

SUPPLEMENTARY INFORMATION

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

FINANCIAL DEFINITIONS

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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

	Volume growth	Price	Transaction currency	Acquisitions/ Disposals	Translation currency	Reported revenue growth
2018						
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	2017
	€'m	€'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	2017
	€'m	€'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	2017
	EPS	EPS
	cent	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	2017
	€'m	€'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.