

FINANCIAL KEY PERFORMANCE INDICATORS

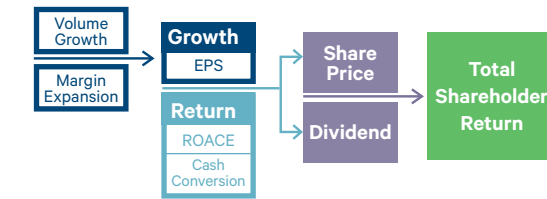
The metrics outlined below are the important measurement indicators of Group performance in meeting its financial objectives. The Group's financial objective is to maximise shareholder return by delivering on the targets of growth in business profitability and meeting return on investment hurdles.

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.

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

GROWTH

RETURN

Key Financial Performance Metric	Volume Growth 3.5%	Trading Margin Expansion +0bps	Constant Currency Adjusted EPS Growth +8.6%	Return on Average Capital Employed (ROACE) 12.0%	Cash Conversion 72%	Total Shareholder Return (TSR) (6.8%)
Definition¹	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.	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.
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.	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.
Historical Performance						
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.	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.
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.	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.

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.