



9 August 2018

Kerry Group - Interim Management Report for the half year ended 30 June 2018

Kerry Group, the global taste & nutrition and consumer foods group reports a solid underlying business performance for the half year ended 30 June 2018.

HIGHLIGHTS

- Adjusted EPS* in constant currency up 9.0% to 144.2 cent
- Group revenue of €3.2 billion reflecting 3.6% business volume growth
 - Taste & Nutrition +4.1% volume growth
 - Consumer Foods +1.3% volume growth
- Group trading margin -10bps to 10.5% reflecting a 40bps currency headwind
 - Taste & Nutrition +10bps to 13.1%
 - Consumer Foods -60bps to 7.0%
- Basic EPS of 128.3 cent (H1 2017: 127.6 cent)
- Interim dividend per share increased 11.7% to 21.0 cent
- Free cash flow of €201m (H1 2017: €357m)
- Full year guidance updated

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

Edmond Scanlon – Chief Executive Officer

“Evolving consumer trends and the changing marketplace have provided increased opportunities and demand for Kerry’s industry leading RD&A and broad technology portfolio. This, along with the Group’s enhanced end use market focus, drove healthy volume growth and underlying margin expansion in the first half of 2018. We also continued to make progress with and invest in business development initiatives aligned to our strategic growth priorities.

In light of the above, we update our guidance and now expect to achieve growth in adjusted earnings per share of 7% to 10% in constant currency.”

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INTERIM MANAGEMENT REPORT

For the half year ended 30 June 2018

The breadth and pace of changing consumer demands continued to drive major fragmentation and change along the supply chain and within the industry. Major global consumer trends such as authenticity, healthfulness, sustainability, premiumisation, clean label and convenience aligned with local consumer preferences continue to drive increased innovation opportunities. The agility of Kerry's business model and integrated solution capability is more relevant than ever in supporting customers to optimise speed to market, in order to meet consumer preferences.

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.

UK and Irish consumer foods markets encountered challenges in the period, however Kerry's Consumer Foods division delivered a solid underlying performance.

Business Performance

Group revenue on a reported basis increased by 1.4% to €3.2 billion reflecting strong volume growth and contribution from acquisitions, offset by adverse currency movements. Business volumes grew by 3.6% and pricing increased by 0.6% in the period. The reported revenue increase reflects the aforementioned business volume growth and positive pricing, contribution from acquisitions of 3.9%, an adverse translation currency impact of 6.6% and an adverse transaction currency impact of 0.1%.

Taste & Nutrition delivered 4.1% volume growth and pricing increased by 0.6%. Consumer Foods' business volumes increased by 1.3% and pricing increased by 0.9%.

Group trading margin reduced by 10 basis points to 10.5%, reflecting a 10 basis points improvement in Taste & Nutrition, positive underlying margin improvement in Consumer Foods offset by adverse sterling exchange rates resulting in a 60 basis points margin reduction.

Constant currency adjusted earnings per share increased by 9.0% to 144.2 cent (H1 2017 currency adjusted: 132.3 cent). Basic earnings per share increased by 0.5% to 128.3 cent (H1 2017: 127.6 cent).

The interim dividend of 21.0 cent per share represents an increase of 11.7% over the 2017 interim dividend. The Group achieved free cash flow of €201m in the period (H1 2017: €357m).

Business Reviews

Taste & Nutrition

	H1 2018	Growth
Revenue	€2,579m	4.1% ¹
Trading margin	13.1%	+10bps

¹ volume growth

- Volume growth driven by Meat, Beverage & Snacks End Use Markets (EUMs)
- Pricing +0.6% – easing raw material inflation managed through customer pass-through pricing model
- Trading margin +10bps – good underlying growth driven by operating leverage, portfolio enhancement and efficiencies, offset by currency headwinds and growth investments

The division achieved good growth across an increasingly diverse customer base. Developing markets delivered strong growth of 9.6%, with APMEA being the main driver. Foodservice delivered a good performance across all regions, growing at 6.2% overall in the period. Reported revenue increased by 1.4% to €2,579m, as volume

growth and the contribution from business acquisitions were offset by significant translation currency headwinds.

Kerry's taste technologies recorded a strong performance across all regions, with *TasteSense™* sugar-reduction technology and natural extracts being key drivers of growth. Kerry's broad clean label technology portfolio performed well, with fermented ingredients, proteins, nutritional bioactives and enzyme technologies all delivering good growth in the period. The Group maintained a strong innovation pipeline, anchored by the ability to create new nutritional product solutions that meet local consumer taste preferences across the globe.

Americas Region

- 2.8% volume growth
- Good performance in North America, driven by Meat, Snacks & Beverage EUMs
- LATAM delivering solid growth

High levels of product churn continued right across the marketplace, with clean label being a major driver of product innovation across retail categories and foodservice channels. Centre of store categories continued to weigh on industry growth levels. Kerry delivered volume growth ahead of the market by winning market share through speedy innovation across broader customer alliances and partnerships. Reported revenue in the region decreased by 2.4% to €1,307m, with significant translation currency headwinds more than offsetting volume growth and the contribution from business acquisitions.

In North America, Kerry's Meat EUM continued to deliver strong growth, meeting consumer demands for authentic taste, natural shelf life preservation and a broader range of alternative protein based products. Kerry's natural extract capabilities were a key driver of growth in the Beverage EUM, where strong progress was continued through new launches with Kerry's 'Cold Brew' technology.

The Snacks EUM delivered strong growth through new innovative healthier snacks and indulgent world taste experiences. Kerry's dairy taste and clean label technologies benefitted from enhanced wellness and premiumisation trends within the Meals EUM.

The acquisitions of the *Kettle* business from Tyson Foods and *Dottley Spice* in late 2017 strengthened Kerry's positioning and contributed to a strong performance in the foodservice channel in the period. Good progress was also made in the expansion of fermented ingredient manufacturing capacity at the Group's Rochester, Minnesota facility.

In LATAM, Mexico and Central America delivered good growth, while Brazil performed well, but was impacted by the truck drivers industrial action in Q2. The Snacks and Bakery & Confectionery EUMs delivered good growth, along with foodservice chains across the region. The implementation of Kerryconnect progressed successfully in line with expectations.

The global Pharma EUM continued to grow well, with excipients in North America delivering strong growth. The Group acquired the pharmaceutical lactose manufacturing facility of Rothschild, Wisconsin based *Foremost Farms* in the period, further strengthening Kerry's pharmaceutical lactose supply base. Kerry's *Ganeden®* probiotics & *Wellmune®* branded immunity enhancing ingredients delivered excellent performance, as they continued to broaden market reach with a number of new launches into wider applications.

Europe Region

- 2.7% volume growth
- Good performance in Beverage, Meat & Dairy EUMs
- Foodservice delivered strong growth through both chains & independent operators

Good growth was achieved, as Kerry continued to develop its in-market customer engagement to meet evolving local consumer preferences across the region. Reported revenue increased by 2.9% to €700m, with volume growth and the contribution from business acquisitions partially offset by translation currency headwinds.

The Beverage EUM delivered a strong performance in both the retail and foodservice channels, with a number of innovations deploying Kerry's *TasteSense™* sugar-reduction technology and natural extracts portfolio. New beverage menu ranges were developed with key foodservice partners.

The Meat EUM continued to provide good growth opportunities, as Kerry's clean label and innovative texture technologies performed well. Kerry's Smoke & Grill and Meat-Free technologies were successfully deployed in a number of new launches in the UK and Northern Europe. A majority shareholding was acquired in Netherlands based *Ojah* - a market leading plant-based protein manufacturer in Europe producing textured meat alternatives, enhancing the Group's meat-free technology portfolio. The Meals EUM was challenged in the period, as retailers in some geographies reduced promotional activity. The Bakery & Confectionery EUM delivered a solid performance, while the Snacks EUM performed well with better-for-you offerings and indulgent taste products. Russia delivered good 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 had good growth in the 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 half year. Demand from major dairy importing countries for primary dairy products continued to benefit from 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.

APMEA Region

- 10.1% volume growth
- Good performance across all EUMs – in particular Snacks, Meals & Bakery
- Progressing strategic expansion – both organic and acquisitive

The APMEA region continues to evolve as a highly fragmented marketplace with broad-based market dynamics and consumer trends including convenience, healthfulness, snacking, e-commerce and increased regulation. Such trends, together with local consumer taste preferences, are driving major consumption change and underlying market growth in both retail and foodservice channels. Excellent growth was achieved in the period, as Kerry's business model continued to be successfully deployed. Kerry continued to invest in capabilities to capitalise on these ongoing local market opportunities. The recent acquisitions of *Tianning Flavours*, *Taste Master* and *Hangman* have all further strengthened Kerry's authentic local taste capabilities.

Reported revenue in the region increased by 9.7% to €537m, with volume growth and the contribution from business acquisitions partially offset by translation currency headwinds.

The Snacks EUM delivered strong 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.

The Meals EUM performed strongly, through increased consumer demand across the region for new fusion flavours, using both sweet and savoury technologies, combined with better-for-you offerings in both the retail and foodservice channels, most notably in China.

The Bakery EUM continued to deliver strong growth in both sweet and savoury applications, through integrated solutions that supported customers in broadening their ranges.

Sub-Saharan Africa and MENAT achieved strong growth, through better-for-you applications into the Snacks & Beverage EUMs. The Group continued to invest in its strategic growth priorities in the region. Good progress was made through investments in ongoing footprint expansion in Malaysia, Indonesia and China. Two further acquisitions were made in the period; *SIAS Food Co.* - a leading China-based supplier of culinary and fruit ingredients and systems to the foodservice and food manufacturing industries, and *Season to Season* - a leading South African supplier of taste ingredients and systems to the African snack and food sectors.

Consumer Foods

	H1 2018	Growth
Revenue	€685m	1.3% ¹
Trading margin	7.0%	(60bps)

¹ volume growth

- Volume growth led by good performance across the Food to Go range
- Pricing +0.9% - easing raw material inflation across the period
- Trading margin - growth more than offset by the negative impact of transaction currency

Changing consumer behaviours in the UK and Ireland and the evolving market landscape continue to drive heightened competition. Discounter chains continue to gain market share, with retailers in general focusing more on range simplification, customer brands and EDLP strategies. Within this rapidly changing environment, retailers are seeking to capitalise on higher growth areas of snacking and 'on the go' consumption, while consumers' multi-shopping behaviours continue to evolve, and online shopping maintains strong growth.

Reported revenue increased by 1.2% to €685m, as volume growth and the contribution from business acquisitions were offset by translation currency headwinds. 'Everyday Fresh' enjoyed solid growth, as the *Richmond* range delivered good growth across the period, with *Richmond* chicken sausages also being successfully launched in the second quarter. *Denny* benefitted from increased marketing support in Ireland. The traditional spreads category continues to be challenged, however the division's softer butter technology delivered good growth with private label brands within the UK, as did the *Dairygold* brand in Ireland.

'Convenience Meal Solutions' were impacted by reduced promotional activity as well as the extended warm weather spell towards the end of the period. While there was good business development in 'better-for-you' ranges, the frozen meals category continued to be challenged.

'Food to Go' performed well with strong growth in *Cheestrings*. The relaunch of *Fridge Raiders* commenced towards the end of the period, and the *Fridge Raiders* brand will now embrace a broader range of snacking products across a wider consumer demographic. Good progress was achieved in the development of the out of home segments with good growth into pub and restaurant chains. *Rollover* delivered strong growth with a number of new listings into retailers, as they developed broader food to go platforms in their stores.

The Brexit mitigation programme made further progress in the period and is on track to deliver on its objectives.

Financial Review

Analysis of Results	Constant Currency % change	Reported % change	H1 2018 €'m	H1 2017 €'m
Revenue	8.0%	1.4%	3,225.3	3,181.3
Trading profit	8.7%	0.5%	340.0	338.4
<i>Trading margin</i>			10.5%	10.6%
Computer software amortisation			(14.9)	(11.9)
Finance costs (net)			(33.8)	(34.4)
Adjusted earnings before taxation			291.3	292.1
Income taxes (excluding non-trading items)			(36.5)	(38.5)
Adjusted earnings after taxation			254.8	253.6
Brand related intangible asset amortisation			(12.7)	(10.7)
Non-trading items (net of related tax)			(15.4)	(17.8)
Profit after taxation			226.7	225.1
			EPS Cent	EPS Cent
Basic EPS		0.5%	128.3	127.6
Brand related intangible asset amortisation			7.2	6.1
Non-trading items (net of related tax)			8.7	10.1
Adjusted* EPS		0.3%	144.2	143.8
Impact of retranslating prior year adjusted EPS at current year average exchange rates			-	(11.5)
Constant Currency Adjusted* EPS	9.0%		144.2	132.3

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

Analysis of Results

Revenue

On a reported basis Group revenue increased by 1.4% to €3.23 billion (H1 2017: €3.18 billion) and 8.0% in constant currency. Volumes grew by 3.6%, pricing increased by 0.6%, adverse transaction currency of 0.1%, contribution from business acquisitions of 3.9% and adverse translation currency of 6.6%.

H1 2017: Group reported revenue +4.8%, volumes +3.8%, pricing +1.8%, transaction currency (0.4%), acquisitions +0.6%, translation currency (1.0%).

In Taste & Nutrition, reported revenue increased by 1.4% to €2.58 billion (H1 2017: €2.54 billion). Volumes grew by 4.1%, pricing increased by 0.6%, contribution from business acquisitions of 4.6% and adverse translation currency of 7.9%.

H1 2017: Taste & Nutrition reported revenue +6.9%, volumes +4.2%, pricing +1.7%, transaction currency (0.1%), acquisitions +0.7%, translation currency +0.4%.

In Consumer Foods, reported revenue increased by 1.2% to €685m (H1 2017: €677m). Volumes increased by 1.3%, pricing increased by 0.9%, adverse transaction currency of 0.4%, contribution from business acquisitions of 1.0% and adverse translation currency of 1.6%.

H1 2017: Consumer Foods reported revenue (2.8%), volumes +2.3%, pricing +1.9%, transaction currency (1.4%), translation currency (5.6%).

Trading Profit & Margin

Group trading profit increased by 0.5% to €340.0m (H1 2017: €338.4m) reflecting 8.7% growth, after taking account of an adverse translation currency impact of 8.2% in the period.

Group trading profit margin reduced by 10 basis points to 10.5%, as underlying margin expansion attributable to improved product mix, operating leverage and efficiencies was offset by currency headwinds and growth investments.

Trading profit margin in Taste & Nutrition increased by 10 basis points to 13.1%, due to the benefits of improved product mix, operating leverage and efficiencies, offset by currency headwinds and growth investments.

Trading profit margin in Consumer Foods decreased by 60 basis points to 7.0%, due to significant transaction currency headwinds partly offset by underlying margin expansion.

Finance Costs (net)

Finance costs (net) for the period decreased by €0.6m to €33.8m (H1 2017: €34.4m) due to cash generation and a reduction in pension interest, offset by acquisition activity.

Taxation

The tax charge for the period, before non-trading items was €36.5m (H1 2017: €38.5m) which represents a reduction of 30bps since year end to an effective tax rate of 13.1% (H1 2017: 13.7%). The reduction in the tax rate was due to changes in tax rates in a number of jurisdictions.

Acquisitions

During the period, the Group completed a total of four acquisitions and entered into a joint venture at a total cost of €120.3m.

Non-Trading Items

The Group recorded €15.4m of costs net of tax (H1 2017: €17.8m) due to costs associated with acquisition integration and the Brexit mitigation programme.

Free Cash Flow

The Group achieved free cash flow of €200.6m (H1 2017: €357.2m). This decrease is due to increased investments in working capital and capital expenditure.

Free Cash Flow	H1 2018	H1 2017
	€'m	€'m
Trading profit	340.0	338.4
Depreciation (net)	66.8	68.6
Movement in average working capital	(29.6)	118.1
Pension contributions paid less pension expense	(21.7)	(22.7)
Cash flow from operations	355.5	502.4
Finance costs paid (net)	(22.8)	(21.0)
Income taxes paid	(18.2)	(21.8)
Purchase of non-current assets	(113.9)	(102.4)
Free cash flow	200.6	357.2

Balance Sheet

A summary balance sheet as at 30 June 2018 is provided below:

	H1 2018 €'m	H1 2017 €'m	FY 2017 €'m
Property, plant & equipment	1,607.9	1,430.1	1,529.6
Intangible assets	3,728.6	3,414.2	3,646.7
Other non-current assets	198.1	211.1	192.2
Current assets	2,141.3	2,159.8	2,031.7
Total assets	7,675.9	7,215.2	7,400.2
Current liabilities	1,696.5	1,546.8	1,567.8
Non-current liabilities	2,205.8	2,418.0	2,259.2
Total liabilities	3,902.3	3,964.8	3,827.0
Net assets	3,773.6	3,250.4	3,573.2
Shareholders' equity	3,773.6	3,250.4	3,573.2

Property, Plant & Equipment

Property, plant & equipment increased by €78.3m to €1,607.9m (Dec 2017: €1,529.6m, H1 2017: €1,430.1) due to additions made in the period and foreign exchange translation movements, offset by the depreciation charge.

Intangible Assets

Intangible assets increased by €81.9m to €3,728.6m (Dec 2017: €3,646.7m, H1 2017: €3,414.2m) due to additions made in the period and foreign exchange translation movements, offset by the amortisation charge.

Current Assets

Current assets increased by €109.6m to €2,141.3m (Dec 2017: €2,031.7m, H1 2017: €2,159.8m), as increased trade and other receivables and inventories were offset by a reduced level of cash in hand at 30 June 2018.

Retirement Benefits

At the balance sheet date, the net deficit for all defined benefit schemes (after deferred tax) was €35.4m (Dec 2017: €102.0m, H1 2017: €186.4m). The decrease in the net deficit from year end relates to a favourable movement in discount rates and inflation rates.

Net Debt

At 30 June 2018, net debt stood at €1,403.3m, an increase of €61.6m relative to the December 2017 debt of €1,341.7m.

Key Financial Covenants

At 30 June the key financial ratios were as follows:

		H1 2018 Times	H1 2017 Times	FY 2017 Times
Net debt: EBITDA*	Maximum 3.5	1.5	1.3	1.4
EBITDA: Net interest*	Minimum 4.75	14.8	14.9	16.2

**Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined in the financial definitions accompanying the Interim Financial Statements.*

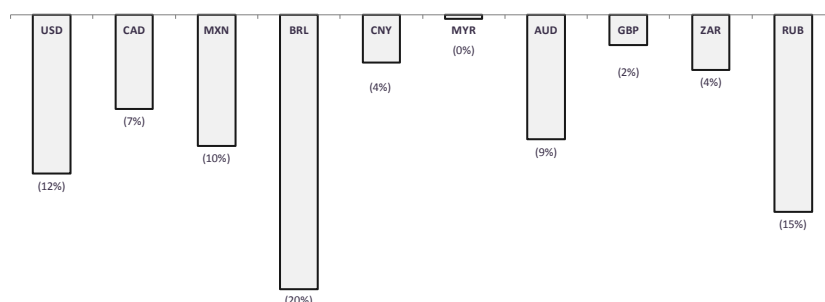
The average maturity profile of net debt was 5.5 years at the end of the period (Dec 2017: 6.0 years). At the period end 72% of net debt was carried at fixed rates. The Group's balance sheet is in a healthy position. With a net debt to EBITDA* ratio of 1.5 times, the organisation has sufficient headroom to support its future growth plans.

Related Party Transactions

There were no changes in related party transactions from the 2017 Annual Report that could have a material effect on the financial position or performance of the Group in the first half of the year.

Exchange Rates

Group results are impacted by fluctuations in exchange rates year on year versus the euro. The chart below outlines the difference in average exchange rates from H1 2018 compared with H1 2017.



Principal Risks & Uncertainties

Details of the principal risks and uncertainties facing the Group can be found in the 2017 Annual Report on pages 62 to 68. These risks include but are not limited to; the identification and integration of acquisition targets, failure to adapt the portfolio to respond to unprecedented marketplace dynamics, quality & food safety risks, inability to secure, build, and engage a robust talent pipeline, systems implementation risks, unauthorised use of Group intellectual property, geopolitical risks, Brexit, and ongoing operational and compliance risks. However, risks with increased potential impact in the second half of the year include fluctuating currencies and ongoing geopolitical volatility including Brexit. The Group actively manages these and all other risks through its control and risk management process.

Going Concern

The Group Condensed Consolidated Interim Financial Statements have been prepared on the going concern basis of accounting. The Directors report that they have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed the Group's budget for a period not less than 12 months, the medium term plans as set out in the rolling five year plan, and have taken into account the cash flow implications of the plans, including proposed capital expenditure, and compared these with the Group's committed borrowing facilities and projected gearing ratios.

Dividend

The Board has declared an interim dividend of 21.0 cent per share (an increase of 11.7% on the 2017 interim dividend of 18.8 cent) payable on 16 November 2018 to shareholders registered on the record date 19 October 2018.

Future Prospects

Kerry has embraced the changing marketplace and is well placed to respond to localised consumer trends and customer requirements through industry leading innovation. Kerry's Taste & Nutrition model is uniquely positioned to deliver for customers in this environment. Growth prospects for the full year remain strong due to a good innovation pipeline, while bearing in mind the strong comparatives from the second half of 2017. While remaining cautious on the consumer landscape within the UK, Consumer Foods is well placed to continue to outperform its markets.

The Group will continue to invest in business development aligned to strategic growth priorities and lead the continued consolidation of the industry benefiting from the Groups strong balance sheet and scalable business model.

In February 2018, we guided growth in adjusted earnings per share of 6% to 10% on a constant currency basis. Given the momentum of the business, we now expect to achieve growth in adjusted earnings per share of 7% to 10% in constant currency.

Responsibility Statement

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 of Ireland (S.I. No. 277 of 2007) (“the Regulations”), the Transparency Rules of the Central Bank of Ireland and with IAS 34 “Interim Financial Reporting” as adopted by the European Union.

The Directors confirm that to the best of their knowledge:

- the Group Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2018 have been prepared in accordance with the international accounting standard applicable to interim financial reporting adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the Interim Management Report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the Group Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2018, and a description of the principal risks and uncertainties for the remaining six months;
- the Interim Management Report includes a fair review of the related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties’ transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

On behalf of the board

Edmond Scanlon
Chief Executive Officer

Brian Mehigan
Chief Financial Officer

8 August 2018

Disclaimer: Forward Looking Statements

This Announcement contains forward looking statements which reflect management expectations based on currently available data. However actual results may differ materially from those expressed or implied by these forward looking statements. These forward looking statements speak only as of the date they were made and the Company undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

Condensed Consolidated Income Statement
for the half year ended 30 June 2018

	Notes	Before Non-Trading Items 30 June 2018 Unaudited €'m	Non-Trading Items 30 June 2018 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Continuing operations						
Revenue	2	3,225.3	-	3,225.3	3,181.3	6,407.9
Trading profit	2	340.0	-	340.0	338.4	781.3
Intangible asset amortisation		(27.6)	-	(27.6)	(22.6)	(47.9)
Non-trading items	3	-	(19.9)	(19.9)	(24.8)	(54.5)
Operating profit		312.4	(19.9)	292.5	291.0	678.9
Finance income	4	0.2	-	0.2	0.1	0.1
Finance costs	4	(34.0)	-	(34.0)	(34.5)	(65.7)
Profit before taxation		278.6	(19.9)	258.7	256.6	613.3
Income taxes		(36.5)	4.5	(32.0)	(31.5)	(24.8)
Profit after taxation attributable to owners of the parent		242.1	(15.4)	226.7	225.1	588.5
Earnings per A ordinary share						
- basic	5			Cent 128.3	Cent 127.6	Cent 333.6
- diluted	5			128.2	127.5	333.2

Condensed Consolidated Statement of Comprehensive Income
for the half year ended 30 June 2018

	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Profit after taxation attributable to owners of the parent	226.7	225.1	588.5
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges	(3.6)	7.4	5.3
Cash flow hedges - reclassified to profit or loss from equity	(1.4)	(17.0)	(29.2)
Deferred tax effect of fair value movements on cash flow hedges	0.5	1.3	(0.6)
Exchange difference on translation of foreign operations	(2.6)	(60.8)	(108.8)
Fair value movements on revaluation of available for sale financial assets	-	-	3.5
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement on retirement benefits obligation	60.6	74.7	130.1
Deferred tax effect of re-measurement on retirement benefits obligation	(9.8)	(9.8)	(20.2)
Net income/(expense) recognised directly in other comprehensive income	43.7	(4.2)	(19.9)
Total comprehensive income	270.4	220.9	568.6

Condensed Consolidated Balance Sheet
as at 30 June 2018

	Notes	30 June 2018 Unaudited €'m	30 June 2017 Unaudited €'m	31 Dec. 2017 Audited €'m
Non-current assets				
Property, plant and equipment		1,607.9	1,430.1	1,529.6
Intangible assets		3,728.6	3,414.2	3,646.7
Financial asset investments		40.3	40.2	44.6
Investment in associates and joint ventures		19.6	5.9	5.8
Non-current financial instruments		92.5	111.7	95.4
Deferred tax assets		45.7	53.3	46.4
		5,534.6	5,055.4	5,368.5
Current assets				
Inventories		848.4	744.1	797.5
Trade and other receivables		989.8	897.5	893.1
Cash at bank and in hand	8	290.3	457.4	312.5
Other current financial instruments		10.3	56.0	20.3
Assets classified as held for sale		2.5	4.8	8.3
		2,141.3	2,159.8	2,031.7
Total assets		7,675.9	7,215.2	7,400.2
Current liabilities				
Trade and other payables		1,497.7	1,383.1	1,410.5
Borrowings and overdrafts	8	30.7	7.5	13.3
Other current financial instruments		8.1	15.7	9.1
Tax liabilities		122.4	99.2	108.4
Provisions		35.7	36.9	25.3
Deferred income		1.9	4.4	1.2
		1,696.5	1,546.8	1,567.8
Non-current liabilities				
Borrowings	8	1,743.7	1,782.7	1,728.4
Other non-current financial instruments		11.4	0.6	7.9
Retirement benefits obligation	7	44.6	233.8	124.3
Other non-current liabilities		96.2	89.1	96.7
Deferred tax liabilities		250.8	250.4	241.9
Provisions		37.7	40.1	37.1
Deferred income		21.4	21.3	22.9
		2,205.8	2,418.0	2,259.2
Total liabilities		3,902.3	3,964.8	3,827.0
Net assets		3,773.6	3,250.4	3,573.2
Issued capital and reserves attributable to owners of the parent				
Share capital	9	22.0	22.0	22.0
Share premium		398.7	398.7	398.7
Other reserves		(214.6)	(163.9)	(214.4)
Retained earnings		3,567.5	2,993.6	3,366.9
Shareholders' equity		3,773.6	3,250.4	3,573.2

Condensed Consolidated Statement of Changes in Equity
for the half year ended 30 June 2018

	Note	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
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		-	-	-	225.1	225.1
Other comprehensive (expense)/income		-	-	(70.4)	66.2	(4.2)
Total comprehensive (expense)/income		-	-	(70.4)	291.3	220.9
Dividends paid	6	-	-	-	(69.0)	(69.0)
Share-based payment expense		-	-	4.5	-	4.5
At 30 June 2017 - unaudited		22.0	398.7	(163.9)	2,993.6	3,250.4
Profit after tax attributable to owners of the parent		-	-	-	363.4	363.4
Other comprehensive (expense)/income		-	-	(58.8)	43.1	(15.7)
Total comprehensive (expense)/income		-	-	(58.8)	406.5	347.7
Dividends paid	6	-	-	-	(33.2)	(33.2)
Share-based payment expense		-	-	8.3	-	8.3
At 31 December 2017 - audited		22.0	398.7	(214.4)	3,366.9	3,573.2
Profit after tax attributable to owners of the parent		-	-	-	226.7	226.7
Other comprehensive (expense)/income		-	-	(7.6)	51.3	43.7
Total comprehensive (expense)/income		-	-	(7.6)	278.0	270.4
Dividends paid	6	-	-	-	(77.4)	(77.4)
Share-based payment expense		-	-	7.4	-	7.4
At 30 June 2018 - unaudited		22.0	398.7	(214.6)	3,567.5	3,773.6

Other Reserves comprise the following:

	FVOCI / AFS Reserve* €'m	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Total €'m
At 1 January 2017	-	1.7	0.3	38.3	(147.0)	8.7	(98.0)
Total comprehensive expense	-	-	-	-	(60.8)	(9.6)	(70.4)
Share-based payment expense	-	-	-	4.5	-	-	4.5
At 30 June 2017 - unaudited	-	1.7	0.3	42.8	(207.8)	(0.9)	(163.9)
Total comprehensive income/(expense)	3.5	-	-	-	(48.0)	(14.3)	(58.8)
Share-based payment expense	-	-	-	8.3	-	-	8.3
At 31 December 2017 - audited	3.5	1.7	0.3	51.1	(255.8)	(15.2)	(214.4)
Total comprehensive expense	-	-	-	-	(2.6)	(5.0)	(7.6)
Share-based payment expense	-	-	-	7.4	-	-	7.4
At 30 June 2018 - unaudited	3.5	1.7	0.3	58.5	(258.4)	(20.2)	(214.6)

*The available for sale reserve under IAS 39 becomes the fair value through other comprehensive income reserve (FVOCI) under IFRS 9 at 1 January 2018.

Condensed Consolidated Statement of Cash Flows
for the half year ended 30 June 2018

	Notes	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Operating activities				
Trading profit		340.0	338.4	781.3
<i>Adjustments for:</i>				
Depreciation (net)		66.8	68.6	134.0
Change in working capital		(66.9)	(42.9)	9.1
Pension contributions paid less pension expense		(21.7)	(22.7)	(95.3)
Payments on non-trading items		(17.3)	(12.5)	(34.0)
Exchange translation adjustment		(0.1)	(1.8)	(8.8)
Cash generated from operations		300.8	327.1	786.3
Income taxes paid		(18.2)	(21.8)	(54.7)
Finance income received		0.1	0.1	0.1
Finance costs paid		(22.9)	(21.1)	(60.3)
Net cash from operating activities		259.8	284.3	671.4
Investing activities				
Purchase of assets		(122.4)	(103.4)	(301.3)
Proceeds from the sale of assets		8.3	0.9	3.1
Capital grants received		0.2	0.1	0.9
Purchase of businesses (net of cash acquired)	10	(86.0)	(89.1)	(396.5)
(Purchase)/disposal of share in associates and joint ventures		(15.6)	30.1	29.5
Income received from associates		-	-	-
Disposal of businesses		-	-	-
Payments relating to previous acquisitions		(8.7)	(0.1)	(0.9)
Net cash used in investing activities		(224.2)	(161.5)	(665.2)
Financing activities				
Dividends paid	6	(77.4)	(69.0)	(102.2)
Issue of share capital	9	-	-	-
Repayment of borrowings (net of swaps)		(5.9)	(155.6)	(144.3)
Net cash movement due to financing activities		(83.3)	(224.6)	(246.5)
Net decrease in cash and cash equivalents		(47.7)	(101.8)	(240.3)
Cash and cash equivalents at beginning of period		305.6	561.1	561.1
Exchange translation adjustment on cash and cash equivalents		1.7	(9.4)	(15.2)
Cash and cash equivalents at end of period	8	259.6	449.9	305.6
Reconciliation of Net Cash Flow to Movement in Net Debt				
Net decrease in cash and cash equivalents		(47.7)	(101.8)	(240.3)
Cash flow from debt financing		5.9	155.6	144.3
Changes in net debt resulting from cash flows		(41.8)	53.8	(96.0)
Fair value movement on interest rate swaps (net of adjustment to borrowings)		(4.0)	0.9	2.8
Exchange translation adjustment on net debt		(15.8)	47.3	75.2
Movement in net debt in the period		(61.6)	102.0	(18.0)
Net debt at beginning of period		(1,341.7)	(1,323.7)	(1,323.7)
Net debt at end of period	8	(1,403.3)	(1,221.7)	(1,341.7)

Notes to the Condensed Consolidated Interim Financial Statements

for the half year ended 30 June 2018

1. Accounting policies

These Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2018 have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting' and using accounting policies consistent with International Financial Reporting Standards as adopted by the European Union. The accounting policies applied by the Group in these Condensed Consolidated Interim Financial Statements are the same as those detailed in the 2017 Annual Report except for changes in accounting policies in respect of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' outlined below. Some comparative information has been re-presented to align with the current half year presentation. In the 2018 Condensed Consolidated Interim Financial Statements, the Group has re-presented corresponding balances of 'Revenue by location of external customers' in note 2 for 2017 comparatives to align with the current year presentation. In addition the Group has included an accounting policy in relation to joint ventures as follows:

Basis of Consolidation - 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.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in 'Share of associate and joint ventures' loss/(profit) after tax' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves 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.

The following Standards and Interpretations are effective for the Group from 1 January 2018 but do not have a material effect on the results or financial position of the Group:

- | | |
|----------------------|--|
| - IFRS 2 (amendment) | Classification and Measurement of Share-Based Payment Transactions |
| - IFRS 4 (amendment) | Insurance Contracts |

- IFRS 9

Financial Instruments

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

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 will now 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 / half year on adoption.

Notes to the Condensed Consolidated Interim Financial Statements (continued)
for the half year ended 30 June 2018

1. Accounting policies (continued)

- 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. 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. The Group has not restated the 2017 prior year / half year on adoption.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The following revised standards are not yet effective and the impact on Kerry Group is currently under review:

Effective Date

- IAS 40 (amendment) Investment Property 1 July 2018
- IFRS 16 Leases 1 January 2019
IFRS 16, published in January 2016, replaces the existing guidance in IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. It introduces a single lessee accounting model, which requires a lessee to recognise: assets and liabilities for all leases with a term of more than 12 months and depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. During 2017 the Group commenced a review of its contractual leases and early indications from this initial review is that IFRS 16 will result in an increase in finance leased assets (right-of-use asset) of approximately €59.0m and a corresponding increase in financial liabilities of the same amount on the Consolidated Balance Sheet of the Group's financial statements.

Notes to the Condensed Consolidated Interim Financial Statements (continued)
for the half year ended 30 June 2018

2. Analysis by business segment

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. 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'.

	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
External revenue			
- Taste & Nutrition	2,543.6	2,507.9	5,080.5
- Consumer Foods	681.7	673.4	1,327.4
	3,225.3	3,181.3	6,407.9
Inter-segment revenue			
- Taste & Nutrition	35.4	35.2	78.3
- Consumer Foods	3.7	3.6	3.6
- Group Eliminations and Unallocated	(39.1)	(38.8)	(81.9)
	-	-	-
Total revenue			
- Taste & Nutrition	2,579.0	2,543.1	5,158.8
- Consumer Foods	685.4	677.0	1,331.0
- Group Eliminations and Unallocated	(39.1)	(38.8)	(81.9)
	3,225.3	3,181.3	6,407.9
Trading profit			
- Taste & Nutrition	338.9	330.6	767.2
- Consumer Foods	47.8	51.3	107.8
- Group Eliminations and Unallocated	(46.7)	(43.5)	(93.7)
	340.0	338.4	781.3
Intangible asset amortisation	(27.6)	(22.6)	(47.9)
Non-trading items	(19.9)	(24.8)	(54.5)
Operating profit	292.5	291.0	678.9
Finance income	0.2	0.1	0.1
Finance costs	(34.0)	(34.5)	(65.7)
Profit before taxation	258.7	256.6	613.3
Income taxes	(32.0)	(31.5)	(24.8)
Profit after taxation attributable to owners of the parent	226.7	225.1	588.5

Information about geographical areas

	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017* Unaudited €'m	Year ended 31 Dec. 2017* Audited €'m
Revenue by location of external customers			
Europe	1,381.6	1,353.3	2,725.4
Americas	1,306.9	1,338.8	2,678.3
APMEA**	536.8	489.2	1,004.2
	3,225.3	3,181.3	6,407.9

*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).

**Asia Pacific, Middle East & Africa

The accounting policies of the reportable segments are the same as those detailed in the Statement of Accounting Policies in the 2017 Annual Report. Under IFRS 15 'Revenue from Contracts with Customers' revenue is recognised at a point in time.

Notes to the Condensed Consolidated Interim Financial Statements (continued)
for the half year ended 30 June 2018

3. Non-trading items

	Notes	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Acquisition integration and restructuring costs	(i)	(13.7)	(19.9)	(36.0)
Consumer Foods Brexit mitigation programme	(ii)	(5.1)	-	(11.7)
Loss on disposal of businesses and assets*	(iii)	(1.1)	(4.9)	(6.8)
		(19.9)	(24.8)	(54.5)
Tax on above	(i)-(iii)	4.5	7.0	11.9
Tax credit due to change in tax rates	(iv)	-	-	52.8
		(15.4)	(17.8)	10.2

*including impairment of assets held for sale

(i) Acquisition integration and restructuring costs

During the period, acquisition integration and restructuring costs of **€13.7m** (30 June 2017: €19.9m; 31 December 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 businesses into the existing Kerry operating model. In the period ended 30 June 2018, a tax credit of **€3.4m** (30 June 2017: a tax credit of €6.8m; 31 December 2017: a tax credit of €10.8m) arose due to tax deductions available on acquisition integration and restructuring costs.

(ii) Consumer Foods Brexit mitigation programme

Kerry continues to implement the Brexit mitigation programme which was initiated in 2017. As part of this programme, certain sourcing and production activity has been relocated and other activities restructured as a result of the impending changes due to Brexit. The charge relating to this in 2018 is **€5.1m** (30 June 2017: €nil; 31 December 2017: a charge of €11.7m) and the associated tax credit is **€0.9m** (30 June 2017: €nil; 31 December 2017: a credit of €1.0m).

(iii) Loss on disposal of businesses and assets (including impairment of assets held for sale)

During the period the Group disposed of property, plant and equipment primarily in Ireland, Malaysia and the US for a consideration of **€8.3m**. In 2017, the Group disposed of unused property, plant and equipment and in the period to 30 June 2017 disposed of its 22.5% shareholding in Addo Food Group Limited for a combined consideration of **€33.3m** (30 June 2017: €31.0m). The investment in Addo Food Group Limited was disposed from the investment in associate line on the Condensed Consolidated Balance Sheet. A net tax credit of **€0.2m** (30 June 2017: a net tax credit of €0.2m; 31 December 2017: a tax credit of €0.1m) arose on the disposal of businesses and assets. There were no impairments of assets held for sale recorded in the period. In the second half of 2017, assets classified as held for sale were impaired to their fair value less costs to sell by €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 brings about fundamental changes to the US tax system, both from an individual and corporate tax perspective. As a result of the Act, the statutory rate of US federal corporate income tax has been reduced from 35% to 21% with effect from 1 January 2018. The reduction in the US corporate income tax rate to 21% required revaluation of Kerry's US deferred tax liabilities. This resulted in a one-off deferred tax credit in 2017, which is reported in the Income Statement as a non-trading item of €52.8m.

4. Finance income and costs

	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Finance income:			
Interest income on deposits	0.2	0.1	0.1
Finance costs:			
Interest payable	(32.8)	(27.7)	(58.1)
Interest rate derivative	-	(2.7)	0.6
	(32.8)	(30.4)	(57.5)
Net interest cost on retirement benefits obligation	(1.2)	(4.1)	(8.2)
Finance costs	(34.0)	(34.5)	(65.7)

Notes to the Condensed Consolidated Interim Financial Statements (continued)
for the half year ended 30 June 2018

5. Earnings per A ordinary share

	Half year ended 30 June 2018 Unaudited		Half year ended 30 June 2017 Unaudited		Year ended 31 Dec. 2017 Audited	
	EPS cent	€'m	EPS cent	€'m	EPS cent	€'m
Basic earnings per share						
Profit after taxation attributable to owners of the parent	128.3	226.7	127.6	225.1	333.6	588.5
Brand related intangible asset amortisation	7.2	12.7	6.1	10.7	13.4	23.6
Non-trading items (net of related tax)	8.7	15.4	10.1	17.8	(5.8)	(10.2)
Adjusted earnings	144.2	254.8	143.8	253.6	341.2	601.9
Diluted earnings per share						
Profit after taxation attributable to owners of the parent	128.2	226.7	127.5	225.1	333.2	588.5
Adjusted earnings	144.1	254.8	143.7	253.6	340.8	601.9

In addition to the basic and diluted earnings per share, an adjusted earnings per share is also provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation attributable to owners of the parent before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings.

	Number of Shares 30 June 2018 Unaudited m's	Number of Shares 30 June 2017 Unaudited m's	Number of Shares 31 Dec. 2017 Audited m's
Number of Shares			
Basic weighted average number of shares	176.7	176.4	176.4
Impact of share options outstanding	0.1	0.1	0.2
Diluted weighted average number of shares	176.8	176.5	176.6

6. Dividends

	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Amounts recognised as distributions to equity shareholders in the period			
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	69.0
Interim 2017 dividend of 18.80 cent per A ordinary share paid 10 November 2017	-	-	33.2
	77.4	69.0	102.2

Since the end of the period, the Board has proposed an interim dividend of **21.00 cent** per A ordinary share. The payment date for the interim dividend will be 16 November 2018 to shareholders registered on the record date as at 19 October 2018. These Condensed Consolidated Interim Financial Statements do not reflect this dividend.

7. Retirement benefits obligation

The net deficit recognised in the Condensed Consolidated Balance Sheet for the Group's defined benefit post-retirement schemes was as follows:

	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Net recognised deficit in plans before deferred tax	(44.6)	(233.8)	(124.3)
Net related deferred tax asset	9.2	47.4	22.3
Net recognised deficit in plans after deferred tax	(35.4)	(186.4)	(102.0)

At 30 June 2018, the net deficit before deferred tax for defined benefit post-retirement schemes was **€44.6m** (30 June 2017: €233.8m; 31 December 2017: €124.3m). This was calculated by rolling forward the defined benefit post-retirement schemes' liabilities at 31 December 2017 to reflect material movements in underlying assumptions over the period while the defined benefit post-retirement schemes' assets at 30 June 2018 are measured at market value. The decrease in the net deficit before deferred tax of €189.2m was driven primarily by favourable movements in discount and inflation rates.

Notes to the Condensed Consolidated Interim Financial Statements (continued)
for the half year ended 30 June 2018

8. Financial instruments

i) The following table outlines the components of net debt by category at the balance sheet date:

	Loans & Other Financial Assets/(Liabilities) at Amortised Cost €'m	Liabilities at Fair Value through Profit or Loss €'m	Derivatives Designated as Hedging Instruments €'m	Total €'m
Assets:				
Interest rate swaps	-	-	92.2	92.2
Cash at bank and in hand	290.3	-	-	290.3
	290.3	-	92.2	382.5
Liabilities:				
Interest rate swaps	-	-	(11.4)	(11.4)
Bank overdrafts	(30.7)	-	-	(30.7)
Bank loans	-	-	-	-
Senior notes	(1,737.9)	(5.8)	-	(1,743.7)
Borrowings and overdrafts	(1,768.6)	(5.8)	-	(1,774.4)
	(1,768.6)	(5.8)	(11.4)	(1,785.8)
At 30 June 2018 - unaudited	(1,478.3)	(5.8)	80.8	(1,403.3)
Assets:				
Interest rate swaps	-	-	111.7	111.7
Cash at bank and in hand	457.4	-	-	457.4
	457.4	-	111.7	569.1
Liabilities:				
Interest rate swaps	-	-	(0.6)	(0.6)
Bank overdrafts	(7.5)	-	-	(7.5)
Bank loans	-	-	-	-
Senior notes	(1,756.9)	(25.8)	-	(1,782.7)
Borrowings and overdrafts	(1,764.4)	(25.8)	-	(1,790.2)
	(1,764.4)	(25.8)	(0.6)	(1,790.8)
At 30 June 2017 - unaudited	(1,307.0)	(25.8)	111.1	(1,221.7)
Assets:				
Interest rate swaps	-	-	95.4	95.4
Cash at bank and in hand	312.5	-	-	312.5
	312.5	-	95.4	407.9
Liabilities:				
Interest rate swaps	-	-	(7.9)	(7.9)
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)
	(1,721.7)	(20.0)	(7.9)	(1,749.6)
At 31 December 2017 - audited	(1,409.2)	(20.0)	87.5	(1,341.7)

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 of senior notes issued in 2010. At the time of issuance and at the date of reporting, US\$250m of the 2013 senior notes and US\$408m of the 2010 senior notes were swapped, using cross currency swaps, to euro. 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 **€5.8m** (30 June 2017: €25.8m; 31 December 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 to the Condensed Consolidated Interim Financial Statements (continued)
for the half year ended 30 June 2018

8. Financial instruments (continued)

ii) The following table sets out the currency profile of the Group's net debt, highlighting the impact of cross currency swaps (CCS) on net debt:

	Pre CCS Half year ended 30 June 2018 Unaudited €'m	Notional CCS Half year ended 30 June 2018 Unaudited €'m	Post CCS Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Euro	(627.9)	(390.4)	(1,018.3)	(849.6)	(1,000.2)
Sterling	86.0	-	86.0	165.8	123.7
US Dollar	(914.7)	390.4	(524.3)	(562.1)	(531.8)
Other	53.3	-	53.3	24.2	66.6
	(1,403.3)	-	(1,403.3)	(1,221.7)	(1,341.7)

iii) The following table details the maturity profile of the Group's net debt:

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Cash at bank and in hand	290.3	-	-	-	290.3
Interest rate swaps	-	40.0	14.2	26.6	80.8
Bank overdrafts	(30.7)	-	-	-	(30.7)
Bank loans	-	-	-	-	-
Senior notes	-	(181.3)	(743.9)	(818.5)	(1,743.7)
At 30 June 2018 - unaudited	259.6	(141.3)	(729.7)	(791.9)	(1,403.3)
Cash at bank and in hand	457.4	-	-	-	457.4
Interest rate swaps	-	-	76.6	34.5	111.1
Bank overdrafts	(7.5)	-	-	-	(7.5)
Bank loans	-	-	-	-	-
Senior notes	-	-	(307.5)	(1,475.2)	(1,782.7)
At 30 June 2017 - unaudited	449.9	-	(230.9)	(1,440.7)	(1,221.7)
Cash at bank and in hand	312.5	-	-	-	312.5
Interest rate swaps	-	-	62.2	25.3	87.5
Bank overdrafts	(6.9)	-	-	-	(6.9)
Bank loans	(6.4)	-	-	-	(6.4)
Senior notes	-	-	(289.1)	(1,439.3)	(1,728.4)
At 31 December 2017 - audited	299.2	-	(226.9)	(1,414.0)	(1,341.7)

At 30 June 2018, the Group had undrawn committed bank facilities of €1,100m, comprising primarily of a revolving credit facility maturing in 2022.

iv) 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	30 June 2018 Unaudited €'m	30 June 2017 Unaudited €'m	31 Dec. 2017 Audited €'m
Financial assets					
Interest rate swaps		Level 2	92.2	111.7	95.4
Forward foreign exchange contracts:	Non-current	Level 2	0.3	-	-
	Current	Level 2	10.3	56.0	20.3
Financial asset investments:	Fair value through profit or loss	Level 1	33.1	36.1	37.4
	FVOCI / AFS reserve	Level 3	7.2	4.1	7.2
Financial liabilities					
Interest rate swaps		Level 2	(11.4)	(0.6)	(7.9)
Forward foreign exchange contracts		Level 2	(8.1)	(15.7)	(9.1)

There have been no transfers between levels during the current or prior financial period.

Notes to the Condensed Consolidated Interim Financial Statements (continued)
for the half year ended 30 June 2018

8. Financial instruments (continued)

b) Fair value of financial instruments carried at amortised cost

Except as defined in the following table, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Condensed Consolidated Interim Financial Statements approximate their fair values.

	Fair Value Hierarchy	Carrying Amount 30 June 2018 Unaudited €'m	Fair Value 30 June 2018 Unaudited €'m	Carrying Amount 30 June 2017 Unaudited €'m	Fair Value 30 June 2017 Unaudited €'m	Carrying Amount 31 Dec. 2017 Audited €'m	Fair Value 31 Dec. 2017 Audited €'m
Financial liabilities							
Senior notes - Public	Level 2	(1,387.3)	(1,382.9)	(1,399.2)	(1,425.0)	(1,368.0)	(1,407.0)
Senior notes - Private	Level 2	(350.6)	(355.3)	(357.7)	(373.3)	(340.4)	(354.9)
		(1,737.9)	(1,738.2)	(1,756.9)	(1,798.3)	(1,708.4)	(1,761.9)

c) Valuation principles

The fair value of financial assets and liabilities are determined as follows:

- assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- other financial assets and liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates adjusted for counterparty credit risk which is calculated based on credit default swaps of the respective counterparties.

Net debt reconciliation

	Other assets		Liabilities from financing activities			Total
	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	€'m
Net debt as at 31 December 2016	564.7	171.1	(3.6)	(188.9)	(1,867.0)	(1,323.7)
Cash flows	(97.8)	(25.3)	(4.0)	181.4	(0.5)	53.8
Foreign exchange adjustments	(9.5)	0.5	0.1	7.5	48.7	47.3
Other non-cash movements	-	(35.2)	-	-	36.1	0.9
Net debt as at 30 June 2017 - unaudited	457.4	111.1	(7.5)	-	(1,782.7)	(1,221.7)
Cash flows	(139.1)	(0.1)	0.6	(10.7)	(0.5)	(149.8)
Foreign exchange adjustments	(5.8)	0.4	-	4.3	29.0	27.9
Other non-cash movements	-	(23.9)	-	-	25.8	1.9
Net debt as at 31 December 2017 - audited	312.5	87.5	(6.9)	(6.4)	(1,728.4)	(1,341.7)
Cash flows	(23.1)	-	(24.6)	6.5	(0.6)	(41.8)
Foreign exchange adjustments	0.9	0.4	0.8	(0.1)	(17.8)	(15.8)
Other non-cash movements	-	(7.1)	-	-	3.1	(4.0)
Net debt as at 30 June 2018 - unaudited	290.3	80.8	(30.7)	-	(1,743.7)	(1,403.3)

Notes to the Condensed Consolidated Interim Financial Statements (continued)
for the half year ended 30 June 2018

9. Share capital

	Half year ended 30 June 2018 Unaudited €'m	Half year ended 30 June 2017 Unaudited €'m	Year ended 31 Dec. 2017 Audited €'m
Authorised			
280,000,000 A ordinary shares of 12.50 cent each	35.0	35.0	35.0
Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)			
At beginning of the financial period	22.0	22.0	22.0
Shares issued during the financial period	-	-	-
At end of the financial period	22.0	22.0	22.0

Kerry Group plc has one class of ordinary share which carries no right to fixed income.

Shares issued during the period

During the period, a total of **104,736** A ordinary shares were issued at the nominal value of 12.50 cent per share under the Group's Long Term Incentive Plan and Short Term Incentive Plans.

The total number of shares in issue at 30 June 2018 was **176,287,141** (30 June 2017: 176,114,006; 31 December 2017: 176,182,405).

10. Business combinations and joint ventures

During the period, the Group completed a total of four acquisitions, all of which are 100% owned by the Group.

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 Food Co.	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	A producer of pharma lactose, based in the USA.

The total consideration for these acquisitions was **€104.7m**, of which **€15.1m** was prepaid in December 2017 and **€3.6m** is a deferred element. Transaction expenses related to these acquisitions were charged against non-trading items in the Group's Condensed Consolidated Income Statement during the period and represented less than one percent of the total consideration.

The provisional fair value of net assets acquired before combination were **€41.6m** and the Group recognised goodwill on these acquisitions of **€63.1m**. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, these values are determined provisionally. 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 acquisitions. **€4.7m** of goodwill recognised is expected to be deductible for income tax purposes.

The acquisition method of accounting has been used to consolidate the businesses acquired in the Group's financial statements. Due to the fact that these acquisitions were recently completed, the revenue and results included in the Group's reported figures are not material. For the acquisitions completed in 2017, to date, there have been no material revisions of the provisional fair value adjustments since the initial values were established.

During the period, 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.

11. Events after the balance sheet date

Since the period end, the Group has proposed an interim dividend of **21.00 cent** per A ordinary share (see note 6).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 30 June 2018.

12. General information

These unaudited Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2018 are not full financial statements and were not reviewed by the auditors. The Board of Directors approved these Condensed Consolidated Interim Financial Statements on 8 August 2018. The figures disclosed relating to 31 December 2017 have been derived from the consolidated financial statements which were audited, received an unqualified audit report and have been filed with the Registrar of Companies.

These unaudited Condensed Consolidated Interim Financial Statements have been prepared on the going concern basis of accounting. The Directors report that they have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed the Group's budget for a period not less than 12 months, the medium term plans as set out in the rolling five year plan, and have taken into account the cash flow implications of the plans, including proposed capital expenditure, and compared these with the Group's committed borrowing facilities and projected gearing ratios.

In relation to seasonality, trading profit is lower in the first half of the year due to the nature of the food business and stronger trading in December. While revenue is relatively evenly spread, margin has traditionally been higher in the second half of the year due to product mix and the timing of promotional activity. There is also a material change to the levels of working capital between December and June mainly due to the seasonal nature of the dairy and crop-based businesses.

As permitted by the Transparency (Directive 2004/109/EC) Regulations 2007 this Interim Report is available on www.kerrygroup.com. However, if a physical copy is required, please contact the Corporate Affairs department.

FINANCIAL DEFINITIONS

1. Revenue

Volume growth

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

Volume growth is an important metric as it is seen as the key driver of top-line business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers to cater for raw material price fluctuations. A full reconciliation to reported revenue growth is detailed in the revenue reconciliation below.

Revenue Reconciliation

	Volume growth	Price	Transaction currency	Acquisitions/ Disposals	Constant currency	Translation currency	Reported revenue growth
H1 2018							
Taste & Nutrition	4.1%	0.6%	0.0%	4.6%	9.3%	(7.9%)	1.4%
Consumer Foods	1.3%	0.9%	(0.4%)	1.0%	2.8%	(1.6%)	1.2%
Group	3.6%	0.6%	(0.1%)	3.9%	8.0%	(6.6%)	1.4%
H1 2017							
Taste & Nutrition	4.2%	1.7%	(0.1%)	0.7%	6.5%	0.4%	6.9%
Consumer Foods	2.3%	1.9%	(1.4%)	0.0%	2.8%	(5.6%)	(2.8%)
Group	3.8%	1.8%	(0.4%)	0.6%	5.8%	(1.0%)	4.8%

2. EBITDA

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

	H1 2018 €'m	H1 2017 €'m
Profit after taxation attributable to owners of the parent	226.7	225.1
Finance income	(0.2)	(0.1)
Finance costs	34.0	34.5
Income taxes	32.0	31.5
Non-trading items	19.9	24.8
Intangible asset amortisation	27.6	22.6
Depreciation (including impairment)	66.8	68.6
EBITDA	406.8	407.0

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.

	H1 2018 €'m	H1 2017 €'m
Operating profit	292.5	291.0
Intangible asset amortisation	27.6	22.6
Non-trading items	19.9	24.8
Trading profit	340.0	338.4
Reported trading profit growth	0.5%	5.2%
Translation currency impact	8.2%	0.6%
Constant currency growth	8.7%	5.8%

4. Trading Margin

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

	H1 2018 €'m	H1 2017 €'m
Trading profit	340.0	338.4
Revenue	3,225.3	3,181.3
Trading margin	10.5%	10.6%

5. Operating Profit

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

	H1 2018 €'m	H1 2017 €'m
Profit before tax	258.7	256.6
Finance income	(0.2)	(0.1)
Finance costs	34.0	34.5
Operating profit	292.5	291.0

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

The growth in adjusted earnings per share on a constant currency basis is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation attributable to owners of the parent before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings. A full reconciliation of adjusted earnings per share is provided in note 5 of these Condensed Consolidated Interim Financial Statements. Constant currency eliminates the translational effect that arises from changes in foreign currency year-on-year. The growth in adjusted earnings per share on a constant currency basis is calculated by comparing current year adjusted earnings per share, to the prior year adjusted earnings per share retranslated at current year average exchange rates.

	H1 2018 EPS cent	H1 2017 EPS cent
Basic earnings per share	128.3	127.6
Brand related intangible asset amortisation	7.2	6.1
Non-trading items (net of related tax)	8.7	10.1
Adjusted earnings per share	144.2	143.8
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates	-	(11.5)
Adjusted earnings per share on a constant currency basis	144.2	132.3
Growth in adjusted earnings per share on a constant currency basis	9.0%	8.6%

7. Free Cash Flow

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

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 period 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'.

	H1 2018 €'m	H1 2017 €'m
Net cash from operating activities	259.8	284.3
Difference between movement in monthly average working capital and movement in the period end working capital	37.3	161.0
Expenditure on acquisition integration and restructuring costs	17.3	12.5
Purchase of assets	(122.4)	(103.4)
Proceeds from the sale of property, plant and equipment	8.3	0.9
Capital grants received	0.2	0.1
Exchange translation adjustment	0.1	1.8
Free cash flow	200.6	357.2

8. Financial Ratios

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lenders' facility agreements using an adjusted EBITDA, adjusted finance costs (net of finance income) and an adjusted net debt value to adjust for the impact of non-trading items, acquisitions net of disposals and deferred payments in relation to acquisitions. As outlined on page 8 these ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

	Covenant	H1 2018 Times	H1 2017 Times
Net debt: EBITDA	Maximum 3.5	1.5	1.3
EBITDA: Net interest	Minimum 4.75	14.8	14.9

9. 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 8 of these Condensed Consolidated Interim Financial Statements.



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