



## NEWS RELEASE

Thursday 4 August 2016

# Interim Management Report for the half year ended 30 June 2016

**Kerry, the global taste & nutrition and consumer foods group, reports a solid financial performance for the half year ended 30 June 2016.**

### Highlights

- Adjusted\* EPS up 7.5% to 133.8 cent
- Group revenue of €3 billion reflecting 3.2% business volume growth
  - Taste & Nutrition +3.5% volume growth
  - Consumer Foods +2.3% volume growth
- Trading profit increased by 7.4% to €322m
- Group trading margin up 70 basis points to 10.6%
  - Taste & Nutrition +70 bps to 12.8%
  - Consumer Foods +30 bps to 8.3%
- Interim dividend per share increased by 12% to 16.8 cent
- Free cash flow of €379m (H1 2015: €192m)
- Earnings guidance for full year reaffirmed

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

Commenting on the results Kerry Group Chief Executive Stan McCarthy said; “Despite the challenging market landscape we delivered a solid financial performance in the first half of 2016, with continued margin expansion, strong cash generation and a 7.5% increase in adjusted earnings per share. While we are confident of delivering an underlying trading performance in the full year as previously guided; taking into account the increased currency headwinds of 5% at current exchange rates, growth in adjusted earnings per share in 2016 is expected to be towards the middle to lower end of the 6% to 10% range of 320 to 332 cent per share”.

For further information please contact:

#### Media

Frank Hayes, Director of Corporate Affairs  
Tel: +353 66 718 2304  
Email: [corpaffairs@kerry.ie](mailto:corpaffairs@kerry.ie)  
Web: [www.kerrygroup.com](http://www.kerrygroup.com)

#### Investor Relations

Brian Mehigan, Chief Financial Officer  
Ronan Deasy, Group Financial Controller  
William Lynch, Head of Investor Relations  
Tel: +353 66 718 2292  
Email: [investorrelations@kerry.ie](mailto:investorrelations@kerry.ie)

## INTERIM MANAGEMENT REPORT

for the half year ended 30 June 2016

Kerry Group delivered a solid financial performance and improved business quality while continuing to grow competitively in the first half of 2016. Global market conditions remain challenging with slower economic growth, currency volatility and continuing geopolitical instability in particular in many regional developing markets. The changing marketplace: with increased retail fragmentation, continued growth in online shopping, increased penetration of regional brands, ongoing growth in snacking, food-to-go and foodservice demand: has contributed to significant product 'churn' with increased demand for product differentiation and innovative offerings. Consumer trends reflect a growing preference for natural, health and wellness offerings and 'clean label' propositions – focusing increased attention on development of convenient taste and nutritional product lines and ever-widening demand for foodservice and meal occasion solutions.

Kerry's combined taste, nutrition and general wellness capabilities and unique 'systems' approach continued to drive increased customer engagement and innovation. Strong growth was achieved in Asia and in the foodservice channel in all regions. Internationalisation and integration of businesses acquired in 2015 continued to be successfully progressed in the period.

The Irish and UK consumer foods' landscape remains highly competitive as retailers address the changing marketplace and economic uncertainty in the UK market. Kerry Foods' repositioned portfolio continues to perform well benefiting from convenience, food-to-go and snacking trends.

## RESULTS

Good business momentum was maintained, outperforming market growth rates. Group revenue on a reported basis was broadly unchanged at €3 billion reflecting good volume growth offset by significant currency movements and lower pricing relative to H1 2015. Business volumes grew by 3.2% in the period reflecting a strong performance in American markets, lower volume growth in the EMEA region – in particular in regional developing markets, and strong business growth momentum in Asia. Net pricing was 2.2% lower against a background of approximately 4% lower raw material costs. Currency headwinds relative to H1 2015 contributed an adverse 3.7% translation impact relative to revenue.

Taste & Nutrition achieved 3.5% growth in business volumes and pricing was 2.2% lower. Kerry Foods' business volumes grew by 2.3% and pricing was reduced by 2.1%.

Against a background of significant product churn in the period, the Group continued to improve overall business quality and operational efficiencies. Group trading profit increased by 7.4% to €322m. The Group trading profit margin increased by 70 basis points to 10.6%. This reflects a 70 basis points improvement in trading margin in Taste & Nutrition to 12.8%, a 30 basis points improvement in Consumer Foods' margin to 8.3%, and reduced spend on the Kerryconnect Programme contributed 10 basis points.

Adjusted earnings per share increased by 7.5% to 133.8 cent (H1 2015: 124.5 cent). Basic earnings per share decreased by 6.5% to 126.4 cent (H1 2015: 135.2 cent), (basic earnings per share in H1 2015 included a credit relating to the gain on the sale of the Pinnacle Lifestyle Bakery business in Australia). The interim dividend of 16.8 cent per share represents an increase of 12% over the 2015 interim dividend.

## BUSINESS REVIEWS

### TASTE & NUTRITION

|                | H1 2016 | Growth   |
|----------------|---------|----------|
| Revenue        | €2,379m | 3.5%*    |
| Trading profit | €304m   | 7.9%     |
| Trading margin | 12.8%   | + 70 bps |

\*volume growth

*Kerry provides the largest, most innovative portfolio of taste & nutrition solutions and functional ingredients & actives for the global food, beverage and pharmaceutical industries.*

Kerry's taste portfolio and nutrition & general wellness enabling technology platforms continued to benefit from evolving consumer convenience, health & wellness and localised taste preferences. Consumers increasingly demand 'clean' simple and clear labelling, culinary variety, functional indulgence and enhanced nutritional values – driving retail and foodservice requirements for increased innovation and market-ready solutions. Kerry maintained a strong innovation pipeline in all regions in the period and, building on the Group's significant acquisition investment in 2015, continued to progress integration of the acquired businesses and to broaden the acquired technologies into wider taste and nutrition applications in all regions. The acquired businesses performed well to-date and provide significant scope for further international market development.

Taste & Nutrition reported revenue increased to €2,379m reflecting 3.5% business volume growth and 2.2% lower net pricing. Trading profit grew by 7.9% to €304m reflecting a 70 basis points increase in divisional trading margin to 12.8%.

#### **Americas Region**

Kerry maintained a solid performance in North America and an improved performance in Latin American markets in H1 2016. Performance was significantly boosted by the technologies acquired in 2015 and progress to-date in integration of the acquisitions. Sales revenue on a reported basis increased by 15.2% to €1,244m reflecting 3.5% business volume growth and 2% lower pricing.

Taste technologies performed well across food and beverage applications. *Red Arrow Products* acquired in December 2015 recorded strong growth in the meat and savoury products sector, in particular in North America. Costa Rican based *Baltimore Spice* with manufacturing facilities located in Costa Rica, Guatemala and Panama acquired in July 2015, greatly assisted development in Latin American markets. Good growth was achieved in the savoury snack sectors in Mexico and Central American markets. Culinary Taste & Systems performed well in the North American prepared meals sector and performance was also assisted by *KFI Savory* acquired in 2015. Dairy and culinary applications throughout American markets benefited from 'clean label' trends, with strong development in school meal applications. While inflationary trends in Brazil remain challenging, Kerry achieved good market growth through dairy applications and through taste and sauce systems in the foodservice channel. The bakery sector throughout American markets also continued to provide good opportunities for growth through clean label preservation systems and extended shelf-life products developed by Kerry's fermentation technologies.

Beverage Taste & Systems continued to record good growth throughout the region. *Island Oasis* and *Insight Beverages* acquired in 2015, performed well in the foodservice and convenience channels. Good growth was recorded in C-stores through hot and cold beverage systems - in particular through tea/coffee applications. Kerry's branded flavoured beverage systems continued to achieve encouraging market development throughout the region. Sales into the soft drinks market were impacted by sectoral trends.

Cell nutrition applications continued to achieve good growth in the pharmaceutical sector. The *Wellmune®* branded natural food, beverage and supplement immune enhancing ingredients business acquired in September 2015 performed strongly, with market development into wider nutritional and food product areas.

## **EMEA Region**

EMEA market conditions remain challenging due to continued price deflation in regional developed markets and geopolitical instability in regional developing markets. Product 'churn' remains a dominant market feature as food and beverage manufacturers and retailers competitively respond to increased consumer demand for enhanced nutritional offerings and convenience lines in a deflationary environment. The regional foodservice sector continues to provide good growth opportunities for Kerry's consumer-preferred propositions. Sales revenue reported at €734m reflects business volume growth of 0.3% and 2.7% lower pricing.

Overall meat technologies were weaker but innovation to meet added value opportunities is contributing to an encouraging development pipeline. Meat systems recorded some progress in Eastern European markets and demand for snack offerings provided good growth in the EMEA foodservice sector. Kerry recorded good progress in the Russian meat and snacks sectors in the half year and establishment of a local manufacturing facility to meet market requirements is progressing satisfactorily.

Growth in the dairy technology sector was subdued due to the oversupply situation in international dairy markets. While international dairy market conditions stabilised at the end of the period, returns in the primary dairy sector were significantly below prior year levels.

Nutritional technologies maintained market development in the infant nutrition sector and good growth was achieved through hydrolysed proteins for clinical nutrition and protein enriched applications. Enzymes delivered satisfactory growth in the bakery and beverage sectors.

Cereal and sweet applications continue to be adversely impacted by the competitive industry landscape. In addition market conditions in the Sub-Saharan African sweet sector remain highly competitive. Beverage systems recorded good growth in the foodservice channel and Kerry branded beverage offerings continued to progress market development across the region. Madrid based *Vendin S.L.*, a producer and distributor of dry beverage solutions for the vending and foodservice sectors in Europe, was acquired in June.

## **Asia-Pacific Region**

Kerry achieved an excellent performance in the Asia-Pacific region in the half year. Market development across core technologies established in regional developing markets proved highly successful. Business volumes increased by 9.5% and net pricing was 1.8% lower. Reported revenue at €367m reflects a reduction of 11.4% - due to the 13.3% adverse impact of business disposals net of acquisitions (primarily the sale of the Pinnacle Lifestyle bakery business in Australia completed in May 2015) and negative currency translation impact of 5.8%.

Culinary 'Foundations' recorded solid growth through premium noodle applications in Japan and South Korea. *Jungjin Foods* acquired in March 2016 significantly strengthened Kerry's taste technology and systems market base in South Korea. Dairy 'Complete' taste systems maintained good growth in Indonesia, the Philippines, Vietnam and China. The growing snacks end-use-market provided solid growth opportunities in Malaysia, Thailand and the Philippines. Culinary sauces achieved strong growth in the regional foodservice channel. The meat sector in Australia and New Zealand remains highly competitive but Kerry meat and savoury technologies continue to achieve encouraging market development in China. Sweet technologies maintained growth in the bakery sector in South West Asia and in the ice cream sector in Indochina.

Life-stage nutritional applications continued to generate opportunities for Kerry's technology portfolio. Regulatory changes impacting the infant nutrition sector in China provide opportunities for Kerry's Europe-based nutritional technologies. Proteins also achieved good growth through enhanced nutritional offerings in the confectionery sector in India and Indonesia. Beverage systems and Kerry's branded flavoured beverage range maintained strong market development throughout the regional foodservice channel and C-store outlets.

## CONSUMER FOODS

|                | H1 2016 | Growth |
|----------------|---------|--------|
| Revenue        | €697m   | 2.3%*  |
| Trading profit | €58m    | (3.7%) |
| Trading margin | 8.3%    | +30bps |

\*volume growth

*Kerry Foods is an industry-leading manufacturer and marketer of added-value branded and customer branded chilled food products to the Irish, UK and selected international markets.*

Trading conditions in the UK and Irish consumer foods markets remain highly competitive as retailers adapt to the changing market landscape, consumer trends including growth of e-tail, and deflationary trends. Discounters have continued to gain market share which has continued to broaden retailer focus on EDLP strategies. Kerry Foods' repositioned portfolio has performed well against this background, gaining market share through growth in the e-tail, snacking and food-to-go sectors and through its' brand investment strategies. Business volumes increased by 2.3%, while pricing decreased by 2.1%. Reported revenue at €697m reduced by 7%, primarily attributable to the disposal of non-core businesses net of acquisitions in 2015 and adverse currency movements relative to H1 2015. The improved quality of Kerry Foods' portfolio contributed to a 30 basis points increase in divisional trading margin to 8.3%. The underlying trading profit improvement was more than offset by the business disposals and adverse currency movement resulting in a trading profit decrease of 3.7% to €58m.

In the UK branded sector, 'Mattessons' meat snacks continued to drive growth in the meat snacking category which grew by 8% year-on-year. Value growth in the overall sausage sector was impacted by the changing promotional environment. 'Richmond' sales were back relative to the same period in 2015 in the fresh category but recorded continued growth in the frozen category. The cheese snacking sector grew by 5% year-on-year where 'Cheestrings' performed well. 'Yollies' children's yoghurt snack range continued to gain market momentum in the UK and Ireland. 'Pure', Kerry Foods' 'free from' brand continued to advance its positioning in the growing health 'free from' segments of the UK and Irish markets.

In UK customer branded segments, Kerry Foods continued to outperform market growth rates in the chilled meals category and also performed satisfactorily in the frozen sector where its 'Men's Health' Kitchen range of premium meals were successfully launched. The private label spreads sector remains highly competitive. Kerry Foods successfully launched a new range of high butter content spreads during the period.

In Ireland 'Dairygold' branded spreads maintained brand positioning. 'Charleville' cheese recorded good growth. The award-winning 'Fire and Smoke' branded sliced cooked meats range achieved good growth and extended its brand positioning with the launch of an 'on-the-go' range of chicken snacking pots.

'Cheestrings' maintained strong market development momentum in Europe with highly successful recent launches in Spain and Portugal – winning a Dairy Innovation Award from a leading global retail group.

## FINANCIAL REVIEW

| Reconciliation of adjusted* earnings to profit after taxation | % Change | H1 2016<br>€m       | H1 2015<br>€m |
|---|----------|---------------------|---------------|
| <b>Revenue</b>  | 0.3%     | <b>3,036.6</b>      | 3,028.1       |
| Trading profit  | 7.4%     | <b>321.6</b>        | 299.5         |
| <i>Trading margin</i>   |          | <b>10.6%</b>        | 9.9%          |
| Computer software amortisation                                |          | <b>(11.4)</b>       | (9.0)         |
| Finance costs (net)   |          | <b>(39.1)</b>       | (36.3)        |
| Adjusted* earnings before taxation                            | 6.6%     | <b>271.1</b>        | 254.2         |
| Income taxes (excluding non-trading items)                    |          | <b>(35.7)</b>       | (35.2)        |
| <b>Adjusted* earnings after taxation</b>                      | 7.5%     | <b>235.4</b>        | 219.0         |
| Brand related intangible asset amortisation                   |          | <b>(10.2)</b>       | (8.4)         |
| Non-trading items (net of related tax)                        |          | <b>(2.8)</b>        | 27.2          |
| <b>Profit after taxation</b>                                  | (6.5%)   | <b>222.4</b>        | 237.8         |
|   |          | <b>EPS<br/>cent</b> | EPS<br>cent   |
| <b>Adjusted* EPS</b>  | 7.5%     | <b>133.8</b>        | 124.5         |
| Brand related intangible asset amortisation                   |          | <b>(5.8)</b>        | (4.8)         |
| Non-trading items (net of related tax)                        |          | <b>(1.6)</b>        | 15.5          |
| <b>Basic EPS</b>  | (6.5%)   | <b>126.4</b>        | 135.2         |

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

## ***Analysis of Results***

On a reported basis Group revenue increased by 0.3% to €3.04 billion (H1 2015: €3.03 billion). Business volumes grew by 3.2% in the period. Net pricing was 2.2% lower reflecting reduced raw material costs and there was an adverse impact from transaction currency of 0.2%. Business acquisitions net of disposals contributed 3.2%, more than offset by the translation currency headwind of 3.7%.

In Taste & Nutrition, reported revenue increased by 2.6% to €2.4 billion (H1 2015: €2.3 billion). Business volumes increased by 3.5% relative to H1 2015. Net pricing was 2.2% lower and there was an adverse impact from transaction currency of 0.2%. Business acquisitions net of disposals contributed 5.3%, partly offset by a translation currency headwind of 3.8%.

In Consumer Foods, reported revenue decreased by 7.0% to €697m (H1 2015: €749m). Business volumes increased by 2.3% relative to H1 2015. Net pricing was 2.1% lower and there was an adverse impact from transaction currency of 0.3%. There was a negative impact of business disposals net of acquisitions of 3.8% and a translation currency headwind of 3.1%.

## ***Trading Profit & Margin***

Group trading profit increased by 7.4% to €322m. Group trading margin increased 70 basis points to 10.6% (H1 2015: 9.9%) in the period driven by improved product mix, operating leverage and business efficiency programmes, together with the positive impact of acquisitions and exiting non-core business activities.

## ***Finance Costs (net)***

Finance costs (net) for the period increased to €39m (H1 2015: €36m) primarily due to acquisition financing partly offset by strong cash flow.

## ***Acquisitions***

During the period the Group completed two bolt-on acquisitions, establishing manufacturing bases in two new geographies. As previously announced, Jungjin Foods in South Korea was acquired, and Vendin S.L. in Spain was also acquired in the period.

## ***Taxation***

The tax charge for the period (excluding non-trading items) was €36m (H1 2015: €35m) which represents an effective tax rate of 13.7% (H1 2015: 14.3%). The decrease in the effective tax rate is primarily due to variations in the geographical split of profits earned, significant Group investment in R&D and changes in local statutory tax rates.

## ***Non-Trading Items***

A charge of €3m (net of related tax) was recorded in the period, primarily due to acquisition integration costs. In the prior period, the Group had a significant gain of €27m as a result of profits on disposal of businesses.

## ***Free Cash Flow***

The Group achieved a free cash flow of €379m (H1 2015: €192m) in the first half of the year. The improvement in free cash flow is due to a lower level of investment in working capital and non-current assets in the period.

| Free Cash Flow                                  | H1 2016<br>€m | H1 2015<br>€m |
|---|---------------|---------------|
| Trading profit                                  | 321.6         | 299.5         |
| Depreciation (net)                              | 66.9          | 61.0          |
| Movement in average working capital             | 120.0         | 8.9           |
| Pension contributions paid less pension expense | (20.0)        | (23.4)        |
| <b>Cash inflow from operations</b>              | <b>488.5</b>  | <b>346.0</b>  |
| Finance costs paid (net)                        | (23.9)        | (21.9)        |
| Income taxes paid                               | (22.6)        | (12.7)        |
| Purchase of non-current assets                  | (62.9)        | (119.2)       |
| <b>Free cash flow</b>                           | <b>379.1</b>  | <b>192.2</b>  |

A summary Balance Sheet as at 30 June 2016 is presented below:

| Balance Sheet               | H1 2016<br>€m  | H1 2015<br>€m  | FY 2015<br>€m  |
|-----------------------------|----------------|----------------|----------------|
| Property, plant & equipment | 1,385.1        | 1,352.2        | 1,431.5        |
| Intangible assets           | 3,414.4        | 2,838.8        | 3,449.3        |
| Other non-current assets    | 261.6          | 273.8          | 290.5          |
| Current assets              | 1,989.0        | 1,909.1        | 1,841.7        |
| <b>Total assets</b>         | <b>7,050.1</b> | <b>6,373.9</b> | <b>7,013.0</b> |
| Current liabilities         | 1,581.8        | 1,485.2        | 1,477.8        |
| Non-current liabilities     | 2,591.3        | 2,380.9        | 2,745.1        |
| <b>Total liabilities</b>    | <b>4,173.1</b> | <b>3,866.1</b> | <b>4,222.9</b> |
| <b>Net assets</b>           | <b>2,877.0</b> | <b>2,507.8</b> | <b>2,790.1</b> |
| <b>Shareholders' equity</b> | <b>2,877.0</b> | <b>2,507.8</b> | <b>2,790.1</b> |

### ***Property, Plant & Equipment***

Property, plant & equipment decreased by €46m to €1,385m (Dec 2015: €1,431m, H1 2015: €1,352), as additions made in the period were more than offset by foreign exchange translation movements and the depreciation charge.

### ***Intangible Assets***

Intangible assets decreased by €35m to €3,414m (Dec 2015: €3,449m, H1 2015: €2,839), primarily due to exchange rates used to translate intangible assets other than those denominated in euro.

### ***Current Assets***

Current assets increased by €147m to €1,989m (Dec 2015: €1,842m, H1 2015: €1,909m), primarily due to an increase in cash in hand at 30 June 2016.



## ***Retirement Benefits***

At the balance sheet date, the net deficit for all defined benefit schemes (after deferred tax) was €314m (H1 2015: €361m, Dec 2015: €253m). The increase in the net deficit from year end is primarily due to a decrease in the discount rates in the UK, Eurozone and the US, partially offset by an increase in cash contributions.

## ***Net Debt***

At 30 June 2016 net debt stood at €1,520m, a decrease of €130m relative to the December 2015 position.

At 30 June the key financial ratios were as follows;

|                       | Covenant     | H1 2016<br>TIMES | H1 2015<br>TIMES | FY 2015<br>TIMES |
|-----------------------|--------------|------------------|------------------|------------------|
| Net debt: EBITDA*     | Maximum 3.5  | 1.7              | 1.6              | 1.9              |
| EBITDA: Net interest* | Minimum 4.75 | 15.7             | 19.4             | 17.3             |

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

The average maturity profile of net debt was 7.0 years at the end of the period (Dec 2015: 7.5 years). At the period end 64% of gross debt was carried at fixed rates and the weighted average period for which rates were fixed was 7.1 years.

The Group's balance sheet is in a healthy position. With a net debt to EBITDA\* ratio of 1.7 times, the organisation has sufficient headroom to support its future growth plans.

## ***Related Party Transactions***

There were no changes in related party transactions from the 2015 Annual Report that could have a material effect on the financial position or performance of the Group in the first half of the year.

## ***Impact of Brexit***

While it is too early to quantify the longer term implications of Brexit, the Group recognises the broader macroeconomic uncertainty caused by the UK electorate voting to leave the European Union. Consumer confidence has weakened as a result of this uncertainty but Kerry remains confident that our business is well positioned to address the challenges and opportunities that this decision may present.

## ***Principal Risks & Uncertainties***

Details of the principal risks and uncertainties facing the Group can be found in the 2015 Annual Report on pages 54 to 60. These risks include but are not limited to; the identification and integration of acquisition targets, a slowdown in the rate of innovation, quality & food safety risks, failure to attract/retain key talent, systems implementation risks, unauthorised use of Group intellectual property, growth in developing markets and ongoing operational and compliance risks. However, risks with increased potential impact in the second half of the year include fluctuating raw materials together with volatile currencies and macroeconomic uncertainty arising from the UK electorate voting to leave the European Union. The Group actively manages these and all other risks through its control and risk management processes.

## ***Going Concern***

The Group Condensed Consolidated Interim Financial Statements have been prepared on the going concern basis. 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 16.8 cent per share (an increase of 12% on the 2015 interim dividend of 15 cent) payable on 18 November 2016 to shareholders registered on the record date 14 October 2016.

## **FUTURE PROSPECTS**

While we anticipate that the international trading environment will remain challenging in H2 2016, our unique taste & nutrition, functional ingredients, and systems model is well positioned to meet customer requirements in the changing marketplace. Businesses acquired in 2015 are performing well providing solid growth opportunities through extension into wider taste & nutrition and foodservice markets. Kerry Foods continues to perform well in its core snacking, convenience, health and food-to-go categories, despite the competitive market conditions in the UK and Irish markets and the macro-economic uncertainty caused by the UK voting to leave the European Union.

While we are confident of delivering an underlying trading performance in the full year as previously guided; taking into account the increased currency headwinds of 5% at current exchange rates, growth in adjusted earnings per share in 2016 is expected to be towards the middle to lower end of the 6% to 10% range of 320 to 332 cent per share.

## **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 2016 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 2016, 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

Stan McCarthy  
**Chief Executive**

Brian Mehigan  
**Chief Financial Officer**

4 August 2016

#### **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 2016

|   |       | Before<br>Non-Trading<br>Items<br>30 June 2016<br>Unaudited<br>€m | Non-Trading<br>Items<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2015<br>Unaudited<br>€m | Year<br>ended<br>31 Dec. 2015<br>Audited<br>€m |
|---|-------|---|---|---|---|--|
|   | Notes |   |   |   |   |  |
| Continuing operations   |       |   |   |   |   |  |
| <b>Revenue</b>  | 2     | <b>3,036.6</b>  | -   | <b>3,036.6</b>  | 3,028.1   | 6,104.9  |
| <b>Trading profit</b>   | 2     | <b>321.6</b>  | -   | <b>321.6</b>  | 299.5   | 700.1  |
| Intangible asset amortisation   |       | (21.6)  | -   | (21.6)  | (17.4)  | (37.4)   |
| Non-trading items   | 3     | -   | (4.8)   | (4.8)   | 26.5  | 9.4  |
| <b>Operating profit</b>   |       | <b>300.0</b>  | <b>(4.8)</b>  | <b>295.2</b>  | 308.6   | 672.1  |
| Finance income  | 4     | 0.8   | -   | 0.8   | 0.7   | 1.8  |
| Finance costs   | 4     | (39.9)  | -   | (39.9)  | (37.0)  | (71.1)   |
| <b>Profit before taxation</b>   |       | <b>260.9</b>  | <b>(4.8)</b>  | <b>256.1</b>  | 272.3   | 602.8  |
| Income taxes  |       | (35.7)  | 2.0   | (33.7)  | (34.5)  | (77.4)   |
| <b>Profit after taxation and attributable to owners of the parent</b> |       | <b>225.2</b>  | <b>(2.8)</b>  | <b>222.4</b>  | 237.8   | 525.4  |
| <b>Earnings per A ordinary share</b>                                  |       |   |   | <b>Cent</b>   | Cent  | Cent   |
| - basic   | 5     |   |   | <b>126.4</b>  | 135.2   | 298.7  |
| - diluted   | 5     |   |   | <b>126.2</b>  | 135.0   | 298.4  |

**Condensed Consolidated Statement of Comprehensive Income**  
for the half year ended 30 June 2016

|   | Note | Half year<br>ended<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2015<br>Unaudited<br>€m | Year<br>ended<br>31 Dec. 2015<br>Audited<br>€m |
|---|------|---|---|--|
| Profit after taxation and attributable to owners of the parent                  |      | 222.4   | 237.8   | 525.4  |
| <b>Other comprehensive income</b>   |      |   |   |  |
| <b>Items that are or may be reclassified subsequently to profit or loss:</b>    |      |   |   |  |
| Fair value movements on cash flow hedges  |      | 17.0  | (16.0)  | 10.3   |
| Cash flow hedges - reclassified to profit or loss from equity                   |      | (0.3)   | 17.0  | 2.9  |
| Deferred tax effect of fair value movements on cash flow hedges                 |      | (2.4)   | (0.2)   | (1.4)  |
| Exchange difference on translation and disposal of foreign operations           | 9    | (14.9)  | 50.0  | (25.5)   |
| Deferred tax effect of exchange difference on translation of foreign operations |      | 0.6   | (1.0)   | (0.3)  |
| <b>Items that will not be reclassified subsequently to profit or loss:</b>      |      |   |   |  |
| Re-measurement on retirement benefits obligation                                |      | (93.5)  | 41.6  | 141.1  |
| Deferred tax effect of re-measurement on retirement benefits obligation         |      | 15.3  | (7.7)   | (25.2)   |
| <b>Net (expense)/income recognised directly in other comprehensive income</b>   |      | <b>(78.2)</b>   | 83.7  | 101.9  |
| <b>Total comprehensive income</b>   |      | <b>144.2</b>  | 321.5   | 627.3  |

**Condensed Consolidated Balance Sheet**  
as at 30 June 2016

|   | Notes | 30 June 2016<br>Unaudited<br>€m | 30 June 2015<br>Unaudited<br>€m | 31 Dec. 2015<br>Audited<br>€m |
|---|-------|---------------------------------|---------------------------------|-------------------------------|
| <b>Non-current assets</b>   |       |                                 |                                 |                               |
| Property, plant and equipment   |       | 1,385.1                         | 1,352.2                         | 1,431.5                       |
| Intangible assets   |       | 3,414.4                         | 2,838.8                         | 3,449.3                       |
| Financial asset investments   |       | 35.6                            | 31.8                            | 34.0                          |
| Investment in associates  |       | 40.4                            | 40.2                            | 38.9                          |
| Non-current financial instruments                                       |       | 142.3                           | 148.4                           | 174.4                         |
| Deferred tax assets   |       | 43.3                            | 53.4                            | 43.2                          |
|   |       | 5,061.1                         | 4,464.8                         | 5,171.3                       |
| <b>Current assets</b>   |       |                                 |                                 |                               |
| Inventories   |       | 736.0                           | 751.5                           | 734.2                         |
| Trade and other receivables   |       | 864.0                           | 938.1                           | 833.9                         |
| Cash at bank and in hand  | 8     | 329.8                           | 177.8                           | 236.4                         |
| Other current financial instruments                                     |       | 42.3                            | 14.2                            | 15.7                          |
| Assets classified as held for sale                                      |       | 16.9                            | 27.5                            | 21.5                          |
|   |       | 1,989.0                         | 1,909.1                         | 1,841.7                       |
| <b>Total assets</b>   |       | <b>7,050.1</b>                  | <b>6,373.9</b>                  | <b>7,013.0</b>                |
| <b>Current liabilities</b>  |       |                                 |                                 |                               |
| Trade and other payables  |       | 1,234.2                         | 1,290.8                         | 1,285.8                       |
| Borrowings and overdrafts   | 8     | 199.7                           | 33.9                            | 38.4                          |
| Other current financial instruments                                     |       | 13.2                            | 45.4                            | 25.1                          |
| Tax liabilities   |       | 102.3                           | 83.9                            | 94.1                          |
| Provisions  |       | 28.1                            | 28.1                            | 31.7                          |
| Deferred income   |       | 4.3                             | 3.1                             | 2.7                           |
|   |       | 1,581.8                         | 1,485.2                         | 1,477.8                       |
| <b>Non-current liabilities</b>  |       |                                 |                                 |                               |
| Borrowings  | 8     | 1,810.9                         | 1,562.9                         | 2,011.5                       |
| Other non-current financial instruments                                 |       | -                               | 6.2                             | 6.5                           |
| Retirement benefits obligation  | 7     | 377.7                           | 435.0                           | 305.7                         |
| Other non-current liabilities   |       | 93.6                            | 85.2                            | 93.9                          |
| Deferred tax liabilities  |       | 230.4                           | 203.3                           | 243.8                         |
| Provisions  |       | 57.0                            | 66.4                            | 59.1                          |
| Deferred income   |       | 21.7                            | 21.9                            | 24.6                          |
|   |       | 2,591.3                         | 2,380.9                         | 2,745.1                       |
| <b>Total liabilities</b>  |       | <b>4,173.1</b>                  | <b>3,866.1</b>                  | <b>4,222.9</b>                |
| <b>Net assets</b>   |       | <b>2,877.0</b>                  | <b>2,507.8</b>                  | <b>2,790.1</b>                |
| <b>Issued capital and reserves attributable to owners of the parent</b> |       |                                 |                                 |                               |
| Share capital   |       | 22.0                            | 22.0                            | 22.0                          |
| Share premium   |       | 398.7                           | 398.7                           | 398.7                         |
| Other reserves  |       | (97.8)                          | (43.5)                          | (103.9)                       |
| Retained earnings   |       | 2,554.1                         | 2,130.6                         | 2,473.3                       |
| <b>Shareholders' equity</b>   |       | <b>2,877.0</b>                  | <b>2,507.8</b>                  | <b>2,790.1</b>                |

**Condensed Consolidated Statement of Changes in Equity**  
for the half year ended 30 June 2016

|                                      | Note | Share<br>Capital<br>€m | Share<br>Premium<br>€m | Other<br>Reserves<br>€m | Retained<br>Earnings<br>€m | Total<br>€m    |
|--------------------------------------|------|------------------------|------------------------|-------------------------|----------------------------|----------------|
| At 1 January 2015                    |      | 22.0                   | 398.7                  | (100.6)                 | 1,915.5                    | 2,235.6        |
| Total comprehensive income           |      | -                      | -                      | 51.0                    | 270.5                      | 321.5          |
| Dividends paid                       | 6    | -                      | -                      | -                       | (55.4)                     | (55.4)         |
| Share-based payment expense          |      | -                      | -                      | 6.1                     | -                          | 6.1            |
| At 30 June 2015 - unaudited          |      | 22.0                   | 398.7                  | (43.5)                  | 2,130.6                    | 2,507.8        |
| Total comprehensive (expense)/income |      | -                      | -                      | (63.3)                  | 369.1                      | 305.8          |
| Dividends paid                       | 6    | -                      | -                      | -                       | (26.4)                     | (26.4)         |
| Share-based payment expense          |      | -                      | -                      | 2.9                     | -                          | 2.9            |
| At 31 December 2015 - audited        |      | 22.0                   | 398.7                  | (103.9)                 | 2,473.3                    | 2,790.1        |
| Total comprehensive income           |      | -                      | -                      | 1.8                     | 142.4                      | 144.2          |
| Dividends paid                       | 6    | -                      | -                      | -                       | (61.6)                     | (61.6)         |
| Share-based payment expense          |      | -                      | -                      | 4.3                     | -                          | 4.3            |
| <b>At 30 June 2016 - unaudited</b>   |      | <b>22.0</b>            | <b>398.7</b>           | <b>(97.8)</b>           | <b>2,554.1</b>             | <b>2,877.0</b> |

**Other Reserves comprise the following:**

|                                      | Capital<br>Redemption<br>Reserve<br>€m | Other<br>Undenominated<br>Capital<br>€m | Share-<br>Based<br>Payment<br>Reserve<br>€m | Translation<br>Reserve<br>€m | Hedging<br>Reserve<br>€m | Total<br>€m   |
|--------------------------------------|--|---|---|------------------------------|--------------------------|---------------|
| At 1 January 2015                    | 1.7                                    | 0.3                                     | 21.5  | (103.6)                      | (20.5)                   | (100.6)       |
| Total comprehensive income           | -                                      | -                                       | -   | 50.0                         | 1.0                      | 51.0          |
| Share-based payment expense          | -                                      | -                                       | 6.1   | -                            | -                        | 6.1           |
| At 30 June 2015 - unaudited          | 1.7                                    | 0.3                                     | 27.6  | (53.6)                       | (19.5)                   | (43.5)        |
| Total comprehensive (expense)/income | -                                      | -                                       | -   | (75.5)                       | 12.2                     | (63.3)        |
| Share-based payment expense          | -                                      | -                                       | 2.9   | -                            | -                        | 2.9           |
| At 31 December 2015 - audited        | 1.7                                    | 0.3                                     | 30.5  | (129.1)                      | (7.3)                    | (103.9)       |
| Total comprehensive (expense)/income | -                                      | -                                       | -   | (14.9)                       | 16.7                     | 1.8           |
| Share-based payment expense          | -                                      | -                                       | 4.3   | -                            | -                        | 4.3           |
| <b>At 30 June 2016 - unaudited</b>   | <b>1.7</b>                             | <b>0.3</b>                              | <b>34.8</b>                                 | <b>(144.0)</b>               | <b>9.4</b>               | <b>(97.8)</b> |

**Condensed Consolidated Statement of Cash Flows**  
for the half year ended 30 June 2016

|  | Notes    | Half year ended<br>30 June 2016<br>Unaudited<br>€m | Half year ended<br>30 June 2015<br>Unaudited<br>€m | Year ended<br>31 Dec. 2015<br>Audited<br>€m |
|--|----------|--|--|---|
| <b>Operating activities</b>  |          |  |  |   |
| Trading profit   |          | 321.6  | 299.5  | 700.1                                       |
| Adjustments for:   |          |  |  |   |
| Depreciation (net)   |          | 66.9   | 61.0   | 125.9                                       |
| Change in working capital  |          | (58.8)   | (103.6)  | 64.8  |
| Pension contributions paid less pension expense                              |          | (20.0)   | (23.4)   | (57.5)                                      |
| Payments on acquisition integration and restructuring costs                  |          | (7.0)  | (12.8)   | (26.4)                                      |
| Exchange translation adjustment  | 9        | (0.8)  | (1.6)  | (0.7)                                       |
| <b>Cash generated from operations</b>  |          | <b>301.9</b>                                       | <b>219.1</b>                                       | <b>806.2</b>                                |
| Income taxes paid  |          | (22.6)   | (12.7)   | (38.3)                                      |
| Finance income received  |          | 0.8  | 0.7  | 1.8   |
| Finance costs paid   |          | (24.7)   | (22.6)   | (48.4)                                      |
| <b>Net cash from operating activities</b>                                    |          | <b>255.4</b>                                       | <b>184.5</b>                                       | <b>721.3</b>                                |
| <b>Investing activities</b>  |          |  |  |   |
| Purchase of assets   |          | (73.5)   | (124.5)  | (252.2)                                     |
| Proceeds from the sale of assets   |          | 10.6   | 3.0  | 12.7  |
| Capital grants received  |          | -  | 2.3  | 10.1  |
| Purchase of businesses (net of cash acquired)                                | 10       | (22.4)   | (155.8)  | (888.1)                                     |
| Disposal of businesses (net of related tax)                                  |          | -  | 122.2  | 115.7                                       |
| Payments relating to previous acquisitions                                   |          | (7.2)  | (0.2)  | (0.8)                                       |
| <b>Net cash used in investing activities</b>                                 |          | <b>(92.5)</b>                                      | <b>(153.0)</b>                                     | <b>(1,002.6)</b>                            |
| <b>Financing activities</b>  |          |  |  |   |
| Dividends paid   | 6        | (61.6)   | (55.4)   | (81.8)                                      |
| Issue of share capital   | 5        | -  | -  | -   |
| Repayment of long term borrowings  |          | -  | (91.8)   | (1,273.8)                                   |
| Net increase in other borrowings   |          | -  | 5.6  | 1,589.5                                     |
| <b>Net cash movement due to financing activities</b>                         |          | <b>(61.6)</b>                                      | <b>(141.6)</b>                                     | <b>233.9</b>                                |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                  |          | <b>101.3</b>                                       | <b>(110.1)</b>                                     | <b>(47.4)</b>                               |
| Cash and cash equivalents at beginning of period                             |          | 231.2  | 278.1  | 278.1                                       |
| Exchange translation adjustment on cash and cash equivalents                 | 9        | (2.7)  | 9.8  | 0.5   |
| <b>Cash and cash equivalents at end of period</b>                            | <b>8</b> | <b>329.8</b>                                       | <b>177.8</b>                                       | <b>231.2</b>                                |
| <b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>               |          |  |  |   |
| Net increase/(decrease) in cash and cash equivalents                         |          | 101.3  | (110.1)  | (47.4)                                      |
| Cash outflow/(inflow) from debt financing                                    |          | -  | 86.2   | (315.7)                                     |
| Changes in net debt resulting from cash flows                                |          | 101.3  | (23.9)   | (363.1)                                     |
| Fair value movement on interest rate swaps (net of adjustment to borrowings) |          | (1.6)  | 0.2  | 0.2   |
| Exchange translation adjustment on net debt                                  | 9        | 30.7   | (57.8)   | (91.9)                                      |
| Movement in net debt in the period   |          | 130.4  | (81.5)   | (454.8)                                     |
| Net debt at beginning of period  |          | (1,650.1)  | (1,195.3)  | (1,195.3)                                   |
| <b>Net debt at end of period</b>   | <b>8</b> | <b>(1,519.7)</b>                                   | <b>(1,276.8)</b>                                   | <b>(1,650.1)</b>                            |



## Notes to the Condensed Consolidated Interim Financial Statements

for the half year ended 30 June 2016

### 1. Accounting policies

These Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2016 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 2015 Annual Report. Some comparative information has been re-presented to align with the current half year presentation.

*The following standards and interpretations are effective for the Group from 1 January 2016 but do not have a material effect on the results or financial position of the Group:*

|                        |  |
|------------------------|--|
| - IFRS 5 (amendment)   | Non-current Assets Held for Sale and Discontinued Operations |
| - IFRS 7 (amendment)   | Financial Instruments: Disclosures                           |
| - IFRS 10 (amendments) | Consolidated Financial Statements                            |
| - IFRS 11 (amendment)  | Joint Arrangements   |
| - IFRS 12 (amendment)  | Disclosure of Interests in Other Entities                    |
| - IFRS 14              | Regulatory Deferral Accounts                                 |
| - IAS 1 (amendment)    | Presentation of Financial Statements                         |
| - IAS 16 (amendments)  | Property, Plant and Equipment                                |
| - IAS 19 (amendment)   | Employee Benefits  |
| - IAS 27 (amendment)   | Separate Financial Statements                                |
| - IAS 28 (amendments)  | Investments in Associates and Joint Ventures                 |
| - IAS 34 (amendment)   | Interim Financial Reporting                                  |
| - IAS 38 (amendment)   | Intangible Assets  |
| - IAS 41 (amendment)   | Agriculture  |

### 2. Analysis by business segment

The Group has two operating segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition operating segment manufactures and distributes an innovative portfolio of taste & nutrition solutions and functional ingredients & actives for the global food, beverage and pharmaceutical industries, while the Consumer Foods segment manufactures and supplies added value brands and customer branded foods primarily to the Irish and UK markets. Corporate activities, such as the cost of corporate stewardship and the cost of the Kerryconnect programme, are reported along with the elimination of inter-group activities under the heading 'Group Eliminations and Unallocated'.

|   | Half year<br>ended<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2015<br>Unaudited<br>€m | Year<br>ended<br>31 Dec. 2015<br>Audited<br>€m |
|---|---|---|--|
| <b>External revenue</b>   |   |   |  |
| - Taste & Nutrition   | 2,344.2   | 2,283.2   | 4,637.5  |
| - Consumer Foods  | 692.4   | 744.9   | 1,467.4  |
|   | <b>3,036.6</b>  | <b>3,028.1</b>  | <b>6,104.9</b>                                 |
| <b>Inter-segment revenue</b>  |   |   |  |
| - Taste & Nutrition   | 35.0  | 34.6  | 78.4   |
| - Consumer Foods  | 4.3   | 4.4   | 8.3  |
| - Group Eliminations and Unallocated                                  | (39.3)  | (39.0)  | (86.7)   |
|   | <b>-</b>  | <b>-</b>  | <b>-</b>                                       |
| <b>Total revenue</b>  |   |   |  |
| - Taste & Nutrition   | 2,379.2   | 2,317.8   | 4,715.9  |
| - Consumer Foods  | 696.7   | 749.3   | 1,475.7  |
| - Group Eliminations and Unallocated                                  | (39.3)  | (39.0)  | (86.7)   |
|   | <b>3,036.6</b>  | <b>3,028.1</b>  | <b>6,104.9</b>                                 |
| <b>Trading profit</b>   |   |   |  |
| - Taste & Nutrition   | 303.8   | 281.5   | 662.9  |
| - Consumer Foods  | 57.7  | 59.9  | 125.7  |
| - Group Eliminations and Unallocated                                  | (39.9)  | (41.9)  | (88.5)   |
|   | <b>321.6</b>  | <b>299.5</b>  | <b>700.1</b>                                   |
| Intangible asset amortisation   | (21.6)  | (17.4)  | (37.4)   |
| Non-trading items   | (4.8)   | 26.5  | 9.4  |
|   | <b>295.2</b>  | <b>308.6</b>  | <b>672.1</b>                                   |
| <b>Operating profit</b>   |   |   |  |
| Finance income  | 0.8   | 0.7   | 1.8  |
| Finance costs   | (39.9)  | (37.0)  | (71.1)   |
|   | <b>256.1</b>  | <b>272.3</b>  | <b>602.8</b>                                   |
| <b>Profit before taxation</b>   |   |   |  |
| Income taxes  | (33.7)  | (34.5)  | (77.4)   |
|   | <b>222.4</b>  | <b>237.8</b>  | <b>525.4</b>                                   |
| <b>Profit after taxation and attributable to owners of the parent</b> |   |   |  |

**Notes to the Condensed Consolidated Interim Financial Statements** (continued)  
for the half year ended 30 June 2016

**2. Analysis by business segment** (continued)

**Information about geographical areas**

|  | Half year<br>ended<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2015<br>Unaudited<br>€m | Year<br>ended<br>31 Dec. 2015<br>Audited<br>€m |
|--|---|---|--|
| <b>Revenue by location of external customers</b> |   |   |  |
| EMEA   | 1,426.0   | 1,534.3   | 3,013.3  |
| Americas   | 1,243.8   | 1,079.7   | 2,307.9  |
| Asia Pacific                                     | 366.8   | 414.1   | 783.7  |
|  | <b>3,036.6</b>  | <b>3,028.1</b>  | <b>6,104.9</b>                                 |

The accounting policies of the reportable segments are the same as those detailed in the Statement of Accounting Policies in the 2015 Annual Report.

**3. Non-trading items**

|   | Notes | Half year<br>ended<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2015<br>Unaudited<br>€m | Year<br>ended<br>31 Dec. 2015<br>Audited<br>€m |
|---|-------|---|---|--|
| Profit on disposal of businesses and assets*    | (i)   | 2.1   | 26.5  | 22.5   |
| Acquisition integration and restructuring costs | (ii)  | (6.9)   | -   | (7.8)  |
| Impairment of assets held for sale              | (iii) | -   | -   | (5.3)  |
|   |       | <b>(4.8)</b>  | <b>26.5</b>   | <b>9.4</b>                                     |
| Tax   |       | <b>2.0</b>  | <b>0.7</b>  | <b>3.7</b>                                     |
|   |       | <b>(2.8)</b>  | <b>27.2</b>   | <b>13.1</b>                                    |

\*Assets represent non-current assets and assets classified as held for sale.

**(i) Profit on disposal of businesses and assets**

During the period the Group disposed of property, plant and equipment and assets classified as held for sale primarily in Ireland and the UK.

In 2015, the Group disposed of the Pinnacle lifestyle bakery business in Australia from the Taste & Nutrition division and two businesses in the Consumer Foods division in the UK. The Consumer Foods businesses were classified as held for sale in 2014. Additionally, the Group disposed of property, plant and equipment and assets classified as held for sale, primarily in the US and Ireland.

A net tax charge of **€0.4m** (30 June 2015: a tax credit of €0.7m; 31 December 2015: a tax credit of €1.7m) arose on the disposal of businesses and assets.

**(ii) Acquisition integration and restructuring costs**

During the period, acquisition integration and restructuring costs of **€6.9m** (30 June 2015: €nil; 31 December 2015: €7.8m) related to costs of integrating acquisitions into the Group's operations and transaction expenses incurred in completing acquisitions. In the period ended 30 June 2016, a tax credit of **€2.4m** (30 June 2015: a tax credit of €nil; 31 December 2015: a tax credit of €2.0m) arose due to tax deductions available on acquisition integration and restructuring costs.

**(iii) Impairment of assets held for sale**

There were no impairments of assets held for sale recorded in the period. In 2015, assets classified as held for sale were impaired to their value less costs to sell by €5.3m.

**4. Finance income and costs**

|   | Half year<br>ended<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2015<br>Unaudited<br>€m | Year<br>ended<br>31 Dec. 2015<br>Audited<br>€m |
|---|---|---|--|
| <b>Finance income:</b>                              |   |   |  |
| Interest income on deposits                         | 0.8   | 0.7   | 1.8  |
| <b>Finance costs:</b>                               |   |   |  |
| Interest payable                                    | (30.7)  | (25.3)  | (52.6)   |
| Interest rate derivative                            | (4.8)   | (5.0)   | (5.0)  |
|   | <b>(35.5)</b>   | <b>(30.3)</b>   | <b>(57.6)</b>                                  |
| Net interest cost on retirement benefits obligation | (4.4)   | (6.7)   | (13.5)   |
| <b>Finance costs</b>                                | <b>(39.9)</b>   | <b>(37.0)</b>   | <b>(71.1)</b>                                  |

The interest rate derivative cost represents credit value adjustments to the fair values of derivative financial instruments designated in a hedge relationship of **€4.8m** (30 June 2015: €5.0m; 31 December 2015: €5.0m).

**Notes to the Condensed Consolidated Interim Financial Statements** (continued)  
for the half year ended 30 June 2016

**5. Earnings per A ordinary share**

|  | Half year ended<br>30 June 2016<br>Unaudited |              | Half year ended<br>30 June 2015<br>Unaudited |              | Year ended<br>31 Dec. 2015<br>Audited |              |
|--|--|--------------|--|--------------|---------------------------------------|--------------|
|  | EPS<br>cent                                  | €m           | EPS<br>cent                                  | €m           | EPS<br>cent                           | €m           |
| <b>Basic earnings per share</b>                                |  |              |  |              |                                       |              |
| Profit after taxation and attributable to owners of the parent | 126.4  | 222.4        | 135.2  | 237.8        | 298.7                                 | 525.4        |
| Brand related intangible asset amortisation                    | 5.8  | 10.2         | 4.8  | 8.4          | 10.6                                  | 18.7         |
| Non-trading items (net of related tax)                         | 1.6  | 2.8          | (15.5)                                       | (27.2)       | (7.4)                                 | (13.1)       |
| <b>Adjusted earnings</b>                                       | <b>133.8</b>                                 | <b>235.4</b> | <b>124.5</b>                                 | <b>219.0</b> | <b>301.9</b>                          | <b>531.0</b> |
| <b>Diluted earnings per share</b>                              |  |              |  |              |                                       |              |
| Profit after taxation and attributable to owners of the parent | 126.2  | 222.4        | 135.0  | 237.8        | 298.4                                 | 525.4        |
| Adjusted earnings  | 133.6  | 235.4        | 124.4  | 219.0        | 301.5                                 | 531.0        |

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

|  | Number of<br>Shares<br>30 June 2016<br>Unaudited<br>m's | Number of<br>Shares<br>30 June 2015<br>Unaudited<br>m's | Number of<br>Shares<br>31 Dec. 2015<br>Audited<br>m's |
|--|---|---|---|
| <b>Number of Shares</b>                          |   |   |   |
| Basic weighted average number of shares          | 175.9   | 175.9   | 175.9   |
| Impact of share options outstanding              | 0.3   | 0.2   | 0.2   |
| <b>Diluted weighted average number of shares</b> | <b>176.2</b>  | <b>176.1</b>  | <b>176.1</b>  |

**Shares issued during the period**

During the period a total of **97,016** A ordinary shares, were issued at the nominal value of **12.50** cent per share under the Long Term Incentive Plan.

The total number of shares in issue at 30 June 2016 was **175,981,485** (30 June 2015: 175,875,719; 31 December 2015: 175,884,469).

**6. Dividends**

|   | Half year<br>ended<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2015<br>Unaudited<br>€m | Year<br>ended<br>31 Dec. 2015<br>Audited<br>€m |
|---|---|---|--|
| <b>Amounts recognised as distributions to equity shareholders in the period</b>   |   |   |  |
| Final 2015 dividend of <b>35.00</b> cent per A ordinary share paid 13 May 2016<br>(Final 2014 dividend of 31.50 cent per A ordinary share paid 15 May 2015) | 61.6  | 55.4  | 55.4   |
| Interim 2015 dividend of 15.00 cent per A ordinary share paid 13 November 2015  | -   | -   | 26.4   |
|   | <b>61.6</b>   | <b>55.4</b>   | <b>81.8</b>                                    |

Since the end of the period, the Board has proposed an interim dividend of **16.80** cent per A ordinary share. The payment date for the interim dividend will be 18 November 2016 to shareholders registered on the record date as at 14 October 2016. These Condensed Consolidated Interim Financial Statements do not reflect this dividend.

**7. Retirement benefits obligation**

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

|   | Half year<br>ended<br>30 June 2016<br>Unaudited<br>€m | Half year<br>ended<br>30 June 2015<br>Unaudited<br>€m | Year<br>ended<br>31 Dec. 2015<br>Audited<br>€m |
|---|---|---|--|
| Net recognised deficit in plans before deferred tax       | (377.7)   | (435.0)   | (305.7)  |
| Net related deferred tax asset                            | 63.8  | 73.9  | 52.4   |
| <b>Net recognised deficit in plans after deferred tax</b> | <b>(313.9)</b>  | <b>(361.1)</b>  | <b>(253.3)</b>                                 |

The defined benefit post-retirement schemes' liabilities at 30 June 2016 have been rolled forward from the 31 December 2015 position and updated to reflect material movements in underlying assumptions over the period. The Group's defined benefit post-retirement schemes' assets at 30 June 2016 are measured at market value.

The increase in the net deficit before deferred tax for the period to 30 June 2016 of €72.0m was accounted for by an increase in the underlying present value of the schemes' liabilities of €142.4m which was partially offset by an increase in the value of the schemes' assets of €70.4m. The increase in the present value of the schemes' liabilities was mostly due to a decrease in discount rates in the Eurozone, the UK and US partially offset by foreign exchange movements in the period. The increase in the schemes' assets was due to on-going cash contributions and an investment return of approximately 7% partially offset by foreign exchange movements in the period.

**Notes to the Condensed Consolidated Interim Financial Statements** (continued)  
for the half year ended 30 June 2016

**8. Financial instruments**

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

|                                      | Loans & Other<br>Financial<br>Assets/(Liabilities)<br>at Amortised Cost<br>€m | Liabilities at<br>Fair Value<br>through Profit<br>or Loss<br>€m | Derivatives<br>Designated<br>as Hedging<br>Instruments<br>€m | Total Net Debt<br>by Category<br>€m |
|--------------------------------------|---|---|--|-------------------------------------|
| <b>Assets:</b>                       |   |   |  |                                     |
| Interest rate swaps                  | -   | -   | 161.1  | 161.1                               |
| Cash at bank and in hand             | 329.8   | -   | -  | 329.8                               |
|                                      | <b>329.8</b>  | <b>-</b>  | <b>161.1</b>   | <b>490.9</b>                        |
| <b>Liabilities:</b>                  |   |   |  |                                     |
| Interest rate swaps                  | -   | -   | -  | -                                   |
| Bank loans                           | (31.1)  | -   | -  | (31.1)                              |
| Senior notes                         | (1,926.2)   | (53.3)  | -  | (1,979.5)                           |
| <b>Borrowings</b>                    | <b>(1,957.3)</b>  | <b>(53.3)</b>   | <b>-</b>   | <b>(2,010.6)</b>                    |
|                                      | <b>(1,957.3)</b>  | <b>(53.3)</b>   | <b>-</b>   | <b>(2,010.6)</b>                    |
| <b>At 30 June 2016 - unaudited</b>   | <b>(1,627.5)</b>  | <b>(53.3)</b>   | <b>161.1</b>   | <b>(1,519.7)</b>                    |
| <b>Assets:</b>                       |   |   |  |                                     |
| Interest rate swaps                  | -   | -   | 148.4  | 148.4                               |
| Cash at bank and in hand             | 177.8   | -   | -  | 177.8                               |
|                                      | <b>177.8</b>  | <b>-</b>  | <b>148.4</b>   | <b>326.2</b>                        |
| <b>Liabilities:</b>                  |   |   |  |                                     |
| Interest rate swaps                  | -   | -   | (6.2)  | (6.2)                               |
| Bank loans                           | (370.2)   | -   | -  | (370.2)                             |
| Senior notes                         | (1,200.4)   | (26.2)  | -  | (1,226.6)                           |
| <b>Borrowings</b>                    | <b>(1,570.6)</b>  | <b>(26.2)</b>   | <b>-</b>   | <b>(1,596.8)</b>                    |
|                                      | <b>(1,570.6)</b>  | <b>(26.2)</b>   | <b>(6.2)</b>   | <b>(1,603.0)</b>                    |
| <b>At 30 June 2015 - unaudited</b>   | <b>(1,392.8)</b>  | <b>(26.2)</b>   | <b>142.2</b>   | <b>(1,276.8)</b>                    |
| <b>Assets:</b>                       |   |   |  |                                     |
| Interest rate swaps                  | -   | -   | 169.9  | 169.9                               |
| Cash at bank and in hand             | 236.4   | -   | -  | 236.4                               |
|                                      | <b>236.4</b>  | <b>-</b>  | <b>169.9</b>   | <b>406.3</b>                        |
| <b>Liabilities:</b>                  |   |   |  |                                     |
| Interest rate swaps                  | -   | -   | (6.5)  | (6.5)                               |
| Bank overdrafts                      | (5.2)   | -   | -  | (5.2)                               |
| Bank loans                           | (33.2)  | -   | -  | (33.2)                              |
| Senior notes                         | (1,979.8)   | (31.7)  | -  | (2,011.5)                           |
| <b>Borrowings and overdrafts</b>     | <b>(2,018.2)</b>  | <b>(31.7)</b>   | <b>-</b>   | <b>(2,049.9)</b>                    |
|                                      | <b>(2,018.2)</b>  | <b>(31.7)</b>   | <b>(6.5)</b>   | <b>(2,056.4)</b>                    |
| <b>At 31 December 2015 - audited</b> | <b>(1,781.8)</b>  | <b>(31.7)</b>   | <b>163.4</b>   | <b>(1,650.1)</b>                    |

As part of the Group's debt portfolio it holds US\$750m of senior notes issued in 2013 and US\$600m of senior notes issued in 2010. At the time of issuance, US\$250m of the 2013 senior notes and US\$500m of the 2010 senior notes were swapped, using cross currency swaps, to euro. In addition the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, to US dollar. Since issuance, there has been no impact on the Condensed Consolidated Income Statement arising from foreign exchange rate movements as the hedge accounting applied on the open cross currency swaps has resulted in the recognition of a total accumulated fair value gain to date of **€131.1m** (30 June 2015: €137.8m; 31 December 2015: €153.4m), directly offset by a total accumulated fair value charge to date of **€131.1m** (30 June 2015: €137.8m; 31 December 2015: €153.4m) resulting from the translation of the underlying hedged foreign currency borrowings at the balance sheet rates.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of **€53.3m** (30 June 2015: €26.2m; 31 December 2015: €31.7m) 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 underlying cross currency interest rate swap.

**Notes to the Condensed Consolidated Interim Financial Statements** (continued)  
for the half year ended 30 June 2016

**8. Financial instruments** (continued)

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

|           | Pre CCS<br>Half year ended<br>30 June 2016<br>€m | Notional CCS<br>Half year ended<br>30 June 2016<br>€m | Post CCS<br>Half year ended<br>30 June 2016<br>€m | Half year ended<br>30 June 2015<br>€m | Year ended<br>31 Dec. 2015<br>€m |
|-----------|--|---|---|---------------------------------------|----------------------------------|
| Euro      | (476.6)  | (483.8)   | (960.4)   | (552.2)                               | (1,054.4)                        |
| Sterling  | 62.1   | -   | 62.1  | 59.0                                  | 19.4                             |
| US Dollar | (1,165.4)  | 483.8   | (681.6)   | (824.1)                               | (693.9)                          |
| Other     | 60.2   | -   | 60.2  | 40.5                                  | 78.8                             |
|           | (1,519.7)  | -   | (1,519.7)   | (1,276.8)                             | (1,650.1)                        |

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

|                                      | On demand &<br>up to 1 year<br>€m | Up to 2 years<br>€m | 2 - 5 years<br>€m | > 5 years<br>€m  | Total<br>€m      |
|--------------------------------------|-----------------------------------|---------------------|-------------------|------------------|------------------|
| Cash at bank and in hand             | 329.8                             | -                   | -                 | -                | 329.8            |
| Interest rate swaps                  | 19.8                              | -                   | 56.8              | 84.5             | 161.1            |
| Bank loans                           | (31.1)                            | -                   | -                 | -                | (31.1)           |
| Senior notes                         | (168.6)                           | -                   | (199.3)           | (1,611.6)        | (1,979.5)        |
| <b>At 30 June 2016 - unaudited</b>   | <b>149.9</b>                      | <b>-</b>            | <b>(142.5)</b>    | <b>(1,527.1)</b> | <b>(1,519.7)</b> |
| Cash at bank and in hand             | 177.8                             | -                   | -                 | -                | 177.8            |
| Interest rate swaps                  | -                                 | 20.5                | 57.8              | 63.9             | 142.2            |
| Bank loans                           | (33.9)                            | -                   | (336.3)           | -                | (370.2)          |
| Senior notes                         | -                                 | (171.3)             | (200.4)           | (854.9)          | (1,226.6)        |
| <b>At 30 June 2015 - unaudited</b>   | <b>143.9</b>                      | <b>(150.8)</b>      | <b>(478.9)</b>    | <b>(791.0)</b>   | <b>(1,276.8)</b> |
| Cash at bank and in hand             | 236.4                             | -                   | -                 | -                | 236.4            |
| Interest rate swaps                  | -                                 | 22.7                | 61.8              | 78.9             | 163.4            |
| Bank overdrafts                      | (5.2)                             | -                   | -                 | -                | (5.2)            |
| Bank loans                           | (33.2)                            | -                   | -                 | -                | (33.2)           |
| Senior notes                         | -                                 | (176.4)             | (205.7)           | (1,629.4)        | (2,011.5)        |
| <b>At 31 December 2015 - audited</b> | <b>198.0</b>                      | <b>(153.7)</b>      | <b>(143.9)</b>    | <b>(1,550.5)</b> | <b>(1,650.1)</b> |

In April 2015 the Group agreed a 5 year €1,100m revolving credit facility. In April 2016 the Group exercised a 1 year extension option on the revolving credit facility.

At 30 June 2016, the Group had undrawn committed bank facilities of €1,100m, comprising primarily of a revolving credit facility maturing in 2021.

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<br>Hierarchy | 30 June 2016<br>Unaudited<br>€m | 30 June 2015<br>Unaudited<br>€m | 31 Dec. 2015<br>Audited<br>€m |
|--|-------------------------|---------------------------------|---------------------------------|-------------------------------|
| <b>Financial assets</b>  |                         |                                 |                                 |                               |
| Interest rate swaps  | Level 2                 | 161.1                           | 148.4                           | 169.9                         |
| Forward foreign exchange contracts                             | Level 2                 | 23.5                            | 14.2                            | 20.2                          |
| Financial asset investments: Fair value through profit or loss | Level 1                 | 31.5                            | 27.7                            | 29.9                          |
| Available-for-sale   | Level 3                 | 4.1                             | 4.1                             | 4.1                           |
| <b>Financial liabilities</b>                                   |                         |                                 |                                 |                               |
| Forward foreign exchange contracts                             | Level 2                 | (13.2)                          | (45.4)                          | (25.1)                        |
| Interest rate swaps  | Level 2                 | -                               | (6.2)                           | (6.5)                         |

There have been no transfers between levels and there was no movement for the financial asset investments categorised at Level 3 for the current period.

**Notes to the Condensed Consolidated Interim Financial Statements (continued)**  
for the half year ended 30 June 2016

**8. Financial instruments (continued)**

b) Fair value of financial instruments carried at amortised cost

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

|                              | Fair Value Hierarchy | Carrying Amount<br>30 June 2016<br>Unaudited<br>€m | Fair Value<br>30 June 2016<br>Unaudited<br>€m | Carrying Amount<br>30 June 2015<br>Unaudited<br>€m | Fair Value<br>30 June 2015<br>Unaudited<br>€m | Carrying Amount<br>31 Dec. 2015<br>Audited<br>€m | Fair Value<br>31 Dec. 2015<br>Audited<br>€m |
|------------------------------|----------------------|--|---|--|---|--|---|
| <b>Financial liabilities</b> |                      |  |   |  |   |  |   |
| Senior notes - Public        | Level 2              | (1,399.2)  | (1,481.5)                                     | (665.0)  | (631.3)                                       | (1,428.7)  | (1,398.6)                                   |
| Senior notes - Private       | Level 2              | (527.0)  | (559.0)                                       | (535.4)  | (564.1)                                       | (551.1)  | (566.7)                                     |
|                              |                      | (1,926.2)  | (2,040.5)                                     | (1,200.4)  | (1,195.4)                                     | (1,979.8)  | (1,965.3)                                   |

c) Valuation principles

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

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

**9. Effect of exchange translation adjustments on the Condensed Consolidated Balance Sheet**

|  | Half year ended<br>30 June 2016<br>Unaudited<br>€m | Half year ended<br>30 June 2015<br>Unaudited<br>€m | Year ended<br>31 Dec. 2015<br>Audited<br>€m |
|--|--|--|---|
| <b>(Decrease)/increase in assets</b>                               |  |  |   |
| Property, plant and equipment                                      | (33.2)   | 64.2   | 53.4  |
| Intangible assets  | (50.6)   | 93.3   | 66.2  |
| Financial asset investments  | (1.4)  | 2.0  | 2.8   |
| Inventories  | (16.7)   | 34.2   | 23.6  |
| Trade and other receivables  | (13.0)   | 27.2   | 10.7  |
| Cash at bank and in hand   | (2.7)  | 9.8  | 0.5   |
| Assets classified as held for sale                                 | (0.3)  | 1.4  | 0.9   |
| <b>Decrease/(increase) in liabilities</b>                          |  |  |   |
| Trade and other payables   | 53.2   | (82.6)   | (60.6)                                      |
| Tax liabilities  | 1.8  | (2.0)  | (1.1)                                       |
| Financial liabilities  | 33.4   | (67.6)   | (92.4)                                      |
| Retirement benefits obligation                                     | 5.9  | (20.5)   | (15.2)                                      |
| Other non-current liabilities                                      | 5.0  | (2.4)  | (10.7)                                      |
| Deferred tax liabilities   | 1.7  | (4.2)  | (0.3)                                       |
| Provisions   | 2.6  | (1.2)  | (2.9)                                       |
| Deferred income  | 0.2  | (0.5)  | (0.5)                                       |
| Retained earnings  | (0.8)  | (1.6)  | (0.7)                                       |
| Cumulative exchange difference on translation recycled on disposal | -  | 0.5  | 0.8   |
|  | (14.9)   | 50.0   | (25.5)                                      |

The above exchange translation adjustments arise primarily on the retranslation of the Group's opening net investment in its foreign currency subsidiaries.

**Notes to the Condensed Consolidated Interim Financial Statements (continued)**  
for the half year ended 30 June 2016

**10. Business combinations**

In March 2016 the Group acquired 100% of the shares of Jungjin Food Co. Limited, which is a provider of taste technologies and systems in South Korea. In June 2016 the Group acquired 100% of the shares of Vendin S.L., which is engaged in the production and distribution of dry beverage solutions for the food service channel in Spain.

The total consideration for these acquisitions was **€22.4m**, with no deferred element. Transaction expenses related to these acquisitions were charged against non-trading items in the Group's Condensed Consolidated Income Statement during the period and represented less than one percent of the total consideration.

The provisional net assets acquired before combination were **€5.8m** and the Group recognised goodwill on these acquisitions of **€16.6m**. 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. None of the goodwill is expected to be deductible for income tax purposes.

The acquisition method of accounting has been used to consolidate the businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, the above values are determined provisionally. 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 2015 there have been no material revisions of the provisional fair value adjustments since the initial values were established.

**11. Events after the balance sheet date**

Since the period end, the Group has proposed an interim dividend of **16.80** cent per A ordinary share (see note 6).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 30 June 2016.

**12. General information**

These unaudited Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2016 are not full financial statements and were not reviewed by the auditors. The Board of Directors approved these Condensed Consolidated Interim Financial Statements on 3 August 2016. The figures disclosed relating to 31 December 2015 have been derived from the consolidated financial statements which were audited, received an unqualified audit report and have been filed with the Registrar of Companies.

These Condensed Consolidated Interim Financial Statements have been prepared on the going concern basis. 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 December trading. 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](http://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 volume growth year-on-year from on-going business, excluding volumes from acquisitions net of disposals.

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

#### Revenue Reconciliation

|                   | Volume growth | Price  | Transaction currency | Translation currency | Acquisitions/ Disposals | Reported revenue growth |
|-------------------|---------------|--------|----------------------|----------------------|-------------------------|-------------------------|
| Taste & Nutrition | 3.5%          | (2.2%) | (0.2%)               | (3.8%)               | 5.3%                    | 2.6%                    |
| Consumer Foods    | 2.3%          | (2.1%) | (0.3%)               | (3.1%)               | (3.8%)                  | (7.0%)                  |
| Group             | 3.2%          | (2.2%) | (0.2%)               | (3.7%)               | 3.2%                    | 0.3%                    |

### 2. EBITDA

EBITDA represents profit after taxation and attributable to owners of the parent before finance income and costs, income taxes, depreciation (net), intangible asset amortisation and non-trading items.

|   | H1 2016<br>€m | H1 2015<br>€m |
|---|---------------|---------------|
| <b>Profit after taxation and attributable to owners of the parent</b> | <b>222.4</b>  | 237.8         |
| Finance income  | (0.8)         | (0.7)         |
| Finance costs   | 39.9          | 37.0          |
| Income taxes  | 33.7          | 34.5          |
| Non-trading items   | 4.8           | (26.5)        |
| Intangible asset amortisation   | 21.6          | 17.4          |
| Depreciation  | 66.9          | 61.0          |
| <b>EBITDA</b>   | <b>388.5</b>  | 360.5         |

### 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 considered to hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

### 4. Trading Margin

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

### 5. Non-trading Items

Non-trading items refers to gains or losses on the disposal of businesses, disposal of assets (non-current assets and assets classified as held for sale), costs in preparation of disposal of assets, material acquisition transaction costs and material acquisition integration and restructuring costs. It is determined by management that each of these items relate to events or circumstances that are non-recurring in nature.

### 6. Operating Profit

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

### 7. Adjusted Earnings Per Share

In addition to the basic and diluted earnings per share, an adjusted earnings per share is also provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation and 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.

|   | H1 2016<br>EPS<br>cent | H1 2015<br>EPS<br>cent |
|---|------------------------|------------------------|
| Basic earnings per share                    | 126.4                  | 135.2                  |
| Brand related intangible asset amortisation | 5.8                    | 4.8                    |
| Non-trading items (net of related tax)      | 1.6                    | (15.5)                 |
| <b>Adjusted earnings per share</b>          | <b>133.8</b>           | 124.5                  |

A full reconciliation of adjusted earnings per share is provided in note 5 of these Condensed Consolidated Interim Financial Statements.

EPS growth is a key performance metric as it encompasses all the components of growth that are important to the Group's stakeholders. Volume growth and margin expansion are the two key drivers of EPS growth.

### 8. Free Cash Flow

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

Free Cash Flow is seen as an important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment or for return to shareholders. Movement in average working capital is used when calculating free cash flow as management believes this provides a more accurate measure of the increase or decrease in working capital needed to support the business over the course of the period rather than at two distinct points in time. Movement in average working capital measures more accurately fluctuations caused by seasonality and other timing factors. Below is a reconciliation of free cash flow to the nearest IFRS measure, which is 'Net cash from operating activities'.

|   | H1 2016<br>€m | H1 2015<br>€m |
|---|---------------|---------------|
| <b>Net cash from operating activities</b>   | <b>255.4</b>  | 184.5         |
| Difference between movement in average working capital and movement in the period end working capital | 178.8         | 112.5         |
| Payments on acquisition integration and restructuring costs   | 7.0           | 12.8          |
| Purchase of assets  | (73.5)        | (124.5)       |
| Proceeds from the sale of assets*   | 10.6          | 3.0           |
| Capital grants received   | -             | 2.3           |
| Exchange translation adjustment   | 0.8           | 1.6           |
| <b>Free cash flow</b>   | <b>379.1</b>  | 192.2         |

\*Assets represent non-current assets and assets classified as held for sale.



## **FINANCIAL DEFINITIONS** (continued)

### **9. Financial Ratios**

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lender's 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 9 these ratios are calculated in accordance with lender's facility agreements and these agreements specifically require these adjustments in the calculation.

### **10. Return on Average Equity (ROAE)**

This measure is defined as profit after tax and attributable to owners of the parent before non-trading items (net of tax) and brand related intangible asset amortisation expressed as a percentage of average equity. Average equity is calculated by taking an average of the shareholders' funds over the last three reported balance sheets plus an additional €528m relating to goodwill written off to reserves pre conversion to IFRS.

ROAE 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 shareholders have invested in the Group.

### **11. Return on Average Capital Employed (ROACE)**

This measure is defined as profit after tax and attributable to owners of the parent 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. 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 €528m relating to goodwill written off to reserves pre conversion to IFRS.

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.

### **12. Cash Flow Return on Investment (CFROI)**

CFROI is calculated as free cash flow before finance costs (net) expressed as a percentage of average capital employed. Average capital employed for the CFROI calculation is the same as that used for ROACE. CFROI is important as it measures the Group's cash return on invested assets.