appointed: 1 June 2017

Mr. Christopher Rogers (58)
Independent Non-Executive Director

Christopher was formerly an Executive Director of Whitbread plc for 11 years from 2005, serving as Finance Director for 7 years and then as Global Managing Director of Costa Coffee.

His current non-Executive positions include Senior Independent Director at Travis Perkins plc and non-Executive Director at Vivo Energy plc and Walker Greenbank plc (where he was appointed as Interim Executive Chairman in October 2018 until a new Chief Executive is appointed). He is Chairman of the Audit and Risk Committee at Vivo Energy plc and a member of the Audit Committee at Travis Perkins plc.

He is a Fellow of Chartered Accountants England and Wales. He is also a visiting Fellow at Durham University (UK).

He was appointed as a non-Executive Director and Chairman of the Audit Committee with effect from 8 May 2018.

Appointed: 8 May 2018

A

REPORT OF THE DIRECTORS

Directors and Other Information

Directors

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

*Executive Director

Secretary and Registered Office

Ronan Deasy
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
Ireland

Registrar and Share Transfer Office

Ronan Deasy
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 consolidated financial statements for the year ended 31 December 2018.

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 Euronext Dublin and London Stock Exchanges, Kerry has an international presence with 147 manufacturing facilities across the world.

Results and Review of the Business

The Directors are pleased to report another strong performance for 2018 with an increase in constant currency adjusted earnings per share (EPS), which is before brand related intangible asset amortisation and non-trading items (net of related tax), of **8.6%** over 2017 to **353.4 cent** (2017: 325.4 cent). Basic EPS of **305.9 cent** reduced by 8.3% primarily due to a one-off deferred tax credit arising from the US tax reform in 2017. Trading margin for the year was maintained at **12.2%** (2017: 12.2%). The Group achieved a free cash flow of **€447m** (2017: €501m). Further details of the results for the year are set out in the Consolidated Income Statement and in the related notes forming part of the Consolidated Financial Statements. The Group's financial key performance indicators are discussed on pages 30-31.

The Chairman's Statement, the Chief Executive's Review, the Business Reviews and the Financial Review, which are included in the Strategic Report on pages 10-48, report on the performance of the Group's business, including acquisitions and disposals, during the year and on future developments.

Dividends

On 18 February 2019, the Directors recommended a final dividend totalling **49.2 cent** per share in respect of the year ended 31 December 2018 (see note 10 to the financial statements). This final dividend per share is an increase of **12.1%** over the final 2017 dividend per share paid on 18 May 2018. This dividend is in addition to the interim dividend paid to shareholders on 16 November 2018, which amounted to **21.0 cent per share**.

The payment date for the final dividend is 10 May 2019 to shareholders registered on the record date 12 April 2019.

Events After the Balance Sheet Date

Since year end, the Group has completed the acquisition of the business and assets of Southeastern Mills, a coatings and seasonings business based in the USA.

The Group also expects to complete the previously announced acquisition of Ariake USA Inc., a natural clean label savoury taste solutions business, in the second quarter of 2019.

Principal Risks and Uncertainties

In accordance with Section 327(1)(b) of the Companies Act 2014, Regulation 5(4)(c)(ii) of 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 75-85.

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 **€274.6m** in 2018 (2017: €268.7m).

Sustainability

The Group delivered good progress on its sustainability objectives in 2018 and in the implementation of the Kerry Group Sustainability Strategy 'Towards 2020'. 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 environment, marketplace, workplace and the community are outlined in the Sustainability Review on pages 49-72.

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 **176,298,416** shares were in issue at 31 December 2018.

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 13 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 3 August 2019 and it is intended to seek shareholder approval to renew the authority at the Annual General Meeting (AGM) to be held on 2 May 2019.

Shareholders approved the authority for the Directors to allot shares for cash on a non-pro rata basis up to a maximum of 8,809,384 shares at the AGM held on the 3 May 2018, representing 5% of the A Ordinary Shares in issue on 2 March 2018. Shareholders also approved an authority to allot a further 8,809,384 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 3 August 2019. It is intended to seek shareholder approval for their renewal at the 2019 AGM. During 2018, **116,011** shares were allotted pursuant to the Company's Short and Long Term Incentive Plans as a result of shares which vested and options which 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 2018 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 3 August 2019 and it is intended to seek shareholder approval for its renewal at the 2019 AGM.

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	13.6%
Blackrock Investment Management	8,526,222	4.8%

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.

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 88-89.

Following the individual performance evaluation of all Directors, as outlined in the Corporate Governance Report on page 99, the Board recommends the election and re-election of all Directors seeking election and re-election.

The Directors' and Company Secretary's interests in shares and debentures are included in the Remuneration Report on page 129.

Board and Committee Changes

Michael Dowling retired as Chairman and from the Board following the conclusion of the AGM on 3 May 2018.

Philip Toomey was appointed Chairman of the Board on 3 May 2018. He stepped down from the Audit Committee and as Senior Independent Director on the same date.

Joan Garahy was appointed as Senior Independent Director on 3 May 2018.

Christopher Rogers was appointed to the Board on 8 May 2018 and was appointed Chairman of the Audit Committee on the same date.

Brian Mehigan transitioned from Group CFO to Chief Strategy Officer on 30 September 2018 and retired from the Board on 28 December 2018.

Marguerite Larkin was appointed Group CFO on 30 September 2018 and was appointed to the Board on the same date.

There were no other changes to the composition of the Board and its Committees during 2018.

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. For the purposes of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 specific rules regarding the appointment and re-election of Directors are referred to in the Nomination Committee Report.

Corporate Governance

The Corporate Governance Report on pages 96-100 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).

Going Concern and Long Term Viability Statements

The going concern and long term viability statements in the Risk Report on page 86 sets out the Company's basis for the adoption of the going concern basis of accounting in preparing the Consolidated Financial Statements and the basis for the Directors' conclusion 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 next three years.

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 Euronext Dublin 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 90, confirm that, to the best of their knowledge and belief:

- the consolidated financial statements for the year ended 31 December 2018 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 2018;
- the Financial and Business Reviews on pages 32-48 include a fair review of the development and performance of the business for the year ended 31 December 2018 and the position of the Company and the Group at the year end;
- the Risk Report 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 position and performance, business model and strategy and is fair, balanced and understandable.

Directors' Compliance Policy Statement

It is the policy of the Company to comply 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 policies and systems.

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

Accountability and External Audit

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is set out on page 93 with the responsibilities of the Company's external Auditors outlined on page 137.

The financial statements on pages 138-202 have been audited by PricewaterhouseCoopers (PwC), Chartered Accountants.

In accordance with Section 383(2) of the Companies Act 2014 the Company's external auditors, PwC, will continue in office. A resolution authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Disclosure of Information to the External 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 external 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 external auditors are aware of that information.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles of Association of the Company may only be amended by way of special resolution approved by shareholders in a general meeting. They were last amended, effective as of 3 May 2018, by way of a special resolution passed at the Annual General Meeting held on the same date.

A copy of the Articles of Association can be obtained from the Company's website (www.kerrygroup.com).

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.

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 2018.

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

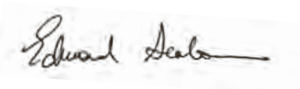
For the purposes of Listing Rule 6.8.1, the information required to be disclosed can be found in the following locations:

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:



Philip Toomey
Chairman
18 February 2019

Edmond Scanlon
Chief Executive
18 February 2019

CORPORATE GOVERNANCE REPORT

Philip Toomey
Chairman of the Board

Dear Shareholder,

I am pleased to present the Kerry Group Corporate Governance Report for the year ended 31 December 2018.

The Corporate Governance Report describes how we apply the main principles of good governance as set out in the 2016 UK Corporate Governance Code and the Irish Annex (the Code). On behalf of the Board, I can confirm that for the year under review the Group has fully complied with the provisions of the Code. As Chairman, I will ensure, with Board support, that the provisions of the new UK Corporate Governance Code (effective from 1 January 2019) will be implemented maintaining the Group's commitment to achieving high standards of governance.

The Board sets the tone and shared values 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. Given the importance of culture to the success of the Business Model, the Board will continue to assess and monitor the Group's culture to ensure that it is aligned with the Group's strategy and values and is adequately embedded across the Group.

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 2018, the Board appointed a new Chairman and Senior Independent Director, oversaw the CFO transition process and undertook a formal process to recruit a new non-Executive Director and Chairman of the Audit Committee. Details of the Executive and non-Executive Director and Committee changes that occurred during the year, are set out in the Nomination Committee Report on page 109.

Diversity at Board level has been a focus for the Nomination Committee for a number of years and continues to be a key factor when considering Board refreshment. Improving and monitoring diversity beyond gender and below Board level will be a key area of focus for the Board and the executive team in 2019.

In order to operate effectively companies must understand those resources and relationships that matter most to their success. The Group's stakeholders include shareholders, employees, customers, suppliers and the community in which it operates. In line with the requirements of the new revised Code, the Board will ensure effective engagement with all stakeholders.

Each year the Board undertakes a formal evaluation of its effectiveness and that of its Committees. In 2018, this was an internal self-assessment which was conducted by the Chairman of the Board and the Senior Independent Director. 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 page 99.

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.

Philip Toomey
Chairman of the Board

Leadership

Board Composition and Membership

The Board is responsible for ensuring the long term sustainable 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. Philip Toomey was appointed as Chairman of the Board on 3 May 2018, succeeding Mr. Michael Dowling who retired as a non-Executive Director and Chairman on the same date. On his appointment Mr. Toomey met the independence requirements as set out in the Code.

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 financial as well as industry and international experience, necessary to provide effective governance and oversight of the Group.

Board Role and Operations

The Board's role is to promote the long-term sustainable success of the Company generating value for all its stakeholders, including shareholders, employees, customers, suppliers and the communities in which it operates, while exercising business judgement on developing strategy, delivering objectives and managing the risks that face the organisation. It is also responsible for instilling the appropriate culture, values and behaviours throughout the organisation. The Board has a formal schedule of matters specifically reserved to it for decision as noted below 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 98.

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;
- Approval of significant capital expenditure;
- Treasury policy including approval of changes to the Group's capital structure;
- Approval of dividend policy and dividends;
- Approval of annual budgets;
- 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, performance and prospects.

The Directors are responsible for strategic oversight 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 responsibilities include ensuring that Board procedures are followed, assisting the Chairman in relation to corporate governance matters and ensuring the Company complies with its legal and regulatory obligations. 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.

Strategy

2018 was the first year of the Group's new strategic plan which was communicated to the market at a Capital Markets Day held in October 2017. During the year the Board received presentations from Group and divisional management on progress to date implementing the strategies for growth, margin expansion and return on investment that underpin the plan and its associated financial targets. During the presentations the Board provided input and strategic guidance as required. The Board is happy with the progress achieved in 2018 and remains confident that the Business Model and strategies will deliver sustained value for all stakeholders in the years to come.

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 2018, the Board met seven times and there was full attendance by all members 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

Ms. Joan Garahy is the Group's Senior Independent Director (SID). The principal role of the SID is to provide a sounding board for the Chairman and to act as an intermediary for other Directors as required. The SID is responsible for the appraisal of the Chairman's performance throughout the year. She 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 Chairpersons.

Further details on the duties, operation and activities of all Board Committees can be found in their respective reports on pages 101-131 and these reports form part of the Governance Report.

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.

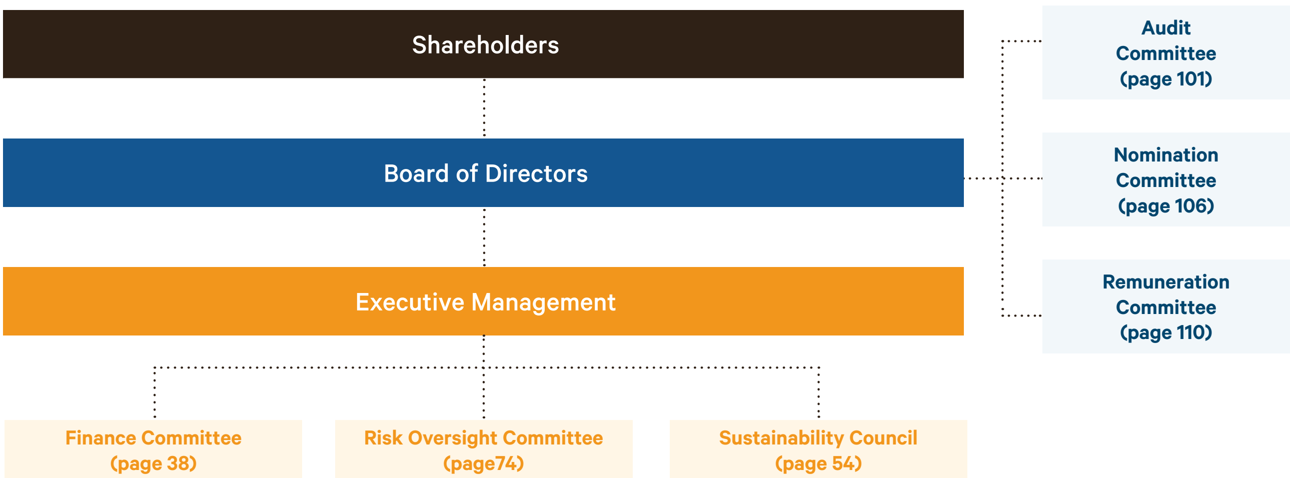
On an annual basis, a Board meeting is combined with a comprehensive schedule of visits, over a week-long period, to the Group's operating facilities to allow Directors further develop their understanding of the Group's activities and meet with local senior management. The June 2018 Board meeting was held in Kerry's Regional Application Centre, in Durban, South Africa. The visit focused on Kerry's Taste & Nutrition Strategy for Sub Saharan Africa (SSA) and Middle East, North Africa and Turkey (MENAT) sub-regions. It also afforded Board members the opportunity to meet and engage with key leaders and emerging talent from many countries in the sub-regions. Whilst in South Africa the Board visited the site for the Group's new manufacturing facility in Durban and undertook a market immersion tour during which the Board saw firsthand the different markets for the Group's products in South Africa as well as having the opportunity to meet with major customers.

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 2018.

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

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 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 2018, 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. During his appraisal the Chairman considered the recent appointment of Mr. Christopher Rogers as Interim Executive Chairman at Walker Greenbank plc. The Chairman and the Board are satisfied that this appointment is temporary and it has not impacted on Mr. Rogers' time commitment to Kerry where he continues to make a valuable contribution to the Board. Prior to accepting the appointment Mr. Rogers discussed the nature of the role and the time commitment involved with the Chairman.

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.

During the year, 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 and its committees operated effectively throughout the period under review. A number of points for improvement were identified and action plans established to address them.

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.

The Chairman, along with the Company Secretary, will ensure that suggestions from the 2018 self-evaluation report and areas for consideration arising from the Directors' appraisal, where identified, will be addressed during 2019. As required by the Code, the performance evaluation of the Board, its Committees and Directors will be externally facilitated in 2019, as the last externally facilitated evaluation was completed in 2016.

Accountability

Risk Management and Internal Controls

The internal control framework in Kerry Group encompasses 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 101-105.

Full details of the risk management systems are described in the Risk Report on pages 73-75.

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 75-86. 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. Based on the review performed, the Directors concluded that for the year ended 31 December 2018, the Group's systems of risk management and internal control were effective. 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 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 polices 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 and financial statements, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's position and performance, business model and strategy and is fair, balanced and understandable. This assessment was completed by the Audit Committee and the activities undertaken in reaching this conclusion are discussed on page 103.

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 Chairpersons 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, the Chief Financial Officer, other members of Kerry's Leadership team, the Sustainability Officer and the Investor Relations team engaged with investors through a variety of formats including hosting Kerry Investor events and visits to Kerry Technology & Innovation Centres in Ireland and Singapore as well as facilitating both foodservice and supermarket investor tours. In October, Kerry hosted its first Investor Day in Asia at the Technology & Innovation Centre in Singapore. Focused on South East Asia, the local team provided a deep dive into the business to showcase the proven track record in the region, growth potential and Kerry's winning business model. Group Chairman Mr. Philip Toomey, attended the investor day on behalf of the Board.

Overall the Investor Relations team engaged with over 700 investors through participation in roadshows, meetings and attendance at conferences in 19 cities.

Executive management supported by the Investor Relations team maintains constant engagement with the investment community in relation to many topics including Group strategy, financial performance, capital allocation and investment decision making, sustainability, Board composition and succession planning. In addition, a significant amount of published material including results releases, presentations, share price information 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 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 3 May 2018, there were no material votes cast against any resolutions.

GOVERNANCE REPORT

AUDIT COMMITTEE REPORT

Christopher Rogers
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 2018. This is my first Audit Committee report having been appointed as Audit Committee Chairman following the appointment of Mr. Philip Toomey as Chairman of the Board on 3 May 2018. I would like to acknowledge and thank Philip for his support during the transition process and also for his valued leadership of the Committee over the last five years. I would also like to thank the members of the Committee for their diligence and support during the year.

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, we have continued to focus our efforts on the Committee's core areas of responsibility of maintaining integrity across all aspects of Group reporting, internal control, risk management and audit quality. The chart on page 102 outlines the allocation of the Committee's time across these various activities.

The Committee is responsible for assisting the Board in regard to the assessment of the principal risks facing the Group, including reviewing the Group's risk management and internal control systems. The work performed by the Committee in this regard encompassing ongoing monitoring and the review of effectiveness is detailed on page 103.

The Committee is also responsible for monitoring the integrity of the Group's financial statements and any formal announcement relating to the Group's financial performance. In addition, the Committee assisted the Board in determining that the Annual Report and Financial Statements, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy.

The work completed in this regard is set out on page 103

As outlined on page 105, 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.

Our engagement with the Group Internal Audit function and external auditors is detailed on page 104-105.

I trust you will find this report useful in understanding the operation and activities of the Committee over the year. I will be available to shareholders at the forthcoming AGM to answer any questions relating to the role of the Committee.

Christopher Rogers
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 below:

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;
– Advising the Board on 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.

During the year, the Audit Committee Chairman provided a letter to the Board outlining how the Committee discharged its duties in 2018.

Committee Membership

During 2018, the Audit Committee comprised four independent non-Executive Directors; Dr. Hugh Brady, Ms. Joan Garahy, Mr. Tom Moran and was chaired by Mr. Christopher Rogers from 8 May 2018 having succeeded Mr. Philip Toomey who stepped down from the Committee on 3 May 2018.

As required by the Code, the Board is satisfied that both Mr. Christopher Rogers and Ms. Joan Garahy meet the requirements for recent and relevant financial experience. Mr. Rogers has joined the Committee bringing a wide range of international experience both as a business leader and as a non-Executive Director. He previously served as an Executive Director of a global food and drinks FTSE 100 listed company for several years and currently holds a number of non-Executive Directorships, including Chairman of the Audit and Risk Committee of a leading FTSE 250 listed energy group. The Board is satisfied that together, the members of the Committee, as set out in their biographical details on page 89, bring a broad range of relevant experience and expertise, from a wide variety of industries and backgrounds, and as a whole have competence relevant to the sectors in which the Group operates.

The Company Secretary is the Secretary of the Committee.

Committee Meetings

The Committee met six times during the year and there was full attendance by Committee members, who were eligible to attend, at all meetings.

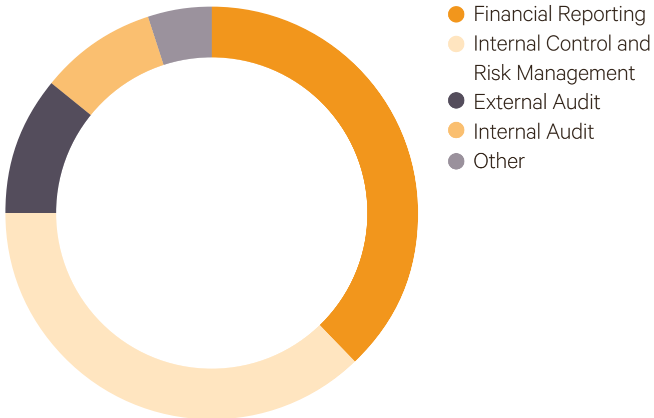
Typically, the Chief Executive, the Chief Financial Officer, the Group Financial Controller and the Head of Internal Audit as well as representatives of the external auditor are invited to attend meetings of the Committee. In addition, the Chairman of the Board attends meetings at the invitation of the 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.

The allocation of the Audit Committee's time across each of its key activities is detailed below.

Allocation of Time



Committee Evaluation

The internal evaluation of Board effectiveness described on page 99 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 exist for considering corporate reporting, risk management, internal control principles and for maintaining an appropriate relationship with the Company's external auditor.

Significant Financial Reporting Judgements	
Business Combinations	The Group acquired ten businesses during the financial year which were accounted for as business combinations. The Committee reviewed the methodology and assumptions applied in determining these provisionally estimated fair values and found the methodology and assumptions to be appropriate following discussion with senior management and the external auditor.
Impairment of Goodwill and Indefinite Life Intangible Assets	Goodwill and indefinite life intangible assets, as disclosed in note 12 to the financial statements, represents the largest number on the Group balance sheet at €4.1bn. The Committee considered the process to complete the annual impairment review of the Group's goodwill and indefinite life intangible assets and specifically the assumptions used for the future cash flows, discount rates, terminal values and growth rates. The Committee found that the methodology 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.

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 judgements and disclosures. The table above sets out the significant matters considered by the Committee in relation to the financial statements for the year ended 31 December 2018.

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 Group's and the Company's position, 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 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 2018 Annual Report 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 and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy.

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 73-75.

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 76-85;
- 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 managements' 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 function's 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 was 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. The most recent EQA was completed in 2017, and 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. The recommendations are being implemented and the Committee will continue to monitor this.

On the basis of the above the Committee concluded that for 2018 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 approving 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 Irish Auditing and Accounting Supervisory Authority'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 the audit of the results for 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 current external auditor, the Committee reviews and approves any appointment of an individual, within three years of having previously been employed by the current 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 2018, all non-audit services and fees were approved by the Audit Committee in line with policy. The Committee is satisfied that the fees paid to PwC which were minimal, did not compromise their independence or objectivity. Full 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 2017 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 2018 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 2019.

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 and also 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 review, the Committee confirmed to the Board that in its opinion the Company is in material compliance with its relevant obligations.

Whistleblowing and Fraud Arrangements

During 2018, the Committee considered the Group's arrangements for its employees to raise concerns in confidence about possible wrong doings in financial reporting and any other matters, which included a review of the Group's 'Express a Concern Service'. This service, which is run by an independent external provider, is multi-lingual and is accessible to all employees and third parties 24 hours a day either by phone or by email.

The Committee also considered the Group's procedures for fraud prevention and detection to ensure that these arrangements allow for the proportionate and independent investigation of such matters and appropriate follow up action. Following this review, the Audit Committee confirmed to the Board that it was satisfied that the Group's whistleblowing and fraud prevention procedures were adequate.

NOMINATION COMMITTEE REPORT

Philip Toomey
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 2018. This report sets out the Committee's key activities in 2018 as well as the Committee's priorities for 2019.

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.

On 3 May 2018, I was appointed Chairman of the Board succeeding Mr. Michael Dowling who retired from the Board on the same date. On 30 September 2018, Mr. Brian Mehigan retired as Chief Financial Officer and stepped down from the Board on 28 December 2018. Ms. Marguerite Larkin was appointed Chief Financial Officer on 30 September 2018 and to the Board on the same date.

During the year under review, the Committee continued to lead the Board refreshment process ensuring that the composition of the Board and its Committees has the correct balance of skills, knowledge, experience, diversity and independence. We engaged independent external agencies to conduct a search for new independent non-Executive Directors. Potential non-Executive Directors were considered by the Committee and a shortlist was interviewed after assessing their qualifications against the above criteria and their time commitments. This culminated in the appointment of Mr. Christopher Rogers to the Board and as Audit Committee Chairman on 8 May 2018. Mr. Rogers is a highly experienced international board director and business leader. Non-Executive Director succession remains a priority as we continue to identify a pipeline of appropriate talent.

An internal review of the effectiveness of the Board and its' Committees was conducted during 2018 and the outcome of this review is that the Board and its' Committee are performing well. Further details are set out on page 99.

The Committee's priority for the coming year will continue to be on Board refreshment taking account of skill sets required, diversity and planned retirements over the coming years. The Committee will also focus on senior management development and succession planning whilst having regard to diversity below Board level and taking account of business growth and geographic expansion.

The Committee has considered the changes resulting from the Financial Reporting Council's review of the UK Corporate Governance Code particularly in relation to Board diversity and director independence and will take these into account in its work programme for 2019.

Philip Toomey
Chairman of the Nomination Committee

Role and Responsibilities

The main roles and responsibilities of the Committee, which were reviewed during 2018, 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 2018, the Nomination Committee comprised three independent non-Executive Directors; Dr. Hugh Brady, Dr. Karin Dorrepaal, Mr. James Kenny and was chaired by Mr. Philip Toomey who was appointed to the role when Mr. Michael Dowling retired on 3 May 2018.

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 2018, the Committee engaged Korn Ferry and Spencer Stuart, both international specialist recruitment firms to assist with Board refreshment. Neither Korn Ferry nor Spencer Stuart have any other connection to the Group.

Committee Meetings

The Committee met five times during the year and there was full attendance by Committee members, who were eligible to attend, 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:

1. Assessment	– The Nomination Committee conducts Board Evaluation – Considers the skill set, experience, balance and diversity of the Board
2. Requirement	– If a requirement is identified, the Committee prepares a detailed job description outlining the particular skills and experience required
3. Search	– Conducts search through third party search agency, Directors or other stakeholders – Search based on job description identified
4. Screening	– Screening carried out by third party as selected by the Committee
5. Interview	– Interview and selection process led by the Committee – Results are reviewed by the Committee who select candidates and recommend them to the Board for approval
6. Approval	– Board of Directors consider the candidate(s) recommended by the Committee and approve the candidate(s) – In accordance with the Articles of Association, all newly appointed Directors are subject to election at the AGM following their appointment

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

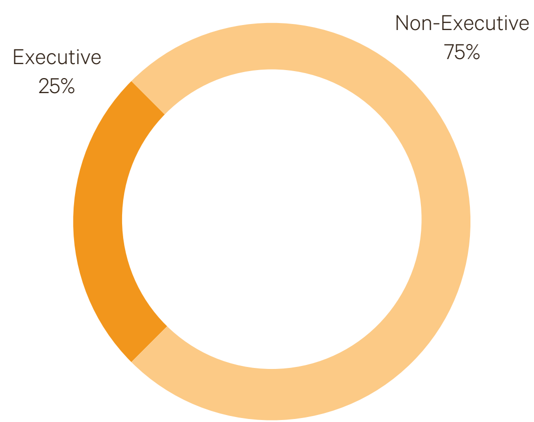
Diversity is fully embraced at Kerry and the Group is committed to having a work environment that is respectful of everyone. In order to achieve a positive and productive workplace, all employees must work together and realise each individual has something unique to contribute to the overall success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

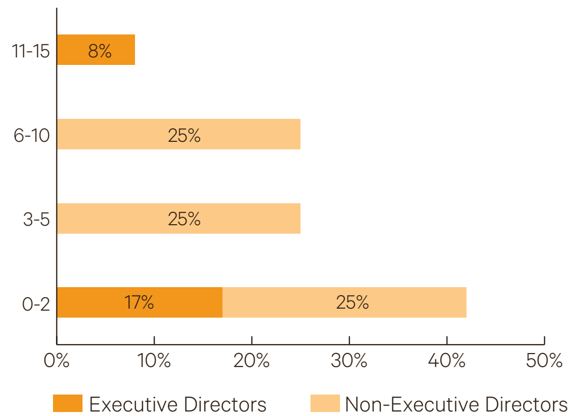
The Board believes in the benefits of having a diverse Board and the benefits that it can bring to its effective operation. In accordance with the Board Diversity Policy, differences in background, gender, skills, experiences, nationality, ethnicity and other attributes are considered in determining the optimum composition of the Board with the aim to balance it appropriately. All Board appointments are made on merit, with due regard to diversity. The Board currently has a 25% female representation, an increase from the 17% representation in 2017. In line with its diversity policy, and recommended best practice, the Board's ambition is to increase this number further. 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:

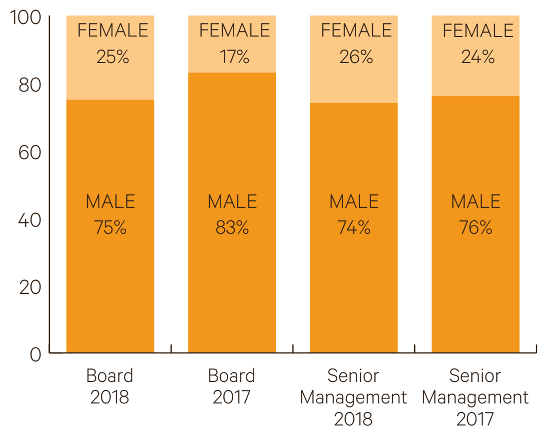
Executive / Non-Executive Directors



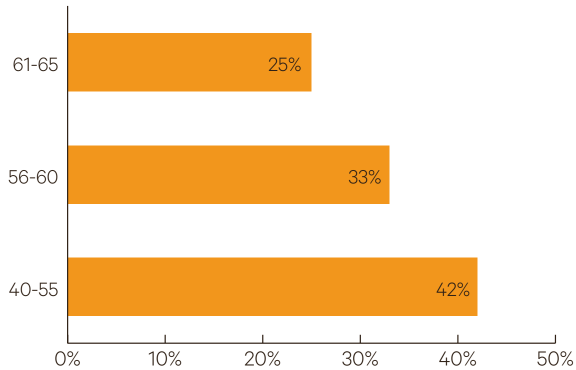
Board Tenure (Years)



Diversity



Board Age Profile



Key Activities

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

Subject	Committee Activity
Chairman Succession	Mr. Michael Dowling retired from the Board on 3 May 2018. The formal process to identify and recommend a candidate to succeed Mr. Dowling was lead by a separate sub-committee comprising Dr. Hugh Brady, Dr. Karin Dorrepaal, Mr. Tom Moran and was chaired by Mr. James Kenny. Folllowing the conclusion of this process Mr. Philip Toomey was appointed Chairman of the Board on 3 May 2018 and stepped down as a member and Chairman of the Audit Committee and as Senior Independent Director on the same date.
Group CFO Succession	Mr. Brian Mehigan transitioned from Group CFO to Chief Strategy Officer on 30 September 2018 and resigned from the Board on 28 December 2018. Following the conclusion of a formal process to identify and appoint a new CFO, the Nomination Committee recommended to the Board that the successful candidate, Ms. Marguerite Larkin, be appointed to the Board on assuming the role of Group CFO on 30 September 2018. The recommendation was approved by the Board on 19 February 2018.
Senior Independent Director	Following a process overseen by the Committee, Ms. Joan Garahy was appointed Senior Independent Director on 3 May 2018.
Board Refreshment	A new non-Executive Director, Mr. Christopher Rogers was appointed to the Board on 8 May 2018 following a process conducted by the Committee, in conjunction with external advisors. The Committee and the Board agreed that Mr. Rogers had a balance of skills, knowledge and experience that matched the requirements set.
Committee Refreshment	On his appointment as Chairman of the Board, Mr. Toomey was also appointed Chairman of the Nomination Committee. Following the conclusion of a process to identify and appoint a new Audit Committee Chairman, the Nomination Committee recommended to the Board that Mr. Christopher Rogers, given his recent and relevant financial experience together with his knowledge of the food and beverage industry, be appointed as Audit Committee Chairman effective on 8 May 2018. There were no other changes to the composition of the Board Committees during the year.
Board Size and Composition	In 2018, as part of its remit, the Committee considered the size and composition of the Board. At 31 December 2018, the Board comprised 12 members. Following the retirement of Mr. Michael Dowling and the appointments of Ms. Marguerite Larkin and Mr. Christoper Rogers, the Board size increased to 13 members and reduced to 12 following the retirement of Mr. Brian Mehigan from the Board on 28 December 2018. The Committee will continue to consider both Board size and composition during 2019.
Re-appointment of non-Executive Directors	During the year Mr. Philip Toomey, Dr. Karin Dorrepaal, Mr. James Kenny and Mr. Tom Moran each completed terms as non-Executive Directors. After detailed consideration, including a review of their performance and independence, the Board, upon the recommendation of the Committee, agreed that they should serve additional terms.
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 2019 AGM.
Company Secretary	On the recommendation of the Committee, Mr. Ronan Deasy's appointment as Company Secretary was approved by the Board and he assumed the role on 1 March 2018.
Board and Committees Effectiveness Evaluation	As outlined in detail on page 99, an internal evaluation of the Board and its Committees took place in 2018 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 2019.

REMUNERATION COMMITTEE REPORT

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 2018.

Remuneration Policy

The Group's Remuneration Policy is outlined in Section C on pages 115-118. This policy was 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 Directors' Remuneration Report, both of which received strong support from Shareholders. The Remuneration Policy provides the framework for remuneration decisions made by the Committee for the three year period 2018 - 2020. As no changes to the policy are proposed this year, the policy will not be subject to a further vote at the 2019 AGM.

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.

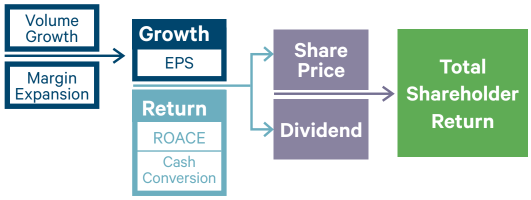
Pay for Performance

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 30, 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.

Drivers of Shareholder Return



Cash Conversion is 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 Director's 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 Director's STIP and LTIP awards.

Remuneration Policy Implementation 2019

During 2018 the Committee reviewed the Executive Director remuneration policy to ensure it is aligned with shareholder interests, promotes long term sustainable success and can be clearly linked to the successful delivery of the Group's long term strategy. Following this review, the Committee determined this to be the case.

Basic Salary

On appointment, Edmond Scanlon's initial base salary was set at €1,050,000 effective from 1 October 2017. As Edmond was an internal appointment, the Remuneration Committee exercised its discretion and purposefully set his initial base salary 20% lower than his predecessor's and our market references as it was expected that it would increase over time in line with his performance and development in the role. This approach was signaled in my Chairperson's statement last year and is consistent with our Remuneration Policy for new Executive Directors.

Since his appointment as CEO, Edmond has performed exceptionally well. Under his leadership the Group has embarked on a new and ambitious strategic plan, continues to achieve above market organic revenue growth and has announced or completed seventeen acquisitions at a cost of €1 billion. At the Committee's request, Edmond's salary was reviewed and benchmarked by Willis Towers Watson in 2018. The review found that his total direct compensation was significantly lower than median for the market reference peer groups at target opportunity.

Having considered the above factors, the Committee believes that a base salary adjustment is justified, aligned with policy and will appropriately reward Edmond for his individual performance and growth in the role. In addition it will bring his remuneration more in line with market peers. Having consulted with our major institutional shareholders, who provided positive feedback, the Committee has decided to increase Edmond's base salary for 2019 by 8% together with a standard inflation increase of 2.5% as provided to the general workforce and executive team.

For 2019, the basic salaries of the CFO and the CEO of Taste & Nutrition will be increased by 2.5% and 3% in line with the standard wage inflation available to the general workforce in Ireland and the US respectively.

Updates to 2019 Short and Long Term Incentive Plans
The structure of both the STIP and LTIP incentive schemes were reviewed in 2018 to ensure that they develop in line with the Group's strategic goals and that the metrics and targets are appropriate and linked to the strategic plan. The Committee concluded, following the review, that the changes introduced last year are operating as intended and that no further changes are required for 2019.

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 2019
The last review of non-Executive Director Remuneration levels was undertaken in 2017 and increases were made effective from 1 January 2018. There are no proposed changes to either the Chairman's or other non-Executive Directors fees / Committee fees for 2019.

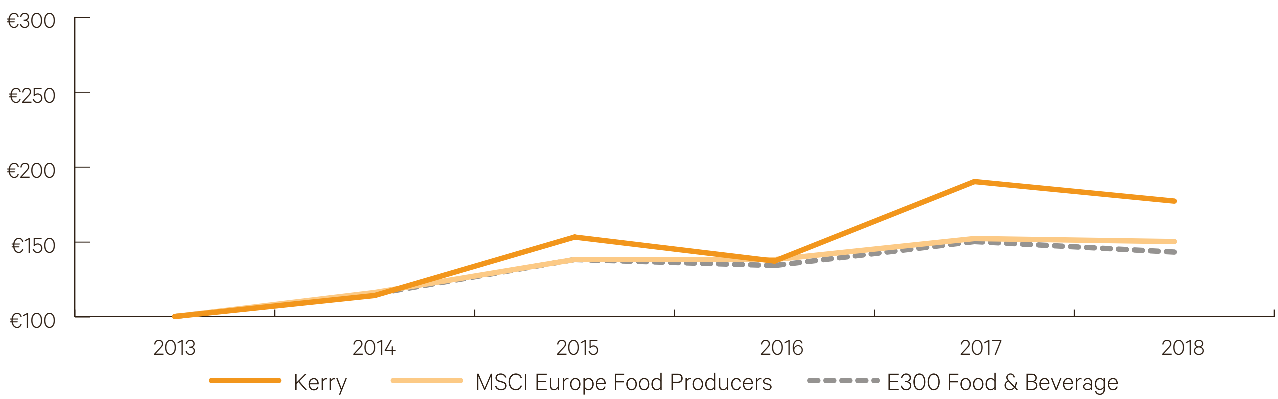
Remuneration Policy Outturn 2018

In 2018 the Group delivered a good financial performance with constant currency adjusted earnings per share growth of 8.6% driven by volume growth well ahead of our markets and underlying margin expansion in line with expectations. The performance table below shows the performance versus target for the key metrics in our STIP and LTIP plans.

2018 STIP Performance	Target	Results	2016-18 LTIP Performance (3 years)	Target	Results
Group volume growth	3.5%	3.5%	Adjusted EPS growth in constant currency	10%	10.1%
Group margin expansion	0 bps	0 bps	Total Shareholder Return	Median to 75th percentile	68.4th percentile
Group cash conversion	75%	71.5%	ROACE	12%	12.6%

As can be seen in the Total Shareholder Return graph, since 2013, Kerry has generated a 77% return for shareholders (including reinvestment of dividends) over the last 5 years. The share price did decline by 7% in 2018 but the decline was less than the mean and median share price decline experienced by Kerry's TSR peer set, and reflected the general decline suffered by global equity markets during the last quarter of the year arising from market uncertainties, including those in relation to global trade and Brexit.

5 Year Total Shareholder Return
(Value of €100 Invested on 31/12/2013)

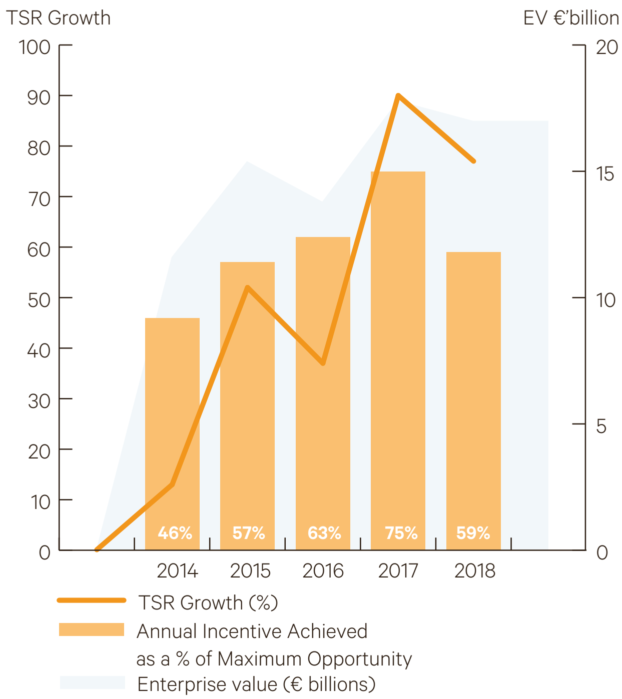


Strategic Report
Directors' Report
Financial Statements

2018 Short Term Incentive Plan Outturn

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 2018, STIP payouts to Executive Directors were on average 59% of the maximum available opportunity. The Committee considers this outcome to be reflective of the Group's, and the individual Executive Directors', performance during the year as well as the challenging and stretching nature of the targets set.

Long Term Incentive Plan 2016-2018 Outturn

The final outturn of the 2016-18 LTIP award was 63.7% of maximum opportunity. The Committee considers that this vesting outcome is reflective of the Group's underling performance during the three year performance period.

Other Matters

Board Changes

Marguerite Larkin was appointed Group CFO, and to the Board, on 30 September 2018. On joining Kerry, Marguerite's base salary was set at €700,000. When setting this salary, the Committee considered several factors including; securing the right candidate, Marguerite's exceptional calibre and experience, the previous incumbent's salary, appropriate internal benchmarking and external market expectations. Marguerite was eligible to participate in both the 2018 short term and long term incentive plans pro-rated for time of service.

Brian Mehigan transitioned from Group CFO to Chief Strategy Officer on 30 September 2018 and retired from the Board on 28 December 2018. He received no additional payment in association with his retirement from the Board.

2018 UK Corporate Governance Code and other Best Practice Changes

The Committee has considered the remuneration related implications of the new UK Corporate Governance Code which includes a broader remit for the Committee effective from 1 January 2019. The Committee intends to implement the changes to the Code associated with the remit of the Committee in 2019 and will give careful consideration to the other recommended structural changes to remuneration during its next policy review to be conducted in 2020.

Committee Performance

An internal review of the Remuneration Committee's performance was undertaken by the Committee during 2018 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 in line with the pay for performance principle.

As in previous years, the Remuneration Report is being put to shareholders for an advisory vote. Last year 96.9% of our shareholders who voted, voted in favour of the Report. I believe that we have appropriate policies and practices in place to justify a similar outcome in 2019 and I would recommend a vote in favour of the 2018 Remuneration Report at the 2019 AGM.

Finally, I would like to take this opportunity to thank the members of the Remuneration Committee for their continued commitment and support during the year.

Joan Garahy

Joan Garahy
Chairperson of the Remuneration Committee

Section B: Remuneration Committee & Key Activities

Committee Membership

During 2018, 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 88-89.

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 have been updated recently to reflect the impact of the new UK Corporate Governance Code, 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 determine the remuneration policy for, and set the remuneration of, the CEO and Executive Directors;
- To review the remuneration of the Chairman and non-Executive Directors;
- To receive recommendations from the CEO and approve the salaries and overall remuneration of Executive Committee members and the Company Secretary;
- 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 review annually its own performance and terms of reference to ensure it is operating effectively;
- To engage with the workforce to explain how executive remuneration aligns with the wider company pay policy;
- To review workforce remuneration and related policies and the alignment of incentives and rewards with the Group's culture, and take these into account when setting the policy for executives; and
- To exercise discretion when appropriate, in the interest of alignment and fairness.

Remuneration Committee Meetings and Activities 2018

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 2018 are set out below:

Subject	Remuneration Committee Activity
Remuneration Report	A review of best practice remuneration reporting was completed during 2018 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 issued 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. The Committee also considered the implications of the new 2018 UK Corporate Governance Code which widens the remit of the Committee and is applicable from 1 January 2019.
Basic Salary	The Committee continued to monitor the level of basic salaries of the CEO and Executive Directors in line with market practice. The Committee also agreed a service contract with the new CFO. See Implementation Section on page 119 for details on the outcome of the review.
Short Term Incentive Plan (STIP)	STIP awards were reviewed during 2018 to ensure that the newly introduced metrics are aligned with Group strategy and that the associated targets are appropriately stretching. The Committee concluded that there was no requirement to exercise discretion as the 2018 STIP outcomes reflected the underlying performance of the business. See Implementation Section on page 119 for details on the outcome of the review.

Subject	Remuneration Committee Activity
Long Term Incentive Plan (LTIP)	The Committee considered the overall effectiveness of the LTIP in 2018 to ensure that it is structured appropriately to incentivise Executive Directors and senior managers across the Group. The Committee concluded that there was no requirement to exercise discretion as the 2016-18 LTIP outcome reflected the underlying business performance during the three year performance period. See Implementation Section on page 120 for details on the outcome of the review.
Chairman & Non-Executive Directors' Fees	In line with the normal 3 year cycle a detailed benchmark review of the Chairman and non-Executive Directors fees was undertaken in 2017 with the assistance of Willis Towers Watson. In the intervening years, the Committee continues to monitor the level of the Chairman and non-Executive Directors fees and report to the Board. See Implementation Section on page 121 for details on the outcome of the review.
Senior Management Review	Within its terms of reference applicable in 2018, there is a requirement for the Committee to have oversight of the salaries and overall remuneration of senior management. During 2018 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.
Workforce Remuneration and Related Policies	During the year the Committee was provided with information on pay policies and procedures in the wider workforce to ensure it is fair, aligned with Group strategy and to enable its decision making in relation to Executive Director remuneration. This included the approach for the annual pay reviews in all the countries in which the Group operates as well as the structure and annual cost of the STIP and LTIP awards below Board level.
Shareholder Consultation	The Committee reviewed the results of the advisory votes by shareholders on the 'Say on Pay' resolutions at its first meeting following the 2018 AGM which included for the first time a separate advisory vote on the Group's Remuneration Policy for the three year period 2018 - 2020. The result of the shareholder vote was 97.7% in support of the Remuneration Policy and 96.9% in support of the Remuneration Report. This, together with any additional feedback received from the shareholder proxy groups was considered as part of the Group's remuneration review in 2018. In relation to the CEO's remuneration for 2019 the Committee consulted with a number of the Company's major Institutional shareholders and with shareholder proxy groups in early 2019. They welcomed the engagement and there was strong support for the proposal put forward.
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 2018 were **€81,000** (2017: €247,000).

Section C: Remuneration Policy

As an Irish incorporated company Kerry Group plc is not required to comply with the UK legislation which requires UK companies to submit their remuneration policies to a binding shareholder vote. However, in recognition of the committment that Kerry's remuneration policies, practices and reporting reflect best corporate governance practices we submitted our Remuneration Policy to a non-binding advisory vote at the 2018 Annual General Meeting.

The Company is operating its remuneration arrangements in line with the approved Remuneration Policy, which came into effect in 2018 and will apply for up to three years. As no changes are being made to this policy since it was approved by shareholders it will not be subject to a shareholder vote at the 2019 AGM and is reproduced below (updated to reflect personnel changes) for ease of reference.

The Group's Executive Director remuneration philosophy is to ensure that executive remuneration promotes the long term success of the company and 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.

In setting remuneration levels, the Committee has regard to comparable 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.

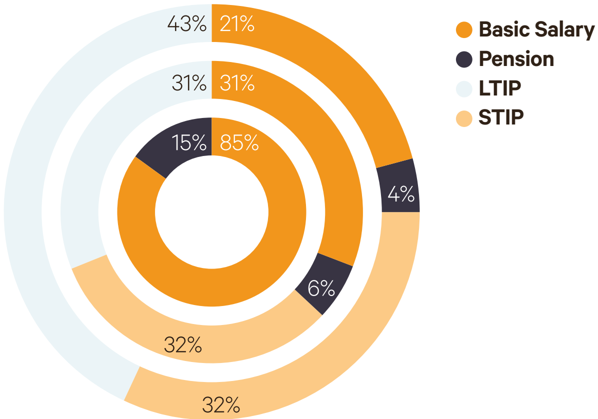
A high proportion of Executive Directors' potential remuneration is based on short term and long term performance related incentive programmes. By incorporating these elements, the Remuneration Committee believes that the interest and risk appetite of the Executive Directors is properly aligned with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

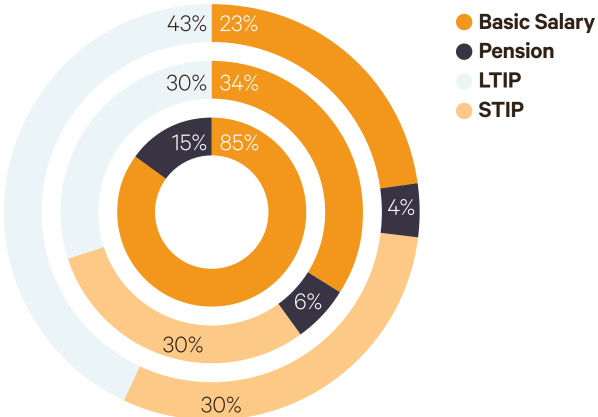
Illustration of Remuneration Policy

The following diagram shows the minimum, target and maximum composition balance between the fixed and variable remuneration components for each Executive Director effective for 2019. The inner most circle represents the minimum potential scenario for remuneration, with the middle circle representing target and the outer circle representing maximum potential.

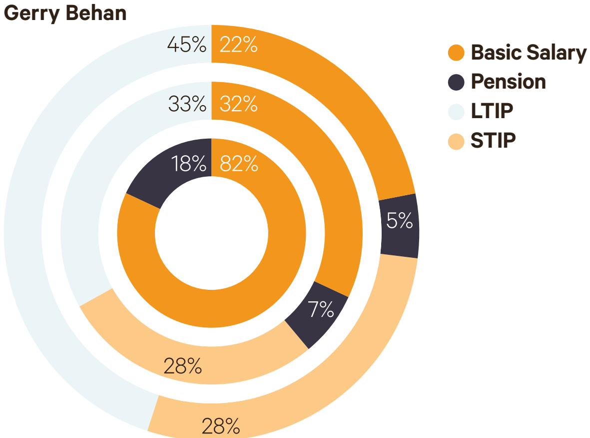
Edmond Scanlon



Marguerite Larkin



Gerry Behan



Service Contracts

The Executive Directors and the 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 a 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 a 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 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	– 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
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 A 25% deferral in shares/options provides a 2 year retention element and aligns Executive Directors interests with shareholders' interests	– 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 118)	– 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
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 Share based to provide alignment with shareholders' interests A 50% deferral provides a retention element and aligns Executive Directors' interests with shareholders' interests	– 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 118)	– 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
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	– 80% - 200% of basic salary

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics
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 cash contribution to an after tax savings scheme, or equivalent (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 amend or vary the performance metrics of the STIP related Incentives and the calculation methodology for those performance metrics when appropriate, in the interest of alignment and fairness.*

** *In line with plan rules the Committee may, at its discretion and after consulting with the Irish Association of Investment Managers, amend or vary the performance metrics of the LTIP related Incentives, the calculation methodology for those performance metrics and the composition of the TSR peer group when appropriate, in the interest of alignment and fairness.*

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.

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 provision 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 currently 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 completes a detailed benchmarking exercise in relation to non-Executive Directors' fees and present any recommendations to the full Board for approval. The last benchmarking exercise was undertaken in 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 2019

This part of the report sets out how the Remuneration Policy as described on pages 115-118 will operate in 2019.

Basic Salary and Benefits

On appointment, Edmond Scanlon's initial base salary was set at €1,050,000 effective from 1 October 2017. As Edmond was an internal appointment, the Remuneration Committee exercised its discretion and purposefully set his initial base salary 20% lower than his predecessor's and our market references. As signaled in last year's report, the Committee undertook to review Edmond's base salary on an annual basis as it was expected that it would increase over time in line with his performance and development in the role. This approach is consistent with our Remuneration Policy for new Executive Directors, which was approved by shareholders in 2018, and is also consistent with the practice commonly followed for the wider employee population when individuals are promoted into new roles.

Since his appointment as CEO, Edmond has performed exceptionally well, has grown significantly in his role and is successfully leading the Group. Thanks to his leadership, we have seen the development, communication and implementation of an ambitious new strategic plan with all its implications for the Group's organisation structure, ways of working and how it is managed. The Group continues to achieve above market organic revenue growth and, since Edmond's appointment, has announced or completed seventeen acquisitions at a cost of €1 billion which expand the Group's complexity, scale and countries of operation and have increased average employee numbers by c1,300. The Chief Executives Review, the Business Reviews and the Financial Review report on the performance of the Group's business, including M&A activity, during the year.

At the Committee's request, Edmond's salary was reviewed and benchmarked by Willis Towers Watson in 2018. The review found that when compared with similar sized UK, US and European companies his total direct compensation was significantly lower than median for the market reference peer groups at target opportunity.

The Committee is conscious of the need to apply constraint in executive remuneration and to consider any pay rises in the context of the general workforce and the overall performance of the Group. Having considered the above factors, the Committee believes that a base salary adjustment is justified, aligned with policy and will appropriately reward Edmond for his individual performance and growth in the role as well as making progress towards bridging the deficit versus his predecessor's base salary and bringing his remuneration more in line with market peers. Having consulted with our major institutional shareholders, who provided positive feedback, the Committee has decided to increase Edmond's base salary for 2019 by 8% together with a standard inflation increase of 2.5% as provided to the general workforce and executive team. The Committee will keep Edmond's base salary and total compensation under review as he continues to progress in the role and will consult with shareholders if the Committee determines that any further changes are appropriate in the future.

In relation to both Marguerite Larkin and Gerry Behan the Committee decided that for 2019, their basic salaries will be increased by 2.5% and 3% respectively in line with the standard wage inflation available to the general workforce in Ireland and the US.

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 is reviewed regularly to ensure that it develops in line with the Group's strategic goals. A review of the STIP was completed in 2018 to ensure that the performance metrics are appropriate, linked to strategy and appropriately calibrated. Following the review, the Committee concluded that no changes were required to the performance metrics and weightings as they support our business strategy and the ongoing enhancement of shareholder value through a focus on a return for shareholders, increasing profit and cash generation.

2019 STIP – Performance Metrics and Weightings

	CEO		CFO		CEO Taste & Nutrition	
	% of award		% of award		% of award	
Group Metrics	**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 & Nutrition level for the CEO of Taste & Nutrition*

The Committee is of the view that the targets for the STIP are appropriately stretching, but due to their commercial sensitivity, 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 118), 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.

Long Term Performance Related Incentive Plan (LTIP)

LTIP Award Year	2019			2018		
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 2018 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 Director's (currently 200%/180%) is to remain unchanged following the review. Similarly, the LTIP performance metrics, targets and weightings were also reviewed in 2018 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.

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.

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 Group strategies for sustainable growth	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 Group Key Performance Indicators (KPIs) on pages 30 and 31 for more information on the link between the performance metrics used for incentive purposes and the Group's Strategic Plan.

Non-Executive Director Remuneration Review

In line with the three year review cycle the Chairman and non-Executive Directors fees were reviewed and benchmarked during 2017 and increases were made effective from 1 January 2018. There are no proposed changes to the Chairman and non-Executive Director fees for 2019.

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 our major institutional shareholders and proxy agencies during early 2019 to consult with them on the changes to the CEO base salary and took on board their feedback. The Committee is committed to continued consultation with shareholders regarding its remuneration policy.

PART II: REMUNERATION POLICY OUTTURN 2018

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 Euronext Dublin Stock Exchange and the UK Listing Authority.

The information in the tables 1, 4, 5, 6, 7, 8 and 9 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 146. 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

Table 1: Individual Remuneration for the year ended 31 December 2018 (Audited)

	Basic Salaries		Benefits		Pensions[1]		STIP[2]		LTIP[3]		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Edmond Scanlon	**1,050**	263	**34**	168	**200**	51	**948**	295	**345**	31	**2,577**	808
Stan McCarthy[6]	**–**	1,315	**–**	102	**–**	317	**–**	1,479	**–**	2,072	**–**	5,285
Brian Mehigan	**703**	687	**37**	39	**210**	204	**530**	644	**805**	789	**2,285**	2,363
Marguerite Larkin [4]	**177**	–	**8**	–	**34**	–	**133**	–	**–**	–	**352**	–
Gerry Behan	**760**	776	**63**	248	**170**	170	**540**	739	**1,105**	1,300	**2,638**	3,233
Flor Healy[6]	**–**	351	**–**	13	**–**	91	**–**	–	**–**	–	**–**	455
	2,690	3,392	**142**	570	**614**	833	**2,151**	3,157	**2,255**	4,192	**7,852**	12,144
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Stan McCarthy[5]	**-**	1,486	**-**	115	**-**	359	**-**	1,671	**-**	2,341	**-**	5,972
Gerry Behan[5]	**901**	877	**74**	280	**201**	192	**640**	835	**1,310**	1,469	**3,126**	3,653
	901	2,363	**74**	395	**201**	551	**640**	2,506	**1,310**	3,810	**3,126**	9,625

Note 1: The pension figure for Edmond Scanlon relates to Irish defined contribution pension benefits. Brian Mehigan, Marguerite Larkin and Flor Healy received a taxable cash payment in lieu of pension benefits and the figures included above reflect this including life cover. The pension figures for Stan McCarthy and Gerry Behan include both defined benefit and defined contribution retirement benefits.
Note 2: This STIP amount represents 75% delivered in cash with 25% delivered by way of shares/share options which are deferred for two years.
Note 3: 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 4: Marguerite Larkin was appointed as CFO and to the Board on 30 September 2018. Her remuneration reflected in the table above relates to remuneration for the period 30 September to 31 December 2018.
Note 5: The table shows the Executive Directors' pay in the currency of payment to ensure clarity in reflecting the year on year payment comparisons.
Note 6: Stan McCarthy and Flor Healy retired as Directors in 2017.

Basic Salary Increases

As outlined in last year's report, Edmond Scanlon's initial base salary on appointment as Group CEO was set at €1,050,000 effective from 1 October 2017 and was not increased in 2018.

Marguerite Larkin's CFO base salary was set at €700,000 when she joined the Group. When setting this salary, the Committee considered several factors including; securing the right candidate, Marguerite's exceptional calibre and experience, the previous incumbent's salary, appropriate internal benchmarking and external market expectations. On joining Kerry, and prior to her appointment to the Board, Marguerite received a taxable cash payment of €500,000 to compensate her for profit share foregone from her previous role. The Committee is satisfied that the payment was the minimum necessary to compensate Marguerite for the entitlements she forfeited. Marguerite elected to invest over 50% of the amount received in Kerry shares.

For 2018, the basic salaries of the other Executive Directors were adjusted by 2.5% - 3% in line with the standard wage inflation available to the general workforce in Ireland and the US.

Annual Incentive Outcomes (STIP)

Table 2: Annual Bonus Achievement Against Targets

Financial Metrics (CEO, CFO, & T&N CEO– 90% weighting)

Metric		1. Volume Growth* (40% weighting)		2. Margin Expansion* (30% weighting)		3. Cash Conversion (20% weighting)
		Group	Taste & Nutrition	Group	Taste & Nutrition	Group
Targets	Threshold	0.0%	0.0%	-30 bps	0 bps	70%
	Target	3.5%	4.0%	0 bps	+30 bps	75%
	Max	5.5%	6.0%	+30 bps	+60 bps	80%
Actual performance		3.5%	4.1%	0 bps	+20 bps	71.5%
Bonus outcome		28.0%	28.6%	21.0%	14.0%	4.2%
Link to strategy		Volume Growth is a key performance metric as it is one of the main drivers of Adjusted EPS Growth		Margin Expansion is a key performance metrics as it is another main driver of Adjusted EPS Growth		Cash Conversion is key to ensuring there are sufficient funds available for reinvestment or for return to shareholders

* The above metrics are measured at Group level for the CEO and CFO (current and former) and at Taste & Nutrition level for the CEO of Taste & Nutrition.

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 Volume Growth, Margin Expansion and Cash Conversion. These are vital in driving sustainable growth and ensuring there are sufficient funds available for reinvestment or for return to shareholders. The same performance metrics, targets and weightings apply to the current and former CFO and were time apportioned based on their time in office.

Personal and Strategic Objectives – 10% weighting

Metric		4. Personal and Strategic (All – 10% weighting)	
		CEO & CFO	T&N CEO
Targets	Threshold	0	0
	Target	7	7
	Max	10	10
Actual performance		7	10
Bonus outcome		7%	10%
Link to strategy		Specific to the Executive's responsibility linked to strategic plan implementation and talent management.	

Details of Personal and Strategic Objectives

The Executive Directors are also measured against Personal and Strategic objectives, which this year focus on the implementation of the new strategic plan for the Group. 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	Achievements	Bonus Outcome
CEO	– Effective engagement with shareholders in relation to the Group's strategy and the achievement of long term sustainable growth. – Leadership team in place and organisation structure evolved at Group and divisional levels to deliver the strategic priorities for growth and margin expansion in line with the Group's culture. – Incentive programmes amended to align with the new strategic plan metrics and targets. – Seamless CFO transition achieved.	7%
New CFO	– Successfully transitioned to CFO and quickly assumed full responsibility for core finance responsibilities. – Established relationships with key stakeholders, including major shareholders and key providers of finance.	7%
Former CFO	– Good engagement with shareholders in relation to the Group's strategic direction, sustainability objectives and regular performance updates. – Continued efficient deployment of Kerryconnect and progressed the shared services strategy. – Supported the successful CFO transition.	7%
CEO T&N	– Deployed an enhanced Taste & Nutrition operating model, including a Go to Market structure based on End Use Markets to enable the delivery of the strategic priorities for growth. – Excellent progress on building leadership capability and a strong talent pipeline to support the division's growth ambitions. – Successful execution and integration of acquisition transactions in line with the Group's strategic growth priorities.	10%

The Committee reviewed progress against specific metrics and milestones supporting these objectives and concluded that good progress was made by the Executive Directors against the objectives outlined above, which resulted in an on target award for the CEO and CFOs and a maximum award for the CEO of Taste & Nutrition.

The 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 59% of max opportunity (85% 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.

The outcome of the EPS performance test, calculated on a constant currency basis, is an annual average adjusted EPS growth of 10.1% which results in an award outcome of 26.3% 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:

Chr. Hansen	Givaudan	Kellogg's	Sensient Technologies
Barry Callebaut	Glanbia	McCormick & Co.	Symrise
Corbion	Greencore	Nestlé	Tate & Lyle
Aryzta	Danone	Novozymes	Unilever
General Mills	IFF	Premier Foods	

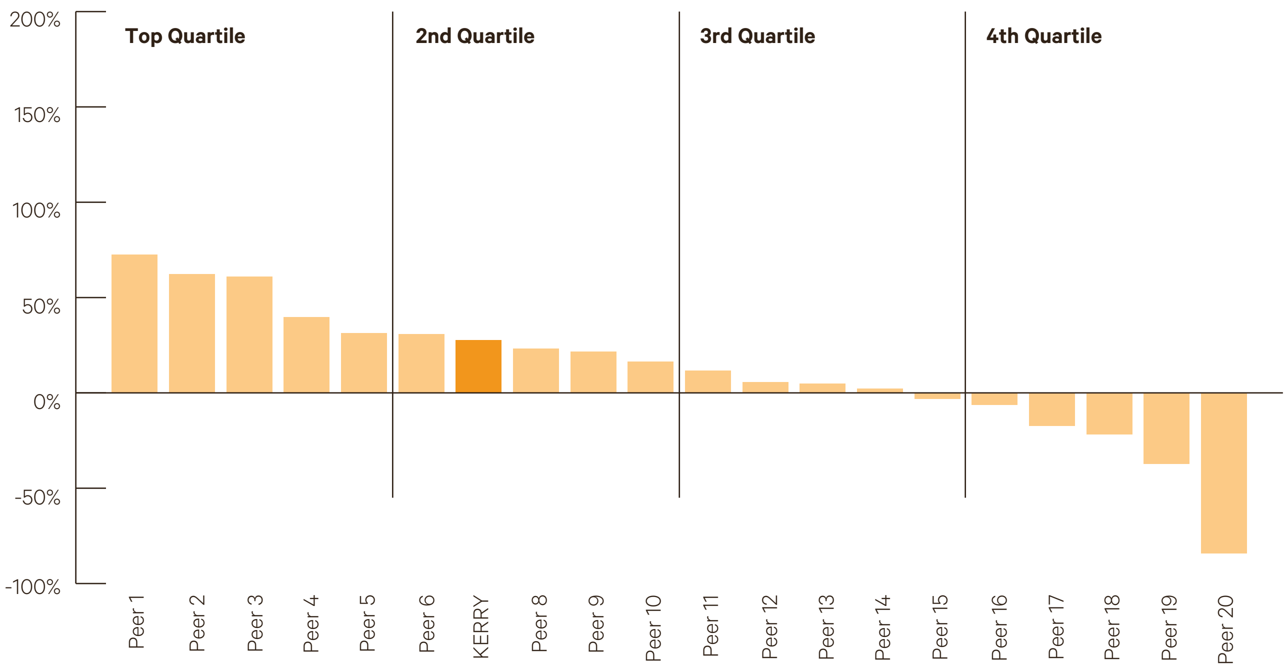
When assessing whether the performance hurdle has been met, this measurement is determined by reference to the ranking of Kerry's TSR over the three year performance period, in comparison with the TSR performance of the companies in the peer group. The awards vest in line with the following table:

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 2016 to 31 December 2018 for the LTIP awards which issued in 2016. These awards have a vesting date on or before 30 April 2019.

3 Year TSR: Kerry and Comparator 1 Jan 2016 - 31 Dec 2018

See chart on page 130, which illustrates the Group's TSR performance from 2008 to 2018



The outcome of the measurement of the TSR condition in relation to the 2016 awards is in the second quartile, resulting in award outcome of 24.4% out of a possible maximum 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 2016 awards is a ROACE of 12.6% which resulted in a reward outcome of 13% out of a possible maximum of 20%.

Table 3: Overall Outcome of the 2016 LTIP Award Vesting in 2019

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	2nd Quartile*	24.4%	10.1% growth*	26.3%	12.6%	13%	63.7%

* 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 2018 relate to awards made in 2015, 2016 and 2017 which have a three year performance period. The 2015 awards vested in 2018. The 2016 awards will potentially vest in 2019 and 2017 awards will potentially vest in 2020. 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 2018	Share Awards Vested During the Year	Share Option Awards Vested During the Year	Share Awards Lapsed During the Year	Conditional Awards Made During the Year	Conditional Awards at 31 December 2018	Share Price at Date of Conditional Award Made During the Year
Directors								
Edmond Scanlon	2013	40,295	**–**	**(4,256)**	**(2,575)**	**25,625**	**59,089**	**€81.95**
Brian Mehigan	2013	44,991	**–**	**(9,024)**	**(5,460)**	**15,474**	**45,981**	**€81.95**
Marguerite Larkin[1]	2013	–	**–**	**–**	**–**	**7,031**	**7,031**	**€89.60**
Gerry Behan	2013	65,105	**(14,864)**	**–**	**(8,995)**	**17,909**	**59,155**	**€81.95**
Company Secretary								
Ronan Deasy[2]	2013	13,417	**–**	**(2,159)**	**(1,307)**	**3,295**	**13,246**	**€81.95**

Note 1: Marguerite Larkin's LTIP conditional awards during the year were pro-rated based on her time of service.

Note 2: The Company Secretary Ronan Deasy was appointed to the position on 1 March 2018 and his opening LTIP conditional awards are reflected as at that date.

Conditional LTIP awards made in 2018 have a three year performance period and will potentially vest in 2021. 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.

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 2018	Share Options Exercised During the Year	Share Options Vested During the Year[3]	Share Options Outstanding at 31 December 2018	Exercise Price Per Share
Directors					
Edmond Scanlon	4,167	**0**	**5,370**	**9,537**	**€0.125**
Brian Mehigan	65,451	**(13,573)**	**10,971**	**62,849**	**€0.125**
Marguerite Larkin[1]	–	**–**	**–**	**–**	**–**
Company Secretary					
Ronan Deasy[2]	1,231	**0**	**2,159**	**3,390**	**€0.125**

Note 1: Marguerite Larkin was appointed to the Board on 30 September 2018 and her opening share option balance is reflected as at that date.
Note 2: The new Company Secretary Ronan Deasy was appointed to the position on 1 March 2018 and his opening share option balance is reflected as at that date.
Note 3: Share Options which vested in March 2018 related to 2015 LTIP awards and 25% of the 2017 STIP (paid in March 2018). 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
Gerry Behan	**37**	**445**	**223**
2018	**37**	**445**	**223**
2017	167	1,804	2,291

Note: Contributions were made to an Irish defined contribution plan in respect of Edmond Scanlon. Brian Mehigan and Marguerite Larkin received a taxable cash payment in lieu of pension benefits. These contributions are reflected in the single figure table (table 1) on page 122.

Non- Executive Directors' Remuneration Paid in 2018

Table 7: Remuneration Paid to Non-Executive Directors in 2018 (Audited)

	Fees 2018 €	Fees 2017 €
Hugh Brady	**98,000**	78,000
Paddy Casey*	**–**	14,333
Gerard Culligan	**78,000**	33,833
Karin Dorrepaal	**98,000**	78,000
Michael Dowling*	**148,958**	230,000
Joan Garahy	**123,000**	93,000
James C. Kenny	**117,000**	97,000
Tom Moran	**98,000**	78,000
Con Murphy	**78,000**	33,833
Christopher Rogers**	**68,666**	–
Philip Toomey	**277,667**	98,000
	1,185,291	833,999

* Retired on 30 April 2017 and 3 May 2018 respectively

** Appointed to the Board on 8 May 2018

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 €19,814.

Payments to Former Directors

Table 8: Payments to Former Directors (Audited)

Former Director	**2018 €'000**	**2017 €'000**
Stan McCarthy	**1,259**	–
Flor Healy	**–**	298
	1,259	298

Stan McCarthy, who retired from the Board on 31 December 2017, was paid 12 months base salary for abiding with the contractual non-compete/non-solicitation requirements of his employment agreement. This amounted to €1,259,000 ($1,486,000) during 2018. In addition, his vested 2013 LTIP awards and vested 2015 STIP awards, which were subject to deferral and disclosed in previous annual reports, were released to him at the normal applicable release dates following the 2 year deferral period.

Flor Healy, who retired from the Board on 8 August 2017, was paid €298,000 remuneration in the period 9 August to 31 December 2017. During 2018 he had vested 2013 LTIP awards and vested 2015 STIP awards, which were subject to deferral and disclosed in previous annual reports, released to him at the normal applicable release dates following the 2 year deferral period.

Payments for Loss of Office

There were no payments for loss of office in 2018 (2017: €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 were 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 9: Directors and Company Secretary Shareholdings (Audited)

	31 December 2018 Ordinary Shares Number	31 December 2018 Share Options Number	31 December 2018 Total Number	1 January 2018 Ordinary Shares Number	1 January 2018 Share Options Number	1 January 2018 Total Number
Directors						
Gerry Behan	**58,839**	–	**58,839**	58,379	–	58,379
- Deferred[1]	***14,905***	–	***14,905***	*10,636*	–	*10,636*
Hugh Brady	**1,250**	–	**1,250**	500	–	500
Gerard Culligan	–	–	–	–	–	–
Karin Dorrepaal	–	–	–	–	–	–
Joan Garahy	**1,050**	–	**1,050**	1,050	–	1,050
James C. Kenny	–	–	–	–	–	–
Marguerite Larkin[2]	**1,500**	–	**1,500**	–	–	–
Brian Mehigan[3]	**40,334**	**52,266**	**92,600**	40,334	57,694	98,028
- Deferred[1]	–	***10,583***	***10,583***	–	*7,757*	*7,757*
Tom Moran	**539**	–	**539**	–	–	–
Con Murphy	**7,721**	–	**7,721**	7,721	–	7,721
Christopher Rogers[4]	**640**	–	**640**	–	–	
Edmond Scanlon	**9,611**	**5,056**	**14,667**	9,611	2,083	11,694
- Deferred[1]	–	***4,481***	***4,481***	–	*2,084*	*2,084*
Philip Toomey	**6,000**	–	**6,000**	6,000	–	6,000
Company Secretary						
Ronan Deasy[5]	**3,230**	**1,528**	**4,758**	3,230	–	3,230
- Deferred[1]	–	***1,862***	***1,862***	–	*1,231*	*1,231*

Note 1: The deferred shares and share options above, relate to 25% of the Executive Directors 2016 and 2017 STIP awards and 50% of the 2014 and 2015 LTIP award (vested in March 2017 and 2018 respectively). These awards are subject to a two year deferral period and will be delivered in shares/share options in March 2019 and March 2020 respectively.
Note 2: Marguerite Larkin was appointed to the Board on 30 September 2018 and her opening shareholdings are reflected as at that date.
Note 3: Brian Mehigan retired from the Board on 28 December 2018 and his closing shareholding above is reflected as at that date.
Note 4: Christopher Rogers was appointed to the Board on 8 May 2018 and his opening shareholdings are reflected as at that date.
Note 5: Ronan Deasy was appointed as Company Secretary on 1 March 2018 and his opening shareholdings are reflected as at that date.

Shareholding Guidelines

The table below sets out the Executive Directors' shareholding at 31 December 2018 shown as a multiple of basic salary. Please refer to the Remuneration Policy Table on page 117 in Section C for details of the Executive Director shareholding requirements.

Table 10: Individual Shareholding as a Multiple of Basic Salary

Executive Director	As a Multiple of Basic Salary
Edmond Scanlon	**1.6x**
Marguerite Larkin	**0.2x**
Gerry Behan	**8.4x**

Note 1: The share price used to calculate the above is the share price as at 31 December 2018.

Edmond Scanlon, in line with policy, has four years to increase his shareholding to the minimum 2.0x basic salary. Marguerite Larkin, the new CFO, in line with policy, has five years to increase her shareholding to the minimum 1.8x basic salary.

TSR Performance and Chief Executive Officer Remuneration

The graph below illustrates the TSR performance of the Group over the past ten years showing the increase in value of €100 invested in Group's shares from 31 December 2008 to 31 December 2018. 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.

10 Year Total Shareholder Return
(Value of €100 Invested on 31/12/2008)

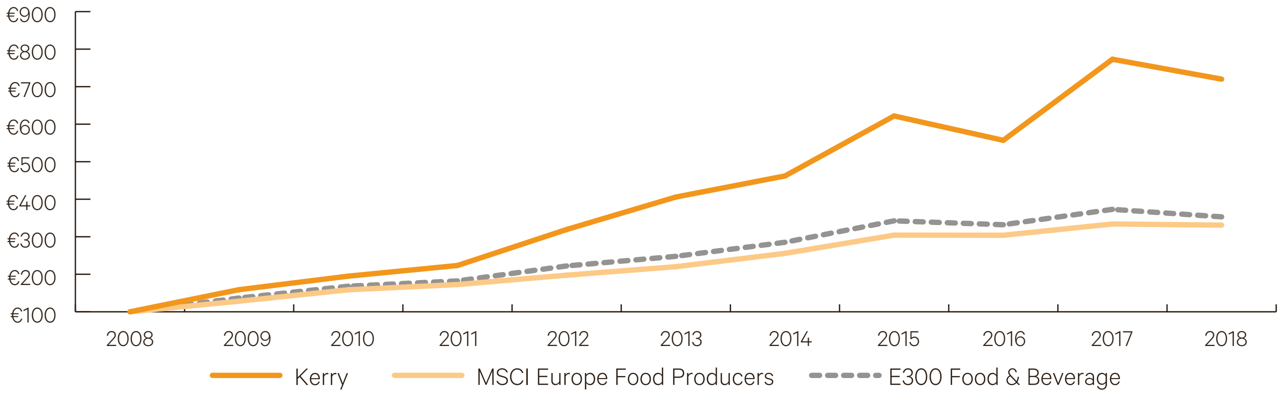


Table 11: Remuneration Paid to the CEO 2009 – 2018

Chief Executive Officer – Stan McCarthy	2009 €'000	2010 €'000	2011 €'000	2012 €'000	2013 €'000	2014 €'000	2015 €'000	2016 €'000	2017 €'000
Total remuneration €'000	1,751	2,116	3,283	3,538	3,592	3,283	4,161	3,625	5,285
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	2018 €'000
Total remuneration €'000	808	**2,577**
Annual incentive achieved as a % of maximum	75%	**60%**
LTIP achieved as a % of maximum	62.3%	**63.7%**

Note 1: Edmond Scanlon was appointed CEO and to the Board on 1 October 2017 and his remuneration reflected in the table above relates to remuneration from that date.

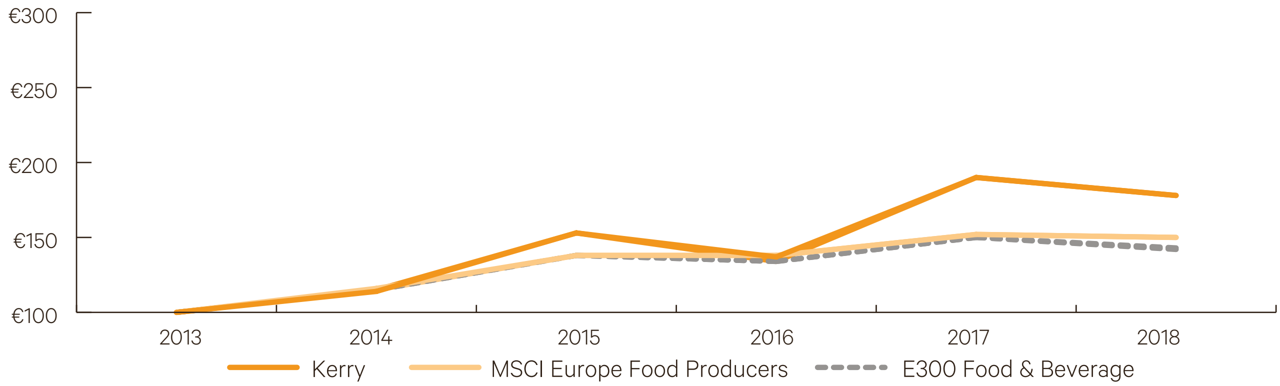
Table 12: CEO Pay v Normal Employee Pay Comparison

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.

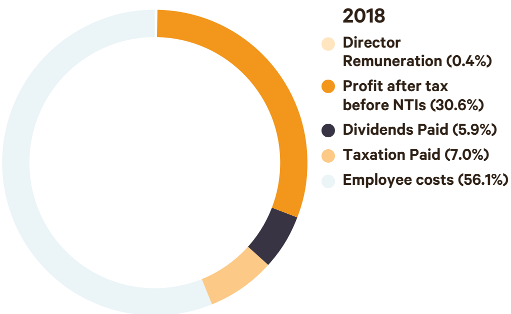
	2014	2015	2016	2017	2018
Chief Executive Officer					
Basic pay YoY % change	2%	2%	9%	2.5%	0%
All Group Employees					
Average basic pay YoY % change	3.4%	3.6%	3.5%	3.1%	2.8%

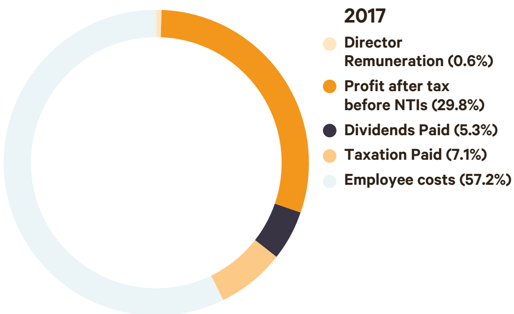
Performance of the company: 5 Year Total Shareholder Return



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 2018 is 1.1%. This level of dilution is well below the maximum dilution level recommended for executive share based incentive plans.

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 13: 2018 AGM – Votes on Remuneration

Total Votes Cast	Votes For	Votes Against	Votes Withheld/Abstained
Directors' Remuneration Report			
100,820,472	97,669,720	3,150,752	203,299
	96.9%	3.1%	
Remuneration Policy			
100,762,070	98,418,376	2,343,694	261,701
	97.7%	2.3%	

The Committee appreciates the level of support shown by the shareholders for the Remuneration Policy and Report and is committed to continued consultation with shareholders with regard to the remuneration policy.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KERRY GROUP PLC

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 2018 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 ('FRSs') 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
- 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 2018;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company cash flow statements for the year then ended;
- the Consolidated and Company statements of changes in equity 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 146. 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, 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 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

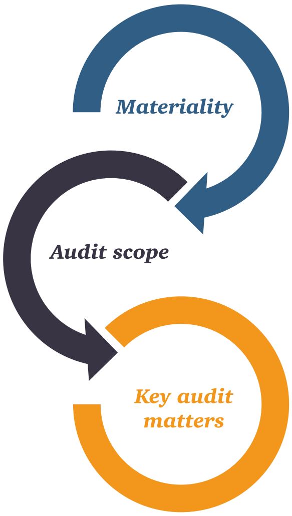
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in 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 2018 to 31 December 2018.

Our Audit Approach

Overview



Materiality
- €33.5 million (2017: €33 million) – Consolidated financial statements
- Based on c. 5% of profit before taxation and non-trading items.
- €7.3 million (2017: €7 million) - Company financial statements
- Based on c. 1% of net assets of the Company.

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 was performed 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.

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 €3,534.6 million at 31 December 2018 representing approximately 42% of the Group's total assets at year end. Goodwill and indefinite life intangible 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 management approved five year forecast. 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 satisfied ourselves as to 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 rates 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 30 'Business combinations'. The Group completed 10 acquisitions during 2018, the most significant of which was Fleischman's Vinegar Company Inc. in the Americas region of the Taste & 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 models. 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 in assessing 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 the growth rate 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.
Income Taxes Refer to note 1 'Statement of accounting policies' and note 7 'Income Taxes'. 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 2018 to be within an acceptable range of reasonable estimates.

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 operating segments: Taste and Nutrition and Consumer Foods across 32 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 the current year, senior representatives from the Group team continued 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. During 2018, the Group team visited component locations in Ireland, the UK, the USA, Mexico 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. In addition to this, the Group engagement team reviewed certain of the audit working papers of significant components.

This, together with audit procedures performed by the Group team over IT systems, treasury, post retirement benefits, the consolidation process and key audit matters including uncertain tax positions, impairment testing of goodwill and indefinite lived intangible assets, and business combinations, 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	€33.5 million (2017: €33 million)	€7.3 million (2017: €7 million)
How we determined it	c. 5% of profit before taxation and non-trading items	c. 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 €0.5m to €25m. 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 €1.7 million (Group audit) (2017: €1.65 million) and €360,000 (Company audit) (2017: €350,000) 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 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 (excluding the information included in the 'Non Financial Statement' as defined by that Act on which we are not required to report) 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 (excluding the information included in the 'Non Financial Statement' on which we are not required to report) for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with the 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 did not identify any material misstatements in the Directors' Report (excluding the information included in the 'Non Financial Statement' on which we are not required to 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) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 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 99 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 86 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.

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 93 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 page 103 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' Responsibility Statement set out on page 93, 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 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 balance sheet is in agreement with the accounting records.

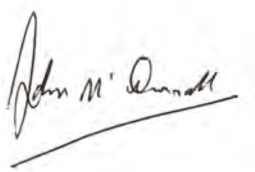
Companies Act 2014 exception reporting

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 members 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 3 years, covering the years ended 31 December 2016 to 31 December 2018.



John McDonnell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

18 February 2019

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	**Before Non-Trading Items 2018 €'m**	**Non-Trading Items 2018 €'m**	**Total 2018 €'m**	Before Non-Trading Items 2017 €'m	Non-Trading Items 2017 €'m	Total 2017 €'m
Continuing operations							
Revenue	2	**6,607.6**	**-**	**6,607.6**	6,407.9	-	6,407.9
Trading profit	2/3	**805.6**	**-**	**805.6**	781.3	-	781.3
Intangible asset amortisation	12	**(53.8)**	**-**	**(53.8)**	(47.9)	-	(47.9)
Non-trading items	5	**-**	**(66.9)**	**(66.9)**	-	(54.5)	(54.5)
Operating profit	3	**751.8**	**(66.9)**	**684.9**	733.4	(54.5)	678.9
Finance income	6	**0.5**	**-**	**0.5**	0.1	-	0.1
Finance costs	6	**(67.5)**	**-**	**(67.5)**	(65.7)	-	(65.7)
Profit before taxation		**684.8**	**(66.9)**	**617.9**	667.8	(54.5)	613.3
Income taxes	7	**(89.2)**	**11.8**	**(77.4)**	(89.5)	64.7	(24.8)
Profit after taxation attributable to owners of the parent		**595.6**	**(55.1)**	**540.5**	578.3	10.2	588.5
Earnings per A ordinary share				**Cent**			Cent
- basic	9			**305.9**			333.6
- diluted	9			**305.7**			333.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	2018 €'m	2017 €'m
Profit after taxation attributable to owners of the parent		**540.5**	588.5
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		**2.2**	5.3
Cash flow hedges - reclassified to profit or loss from equity	24	**(2.5)**	(29.2)
Net change in cost of hedging	24	**(2.0)**	-
Deferred tax effect of fair value movements on cash flow hedges	17	**(0.2)**	(0.6)
Exchange difference on translation of foreign operations		**(0.9)**	(108.8)
Fair value movement on revaluation of financial assets held at fair value through other comprehensive income/available-for-sale	13	**(1.9)**	3.5
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement on retirement benefits obligation	26	**34.5**	130.1
Deferred tax effect of re-measurement on retirement benefits obligation	17	**(6.3)**	(20.2)
Net income/(expense) recognised directly in total other comprehensive income		**22.9**	(19.9)
Total comprehensive income		**563.4**	568.6

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	**31 December 2018 €'m**	31 December 2017 €'m
Non-current assets			
Property, plant and equipment	11	**1,767.0**	1,529.6
Intangible assets	12	**4,095.6**	3,646.7
Financial asset investments	13	**35.3**	44.6
Investment in associates and joint ventures	14	**15.6**	5.8
Other non-current financial instruments	23	**101.7**	95.4
Deferred tax assets	17	**37.1**	46.4
		6,052.3	5,368.5
Current assets			
Inventories	16	**877.8**	797.5
Trade and other receivables	19	**967.8**	893.1
Cash at bank and in hand	23	**413.8**	312.5
Other current financial instruments	23	**10.0**	20.3
Assets classified as held for sale	18	**2.0**	8.3
		2,271.4	2,031.7
Total assets		**8,323.7**	7,400.2
Current liabilities			
Trade and other payables	20	**1,482.1**	1,410.5
Borrowings and overdrafts	23	**13.8**	13.3
Other current financial instruments	23	**11.0**	9.1
Tax liabilities		**122.4**	108.4
Provisions	25	**20.3**	25.3
Deferred income	21	**1.2**	1.2
		1,650.8	1,567.8
Non-current liabilities			
Borrowings	23	**2,119.7**	1,728.4
Other non-current financial instruments	23	**5.6**	7.9
Retirement benefits obligation	26	**53.2**	124.3
Other non-current liabilities	22	**82.6**	96.7
Deferred tax liabilities	17	**324.1**	241.9
Provisions	25	**32.1**	37.1
Deferred income	21	**21.2**	22.9
		2,638.5	2,259.2
Total liabilities		**4,289.3**	3,827.0
Net assets		**4,034.4**	3,573.2
Issued capital and reserves attributable to owners of the parent			
Share capital	27	**22.0**	22.0
Share premium		**398.7**	398.7
Other reserves		**(207.3)**	(214.4)
Retained earnings		**3,821.0**	3,366.9
Shareholders' equity		**4,034.4**	3,573.2

The financial statements were approved by the Board of Directors on 18 February 2019 and signed on its behalf by:

Philip Toomey, Chairman

Edmond Scanlon, Chief Executive

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 €'m	31 December 2017 €'m
Non-current assets			
Property, plant and equipment	11	**0.3**	0.4
Investments in subsidiaries	15	**714.4**	637.7
		714.7	638.1
Current assets			
Trade and other receivables	19	**94.1**	115.9
		94.1	115.9
Total assets		**808.8**	754.0
Current liabilities			
Trade and other payables	20	**6.3**	8.2
		6.3	8.2
Non-current liabilities			
Deferred income	21	**0.1**	0.1
		0.1	0.1
Total liabilities		**6.4**	8.3
Net assets		**802.4**	745.7
Issued capital and reserves			
Share capital	27	**22.0**	22.0
Share premium		**398.7**	398.7
Other reserves		**65.3**	53.1
Retained earnings		**316.4**	271.9
Shareholders' equity		**802.4**	745.7

The Company earned a profit of **€158.9m** for the year ended 31 December 2018 (2017: €107.9m).

The financial statements were approved by the Board of Directors on 18 February 2019 and signed on its behalf by:

Philip Toomey, Chairman

Edmond Scanlon, Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Group:						
At 1 January 2017		22.0	398.7	(98.0)	2,771.3	3,094.0
Profit after tax attributable to owners of the parent		-	-	-	588.5	588.5
Other comprehensive (expense)/income		-	-	(129.2)	109.3	(19.9)
Total comprehensive (expense)/income		-	-	(129.2)	697.8	568.6
Dividends paid	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
Profit after tax attributable to owners of the parent		**-**	**-**	**-**	**540.5**	**540.5**
Other comprehensive (expense)/income		**-**	**-**	**(5.1)**	**28.0**	**22.9**
Total comprehensive (expense)/income		**-**	**-**	**(5.1)**	**568.5**	**563.4**
Dividends paid	10	**-**	**-**	**-**	**(114.4)**	**(114.4)**
Share-based payment expense	28	**-**	**-**	**12.2**	**-**	**12.2**
At 31 December 2018		**22.0**	**398.7**	**(207.3)**	**3,821.0**	**4,034.4**

Other Reserves comprise the following:

	Note	FVOCI/AFS Reserve* €'m	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Cost of Hedging Reserve €'m	Total €'m
At 1 January 2017		-	1.7	0.3	38.3	(147.0)	8.7	-	(98.0)
Other comprehensive income/(expense)		3.5	-	-	-	(108.8)	(23.9)	-	(129.2)
Share-based payment expense	28	-	-	-	12.8	-	-	-	12.8
At 31 December 2017		3.5	1.7	0.3	51.1	(255.8)	(15.2)	-	(214.4)
Other comprehensive expense		**(1.9)**	**-**	**-**	**-**	**(0.9)**	**(0.3)**	**(2.0)**	**(5.1)**
Share-based payment expense	28	**-**	**-**	**-**	**12.2**	**-**	**-**	**-**	**12.2**
At 31 December 2018		**1.6**	**1.7**	**0.3**	**63.3**	**(256.7)**	**(15.5)**	**(2.0)**	**(207.3)**

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

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 2018

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Company:						
At 1 January 2017		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
Profit after tax	8	**-**	**-**	**-**	**158.9**	**158.9**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**-**	**158.9**	**158.9**
Dividends paid	10	**-**	**-**	**-**	**(114.4)**	**(114.4)**
Share-based payment expense	28	**-**	**-**	**12.2**	**-**	**12.2**
At 31 December 2018		**22.0**	**398.7**	**65.3**	**316.4**	**802.4**

Other Reserves comprise the following:

	Note	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Total €'m
At 1 January 2017		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
Share-based payment expense	28	**-**	**-**	**12.2**	**12.2**
At 31 December 2018		**1.7**	**0.3**	**63.3**	**65.3**

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 2018

	Notes	2018 €'m	2017 €'m
Operating activities			
Trading profit	29	**805.6**	781.3
Adjustments for:			
Depreciation (net)		**134.1**	134.0
Change in working capital	29	**(78.8)**	9.1
Pension contributions paid less pension expense		**(40.0)**	(95.3)
Payments on non-trading items		**(59.8)**	(34.0)
Exchange translation adjustment		**0.5**	(8.8)
Cash generated from operations		**761.6**	786.3
Income taxes paid		**(46.1)**	(54.7)
Finance income received		**0.5**	0.1
Finance costs paid		**(65.0)**	(60.3)
Net cash from operating activities		**651.0**	671.4
Investing activities			
Purchase of assets (net)	29	**(296.1)**	(301.3)
Proceeds from the sale of assets		**10.6**	3.1
Capital grants received		**-**	0.9
Purchase of businesses (net of cash acquired)	30	**(476.8)**	(396.5)
(Purchase)/disposal of share in associates and joint ventures		**(14.5)**	29.5
Income received from associates and joint ventures	14	**-**	-
Disposal of businesses		**-**	-
Payments relating to previous acquisitions		**(11.9)**	(0.9)
Net cash used in investing activities		**(788.7)**	(665.2)
Financing activities			
Dividends paid	10	**(114.4)**	(102.2)
Issue of share capital	27	**-**	-
Net movement on borrowings (net of swaps)		**350.2**	(144.3)
Net cash movement due to financing activities		**235.8**	(246.5)
Net increase/(decrease) in cash and cash equivalents		**98.1**	(240.3)
Cash and cash equivalents at beginning of the financial year		305.6	561.1
Exchange translation adjustment on cash and cash equivalents		**0.2**	(15.2)
Cash and cash equivalents at end of the financial year	29	**403.9**	305.6

	Notes	2018 €'m	2017 €'m
Reconciliation of Net Cash Flow to Movement in Net Debt			
Net increase/(decrease) in cash and cash equivalents		**98.1**	(240.3)
Cash flow from debt financing		**(350.2)**	144.3
Changes in net debt resulting from cash flows		**(252.1)**	(96.0)
Fair value movement on interest rate swaps (net of adjustment to borrowings)	29	**(2.6)**	2.8
Exchange translation adjustment on net debt	29	**(27.1)**	75.2
Movement in net debt in the financial year		**(281.8)**	(18.0)
Net debt at beginning of the financial year		(1,341.7)	(1,323.7)
Net debt at end of the financial year	23	**(1,623.5)**	(1,341.7)

COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	**2018 €'m**	2017 €'m
Operating activities			
Trading profit	29	**154.9**	106.2
Adjustments for:			
Depreciation	11	**0.1**	0.2
Change in working capital	29	**36.1**	(4.2)
Net cash from operating activities		**191.1**	102.2
Investing activities			
Investments in subsidiary undertakings	15	**(76.7)**	-
Net cash from investing activities		**(76.7)**	-
Financing activities			
Dividends paid	10	**(114.4)**	(102.2)
Issue of share capital	27	**-**	-
Net cash movement due to financing activities		**(114.4)**	(102.2)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the financial year		-	-
Cash and cash equivalents at end of the financial year	29	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 and joint ventures 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.

As the available-for-sale reserve (AFS) under IAS 39 'Financial Instruments: Recognition and Measurement' becomes the fair value through other comprehensive income reserve (FVOCI) under IFRS 9 'Financial Instruments' at 1 January 2018, throughout these financial statements respective headings will be presented as FVOCI/AFS.

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 and joint ventures' profit/loss 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.

Joint ventures

Joint ventures are all entities over which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in joint venture, 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.

1. Statement of accounting policies (continued)

Basis of consolidation (continued)

Joint ventures (continued)

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in 'Share of associate and joint ventures' profit/loss after tax' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves until the date on which joint control ceases. 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 joint venture is tested for impairment by comparing its recoverable amount with its carrying amount.

Unrealised gains arising from transactions with joint ventures 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 joint ventures are amended where necessary to ensure consistency of accounting treatment at Group level.

Revenue

Revenue represents the 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 control of the products has transferred, which is usually upon shipment, or in line with terms agreed with individual customers. Revenue is recorded when there is no unfulfilled obligation on the part of the Group. 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 using the expected value method. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is highly probable.

Revenue policy applicable before 1 January 2018

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.

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.

1. Statement of accounting policies (continued)

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.

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 estimate 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.

1. Statement of accounting policies (continued)

Income taxes (continued)

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.

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 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.

1. Statement of accounting policies (continued)

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.

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.

Investments in associates and joint ventures

Investments in associates and joint ventures held by the Group are accounted for using the equity method, after initially being recognised at cost in the Consolidated Balance Sheet.

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.

1. Statement of accounting policies (continued)

Financial instruments (continued)

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.

The Group has applied IFRS 9 'Financial Instruments' retrospectively but has elected not to restate the comparatives (see 'New standards and interpretations' on page 154). As a result, the comparative information continues to be accounted for in accordance with the Group's previous accounting policies under IAS 39 'Financial Instruments: Recognition and Measurement'.

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Debt instruments:
Subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Consolidated Income Statement. Impairment losses are presented in the Consolidated Income Statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group have no debt instruments measured at FVOCI.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. In addition, assets that are irrevocably designated as FVPL at origination to eliminate or significantly reduce an accounting mismatch are also measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Consolidated Income Statement.

Equity instruments:
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the Consolidated Income Statement following the derecognition of the investment. Dividends from such investments continue to be recognised in Consolidated Income Statement when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL (Rabbi Trust assets) are recognised in the Consolidated Income Statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Previously, equity instruments were accounted as FVPL (Rabbi Trust equities) or available-for-sale under IAS 39 'Financial Instruments: Recognition and Measurement' and were measured at fair value.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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.

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.

Financial liabilities at fair value through profit or loss (FVTPL)
Financial liabilities at FVTPL arise when the financial liabilities are either derivative liabilities 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.

Financial assets policy applicable before 1 January 2018
The Group classified its financial assets into one of the following categories:

- loans and receivables;
- available-for-sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; and
  - derivative as at FVTPL.

1. Statement of accounting policies (continued)

Financial instruments (continued)

Financial assets subsequent measurement and gains and losses policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables: measured at amortised cost using the effective interest method.
- available-for-sale financial assets: measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.
- financial assets at FVTPL: measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

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.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment policy applicable before 1 January 2018

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 a loss 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 loss 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;
- 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. When cross currency interest rate swaps are used to hedge interest rates and foreign exchange rates, the change in the foreign currency basis spreads element of the contract that relates to the hedged item is recognised within other reserves under the cost of hedging reserve.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

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 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 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.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred cost of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset, such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that were reported in equity are immediately reclassified to profit or loss.

1. Statement of accounting policies (continued)

Financial instruments (continued)

Cash flow hedges (continued)

Cash flow hedge accounting is applied to foreign exchange forward contracts which are expected to offset 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.

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 derecognised when the hedging relationship ceases to exist. 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) provide a hedge against foreign currency borrowings without having to apply hedge accounting; or (b) 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.

In particular, information about significant areas of estimation 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, 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 are subject to change as a result of changing economic conditions. As forecasting future cash flows is dependent upon the Group successfully leveraging its base of intangible assets over the long term, estimates are required in relation to future cashflows which will support the asset value. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change. Details of the assumptions used and key sources of estimation involved are outlined 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.

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. Estimation 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'.

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.

Income taxes and deferred tax assets and liabilities are disclosed in notes 7 and 17 to the consolidated financial statements, respectively.

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), provisions (note 25) and retirement benefits obligation (note 26).

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:

The following Standards and Interpretations are effective for the Group in 2018 but do not have a material effect on the results or financial position of the Group:		***Effective Date***
- IFRS 2 (amendment)	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
- IFRS 4 (amendment)	Insurance Contracts	1 January 2018
- IFRS 9	Financial Instruments IFRS 9, published in July 2014, replaced IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification is dependent on the business model for managing the financial assets and on whether the cash flows represent solely the payment of principal and interest. The Group has quantified the impact on its consolidated financial statements resulting from the application of IFRS 9. The vast majority of financial assets held are trade receivables and cash, which continue to be accounted for at amortised cost. The majority of financial asset investments will continue to be accounted for at fair value through profit or loss with the exception of certain equity instruments which were previously classified as available-for-sale (AFS). Under IFRS 9, the Group will continue to measure these instruments at FVOCI. The AFS reserve has become the FVOCI reserve. On this basis, the classification and measurement changes do not have a material impact on the Group's consolidated financial statements. Given historic loss rates, normal receivable ageing and the significant portion of trade receivables that are within agreed terms, the move from an incurred loss model to an expected loss model has not had a material impact. For trade receivables, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. The Group has elected to adopt the new general hedge accounting model in IFRS 9. The new hedging requirements of IFRS 9 aligns hedge accounting more closely to the Group's risk management policies, as well as making more hedging relationships eligible for hedge accounting. Current hedging arrangements continue to be appropriate under IFRS. Under IFRS 9 when designating a cross currency swap contract as a hedging instrument the currency basis spread can be excluded and accounted for separately through other comprehensive income as a cost of hedging, being recognised in the income statement at the same time as the hedged item affects profit or loss. Accounting for the cost of hedging, which is not material, has been applied prospectively, without restating comparatives. The impact of adopting IFRS 9 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 January 2018. In line with the transition guidance in IFRS 9 the Group has not restated the 2017 prior year on adoption.	1 January 2018
- IFRS 15	Revenue from Contracts with Customers IFRS 15 was issued to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Group has adopted IFRS 15 from 1 January 2018, using the modified retrospective approach and has not restated the 2017 prior year on adoption. At the date of adoption, the Group assessed the impact on its consolidated financial statements resulting from the application of IFRS 15. Kerry do not supply services and generally legal title of goods sold is transferred on shipment. In general, there is one performance obligation in each of our sale contracts. In certain parts of the Group's business, the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment (cost plus a margin) for performance completed to date. In these circumstances, revenue is recorded over time rather than at a point in time. Based on the Group's contractual and trading relationships, the impact of adopting IFRS 15 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 January 2018.	1 January 2018
- IAS 40 (amendment)	Investment Property	1 July 2018
- IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

1. **Statement of accounting policies** (continued)

New standards and interpretations (continued)

The following Standards and Interpretations which are not yet effective for the Group and are not expected to have a material effect on the results or financial position of the Group:		***Effective Date***
- IFRS 16	Leases IFRS 16, published in January 2016, replaces the existing guidance in IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months and to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group will apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption. As at the reporting date, the Group has non-cancellable operating lease commitments of €83.1m. Of these commitments, approximately €0.3m relate to short-term leases and €0.1m are low value leases which will be recognised on a straight-line basis as expense in profit or loss. The Group expects to recognise right-of-use assets of approximately €92.4m on 1 January 2019 and lease liabilities of €103.1m, which includes the impact of new leases entered into and leases acquired through new acquisitions in 2018. The Group has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability at 1 January 2019. As at the reporting date, the Group implementation project was at an advanced state.	1 January 2019
- IFRS 17	Insurance Contracts	1 January 2021
- IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

2. Analysis of results

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

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

Information about geographical areas

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

*Asia Pacific, Middle East & Africa

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

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 **€456.9m** (2017: €447.8m). The non-current assets located in the Republic of Ireland are **€1,000.3m** (2017: €906.1m).

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

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

3. Operating profit

Operating profit for the financial year has been arrived at after charging/(crediting) the following operating costs:

	Notes	**Continuing Operations 2018 €'m**	Continuing Operations 2017 €'m
Revenue		**6,607.6**	6,407.9
Less operating costs:			
Raw materials and consumables		**3,693.3**	3,591.7
Other external charges		**445.1**	436.8
Staff costs		**1,185.3**	1,196.1
Depreciation (including impairment)	11	**136.4**	136.2
Capital grants amortisation	21	**(2.3)**	(2.2)
Other operating charges		**363.6**	325.6
Loss allowances on trade receivables	19	**8.5**	13.7
Foreign exchange losses/(gains)		**6.2**	(29.0)
Change in inventories of finished goods		**(34.4)**	(43.4)
Share of associate and joint ventures loss after tax	14	**0.3**	1.1
Trading profit		**805.6**	781.3
Intangible asset amortisation	12	**53.8**	47.9
Non-trading items	5	**66.9**	54.5
Operating profit		**684.9**	678.9
And is stated after charging:			
Research and development costs		**274.6**	268.7

3. Operating profit (continued)

Auditors' remuneration

	PwC Ireland 2018 €'m	PwC Other 2018 €'m	PwC Worldwide 2018 €'m	PwC Ireland 2017 €'m	PwC Other 2017 €'m	PwC Worldwide 2017 €'m
Statutory disclosure:						
Group audit	**1.1**	**1.6**	**2.7**	1.3	1.3	2.6
Other assurance services	**0.1**	**-**	**0.1**	-	-	-
Total assurance services	**1.2**	**1.6**	**2.8**	1.3	1.3	2.6
Tax advisory services	**-**	**0.1**	**0.1**	-	-	-
Other non-audit services	**-**	**-**	**-**	0.1	-	0.1
Total non-audit services	**-**	**0.1**	**0.1**	0.1	-	0.1
Total auditors' remuneration	**1.2**	**1.7**	**2.9**	1.4	1.3	2.7
Assurance services			**97%**			96%
Non-audit services			**3%**			4%
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** (2017: €4,720) which are due to the Group's auditor in respect of the Parent Company. Reimbursement of auditors' expenses amounted to **€0.3m** (2017: €0.2m).

4. Total staff numbers and costs

The average number of people employed by the Group was:

	Taste & Nutrition 2018 Number	Consumer Foods 2018 Number	Total 2018 Number	Taste & Nutrition 2017* Number	Consumer Foods 2017 Number	Total 2017 Number
Europe	**5,570**	**7,003**	**12,573**	5,522	7,124	12,646
Americas	**8,214**	**-**	**8,214**	7,438	-	7,438
APMEA	**4,468**	**-**	**4,468**	3,885	-	3,885
	18,252	**7,003**	**25,255**	16,845	7,124	23,969

The aggregate payroll costs of employees (including Executive Directors) was:

	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Total 2018 €'m	Taste & Nutrition 2017* €'m	Consumer Foods 2017 €'m	Total 2017 €'m
Europe	**353.3**	**240.4**	**593.7**	320.6	282.1	602.7
Americas	**465.8**	**-**	**465.8**	472.3	-	472.3
APMEA	**125.8**	**-**	**125.8**	121.1	-	121.1
	944.9	**240.4**	**1,185.3**	914.0	282.1	1,196.1

*The 2017 staff numbers and costs has been re-presented to reflect the change in management responsibility whereby the staff located in the Middle East & Africa are now reported as part of APMEA (formerly APAC) instead of Europe (formerly EMEA).

Social welfare costs of **€90.2m** (2017: €83.3m) and share-based payment expense of **€12.2m** (2017: €12.8m) 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 **€8.3m** (2017: €6.8m) which has been capitalised as part of computer software in intangible assets.

5. Non-trading items

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

*including impairment of assets held for sale

(i) Acquisition integration and restructuring costs

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

(ii) Consumer Foods Brexit Currency Mitigation Programme

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

(iii) Loss on disposal of businesses and assets

During the year, the Group disposed of property, plant and equipment primarily in Italy, Malaysia and the US for a consideration of **€10.6m** resulting in a loss of **€1.0m**. The Group also disposed of investments in associates for a combined consideration of **€1.1m** resulting in a loss of **€4.4m**. Please see note 29 for a reconciliation of loss and cash impact on disposal of businesses and assets.

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

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

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

(iv) Tax credit due to change in tax rates

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

6. Finance income and costs

	Note	2018 €'m	2017 €'m
Finance income:			
Interest income on deposits		**0.5**	0.1
Finance costs:			
Interest payable		**(66.3)**	(58.1)
Interest rate derivative		**0.2**	0.6
		(66.1)	(57.5)
Net interest cost on retirement benefits obligation	26	**(1.4)**	(8.2)
Finance costs		**(67.5)**	(65.7)

7. Income taxes

	Notes	2018 €'m	2017 €'m
Recognition in the Consolidated Income Statement			
Current tax expense in the financial year		**61.5**	81.9
Adjustments in respect of prior years		**(2.7)**	(0.7)
		58.8	81.2
Deferred tax in the financial year	17	**18.6**	(56.4)
Income tax expense		**77.4**	24.8
Included in the above is the following tax credit on non-trading items:			
Current tax		**(2.8)**	(1.2)
Deferred tax		**(9.0)**	(10.7)
One-off deferred tax credit due to the US Tax Cuts and Jobs Act		**-**	(52.8)
	5	**(11.8)**	(64.7)

The tax on the Group's profit before taxation differs from the amount that would arise applying the standard corporation tax rate in Ireland as follows:

	2018 €'m	2017 €'m
Profit before taxation	**617.9**	613.3
Taxed at Irish Standard Rate of Tax (12.5%)	**77.2**	76.7
Adjustments to current tax and deferred tax in respect of prior years	**(1.1)**	(0.2)
Net effect of differing tax rates	**8.1**	11.1
Changes in standard rates of taxes	**(2.9)**	(52.8)
Income not subject to tax	**(1.3)**	(1.9)
Utilisation of unprovided deferred tax assets	**(1.4)**	(6.9)
Other adjusting items	**(1.2)**	(1.2)
Income tax expense	**77.4**	24.8

An increase in the Group's applicable tax rate of 1% would reduce profit after tax by **€6.2m** (2017: €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 **€158.9m** (2017: €107.9m).

9. Earnings per A ordinary share

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

Number of Shares	Note	**2018 m's**	2017 m's
Basic weighted average number of shares		**176.7**	176.4
Impact of share options outstanding		**0.1**	0.2
Diluted weighted average number of shares		**176.8**	176.6
Actual number of shares in issue as at 31 December	27	**176.3**	176.2

10. Dividends

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

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

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 2017		1,043.9	1,812.0	153.6	14.9	3,024.4
Businesses acquired		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)	-	-
Disposals		(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
Businesses acquired	30	**19.3**	**53.1**	**7.4**	**-**	**79.8**
Additions		**22.0**	**54.1**	**207.0**	**0.6**	**283.7**
Transfer from construction in progress		**53.7**	**89.7**	**(143.4)**	**-**	**-**
Disposals	5	**(8.1)**	**(38.6)**	**-**	**(0.5)**	**(47.2)**
Transfer to held for sale		**-**	**-**	**-**	**-**	**-**
Exchange translation adjustment		**12.0**	**19.2**	**3.5**	**(0.2)**	**34.5**
At 31 December 2018		**1,150.4**	**1,999.7**	**286.0**	**14.6**	**3,450.7**
Accumulated depreciation and impairment						
At 1 January 2017		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
Disposals		(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
Charge during the financial year	3	**31.2**	**104.3**	**-**	**0.9**	**136.4**
Impairments	3	**0.9**	**2.5**	**-**	**-**	**3.4**
Disposals	5	**(7.2)**	**(34.3)**	**-**	**(0.5)**	**(42.0)**
Transfer to held for sale		**-**	**-**	**-**	**-**	**-**
Exchange translation adjustment		**4.1**	**11.6**	**-**	**(0.1)**	**15.6**
At 31 December 2018		**412.9**	**1,258.9**	**-**	**11.9**	**1,683.7**
Carrying value						
At 31 December 2017		667.6	647.4	211.5	3.1	1,529.6
At 31 December 2018		**737.5**	**740.8**	**286.0**	**2.7**	**1,767.0**

Included in the impairments above is **€3.4m** (2017: €4.9m) charged to non-trading items.

11. Property, plant and equipment (continued)

	Land and Buildings Total €'m
Company:	
Cost	
At 1 January 2017	4.7
At 31 December 2017 and 2018	**4.7**
Accumulated depreciation	
At 1 January 2017	4.1
Charge during the financial year	0.2
At 31 December 2017	4.3
Charge during the financial year	**0.1**
At 31 December 2018	**4.4**
Carrying value	
At 31 December 2017	0.4
At 31 December 2018	**0.3**

12. Intangible assets

	Notes	Goodwill €'m	Brand Related Intangibles €'m	Computer Software €'m	Total €'m
Cost					
At 1 January 2017		2,219.3	1,357.2	212.4	3,788.9
Businesses acquired		125.3	252.3	0.1	377.7
Additions		-	-	23.6	23.6
Purchase adjustment		(0.2)	-	-	(0.2)
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
Businesses acquired	30	**133.7**	**314.5**	**-**	**448.2**
Additions		**-**	**-**	**30.4**	**30.4**
Purchase adjustment		**5.8**	**-**	**-**	**5.8**
Disposals		**-**	**-**	**(3.8)**	**(3.8)**
Exchange translation adjustment		**8.6**	**12.7**	**0.4**	**21.7**
At 31 December 2018		**2,377.4**	**1,880.1**	**261.6**	**4,519.1**
Accumulated amortisation and impairment					
At 1 January 2017		22.6	197.7	124.3	344.6
Charge during the financial year	3	-	23.6	24.3	47.9
Disposals		-	-	-	-
Exchange translation adjustment		(4.1)	(17.0)	(1.3)	(22.4)
At 31 December 2017		18.5	204.3	147.3	370.1
Charge during the financial year	3	**-**	**28.8**	**25.0**	**53.8**
Disposals		**-**	**-**	**(3.8)**	**(3.8)**
Exchange translation adjustment		**0.2**	**2.8**	**0.4**	**3.4**
At 31 December 2018		**18.7**	**235.9**	**168.9**	**423.5**
Carrying value					
At 31 December 2017		2,210.8	1,348.6	87.3	3,646.7
At 31 December 2018		**2,358.7**	**1,644.2**	**92.7**	**4,095.6**

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 **€1,175.9m** (2017: €1,062.9m) which have indefinite lives.

Approximately **€11.4m** (2017: €8.0m) of computer software additions during the year were internally generated. Included in this are payroll costs of **€8.3m** (2017: €6.8m). The Group has not capitalised product development expenditure in 2018 (2017: €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 approved by management 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 2018 or 2017 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 2018, there was no specific impairment charge (2017: €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 2018 €'m	Goodwill 2017 €'m	**Indefinite Life Intangibles 2018 €'m**	Indefinite Life Intangibles 2017 €'m
Taste & Nutrition				
Europe	**497.1**	529.5	**104.0**	106.1
Americas	**1,286.1**	1,155.5	**974.3**	855.1
APMEA	**171.2**	118.6	**51.6**	55.5
Consumer Foods				
Europe	**404.3**	407.2	**46.0**	46.2
	2,358.7	2,210.8	**1,175.9**	1,062.9

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 2018	Discount Rates 2017	**Growth Rates 2018**	Growth Rates 2017
Taste & Nutrition				
Europe	**6.8%**	7.4%	**1.9%**	2.0%
Americas	**6.8%**	7.5%	**2.4%**	2.4%
APMEA	**9.7%**	9.0%	**4.9%**	5.1%
Consumer Foods				
Europe	**6.7%**	7.2%	**1.9%**	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 and working capital investment. 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 2018 or 2017. Further, a 5% increase would not have resulted in an impairment charge in 2018 or 2017 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 2018 or 2017. 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 2018 or 2017. 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

	FVOCI/AFS Investments €'m	Other Investments €'m	Total €'m
At 1 January 2017	4.1	35.2	39.3
Additions	-	6.4	6.4
Fair value movements	3.5	-	3.5
Exchange translation adjustment	(0.4)	(4.2)	(4.6)
At 31 December 2017	7.2	37.4	44.6
Additions	**-**	**4.1**	**4.1**
Disposals	**-**	**(12.7)**	**(12.7)**
Fair value movements	**(1.9)**	**(0.6)**	**(2.5)**
Exchange translation adjustment	**-**	**1.8**	**1.8**
At 31 December 2018	**5.3**	**30.0**	**35.3**

Investments held at fair value through other comprehensive income/available-for-sale

These represent investments in equity securities. These investments have no fixed maturity or coupon rate. A fair value assessment was performed in 2018 which resulted in a decrease to the carrying value of these assets of **€1.9m** (2017: uplift of €3.5m) through other comprehensive income.

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 and joint ventures

	Notes	2018 €'m	2017 €'m
At 1 January		5.8	40.7
Acquisition		**15.6**	0.6
Disposal	5	**(5.5)**	(34.4)
Share of loss after tax during the financial year	3	**(0.3)**	(1.1)
Income received from associates and joint ventures		**-**	-
At 31 December		**15.6**	5.8

In 2018, the Group entered into a joint venture through the purchase of a 55% shareholding in Proparent B.V. for a total consideration of €15.6m. Proparent B.V. owns Ojah B.V., an alternative protein and extrusion business based in The Netherlands. The amounts included in these Group consolidated financial statements in respect of the post-acquisition profits or losses of this joint venture are taken for the year ended 31 December 2018. The Group has a call option to acquire the remaining 45% interest under an agreed valuation methodology in 2022. The Group is satisfied that the fair value attached to this call option is nominal.

During the year, the Group disposed of its 42.8% shareholding in The Bodychef Limited and its 28.6% shareholding in Everdine Holding S.a.r.l. from the investment in associates line in the Consolidated Balance Sheet for a combined consideration of **€1.1m** resulting in a loss of **€4.4m.**

In 2017, the Group disposed of its 22.5% shareholding in Addo Foods for a consideration of €30.1m resulting in a loss of €4.3m. 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

	2018 €'m	2017 €'m
Company:		
At 1 January	637.7	637.7
Additions	**76.7**	-
At 31 December	**714.4**	637.7

In 2018, the Company increased its investment in Kerry Holding Co. in the US in order to fund acquisitions.

16. Inventories

	2018 €'m	2017 €'m
Raw materials and consumables	**367.1**	318.5
Finished goods and goods for resale	**480.9**	446.5
Expense inventories	**29.8**	32.5
At 31 December	**877.8**	797.5

Write-downs of inventories recognised as an expense approximates to **0.9%** (2017: 1.2%) 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 2017		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
Consolidated Income Statement movement	7	**8.5**	**2.5**	**(1.0)**	**7.3**	**1.3**	**18.6**
Recognised in other comprehensive income during the financial year		**-**	**-**	**-**	**6.3**	**0.2**	**6.5**
Related to businesses acquired/(disposed)		**3.9**	**59.5**	**-**	**-**	**0.7**	**64.1**
Exchange translation adjustment		**2.1**	**1.6**	**0.7**	**(0.4)**	**(1.7)**	**2.3**
At 31 December 2018		**82.3**	**268.9**	**(21.5)**	**(9.2)**	**(33.5)**	**287.0**

The short term temporary differences and other temporary differences recognised in other comprehensive income comprise fair value movements on cash flow hedges of **€0.2m** (2017: €0.6m). 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:

	2018 €'m	2017 €'m
Deferred tax assets	**(37.1)**	(46.4)
Deferred tax liabilities	**324.1**	241.9
	287.0	195.5

The total deductible temporary differences for which deferred tax assets have not been recognised is **€22.9m** (2017: €10.7m). 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 **€13.3m** (2017: €9.2m).

18. Assets classified as held for sale

	2018 €'m	2017 €'m
Property, plant and equipment (net of grants)	**2.0**	8.3
	2.0	8.3

In 2018, the Group held certain property, plant and equipment classified as held for sale in the Taste & Nutrition segment in Europe (2017: Europe and APMEA).

19. Trade and other receivables

	Group 2018 €'m	Group 2017 €'m	Company 2018 €'m	Company 2017 €'m
Trade receivables	**906.4**	800.7	**-**	-
Loss allowances	**(31.5)**	(29.0)	**-**	-
Trade receivables due within 1 year	**874.9**	771.7	**-**	-
Other receivables and prepayments	**53.6**	60.0	**-**	-
Amounts due from subsidiaries	**-**	-	**94.1**	115.9
VAT receivable	**38.9**	57.6	**-**	-
Receivables due after 1 year	**0.4**	3.8	**-**	-
	967.8	893.1	**94.1**	115.9

All receivable balances are due within 1 year except for **€0.4m** (2017: €3.8m) 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:

	2018 €'m	2017 €'m
Within terms	**734.0**	642.9
Past due not more than 1 month	**108.2**	108.1
Past due more than 1 month but less than 2 months	**24.7**	14.9
Past due more than 2 months but less than 3 months	**6.3**	4.2
Past due more than 3 months	**1.7**	1.6
Trade receivables (net)	**874.9**	771.7

The following table summarises the movement in loss allowances:

	2018 €'m	2017 €'m
At beginning of financial year	29.0	23.4
Increase in loss allowance charged to the Consolidated Income Statement	**8.5**	13.7
Utilised or reversed during the financial year	**(5.7)**	(6.2)
Exchange translation adjustment	**(0.3)**	(1.9)
At end of financial year	**31.5**	29.0

Trade and other receivables are stated at amortised cost less loss allowances. 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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, including the GDP of the countries in which it sells its goods and services, that affect the ability of customers to settle receivables.

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. The Group does not typically require collateral in respect of trade receivables.

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 2018 €'m	Group 2017 €'m	Company 2018 €'m	Company 2017 €'m
Trade payables	**1,285.9**	1,200.7	**-**	-
Other payables and accruals	**177.6**	186.2	**0.5**	2.4
Deferred payments on acquisition of businesses	**10.1**	13.8	**5.8**	5.8
PAYE	**2.9**	3.8	**-**	-
Social security costs	**5.6**	6.0	**-**	-
	1,482.1	1,410.5	**6.3**	8.2

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 2018 €'m	Group 2017 €'m	Company 2018 €'m	Company 2017 €'m
Capital grants					
At beginning of the financial year		24.1	27.1	0.1	0.1
Grants received during the financial year		**0.6**	0.1	**-**	-
Amortised during the financial year	3	**(2.3)**	(2.2)	**-**	-
Disposal		**(0.1)**	(0.5)	**-**	-
Exchange translation adjustment		**0.1**	(0.4)	**-**	-
At end of the financial year		**22.4**	24.1	**0.1**	0.1
Analysed as:					
Current liabilities		**1.2**	1.2	**-**	-
Non-current liabilities		**21.2**	22.9	**0.1**	0.1
		22.4	24.1	**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 2018 €'m	Group 2017 €'m	Company 2018 €'m	Company 2017 €'m
Other payables and accruals	**82.6**	92.7	**-**	-
Deferred payments on acquisition of businesses	**-**	4.0	**-**	-
	82.6	96.7	**-**	-

All of the above balances are due within 2 to 5 years except for **€0.2m** (2017: €0.3m) 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:

	Notes	Financial Assets/ (Liabilities) at Amortised Cost 2018 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2018 €'m	Derivatives Designated as Hedging Instruments 2018 €'m	Assets/ (Liabilities) at FVOCI/Available-for-sale Investments 2018 €'m	Total 2018 €'m
Group:						
Financial asset investments	13	-	**30.0**	-	**5.3**	**35.3**
Forward foreign exchange contracts	24 (i.i)	-	-	**10.0**	-	**10.0**
Interest rate swaps	24 (ii.ii)	-	-	**101.7**	-	**101.7**
Trade and other receivables	19	**967.8**	-	-	-	**967.8**
Cash at bank and in hand	24 (iii.i)	**413.8**	-	-	-	**413.8**
Total financial assets		**1,381.6**	**30.0**	**111.7**	**5.3**	**1,528.6**
Current assets		**1,381.6**	-	**10.0**	-	**1,391.6**
Non-current assets		-	**30.0**	**101.7**	**5.3**	**137.0**
		1,381.6	**30.0**	**111.7**	**5.3**	**1,528.6**
Borrowings and overdrafts	24 (iii.i)	**(2,120.3)**	**(13.2)**	-	-	**(2,133.5)**
Forward foreign exchange contracts	24 (i.i)	-	-	**(11.1)**	-	**(11.1)**
Interest rate swaps	24 (ii.ii)	-	-	**(5.5)**	-	**(5.5)**
Trade and other payables	20/22	**(1,564.7)**	-	-	-	**(1,564.7)**
Total financial liabilities		**(3,685.0)**	**(13.2)**	**(16.6)**	-	**(3,714.8)**
Current liabilities		**(1,495.9)**	-	**(11.0)**	-	**(1,506.9)**
Non-current liabilities		**(2,189.1)**	**(13.2)**	**(5.6)**	-	**(2,207.9)**
		(3,685.0)	**(13.2)**	**(16.6)**	-	**(3,714.8)**
Total net financial (liabilities)/assets		**(2,303.4)**	**16.8**	**95.1**	**5.3**	**(2,186.2)**

Included in the above table are the following components of net debt:

Analysis of total net debt by category					
Bank overdrafts	**(9.9)**	-	-	-	**(9.9)**
Bank loans	**(355.4)**	-	-	-	**(355.4)**
Senior notes	**(1,755.0)**	**(13.2)**	-	-	**(1,768.2)**
Borrowings and overdrafts	**(2,120.3)**	**(13.2)**	-	-	**(2,133.5)**
Interest rate swaps	-	-	**96.2**	-	**96.2**
Cash at bank and in hand	**413.8**	-	-	-	**413.8**
Total net debt	**(1,706.5)**	**(13.2)**	**96.2**	-	**(1,623.5)**

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 (2017: US$408m) of senior notes issued in 2010. At the time of issuance, US$250m of the 2013 senior notes and US$500m of the 2010 US$600m 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 **€13.2m** (2017: €20.0m) 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	Financial Assets/ (Liabilities) at Amortised Cost 2017 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2017 €'m	Derivatives Designated as Hedging Instruments 2017 €'m	Assets/ (Liabilities) at FVOCI/Available-for-sale Investments 2017 €'m	Total 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)

The following table outlines the financial assets and liabilities held by the Company at the balance sheet date:

	Notes	2018 €'m	2017 €'m
Company:			
Financial assets at amortised cost			
Cash at bank and in hand		**-**	-
Trade and other receivables	19	**94.1**	115.9
Total financial assets - all current		**94.1**	115.9
Financial liabilities at amortised cost			
Borrowings and overdrafts		**-**	-
Trade and other payables	20	**(6.3)**	(8.2)
Total financial liabilities - all current		**(6.3)**	(8.2)
Total net financial assets		**87.8**	107.7

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	2018 €'m	2017 €'m
Issued capital and reserves attributable to owners of the parent		**4,034.4**	3,573.2
Total net debt	23	**1,623.5**	1,341.7
Deferred payments on acquisition of businesses	20/22	**10.1**	17.8
		5,668.0	4,932.7

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 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:

	2018 **Times**	2017 Times
Net debt: EBITDA*	**1.7**	1.4
EBITDA: Net interest*	**14.7**	16.2

*Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 205.

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 to manage liquidity risk; 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 - key price risk exposures of 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 (liability)/asset of **(€12.3m)** (2017: €6.3m) and a sterling asset/(liability) of **€4.8m** (2017: (€4.3m)). Based on these net positions, as at 31 December 2018, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have increased/(decreased) the profit after tax of the Group for the financial year by €0.4m (2017: (€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 2018 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 €21.5m (2017: €15.7m) and €21.7m (2017: €17.8m) 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 and sales and purchases in US dollar in APMEA. The Group uses forward foreign exchange contracts to hedge these exposures. All such exposures are highly probable. 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:

	Note	2018 €'m Asset	2018 €'m Liability	2018 €'m Total	2017 €'m Asset	2017 €'m Liability	2017 €'m Total
Designated in a hedging relationship:							
Forward foreign exchange contracts - cash flow hedges	(a)	**10.0**	**(11.1)**	**(1.1)**	20.3	(9.1)	11.2
- current [1]		**10.0**	**(11.0)**	**(1.0)**	20.3	(9.1)	11.2
- non-current [2]		**-**	**(0.1)**	**(0.1)**	-	-	-
Forward foreign exchange contracts		**10.0**	**(11.1)**	**(1.1)**	20.3	(9.1)	11.2

* Location of line item in the Consolidated Balance Sheet
[1] Other current financial instruments
[2] Other non-current financial instruments

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 has elected to adopt the hedge accounting requirements of IFRS 9 'Financial Instruments'. The Group enters into hedge relationships when there is an economic relationship between the underlying highly probable forecasted transactions (hedged item) and the forward foreign exchange contracts (hedged instruments). As the critical terms match for the prospective assessment of effectiveness, a qualitative assessment is performed. The Group has established a 1:1 hedge ratio as the underlying risks in the forward foreign currency exchange contract are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the Group uses the hypothetical derivative method to assess effectiveness.

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 (Liability)/Asset		Notional Principal	
	2018 €'m	2017 €'m	**2018 €'m**	2017 €'m
Forward foreign exchange contracts				
less than 1 year	**(1.0)**	11.2	**2,005.7**	1,951.2
1 - 2 years	**(0.1)**	-	**25.9**	65.2
Forward foreign exchange contracts - cash flow hedges	**(1.1)**	11.2	**2,031.6**	2,016.4

The following table details the impact of forward foreign exchange contracts - cash flow hedges on the Consolidated Balance Sheet as at 31 December:

	2018 €'m	2017 €'m
Forward foreign exchange contracts - cash flow hedges	**(1.1)**	11.2
Retained earnings and other reserves:		
Cash flow hedging reserve	**(3.4)**	(2.8)
Amount reclassified from OCI to profit or loss	**4.5**	(8.4)
	1.1	(11.2)

The fair value included in the hedging reserve will primarily be released to the Consolidated Income Statement within **6 months** (2017: 3 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.

24. Financial instruments (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts (continued)

(a) Forward foreign exchange contracts - cash flow hedges (continued)

The following table details the impact of forward foreign exchange contracts* - cash flow hedges on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income during the financial year:

	2018 €'m	2017 €'m
Movements recognised in the Consolidated Statement of Comprehensive Income		
Total hedging gain recognised in OCI in the year	**2.7**	3.8
Amount reclassified from OCI to profit or loss	**(2.1)**	(29.9)
	0.6	(26.1)
Movements Recognised in the Consolidated Income Statement		
Income reclassified from OCI to profit or loss [1]	**2.1**	29.9
Ineffectiveness recognised in profit or loss [1]	**-**	-
	2.1	29.9

* Location of line item in the Consolidated Income Statement

[1] Other operating charges

There were no transactions during 2018 or 2017 which were designated as hedges that did not occur, nor are there hedges on forecast transactions that are no longer expected to occur.

(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, in accordance with Group policy as approved by the Board of Directors. The Group reviews the mix of fixed and floating rate borrowings on an ongoing basis and adjusts where necessary to comply with Group policy. 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	**(1,016.2)**	**(399.8)**	**(1,416.0)**	**(622.6)**	**(793.4)**
Sterling	**51.0**	**-**	**51.0**	**51.0**	**-**
US Dollar	**(805.5)**	**399.8**	**(405.7)**	**(187.3)**	**(218.4)**
Others	**64.2**	**-**	**64.2**	**64.2**	**-**
At 31 December 2018	**(1,706.5)**	**-**	**(1,706.5)**	**(694.7)**	**(1,011.8)**
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)

The currency profile of debt highlights the impact of the US$658m (2017: US$658m) 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 (2017: US$658m) to the balance sheet rate resulted in a foreign currency loss of **€105.1m** (2017: €79.3m) which is directly offset by a gain of **€105.1m** (2017: €79.3m) 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 **€4.8m** (2017: €12.4m asset) for movement in exchange rates since the date of execution which is directly offset by a loss of **€4.8m** (2017: €12.4m loss) on the application of hedge accounting on the cross currency swaps.

The weighted average interest rate for fixed borrowings as at 31 December 2018 is **2.54%** (2017: 2.55%) and the weighted average period for which the rate is fixed is **5.7 years** (2017: 6.7 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 **41%** (2017: 30%) of net debt and **52%** (2017: 42%) 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 1% (2017: 0.6%).

(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.

The following table details the portfolio of interest rate derivative contracts* at the balance sheet date:

	Notes	2018 €'m Asset	2018 €'m Liability	2018 €'m Total	2017 €'m Asset	2017 €'m Liability	2017 €'m Total
Designated in a hedging relationship:							
Interest rate swap contracts - cash flow hedges	(a)	**5.2**	**-**	**5.2**	-	(4.5)	(4.5)
- current [1]		**-**	**-**	**-**	-	-	-
- non-current [2]		**5.2**	**-**	**5.2**	-	(4.5)	(4.5)
Interest rate swap contracts - fair value hedges	(b)	**96.5**	**(5.5)**	**91.0**	95.4	(3.4)	92.0
- current [1]		**-**	**-**	**-**	-	-	-
- non-current [2]		**96.5**	**(5.5)**	**91.0**	95.4	(3.4)	92.0
Interest rate swap contracts		**101.7**	**(5.5)**	**96.2**	95.4	(7.9)	87.5

* Location of line item in the Consolidated Balance Sheet
[1] Other current financial instruments
[2] Other non-current financial instruments

The Group has elected to adopt the hedge accounting requirements of IFRS 9 'Financial Instruments'. The Group enters into hedge relationships when there is an economic relationship between the identified notional amount of the underlying debt instrument (hedged item) and the interest rate swap contract (hedged instrument).

Interest rate swap

As the critical terms match for the prospective assessment of effectiveness, a qualitative assessment is performed. The Group has established a 1:1 hedge ratio as the underlying risks in the interest rate swap contracts are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the Group uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness may occur due to the credit/debit value adjustment on the interest rate swaps which is not matched by the loan.

Cross currency interest rate swap

The Group uses the hypothetical derivative method to assess effectiveness for such swaps as while the critical terms match, both qualitative and quantitative assessments are required to be performed as there remains characteristics in cross currency interest rate swap contracts that are not present in the hedged item, being basis risks. The Group has established a 1:1 hedge ratio as the underlying risks in the cross currency interest rate swap contracts are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship and at each reporting date.

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) to (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.

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)

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 Asset/(Liability)		Notional Principal	
	2018	2017	**2018**	2017	**2018**	2017
	%	%	**€'m**	€'m	**€'m**	€'m
Interest rate swap contracts						
less than 1 year	**-**	-	**-**	-	**-**	-
1 - 2 years	**-**	-	**-**	-	**-**	-
2 - 5 years	**2.58**	-	**5.2**	-	**218.4**	-
> 5 years	**-**	2.58	**-**	(4.5)	**-**	208.6
Interest rate swap contracts - cash flow hedges			**5.2**	(4.5)	**218.4**	208.6

The following table details the impact of interest rate swap contracts - cash flow hedges on the Consolidated Balance Sheet as at 31 December:

	2018	2017
	€'m	€'m
Interest rate swap contracts - cash flow hedges	**5.2**	(4.5)
Fixed rate borrowings:		
Amount reclassified from hedge reserve to profit or loss re: foreign exchange rate fluctuations	**(23.0)**	(13.2)
Retained earnings and other reserves:		
Cash flow hedging reserve	**18.9**	18.0
Cost of hedging reserve	**(1.6)**	-
Accumulated hedge ineffectiveness	**0.5**	(0.3)
	(5.2)	4.5

Of the fair value asset/(liability) of **€5.2m** (2017: (€4.5m)), a gain of **€23.0m** (2017: €13.2m) is attributed to foreign exchange rate fluctuations.

The following table details the impact of interest rate swap contracts - cash flow hedges on the Consolidated Statement of Comprehensive Income during the financial year:

	2018	2017
	€'m	€'m
Total hedging gain/(loss) recognised in cash flow hedging reserve	**10.3**	(29.4)
Total hedging loss recognised in cost of hedging reserve	**(1.6)**	-
Amount reclassified from hedge reserve to profit or loss re: foreign exchange rate fluctuations	**(9.8)**	28.3
Amount reclassified from OCI to profit or loss re: interest rate fluctuations	**(0.4)**	0.7
Ineffectiveness recognised in profit or loss	**0.8**	(1.8)
Net impact	**(0.7)**	(2.2)

The following table details the income/(expense) impact of interest rate swap contracts* - cash flow hedges and the hedged item on the Consolidated Income Statement during the financial year:

	2018	2017
	€'m	€'m
Interest rate swap contracts - cash flow hedges:		
Foreign exchange rate fluctuations [1]	**9.8**	(28.3)
Amount reclassified from OCI to profit or loss re: interest rate fluctuations [2]	**0.4**	(0.7)
Ineffectiveness recognised in profit or loss [2]	**(0.8)**	1.8
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(9.8)**	28.3
Net impact	**(0.4)**	1.1

* Location of line item in the Consolidated Income Statement.

[1] Other operating charges

[2] Finance costs

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)

The current year foreign exchange movement of **€9.8m** (2017: (€53.7m)) includes an amount of **€nil** (2017: (€25.4m)) on the expiry of interest rate swap contracts during the year.

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	
	2018 %	2017 %	**2018 €'m**	2017 €'m	**2018 €'m**	2017 €'m
Interest rate swap contracts						
1 - 2 years	**4.83**	-	**42.8**	-	**181.7**	-
2 - 5 years	**3.78**	4.78	**22.8**	62.2	**327.6**	277.8
> 5 years	**3.11**	3.14	**25.4**	29.8	**240.5**	446.1
Interest rate swap contracts - fair value hedges			**91.0**	92.0	**749.8**	723.9

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.

The following table details the impact of interest rate swap contracts* - fair value hedges and the hedged items on the Consolidated Balance Sheet as at 31 December:

	2018 €'m	2017 €'m
Interest rate swap contracts - fair value hedges	**91.0**	92.0
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(82.1)**	(66.1)
Interest rate movements[1]	**(13.2)**	(20.0)
Receivables:		
Foreign exchange rate fluctuations [2]	**(4.8)**	(12.4)
Retained earnings and other reserves:		
Hedge ineffectiveness	**5.5**	6.5
Cost of hedging reserve	**3.6**	-
	(91.0)	(92.0)

* Location of line item in the Consolidated Balance Sheet

[1] Borrowings and overdrafts

[2] Receivables: €175m of the 2015 senior notes issuance were swapped from Euro to US dollars and subsequently on-lent from a Euro entity to a US dollar entity within the Group.

24. Financial instruments (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(b) Interest rate swap contracts - fair value hedges (continued)

The following table details the impact of interest rate swap contracts - fair value hedges on the Consolidated Statement of Comprehensive Income during the financial year:

	2018 €'m	2017 €'m
Amounts recognised in the cost of hedging reserve	**3.6**	-

The following table details the income/(expense) impact of interest rate swap contracts*/** - fair value hedges and the hedged items on the Consolidated Income Statement during the financial year:

	2018 €'m	2017 €'m
Interest rate swap contracts - fair value hedges:		
Foreign exchange rate fluctuations [1]	**8.4**	(24.3)
Interest rate movements [2]	**(6.8)**	(8.4)
Ineffectiveness recognised in profit or loss [2]	**1.0**	(1.2)
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(16.0)**	46.4
Interest rate movements [2]	**6.8**	8.4
Receivables:		
Foreign exchange rate fluctuations [3]	**7.6**	(22.1)
Net impact	**1.0**	(1.2)

* Location of line item in the Consolidated Income Statement

** Location of line item in the Consolidated Balance Sheet

[1] Other operating charges

[2] Finance costs

[3] Receivables: €175m of the 2015 senior notes issuance were swapped from Euro to US dollars and subsequently on-lent from a Euro entity to a US dollar entity within the Group.

(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
- at least 75% of total facilities available are committed.

Both targets were met at 31 December 2018 and 2017.

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.

At 31 December 2018, the Group had undrawn committed bank facilities of **€750m** (2017: €1,100m), and a portfolio of undrawn standby facilities amounting to **€320m** (2017: €323m). The undrawn committed facilities comprise primarily of a revolving credit facility maturing between **3 - 4 years** (2017: between 4 - 5 years).

24. Financial instruments (continued)

(iii) Liquidity risk management (continued)

(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 **€1,482.1m** (2017: €1,410.5m) is payable within 1 year, **€82.4m** (2017: €96.4m) between 2 and 5 years and **€0.2m** (2017: €0.3m) 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	**(9.9)**	**-**	**-**	**-**	**(9.9)**
Bank loans	**(3.9)**	**(1.5)**	**(350.0)**	**-**	**(355.4)**
Senior notes	**-**	**(181.7)**	**(762.1)**	**(811.2)**	**(1,755.0)**
Borrowings and overdrafts	**(13.8)**	**(183.2)**	**(1,112.1)**	**(811.2)**	**(2,120.3)**
Deferred payments on acquisition of businesses	**(10.1)**	**-**	**-**	**-**	**(10.1)**
	(23.9)	**(183.2)**	**(1,112.1)**	**(811.2)**	**(2,130.4)**
Interest commitments	**(56.6)**	**(48.8)**	**(118.1)**	**(33.6)**	**(257.1)**
At 31 December 2018	**(80.5)**	**(232.0)**	**(1,230.2)**	**(844.8)**	**(2,387.5)**
Reconciliation to net debt position:					
Borrowings and overdrafts	**(13.8)**	**(183.2)**	**(1,112.1)**	**(811.2)**	**(2,120.3)**
Senior notes - fair value adjustment	**-**	**(1.8)**	**1.3**	**(12.7)**	**(13.2)**
Borrowings - reported	**(13.8)**	**(185.0)**	**(1,110.8)**	**(823.9)**	**(2,133.5)**
Interest rate swaps	**-**	**42.8**	**28.0**	**25.4**	**96.2**
Cash at bank and in hand	**413.8**	**-**	**-**	**-**	**413.8**
Total net debt as at 31 December 2018	**400.0**	**(142.2)**	**(1,082.8)**	**(798.5)**	**(1,623.5)**

	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.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	**35.6**	**69.2**	**108.1**	**26.3**	**239.2**
Interest rate swaps outflow	**(24.9)**	**(23.0)**	**(56.6)**	**(6.3)**	**(110.8)**
Net interest rate swaps inflow	**10.7**	**46.2**	**51.5**	**20.0**	**128.4**
Forward foreign exchange contracts outflow	**(1.0)**	**(0.1)**	**-**	**-**	**(1.1)**
At 31 December 2018	**9.7**	**46.1**	**51.5**	**20.0**	**127.3**

	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	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

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

- 1 - 2 years - swaps inflow of **€41.9m** (2017: €nil)
- 2 - 5 years - swaps inflow of **€48.1m** (2017: €53.9m)
- Greater than 5 years - swaps inflow of **€19.9m** (2017: €37.8m)

(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 at an interest rate of 2.375% with a maturity date on 10 September 2025.

(c) 2013 US dollar senior notes

The Group issued a debut 10 year USA public bond of US$750m at an interest rate of 3.2% 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

The interest rates listed above are before the effects of related interest rate swaps.

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 2018 and 2017.

(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 2018 and 2017 all cash, short-term deposits and other liquid investments had a maturity of less than 3 months.

24. Financial instruments (continued)

(iv) Credit risk management (continued)

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.

(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.

(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	2018 €'m	2017 €'m
Financial assets				
Interest rate swaps		Level 2	**101.7**	95.4
Forward foreign exchange contracts		Level 2	**10.0**	20.3
Financial asset investments:	Fair value through profit or loss	Level 1	**30.0**	37.4
	Fair value through other comprehensive income/available-for-sale	Level 3	**5.3**	7.2
Financial liabilities				
Interest rate swaps		Level 2	**(5.5)**	(7.9)
Forward foreign exchange contracts		Level 2	**(11.1)**	(9.1)

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 2018 €'m	Fair Value 2018 €'m	Carrying Amount 2017 €'m	Fair Value 2017 €'m
Financial liabilities					
Senior notes - Public	Level 2	**(1,398.6)**	**(1,377.0)**	(1,368.0)	(1,407.0)
Senior notes - Private	Level 2	**(356.4)**	**(358.8)**	(340.4)	(354.9)
		(1,755.0)	**(1,735.8)**	(1,708.4)	(1,761.9)

24. Financial instruments (continued)

(vi) Fair value of financial instruments (continued)

(c) Valuation principles

The fair value of financial assets and liabilities are determined as follows:

- assets and liabilities with standard terms and conditions which are traded on active liquid markets are determined with reference to quoted market prices. This includes equity investments;
- 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. This includes interest rate swaps and forward foreign exchange contracts which are determined by discounting the estimated future cash flows;
- the fair values of financial instruments that are not based on observable market data (unobservable inputs) requires entity specific valuation techniques. Disclosures are set out in note 13; 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.

(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
At 31 December 2018					
Financial assets					
Cash at bank and in hand	**413.8**	**-**	**413.8**	**-**	**413.8**
Forward foreign exchange contracts	**10.0**	**-**	**10.0**	**(8.5)**	**1.5**
Interest rate swaps	**101.7**	**-**	**101.7**	**(5.5)**	**96.2**
	525.5	**-**	**525.5**	**(14.0)**	**511.5**
Financial liabilities					
Bank overdrafts	**-**	**(9.9)**	**(9.9)**	**-**	**(9.9)**
Forward foreign exchange contracts	**-**	**(11.1)**	**(11.1)**	**8.5**	**(2.6)**
Interest rate swaps	**-**	**(5.5)**	**(5.5)**	**5.5**	**-**
	-	**(26.5)**	**(26.5)**	**14.0**	**(12.5)**
At 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)

25. Provisions

	Insurance €'m	Non-Trading Items €'m	Total €'m
Group:			
At 1 January 2017	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
(Released)/provided during the financial year	**(0.4)**	**1.5**	**1.1**
Utilised during the financial year	**(5.5)**	**-**	**(5.5)**
Transferred to payables and accruals	**-**	**(5.4)**	**(5.4)**
Exchange translation adjustment	**(0.2)**	**-**	**(0.2)**
At 31 December 2018	**45.2**	**7.2**	**52.4**

	2018 €'m	2017 €'m
Analysed as:		
Current liabilities	**20.3**	25.3
Non-current liabilities	**32.1**	37.1
	52.4	62.4

Insurance

The Group operates a level of self-insurance. Under these arrangements, the Group retains certain insurance exposures up to pre-determined self-insurance levels. The amount of self-insurance is reviewed on a regular basis to ensure it remains appropriate. The provision for these self-insured exposures represents amounts provided based on advice from insurance consultants, industry information, actuarial valuation and historical data in respect of claims that are classified as incurred but not reported and outstanding loss reserves. 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 2 to 4 years from claim date.

Non-trading items

Non-trading items relate to restructuring and acquisition integration provisions incurred in 2018 and 2017 together with a residual amount incurred in 2013. These costs are expected to be paid within 24 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 2018 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.

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 and this programme is being rolled out across our European, American and Asian entities over a five year period. In 2018, the review primarily focused on the UK and following consultation with employees, a decision was made to close the defined benefit scheme to future accrual from 5 April 2018 with future service being offered to employees in the defined contribution scheme. In 2017, the review resulted in a number of benefit changes including a decision to close the defined benefit schemes in the Netherlands from January 2017, with future service being offered to employees in a multi-employer scheme, while in Ireland members continued to avail of an opportunity to transfer their past service benefits to the defined contribution scheme.

The defined benefit plans expose the Group to risks such as interest rate risk, investment risk, inflation risk and mortality risk.

26. Retirement benefits obligation (continued)

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. Interest rates also impact 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 generate a rate of return 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 asset classes. 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, therefore an increase in inflation rates will increase the defined benefit obligation. However, a portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation movements.

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:

	2018 €'m	2017 €'m
Service cost:		
- Costs relating to defined contribution schemes	**57.9**	54.8
- Current service cost relating to defined benefit schemes	**6.9**	13.8
- Past service and settlements	**(23.1)**	(23.6)
Net interest cost	**1.4**	8.2
Recognised in the Consolidated Income Statement	**43.1**	53.2
Re-measurements of the net defined benefit liability:		
- Return on plan assets (excluding amounts included in net interest cost)	**99.7**	(85.3)
- Experience gains on schemes' liabilities	**(26.8)**	(5.2)
- Actuarial gains arising from changes in demographic assumptions	**(19.4)**	(38.8)
- Actuarial gains arising from changes in financial assumptions	**(88.0)**	(0.8)
Recognised in the Consolidated Statement of Comprehensive Income	**(34.5)**	(130.1)
Total	**8.6**	(76.9)

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).

(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 2018 €'m	31 December 2017 €'m
Present value of defined benefit obligation	**(1,280.4)**	(1,477.3)
Fair value of plan assets	**1,227.2**	1,353.0
Net recognised deficit in plans before deferred tax	**(53.2)**	(124.3)
Net related deferred tax asset	**9.2**	22.3
Net recognised deficit in plans after deferred tax	**(44.0)**	(102.0)

26. Retirement benefits obligation (continued)

(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:

	2018			2017		
	Eurozone %	**UK %**	**Rest of World %**	Eurozone %	UK %	Rest of World %
Inflation assumption	**1.60**	**3.10**	**2.50**	1.70	3.10	2.50
Rate of increase in salaries	**N/A***	**N/A***	**3.00**	N/A*	3.00	3.00
Rate of increase for pensions in payment and deferred pensions	**1.55 - 1.60**	**2.10 - 2.90**	**-**	1.70	2.10 - 3.10	-
Rate used to discount schemes' liabilities	**2.20**	**3.00**	**3.75 - 4.25**	2.00 - 2.10	2.60	3.20 - 3.50

*Not applicable due to closure of the Irish, Netherlands and UK defined benefit plans to future accrual during 2016 to 2018.

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:

	2018			2017		
	Eurozone Years	**UK Years**	**Rest of World Years**	Eurozone Years	UK Years	Rest of World Years
Male - retiring now	**22**	**21**	**21 - 22**	21 - 22	21	21 - 22
Female - retiring now	**23 - 25**	**23**	**23 - 24**	23 - 25	23	23 - 24
Male - retiring in 20 years' time	**23 - 24**	**22**	**22 - 24**	23 - 24	23	22 - 24
Female - retiring in 20 years' time	**25 - 26**	**24**	**24 - 25**	25 - 27	25	24 - 25

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 2018 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 10.8%
Inflation rate	Increase/decrease of 0.50%	Increase/decrease of 7.5%
Salary increases	Increase/decrease of 0.50%	Increase/decrease of 0.0%
Pensions in payment and deferred pensions increases	Increase/decrease of 0.50%	Increase/decrease of 4.6%
Mortality	Increase/decrease in life expectancy of 1 year	Increase/decrease of 3.4%

26. Retirement benefits obligation (continued)

(iv) Reconciliations for defined benefit plans

The movements in the defined benefit schemes' obligation during the financial year were:

	2018 €'m	2017 €'m
Present value of the defined benefit obligation at beginning of the financial year	(1,477.3)	(1,718.4)
Current service cost	**(6.9)**	(13.8)
Past service and settlements	**23.1**	23.6
Interest expense	**(35.0)**	(40.2)
Contributions by employees	**(1.1)**	(2.9)
Benefits paid	**79.8**	48.2
Re-measurements:		
- experience gains on schemes' liabilities	**26.8**	5.2
- actuarial gains arising from changes in demographic assumptions	**19.4**	38.8
- actuarial gains/losses arising from changes in financial assumptions	**88.0**	0.8
Decrease arising on settlement	**0.4**	139.9
Other movements	**-**	(5.9)
Exchange translation adjustment	**2.4**	47.4
Present value of the defined benefit obligation at end of the financial year	**(1,280.4)**	(1,477.3)
Present value of the defined benefit obligation at end of the financial year that relates to:		
Wholly unfunded plans	**(19.3)**	(30.4)
Wholly or partly funded plans	**(1,261.1)**	(1,446.9)
	(1,280.4)	(1,477.3)

The weighted average duration of the defined benefit obligation at 31 December 2018 is approximately **21 years** (2017: approximately 21 years).

The movements in the schemes' assets during the financial year were:

	2018 €'m	2017 €'m
Fair value of plan assets at beginning of the financial year	1,353.0	1,365.6
Interest income	**33.6**	32.0
Contributions by employer	**23.8**	85.5
Contributions by employees	**1.1**	2.9
Benefits paid	**(79.8)**	(48.2)
Re-measurements:		
- return on plan assets (excluding amounts included in net interest cost)	**(99.7)**	85.3
Decrease arising on settlement	**(0.4)**	(139.9)
Other movements	**-**	5.9
Exchange translation adjustment	**(4.4)**	(36.1)
Fair value of plan assets at end of the financial year	**1,227.2**	1,353.0

The fair values of each of the categories of the pension schemes' assets at 31 December were as follows:

	2018 €'m	2017 €'m
Equities		
- Global Equities	**567.1**	681.1
- Emerging Market Equities	**57.1**	70.4
- Global Small Cap Equities	**3.1**	65.0
Government Fixed Income	**96.6**	311.7
Other Fixed Income	**349.0**	122.9
Multi-asset Funds		
- Diversified Growth Funds	**148.2**	95.7
- Hedge Funds	**0.1**	-
Cash and other	**6.0**	6.2
Total fair value of pension schemes' assets	**1,227.2**	1,353.0

26. Retirement benefits obligation (continued)

***(iv) Reconciliations for defined benefit plans** (continued)*

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 2018 and 2017 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 2018 or 2017.

During the year, the UK scheme invested in a pooled Liability Driven Investment (LDI) fund. The primary goal of this asset class is to mitigate volatility and enable better matching of investment returns with the cash outflows required to pay benefits. The pooled LDI solution invests in various levered and unlevered gilts and the value of the LDI assets at 31 December 2018 **(€204.3m)** (2017: €nil) is based on the latest market bid price for the underlying investments, which are traded daily on liquid markets.

(v) Funding for defined benefit plans

The Group operates a number of defined benefit plans in a number of countries and 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.

Funding for each plan is carried out by cash contributions from the Group's subsidiaries and from employees, where applicable. 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 actuarial deficits, on average over seven to eight 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 2019, the Group expects to make contributions of approximately €16.6m to its defined benefit plans.

27. Share capital

	2018 €'m	2017 €'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 2018 a total of **116,011** (2017: 171,574) 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 2018 was **176,298,416** (2017: 176,182,405).

Share buy back programme

At the 2018 Annual General Meeting, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital. In 2018 and 2017, 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 **€12.2m** (2017: €12.8m) 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

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 2016, 2017 and 2018 will potentially vest in 2019, 2020 and in 2021 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 calculated on a constant currency basis 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, 2017 and 2018 will potentially vest in 2020, 2021/2022, 2023 and 2024 respectively. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

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 2018	Number of Conditional Awards 2017
Outstanding at beginning of the financial year	1,107,335	1,055,768
Forfeited	**(124,867)**	(54,860)
Shares vested	**(90,547)**	(56,751)
Share options vested	**(110,180)**	(77,122)
Relinquished	**(121,467)**	(227,871)
New conditional awards	**483,391**	468,171
Outstanding at end of the financial year	**1,143,665**	1,107,335

	Number of Share Options 2018	Number of Share Options 2017
Share options arising under the LTIP		
Outstanding at beginning of the financial year	141,517	230,762
Options released at vesting date	**59,266**	40,149
Options released from deferral	**22,385**	3,230
Exercised	**(42,553)**	(129,596)
Lapsed	**-**	(3,028)
Outstanding and exercisable at end of the financial year	**180,615**	141,517

Share options under the LTIP scheme have an exercise price of 12.50 cent. The remaining weighted average life for share options outstanding is **4.1 years** (2017: 4.2 years). The weighted average share price at the date of exercise was **€87.64** (2017: €77.60). 50,914 share options (2017: 36,973 share options) which vested in the financial year are deferred and therefore are not exercisable at year end.

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	2018 Conditional Award at Grant Date	2017 Conditional Award at Grant Date	2016 Conditional Award at Grant Date	2015 Conditional Award at Grant Date
Conditional Award Invitation date	March 2018	March 2017	March 2016	March 2015
Year of potential vesting	2021/2024	2020/2023	2019	2018/2020/2021
Share price at grant date	€81.95	€74.52	€79.80	€64.92
Exercise price per share/share options	€0.125	€0.125	€0.125	€0.125
Expected volatility	19.8%	20.7%	19.1%	18.4%
Expected life	3/7 years	3/7 years	3 years	3/5/7 years
Risk free rate	(0.5%)	(0.8%)	(0.5%)	0.0%
Expected dividend yield	0.7%	0.7%	0.7%	0.8%
Expected forfeiture rate	5.0%	5.0%	5.0%	5.0%
Weighted average fair value at grant date	€66.52/€77.96	€61.64/€70.94	€68.72	€52.96/€61.74
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.

There are 5,172 share options (2017: 3,289 share options) outstanding and exercisable in relation to the STIP.

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 issuance of shares/share options under the Short Term Incentive Plan, which relate to the 2015 and 2016 financial years were released from deferral in 2017 and 2018 respectively. The issuance of shares/share options under the STIP which related to the 2017 and 2018 financial years will be released from deferral in 2019 and 2020 respectively.

29. Cash flow components

(i) Cash flow analysis

	Notes	Group 2018 €'m	Group 2017 €'m	Company 2018 €'m	Company 2017 €'m
Profit before taxation		**617.9**	613.3	**154.9**	106.2
Intangible asset amortisation	12	**53.8**	47.9	**-**	-
Non-trading items	5	**66.9**	54.5	**-**	-
Finance income	6	**(0.5)**	(0.1)	**-**	-
Finance costs	6	**67.5**	65.7	**-**	-
Trading profit		**805.6**	781.3	**154.9**	106.2
Change in working capital					
Increase in inventories		**(50.1)**	(77.7)	**-**	-
(Increase)/decrease in trade and other receivables		**(44.0)**	(48.7)	**21.7**	(16.5)
Increase/(decrease) in trade and other payables		**23.8**	107.9	**2.2**	(0.5)
(Decrease)/increase in non-current liabilities		**(20.7)**	14.8	**-**	-
Share-based payment expense	28	**12.2**	12.8	**12.2**	12.8
		(78.8)	9.1	**36.1**	(4.2)
Purchase of assets					
Purchase of property, plant and equipment		**(274.3)**	(271.3)	**-**	-
Purchase of intangible assets	12	**(30.4)**	(23.6)	**-**	-
Sale/(purchase) of financial assets	13	**8.6**	(6.4)	**-**	-
		(296.1)	(301.3)	**-**	-
Cash and cash equivalents					
Cash at bank and in hand	23	**413.8**	312.5	**-**	-
Bank overdrafts	23	**(9.9)**	(6.9)	**-**	-
		403.9	305.6	**-**	-

(ii) Disposal of businesses and assets reconciliation

	Notes	Group 2018 €'m	Group 2017 €'m
Assets and businesses			
Property, plant and equipment	11	**(5.2)**	(4.3)
Investments in associates	14	**(5.5)**	(34.4)
Assets classified as held for sale		**(6.3)**	(0.4)
Net assets and businesses disposed		**(17.0)**	(39.1)
Consideration			
Cash received		**11.6**	33.3
Total consideration received		**11.6**	33.3
Loss on disposal of assets and businesses	5	**(5.4)**	(5.8)

Net cash inflow on disposal:

	Total 2018 €'m	Total 2017 €'m
Cash	**11.6**	33.3
Less: cash at bank and in hand balance disposed of	**-**	-
	11.6	33.3

29. Cash flow components (continued)

(iii) Net debt reconciliation

		Other assets		Liabilities from financing activities			
	Note	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	Total €'m
Net debt as at 1 January 2017		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)
Cash flows		**101.9**	**-**	**(3.8)**	**2.5**	**(352.7)**	**(252.1)**
Foreign exchange adjustments		**(0.6)**	**0.6**	**0.8**	**-**	**(27.9)**	**(27.1)**
Other non-cash movements		**-**	**8.1**	**-**	**-**	**(10.7)**	**(2.6)**
Net debt as at 31 December 2018	23	**413.8**	**96.2**	**(9.9)**	**(3.9)**	**(2,119.7)**	**(1,623.5)**

30. Business combinations

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

	Notes	**Total 2018 €'m**
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Non-current assets		
Property, plant and equipment	11	**79.8**
Brand related intangibles	12	**314.5**
Computer software	12	**-**
Current assets		
Cash at bank and in hand		**6.7**
Inventories		**26.4**
Trade and other receivables		**42.1**
Current liabilities		
Trade and other payables		**(27.9)**
Non-current liabilities		
Deferred tax liabilities		**(65.7)**
Other non-current liabilities		**(7.4)**
Total identifiable assets		**368.5**
Goodwill	12	**133.7**
Total consideration		**502.2**

Satisfied by:	
Cash	**498.6**
Deferred payment	**3.6**
	502.2

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

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

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

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

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

30. Business combinations (continued)

The following acquisitions were completed by the Group during 2018:

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

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

31. Contingent liabilities

	2018 €'m	2017 €'m
Company:		
(i) Guarantees in respect of borrowings of subsidiaries	**2,120.3**	1,721.7

(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 2018 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 2:403 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, Germany, 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:

	2018 €'m	2017 €'m
Group:		
Commitments in respect of contracts placed	**104.6**	108.4
Expenditure authorised by the Directors but not contracted for at the financial year end	**113.7**	145.9
	218.3	254.3

(ii) At the balance sheet date the Group had commitments under non-cancellable operating leases which fall due as follows:

	2018 €'m	2017 €'m
Within 1 year	**27.7**	21.9
Within 2 to 5 years	**46.1**	41.5
After 5 years	**9.3**	11.8
	83.1	75.2

The operating lease charges during 2018 amounted to **€29.9m** (2017: €27.8m).

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 96 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 **€0.2m** (2017: €0.3m) and **€0.1m** (2017: €0.1m) respectively. The trading balance outstanding to the Group at the financial year end was **€0.1m** (2017: €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 **€177.5m** (2017: €120.0m), cost recharges of **€19.6m** (2017: €11.5m), and trade and other receivables of **€94.1m** (2017: €115.8m). The Parent Company has also provided a guarantee in respect of borrowings of subsidiaries which is disclosed in note 31.

(iii) Trading with associates and joint ventures

Details of transactions and balances outstanding with associates and joint ventures are as follows:

	Rendering of services		Sale of goods		Amounts receivable at 31 December	
	2018 €'m	2017 €'m	**2018 €'m**	2017 €'m	**2018 €'m**	2017 €'m
Associates	**-**	-	**(0.3)**	(0.8)	**-**	0.1
Joint ventures	**-**	-	**-**	-	**-**	-

These trading transactions are undertaken and settled at normal trading terms. No loans were advanced in 2018 and 2017 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 2018, dividends of **€15.6m** (2017: €13.9m) were paid to Kerry Co-operative Creameries Limited based on its shareholding. A subsidiary of Kerry Group plc traded product to the value of **€0.1m** (2017: €0.2m) 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 (note 26). The Directors also participate in the Group's Long Term Incentive Plan (LTIP) (note 28).

33. Related party transactions (continued)

(v) Transactions with key management personnel *(continued)*

Remuneration cost of key management personnel is as follows:

	2018 €'m	2017 €'m
Short-term benefits (salaries, fees and other short-term benefits)	**6.7**	8.0
Post-retirement benefits	**0.6**	0.8
LTIP accounting charge	**2.4**	2.9
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Total	**9.7**	11.7

Retirement benefit charges of **€0.1m** (2017: €0.3m) arise under a defined benefit scheme relating to **1** director (2017: 2 directors) and charges of **€0.5m** (2017: €0.5m) arise under a defined contribution scheme relating to **3** directors (2017: 5 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 **€1.1m** (2017: €4.6m). Dividends totalling **€0.1m** (2017: €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 the business and assets of Southeastern Mills, Inc. based in the US. The Group also expects to complete the previously announced acquisition of Ariake U.S.A., Inc. based in the US in the second quarter of 2019. The combined consideration for these acquisitions is expected to be **€325m**; and
- proposed a final dividend of **49.20 cent** per A ordinary share (note 10).

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

35. Reserves

Fair value through other comprehensive income reserve (FVOCI)/Available-for-sale (AFS) reserve

The fair value through other comprehensive income reserve/available-for-sale reserve represents the unrealised gains and losses on the financial assets held at fair value through other comprehensive income by the Group. The available-for-sale reserve under IAS 39 'Financial Instruments: Recognition and Measurement' becomes the fair value through other comprehensive reserve (FVOCI) under IFRS 9 'Financial Instruments' at 1 January 2018.

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 renominalising 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.

Cost of hedging reserve

The cost of hedging reserve arises from where the Group has entered into cross currency interest rate swaps. Such cross currency interest rate swaps have basis risk as there are characteristics in the cross currency interest rate swap contracts that are not present in the hedged item, being currency basis spreads.

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, associates and joint venture undertakings

Country	Company Name	Nature of Business	Registered Office
Ireland	Accommodation Tralee Limited	Investment	1
	Ballyfree Farms Limited	Consumer Foods	1
	Breeo Brands Limited	Consumer Foods	1
	Breeo 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
	Helios Limited	Investment	1
	Henry Denny & Sons (Ireland) Limited	Consumer Foods	1
	Ichor Management Limited	Investment	1
	Ivernia Pig Developments 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 Foods Limited	Consumer Foods	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
	Kerrykreem Limited	Consumer Foods	1
	Lifesource Foods Research Limited	Consumer Foods	1
	Maddens Milk Limited	Investment	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

36. **Group entities** (continued)

***Principal subsidiaries, associates and joint venture undertakings** (continued)*

Country	Company Name	Nature of Business	Registered Office
Ireland	Trundu Limited	Consumer Foods	1
	William Blake Limited	Taste & Nutrition	1
	Zenbury International Limited	Services	1
UK	Henry Denny & Sons (NI) Limited	Consumer Foods	2
	Dairy Produce Packers Limited	Consumer Foods	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
Belgium	Kerry Holdings Belgium NV	Taste & Nutrition	6
Netherlands	Kerry (NL) B.V.	Taste & Nutrition	7
	Kerry Group B.V.	Investment	7
	Proparent B.V. (55% shareholding)	Taste & Nutrition	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
Romania	Kerry Romania s.r.l.	Taste & Nutrition	21
Russia	Kerry LLC	Taste & Nutrition	22
South Africa	Kerry Ingredients South Africa (Proprietary) Limited	Taste & Nutrition	23
	Season to Season Flavour Manufacturers (Pty) Limited	Taste & Nutrition	24

36. **Group entities** (continued)

Principal subsidiaries, associates and joint venture undertakings *(continued)*

Country	Company Name	Nature of Business	Registered Office
Spain	Vendin S.L.	Taste & Nutrition	25
	Harinas y Sémolas del Noroeste, S.A. (Hasenosa)	Taste & Nutrition	26
Slovakia	Dera SK s.r.o.	Taste & Nutrition	27
Sweden	Tarber AB	Taste & Nutrition	28
Ukraine	Kerry Ukraine Limited	Taste & Nutrition	29
USA	Kerry Holding Co.	Investment	30
	Kerry, Inc.	Taste & Nutrition	30
	Ganeden Biotech, Inc.	Taste & Nutrition	31
	Insight Beverages, Inc.	Taste & Nutrition	32
	Fleischmann's Vinegar Company 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., Ltd	Taste & Nutrition	54
	Zhejiang Hangman Food Technologies Co. Ltd	Taste & Nutrition	55
	SIAS (Dachang) Food Co., Ltd	Taste & Nutrition	56
Indonesia	PT Kerry Ingredients Indonesia	Taste & Nutrition	57
India	Kerry Ingredients India Private Limited	Taste & Nutrition	58
Australia	Kerry Ingredients Australia Pty Limited	Taste & Nutrition	59
New Zealand	Kerry Ingredients (NZ) Limited	Taste & Nutrition	60
South Korea	Kerry Ingredients Korea LLC	Taste & Nutrition	61
	Jungjin Food Co. Limited	Taste & Nutrition	62
Oman	AATCO Food Industries LLC (80% shareholding)	Taste & Nutrition	63

Notes

(a) All group entities are wholly owned subsidiaries unless otherwise stated.

(b) Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.

(c) 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	Havenlaan 86C, Bus 204, 1000 Brussels, Belgium.
7	Maarssenbroeksedijk 2a, 3542 DN Utrecht, The Netherlands.
8	Cuneraweg 9c, Ochten, 4051 CE, 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	Toftegardsvej 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, Vámház krt. 13, Hungary.
20	17 Rue Antoine Jans, L-1820 Luxembourg, Grand-Duchy of Luxembourg, Luxembourg.
21	BIROUL NR.5, Etaj 5, Nr. 4D, CORP C, Strada GARA HERĂSTRĂU, București Sectorul 2, Romania.
22	RigaLand Business Centre, 26 km Baltiya Highway , Krasnogorskiy District, 143421, Moscow, Russia.
23	Block 3, 4-6 Lucas Drive, Hillcrest, Durban, Kwazulu-Natal, South Africa.
24	Stand 372, Angus Cresent, Northlands Business Park, Northriding, 2164, South Africa.
25	Calle Coto de Doñana, 15, 28320 Pinto, Madrid, Spain.
26	Polígono Industrial de las Gándaras de Budino, O Porrino, Pontevedra, Spain.
27	Križkova 9, Bratislava, Slovakia.
28	Box 1420 - Frejgatan 13, 114 79 Stockholm, Sweden.
29	4 Korolenkivska str., Kiev, Ukraine.
30	3400 Millington Road, Beloit WI 53511, United States.
31	5800 Landerbrook Drive, Suite 300, Mayfield Heights OH 44124, United States.
32	635 Oakwood Road, Lake Zurich IL 60047, United States.
33	12604 Hiddencreek Way # A, Cerritos, CA 90703, 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 Paolo, 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.

36. Group entities (continued)

Registered Office *(continued)*

48 8 Biomedical Grove, #02-01/04 Neuros, Singapore 138665, Singapore.

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 26 Tai Ping Qiao Industry Park, Xin'an, Deqing Country, Zheijiang Province, China.

56 North side of XinYe Road, West side of LiDaXian, DaChang Industrial District, LangFang City, HeBei Province, China.

57 JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.

58 Unit No. 302, 3rd Floor, Ecospace Campus 3B, Marathahalli – Sarjapur Outer Ring Road, Bellandur, Bangalore – 560103, Karnataka, India.

59 No 8 Holker Street, Newington, NSW 2127, Australia.

60 11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.

61 9th Fl., Sheenbang Bldg, 1366-18, Seocho-dong, Seocho-Gu, Seoul, 137-863, Republic of Korea.

62 #82 Yuolgum-5gil, Sunghwan-eup, Cheonan-si, Choongchungnam-do, Republic of Korea.

63 Ghoua Industrial Area, Bousher, Muscat, Sultanate of Oman.

FINANCIAL DEFINITIONS

1. Revenue

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

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

Revenue Reconciliation

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

2. EBITDA

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

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

3. Trading Profit

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

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

4. Trading Margin

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

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

5. Operating Profit

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

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

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

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

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

7. Free Cash Flow

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

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

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

8. Cash Conversion

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

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

9. Financial Ratios

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lenders' facility agreements using an adjusted EBITDA, adjusted finance costs (net of finance income) and an adjusted net debt value to adjust for the impact of non-trading items, acquisitions net of disposals and deferred payments in relation to acquisitions. As outlined on page 174, these ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

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

10. Average Capital Employed

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

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

11. Return on Average Capital Employed (ROACE)

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

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

12. Total Shareholder Return

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

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

13. Market Capitalisation

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

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

14. Enterprise Value

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

15. Net Debt

Net debt comprises borrowings and overdrafts, derivative financial instruments and cash at bank and in hand. See full reconciliation of net debt in note 23 to the financial statements on pages 171-173.

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