8 August 2019

Kerry Group - Interim Management Report for the half year ended 30 June 2019

Kerry Group, the global taste & nutrition and consumer foods group reports business performance for the half year ended 30 June 2019.

HIGHLIGHTS

- Group revenue of €3.6 billion reflecting 3.3% volume growth
  - Taste & Nutrition +3.8% volume growth
  - Consumer Foods +0.6% volume growth
- Reported revenue +10.7%
- Group trading margin +20bps to 10.7%
  - Taste & Nutrition +20bps to 13.3%
  - Consumer Foods margins maintained at 7.0%
- Adjusted EPS of 164.1 cent – up 8.4% on a constant currency basis
- Basic EPS of 135.5 cent (H1 2018: 128.3 cent)
- Interim dividend per share increased 11.9% to 23.5 cent
- Free cash flow of €195m (H1 2018: €201m)
- Full year guidance updated

Edmond Scanlon – Chief Executive Officer

"We are pleased with business performance in the period, as the Group continued to deliver volume growth ahead of the market while expanding trading margins in line with expectations. While heightened consumer pricing and uncertainty impacted market volume growth rates in some developed markets, our unique and industry-leading business model and integrated taste and nutrition positioning continued to deliver significant value for our customers in meeting rapidly evolving consumer needs. We are excited by the ongoing enhancement of our product mix and the development of our innovation pipeline. Good progress has been made on the integration of recent acquisitions, which are performing very well. We are updating our guidance and expect to achieve growth in adjusted earnings per share of 7% to 9% in constant currency."

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INTERIM MANAGEMENT REPORT

For the half year ended 30 June 2019

Group Performance

Group reported revenue increased by 10.7%, reflecting volume growth of 3.3%, neutral pricing, contribution from acquisitions of 4.7%, and a favourable translation currency impact of 2.7%.

Group trading margin increased by 20bps, reflecting good growth driven by operating leverage, portfolio enhancement, efficiencies, impact of foreign currency and acquisitions, partially offset by Brexit risk management costs, investments for growth and increased net investment on the KerryExcel programme.

Constant currency adjusted earnings per share increased by 8.4% to 164.1 cent (H1 2018 currency adjusted: 151.4 cent). Basic earnings per share increased by 5.6% to 135.5 cent (H1 2018: 128.3 cent).

The interim dividend of 23.5 cent per share represents an increase of 11.9% over the 2018 interim dividend. The Group achieved free cash flow of €195m in the period (H1 2018: €201m).

The Marketplace

The food & beverage industry and end-to-end supply chain continue to evolve at pace, as consumers are demanding more and are challenging traditional business models.

Market volumes in some developed economies experienced softening in the period due to the impact of higher prices at a consumer level. Developing markets continued to change rapidly, with localisation, regulatory changes and home delivery driving increased new product development.

Major global consumer trends such as plant-based diets, authenticity, healthfulness, convenience, clean label, sustainability and premiumisation, tailored to local consumer preferences continue to generate increased innovation opportunities.

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

Business Reviews

Taste & Nutrition

	H1 2019	Growth
Revenue	€2,915m	3.8%[1]
Trading margin	13.3%	+20bps

[1] volume growth

- Volume growth driven by Meat, Snacks and Beverage End Use Markets (EUMs)
- Pricing flat – reflecting broadly neutral raw material costs in the period
- Trading margin +20bps – key drivers were enhanced product mix, operating leverage and efficiencies, partially offset by investments for growth and Brexit risk management costs

Kerry's nutrition and wellbeing technology portfolio had a strong performance in the period, as demand for great-tasting products with improved nutritional attributes continued to accelerate across the globe. Our unique taste and nutrition positioning, food science expertise and deep understanding of the intersection of taste and nutrition attributes were the drivers of increased innovation across a wide range of applications. This led to good sales growth in customised solutions incorporating in particular Kerry's fermented ingredients, broad protein portfolio, probiotics, fibre systems, botanicals and natural extracts.

Developing market growth continued to be strong at 9.1%, with APMEA developing markets being the main driver. Foodservice performed well, with growth of 5.3% despite some softness in the North American market at the beginning of the year. The Group also completed the acquisitions of *Southeastern Mills (SEM)* and *Ariake U.S.A., Inc* in the period.

Americas Region

- 2.7% volume growth
- Solid performance in North America, driven by Meat, Snacks and Dairy EUMs
- LATAM performed well

Reported revenue in the region increased by 19.1% to €1,556m primarily reflecting volume growth, foreign currency translation and significant contribution from acquisitions of 9.9%.

North America delivered good volume growth, while market volumes growth rates softened as heightened consumer pricing impacted overall consumption in the period. LATAM performed well with good growth in Mexico and solid performances in Brazil and Central America.

Kerry's Meat EUM delivered strong growth, as our industry-leading portfolio continued to support customers as they innovate to meet evolving consumer demands for new regional flavours, cleaner labels, natural shelf-life preservation and plant-based alternatives. This performance was complemented by the acquisition of *Southeastern Mills (SEM)* in the period which performed very well.

The Snacks EUM delivered good growth through healthier snacking and new world taste experiences, particularly in LATAM. The Dairy EUM benefitted from the ongoing evolution of the ice cream & desserts category towards premiumisation, lower-calorie and plant-based offerings.

While the Beverage EUM was impacted by a softer start to the year in Foodservice, it benefitted from a number of innovations utilising *Ganeden®* probiotics and *Wellmune®* immunity enhancing technologies. The Meals EUM was impacted by softness, particularly in the ambient and chilled categories.

The global Pharma EUM had a good performance, led by strong growth in excipients in North America.

The recently acquired *Fleischmann's (FVC)* business performed well and the Group also completed the acquisition of *Ariake U.S.A., Inc* in the period. These acquisitions further enhance Kerry's leading authentic taste and clean label technology portfolio, which the Group plans to leverage in meeting increased demands across a broader range of applications.

Europe Region

- 2.2% volume growth
- Good performance in Beverage, Meat and Snacks EUMs
- Foodservice delivered strong growth

Reported revenue in the region increased by 2.5% to €718m primarily reflecting volume growth.

Kerry's development and applications expertise helped customers improve and broaden their product offerings to meet a diverse range of local consumer preferences right across the region.

The Beverage EUM achieved strong broad-based growth, particularly in Foodservice, as customers enhanced their beverage offerings across their menus, with a number of 'better for you' and seasonal product launches incorporating Kerry's botanicals, natural extracts and sugar reduction technologies.

The Meat EUM performed very well, with multi-texture coating systems delivering new sensorial taste experiences, and in addition a number of successful cleaner label launches. Good business development was also achieved in plant-based meat alternatives, as Kerry's offering was enhanced by the recent JV with *Ojah.*

The Snacks EUM performed well, with a number of new launches with new authentic world flavours.

The Dairy EUM was impacted by softer demand in the ice cream category during the period. International dairy markets were relatively stable in the period, reflecting less volatility in global supply / demand dynamics. The Confectionary EUM achieved good growth through a number of local novel taste LTOs across the region.

APMEA Region

- 9.6% volume growth
- Strong growth in Meat, Beverage and Snacks EUMs
- Progressing strategic expansion and business development across the region

Reported revenue in the region increased by 13.3% to €608m primarily reflecting volume growth and the contribution from business acquisitions.

The Group continued to selectively deploy the Kerry business model on a country-by-country basis in the period. This approach was key in supporting our customers as they meet evolving local consumer demands that continue to drive growth right across the region.

Kerry's Meat EUM delivered excellent growth with a range of innovations across both Foodservice and Retail customers to meet key consumer preferences for local authentic taste, value, food safety and home delivery.

The Beverage EUM delivered strong growth underpinned by a number of successful launches into nutritional beverages and a range of foodservice applications. The branded *DaVinci* range enjoyed strong growth into independent distributors.

The Snacks EUM delivered strong growth, with innovation centred around the localisation of Western taste profiles incorporating both sweet and savoury technologies.

We continued to make good progress in expanding our capacity and processing capabilities in the region. Our strategic expansion in China progressed well, as we upgraded the recently acquired *SIAS* facility to serve our customers in the Greater Beijing region, while we continued the expansion programme at our Nantong facility aligned to the strategic deployment of our technologies in the region. The Group also opened a new facility in Tumkur, India, which will serve the rapidly expanding South West Asia market and invested in expanding our capabilities in the Middle East region further to the acquisition of *AATCO* at the end of 2018.

Consumer Foods

	H1 2019	Growth
Revenue	€689m	0.6%[1]
Trading margin	7.0%	0bps

[1] *volume growth*

- Solid performance led by brands with private label challenged
- Pricing (0.3%) reflective of input costs which were not fully recovered
- Trading margin maintained after incurring Brexit risk management costs

The market landscape continued to be challenged in the period. Lower consumer confidence was reflected through a more cautious consumer, while structural changes across the retail environment continue to drive change along the end-to-end supply chain.

Reported revenue increased by 0.6% to €689m, reflecting volume growth, pricing, and a translation currency tailwind.

'Everyday Fresh' performed in line with expectations. *Richmond* delivered solid performance led by growth in chicken sausages, while the *Denny* brand in Ireland experienced strong growth. The traditional spreads category continued to be challenged, however Kerry outperformed with our spreadable butter offering addressing consumer preferences.

'Convenience Meal Solutions' continued to be impacted by reduced promotional activity, but was offset by a number of new business wins through ethnic ready meals in the period. Frozen ready meals delivered a solid performance across the range. At the end of the period, the Group announced that it will cease operations at its production facility in Burton from the start of September, while we will continue our efforts to find alternative solutions for the site.

'Food to Go' performed well, as strong growth in *Cheestrings* was supported by a number of innovations. *Fridge Raiders* also extended its snacking range with the launch of a number of new products during the period to reach a broader consumer market. The realignment programme is progressing to plan.

Financial Review

Analysis of Results	% Change	H1 2019 €'m	H1 2018 €'m
Revenue	*10.7%*	3,568.9	3,225.3
Trading profit	*12.6%*	382.9	340.0
Trading margin		*10.7%*	*10.5%*
Computer software amortisation		(12.9)	(14.9)
Finance costs (net)		(38.9)	(33.8)
Adjusted earnings before taxation		331.1	291.3
Income taxes (excluding non-trading items)		(41.1)	(36.5)
Adjusted earnings after taxation		290.0	254.8
Brand related intangible asset amortisation		(16.4)	(12.7)
Non-trading items (net of related tax)		(34.2)	(15.4)
Profit after taxation		239.4	226.7
		EPS Cent	EPS Cent
Basic EPS	*5.6%*	135.5	128.3
Brand related intangible asset amortisation		9.3	7.2
Non-trading items (net of related tax)		19.3	8.7
Adjusted* EPS	*13.8%*	164.1	144.2
Impact of retranslating prior period adjusted EPS at current period average exchange rates		-	7.2
Constant Currency Adjusted* EPS	*8.4%*	164.1	151.4

** 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 **10.7%** to **€3.6 billion** (H1 2018: €3.2 billion), including volume growth of **3.3%**, neutral pricing, a positive translation currency impact of **2.7%** and contribution from business acquisitions of **4.7%**.

H1 2018: Group reported revenue +1.4%, volume +3.6%, pricing +0.6%, transaction currency (0.1%), translation currency (6.6%), acquisitions +3.9%.

In Taste & Nutrition, reported revenue increased by **13.0%** to **€2.9 billion** (H1 2018: €2.6 billion), including volume growth of **3.8%**, neutral pricing, a positive translation currency impact of **3.3%** and contribution from business acquisitions of **5.9%**.

H1 2018: Taste & Nutrition reported revenue +1.4%, volume +4.1%, pricing +0.6%, translation currency (7.9%), acquisitions +4.6%.

In Consumer Foods, reported revenue increased by **0.6%** to **€689m** (H1 2018: €685m), including volume growth of **0.6%**, pricing of **(0.3%)** and a positive translation currency impact of **0.3%**.

H1 2018: Consumer Foods reported revenue +1.2%, volume +1.3%, pricing +0.9%, transaction currency (0.4%), translation currency (1.6%), acquisitions +1.0%.

Trading Profit & Margin

Group trading profit increased by **12.6%** to **€382.9m** (H1 2018: €340.0m).

Group trading profit margin increased by **20 basis points** to **10.7%**, reflecting good growth driven by operating leverage, portfolio enhancement, efficiencies, foreign currency translation and acquisitions, partially offset by Brexit risk management costs, investments for growth and increased net investment on the KerryExcel programme.

Trading profit margin in Taste & Nutrition increased by **20 basis points** to **13.3%**, reflecting good growth driven by operating leverage, portfolio enhancement, efficiencies, and foreign currency translation, partially offset by acquisitions, Brexit risk management costs and investments for growth. Trading profit margin in Consumer Foods was maintained at **7.0%**, reflecting portfolio enhancement and efficiencies, offset by pricing and Brexit risk management costs.

Finance Costs (net)

Finance costs (net) for the period increased by **€5.1m** to **€38.9m** (H1 2018: €33.8m) primarily due to acquisition activity and the impact of IFRS 16 'Leases', partially offset by cash generation, positive interest rates and a reduction in pension interest.

Impact of IFRS 16 'Leases'

In January 2019 the Group adopted the new accounting standard (IFRS 16 'Leases'), which had the impact of reducing net operating expenses by **€1.4m** on a like-for-like basis, and the effect of increasing finance costs by **€2.3m** on transition.

Taxation

The tax charge for the period, before non-trading items was **€41.1m** (H1 2018: €36.5m) which represents an effective tax rate of **13.0%** which is in line with year-end (H1 2018: 13.1%).

Acquisitions

During the period, the Group completed three acquisitions at a total cost of **€327.2m** including Ariake U.S.A., Inc. and Southeastern Mills' North American coatings and seasonings business (SEM).

Non-Trading Items

The Group recorded **€34.2m** of costs net of tax (H1 2018: €15.4m) including costs associated with the integration of 2018 and 2019 acquisitions and the Consumer Foods Realignment Programme.

Adjusted EPS

Adjusted EPS in constant currency increased by **8.4%** in the period (H1 2018: +9.0%). Adjusted EPS in reporting currency increased by **13.8%** to **164.1 cent** (H1 2018: 144.2 cent).

Basic EPS

Basic EPS increased by **5.6%** to **135.5 cent** in the period (H1 2018: 128.3 cent).

Free Cash Flow

The Group achieved free cash flow of **€194.8m** (H1 2018: €200.6m). This decrease is primarily due to increased investments in working capital and capital expenditure.

Free Cash Flow	H1 2019 €'m	H1 2018 €'m
Trading profit	**382.9**	340.0
Depreciation (net)	**94.0**	66.8
Movement in average working capital	**(77.3)**	(29.6)
Pension contributions paid less pension expense	**(11.2)**	(21.7)
Cash flow from operations	**388.4**	355.5
Finance costs paid (net)	**(30.4)**	(22.8)
Income taxes paid	**(28.7)**	(18.2)
Capital expenditure	**(134.5)**	(113.9)
Free cash flow	**194.8**	200.6

Balance Sheet

A summary balance sheet as at 30 June 2019 is provided below:

	H1 2019 €'m	H1 2018 €'m	FY 2018 €'m
Property, plant & equipment	**1,928.8**	1,607.9	1,767.0
Intangible assets	**4,380.0**	3,728.6	4,095.6
Other non-current assets	**171.1**	198.1	189.7
Current assets	**2,453.5**	2,141.3	2,271.4
Total assets	**8,933.4**	7,675.9	8,323.7
Current liabilities	**2,018.9**	1,696.5	1,650.8
Non-current liabilities	**2,728.0**	2,205.8	2,638.5
Total liabilities	**4,746.9**	3,902.3	4,289.3
Net assets	**4,186.5**	3,773.6	4,034.4
Shareholders' equity	**4,186.5**	3,773.6	4,034.4

Property, Plant & Equipment

Property, plant & equipment increased by **€161.8m** to **€1,928.8m** (Dec 2018: €1,767.0m, H1 2018: €1,607.9m) due to additions made in the period and the impact of the change in the lease accounting policy, offset by the depreciation charge.

Intangible Assets

Intangible assets increased by **€284.4m** to **€4,380.0m** (Dec 2018: €4,095.6m, H1 2018: €3,728.6m) due to acquisitions made in the period offset by the amortisation charge.

Current Assets

Current assets increased by **€182.1m** to **€2,453.5m** (Dec 2018: €2,271.4m, H1 2018: €2,141.3m), mainly due to increases in inventory and trade and other receivables.

Retirement Benefits

At the balance sheet date, the net deficit for all defined benefit schemes (after deferred tax) was **€64.4m** (Dec 2018: €44.0m, H1 2018: €35.4m). The increase in the net deficit from year end was driven primarily by adverse movements in discount rates.

Net Debt

At 30 June 2019, net debt was **€1,918.2m**. This increase of **€294.7m** relative to the December 2018 net debt of €1,623.5m reflects cash flow generated offset by investment in acquisitions and the dividends paid in the period.

In June 2019, the Group agreed a new five year €1.1bn revolving credit facility which extends the maturity profile of the Group's available credit facilities.

Return on Average Capital Employed (ROACE)

The Group achieved ROACE of **11.9%** (H1 2018: 12.4%) reflective of acquisitions and investments.

Key Financial Covenants

A portion of Group financing facilities are subject to financial covenants as set out in their facility agreements. The Group's balance sheet is in a healthy position. With a net debt to EBITDA* ratio of 1.9 times, the organisation has sufficient headroom to support future growth plans. Group Treasury monitors compliance with all financial covenants and at 30 June the key covenants were as follows:

	Covenant	**H1 2019 Times**	H1 2018 Times	FY 2018 Times
Net debt: EBITDA*	Maximum 3.5	**1.9**	1.5	1.7
EBITDA: Net interest*	Minimum 4.0 (30 June 2018: 4.75)	**14.4**	14.8	14.7

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

Related Party Transactions

There were no changes in related party transactions from the 2018 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 average rates below are the principal rates used for the translation of results. The closing rates below are used to translate assets and liabilities at period end.

	Average Rates		**Closing Rates**	
	H1 2019	H1 2018	**H1 2019**	H1 2018
Australian Dollar	1.60	1.57	1.63	1.58
Brazilian Real	4.38	4.12	4.37	4.39
British Pound Sterling	0.87	0.88	0.89	0.89
Mexican Peso	21.68	23.05	21.76	23.13
Malaysian Ringgit	4.65	4.78	4.72	4.69
Russian Ruble	73.73	71.22	71.38	73.41
South African Rand	16.16	14.73	16.09	15.90
US Dollar	1.13	1.21	1.14	1.17

Principal Risks & Uncertainties

Details of the principal risks and uncertainties facing the Group can be found in the 2018 Annual Report on pages 76 to 85. These risks include but are not limited to; portfolio management, Brexit, geopolitical risks, business acquisition and divestiture, quality, food safety & regulatory, talent management, information security and cybercrime, margin management, Kerryconnect, intellectual property management, taxation and treasury. In the second half of the year we will continue to closely monitor the potential implications of the UK's anticipated exit from the EU on 31 October 2019. The Group actively manages all 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 **23.5 cent** per share (an increase of **11.9%** on the 2018 interim dividend of 21.0 cent) payable on 15 November 2019 to shareholders registered on the record date 18 October 2019.

Future Prospects

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

Taste & Nutrition has a strong innovation pipeline with good growth prospects, particularly in developing markets where business footprint expansion and roll out of our consumer led in-country approach continues. Consumer Foods continues to realign the core and invest in adjacencies, whilst navigating the current UK uncertain environment.

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

In 2019 the Group expects to deliver adjusted earnings per share growth of 7% to 9% on a constant currency basis.

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 2019 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 2019, 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	Marguerite Larkin
Chief Executive Officer	**Chief Financial Officer**

7 August 2019

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 2019

	Notes	**Before Non-Trading Items 30 June 2019 Unaudited €'m**	**Non-Trading Items 30 June 2019 Unaudited €'m**	**Half year ended 30 June 2019 Unaudited €'m**	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Continuing operations						
Revenue	2	**3,568.9**	**-**	**3,568.9**	3,225.3	6,607.6
Trading profit	2	**382.9**	**-**	**382.9**	340.0	805.6
Intangible asset amortisation		**(29.3)**	**-**	**(29.3)**	(27.6)	(53.8)
Non-trading items	3	**-**	**(42.3)**	**(42.3)**	(19.9)	(66.9)
Operating profit		**353.6**	**(42.3)**	**311.3**	292.5	684.9
Finance income	4	**0.2**	**-**	**0.2**	0.2	0.5
Finance costs	4	**(39.1)**	**-**	**(39.1)**	(34.0)	(67.5)
Profit before taxation		**314.7**	**(42.3)**	**272.4**	258.7	617.9
Income taxes		**(41.1)**	**8.1**	**(33.0)**	(32.0)	(77.4)
Profit after taxation attributable to owners of the parent		**273.6**	**(34.2)**	**239.4**	226.7	540.5
Earnings per A ordinary share				**Cent**	Cent	Cent
- basic	5			**135.5**	128.3	305.9
- diluted	5			**135.4**	128.2	305.7

Condensed Consolidated Statement of Comprehensive Income
for the half year ended 30 June 2019

	Half year ended 30 June 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Profit after taxation attributable to owners of the parent	**239.4**	226.7	540.5
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges	**7.6**	(3.6)	2.2
Cash flow hedges - reclassified to profit or loss from equity	**0.1**	(1.4)	(2.5)
Net change in cost of hedging	**1.5**	-	(2.0)
Deferred tax effect of fair value movements on cash flow hedges	**(1.2)**	0.5	(0.2)
Exchange difference on translation of foreign operations	**23.6**	(2.6)	(0.9)
Fair value movement on revaluation of financial assets held at fair value through other comprehensive income	**-**	-	(1.9)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement on retirement benefits obligation	**(34.7)**	60.6	34.5
Deferred tax effect of re-measurement on retirement benefits obligation	**5.1**	(9.8)	(6.3)
Net income recognised directly in other comprehensive income	**2.0**	43.7	22.9
Total comprehensive income	**241.4**	270.4	563.4

Condensed Consolidated Balance Sheet
as at 30 June 2019

	Notes	30 June 2019 Unaudited €'m	30 June 2018 Unaudited €'m	31 Dec. 2018 Audited €'m
Non-current assets				
Property, plant and equipment		**1,928.8**	1,607.9	1,767.0
Intangible assets		**4,380.0**	3,728.6	4,095.6
Financial asset investments		**39.5**	40.3	35.3
Investment in associates and joint ventures		**15.9**	19.6	15.6
Other non-current financial instruments		**79.3**	92.5	101.7
Deferred tax assets		**36.4**	45.7	37.1
		6,479.9	5,534.6	6,052.3
Current assets				
Inventories		**1,029.8**	848.4	877.8
Trade and other receivables		**1,093.2**	989.8	967.8
Cash at bank and in hand	11	**267.4**	290.3	413.8
Other current financial instruments		**61.1**	10.3	10.0
Assets classified as held for sale		**2.0**	2.5	2.0
		2,453.5	2,141.3	2,271.4
Total assets		**8,933.4**	7,675.9	8,323.7
Current liabilities				
Trade and other payables	9	**1,663.4**	1,497.7	1,482.1
Borrowings and overdrafts	11	**201.1**	30.7	13.8
Other current financial instruments		**5.2**	8.1	11.0
Tax liabilities		**123.9**	122.4	122.4
Provisions		**24.9**	35.7	20.3
Deferred income		**0.4**	1.9	1.2
		2,018.9	1,696.5	1,650.8
Non-current liabilities				
Borrowings	11	**2,107.9**	1,743.7	2,119.7
Other non-current financial instruments		**0.2**	11.4	5.6
Retirement benefits obligation	7	**77.0**	44.6	53.2
Other non-current liabilities	10	**167.3**	96.2	82.6
Deferred tax liabilities		**324.8**	250.8	324.1
Provisions		**29.8**	37.7	32.1
Deferred income		**21.0**	21.4	21.2
		2,728.0	2,205.8	2,638.5
Total liabilities		**4,746.9**	3,902.3	4,289.3
Net assets		**4,186.5**	3,773.6	4,034.4
Issued capital and reserves attributable to owners of the parent				
Share capital	12	**22.0**	22.0	22.0
Share premium		**398.7**	398.7	398.7
Other reserves		**(167.7)**	(214.6)	(207.3)
Retained earnings		**3,933.5**	3,567.5	3,821.0
Shareholders' equity		**4,186.5**	3,773.6	4,034.4

Condensed Consolidated Statement of Changes in Equity
for the half year ended 30 June 2019

	Note	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
At 1 January 2018		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
Profit after tax attributable to owners of the parent		-	-	-	313.8	313.8
Other comprehensive income/(expense)		-	-	2.5	(23.3)	(20.8)
Total comprehensive income		-	-	2.5	290.5	293.0
Dividends paid	6	-	-	-	(37.0)	(37.0)
Share-based payment expense		-	-	4.8	-	4.8
At 31 December 2018 - audited		22.0	398.7	(207.3)	3,821.0	4,034.4
Adjustment on initial application of IFRS 16 'Leases'		-	-	-	(9.4)	(9.4)
Adjusted balances at 1 January 2019		22.0	398.7	(207.3)	3,811.6	4,025.0
Profit after tax attributable to owners of the parent		**-**	**-**	**-**	**239.4**	**239.4**
Other comprehensive income/(expense)		**-**	**-**	**32.8**	**(30.8)**	**2.0**
Total comprehensive income		**-**	**-**	**32.8**	**208.6**	**241.4**
Dividends paid	6	**-**	**-**	**-**	**(86.7)**	**(86.7)**
Share-based payment expense		**-**	**-**	**6.8**	**-**	**6.8**
At 30 June 2019 - unaudited		**22.0**	**398.7**	**(167.7)**	**3,933.5**	**4,186.5**

Other Reserves comprise the following:

	FVOCI €'m	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Cost of Hedging Reserve €'m	Total €'m
At 1 January 2018	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)
Total comprehensive (expense)/income	(1.9)	-	-	-	1.7	4.7	(2.0)	2.5
Share-based payment expense	-	-	-	4.8	-	-	-	4.8
At 31 December 2018 - audited	1.6	1.7	0.3	63.3	(256.7)	(15.5)	(2.0)	(207.3)
Total comprehensive income	**-**	**-**	**-**	**-**	**23.6**	**7.7**	**1.5**	**32.8**
Share-based payment expense	**-**	**-**	**-**	**6.8**	**-**	**-**	**-**	**6.8**
At 30 June 2019 - unaudited	**1.6**	**1.7**	**0.3**	**70.1**	**(233.1)**	**(7.8)**	**(0.5)**	**(167.7)**

Condensed Consolidated Statement of Cash Flows
for the half year ended 30 June 2019

	Notes	**Half year ended 30 June 2019 Unaudited €'m**	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Operating activities				
Trading profit		**382.9**	340.0	805.6
Adjustments for:				
Depreciation (net)		**94.0**	66.8	134.1
Change in working capital		**(133.5)**	(66.9)	(78.8)
Pension contributions paid less pension expense		**(11.2)**	(21.7)	(40.0)
Payments on non-trading items		**(29.3)**	(17.3)	(59.8)
Exchange translation adjustment		**(0.5)**	(0.1)	0.5
Cash generated from operations		**302.4**	300.8	761.6
Income taxes paid		**(28.7)**	(18.2)	(46.1)
Finance income received		**0.2**	0.1	0.5
Finance costs paid		**(30.6)**	(22.9)	(65.0)
Net cash from operating activities		**243.3**	259.8	651.0
Investing activities				
Purchase of assets (net)		**(123.8)**	(122.4)	(296.1)
Proceeds from the sale of assets		**6.4**	8.3	10.6
Capital grants received		**-**	0.2	-
Purchase of businesses (net of cash acquired)	13	**(324.0)**	(86.0)	(476.8)
Payments relating to previous acquisitions		**(5.3)**	(8.7)	(11.9)
Purchase of share in associates and joint ventures		**-**	(15.6)	(14.5)
Income received from joint ventures		**0.2**	-	-
Disposal of businesses		**-**	-	-
Net cash used in investing activities		**(446.5)**	(224.2)	(788.7)
Financing activities				
Payment of lease liabilities		**(17.1)**	-	-
Dividends paid	6	**(86.7)**	(77.4)	(114.4)
Issue of share capital	12	**-**	-	-
Net movement on borrowings (net of swaps)		**151.6**	(5.9)	350.2
Net cash movement due to financing activities		**47.8**	(83.3)	235.8
Net (decrease)/increase in cash and cash equivalents		**(155.4)**	(47.7)	98.1
Cash and cash equivalents at beginning of period		403.9	305.6	305.6
Exchange translation adjustment on cash and cash equivalents		**2.3**	1.7	0.2
Cash and cash equivalents at end of period	11	**250.8**	259.6	403.9

Reconciliation of Net Cash Flow to Movement in Net Debt				
Net (decrease)/increase in cash and cash equivalents		**(155.4)**	(47.7)	98.1
Cash flow from debt financing		**(145.0)**	5.9	(350.2)
Changes in net debt resulting from cash flows		**(300.4)**	(41.8)	(252.1)
Fair value movement on interest rate swaps (net of adjustment to borrowings)		**7.9**	(4.0)	(2.6)
Exchange translation adjustment on net debt		**(2.2)**	(15.8)	(27.1)
Movement in net debt in the period		**(294.7)**	(61.6)	(281.8)
Net debt at beginning of period		(1,623.5)	(1,341.7)	(1,341.7)
Net debt at end of period	11	**(1,918.2)**	(1,403.3)	(1,623.5)

1. Accounting policies

These Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2019 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 2018 Annual Report except for changes in accounting policies in respect of IFRS 16 'Leases' for H1 2019 outlined below:

Leasing
At the commencement date of the lease, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs incurred by the Group in setting up/entering into the lease, an estimate of any costs to dismantle and remove the asset at the end of the lease and any payments made in advance of the lease commencement date (net of any incentive received).

The Group depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term. The carrying amounts of right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the applicable incremental borrowing rate. Lease payments included in the measurement of the lease liability comprises of fixed or variable payments (based on an index or rate), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to the initial measurement, the liability will be reduced for payments made and increased for the interest applied and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or in the Consolidated Income Statement if the right-of-use asset is already reduced to zero.

The Group has elected to record short-term leases of less than 12 months and leases of low-value assets as defined in IFRS 16 as an operating expense in the Consolidated Income Statement on a straight-line basis over the lease term.

Critical accounting estimates and judgements - Leasing
The significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those described in the 2018 Annual Report, except for the new judgements and estimation uncertainty related to lessee accounting under IFRS 16, which are described below.

In determining the incremental borrowing rate for lease contracts/liabilities the Group, where possible, has utilised external benchmarked information and takes into consideration credit rating, applicable margin for lease by currency, interest rate for the lease term and applies a currency premium where applicable.

The Group has applied judgement to determine the lease term of contracts that include renewal options. If the Group is reasonably certain to exercise such options this impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Group reassesses these estimates and judgements if a significant event or a significant change in circumstances occurs.

Leases policy applicable before 1 January 2019
Annual rentals payable under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

The following Standards and Interpretations are effective for the Group from 1 January 2019 but do not have a material effect on the results or financial position of the Group:		***Effective Date***
- IFRS 16	Leases IFRS 16, published in January 2016, replaces the existing standard IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for lessees. 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 with certain exceptions and to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application of €12.1m and a deferred tax asset of €2.7m was recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Right-of-use assets for property leases were measured on transition as if the new rules had always been applied. All other right-of-use assets were measured at the amount of the lease liability on adoption. As at 31 December 2018, the Group had non-cancellable operating lease commitments of €83.1m and finance lease commitments of €nil. Of these commitments, approximately €1.0m relate to short-term leases and €0.1m are low-value leases which will be recognised on a straight-line basis as an expense in the Condensed Consolidated Income Statement. The Group has recognised right-of-use assets of €95.2m and lease liabilities of €107.3m on 1 January 2019, the transition date. A reconciliation explaining the difference between the IAS 17 operating lease commitments at year end and the lease liability at the date of transition to IFRS 16 'Leases' has been included in note 8. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application was 6.7%. The Group has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability at 1 January 2019.	1 January 2019
- IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

The following Standard is not yet effective for the Group and is not expected to have a material effect on the results or financial position of the Group:		***Effective Date***
- IFRS 17	Insurance Contracts	1 January 2021

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 and 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.

	Half year ended 30 June 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
External revenue			
- Taste & Nutrition	**2,882.2**	2,543.6	5,272.4
- Consumer Foods	**686.7**	681.7	1,335.2
	3,568.9	3,225.3	6,607.6
Inter-segment revenue			
- Taste & Nutrition	**32.6**	35.4	78.2
- Consumer Foods	**2.7**	3.7	3.8
- Group Eliminations and Unallocated	**(35.3)**	(39.1)	(82.0)
	-	-	-
Total revenue			
- Taste & Nutrition	**2,914.8**	2,579.0	5,350.6
- Consumer Foods	**689.4**	685.4	1,339.0
- Group Eliminations and Unallocated	**(35.3)**	(39.1)	(82.0)
	3,568.9	3,225.3	6,607.6
Trading profit			
- Taste & Nutrition	**388.1**	338.9	805.3
- Consumer Foods	**48.0**	47.8	100.1
- Group Eliminations and Unallocated	**(53.2)**	(46.7)	(99.8)
	382.9	340.0	805.6
Intangible asset amortisation	**(29.3)**	(27.6)	(53.8)
Non-trading items	**(42.3)**	(19.9)	(66.9)
Operating profit	**311.3**	292.5	684.9
Finance income	**0.2**	0.2	0.5
Finance costs	**(39.1)**	(34.0)	(67.5)
Profit before taxation	**272.4**	258.7	617.9
Income taxes	**(33.0)**	(32.0)	(77.4)
Profit after taxation attributable to owners of the parent	**239.4**	226.7	540.5

Information about geographical areas

	Half year ended 30 June 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Revenue by location of external customers			
Europe	**1,404.4**	1,381.6	2,757.0
Americas	**1,556.3**	1,306.9	2,745.3
APMEA*	**608.2**	536.8	1,105.3
	3,568.9	3,225.3	6,607.6

*Asia Pacific, Middle East and Africa

The accounting policies of the reportable segments are the same as those detailed in the Statement of accounting policies in the 2018 Annual Report. Under IFRS 15 'Revenue from Contracts with Customers' revenue is primarily recognised at a point in time. Revenue recorded over time during the period was not material to the Group.

3. Non-trading items

	Notes	**Half year ended 30 June 2019 Unaudited €'m**	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Acquisition integration and restructuring costs	(i)	**(18.5)**	(13.7)	(44.2)
Consumer Foods Realignment Programme	(ii)	**(25.1)**	-	-
Consumer Foods Brexit Currency Mitigation Programme	(iii)	**-**	(5.1)	(17.3)
Profit/(loss) on disposal of businesses and assets	(iv)	**1.3**	(1.1)	(5.4)
		(42.3)	(19.9)	(66.9)
Tax on above	(i)-(iv)	**8.1**	4.5	11.8
		(34.2)	(15.4)	(55.1)

(i) Acquisition integration and restructuring costs
During the period, acquisition integration and restructuring costs of **€18.5m** (30 June 2018: €13.7m; 31 December 2018: €44.2m) primarily related to costs of integrating acquisitions into the Group's operations and transaction expenses incurred in completing recent 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 2019, a tax credit of **€4.2m** (30 June 2018: a tax credit of €3.4m; 31 December 2018: a tax credit of €10.1m) arose due to tax deductions available on acquisition integration and restructuring costs.

(ii) Consumer Foods Realignment Programme
The Consumer Foods business commenced a programme in 2019 to simplify its structure and streamline its footprint to grow and outperform in our core markets and invest and expand into adjacencies. The charge relating to this in 2019 is **€25.1m**, which reflects redundancies, relocation of resources and the streamlining of operations. The associated tax credit is **€3.6m** (30 June 2018: a tax credit of €nil; 31 December 2018: a tax credit of €nil).

(iii) Consumer Foods Brexit Currency Mitigation Programme
In 2018, certain sourcing and production activities were relocated and other activities restructured as a consequence of Brexit in order to reduce the Group's sterling transaction exposure. The charge relating to this in 2019 is **€nil** (30 June 2018: a charge of €5.1m; 31 December 2018: a charge of €17.3m) and the associated tax credit is **€nil** (30 June 2018: a tax credit of €0.9m; 31 December 2018: a tax credit of €2.2m).

(iv) Profit/(loss) on disposal of businesses and assets
The Group disposed of property, plant and equipment primarily in the UK, USA and India for a consideration of **€6.4m** resulting in a profit of **€1.3m** during the period. During 2018, the Group disposed of property, plant and equipment primarily in Italy, Malaysia and the USA for a consideration of €10.6m resulting in a loss of €1.0m. In 2018, the Group disposed of investments in associates for a combined consideration of €1.1m resulting in a loss of €4.4m.

A net tax credit of **€0.3m** (30 June 2018: a net tax credit of €0.2m; 31 December 2018: a net tax charge of €0.5m) arose on the disposal of businesses and assets.

There were no impairments of assets held for sale recorded in the period.

4. Finance income and costs

	Half year ended 30 June 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Finance income:			
Interest income on deposits	**0.2**	0.2	0.5
Finance costs:			
Interest payable	**(39.7)**	(32.8)	(66.3)
Interest rate derivative	**1.0**	-	0.2
	(38.7)	(32.8)	(66.1)
Net interest cost on retirement benefits obligation	**(0.4)**	(1.2)	(1.4)
Finance costs	**(39.1)**	(34.0)	(67.5)

5. Earnings per A ordinary share

	EPS cent	**Half year ended 30 June 2019 Unaudited €'m**	EPS cent	Half year ended 30 June 2018 Unaudited €'m	EPS cent	Year ended 31 Dec. 2018 Audited €'m
Basic earnings per share						
Profit after taxation attributable to owners of the parent	**135.5**	**239.4**	128.3	226.7	305.9	540.5
Diluted earnings per share						
Profit after taxation attributable to owners of the parent	**135.4**	**239.4**	128.2	226.7	305.7	540.5

Number of Shares	**30 June 2019 Unaudited m's**	30 June 2018 Unaudited m's	31 Dec. 2018 Audited m's
Basic weighted average number of shares	**176.7**	176.7	176.7
Impact of share options outstanding	**0.1**	0.1	0.1
Diluted weighted average number of shares	**176.8**	176.8	176.8

6. Dividends

	Half year ended 30 June 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Amounts recognised as distributions to equity shareholders in the period			
Final 2018 dividend of 49.20 cent per A ordinary share paid 10 May 2019 (Final 2017 dividend of 43.90 cent per A ordinary share paid 18 May 2018)	**86.7**	77.4	77.4
Interim 2018 dividend of 21.00 cent per A ordinary share paid 16 November 2018	**-**	-	37.0
	86.7	77.4	114.4

Since the end of the period, the Board has proposed an interim dividend of **23.50 cent** per A ordinary share which amounts to €41.5m. The payment date for the interim dividend will be 15 November 2019 to shareholders registered on the record date as at 18 October 2019. 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 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Net recognised deficit in plans before deferred tax	**(77.0)**	(44.6)	(53.2)
Net related deferred tax asset	**12.6**	9.2	9.2
Net recognised deficit in plans after deferred tax	**(64.4)**	(35.4)	(44.0)

At 30 June 2019, the net deficit before deferred tax for defined benefit post-retirement schemes was **€77.0m** (30 June 2018: €44.6m; 31 December 2018: €53.2m). This was calculated by rolling forward the defined benefit post-retirement schemes' liabilities at 31 December 2018 to reflect material movements in underlying assumptions over the period while the defined benefit post-retirement schemes' assets at 30 June 2019 are measured at market value. The increase in the net deficit before deferred tax of €23.8m was driven primarily by adverse movements in discount rates.

8. Leasing

i) Right-of-use assets

i.i) Property, plant and equipment analysis	**Half year ended 30 June 2019 Unaudited €'m**
Property, plant and equipment	**1,829.9**
Right-of-use assets*	**98.9**
	1,928.8

*The Group have applied the modified retrospective transition approach and have not restated comparative amounts for the periods prior to first adoption.

i.ii) Right-of-use assets analysis	**Land and Buildings €'m**	**Plant, Machinery and Equipment €'m**	**Motor Vehicles €'m**	**Total €'m**
Cost				
At 31 December 2018	-	-	-	-
Adjustment on initial application of IFRS 16 'Leases' at 1 January 2019	71.3	11.8	12.1	95.2
Businesses acquired	**0.3**	**-**	**-**	**0.3**
Additions	**16.5**	**1.6**	**1.7**	**19.8**
At 30 June 2019 - unaudited	**88.1**	**13.4**	**13.8**	**115.3**
Accumulated depreciation				
At 31 December 2018	-	-	-	-
Charge during the financial period	**10.5**	**2.7**	**3.2**	**16.4**
At 30 June 2019 - unaudited	**10.5**	**2.7**	**3.2**	**16.4**
Carrying value				
At 1 January 2019 - unaudited	71.3	11.8	12.1	95.2
At 30 June 2019 - unaudited	**77.6**	**10.7**	**10.6**	**98.9**

The right-of-use assets above consist of:
- land and buildings for warehouse space, offices and manufacturing locations. The lease terms vary and range from 1 to 94 years with an average of 8 years for buildings and an average of 55 years for land;
- machinery, equipment, tools, furniture and other equipment when combined are insignificant to the total leased assets portfolio and have an average lease term of 4 to 5 years; and
- motor vehicles for management and sales functions and trucks for distribution in specific businesses. The lease terms for motor vehicles range from 1 to 8 years with an average of 4 years.

At 1 January 2019, on transition to IFRS 16, the Group recognised right-of-use assets of €95.2m and lease liabilities of €107.3m. The Group recorded the difference of €12.1m and the related deferred tax asset of €2.7m in retained earnings.

ii) Lease disclosures

ii.i) Amounts recognised in the Condensed Consolidated Income Statement:	**Half year ended 30 June 2019 Unaudited €'m**
Depreciation charged during the financial period	**16.4**
Expenses relating to short-term leases	**1.2**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**0.1**
Interest on lease liabilities*:	
- on transition to IFRS 16	**2.3**
- 2019 additions	**0.7**

*included in interest payable

8. Leasing (continued)

ii) Lease disclosures (continued)

ii.ii) Amounts recognised in the Condensed Consolidated Statement of Cash Flows:	**Half year ended 30 June 2019 Unaudited €'m**
Total cash outflow for leases during the period*	**21.4**

*includes interest expense, principle repayments of lease liabilities and short-term and low-value lease expenses

ii.iii) At the balance sheet date the Group had commitments under non-cancellable leases which fall due as follows:	**Half year ended 30 June 2019 Unaudited €'m**
Within 1 year	**30.4**
Within 2 to 5 years	**56.3**
After 5 years	**23.5**
	110.2

iii) Reconciliation of IAS 17 lease commitments and IFRS 16 lease liability

	€'m
Future minimum lease payments under non-cancellable operating leases as at 31 December 2018	83.1
- additional leases identified for acquisitions as part of the measurement period	6.2
- future lease payments on renewal options that are reasonably certain	26.7
- non-lease components	14.3
- future lease payments on short-term leases	(1.0)
- future lease payments on low-value leases	(0.1)
Total future lease payments	129.2
Effect of discounting	(21.9)
Lease liability at 1 January 2019 - unaudited	**107.3**

9. Trade and other payables

	Half year ended 30 June 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Trade payables	**1,255.2**	1,030.2	1,285.9
Other payables and accruals	**370.8**	456.8	186.1
Lease liabilities	**30.4**	-	-
Deferred payments on acquisition of businesses	**7.0**	10.7	10.1
	1,663.4	1,497.7	1,482.1

10. Other non-current liabilities

	Half year ended 30 June 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Other payables and accruals	**87.5**	96.2	82.6
Lease liabilities	**79.8**	-	-
	167.3	96.2	82.6

All of the above balances are due within 2 to 5 years except for lease liabilities; analysis of lease liabilities is included in note 8.

11. Financial instruments

i) The following table outlines the financial assets and liabilities in relation to net debt held by the Group at the balance sheet date:

	Financial Assets/ (Liabilities) at Amortised Cost €'m	Liabilities at Fair Value through Profit or Loss €'m	Derivatives Designated as Hedging Instruments €'m	Assets/ (Liabilities) at FVOCI €'m	Total €'m
Assets:					
Interest rate swaps	**-**	**-**	**123.4**	**-**	**123.4**
Cash at bank and in hand	**267.4**	**-**	**-**	**-**	**267.4**
	267.4	**-**	**123.4**	**-**	**390.8**
Liabilities:					
Interest rate swaps	**-**	**-**	**-**	**-**	**-**
Bank overdrafts	**(16.6)**	**-**	**-**	**-**	**(16.6)**
Bank loans	**(499.9)**	**-**	**-**	**-**	**(499.9)**
Senior notes	**(1,763.0)**	**(29.5)**	**-**	**-**	**(1,792.5)**
Borrowings and overdrafts	**(2,279.5)**	**(29.5)**	**-**	**-**	**(2,309.0)**
	(2,279.5)	**(29.5)**	**-**	**-**	**(2,309.0)**
At 30 June 2019 - unaudited	**(2,012.1)**	**(29.5)**	**123.4**	**-**	**(1,918.2)**
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	-	-	101.7	-	101.7
Cash at bank and in hand	413.8	-	-	-	413.8
	413.8	-	101.7	-	515.5
Liabilities:					
Interest rate swaps	-	-	(5.5)	-	(5.5)
Bank overdrafts	(9.9)	-	-	-	(9.9)
Bank loans	(355.4)	-	-	-	(355.4)
Senior notes	(1,755.0)	(13.2)	-	-	(1,768.2)
Borrowings and overdrafts	(2,120.3)	(13.2)	-	-	(2,133.5)
	(2,120.3)	(13.2)	(5.5)	-	(2,139.0)
At 31 December 2018 - audited	(1,706.5)	(13.2)	96.2	-	(1,623.5)

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 US$250m of the 2013 senior notes and US$500m of the 2010 US$600m senior notes were swapped, using cross currency swaps, to euro. US$192m of the 2010 senior notes were repaid in January 2017 and the related swaps matured at that date. In addition, the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, to US dollar.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of **€29.5m** (30 June 2018: €5.8m; 31 December 2018: €13.2m) 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.

11. Financial instruments (continued)

ii) The Group's exposure to interest rates on financial assets and liabilities are detailed in the table below including the impact of cross currency swaps (CCS) on the currency profile of net debt:

	Total Pre CCS Half year ended 30 June 2019 Unaudited €'m	**Impact of CCS Half year ended 30 June 2019 Unaudited €'m**	**Total after CCS Half year ended 30 June 2019 Unaudited €'m**	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 Audited €'m
Euro	**(1,105.0)**	**(404.0)**	**(1,509.0)**	(1,018.3)	(1,336.3)
Sterling	**47.0**	**-**	**47.0**	86.0	50.9
US Dollar	**(902.3)**	**404.0**	**(498.3)**	(524.3)	(402.4)
Other	**42.1**	**-**	**42.1**	53.3	64.3
	(1,918.2)	**-**	**(1,918.2)**	(1,403.3)	(1,623.5)

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	**267.4**	**-**	**-**	**-**	**267.4**
Interest rate swaps	**44.2**	**-**	**44.9**	**34.3**	**123.4**
Bank overdrafts	**(16.6)**	**-**	**-**	**-**	**(16.6)**
Bank loans	**-**	**(1.4)**	**(498.5)**	**-**	**(499.9)**
Senior notes	**(184.5)**	**-**	**(775.1)**	**(832.9)**	**(1,792.5)**
At 30 June 2019 - unaudited	**110.5**	**(1.4)**	**(1,228.7)**	**(798.6)**	**(1,918.2)**
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	413.8	-	-	-	413.8
Interest rate swaps	-	42.8	28.0	25.4	96.2
Bank overdrafts	(9.9)	-	-	-	(9.9)
Bank loans	(3.9)	(1.5)	(350.0)	-	(355.4)
Senior notes	-	(183.5)	(760.8)	(823.9)	(1,768.2)
At 31 December 2018 - audited	400.0	(142.2)	(1,082.8)	(798.5)	(1,623.5)

During the period, the Group agreed a new 5 year €1.1bn revolving credit facility maturing in June 2024 replacing the existing facility which was due to mature in April 2022. The facility includes two 1-year extension options which may only be exercised on the 1st and 2nd anniversary. If both were exercised this would extend maturity to June 2026. The new facility incorporates a margin adjustment linked to achievement of certain sustainability metrics.

At 30 June 2019, the Group had undrawn committed bank facilities of €600m, comprising primarily of a revolving credit facility maturing in 2024.

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 2019 Unaudited €'m**	30 June 2018 Unaudited €'m	31 Dec. 2018 Audited €'m
Financial assets					
Interest rate swaps:	Non-current	Level 2	**79.2**	92.2	101.7
	Current	Level 2	**44.2**	-	-
Forward foreign exchange contracts:	Non-current	Level 2	**0.1**	0.3	-
	Current	Level 2	**16.9**	10.3	10.0
Financial asset investments:	Fair value through profit or loss	Level 1	**34.2**	33.1	30.0
	Fair value through other comprehensive income	Level 3	**5.3**	7.2	5.3
Financial liabilities					
Interest rate swaps:	Non-current	Level 2	**-**	(11.4)	(5.5)
Forward foreign exchange contracts:	Non-current	Level 2	**(0.2)**	-	(0.1)
	Current	Level 2	**(5.2)**	(8.1)	(11.0)

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

11. 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 2019 Unaudited €'m	Fair Value 30 June 2019 Unaudited €'m	Carrying Amount 30 June 2018 Unaudited €'m	Fair Value 30 June 2018 Unaudited €'m	Carrying Amount 31 Dec. 2018 Audited €'m	Fair Value 31 Dec. 2018 Audited €'m
Financial liabilities							
Senior notes - Public	Level 2	**(1,404.0)**	**(1,465.6)**	(1,387.3)	(1,382.9)	(1,398.6)	(1,377.0)
Senior notes - Private	Level 2	**(359.0)**	**(376.9)**	(350.6)	(355.3)	(356.4)	(358.8)
		(1,763.0)	**(1,842.5)**	(1,737.9)	(1,738.2)	(1,755.0)	(1,735.8)

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. This includes equity investments;
- other financial assets and liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. This includes interest rate swaps and forward foreign exchange contracts which are determined by discounting the estimated future cash flows;
- the fair values of financial instruments that are not based on observable market data (unobservable inputs) requires entity specific valuation techniques; 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

	Cash at bank and in hand €'m	Interest Rate Swaps €'m	Overdrafts due within 1 year €'m	Borrowings due within 1 year €'m	Borrowings due after 1 year €'m	Net debt €'m
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)
At 30 June 2018 - unaudited	290.3	80.8	(30.7)	-	(1,743.7)	(1,403.3)
Cash flows	125.0	-	20.8	(4.0)	(352.1)	(210.3)
Foreign exchange adjustments	(1.5)	0.2	-	0.1	(10.1)	(11.3)
Other non-cash movements	-	15.2	-	-	(13.8)	1.4
At 31 December 2018 - audited	413.8	96.2	(9.9)	(3.9)	(2,119.7)	(1,623.5)
Cash flows	**(148.8)**	**-**	**(6.6)**	**3.9**	**(148.9)**	**(300.4)**
Foreign exchange adjustments	**2.4**	**-**	**(0.1)**	**-**	**(4.5)**	**(2.2)**
Other non-cash movements	**-**	**27.2**	**-**	**(184.5)**	**165.2**	**7.9**
At 30 June 2019 - unaudited	**267.4**	**123.4**	**(16.6)**	**(184.5)**	**(2,107.9)**	**(1,918.2)**

Net debt is a non-IFRS financial measure however it is included as management determined it is a useful indicator of the Group's ability to meet financial commitments and invest in new strategic opportunities.

12. Share capital

	Half year ended 30 June 2019 Unaudited €'m	Half year ended 30 June 2018 Unaudited €'m	Year ended 31 Dec. 2018 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 **178,730** A ordinary shares each with a nominal value of 12.50 cent, were issued at nominal value per share under the Long Term Incentive Plan and Short Term Incentive Plans.

The total number of shares in issue at 30 June 2019 was **176,477,146** (30 June 2018: 176,287,141; 31 December 2018: 176,298,416).

13. Business combinations

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

Acquisition	**Acquired**	**Principal activity**
Southeastern Mills	January	Southeastern Mills, located in the USA, is a leading food manufacturer specialising in coating and seasoning systems.
Ariake U.S.A., Inc.	March	Ariake is an integrated natural seasonings manufacturer, based in the USA.
Muskvale Flavours & Fragrances	March	Muskvale Flavours & Fragrances, based in Australia, creates and sells flavours and fragrances.

The total consideration for these acquisitions was **€327.2m,** net of cash acquired of €3.2m resulting in a cash outflow of **€324.0m**. There was no deferred element recognised. 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 **€229.6m** and the Group recognised goodwill on these acquisitions of **€97.6m**. 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. **€97.6m** 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 Condensed Consolidated Interim 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 2018, to date, there have been no material revisions of the provisional fair value adjustments since the initial values were established.

The Group performs quantitative and qualitative assessments of each acquisition in order to determine whether it is material for the purposes of separate disclosure under IFRS 3 'Business Combinations'. None of the acquisitions completed during the period were considered sufficiently material to warrant separate disclosure.

14. Events after the Balance Sheet date

Since the period end, the Group has proposed an interim dividend of **23.50 cent** per A ordinary share (see note 6).

There have been no other significant events, outside of the ordinary course of business, affecting the Group since 30 June 2019.

15. General information

These unaudited Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2019 are not full financial statements and were not reviewed by the auditors. The Board of Directors approved these Condensed Consolidated Interim Financial Statements on 7 August 2019. The figures disclosed relating to 31 December 2018 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. This report should be read in conjunction with the 2018 Annual Report which was prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. The Group financial statements have also been prepared in accordance with IFRS adopted by the European Union ('EU') which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'). The Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS refer to IFRS adopted by the EU.

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 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

H1 2019	**Volume growth**	**Price**	**Transaction currency**	**Acquisitions/ Disposals**	**Translation currency**	**Reported revenue growth**
Taste & Nutrition	3.8%	-	-	5.9%	3.3%	**13.0%**
Consumer Foods	0.6%	(0.3%)	-	-	0.3%	**0.6%**
Group	3.3%	-	-	4.7%	2.7%	**10.7%**
H1 2018						
Taste & Nutrition	4.1%	0.6%	0.0%	4.6%	(7.9%)	1.4%
Consumer Foods	1.3%	0.9%	(0.4%)	1.0%	(1.6%)	1.2%
Group	3.6%	0.6%	(0.1%)	3.9%	(6.6%)	1.4%

2. EBITDA

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

	H1 2019 €'m	H1 2018 €'m
Profit after taxation attributable to owners of the parent	**239.4**	226.7
Finance income	**(0.2)**	(0.2)
Finance costs	**39.1**	34.0
Income taxes	**33.0**	32.0
Non-trading items	**42.3**	19.9
Intangible asset amortisation	**29.3**	27.6
Depreciation (including impairment)	**94.0**	66.8
EBITDA	**476.9**	406.8

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 2019 €'m	H1 2018 €'m
Operating profit	**311.3**	292.5
Intangible asset amortisation	**29.3**	27.6
Non-trading items	**42.3**	19.9
Trading profit	**382.9**	340.0

4. Trading Margin

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

	H1 2019 €'m	H1 2018 €'m
Trading profit	**382.9**	340.0
Revenue	**3,568.9**	3,225.3
Trading margin	**10.7%**	10.5%

5. Operating Profit

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

	H1 2019 €'m	H1 2018 €'m
Profit before tax	**272.4**	258.7
Finance income	**(0.2)**	(0.2)
Finance costs	**39.1**	34.0
Operating profit	**311.3**	292.5

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 per share 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.

	H1 2019 EPS cent	H1 2018 EPS cent
Basic earnings per share	**135.5**	128.3
Brand related intangible asset amortisation	**9.3**	7.2
Non-trading items (net of related tax)	**19.3**	8.7
Adjusted earnings per share	**164.1**	144.2
Impact of retranslating prior period adjusted earnings per share at current period average exchange rates	**-**	7.2
Adjusted earnings per share on a constant currency basis	**164.1**	151.4
Growth in adjusted earnings per share on a constant currency basis	**8.4%**	9.0%

7. Free Cash Flow

Free cash flow is trading profit plus depreciation, movement in average working capital, capital expenditure, payment of lease liabilities, 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 2019 €'m	H1 2018 €'m
Net cash from operating activities	**243.3**	259.8
Difference between movement in monthly average working capital and movement in the period end working capital	**56.2**	37.3
Expenditure on acquisition integration and restructuring costs	**29.3**	17.3
Purchase of assets (net)	**(123.8)**	(122.4)
Payment of lease liabilities	**(17.1)**	-
Proceeds from the sale of property, plant and equipment	**6.4**	8.3
Capital grants received	-	0.2
Exchange translation adjustment	**0.5**	0.1
Free cash flow	**194.8**	200.6

8. Cash Conversion

Cash conversion is defined as free cash flow, expressed as a percentage of adjusted earnings after tax.

	H1 2019 €'m	H1 2018 €'m
Free cash flow	**194.8**	200.6
Profit after taxation attributable to owners of the parent	**239.4**	226.7
Brand related intangible asset amortisation	**16.4**	12.7
Non-trading items (net of related tax)	**34.2**	15.4
Adjusted earnings after tax	**290.0**	254.8
Cash Conversion	**67%**	79%

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 of the 2018 Annual Report these ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

	Covenant	**H1 2019 Times**	H1 2018 Times
Net debt: EBITDA	Maximum 3.5	**1.9**	1.5
EBITDA: Net interest	Minimum 4.0 (30 June 2018: 4.75)	**14.4**	14.8

10. Net Debt

Net debt comprises of borrowings and overdrafts, derivative financial instruments and cash at bank and in hand. See full reconciliation of net debt in note 11 of these Condensed Consolidated Interim Financial Statements.

11. Average Capital Employed

Average capital employed is calculated by taking an average of the shareholders' funds and net debt over the last three reported balance sheets plus an additional €527.8m relating to goodwill written off to reserves pre conversion to IFRS.

	H1 2019	2018	H1 2018	2017	H1 2017
	€'m	€'m	€'m	€'m	€'m
Shareholders' funds	**4,186.5**	4,034.4	3,773.6	3,573.2	3,250.4
Goodwill amortised (pre conversion to IFRS)	**527.8**	527.8	527.8	527.8	527.8
Adjusted equity	**4,714.3**	4,562.2	4,301.4	4,101.0	3,778.2
Net debt	**1,918.2**	1,623.5	1,403.3	1,341.7	1,221.7
Total	**6,632.5**	6,185.7	5,704.7	5,442.7	4,999.9
Average capital employed	**6,174.3**	5,777.7	5,382.4		

12. Return on Average Capital Employed (ROACE)

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

	12 months to H1 2019	12 months to H1 2018	FY 2018
	€'m	€'m	€'m
Profit after tax attributable to owners of the parent	**553.2**	590.1	540.5
Non-trading items (net of tax)	**73.9**	(12.6)	55.1
Brand related intangible asset amortisation	**32.5**	25.6	28.8
Net finance costs	**72.1**	65.0	67.0
Adjusted profit	**731.7**	668.1	691.4
Average capital employed	**6,174.3**	5,382.4	5,777.7
Return on average capital employed	**11.9%**	12.4%	12.0%

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