Better nutrition
Enriching lives

Glanbia plc | Annual Report and Accounts 2016

Glanbia plc is a global nutrition group, dedicated to delivering better nutrition for every step of life's journey.

Delivering our vision

Capabilities

Our core capabilities and assets enable us to achieve our growth ambitions.

Read more in **What sets us apart** on page 17

Consumers

Our relentless focus on our customers' and consumers' needs places us at the heart of major global market trends in food and nutrition.

Read more in **Market review** on page 18

Culture

We foster a culture of shared values and behaviours across the organisation which enable, energise and support our employees.

Read more in **Our people** on page 32

Our shares are listed on the Irish and London Stock Exchanges (symbol: GLB).

find out more at glanbia.com

Lift the flap to learn more about Glanbia

Highlights of 2016

Consistent double-digit growth

Adjusted Earnings Per Share of 87.66 cent an increase of 11.2% (constant currency)

Strong Operating Cashflow of €354.4 million

Developed and diversified our business through acquisitions and organic investments

Adjusted Earnings Per Share	Revenue	EBITA
87.66c	€2.8bn	€305.1m
+10.8%[1]	+2.7%[1]	+12.6%[1]
+11.2%[2]	+2.8%[2]	+12.5%[2]

EBITA Margin	Operating Cashflow	Dividend
10.7%	€354.4m	13.31c
+90bps[1]	+25.9%[1]	+10%[1]
+90bps[2]	+25.6%[2]	

1 Reported.
2 Constant currency.

For definitions and more information on constant currency and other performance measures see the glossary on pages 186 to 193.

Forward-looking statements
Glanbia plc ('the Group') has made forward-looking statements in this Annual Report that are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements include, but are not limited to, information concerning the Group's possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words 'believe,' 'develop,' 'ensure,' 'arrive,' 'achieve,' 'anticipate,' 'maintain,' 'grow,' 'aim,' 'deliver,' 'sustain,' 'should' or the negative of these terms or similar expressions. Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any forward-looking statements. The risk factors included at pages 14 to 16 of this Annual Report could cause the Group's results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. These forward-looking statements are made as of the date of this Annual Report. The Group expressly disclaims any obligation to update these forward-looking statements other than as required by law.

The forward-looking statements in this Annual Report do not constitute reports or statements published in compliance with any of Regulations 4 to 9 and 26 of the Transparency (Directive 2004/109/EC) Regulations 2007.

As an Irish incorporated Group, the Strategic report does not constitute a Strategic report for the purposes of the UK Companies Act 2006 (Strategic report and Directors' report) Regulations 2013 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and the Remuneration Committee report does not constitute a remuneration report for the purposes of the UK Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations.

Glanbia: At a glance

A Global Nutrition Group
Clear purpose, vision and values

€2.8bn
Revenue

Products sold or distributed in over 130 countries

3
Innovation focused centres of excellence

6.1 billion
Litres of milk processed

Global footprint
Presence in 32 countries. Group headquarters in Ireland

World's #1
Global performance nutrition brand portfolio

glanbia

Glanbia: An Irish language expression for clean food

#1
Producer of American-style cheddar cheese

6,200+
Employees globally

#1
Global whey protein, nutritional solutions

#1
Irish consumer milk and cream brand

26
Production facilities including Joint Ventures & Associates

9
Performance nutrition brands each with its own brand essence and appeal

Dedicated to delivering better nutrition for every step of life's journey

We employ over 6,200 people across 32 countries and our products are sold or distributed in over 130 countries. Our major production facilities are located in Ireland, the US, the UK, Germany and China. We have two global growth platforms in Glanbia Performance Nutrition and Glanbia Nutritionals. We have a strong heritage in Dairy Ireland and have key strategic long-term partnerships in our Joint Ventures & Associates.

GROWTH PLATFORMS

Glanbia Performance Nutrition

Glanbia Performance Nutrition is the global leader in the performance nutrition business. It has a portfolio of nine brands ranging in appeal across a range of nutrition consumers from hardcore performance nutrition to mainstream nutrition.

Read more in **Operations review** on **page 22**

Glanbia Nutritionals

Glanbia Nutritionals is a provider of sophisticated and innovative nutritional solutions and is the number one marketer of American-style cheddar cheese.

Read more in **Operations review** on **page 24**

Dairy Ireland

Dairy Ireland is comprised of two businesses. Consumer Foods Ireland is a leading supplier of branded consumer products to the Irish market, including standard and fortified milks, cheese, butter and cream. Agribusiness supplies inputs to the Irish agri-sector and is the leading purchaser and processor of grain in Ireland, and the leading manufacturer of branded animal feed.

Read more in **Operations review** on **page 26**

Joint Ventures & Associates

Our primary Joint Ventures & Associates are Southwest Cheese, a large scale manufacturer of cheese and whey, based in the US, Glanbia Ingredients Ireland, a leading European dairy processor and Glanbia Cheese, a leading European mozzarella producer.

Read more in **Operations review** on **page 27**

Group Chairman's statement

Delivering sustainable shareholder returns

Highlights of 2016

- Strong 2016 performance and solid financial metrics;
- Group on track strategically with growth in both of our global platforms; and
- Further embedded the Group's purpose, vision and values and translated these into organisational behaviours.

Dear shareholder,

Guided by our vision to become a top performing nutrition company, I am delighted to report that Glanbia has delivered another strong performance in 2016. We have, over the years, invested in a geographic presence, a diverse and sophisticated product portfolio, and industry-leading operational and technical capabilities that together give us a competitive advantage. Key to our success are our unique culture and values, and the importance we place on our relationships with all our stakeholders. We listen to our people, our investment community and our customers to craft and implement our strategy and this allows us to succeed on the world stage.

Solid performance

In 2016, we made strong progress. Group revenue remained strong at €2.8 billion, wholly owned EBITA increased 12.6% to €305.1 million (12.5% constant currency). Growth in adjusted Earnings Per Share was 10.8% (11.2% constant currency). Our performance during the year was strong, despite challenging dairy markets. However, there is no room for complacency and I am mindful that any company that trades in more than 130 countries in the current environment must be prepared, as we are, to contend with unexpected challenges. We will continue to develop our two global growth platforms, Glanbia Performance Nutrition (GPN) and Glanbia Nutritionals (GN), which together accounted for 89.9% of wholly owned EBITA in 2016.

Shareholder returns

Total Shareholder Return (TSR) is a Key Performance Indicator (KPI) for Glanbia as it reflects our key strategic objective of maximising returns to shareholders. Elements of our executive and senior management incentive programmes are also linked to TSR, aligning the Glanbia long-term incentive plan with shareholder interests. Glanbia TSR for the three years to the end of 2016 was 46.1%. This three-year performance reflects the benefits of the Group's growth strategy and the focus on our global growth platforms.

Governance and Board changes

Strong corporate governance is fundamental to success and our ability to meet our strategic priorities and deliver value over the longer term. In keeping with the Board governance changes agreed by shareholders at the Extraordinary General Meeting (EGM) in 2012, we implemented a significant reduction in the size of the Board during the year. This reduction in the number of Board seats held by Glanbia Co-operative Society Limited (the "Society") reflect the first agreed reduction in Board composition. Therefore four Non-Executive Directors nominated by the Society; Tom Grant, Brendan Hayes, Patrick Hogan and Eamon Power retired as Directors of the Company on 9 May 2016, reducing the number of Society Nominee Directors

> "We continue to focus on developing and diversifying our business, through acquisitions and organic investments."
>
> **Henry Corbally**
> Group Chairman

from 14 to 10. Separately Jim Gilsenan and Matthew Merrick also informed the Board that they will retire at the Company's AGM in April 2017. I would like to thank them for their excellent contribution over the course of their tenure.

Progressive dividend

The Board is recommending a final dividend of 7.94 cent per share bringing the total dividend for 2016 to 13.31 cent per share, representing an increase of 10%. The Annual General Meeting (AGM) will be held on 26 April 2017 in the Lyrath Estate Hotel, Old Dublin Road, Kilkenny, Ireland. Subject to approval at the AGM, dividends will be paid on 28 April 2017 to shareholders on the register of members as of 17 March 2017. Irish withholding tax will be deducted at the standard rate where appropriate.

Our people

We take the Board's role in establishing the culture and values of the organisation very seriously and see it as a key attribute to our success. I am impressed with the progress we have made in employee engagement with our 2016 employee engagement 'Pulse Survey' revealing that 87% of our employees are proud to work for Glanbia. More detail can be found on how our organisation continues to evolve and develop the next generation of leaders within the culture section of this report on pages 32 to 35.

On behalf of the Board, I would like to offer all our employees my gratitude for their hard work and dedication that has helped to deliver another successful year for the Group in 2016. With their support and commitment we look forward to further progress in 2017.

Conclusion

Our strategy of focusing on growing the business through acquisitions and organic investments is continuing to work well. Glanbia has signed a non-binding memorandum of understanding agreement with the Society to divest 60% of Glanbia plc's share in the Dairy Ireland segment. This transaction is expected to be completed by mid-2017, subject to the negotiations of final transaction related agreements and an approval vote of the shareholders of both Glanbia and the Society. The Group also made two acquisitions Amazing Grass and Body & Fit in early 2017. In addition we are also in advanced discussions to form a new Joint Venture in the US to build a large scale cheese and whey facility. Our Group MD Siobhán Talbot will give more detail in her statement.

Henry Corbally
Group Chairman

Glanbia's core values

Our **core values** guide how we act, make decisions and interact with all our stakeholders.

THE CUSTOMERS' CHAMPION

PERFORMANCE MATTERS

FIND A BETTER WAY

WINNING TOGETHER

SHOWING RESPECT

Group Managing Director's review

Focus on growth and strategic initiatives

Highlights of 2016

- Seven years of double-digit growth;
- Successfully integrated thinkThin into our Glanbia Performance Nutrition brand portfolio;
- Implemented a major reorganisation and rebranding of Glanbia Nutritionals into one global organisation;
- Delivered on Group's capital investment programme of €89.5 million; and
- Embedded the Group's purpose, vision and values.

Dear shareholder,

I am delighted to report that Glanbia enters 2017 in good shape. Seven years of double-digit growth and a portfolio of exciting consumer performance nutrition brands and sophisticated nutritional ingredients leave us well positioned to harness opportunity and withstand challenges. Over those seven years, we have seen significant evolution in our markets, our customers and our consumers as well as periods of significant input cost volatility. We have actively responded to these changes and the strength and resilience of Glanbia, coupled with the unfailing support of our stakeholders, customers and consumers ensured we sustained our growth momentum.

It has been an exciting start to 2017 and we have made progress on a number of key strategic initiatives which will define the future shape and direction of the Group.

The wholly owned businesses of Glanbia are increasingly focused on higher margin ingredient and consumer branded portfolios with a significant amount of our primary dairy processing activities now conducted through Joint Venture & Associate partnerships. Aligned with this strategy we are progressing two acquisitions in Glanbia Performance Nutrition (GPN) and are in advanced discussions on two dairy ventures with partners in Ireland and the US.

With the acquisitions of Amazing Grass and Body & Fit we will broaden our GPN business and extend our branded capabilities in the plant-based nutrition category and direct to consumer channel. From both a product and a channel perspective these acquisitions are highly complementary to our existing GPN portfolio and we will invest in the coming years to build further on the existing strengths to drive future growth.

From a dairy perspective, as noted by our Group Chairman, we have signed a non-binding memorandum of understanding to sell 60% of the Dairy Ireland segment to Glanbia Co-operative Society Limited (the "Society"). This proposal, if completed, will broaden the existing partnership in Ireland between Glanbia and the Society with a view to creating one integrated Irish-based organisation encompassing Glanbia Ingredients Ireland and Dairy Ireland (Consumer Foods Ireland and Agribusiness), and this new entity will be renamed Glanbia Ireland. Glanbia Ireland will be a scale business, 40% owned by Glanbia and 60% owned by the Society with the ambition and capability to support the growth ambitions of the Irish supply base. This ambition is demonstrated by the planned further investment in processing capacity of between €250 million – €300 million in the period to 2020, funded largely by debt facilities within Glanbia Ireland.

In addition, consistent with our core capability to build and operate large scale dairy facilities we are in advanced discussions to create a new joint venture to build a large scale cheese and whey plant in the State of Michigan, US. Glanbia will own 50% of the joint venture and Dairy Farmers of America Inc., Michigan Milk Producers Association and Foremost Farms USA will collectively own the remaining 50% share. The total project cost is anticipated to be approximately $400 million – $425 million with the majority of the investment expected to be financed through debt facilities within the joint venture. The plant is expected to be commissioned in late 2019. This represents an important development in the Glanbia Nutritionals (GN) strategy to maintain its leadership position in the US American-style cheddar cheese and value-added dairy ingredients markets as the commercial, technical and operational support to this joint venture will be provided through our GN infrastructure.

All of these initiatives demonstrate a desire to play to our strengths and are aligned to our vision to be one of the world's top performing nutrition companies.

Business performance

In 2016, we made very good progress in implementing our strategy and delivering on our financial targets. We achieved a reported growth in adjusted Earnings Per Share (EPS) of 10.8%, and on a constant currency basis we delivered 11.2% adjusted EPS growth. Operating Cashflow was strong and improved by 25.9% to €354.4 million. We also achieved a Return on Capital Employed (ROCE) of 12.9% thereby delivering on three of our key strategic performance metrics.

Glanbia Performance Nutrition

GPN continues to build on its firm foundations through both organic growth and the integration of our 2015 acquisition, thinkThin. The overall 2016 results demonstrate strong and sustained momentum with EBITA up 20% and margins at 16.1% up 130 basis points on a constant currency basis.

The US remains our largest market for GPN, a market which was challenging, particularly in quarter three of 2016. Lower input costs drove a higher level of promotional activity by all participants in the sector. Over the course of the year there has also been some evidence of a shift in the US market. While the specialty retail channel remains the largest route to market for performance nutrition products, there is some channel shift by consumers to the Internet and Food, Drug and Mass channels as demand for performance nutrition products continues to attract new consumers into the category.

The performance of GPN in 2016 demonstrates a strong ability to navigate these evolving landscapes. In 2016 we invested strategically in our brands and coupled with a strong focus on innovation, maintained branded like-for-like volume growth at 6.1%. Our thinkThin brand, which we acquired in December 2015, performed well in the period with strong sales momentum.

Continuing to build on our consumer insight and innovation capabilities are integral to the drive for growth and for this reason we have invested in a new state-of-the art innovation centre at Downers Grove, Chicago, Illinois. This investment will help ensure that GPN continues to deliver a pipeline of successful product launches.

Glanbia Nutritionals

GN delivered a good performance in 2016 with EBITA up 4.5% and margins at 9.1%, up 30 basis points, on a constant currency basis. GN's performance is all the more impressive against a backdrop of challenging dairy markets. The reshaping of the GN organisation is largely complete and the business is poised for future momentum.

Our GN capabilities include a leading position in American-style cheese and Nutritional Solutions. We continue to run our cheese plants efficiently and at full capacity, and demand in the cheese retail and food service remain solid.

Nutritional Solutions is a leader in advanced-technology whey and plant nutrition, vitamin and mineral premixes and specialist beverage capabilities. Recent investments in high-end whey production capacity and increased demand from our key customers in this segment of the business resulted in good volume growth in 2016.

Dairy Ireland and Joint Ventures & Associates

Dairy Ireland and Joint Ventures & Associates delivered good EBITA improvements on the prior year.

Overall, Dairy Ireland delivered a satisfactory performance with volume increases contributing to its performance. In our Joint Ventures & Associates, volume growth, largely driven by increased milk processed in Glanbia Ingredients Ireland helped offset the impact of declining dairy markets.

We continue to have a strong partnership with Milk Member LLP, in Southwest Cheese (SwC) and we have finalised agreements for the 25% expansion of the cheese and whey facility in Clovis, New Mexico. It is expected that the total project cost of approximately $140 million will be independently financed by SwC.

Culture

Our values continue to influence how we operate. Our success has always rested with our people and we will continue to build on this foundation in the years ahead. We enjoy strong engagement with our employees and our employee engagement 'Pulse Survey', taken in 2016 reinforced this view, with an overall engagement score of 87%. This was up five percentage points on 2015, a significant advance on what was already a very high score. We take pride in the depth of commitment by our people, a commitment demonstrated by the feedback that 91% would recommend Glanbia's products and services to their friends or family.

2017 outlook

We are planning to conclude the Dairy Ireland transaction by mid-2017. On a pro-forma basis Glanbia expects the adjusted EPS of the continuing Group to grow between 7%-10% constant currency in 2017.

Growth in 2017 is expected to be more evenly balanced across GPN and GN. GPN growth will be driven by organic brand development and innovation as well as a contribution from recent acquisitions. GPN expects like-for-like branded revenues to grow in the mid-single digit range with EBITA margins expected to be in the mid-teen range. GN expects EBITA growth in 2017 to be driven by continued growth in the value-added portfolio of Nutritional Solutions.

While the global landscape in which we operate will undoubtedly throw up challenges, we believe that there is also lots of opportunity and we will continue to innovate and develop high quality ingredients and brands that support the desires of our consumers to lead healthy lives.

Siobhán Talbot
Group Managing Director

Business model

Delivering better nutrition

Driven by our **purpose** to deliver better nutrition for every step of life's journey we serve salient trends in society. We do this through our consumer insights, core capabilities and strong culture.

Our **vision** is to be one of the world's top performing nutrition companies trusted to enrich lives every day.

Capital Inputs

- Natural and sustainable
- Manufactured
- Intellectual
- Human
- Financial
- Social and relationships

Source

Our core ingredients are pure and clean ingredients, such as milk and grains, from the primary producers. In addition we source inputs from other food manufacturers across the globe. This requires an in-depth understanding of our raw ingredients markets and the development of long-term, mutually beneficial relationships with producers to secure supply.

How we do it

Through worldwide facilities that meet the most stringent standards and our supplier partnerships around the globe, we ensure flexibility, responsiveness and solid supply chains.

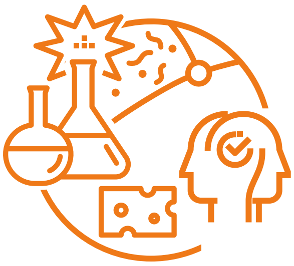
Our Capabilities

Our core capabilities and assets enable us to achieve our growth ambitions.

Read more on page 17

Develop

We apply our deep sector knowledge, collaborative approach and innovative thinking to turn raw ingredients into branded consumer products and high-quality functional products and ingredients for our customers and consumers worldwide. Our innovative mindset and deep relationships foster a culture of co-creation for mutual benefit.



How we do it

Business-to-Consumer (B2C)

Innovation sits at the heart of our business and we continuously develop new products and formats. Our consumer brands include a range of formats such as powders, drinks, capsules, tablets and bars. We also manufacture substantially all of our own brands.

Business-to-Business (B2B)

Our nutritional solutions business is a leading marketer of advanced-technology whey protein, specialist vitamin and mineral blends, plant-based ingredients and functional beverages. We are also the leading marketer of American-style cheddar cheese in the US.

Sell

We are the global leader in the performance nutrition industry with a portfolio of nine leading consumer brands. As a nutritional solutions provider in the B2B arena, we commercialise specialty nutritional and functional ingredients and precision premixes to meet our customer needs.

How we do it

B2C

Each of our performance nutrition solutions has its own brand essence and consumer appeal. We are in the top three performance nutrition brands in over 20 countries. We also produce some of the leading Irish consumer food and agribusiness brands.

B2B

Our portfolio of both nutritional ingredients and cheese gives us greater market reach and customer relevance. We work hand-in-hand with our customers and develop products that exceed their expectations.

Outputs

- Socio-economic uplift
- Committed people
- Loyal customers and consumers
- Engaged shareholders
- Environmental awareness

How we do it

Our Consumers

Our relentless focus on our customers' and consumers' needs places us at the heart of major global market trends in food and nutrition.

Read more on page 18

Our Culture

We foster a culture of shared values and behaviours across the organisation which enable, energise and support our employees.

Read more on page 32

Creating sustainable value

Strategic objective
To maximise total returns to shareholders.

Key Performance Indicators (KPIs)
We monitor our long-term progress by measuring growth or improvement in seven financial KPIs and two non-financial KPIs. These KPIs have been identified by the Board as the most relevant to delivering the Group's strategy and objectives.

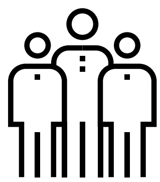
See pages 10 to 11 for more about our **KPIs.**

Strategic Priority
Maintain and grow our global leadership in performance nutrition

Strategic Priority
Sustain current and drive further ingredient market leadership in nutritional solutions

Strategic Priority
Grow through organic investment programme and acquisition/partner with complementary businesses

Strategic Priority
Develop talent, culture and values in line with our growing global scale



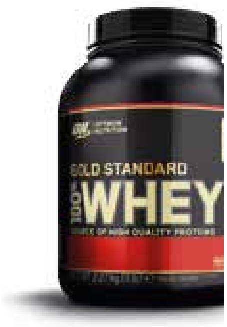
2016 progress

Delivered strong EBITA and margin growth through brand development, innovation and strong focus on operational efficiencies;

Achieved consumer insight-led innovation across new formats and channels; and

Successfully integrated thinkThin, leveraging the platform for healthy snacks and bars.

Strategy-in-action:
Read more about Performance Nutrition brands on page 22.



2017 targets

Commission GPN innovation centre to enhance our product offering and capabilities and drive further growth;

Continue to drive branded revenue growth across all markets; and

Pursue M&A opportunities and continue to expand GPN's consumer and channel reach.

2016 progress

Delivered mid-single digit EBITA earnings growth through further progression in value-added ingredients;

Implemented organisational redesign and leveraged commercial and strategic capabilities to deliver our customers' requirements; and

Expanded our innovation capabilities in functional ingredients across key growth sectors.

Strategy-in-action:
Read more about the Nutritional Solutions business on page 24.

2017 targets

Build on 2016 and deliver earnings growth through further progression in value-added ingredients and cheese;

Informed by market, customer and consumer insight, continue to innovate in the ingredients space to exceed the needs of our customers; and

Expand GN through organic growth, acquisitions and strategic partnership.

2016 progress

Successfully completed a capital expenditure programme of €89.5 million – focusing on our two strategic businesses GPN and GN;

Progressed acquisition of plant protein and greens superfood business 'Amazing Grass' and online sports and wellness brand 'Body & Fit' in early 2017 to expand GPN's product offering; and

Finalised a 25% capacity expansion investment plan in our cheese and whey Southwest Cheese facility in Clovis, New Mexico. This will be commissioned in 2018.

Strategy-in-action:
Read more about our Amazing Grass acquisition on page 23.

2017 targets

Finalise Joint Venture plans to build a large scale cheese and whey plant in the State of Michigan, US to expand our GN business;

Continue to develop an acquisition pipeline to grow our portfolio across the performance nutrition and ingredients sectors;

Complete capital expenditure programme of approximately €100 million; and

Develop recently acquired platforms of 'Amazing Grass' and 'Body & Fit'.

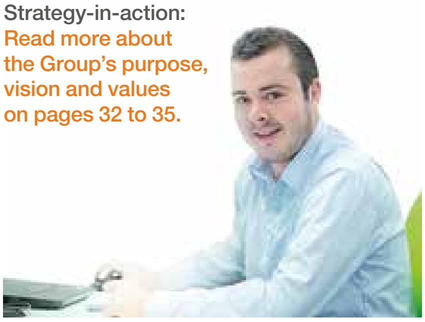
2016 progress

Further embedded values and behaviours across the Group and completed an employee engagement Pulse Survey;

Developed leadership talent programme to secure pipeline of our next generation of leaders and renewed focus on career development and succession planning; and

Evolved a new HR strategy focusing on leadership, talent, culture and operational effectiveness.

Strategy-in-action:
Read more about the Group's purpose, vision and values on pages 32 to 35.



2017 targets

Continue to embed our purpose, vision and values across all levels of the Group, with an employee centric approach;

Roll out HR transformation programme, focusing on talent acquisition; and

Drive greater linkages between career pathways, values performance and reward across the Group.

Key Performance Indicators

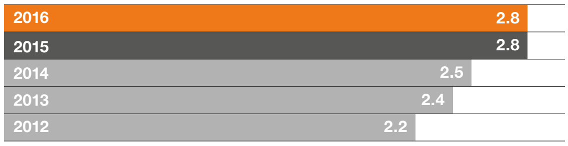
Delivering growth

We monitor our performance by measuring KPIs that we believe are important to our longer term success. Performance against some of these KPIs is linked to the remuneration arrangements of our Executive Directors and senior executives.

Definitions of KPIs are contained in the glossary on pages 186 to 193.

Revenue

€2.8bn

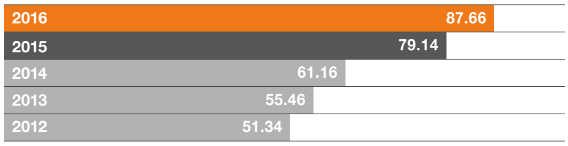


Strategic relevance
While movements in commodity dairy markets can influence revenue movements in a specific year, revenue growth, when viewed over a period of time, is an indicator of how Glanbia is succeeding in developing the Group through its on-going investment and acquisitions programme.

Performance
In 2016, revenue was €2.8 billion, up 2.7% reported, an increase of 2.8% constant currency on 2015. Volume increases of 3.5% across all segments were more than offset by price declines, with acquisitions accounting for a 3.3% increase in revenues.

Adjusted Earnings Per Share[1,2]

87.66c



Strategic relevance
Adjusted Earnings Per Share (EPS) is an important measure of the profitability of the Group as it represents the underlying profit of the Group per equity share in issue.

Performance
Adjusted EPS was 87.66 cent, up 10.8% reported, 11.2% constant currency on 2015. This is the seventh consecutive year of double-digit constant currency EPS growth. The compound annual growth rate in adjusted EPS from 2012 to 2016 was 14.3%.

Link to Strategic Priorities

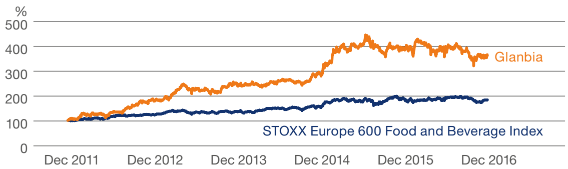
- Grow performance nutrition
- Organic and acquisitional growth
- Sustain and drive nutritional solutions
- Develop talent, culture and values

NF Non-Financial Key Performance Indicators

1. Performance condition of Glanbia's Annual Incentive Scheme.
2. Performance condition of Glanbia's Long Term Incentive Plan.

Total Shareholder Return[2]

(6.2%) one year **+46.1%** three years

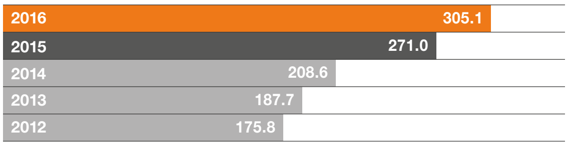


Strategic relevance
Total Shareholder Return (TSR) reflects the value delivered to shareholders arising from the ownership of Glanbia's shares plus dividends reinvested. Relative TSR, compared to a specific peer group or market index, is an important measure of how successful the Group has been in terms of shareholder value creation, compared with its peers over the same time period.

Performance
Glanbia's TSR in 2016 was a negative 6.2% following positive returns of 33.2% in 2015 and 16.9% in 2014. TSR over the three-year period of 2014 to 2016 was 46.1%. Five-year TSR was 257.1%. Glanbia's share price at the end of the financial year was €15.78 (2015: €16.95) underperforming the STOXX Europe 600 Food and Beverage Index by 5.4% in 2016.

EBITA[1]

€305.1m

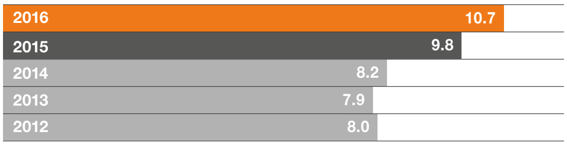


Strategic relevance
EBITA is a measure of the trading profitability of the Group, excluding intangible asset amortisation. The exclusion of intangible asset amortisation aids comparability between our segments that have grown organically and those that have grown by acquisition.

Performance
EBITA was €305.1 million in 2016 up 12.6% reported and up 12.5% constant currency on 2015. The compound annual growth rate in EBITA from 2012 to 2016 was 14.8%.

EBITA margin

10.7%

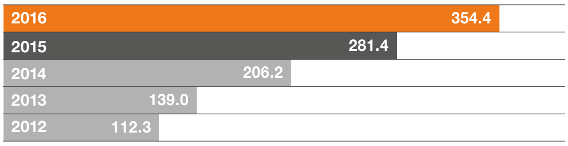


Strategic relevance
The Group has a portfolio of businesses with a range of EBITA margins. Long-term improvement in EBITA margin demonstrates how the Group's strategy to focus on higher growth, higher margin products and segments is being successfully implemented.

Performance
EBITA margin in 2016, was 10.7%, up 90 basis points, on 2015. Increased EBITA and EBITA margins were reported from each wholly owned segment as a result of higher branded sales in GPN, improved value-added nutritional sales in GN, lower input costs across all businesses and the full-year contribution of the thinkThin acquisition.

Operating Cashflow[1]

€354.4m

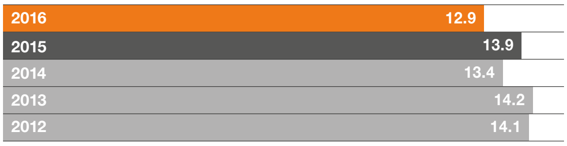


Strategic relevance
Operating Cashflow (OCF) measures the cash generated from operations before interest and tax payments and before strategic capital expenditure. It is a measure of the ability of the Group to convert trading profits to cash, which is then available for strategic investments and dividend payments.

Performance
OCF was €354.4 million, up €73.0 million on 2015, a 25.6% increase when the impact of currency is excluded. Increased earnings and continued management of working capital were the main contributors to this increase.

Return on Capital Employed[2]

12.9%



Strategic relevance
Return on Capital Employed (ROCE) measures the efficiency of the Group's organic and acquisition investment programmes as well as the utilisation of its assets. The strategic target is to maintain a minimum ROCE of 12%.

Performance
The ROCE in 2016 decreased by 100 basis points to 12.9% (2015: 13.9%). This was driven primarily by the growth in reported EBITA, more than offset by the near-term dilutive effect of recent acquisitions.

Employee Engagement

NF

Objective: Foster a skilled, motivated and engaged team.

Employee Engagement
Our focus is on embedding our purpose, vision and values across all levels of the Group. This will deliver the culture required to support, energise and develop our current and future people.

Performance
Overall engagement score

87%

(+5% 2015)

Willis Towers Watson independently co-ordinate the engagement reviews on our behalf and compile all the survey responses to enable the Senior Leadership Teams to understand how we're progressing at Business Unit and functional level. The 2016 employee engagement results were very encouraging, demonstrating enhanced awareness of our purpose, vision and values coupled with increased integrity and respect scores.

See **Our Employee Pulse Survey** on **page 35** for more detail

Glanbia Risk Management System

NF

Objective: Generate heightened operational risk awareness to help protect the safety of our people, the wider community and the environment.

Glanbia Risk Management System (GRMS)
GRMS is the operational risk management system in place across the Glanbia Group. It covers a number of key risk areas with assessment and ranking levels based on international risk management standards. The annual on-site assessments are conducted by an independent third party to help drive a continuous improvement culture across our sites with each individual site awarded a Level 1 to Level 5 overall score.

Performance
Recommendations were developed by the independent assessor to address the key improvement opportunities and management progress against these recommendations will be centrally monitored.

All locations maintained or improved their individual site rating from the prior year.

See **Risk management** on **page 12** for more detail

Embedding effective risk management

The Board has ultimate responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board's aim is to anticipate and address changes to the Group's business and risk environment that may impact the delivery of the Group's strategic objectives. This is achieved by working to ensure that a robust risk management culture exists throughout the organisation.

While risk management is a regular agenda item at Board meetings, it also conducts a detailed consideration of the impact of the Group's principal risks during the annual Group strategy process. This is designed to ensure that the Board understands both the key risks existing within the business and newly emerging risks together with the methods by which these risks are managed. Overall, the Board is satisfied that its risk management and internal control processes are robust but, as with all practices, continuous improvement and a fresh challenge is required to remain effective. The Board also considered its obligations in relation to providing both the annual Going Concern Statement and Viability Statement. Its review and conclusions in this regard are outlined in the Corporate Governance Report on page 51.

Our risk management framework

Our risk management framework diagram outlines the key stakeholder risk management responsibilities within our risk management framework. It is designed to ensure that there is input across all levels of the business to the management of risk which allows us to remain responsive to the ever changing environment in which we operate.

TOP-DOWN

Oversight, identification, assessment and mitigation of risk at Group level

THE BOARD

- Develops the Group's vision and strategic priorities
- Defines the organisational Code of Conduct and culture
- Sets risk appetite and tolerance
- Monitors the nature and extent of the Group's principal risk exposures versus the defined risk appetite

GROUP OPERATING EXECUTIVE

Forms organisational structure.

Implements the Group's strategic objectives.

Monitors performance, risk exposure, mitigation and internal controls.

Supports the Group Senior Leadership Team.

AUDIT COMMITTEE

Reviews the design and implementation of the Group's risk management and internal control systems.

Supports the Board in monitoring risk exposure versus risk appetite.

GROUP INTERNAL AUDIT

Supports the Audit Committee in reviewing the effectiveness of the Group risk management and internal control systems.

Monitors actions taken by management.

Reports regularly to the Audit Committee.

GROUP SENIOR LEADERSHIP TEAM

Risk ownership

Identifies, measures and assigns risk management roles and responsibilities at operational level

Risk awareness

Ensures risk management processes and internal control systems are embedded within each Business Unit

Risk monitoring

Monitors business performance and uses risk management to support decision making

Risk reporting

Encourages open communication on risk matters and reports to the Group Operating Executive, Audit Committee and the Board

BOTTOM-UP

Oversight, identification, assessment and mitigation of risk at Business Unit level and across key Group functional areas

Our risk management process

Our risk management process aims to support the delivery of the Group's strategy by managing the risk of failing to achieve business objectives. By focusing our risk management system on the early identification of key risks, it enables us to conduct a detailed consideration of the existing level of mitigation and the management actions required to either reduce or remove the risk.

The Board and management use the same process to assess and manage risks within our material Joint Ventures & Associates as it does for the remainder of the Group. This includes being:

- Subject to a detailed annual strategy and budget review where key risks are considered; and
- Fully assessed through our Group-wide risk register, operational site risk and food safety and quality processes. We also hold Board positions in all such entities where key risk matters are fully considered.

Where the reduction or removal of the risk is not possible, the Group formulates a management action plan to respond to the risk should the risk materialise. Our risk management process is as follows:

Group Senior Leadership Team

Each Business Unit management team and functional lead is required to maintain a risk register on an on-going basis. New or emerging risks are added to the risk register as they are identified. The register ensures consistency of approach in reporting of risks and requires management to:

- Identify and classify each risk as financial, operational, strategic or regulatory;
- Assess the inherent risk impact, likelihood and the speed at which the impact of the risk could materialise;
- Identify mitigation measures;
- Generate a management action plan if required to address the residual risk;
- Allocate an owner who has responsibility for the timely implementation of the agreed action plan; and
- Report on implementation of strategies to address risk exposures.

Consolidation & review of the Group key risk summary

Internal Audit prepares regular Group risk summary reports based on information submitted by management throughout the year. These reports include:

- An analysis of the key Group risks in terms of impact (assessed over the following 12 months within defined monetary terms), likelihood of occurrence (assessed based on defined probabilities of occurrence) and velocity (the speed at which the impact of the risk could materialise);
- A summary of the key movements in the identified risks;
- Management action plans to help manage the key residual risk exposures; and
- An overview of the broader organisational and business risks.

The Group Operating Executive reviews this report regularly during the year. The Audit Committee and the Board perform a bi-annual review, with interim updates from management on significant issues.

Management and Board review

The Board regularly monitors the risk management and internal control systems. The focus of the Board during such reviews is to ensure that the Group residual risk position is within their risk appetite. The Group Operating Executive and the Audit Committee, supported by Internal Audit, are entrusted with ensuring that appropriate measures are in place to validate the strength of internal controls and risk mitigation.

The Audit Committee further developed its level of oversight of certain principal risks in 2016 through receiving presentations from management and Group functional leads. Presentations were received from the Group Head of Quality and Food Safety, Group Head of Tax, Group Finance Director, Business Unit legal teams, the Group Corporate Development Director and Group IT.

On-going monitoring

The quality and consistency of risk reporting is supported through a number of other monitoring and reporting processes including:

- Annual Group strategy process and Board presentations;
- Bi-annual control self-assessment and management representation letter processes;
- Regular business reviews of the key financial and operational performance within each Business Unit;
- Monthly detailed finance reviews; and
- The externally assessed GRMS.

Senior management are also required, when presenting a business update to the Board or Audit Committee, to provide detailed presentations on their individual Business Unit key risks, the mitigating controls and the residual risk exposures.

Principal risks and uncertainties

Principal risks and uncertainties

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that may threaten our business model, future performance, solvency or liquidity. Key risks are identified based on the likelihood of occurrence and potential impact on the Group using the process outlined on page 13. In 2017 the principal risks and uncertainties affecting the Group's performance continue to be:

- Economic, industry, political and tax risk
  - Macroeconomic and global trade uncertainty continues to increase, partly as a result of Brexit (the United Kingdom (UK) electorate voting to leave the European Union). While the immediate direct impacts of this decision are limited, currency volatility, further movement in discount rates and other economic uncertainties will require on-going monitoring by the Group.
- Market risk
  - The overall impact on margins of movements in dairy pricing particularly in whey markets. This includes the extent to which low whey market pricing supports a heavily promotion led, price deflationary competitive environment for GPN, particularly in the US market.

The Group's approach to financial risks, including currency risk, interest rate risk, liquidity and cashflow risk, price risk and credit risk is to centrally manage these risks against comprehensive policy guidelines, details of which are outlined in Note 31 'Derivative financial instruments and financial risk management' on pages 161 to 170. The Board regularly reviews these policies. The Group's use of financial instruments is also described in Note 31.

There may be other risks and uncertainties that are not yet considered material or not yet known to us and this list will change if these risks assume greater importance in the future. Likewise some of the current risks will drop off the key risks schedule as mitigating management action plans are implemented or changes in the operating environment occur.

Link to Strategic Priorities

Grow performance nutrition | Sustain and drive nutritional solutions | Organic and acquisitional growth | Develop talent, culture and values

Economic, industry and political risk

Risk trend Increasing

Our performance is influenced by global economic conditions, consumer confidence and the stability of the markets in which we operate.

Potential impact

Deterioration in economic growth or consumer confidence, significant currency movements, political instability or civil disturbances may impact Business Unit performance and the achievement of growth targets.

Mitigation

The Board regularly assesses key market trends and implications for Group performance and strategic objectives. Corrective actions are identified and implemented as required.

Our strategy is aimed at the continued extension of our geographic spread, focusing on key customer relationships and investment in new product development which will help to shelter the Group from short-term economic fluctuations.

Developments in 2016

Macroeconomic and global trade uncertainty continues to increase, partly as a result of Brexit. While the immediate direct impacts of this decision are limited from a Group perspective, currency volatility, further movement in interest rates and other economic uncertainties will require on-going monitoring by the Group.

2017 Focus Areas

Potential impact of the changing political environments, including the progression of Brexit.

Tax risk

Risk trend Increasing

The Group's tax optimisation strategy may be impacted by legislative changes to local or international tax rules.

Potential impact

The Group may be exposed to additional tax liabilities.

Mitigation

The Group employs a team of tax professionals to support the Group in ensuring compliance with legislative requirements globally.

We constructively engage with tax authorities where appropriate and we engage advisors to clarify tax legislation to ensure we achieve compliance with relevant tax law across the jurisdictions in which we operate.

Developments in 2016

Monitoring and preparing for any changes called for by the 15 Actions of the Base Erosion and Profit Shifting project (including Country by Country Reporting) and potential US tax reform.

2017 Focus Areas

Monitoring further developments in international tax legislation.

Strategy risk

Risk trend Stable

We may adopt an incorrect business strategy in relation to market opportunities or fail to obtain accurate and relevant competitive intelligence before entering particular international markets.

Potential impact

Sudden or extreme changes in local conditions or in regulatory requirements may result in a negative impact to financial performance, possible restrictions on future growth opportunities or potential impairments.

Mitigation

As an established international business, the Group already operates in many countries with differing, and in some cases potentially fast-changing, competitive, economic, social and political conditions. Detailed market knowledge is assembled using a team of internal and external experts and potential risk exposures are assessed in advance of establishing operations.

Developments in 2016

GN largely completed a process to reshape its operating model in order to support our growth ambitions and to best position us for future opportunities.

GPN has also enhanced its organisational structure and continues to evolve its strategy by expanding into new channels.

2017 Focus Areas

Ensuring accurate and relevant data is available to support key decision making.

Market risk

Risk trend Stable

Increasing competition across certain channels through high promotional activity, competitor product innovation and channel shifts provides an on-going challenge.

Potential impact

Potential adverse effect on the Group's financial performance if we fail to adapt successfully where and when required to meet market challenges.

Mitigation

We limit the impact of prolonged competitor challenges through continued channel and international expansion including targeted acquisitions.

We protect our market positions by actively monitoring the major trends impacting our businesses.

We invest in research and development expenditure focused on value-added and customer-specific solutions and invest in promotional activities where required.

Developments in 2016

The performance nutrition landscape continues to be fast moving and competitive, with changes in consumer channel preferences and aggressive promotional activity among competitors.

2017 Focus Areas

Continuing focus on developing consumer insights and trends in all areas of the business.

Continued focus on serving our customers and consumers across different geographies.

Driving innovation across the business.

Customer concentration risk

Risk trend Stable

The Group benefits from close commercial relationships with a number of key customers.

Potential impact

The loss of one or more of these customers, or a significant deterioration in commercial terms, could have a material impact on Group profitability.

Mitigation

The Group has developed strong relationships with major customers by focusing on superior customer service, product innovation, quality assurance and cost competitiveness.

The Board regularly reviews its exposure to individual customers and considers the impact of acquisitions where relevant.

Credit exposure is actively reviewed and managed including the use of credit insurance where possible.

Developments in 2016

The restructuring of the GN segment during 2016 will enable us to further grow as an innovative agile insight-led organisation, aligned to customer requirements and consumer trends.

2017 Focus Areas

Using our consumer insights to fuel our innovation pipeline in GN and GPN.

Supplier risk

Risk trend Stable

The principal Group ingredient supply risk relates to the risk of not achieving an appropriate balance between sustainable milk supply and cost. Milk availability can fluctuate from quarter-to-quarter and year-to-year with resulting impacts on plant production levels.

Potential impact

Adverse impact on earnings. The relative whey pricing dynamic between base and high-end whey can also have a significant impact, when our ability to pass pricing volatility back to suppliers is constrained by competitive pressures.

Mitigation

Market pricing is continually evolving and the market environment can change quickly. As a result, our milk procurement strategy teams work to ensure the business remains competitive in its supplier offerings.

We work to ensure that the focus is not solely on pricing but also on non-pricing value-added initiatives.

We have developed a number of risk management tools across our business to protect from dairy market volatility.

Developments in 2016

GN has continued to engage proactively with the patron supplier base on milk procurement policy and milk price to underpin long-term sustainable supply.

Continuing fixed milk price and other innovations within Glanbia Ingredients Ireland.

2017 Focus Areas

Monitoring the milk procurement environment to ensure that our total offering remains competitive.

Management of economies of scale at plant production level.

Acquisition risk

Risk trend Stable

The anticipated benefits of acquisitions may not be achieved if the Group is unable to identify suitable targets, conduct full and proper due diligence, raise the required funds, complete the transaction or properly integrate the operations of the acquired businesses.

Potential impact

Below expected performance of the acquired business and the diversion of management attention to integration efforts could result in significant value destruction, impacting the Group's profitability and growth objectives.

Mitigation

The Group has acquisition integration processes in place to monitor the performance of acquired businesses and to implement corrective actions.

Board approval of the business case and funding requirements for all significant investments is obtained.

Mandatory post-acquisition completion reviews are conducted, with updates to the Audit Committee at regular intervals.

Acquired entity management teams are typically strengthened by the transfer of experienced Glanbia managers, which assists in increasing the efficiency of integration efforts.

Developments in 2016

Management continually monitor the marketplace to identify potential acquisitions which fit with our Group portfolios.

The integration of thinkThin has progressed well and complements and extends our market leading brand portfolios.

2017 Focus Areas

Acquisition decisions will be focused on the achievement of our strategic priorities.

Installation of Glanbia supporting systems in Amazing Grass and Body & Fit.

Principal risks and uncertainties continued

Talent management risk

Risk trend Stable

The Group is dependent upon our global talent to deliver best in class portfolio management, brand management, operational excellence, science-based innovation and strong customer relationships.

Potential impact

A failure to retain, attract and/or develop key talent will impact on our ability to create sustainable value for all our stakeholders.

Mitigation

The Group has implemented strong recruitment processes, effective HR policies and procedures, long-term incentives, robust succession management planning and a range of talent management initiatives including a focused graduate recruitment programme and a Group management development programme.

Developments in 2016

We continued to embed our Group purpose, vision and value statements and successfully introduced the 'Leading the Glanbia Way' programme for our management level staff.

Defined a new HR operating model to enhance the ability of our support functions.

2017 Focus Areas

Developing appropriate responses to our employee engagement Pulse Surveys.

Embedding the defined Glanbia values and behaviours.

IT and cyber security risks

Risk trend Increasing

The Group is dependent on robust IT systems and infrastructure for most of our principal business processes.

Potential impact

A successful cyber-attack on our IT infrastructure may result in significant disruption to our operating performance. There is also a risk of reputational damage due to the potential loss of sensitive financial, personal and commercial information.

Mitigation

The Group maintains a global system for the control and reporting of access to our critical IT systems. This is supported by on-going testing of access controls, which include data leakage/loss risk assessments.

We have policies in place regarding the protection of both business and personal information, as well as the use of IT systems and applications by our employees.

We have systems in place (including on-going audit activities) to monitor compliance with relevant privacy laws and regulations.

Developments in 2016

The frequency of coordinated cyber-attacks continued to increase during 2016 with a number of major organisations falling victim to the evolving threat profile. The regulatory environment supporting data protection is also becoming more stringent.

2017 Focus Areas

Enhancing our integration of IT systems post acquisitions and Group monitoring controls.

Site compliance risk and environmental, H&S regulation risk

Risk trend Stable

The risk of non-compliance with regulations pertaining to building and fire codes and/or zoning restrictions resulting in a loss of capacity at a major site or a breach of environment or Health & Safety (H&S) regulations.

Potential impact

H&S risks, reputational damage, regulatory penalties and an inability to service customer requirements.

Mitigation

The Group monitors overall safety and loss prevention performance through the independently assessed GRMS. The results are presented to and considered by the Audit Committee on an annual basis.

The Group continues to invest in energy efficiency advancements, carbon reduction and emission management programmes.

Developments in 2016

An enhanced emphasis was placed on ensuring all key business operations have updated business continuity plans in place with detailed simulation exercises conducted on a number of our key operating sites.

2017 Focus Areas

Monitoring evolving regulatory requirements.

Enhancement of our H&S training programmes.

Product safety and compliance risk

Risk trend Stable

A breakdown in control processes may result in contamination of products and/or raw materials resulting in a breach of existing food safety legislation and potential consumer or employee illness.

Potential impact

Reputational damage, regulatory penalties or restrictions, product recall costs, compensation payments, lost revenues and reduced growth potential. The sudden introduction of more stringent regulations such as additional labeling requirements may also cause operational difficulties.

Mitigation

The Group has in place processes and control procedures to ensure we conform to all relevant food safety and quality regulations and aims to employ best practice across all its production facilities to maintain the highest standards by focusing on:

- Employing suitably qualified and experienced staff;
- Operating a supplier certification programme;
- Monitoring food safety compliance through the Glanbia Quality System (GQS). Results of GQS testing are presented to and considered by the Audit Committee on a regular basis; and
- Ensuring product liability insurance is maintained.

Developments in 2016

The Group Head of Quality and Food Safety is continuing to underpin and develop best practice across the Group.

2017 Focus Areas

Changing regulatory requirements.

Ensuring training and development of appropriate staff members.

What makes us different

We have an ambitious growth strategy underpinned by our five core capabilities.

Value generation through core competencies

Glanbia has an ambitious growth strategy underpinned by five core capabilities. The breadth of our skills and capabilities are crucial to our value generation. Our heritage in dairy along with our cutting-edge nutrition capabilities in performance nutrition, whey proteins, plant-based nutrition, specialist vitamin and mineral blends and functional beverages will enable us to achieve our vision of becoming one of the world's top performing nutrition companies.

We have a deep understanding of our customers' needs and consumer behaviour. These unique insights enable us to address and respond to the trends that drive demand. In addition our expertise in acquiring and developing new products and ingredients, all combine to make us a #1 global performance nutrition brand family and market leader in nutritional solutions and American-style cheddar cheese.

Core capabilities

Market-led, technology driven innovation

Glanbia has three innovation centres, including its global innovation centre in Ireland. The focus of the Group's innovation agenda is customer led, science-backed innovation that produces better solutions, better products and better outcomes for our customers and consumers.

Talent development

As a business operating in 32 countries with over 6,200 employees we know that the development of our people is key to our future success. We achieve this through an integrated approach to talent management and career development.

Operational excellence

We have a proven ability, demonstrated over decades, of running large-scale manufacturing facilities. We are dedicated to achieving high-quality products to meet customer food safety and quality standards and we are focused on regulatory compliance and good environmental stewardship.

Disciplined capital management

We display a strong track record of efficient capital allocation and portfolio management. We deploy a variety of structures including joint ventures which have been, and remain, critical to sustainable long-term growth.

Relationship focused

We work as a proactive and long-term business partner with our customers: delivering nutritional solutions based on market foresight and contributing to better business for our customers.

Core capabilities

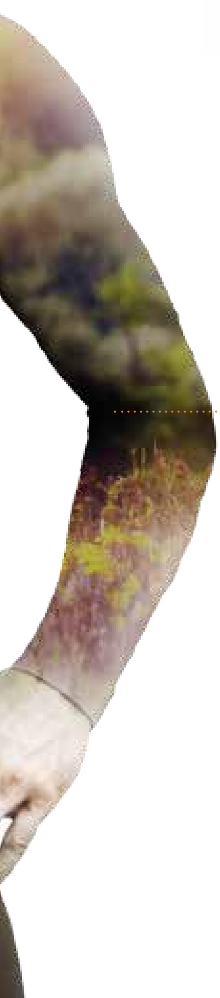
- Market-led, technology driven innovation
- Talent development
- Operational excellence
- Disciplined capital management
- Relationship focused

We utilise our understanding of consumers and global market trends to maintain our leadership positions

Our understanding of global market trends and consumer needs enable us to achieve our vision to be one of the world's top performing nutrition companies trusted to enrich lives every day.

Consumers around the globe continue to search for healthier, smarter and more convenient nutritional solutions that fit their active lifestyles and specific needs. For some people, this means gaining their performance edge, whether in a triathlon or just lapping friends on a run in the park. For others it's about keeping their edge by combining exercise and nutrition to stay lean, strong and fit in their daily lives. Whatever their inspiration, today's busy consumers want to be healthy without making sacrifices. They want their food to be nutritious, traceable and natural and at the same time look and taste great. These trends mean people everywhere are moving away from traditional meals to quick and easy healthy foods, drinks and snacks that are available in innovative and convenient formats.

Glanbia's portfolio of performance nutrition and ingredients products is addressing the growth opportunities arising from four major macrotrends: Health and wellness, Life on-the-go, Active lifestyles and Clean labeling.



Health and wellness

For most people, the true definition of health and wellness is having the energy to live an active lifestyle. This desire for improved health and physical wellness is driving demand for tailor-made lifestyle nutritional elements and supplements to provide energy without compromising on good ingredients.

US$1 trillion

GLOBAL HEALTH AND WELLNESS SALES TO HIT A RECORD HIGH OF US$1 TRILLION BY 2017

Source: Euromonitor International

How we deliver better nutrition

Nutritional Solutions

- Proven health efficacy of dairy-based ingredients (particularly proteins).
- Emerging capability in plant-based ingredients (grains/vitamins/minerals).

Consumer Brands

- GPN global brand portfolio.
- Consumer Foods Ireland fortified milks.

Read more on pages 22 to 27

Life on-the-go

With the ever-increasing pace of life, time-poor consumers favour quick bites, portable snacks and nutritious foods. Instead of eating at specific times, living on-the-go means life doesn't always stop for a full meal. Consumers are snacking throughout the day. But not all snacks are created equal and there is a growing preference towards healthier options with protein, bite-sized snacks.

94%

OF AMERICANS SNACK AT LEAST ONCE A DAY

Source: Mintel

How we deliver better nutrition

Nutritional Solutions

- Our capabilities encompass from 'straight' ingredients to bespoke blends to finished product solutions in consumer packaged format.

Consumer Brands

- GPN and Consumer Foods Ireland formats continue to evolve into convenient formats through product and packaging innovation.
- Our thinkThin acquisition increases our brand ownership in the highly convenient protein bar sector.

Read more on pages 22 to 27

Active lifestyles

For many consumers, the path to fitness is simply about becoming more active. From young to old and whether it's a daily walk or a marathon, consumers understand the importance of combining exercise with healthy eating choices.

55 million
US FITNESS CENTRES TOTAL MEMBERSHIP IN 2015

Source: Statista

How we deliver better nutrition

Nutritional Solutions

- Spanning both dairy and non-dairy ingredients we have the process technologies, product innovations and customer relationships to develop tailored solutions that meet specific customer and consumer functional and nutritional needs.

Consumer Brands

- Our entire performance nutrition brand portfolio of global and regional brands inspires consumers across a range of usage occasions to meet their performance goals.
- Recent extensions to the brand portfolio of Consumer Foods Ireland including Protein Milk and Mooju play directly into this trend.

Read more on pages 22 to 27

Clean labeling

Clean labeling is no longer a trend, it's a basic rule that plays to our strengths. The desire for natural and healthy label products continues to rise as consumers become more health-conscious and informed. They are demanding food and beverages that are natural, clean and come with a simple list of ingredients. Consumers are also concerned about the environment and are seeking ways they can make a difference by purchasing 'sustainable' food and beverages.

PROTEIN REMAINS THE UNBLEMISHED MACRONUTRIENT

Source: Nutrition Business Journal 2014 SNWL Report

Open Source Dairy

glanbia OatSecure

How we deliver better nutrition

Industry Leading Standards

- Focus on sustainable supply chains.
- Specific supplier programmes such as 'Open Source' in Ireland.

Consumer Brands

- Quality underpins our brand promise.
- Certain product offerings tailored to specific consumer needs such as natural, non-GMO and gluten-free.

Read more on pages 22 to 27

Operations review
Glanbia Performance Nutrition

Building the world's leading branded portfolio

At a glance

Glanbia Performance Nutrition (GPN) is the number one global performance nutrition business.

Our products
GPN is the global leader in the performance nutrition industry. Our brands participate across a range of formats such as powders, capsules and tablets, drinks, smoothies, bites and bars and are sold in a variety of channels such as internet, specialty and mass retail. Innovation sits at the heart of our business and we continuously develop new products.

Our brands
Our portfolio is comprised of nine brands – Optimum Nutrition, BSN, Isopure, Nutramino, ABB, trusource, thinkThin, Amazing Grass and Body & Fit. Each has its own brand essence and consumer appeal. Our products are sold in over 100 countries and we are in the top three performance nutrition brands in over 20 countries.

"We have made two acquisitions within the plant-based nutrition category and the direct to consumer channel."

Hugh McGuire
CEO Glanbia Performance Nutrition

Glanbia Performance Nutrition

€m	FY 2016	Reported FY 2015	Change	Constant Currency Change
Revenue	1,007.5	923.1	+9.1%	+9.7%
EBITA	162.6	135.6	+19.9%	+20.0%
EBITA margin	16.1%	14.7%	+140bps	+130bps

* Commentary is on a constant currency basis throughout.

2016 performance*

GPN delivered a strong performance in 2016 delivering EBITA of €162.6 million which was a 20.0% increase on the prior year. Revenues increased by 9.7% reflecting a volume increase of 5.0% and a contribution of 9.5% from the acquisition of thinkThin. This was offset by a net price decline of 4.8%. Margins increased by 130 basis points versus the prior year to 16.1%.

Volume growth was broad based across all geographic regions with like-for-like branded volume growth of 6.1%. Overall like-for-like branded revenue growth was 2.6% with volume growth offset by price declines as a result of the increased promotional environment in 2016. Core performance nutrition consumers continue to drive growth globally with GPN augmenting this through innovation which targets new formats and consumers in existing and new channels. The thinkThin acquisition performed well in 2016, with growth achieved through market share and distribution gains. The margin increase was as a result of raw material price deflation and improved product mix, as contract sales as a proportion of total GPN sales declined further in 2016.

Strategy-in-action

Extending our consumer reach

Our recent acquisitions have a strong strategic fit with GPN extending its reach to new consumers and channels.

thinkThin

The acquisition of thinkThin in 2015 served to increase GPN's presence in the $3bn+ nutrition bar category and provided a strong platform for us in the 'better-for-you' convenient nutrition category and augments our brand portfolio in existing channels. The brand's unique consumer position has enabled it to extend beyond bars into other healthy snacking formats and since 2015, its portfolio has expanded to include bites, oatmeal cups and sachets and protein smoothie mix.

Amazing Grass

Amazing Grass participates in the fast growing plant-based nutrition 'Greens' and 'Superfood' categories. The brand portfolio offers plant-based organic, GMO free products to lifestyle consumers in the natural, online, food, drug and mass channels in North America. The brand is complementary to the current portfolio and positions GPN well in the plant-based nutrition market. Amazing Grass is based in California and the existing management team plan to remain with the business. Integration will largely be related to installing Glanbia supporting systems which is expected to be completed by the end of 2017.

Body & Fit

Body & Fit is an online Direct to Consumer (DTC) brand based in the Netherlands. Body & Fit's consumer base is largely in the Netherlands, Belgium and Germany. This acquisition enables GPN to have a direct presence in the rapidly growing DTC online channel. The Body & Fit management team plan to remain with the business. The transaction is subject to Dutch competition clearance and is expected to close in the first half of 2017.

Link to Strategic priorities

Good performance underpinned by volume growth

At a glance

Glanbia Nutritionals (GN) is a provider of innovative nutritional solutions to many of the world's leading brands.

Nutritional Solutions
Nutritional Solutions is a leading marketer of advanced-technology whey protein, specialist vitamin and mineral blends, plant-based ingredients and functional beverages.

US Cheese
GN is the number one marketer of American-style cheddar cheese in the US supplying to leading brand owners and other food processors.

"Our redesigned and rebranded business will enable us to leverage future market opportunities."

Brian Phelan
CEO Glanbia Nutritionals

Glanbia Nutritionals

€m	FY 2016	Reported FY 2015	Change	Constant Currency Change
Revenue	1,224.2	1,218.0	+0.5%	+0.4%
EBITA	111.8	106.6	+4.9%	+4.5%
EBITA margin	9.1%	8.8%	+30bps	+30bps

* Commentary is on a constant currency basis throughout.

2016 performance*

GN delivered a good performance in a volatile dairy market environment in 2016 reporting a 4.5% improvement in EBITA. Revenues increased by 0.4% to €1,224.2 million as volume growth of 3.2% offset pricing declines of 2.8%. The volume increase was driven by continued growth in Nutritional Solutions while price declines resulted primarily from weak dairy markets. Overall margins grew by 30 basis points to 9.1% driven by the positive mix effect from the continued growth in Nutritional Solutions. The project to create one customer facing GN organisation was implemented in 2016.

Nutritional Solutions

Nutritional Solutions delivered a good performance in 2016 with revenues of €488.3 million a 2.8%, increase on prior year. This was driven by volume improvement which more than offset price declines primarily relating to relatively weak dairy markets. Nutritional Solutions volume growth benefitted from the capacity increase in high-end whey protein production which came on stream in the fourth quarter of 2015. In addition sales of value-added systems and blends continued to grow with key customers across mainstream food & beverage, infant & clinical nutrition and performance nutrition & supplements categories. GN remains focused on growing this element of the business as these markets continue to see strong consumer demand for improved functional and nutritional products.

US Cheese

US Cheese had revenues of €735.9 million in 2016. Revenue declined by 1.2% versus 2015 mainly driven by dairy market related price declines with relatively flat volume year-on-year as plants operated broadly at full capacity. Overall demand remains solid.

Strategy-in-action

Positioning for growth

From new product ideas to more efficient processes, our innovations keep us and our customers at the forefront of the nutritional industry. Our redesigned business is poised for further momentum.

Reshaped Glanbia Nutritionals

At Glanbia, we constantly strive to find ways to better serve and partner with our customers to develop new growth opportunities and enhance our customers' service experience.

In this context, we have reshaped and rebranded GN (formerly Global Ingredients) into one global organisation to deliver to customers the full suite of Glanbia's capabilities across our cheese and nutritional solutions' platforms. Building on our strengths, GN is consumer-insight driven, has regionally focused sales teams, and is enabled by centres of excellence across areas such as product supply, innovation and strategy.

Bar Solutions

By leveraging best-in-class ingredient technical performance and R&D support combined with in-depth market knowledge that allows for adaptation, new innovation, and customisation with unparalleled speed to market, GN has earned a reputation as the leader in the 'Bar Solution' space.

The Glanbia team is committed to providing resources to support new product launches from concept all the way through commercialisation. With a dedicated team of full time bar scientists Glanbia has developed a variety of library bars, which can be used for ideation in new product development.

Strategic Joint Ventures

A core strength of GN is the capability to develop, operate and commercialise large scale cheese and whey facilities. In 2016 GN marketed a total of 420,000 metric tonnes (MT) of cheese and 30,000 MT of advanced-technology whey protein. This was mainly sourced from its wholly owned facilities and Glanbia's JV Partner Southwest Cheese (SwC). Future increases in cheese and whey supply have been secured through investments in SwC where a 25% capacity increase is scheduled to be commissioned in 2018 representing an additional 50,000 MT of cheese and 3,000 MT of advanced-technology whey protein.

For information on proposed new Joint Venture see page 27.

Link to Strategic priorities

Strong operational performance

Dairy Ireland is comprised of two businesses. Consumer Foods Ireland is a supplier of branded consumer dairy products to the Irish market and also produces long-life dairy products for export. Agribusiness supplies inputs to the Irish agri-sector and is the leading purchaser and processor of grain in Ireland, which includes high quality food grade oats. It is also the leading manufacturer of branded animal feed and has a network of over 50 retail stores focusing on the agri-sector.

Dairy Ireland

€m	FY 2016	Reported FY 2015	Change
Revenue	**616.2**	633.2	-2.7%
EBITA	**30.7**	28.8	+6.6%
EBITA margin	**5.0%**	4.5%	+50bps

2016 performance

Dairy Ireland delivered a satisfactory performance in 2016 growing EBITA by 6.6% on prior year to €30.7 million. This was driven by margin expansion of 50 basis points on revenues which declined by 2.7% year-on-year. The revenue decline was driven by a price decrease of 5.1% offset somewhat by a volume increase of 2.1% and a small contribution from an acquisition of 0.3%.

Consumer Foods Ireland

Consumer Foods Ireland delivered a good performance in the year growing value-added milk sales, further reducing costs as well as developing exports of branded long-life dairy products. This more than offset a decline in volume resulting from the loss of a private label contract during the year.

Agribusiness

Agribusiness delivered a performance in line with expectations, growing volumes of feed and fertiliser. However this was offset by price declines associated with raw material price decreases.

Avonmore Protein Milk

Avonmore Protein Milk has established itself as a credible source of protein for our consumers.

It contains extra high-quality whey and casein protein which is also a source of calcium, vitamin B12 and added vitamin D.

The brand, which extended its range of flavours in 2016, is an ideal drink for those who want extra protein in their diet. Protein milk is perfectly positioned to address growing consumer demand for convenient nutritional beverages that fit their active lifestyles and specific needs. A new flavoured range will broaden consumer appeal and add more choice and added-value to the fresh dairy sports nutrition category.

Mooju Milk

Mooju is Ireland's leading brand in the Flavoured Milk category with a 60% market share. Its great taste as well as its high protein content has seen it championed by young consumers.

Mooju is a youth brand, with all activation taking place through social media. A dedicated and lively following has built up online for the product.

Growing our dynamic partnerships

We have three strategic Joint Ventures & Associates: Glanbia Ingredients Ireland, Southwest Cheese in the US and Glanbia Cheese in the UK. Glanbia plc has a strong track record with regard to the successful operation of strategic joint ventures.

Joint Ventures & Associates (Glanbia Share)

€m	FY 2016	Reported FY 2015	Change	Constant Currency Change
Revenue	**849.1**	**893.1**	-4.9%	-3.4%
EBITA	**44.7**	**39.7**	+12.6%	+14.9%
EBITA margin	**5.3%**	**4.4%**	+90bps	+90bps

* Commentary is on a constant currency basis throughout.

2016 performance*

Joint Ventures & Associates delivered a good performance in 2016 with Glanbia's share of EBITA growing by 14.9% year-on-year. This was as a result of volume growth across the businesses, improved operating efficiencies and some improvement in market dynamics in the second half of the year.

Revenue was 3.4% lower in 2016 versus the prior year. This was driven by a price decline of 4.9% as a result of the relatively weak dairy market environment in the first half of 2016. The disposal of Glanbia's interest in Nutricima in April 2015 led to an additional 1.3% decline in revenues compared to the prior year. All Joint Ventures & Associates contributed to overall year-on-year volume growth of 2.8%.

Glanbia Ingredients Ireland (GII)

GII delivered a solid performance in 2016 in a challenging market environment. Milk volume processed grew by 5.4%. GII continues to invest in higher value processing technology to serve a range of ingredient customers across the infant nutrition, performance, and clinical nutrition sectors. The recently launched Truly Grass Fed campaign highlights Ireland's natural advantage in pasture-based dairy production by family farm suppliers.

Southwest Cheese (SwC)

SwC delivered a good performance in 2016 growing earnings as a result of an increase in production volumes and recovering cheese prices in the second half of 2016. The project to expand production capacity by 25% is on track with commissioning expected in 2018.

Glanbia Cheese UK

Glanbia Cheese UK delivered a satisfactory performance growing earnings on flat revenues. Robust demand underpinned volume growth however pricing was reduced as a result of lower market pricing.

Proposed new Joint Venture

Glanbia is in advanced discussions to create a new Joint Venture to build a large scale cheese and whey plant in the State of Michigan, USA (the "JV"). Glanbia will own 50% of the JV and Dairy Farmers of America Inc., Michigan Milk Producers Association and Foremost Farms US will collectively own the remaining 50% share. The total project cost is anticipated to be approximately $400 million - $425 million with the majority of the cost expected to be financed through debt facilities within the JV. The plant is expected to be commissioned in late 2019.

This proposed plant would produce 140,000 metric tonnes (MT) of cheese and 9,000 MT of advanced-technology whey protein at full capacity. GN has a strong track record as an effective partner in JVs providing operational, technical and commercial expertise alongside producer organisations who provide a long-term secure milk supply. This represents an important development in the Glanbia Nutritionals strategy to maintain its leadership position in the US American style cheddar cheese and value-added dairy ingredients markets.

GII next phase expansion

GII has a significant investment programme of €250 million to €300 million under consideration to support the growth ambitions of its member suppliers and the business. The programme will run from 2017 to 2020. Investment is focused on powder, whey processing and other value-add projects.

As partner to some of the world's leading food and nutrition brands, GII delivers a range of ingredients to the lifestyle, clinical, sports and infant nutrition sectors. GII has recently launched a premium ingredient brand, Truly Grass Fed, for food and nutrition companies to support and endorse its naturally produced dairy ingredients in the market.

Group Finance Director's review

Strong EPS growth and enhanced cash conversion

"These results enabled us to meet our core strategic financial targets as we achieved constant currency adjusted EPS growth of 11.2% and a Return on Capital Employed of 12.9%."

Mark Garvey
Group Finance Director

Full Year 2016 results highlights

- Basic Earnings Per Share 71.77 cent, up 15.8% constant currency (up 15.6% reported);
- Adjusted Earnings Per Share 87.66 cent, up 11.2% constant currency (up 10.8% reported);
- Wholly owned EBITA before exceptional items €305.1 million, up 12.5% constant currency (up 12.6% reported);
- Wholly owned EBITA margin of 10.7%, up 90 basis points;
- A strong performance by GPN, which included the acquisition of thinkThin, reporting EBITA of €162.6 million, a 20.0% increase constant currency (up 19.9% reported);
- GN contributed strongly in the second half to deliver EBITA of €111.8 million, a 4.5% increase constant currency (up 4.9% reported);
- Dairy Ireland delivered EBITA of €30.7 million up 6.6%;
- Joint Ventures & Associates continued to contribute strongly with the Group's share of EBITA of €44.7 million, up from €39.7 million in 2015;
- Operating Cashflow was strong and improved by 25.6% constant currency (25.9% reported) to €354.4 million; and
- Recommended full-year dividend of 13.31 cent per share, an increase of 10%.

Strong performance

In a calendar year that was punctuated by considerable volatility in dairy markets, we are pleased to report basic Earnings Per Share (EPS) of 71.77 cent and adjusted EPS of 87.66 cent, another year of double-digit growth, along with an improved wholly owned EBITA margin of 10.7%. In addition our working capital initiatives across the Group continue to generate improved cash conversion and we reported strong double-digit growth in operating and free cashflow. These results enabled us to meet our core strategic financial targets as we achieved constant currency adjusted EPS growth of 11.2% and a Return on Capital Employed of 12.9%. Along with our strong financial results, we are also pleased to increase our dividend by 10% to 13.31 cent per share returning almost €40 million to our shareholders.

Income Statement

Wholly owned revenues increased by 2.8% constant currency (up 2.7% reported) in 2016 to €2.8 billion. Volume increases of 3.5% across all segments were more than offset by price declines of 4.0% primarily due to lower dairy markets and increased promotional activity. Acquisitions, in particular thinkThin, accounted for a 3.3% increase in revenues.

Wholly owned EBITA before exceptional items grew by 12.5% constant currency (up 12.6% reported) to €305.1 million (2015: €271.0 million). Wholly owned EBITA margins increased by 90 basis points to 10.7%. Increased EBITA and EBITA margins were reported from each wholly owned segment as a result of higher branded sales in GPN, improved value-added nutritional sales in GN, lower input costs across all businesses, and the full-year contribution of the thinkThin acquisition.

Net financing costs increased by €1.7 million to €22.8 million (2015: €21.1 million). This was largely driven by increased debt due to the impact of the thinkThin acquisition which completed in December 2015. The Group's average interest rate in 2016 was 3.8% (2015: 4.0%). Glanbia operates a policy of fixing a significant amount of its interest exposure, with 75% of projected 2017 debt currently contracted at fixed rates.

The 2016 pre-exceptional tax charge increased by €6.0 million to €43.3 million (2015: €37.3 million). This represents an effective tax rate, excluding Joint Ventures & Associates, of 17.8% (2015: 17.1%). The Group anticipates an effective tax rate in 2017 of between 17.5% and 18.5% representing the geographic mix of income.

The Group's share of results of Joint Ventures & Associates increased by €1.3 million to €27.6 million (2015: €26.3 million). Share of results of Joint Ventures & Associates is an after tax and interest amount.

2016 Group Income Statement

	2016			2015		
€m	Pre-exceptional	Exceptional	Total	Pre-exceptional	Exceptional	Total
Revenue	2,847.9	–	2,847.9	2,774.3	–	2,774.3
Earnings before interest, tax and amortisation (EBITA)	305.1	(17.5)	287.6	271.0	(26.3)	244.7
EBITA margin	*10.7%*		*10.1%*	*9.8%*		*8.8%*
Intangible asset amortisation	(39.7)	–	(39.7)	(31.1)	–	(31.1)
Operating profit	265.4	(17.5)	247.9	239.9	(26.3)	213.6
Finance income	2.4	–	2.4	1.7	–	1.7
Finance costs	(25.2)	–	(25.2)	(22.8)	–	(22.8)
Share of results of Joint Ventures & Associates	27.6	–	27.6	26.3	–	26.3
Profit before taxation	270.2	(17.5)	252.7	245.1	(26.3)	218.8
Income taxes	(43.3)	2.7	(40.6)	(37.3)	2.5	(34.8)
Profit for the year	226.9	(14.8)	212.1	207.8	(23.8)	184.0

Segmental analysis

	2016			2015		
€m	Revenue	EBITA	EBITA %	Revenue	EBITA	EBITA %
Glanbia Performance Nutrition	1,007.5	162.6	16.1%	923.1	135.6	14.7%
Glanbia Nutritionals	1,224.2	111.8	9.1%	1,218.0	106.6	8.8%
Dairy Ireland	616.2	30.7	5.0%	633.2	28.8	4.5%
Total wholly owned businesses	2,847.9	305.1	10.7%	2,774.3	271.0	9.8%

For definitions and more information on constant currency and other performance measures see the glossary on pages 186 to 193.

Earnings Per Share

	2016	2015	Change	Constant Currency Change
Basic	71.77c	62.08c	+15.6%	+15.8%
Adjusted	87.66c	79.14c	+10.8%	+11.2%

Basic EPS grew by 15.8% constant currency (15.6% reported). Adjusted EPS grew 11.2% constant currency (10.8% reported), driven by growth in EBITA. Adjusted EPS is believed to be more reflective of the Group's underlying performance than basic EPS and is calculated based on the net profit attributable to equity holders of the parent before exceptional items and amortisation of intangible assets, net of related tax.

Group Finance Director's review continued

Exceptional items

€m	2016	2015
1. Organisation redesign costs	(11.4)	(7.0)
2. Acquisition integration costs	(3.1)	(2.9)
3. Rationalisation costs	(3.0)	(7.8)
4. Irish defined benefit pension plans	–	(5.0)
5. Disposal of Joint Venture	–	(3.6)
Total exceptional charge before tax	(17.5)	(26.3)
Tax credit on exceptional items	2.7	2.5
Total exceptional charge	(14.8)	(23.8)

The total cash outflow during the year in respect of exceptional charges was €19.4 million (2015: €15.1 million) of which €9.1 million (2015: €7.1 million) was in respect of prior year exceptional charges. Details of the exceptional items are as follows:

1. Organisation redesign costs relate to the project to create one integrated GN organisation as described in the Operations Review. It is anticipated this project will conclude during 2017 with the deployment of supporting IT systems.
2. Acquisition integration costs comprise costs incurred by GPN relating to restructuring and the redesign of route to market capabilities in acquired businesses.
3. Rationalisation costs primarily relate to the completion of the restructuring programme in the Dairy Ireland segment.
4. The Group undertook a review of its pension arrangements in 2015 and agreed with the pension trustees to wind up three of its smaller Irish defined benefit pension schemes. This transaction resulted in an exceptional charge in the year of €5.0 million. This charge relates to net losses on settlement of €4.3 million, in accordance with IAS 19, and professional fees of €0.7 million in relation to the transaction. This settlement reduced the gross retirement benefit obligations by €60.2 million.
5. On 1 April 2015 the Group disposed of its investment in Milk Ventures (UK) Limited, which is the parent company of Nutricima Limited, a Joint Venture business involved in the supply and distribution of evaporated and powdered milk, based in Nigeria. The disposal of the Group's interest resulted in a loss of €3.6 million.

Dividend per share

The Board is recommending a final dividend of 7.94 cent per share (2015: final dividend 7.22 cent per share). This represents an increase of 10% in the year and brings the total dividend for the year to 13.31 cent per share (2015: 12.10 cent per share) and a return of almost €40 million to shareholders.

Operating working capital

€m	2016	2015
Inventories	366.5	344.4
Trade and other receivables	327.1	312.6
Trade and other payables	(460.3)	(405.3)
Net operating working capital	233.3	251.7

During 2016 Glanbia continued to focus on working capital management and has implemented a number of initiatives focusing on payables, receivables and inventory. Total operating working capital at the end of 2016 was €233.3 million, a decrease of €18.4 million compared to the prior year. Excluding the impact of currency movements, acquisitions and other non-operational movements, this represents a decrease in year-on-year operating working capital of €27.2 million.

Cashflow

€m	2016	2015
EBITDA pre-exceptional	354.9	313.9
Movement in working capital (pre-exceptional)	31.9	4.9
Business sustaining capital expenditure	(32.4)	(37.4)
Operating cashflow	354.4	281.4
Net interest and tax paid	(52.9)	(33.6)
Dividends from Joint Ventures & Associates	13.8	14.9
Other outflows	(4.3)	(6.7)
Free cashflow	311.0	256.0
Strategic capital expenditure	(57.1)	(86.2)
Acquisitions	(14.6)	(196.8)
Disposals	0.3	29.0
Equity dividends	(37.2)	(33.9)
Exceptional costs paid	(19.4)	(15.1)
Loans to Associates	(12.8)	–
Cashflow pre-exchange translation/other adjustments	170.2	(47.0)
Exchange translation/other adjustments	(20.9)	(33.8)
Net debt movement	149.3	(80.8)
Net debt at the beginning of the year	(584.2)	(510.4)
Net (debt)/cash acquired on acquisition of subsidiary	(0.8)	7.0
New finance leases	(1.9)	–
Net debt at the end of the year	(437.6)	(584.2)

Operating Cashflow increased from €281.4 million to €354.4 million, representing an increase of 25.6% when the impact of currency is excluded. Free cashflow was €311.0 million in 2016, an increase of €55.0 million, reflecting the increase in Operating Cashflow offset by increased corporation tax payments. Corporation tax payments in 2016 were €19.0 million higher than 2015, primarily due to the utilisation of accelerated capital allowances on capital expenditure in 2015.

Investing for growth

In 2016 capital expenditure amounted to €89.5 million of which €57.1 million was strategic capital expenditure which was focused on GPN and GN. The majority of the capital spend related to enhancing our innovation capabilities, finalising additions in our high-end cheese and whey facilities in Idaho, US, and various systems implementations.

In December 2015 we acquired thinkThin for €202 million which provided an important entry point into the high protein bar sector. This business has performed well in 2016. We are also adding two businesses to our performance nutrition portfolio in early 2017. Amazing Grass and Body & Fit will provide platforms for GPN in the strategically important plant-nutrition category and the direct to consumer channel. The combined revenues of these two businesses in 2016 was approximately €99 million and they are being acquired for a combined consideration of approximately €181 million inclusive of expected contingent consideration. We have also recently announced that we are in advanced discussions with three partners in the US to invest in a cheese and whey facility in the State of Michigan. We anticipate that this facility will cost approximately $400 million – $425 million, with the majority of the cost expected to be financed through debt facilities in the JV. The plant is expected to be commissioned by late 2019.

We have also entered into a non-binding memorandum of understanding agreement with Glanbia Co-operative Society Limited (the "Society") to divest 60% of Glanbia plc's share in the Dairy Ireland segment (the "Proposed Transaction"). This transaction is expected to be completed by mid-2017, subject to the negotiation of final transaction related agreements and an approval vote of the shareholders of both Glanbia and the Society. Under the Proposed Transaction the Dairy Ireland businesses will be integrated with Glanbia Ingredients Ireland and this new entity, renamed "Glanbia Ireland", will be 60% owned by the Society and 40% owned by Glanbia. The total enterprise value agreed for Dairy Ireland is approximately €340 million. The Proposed Transaction is structured such that the Society will acquire 60% interest in the Dairy Ireland segment, net of pension obligations and excluding working capital for €112 million. One hundred percent of the actual working capital on completion in Dairy Ireland will be paid directly to Glanbia by Glanbia Ireland. Glanbia Ireland will build on investment programmes to date with a further investment of €250 million – €300 million which will be largely financed through the debt facilities of the Associate.

Group financing

Financing key performance indicators	2016	2015
Net debt: adjusted EBITDA	**1.19 times**	1.75 times
Adjusted EBIT: net finance cost	**11.5 times**	10.8 times

The Group's financial position continues to be strong. Net debt at the end of 2016 was €437.6 million. This is a decrease from €584.2 million in 2015 and can be primarily attributed to strong free cashflow and lower capital investment in the year. Net debt to adjusted EBITDA was 1.19 times and interest cover was 11.5 times, both metrics remaining well within financing covenants. At year end 2016 Glanbia had available bank facilities of €722 million which will mature in January 2020 and private placement debt of $325 million which will mature in June 2021.

Glanbia's capital structure has considerable capacity to finance future investments.

Return on Capital Employed (ROCE)

	2016	2015	Change
Return on Capital Employed	**12.9%**	13.9%	-100bps

ROCE decreased in 2016 by 100 basis points to 12.9% (2015: 13.9%). This was driven primarily by the growth in reported EBITA, being more than offset by the near-term dilutive effect of recent acquisitions. The Group has a strategic target to maintain a minimum ROCE of 12%.

Following a review and peer benchmark of the ROCE metric, it has been decided to update the methodology used to calculate ROCE to include the impact of net deferred taxes in capital employed from 2017. If this revised calculation had been applied in 2016, ROCE would have been reported as 13.9% (2015: 14.8%).

Pension

The Group's net pension liability under IAS 19 (revised) 'Employee Benefits', before deferred tax, increased in 2016 by €23.2 million to €110.5 million (2015: €87.3 million). A significant driver of this increase was the decrease in the discount rate used in valuing the net pension obligation, reflecting the decline in AA Corporate Bond yields during the year. On completion of the Dairy Ireland transaction, it is anticipated that approximately €60 million* of net pension liabilities will transfer to Glanbia Ireland on an IAS 19 basis.

2017 outlook

On a pro-forma** basis Glanbia expects the adjusted EPS of the continuing Group to grow between 7%-10% constant currency in 2017. The Dairy Ireland transaction is expected to be 5%-7% adjusted EPS dilutive in a full-year. Growth in 2017 is expected to be more evenly balanced across GPN and GN. GPN growth will be driven by organic brand development and innovation as well as a contribution from recent acquisitions. GPN expects like-for-like branded revenues to grow in the mid-single digit range with EBITA margins expected to be in the mid-teen range. GN expects EBITA growth in 2017 to be driven by continued growth in the value added portfolio of Nutritional Solutions.

Shareholder returns

Total Shareholder Return (TSR) for the year was a negative 6.2% following positive returns of 33.2% in 2015 and 16.9% in 2014. TSR over the three-year period 2014 to 2016 was 46.1%. Five-year TSR was 257.1%. Glanbia's share price at the end of the financial year was €15.78 compared to €16.95 at the 2015 year end. The STOXX Europe 600 Food & Beverage Index decreased by 5.4% in 2016.

Financial strategy

Glanbia's financial strategy is very much aligned with its overall strategy of ensuring the Group delivers on our key financial goals. Specific financial goals to enable this strategy include:

- Assessing both external and organic investment opportunities against a minimum benchmark of 12% return after tax by end of year three;
- Focusing the organisation on cash conversion through improved working capital management and disciplined business sustaining capital expenditure;
- Leveraging the Group's activities to enable improved cost structures utilising shared services, procurement, IT, and a continuous improvement mind-set; and
- Maintaining the capital structure of the Group within an implicit investment-grade credit profile.

Investor relations

The Group hosted a successful Capital Markets Day in London in May 2016 which was focused on the GPN segment. In addition to overviews by the CEO and CFO of the GPN business there were presentations from sales, marketing, operations and regional management as well as a review of upcoming innovations. The event was attended by over 100 investors, analysts and interested parties. Presentations made at the event are available in the Investor section of the Glanbia.com website.

The Group Managing Director, Group Finance Director, Executive Directors and Head of Investor Relations presented at 16 investor conferences globally and conducted over 350 meetings with the investor community in 2016. Glanbia's dedicated investor relations team engages with investors on a daily basis, outside of closed periods, and travels to various financial centres around the world to meet with shareholders and potential shareholders alike. Glanbia is now covered by equity analysts from 11 leading stockbroking firms who regularly publish detailed independent research reports on Glanbia for their clients.

Annual General Meeting (AGM)

Glanbia plc's AGM will be held on Wednesday, 26 April 2017, in the Lyrath Estate Hotel, Old Dublin Road, Kilkenny, Ireland.

Mark Garvey

Mark Garvey
Group Finance Director

* Net pension liabilities related to Dairy Ireland as at 31 December 2016 on an IAS 19 basis.

** Pro-forma adjusted EPS of the continuing Group has been calculated assuming the Dairy Ireland transaction took place at the start of the 2016 financial year.

Our culture enables us to fulfil our purpose of delivering better nutrition for every step of life's journey

At a glance

In 2016, Glanbia continued to foster a culture of shared values and behaviours throughout the organisation as we believe this is the bedrock of a sustainable, trusted and responsible business.

Our approach to our people, environment, supply chain and corporate responsibility is aligned with our business model and supported by our renewed purpose, vision and values.

"We engage our people through our values and core behaviours, building a performance culture to realise our strategic objectives."

Michael Patten
Group Human Resources & Corporate Affairs Director

2016 highlights

- Significant progress made in embedding our purpose, vision and values;
- Aligned a five-year Organisation and Talent Strategy which identified four key pillars to prime Glanbia for future success through our people;
- Defined a new HR operating model which will enhance the ability of our support functions;
- Identified HR systems transformations to be implemented over the coming years; and
- Employee Engagement Pulse Survey reported continued progress.

Global HR agenda

Our people are at the heart of our business and their commitment is one of the primary factors in our success. Our processes and controls over labour and employment practices are designed to comply with relevant laws and conventions. We also apply the principle of equal opportunity, valuing diversity and are committed to maintaining a safe and healthy environment free from discrimination. By nurturing our people's talent and individuality, we trust them to use their passion for Glanbia to deliver our goals. We want all our people to be highly engaged and passionate about our purpose, vision and values.

In 2016 we achieved further progress towards achieving our vision to be one of the world's top performing global nutrition companies. We completed an organisation and talent strategy review which sets out the key pillars which will enable Glanbia to further unlock the potential of our global workforce, see page 34 for more detail.

We focused significant effort on embedding our purpose, vision and values across the Group, defining and codifying the underlying behaviours which represent living our values across the organisation. We implemented further actions from our 2015 'Your Voice' Employee Engagement Survey, including the roll out of the 'Leading the Glanbia Way' programme. Our employee engagement work focused on developing our culture of recognition for excellence, while continuing to seek the views on what we do well and where we can improve. Work in 2017 will continue to build on these areas, with a particular focus on people development while leveraging our Organisation and People Review, the roll out of Phase one of our HR Transformation programme, driving greater linkages between career pathways, performance and reward management and continued focus on organisational effectiveness.

Our Purpose
Delivering better nutrition for every step of life's journey

Our Vision
To be one of the world's top performing nutrition companies, trusted to enrich lives every day

Our Values

THE CUSTOMERS' CHAMPION	PERFORMANCE MATTERS	FIND A BETTER WAY	WINNING TOGETHER	SHOWING RESPECT

Our Behaviours

THE CUSTOMERS' CHAMPION	PERFORMANCE MATTERS	FIND A BETTER WAY	WINNING TOGETHER	SHOWING RESPECT
Customer advocate and Company ambassador	Committed to quality, safety and performance	Curious, innovative and eager to learn	Developing ourselves and collaborating with others	Role model for integrity and valuing the ideas and contribution of others

Our sustainability vision and ambition
Glanbia defines sustainability as responsible business generating economic, environmental and social value. Our ambition is to embed sustainability in our strategy, creating shared value for all stakeholders.

Our sustainability strategy
To advance Glanbia's purpose and vision through an integrated, phased sustainability programme, setting clear measurable goals which will strengthen our business for the future.

Programmes

- OUR PEOPLE
- OUR WORLD
- SUPPLY CHAIN
- NUTRITION FOR SOCIETY

Our culture - people continued

Growing global employee base

In 2016, total Group employees, including Joint Ventures & Associates, had a net increase of 197 people to 6,212 people based in 32 countries. Glanbia Performance Nutrition's (GPN) employee numbers rose by 121 to 1,719 in 2016, Glanbia Nutritionals (GN) increased its workforce by 31 people to 1,812 employees. Dairy Ireland increased employee numbers by 12 people to 1,263. Our Joint Ventures & Associates had 1,418, up 33 employees in 2016.

Organisation and people review

In 2016 the Board and Group Executive considered in detail the findings of the latest organisation and people review, which evaluates the bench strength and development needs of our top talent. A detailed programme of action is being undertaken on foot of this review.

Developing our current and future leaders

We are committed to building strong leaders at all levels in the Group through common purpose, focused identification and development of key talent and inspiring excellence and innovation. In 2016, a number of key initiatives were launched to foster a purpose led leadership culture throughout the Group.

Leading the Glanbia Way – Manager Programme

Our leadership development programme 'Leading the Glanbia Way' was established in response to feedback from the Employee Survey in 2015 and comprises of five modules. The manager's programme is built upon Glanbia's purpose, vision and values. It aims to provide our people managers with a foundational set of leadership skills and insights and to offer a tangible commitment to the personal development of Glanbia's people while contributing to our leadership capability across the organisation. Over the course of 2016, 374 managers participated in Modules one, two and three.

Leading the Glanbia Way – Executive Programme

The executive programme is aimed at enriching our values at a behavioural level across the entire leadership. The main elements of the overall programme are retained but some aspects are deepened to reflect a more senior and experienced audience. The executive programme is complemented by a 360° feedback and executive coaching process and focuses on bringing Glanbia's 19 critical leadership behaviours to life. To date, 90 of our most senior leaders across the business have completed the executive programme. All sessions that have taken place to date have sparked valuable conversations and revealed a strong commitment on the part of our leaders to living and leading the 'Glanbia Way'.

Glanbia Management Development Programme (GMDP)

The GMDP works alongside Leading the Glanbia Way to prepare a new generation of leaders across the Group for enhanced responsibility. The programme combines campus based learning with strategic projects and coaching. In 2016, 29 managers from across the Group participated in GMDP development initiatives.

Business Unit Learning and Development Initiatives

In addition to the Group development programmes, there are significant learning and development initiatives undertaken within each of our Business Units. For example: GN held 57 workshops with a total attendance of 1,160 participants. Although the courses were held across a wide range of leadership topics, the content centred around team effectiveness, personal effectiveness, and talent development. GPN partnered with an external resource to develop the new GPN Leadership Development Programme. This programme is a comprehensive, eight-month development opportunity designed for selected managers to learn the soft skills necessary to effectively lead people and teams and the hard skills they need to execute their business objectives.

Organisation and talent strategy review

Our recently completed five-year organisation and talent strategy identifies four key pillars to support our future success through our people. These pillars are:

Talent

We will develop, retain and acquire critical talent. Through an integrated approach to talent management and career development, we will provide the right people, at the right time and in the right place. Our total performance and reward strategy will reinforce and support the connection between values and behaviours for employees. Reward will be used as an effective tool to drive performance and engage, attract and retain the top talent our business requires.

Leadership

We will build a pipeline of strong leaders at all levels in the business through common purpose, focused identification and development of key talent and inspiring excellence and innovation. This approach will be supported by partnerships with academia and via stretch projects. Succession planning will ensure a capable leadership bench for the future.

Organisational effectiveness

We will deliver and maintain an organisation design that is agile, efficient and above all aligned to deliver our business strategy. Enabled by strategic workforce planning, analytics and change capability, our organisation structures will deliver the organisation renewal, competitiveness, talent and capability required to achieve and sustain our growth ambitions.

Culture and engagement

We will deliver the Glanbia culture required to enable, energise and support the engagement and high performance of our current and future workforce. We will bring our values to life and engage and retain our people through embedding our values and core behaviours, creating a performance driven culture that is executive owned and led to realise our strategic objectives.

The new HR Operating Model will define the method of delivery of HR in Glanbia globally. The goal of the HR operating model will be to build Glanbia Human Resources as a world class HR function, providing strategic business partnering, appropriate specialist expertise, efficient and cost effective service delivery and a seamless employee experience.

93%

OF EMPLOYEES SAY THEY ARE WILLING TO WORK BEYOND WHAT'S NORMALLY EXPECTED TO HELP GLANBIA SUCCEED

Engaged and empowered

Our Employee Pulse Survey

In October 2016, we undertook an employee engagement Pulse Survey to gauge feedback from our people on how we are progressing on our commitments and actions since last year's global 'Your Voice' survey. Once more, every employee in the Group across 32 countries was given the opportunity to participate, with 3,700 responses received.

A number of the key themes identified in the 2015 survey – including communication, personal development and celebrating success – were prioritised for the Pulse Survey. A new set of questions on the embedding of our purpose, vision and values was also included, to give us an understanding of how well employees understand our Purpose, Vision and Values (PVV) and their perceptions of how they are lived across the organisation.

The overall engagement score recorded was 87%, up 5% on 2015, a solid advance on what was already a very strong score. The results demonstrate that our people place significant trust in Glanbia, that they are proud to work here and that they are willing to go the extra mile to deliver for the Company. While there remain areas for improvement, we are pleased with the progress made on this agenda over the course of the year. The insights gathered in the Pulse Survey give us valuable data to guide us as we embed values based behaviours across Glanbia and will be used to enhance employee engagement throughout the organisation.

Overall employee engagement score of 87%
87% of employees say they are proud to work for Glanbia
85% of employees have a good understanding of Glanbia's PVV
71% of employees think Glanbia is changing for the better

Pure Ambition Graduate Programme

The Pure Ambition Graduate Programme continues to play a key role in selecting and developing the next generation of leaders for Glanbia globally. In 2016, we welcomed 65 graduates onto our programme. Glanbia's Pure Ambition Graduate Programme was recognised at the 2016 GradIreland Awards, winning the Gold Award for Best Training and Development Programme in the Business/Management Category. Learn more at www.glanbia.com/graduates.

Employee engagement

Employee roadshow 2016

The 2016 'Our Glanbia' roadshow saw our Group Managing Director Siobhán Talbot and members of the Executive visiting 14 sites across the US and Ireland, conducting 22 townhall meetings and interacting directly with more than 2,000 employees across the Group. The roadshow provided employees with the opportunity to hear and ask questions about the Group's performance to date, our future ambition and our continuing journey of shaping our culture through our PVV.

As part of this year's roadshow, 52 Recognition awards were presented to individuals and teams across the Group who are demonstrating our values in action every day.

Digital tools

Our new global intranet 'Our Glanbia' was formally launched in January 2016, replacing six individual intranets across the Group and for the first time creating a single digital communications platform accessible to all Glanbia employees globally. 'Our Glanbia' forms the cornerstone of a suite of digital communications tools which aim to empower employees to collaborate more closely together.

Safety, health and wellbeing

Our primary responsibility is to provide our employees with a safe and healthy environment in which to work.

In 2016 we continued to extend and deepen the investment in H&S at all facilities. We further expanded the scope of H&S within the GRMS which is benchmarked annually against international best practice. Our 2016 benchmarking demonstrated progressive improvement – with an overall average score of 89% achieved across the Group – a 9% improvement on 2015.

Group highlights

- **GPN** continued to make progress and achieved three consecutive years with a 10% or greater decrease in Total Recordable Injury Rate (TRIR).
- **GN** embarked on **'One Right Way'**; a H&S programme to align all facilities under one H&S platform. Through this initiative, the majority of GN facilities are experiencing Recordable Injury Rates (RIR) and Lost Time Injury (LTI) rates lower than industry averages.

Embedding sustainability in the way we do business

2016 highlights

Developed Group-wide environmental and corporate responsibility programmes, with specific, measurable goals;

Completed full-year Group environmental reporting across all operations, 2020 targets on track;

Adopted health and wellness initiatives for employees and communities as Phase one of our Nutrition for Society framework; and

Continued leadership in food safety and quality.

Our approach to sustainability

Glanbia defines sustainability as 'responsible business'. Our strategy is to advance our purpose and vision through an integrated, phased programme that creates long-term stakeholder value by generating economic, environmental and social value. Glanbia is at the early stages of formally structuring our approach to Group sustainability and as such the current programme focuses on the Group's most material sustainability issues. Our goals, while modest in Phase one, are critical steps supporting our ambition to be one of the world's top performing nutrition companies, trusted to enrich lives every day.

These goals build on the progress made by individual parts of Glanbia to date. Examples of leadership which over time will be leveraged for the Group include nutrition through lifecycle, innovation in supply chain, energy conservation and driving out waste, as described throughout this section. As Glanbia develops a Group sustainability approach, we seek to capitalise on and extend these learnings.

Stakeholder engagement

Stakeholder engagement determines our approach to sustainability. This engagement takes place at many levels within the organisation. Feedback is captured on an on-going basis and helps to inform the review process, both in terms of performance and materiality.

Sustainability reporting

Given this is our first Group-wide report, we focused on selected issues most material for our business and industry. We summarised Glanbia's 2016 performance and goals, focused on our most material societal and environmental impacts and issues. We examined Global Reporting Initiative (GRI) G4 guidelines, including the G4 Food Sector Supplement, in determining key aspects, boundaries and measures. We have also mapped our plans against the United Nations Sustainable Development Goals.

Governance

Sustainability within the organisation is currently governed by the Group Executive who provide leadership, appraise performance and promote industry best practice. The Group Director of Sustainability, who reports to the Group Director of Human Resources & Corporate Affairs, works closely with other Group functions on all elements of the Glanbia sustainability programme.

Strong and responsible environmental stewardship

2016 highlights

- Completed full-year Group reporting;
- Set five-year targets (2015 base year);
- Reduced water consumption by 20% (2015 base year); and
- Commissioned the Carbon Trust to assist with GHG strategy.

Our approach

In 2016, we established a Group Environmental Leadership Committee comprising of the most senior operations directors and technical experts from across our Business Units. This Committee is responsible for our environmental strategy which is underpinned by our Group-wide reporting.

In establishing Group reporting, we have built a strong foundation upon which to build Glanbia's long-term sustainability. In 2016 we commenced full reporting to standard metrics* across all Group manufacturing operations – producing regular management reports and tracking our progress against agreed Group and Business Unit targets. We have set year-on-year progressive and verifiable Group targets for water, energy and waste, with targets on carbon to follow in subsequent years. In 2016, we reduced our water consumption by 20%, ahead of target for the year, and are on track to deliver on our 2020 goals.

Our environmental management system, which measures and reports on environmental performance at all facilities, is already proving beneficial in that it has facilitated Group leadership oversight of our environmental impacts, and will help strengthen our green credentials in the marketplace. Our environmental KPIs link environmental and financial performance with clear 2020 targets.

Continuous improvement

We commissioned CH2M Hill (a US-based environmental firm) to review the validity of our current data analysis procedures.

2020 targets

The Group Environmental Leadership Committee has taken a pragmatic approach to setting goals for the short to medium-term and has established reasonable targets for the first five years as we build our organisational capability to understand and measure sustainability.

Our five year sustainability vision

Programmes	Our Environmental vision	Intensity (2015 base year)	Our five year targets 2015–2020
ENERGY	To ensure responsible stewardship of the environment and reduce emissions at all our facilities and corporate offices.	0.61 kwh/kg	Strategy and targets to be determined in 2017
WATER	To improve water efficiency in our facilities and focus on the re-use of our 'polished' or 'cow' water.	4.88 lts/kg	Reduction of water use - 8%
WASTE	Our ultimate aim is to reduce all waste being generated across the Group. In the medium-term our ambition is to divert waste away from landfill.	Waste to landfill 0.01kg/kg	Zero waste to landfill where feasible
ENVIRONMENTAL MANAGEMENT SYSTEMS	To grow without compromising resources for future generations.		Adopt the ISO 14001 as a common standard at all facilities

* All units are tracked against annual Total Milk / Solids Mass Balance and standard European measures.

Our culture - world continued

Emissions

In the first year of Group reporting, we reviewed scope one and scope two greenhouse gas emissions from our operations – noting that the businesses with the greatest emissions are GN and Glanbia Ingredients Ireland (GII).

We are determined to play our part in reducing emissions. In 2016 we continued to demonstrate a progressive reduction by improving energy efficiency, switching to cleaner fuels and investing in renewable sources. Through our Group reporting we are now positioned to consider energy and power consumption across the Group, and to understand the level of emissions resulting from Glanbia manufacturing activities.

As we look to the future we are evaluating the predicted growth of the business and its likely impact on the main contributors to our greenhouse gas footprint. To this end, and to assure our stakeholders of our commitment, we have appointed the Carbon Trust to assist us with this exercise.

Given the proportion of greenhouse gas emissions resulting from dairy cows, we work with a range of industry bodies in the EU and US to examine best practice and practical applications for greenhouse gas reduction on farms.

Our US approach

Hydropower accounts for most of the power used in Idaho and similar to our EU operations, our US facilities do not emit ozone reducing substances (refrigerants are contained in closed loop systems). Our carbon footprint is a reflection of natural gas and electricity usage and we have progressively demonstrated strong leadership in GHG mitigation.

From 2009 baseline year to 2015 at our Idaho and SwC operations we have reduced our carbon footprint by 12%.

12%
carbon footprint reduction

Water: continuous progress

Glanbia recognises that water stewardship is one of the most material aspects of our environmental strategy. Glanbia is proud of its commitment to improving the quality of the water used in our operations and the treatment of wastewater for reuse on adjacent farmland as irrigation water.

Our Irish approach

Over the past five years 38% of the daily water used at the GII Ballyragget site has been recycled water. And approximately 76% of all water recovered from the milk processing is reused within the Belview facility.

Our US approach

GN, which is also responsible for operations at the SwC joint venture in New Mexico, has a clear focus on water use and wastewater treatment. This focus on water is a particularly significant barometer of our sustainability ambitions given on-going drought concerns in New Mexico and the significance of the aquifer in Idaho that gives the 'Magic Valley' life.

Since 2009, this business has reported a reduction of 25% in water use. This was achieved while at the same time expanding our operations and our product portfolio with the addition of a new plant in Blackfoot Idaho, the expansion of SwC and the changing profile of our dairy ingredients.

In addition our wastewater treatment facilities in Gooding and SwC have returned valuable moisture and nutrients to the ecosystem via farmland irrigation. Through water recovery and reduced water use, between 2010 and 2014, SwC has reduced water use by 55%.

55%
reduction in water use at SwC

Progress in waste reduction

Our focus is on reducing the amount of waste we produce at our operations with an ultimate aim of zero waste. In the medium-term our ambition is to reuse, recycle and then divert waste away from landfill and into energy recovery and to play a responsible role in protecting our natural resources. The issue of food waste must also be tackled throughout the food chain – globally one third of all food is wasted, accounting for eight percent of global emissions. All stakeholders, including industry and consumers, have a role to play in reducing food waste.

Glanbia Performance Nutrition

In support of the Group vision, GPN has adopted a target of zero waste to landfill at all manufacturing and warehouses by December 2018. In 2016 it introduced an enhanced employee training programme, as well as a robust programme of recycling routes for key commodities. All sites have reduction plans to meet the 2018 goal.

Our Irish approach

In 2016 GII maintained its zero waste to landfill standard and over the past two years Consumer Foods Ireland achieved a 43% reduction in landfill waste (28% in 2015 and 15% in 2016). Agribusiness achieved its annual target of 10% landfill reduction through a combination of composting and recycling.

43%
reduction in waste to landfill at Consumer Foods Ireland

Sustainable sourcing of raw materials

2016 highlights

Launched Group supplier qualification protocols;

85% of our dairy farms in Ireland are accredited to Origin Green; and

Continued focus on farmer safety and animal welfare.

Our goal is to sustainably source the raw materials we use in our products. We follow the principles of ethical business set in the Glanbia Code of Conduct and operate to the highest food quality and safety requirements.

Responsible sourcing

Glanbia has a supply chain which spans procurement of materials, packaging, transportation and services globally. In order to effectively manage risks in the supply chain, Glanbia has in place a procurement policy to source according to responsible sourcing criteria.

Glanbia requires all its suppliers to adhere to Glanbia standards and to be compliant with laws, regulations and social customs for the countries they operate in and with all human rights, labour, H&S regulations.

Dairy supply chain integrity

With our deep experience in agriculture, and our whole chain alignment from the cow to the consumer, we are positioned to not only manage risks, but to uniquely understand them and to exact continuous improvement at all stages in the supply chain. In both Ireland and the US, our supply chain from farm to fork opens up many partnerships. We work closely with our farmer suppliers, our business customers and our consumers.

Dairy supply chain – US

In Idaho and New Mexico we align ourselves with the most efficient milk producers in the country, keeping lifecycle environmental footprints low. We work to sustain the economic vitality of the stakeholders in our value chain and endeavour to be a good neighbour. Over two thirds of the milk processed in Glanbia's Idaho facilities comes from a supply chain of dairy farms within 100 miles of Twin Falls. This local milk shed carries inherent sustainability benefits, including short shipping distances that reduce transportation times and fuel usage.

In Idaho and SwC we offer our patron milk suppliers a range of risk management tools that help them to manage volatility and the economic sustainability of their dairy operations. In addition to these pricing tools, Glanbia also partners with local businesses to offer suppliers reduced prices on farm inputs. Through our focus on animal welfare with the Farmers Assuring Responsible Management (FARM) programme, alongside our support for an Idaho Dairymen's Association initiative to develop a permanent training programme designed to enhance farm worker safety, we are committed to the very highest standards our values demand.

Ultimately, this supply chain integrity, allied to the quality standards in place is carried through to our performance nutrition business. Our supply chain integrity and our significant investment in manufacturing capabilities sets us apart as the 'go-to', trusted source of sports nutrition.

Supply chain – Ireland

In Ireland, Glanbia is a founding member of Origin Green, the national sustainability development programme operated by the Irish Food Board, Bord Bia.

Origin Green, which operates both at farm and factory level, includes the Sustainable Dairy Assurance Scheme (SDAS), which is the first national dairy audit scheme of its kind anywhere in the world, independently auditing, recording and monitoring sustainability credentials of every dairy farm. To date 97% of our suppliers participate in the SDAS, and 85% of these are certified to Origin Green. In implementing Origin Green Glanbia, through Dairy Ireland and GII, couples on farm sustainability with the Group's current environmental and quality programmes.

OatSecure

Glanbia Agribusiness has a sustainability programme focused on efficiency throughout its fully traceable and quality assured supply chain. It operates two fully accredited Universal Feed Assurance Scheme (UFAS) mills close to grain growing areas and works in partnership with its farmer suppliers and customers offering an advisory support programme to facilitate sustainable farming, advising on feed and fertiliser usage and sustainable nutrient management.

Glanbia Agribusiness is responsible for the Gluten Free OatSecure™ fully closed loop supply chain behind the Oat Pure™ range of oatmeal products marketed in the US and EU by GN. The OatSecure™ quality assurance process, which gained NSF international accreditation in 2015, is underpinned by the fact that Agribusiness maintains responsibility for every aspect of the supply chain from seed to spoon including our own in-house drying and storage capability, with drying taking place within three days of harvest to significantly improve food safety.

Our culture - society

Delivering better nutrition for every step of life's journey

2016 highlights

Launched health and wellness framework;

Established key employee wellness goals;

14,000 attendees at GPN's Sports Nutrition School; and

Health and wellness theme for all community partnerships.

Our purpose of 'delivering better nutrition for every step of life's journey' is our expression of why we exist as a company. Nutrition is at our core – and unites us all. Glanbia is at the early stages of developing a comprehensive approach to Nutrition for Society – aligning our community and social investments with our purpose, vision and values. In Phase one we are focusing on two key pillars – employee health and wellness and corporate responsibility. Our longer term ambition is to leverage our extensive market insights and nutrition expertise into a defined, broader nutrition in society programme.

Employee wellbeing

Building on feedback from the 2015 'Your Voice Survey', employee wellbeing is a key focus area with the development of a Group framework for health and wellness.

The Glanbia Health and Wellness Framework 2016–2020 envisages:

- The provision of standardised health and wellness programmes for all Glanbia employees including:
  - Availability of health and wellness education;
  - Consistent food offerings; and
  - Onsite health and wellness facilities (where feasible).
- Glanbia is committed to prioritising the opportunity for employees to engage in Group Corporate Responsibility partnership(s) in Ireland and North America – that inspire and engage employees to volunteer and connect.

Health and wellness - Corporate Responsibility

Building on the success of many years of Corporate Social Responsibility, in 2016 we launched a refreshed Group-wide approach to Corporate Responsibility. Commencing 2017, Glanbia Corporate Responsibility programmes will adopt a clear focus on projects in the community which actively support health and wellness.

GPN Sports Nutrition School

Glanbia believes in a balanced approach to achieving individual fitness and performance goals and optimising nutrition and exercise. This approach places education and training at the core of our marketing.

In 2016 over 14,000 employees, customers and consumers attended GPN's Sports Nutrition School across 120 global education sessions. The school is an industry leading programme designed to educate employees, customers and consumers on the benefits of combining good nutrition and exercise. A key event in 2016 was the first ever Asian Sports & Nutrition Summit held in Beijing with 800 attendees.

Community initiatives 2016

Consumer Foods Ireland - Great Pink Run

Glanbia supported Breast Cancer Ireland's Great Pink Run through a partnership with Avonmore Slimline Milk. More than 6,000 joggers, walkers and runners, including Glanbia employees, took part in the event which was held in August in Dublin. The 2016 Great Pink Run raised in excess of €200,000 with all funds going to breast cancer research and awareness programmes nationally.

GPN - FitMalaysia and FitIndia

During the year, GPN partnered with the Governments of India and Malaysia on two wellbeing initiatives – FitMalaysia and FitIndia. Both initiatives assisted the Governments in addressing the increasing incidence of non-communicable lifestyle diseases, including diabetes and heart disease, brought about through lack of exercise and nutrition.

Glanbia Nutritionals - Charity golf

The twenty third Annual Glanbia Charity Golf Challenge raised $163,500 this year for eight local charities in the Twin Falls community.

Sports sponsorships and connectivity

Glanbia has long standing partnerships with sports in Ireland and more recently in the US through a number of high profile sponsorships. These associations deliver brand essence for key brands such as Avonmore and BSN, but also inspire recreational sports enthusiasts, employees and local communities. Glanbia's association with the Kilkenny senior hurling team, the Kilkenny camogie team and the Waterford and Wexford hurlers all resonate strongly with local communities in Ireland.

Directors' Report

Corporate Governance Report
Introduction from the Chairman

Committed to embedding strong and effective governance systems and the highest ethical standards into everything we do

"One of my key responsibilities as Group Chairman is the promotion and maintenance of high standards of corporate governance which are integral to ensuring that we remain a successful and viable company delivering sustainable growth for our shareholders."

Henry Corbally
Group Chairman

Dear shareholder

On behalf of the Board, I am delighted to present my Corporate Governance Report for the financial year ended 31 December 2016 which highlights the Board's commitment to maintaining good corporate governance and the highest ethical standards.

Good corporate governance, underpinned by a sound and healthy culture, is fundamental to our success as we continue to build and sustain a business that can deliver sustainable value for our stakeholders and prosper well into the future.

Glanbia's culture is one of the Group's key competitive strengths and nurturing this culture is important. The Board recognises the need to lead on values and culture and seeks to cultivate a working environment in which the highest standards of behaviour are established, demonstrated and maintained in all activities.

In 2016, we embedded our renewed purpose, vision and values across the Group. These are described on page 32. Siobhán Talbot and the Group Operating Executive were integral in communicating the renewed purpose, vision and values through internal briefings, publications and the relaunch of our Code of Conduct, which was revised to include the core values, additional requirements and guidance following recent legislative changes. The renewed purpose, vision and values are aligned to our strategy and business model, unite our people and guide the decisions and behaviours of every employee to promote responsible and ethical behaviours at all levels of our business.

By setting out clear guidelines on how we should operate, so that we live our core values and continue to do business in a responsible manner, the Board is demonstrating the importance of putting business ethics at the forefront of our dealings with customers, suppliers and the communities which we serve. This work, together with the Board's aim of anticipating and addressing risks that may impact the delivery of the Group's strategic objectives will help ensure that a robust risk management culture is fostered throughout the Group.

Employee survey

We recognise the importance of social capital and engagement. Building on the valuable feedback from 'Your Voice', our first ever global employee survey which was conducted in 2015, the Group Operating Executive and Group Senior Leadership Team committed to taking actions at a group wide and local level to drive greater employee engagement and dialogue across Glanbia. This was progressed through our Glanbia employee engagement Pulse Survey "Tell us how we are doing". Conducted in November 2016, the results of the survey revealed the high commitment of Glanbia employees, with an employee engagement score of 87%, and 85% of employees stating they have a clear understanding of Glanbia's purpose, vision and values.

Compliance with the Codes

The Group is subject to the Irish Corporate Governance Annex (2010) and the UK Corporate Governance Code (2014), collectively known as (the "Codes"). A fundamental part of the way the Board does its business is embedding the main principles of the Codes and embracing best practice across all parts of our organisation. Details of where the Codes can be accessed are included on page 52. I am happy to confirm that the Group has complied with the detailed provisions of the Codes throughout 2016, with the exception of B.1 (Composition of the Board of Directors) and C3.1 (Composition of the Audit Committee). During 2012, Glanbia Co-operative Society Limited (the "Society") and the Board agreed on a number of changes

Corporate Governance Report
Introduction from the Chairman continued

impacting the composition and size of the Board over the period 2016 to 2020 (detail of which is set out in the Nomination and Governance Committee Report on page 68). Accordingly during 2016, we saw a significant decrease in the size of the Board, with the retirement of four Non-Executive Directors (see "Board and Committee changes" below). The Board is satisfied that the composition and size of the Board (which has received shareholder approval) is justified in our particular circumstances. A detailed description of how we have applied the principles of the Codes is set out in the following pages including the Audit, Nomination and Governance and Remuneration Committee Reports.

Board evaluation
As Group Chairman, one of my most important jobs is to ensure effectiveness in all aspects of the Board's role and to ensure that the Board has the right balance of skills, experience and outlook to meet the changing needs of the business and to provide maximum support and challenge to management.

The Board recognises that the performance evaluation process represents an annual opportunity to enhance overall Board effectiveness. During 2016, we undertook an externally facilitated evaluation of the Board, the purpose of which was to review and further improve the Board's performance and identify any potential development needs. This has been a thorough process carried out by Leaders' Mores. I am pleased to report that the results were positive, confirming that the Board and its Committees are operating well and effectively. Each Director continues to be effective and demonstrates commitment to their responsibilities. A full description of the Board evaluation process is set out on page 50 under Effectiveness.

Board and Committee changes
Patrick Coveney was appointed as a member of the Nomination and Governance Committee on 23 February 2016.

Tom Grant, Brendan Hayes, Patrick Hogan and Eamon Power retired as Directors on 9 May 2016, reducing the number of Society Nominee Directors from 14 to 10. These retirements reflect the Board governance arrangements discussed above under 'Compliance with the Codes'. I would like to thank these Directors for their commitment and contribution to the Company.

Re-election of Directors
In accordance with the UK Corporate Governance Code (2014), all of the Directors are subject to annual re-election by shareholders. Accordingly, each of the Directors will seek re-election at the 2017 AGM, with the exception of Jim Gilsenan and Matthew Merrick who have indicated their intention to retire at the conclusion of the AGM. Additionally, Patrick Coveney, Donard Gaynor, Paul Haran and Dan O'Connor will seek re-election at the AGM by separate resolution of the independent shareholders (i.e. all of the shareholders save the Society and its subsidiary companies). All Directors have indicated that they will abstain from voting on these separate resolutions.

Strategy
As part of the Group strategy planning process, the Board, led by our Group Managing Director, Siobhán Talbot, undertook a comprehensive review of the business to identify the key drivers and enablers that will allow it to develop and improve the capabilities of its existing growth platforms. The Group has tremendous potential and by leveraging the talent within the business the Board aims to harness future opportunities to ensure the Group achieves its vision of being a top performing nutrition company. Further detail can be obtained on pages 8 to 9.

Succession planning
Our people are fundamental to our business. The clear link between succession planning, strategy and the culture of the Group makes effective succession planning very important for the long-term success and viability of the Group. Since I became Group Chairman there has been a consistent commitment to focus on our people and succession planning.

The Group continues to ensure that the executive pipeline has a sustainable pool of talent to meet the changes and challenges anticipated in the pursuit and delivery of our strategic objectives. While we focus on upcoming Board and management changes we also look deeper into the organisation to identify and develop our future leaders and Directors. This is an important element of good governance. It ensures that we plan for both emergency and steady-state situations and therefore are prepared for any unexpected changes that may arise. During 2016, the Board visited several Group sites and received presentations from individuals covering their area of specialism. This gave us the opportunity to identify and meet executive talent and enhance our understanding of the business.

Remuneration and reporting
We continue to operate within the remuneration policy which was overwhelmingly approved by the shareholders at the 2015 AGM. No changes to the policy are proposed for 2017 and consequently the remuneration policy will not require approval at the 2017 AGM. An advisory non-binding resolution to approve the 2016 Remuneration Committee Report will be put to the AGM on 26 April 2017 (excluding the part containing the remuneration policy).

Following a comprehensive tendering process, the Group retained Willis Towers Watson Remuneration Advisors to provide an independent external review of our remuneration policy. The remuneration policy review will be undertaken during 2017 for the period 2018 to 2020 and will be presented to shareholders at the 2018 AGM for consideration. The policy review will include seeking the views of our major shareholders prior to submission to all of our shareholders.

Annual General Meeting

I look forward to meeting shareholders at our next AGM, which will be held on 26 April 2017 at 11.00 am at the Lyrath Estate Hotel, Kilkenny. Input from our shareholders is valued by Glanbia and I welcome questions or comments from shareholders either via our website, www.glanbia.com, or in person at the AGM.

We continue to strive for excellent governance and transparency across our business. In the following pages, we explain in greater detail our approach to governance and how the Board and its Committees fulfil their governance responsibilities to ensure that robust governance practices are embedded across the Group.

Henry Corbally
Group Chairman

More information

Strategic Report on pages 1 to 40.

Board of Directors and Senior Management on pages 54 to 59.

Board activity on page 53.

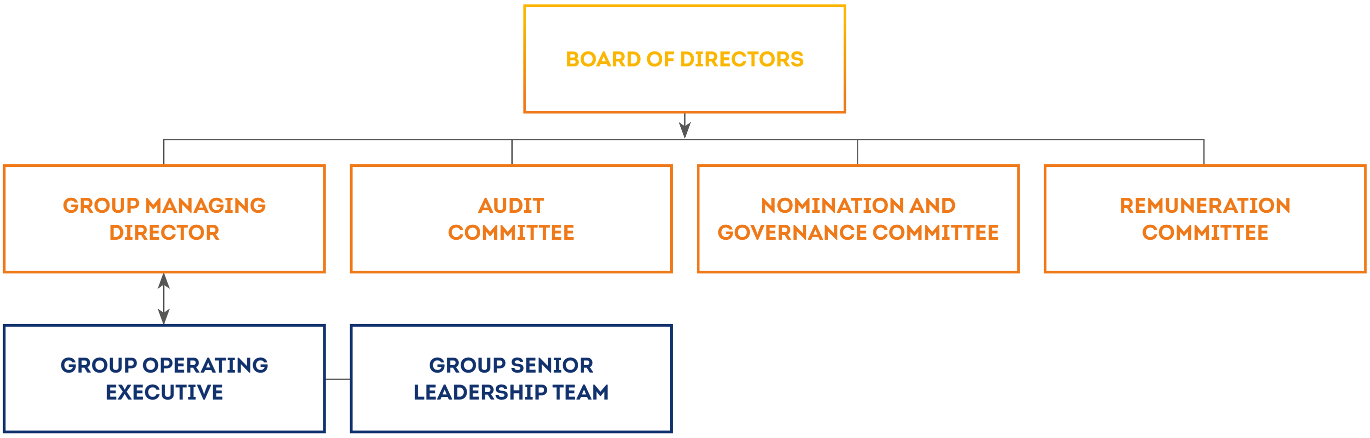
Audit Committee Report on pages 60 to 65.

Nomination and Governance Committee Report on pages 66 to 69.

Remuneration Committee Report on pages 70 to 90.

Corporate Governance Report
Our governance framework

Our framework
The role of our Board of Directors includes setting the strategic direction of the Group, providing strong leadership and challenge to the Group Operating Executive and reporting to the shareholders on its stewardship of the Group. The Board has a clear governance framework with defined responsibilities and accountabilities. Our governance framework ensures that policies and procedures set at Board level are effectively communicated across the whole business. These are designed to safeguard long-term shareholder value through strategic execution and business performance delivery. Our governance framework supports integrated decision making and risk management. Our internal control and risk management arrangements are described in pages 12 to 16.



Board Committees
Audit Committee
Key activities: Review of Financial Statements and statutory Auditors' independence and fees, internal controls, risk management systems, post acquisition reviews and the effectiveness of the Group Internal Audit and Finance functions.

Nomination and Governance Committee
Key activities: Recommendations on appointments to the Board, including Group Chairman, Vice-Chairmen, senior management succession planning, review of the independence and time commitment of Non-Executive Directors and keeping under review corporate governance developments to ensure Group governance practices are in line with best practice.

Remuneration Committee
Key activities: Review of Executive Directors' salaries and benefits, approval of Annual Incentive targets, Long Term Incentive Plan share awards, review of Non-Executive Directors' fees and compliance with the relevant codes.

Group management
Group Operating Executive
This group is comprised of the four Executive Directors, the Group Secretary, the Group Human Resources & Corporate Affairs Director and the Group Corporate Development Director. Key activities: Monitoring performance and making strategic recommendations to the Board. This forum is also the Group Risk Committee.

Group Senior Leadership Team
This team includes the Group Operating Executive, and the Group's senior business and functional leaders. Key activities: To create alignment and drive delivery of the Group's business plans.

Board structure
The Board comprises 18 Directors: Four Executive Directors and 14 Non-Executive Directors (of whom 10 are nominated by the Society).

Avonmore Foods plc and Waterford Foods plc merged in 1997 to form Glanbia plc. At the same time, their respective major shareholders also merged to form the Society. The Society retains a major shareholding in the Company and nominates from its Board of Directors, who are elected on a three-year basis, up to 10 Non-Executive Directors for appointment to the Board of the Company. This will reduce to seven Non-Executive Directors in 2020, more details of which are set out on page 68 of the Nomination and Governance Committee Report. Our Directors come from a diversity of backgrounds, ranging from public service, accountancy and banking to industry (dairy, construction, fast moving consumer goods and production).

The Group Chairman ensures that the skills, expertise and experience of the Board are harnessed to best effect in addressing significant issues facing the Group by ensuring that:

(i) Directors are properly informed on all matters;
(ii) agendas are aligned to strategic objectives;
(iii) discussions foster constructive challenge and debate; and
(iv) adequate time is provided for discussions so that the view of each Director is presented and considered.

We involve all Directors in formulating our strategic business plan (which is the route map which guides us to meet our objectives and provides a vital framework within which the Group operates) and in all key decision making.

Details of our strategic priorities are set out on pages 8 and 9.

Board responsibilities
The following are the key matters reserved for the Board:
- Approval of the Group's strategic plan, oversight of the Group's operations and review of performance in the light of the Group's strategy, objectives, business plans and budgets, and ensuring that any necessary corrective action is taken;
- Ultimate oversight of risk, including determining the Group's risk profile and risk appetite;
- Culture and succession planning;
- Acquisitions, disposals and other transactions outside delegated limits;
- Financial reporting and controls, including approval of the half-year results, interim management statements and full-year results, approval of the Annual Report and Financial Statements, approval of any significant changes in accounting policies or practices, and ensuring maintenance of appropriate internal control and risk management systems;
- Ensuring the Annual Report and Financial Statements present a fair, balanced and understandable assessment of the Group's position and prospects;
- Assessment of the Group's viability and ability to continue as a going concern;
- Capital expenditure, including the annual approval of the capital expenditure budgets and any material changes to them in line with the Group-wide policy on capital expenditure;
- Dividend policy, including the annual review of the dividend policy and declaration of the interim dividend and recommendation of the final dividend;
- Appointment of Directors;
- Shareholder documentation, including approval of resolutions and corresponding documentation to be put to shareholders and approval of all press releases concerning matters decided by the Board; and
- Key business policies, including approval of the remuneration and treasury policies.

Appointments to the Board, policy, diversity and succession planning
Having regard to the right of the Society to nominate 10 of the 18 Directors, the Nomination and Governance Committee keeps the Board's balance of skills, knowledge, experience and the tenure of Directors under constant review. In this regard, the Company has not set a specific female board member quota.

In respect of succession planning and maintaining the skill set of the Board, there is an established procedure for the appointment of new Directors and senior executives. The Committee identifies the set of skills and experience required. Individuals are then selected based on diversity of contribution and required competencies, irrespective of gender, age, nationality or other personal characteristics. External search agencies are engaged to assist where appropriate.

Corporate Governance Report
Leadership continued

Board attendance

The Board had six scheduled meetings in 2016 with Board member meeting attendance as follows:

2016 Board meeting attendance

Director	Appointed	Number of full years on the Board	2016 Meeting attendance
H Corbally	9-Jun-99	17	6/6
Mn Keane	24-May-06	10	6/6
P Murphy	26-May-11	5	6/6
S Talbot	1-Jul-09	7	6/6
P Ahern	12-Jun-15	1	6/6
P Coveney	30-May-14	2	6/6
J Doheny	29-May-12	4	6/6
M Garvey	12-Nov-13	3	6/6
D Gaynor	12-Mar-13	3	6/6
J Gilsenan [1]	12-Jun-15	12	6/6
V Gorman	27-Jun-13	3	6/6
T Grant [2]	15-Dec-15	Less than 1	2/2
P Haran	9-Jun-05	11	6/6
B Hayes [2,3]	30-May-14	4	2/2
P Hogan [2]	12-Jun-15	Less than 1	2/2
Ml Keane [4]	29-Jun-10	8	6/6
H McGuire	1-Jun-13	3	6/6
M Merrick	9-Jun-05	11	6/6
J Murphy	29-Jun-10	6	6/6
D O'Connor	1-Dec-14	2	6/6
B Phelan	1-Jan-13	4	6/6
E Power [2,5]	26-May-11	13	2/2

(1) J Gilsenan was appointed to the Board in 2015 having previously served 11 full years on the Board.
(2) T Grant, B Hayes, P Hogan and E Power retired 9 May 2016.
(3) B Hayes was appointed to the Board in 2014 having previously served three full years on the Board.
(4) Ml Keane was appointed to the Board in 2010 having previously served two full years on the Board.
(5) E Power was appointed to the Board in 2011 having previously served nine full years on the Board.

Division of responsibilities

The Group Chairman

Henry Corbally's responsibility as Group Chairman is the efficient and effective working of the Board. His role is to lead and manage the business of the Board, promoting the highest standards of corporate governance and ensuring accurate, timely and clear information for the Board. He facilitates active engagement and challenge by the Board to the Group Operating Executive and conducts the annual Board evaluation, both internal and external as appropriate. The Group Chairman has a strong working relationship with the Group Managing Director, Siobhán Talbot. Henry Corbally is also Chairman of the Nomination and Governance Committee. Read biography on page 54.

The Group Managing Director

Siobhán Talbot, Group Managing Director, is responsible for all aspects of the operation and management of the Group. She leads the corporate strategic decision making process and develops the Group strategy for Board approval. She ensures that Group policies and procedures are followed and that the business complies with relevant legislation and regulation. Read biography on page 56.

The Senior Independent Director

Paul Haran is the Board's Senior Independent Director and his primary role is to support the Group Chairman on all governance related matters. In addition, he specifically conducts the annual appraisal of the Group Chairman's performance, acts as an intermediary for other Directors and ensures that the views of the Non-Executive Directors are heard. He is available to shareholders should they wish to raise any matter directly. Read biography on page 55.

Induction and Board development

The Company puts full, formal and tailored induction programmes in place for all its new Directors. While Directors' backgrounds and experience are taken into account, the induction is aimed to be a broad introduction to the Group's businesses and its areas of significant risk. Key elements are meeting the Executive Directors and senior management as well as visiting the Group's major sites in order to be briefed on Group strategy and on individual businesses.

The Group Chairman regularly encourages the Non-Executive Directors to update their skills, knowledge and on-going familiarity with the Group in order to competently carry out their responsibilities. This is achieved by regular presentations at Board meetings from senior management on matters of significance. Examples during the year included presentations from all four business segments: GPN, GN, Dairy Ireland and Joint Ventures & Associates. The Board also received presentations from the Group Human Resources & Corporate Affairs Director, the Group Corporate Development Director and the Group Secretary.

In addition to the induction programme that all Directors undertake on joining the Board, an on-going programme of Director development and Group awareness has been developed. For example, as part of the annual programme of Board meetings, Directors will typically visit some of the Group's principal operations to meet employees and gain an understanding of the Group's products and services. These visits provide Directors with a better understanding of the business and how it works and helps them to set the tone for how business is conducted.

The Directors are also regularly provided with updates on the Group's business as well as updates on corporate governance, legislative and regulatory issues. Updates are by way of written briefings from the Group Secretary, presentations from management and external advisors. During the year under review, updates focused on the changing corporate landscape which included the Companies Act 2014 (enacted 1 June 2015) and the new Market Abuse Regulations which came into effect on 3 July 2016 regarding inside information and share dealing.

As part of their annual performance evaluation, Directors are given the opportunity to discuss their own training and development needs.

Information for the Board

The Group Chairman, with the assistance of the Group Managing Director and the Group Secretary, is responsible for ensuring that Directors are supplied with information in a timely manner and that it is in a form and of an appropriate quality that enables them to discharge their duties. In the normal course of business, such information is provided by the Group Managing Director in a regular report to the Board that includes information on operational matters, strategic developments, financial performance relative to the business plan, business development, corporate responsibility and investor relations.

At each scheduled Board meeting, the Executive Directors provide operational and financial updates. Depending on the nature of the proposal to be considered, other senior executives are invited to make presentations or participate in Board discussions to ensure that Board decisions are supported by a full analysis of each proposal.

All Directors have access to the advice and services of the Group Secretary, who is responsible for advising the Board on all governance matters. The Directors also have access to independent professional advice, if required, at the expense of the Group and this is coordinated through the Group Secretary.

The Group Secretary

Michael Horan, Group Secretary, assists the Group Chairman in promoting the highest standards of corporate governance. He supports the Group Chairman in ensuring Directors receive timely and clear information so that the Directors are properly equipped for robust debate and informed decision making. He is a central source of guidance and advice on policy, procedure, governance and ethics. He coordinates, when necessary, access to independent professional advice for Directors. He ensures compliance with all legal and regulatory requirements. In addition, he has responsibility for providing a high quality service on all shareholder related matters. Read biography on page 58.

Executive Directors

The Executive Directors are collectively responsible for the day-to-day running of the business and developing the Group's strategy and budget for Board approval. They monitor the financial and operational performance of the Group and review the Group risk register; allocating resources across the Group within parameters agreed by the Board. The Executive Directors are also responsible for developing leadership and future talent programmes and securing strong succession planning for the Group. Read biographies on page 56.

Non-Executive Directors

The Non-Executive Directors promote the highest standards of integrity, probity and corporate governance throughout the Group, particularly at Board level. They constructively challenge and develop proposals on strategy scrutinising the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. They review the integrity of financial information, and ensure that financial controls and systems of risk management are robust and defensible. They also determine the three-year remuneration policy for Executive Directors and have a prime role in appointing and, where necessary, removing Executive Directors, and in succession planning. Read biographies on pages 54 to 55 and page 57.

Corporate Governance Report
Effectiveness continued

Board evaluation

The Group has established a formal process for the annual evaluation of the performance of the Board and its principal Committees. This includes a triennial external evaluation. During 2016 an external Board evaluation was conducted by Mr. Karl Croke of Leaders' Mores who has no other connection with the Company. In making the evaluation Mr. Croke applied the Irish Corporate Governance Annex (2010) and the UK Corporate Governance Code (2014) regulatory principles. As part of the evaluation process, a questionnaire was developed to provide a framework for the evaluation process which encompassed a review of both the Board and the Committees. The questionnaire was split into a number of primary sections including: Board responsibilities and governance structures; the effectiveness of the three main Committees in discharging their responsibilities; Board and Committee processes and People and Behaviours. In order to ensure the robustness of the process, the questionnaires were designed to be forward-looking and to lead to insights for improvement.

Once the questionnaire was completed by each Board member, confidential one-to-one interviews were held by Mr. Croke to discuss the completed questionnaire and broader Board issues. Mr. Croke then analysed the completed questionnaires and interviews and prepared a final Board evaluation report. The report highlighted some improvement opportunities for the Board to consider, including introducing some refinements to the annual strategic planning process and ensuring an enhanced focus on succession planning which the Board will ensure are actioned in the year ahead. Mr. Croke noted that the Company has a well-functioning Board which takes its responsibilities, duties and governance seriously. Mr. Croke also noted that the Board and its Committees have improved their processes, dynamic and diligence since the last external review in 2013.

Independence

The Board and Nomination and Governance Committee believe that all Non-Executive Directors demonstrate the essential characteristics of independence and bring independent challenge and deliberations to the Board. A detailed description of how independence was determined is set out in the Nomination and Governance Committee Report on pages 68 and 69. However while the Company continues to regard the Directors appointed by the Society (the "Society Nominee Directors") as meeting the criteria for independence specified in the UK Corporate Governance Code (2014), the Society Nominee Directors are not being designated as independent Directors for the purpose only of Listing Rule 6.2.2 A of the Irish Stock Exchange (ISE)/Listing Rule 9.2.2 A of the United Kingdom Listing Authority (UKLA). This is to ensure consistency with the agreement reached at the Extraordinary General Meeting held on 20 November 2012 with regard to the composition and size of the Board and allow for the planned reduction of the Society's representation on the Board as described in the circular which was sent by the Company to shareholders on 2 November 2012 and is set out on page 68 of the Annual Report and is available to view at www.glanbia.com (Society representation on the Board). During 2015, the Company and the Society agreed to further reduce the number of Society Nominee Directors from 2020 (from eight to seven).

In compliance with Listing Rule 6.2.2 A of the ISE/Listing Rule 9.2.2 A of the UKLA, the Company has entered into a written legally binding agreement with the Society, the only controlling shareholder, which is intended to ensure that the Society complies with the independence provisions set out in Listing Rule 3.3.7 A of the ISE and 6.1.4 D of the UKLA (the 'Independence Provisions'). This Relationship Agreement also provides that the governance arrangements referred to above will apply with respect to the composition and size of the Board.

During 2016, the Company has complied with the Independence Provisions in the Relationship Agreement and, in so far as the Company is aware, the Society has also complied with the Independence Provisions. The Constitution allows the election and re-election of independent Directors for the purpose of Listing Rule 6.2.2 A of the ISE/Listing Rule 9.2.2 A of the UKLA, to be conducted in accordance with the election provisions for such Directors in the ISE/UKLA Listing Rules.

Composition of the Board

- Non-Executive Chairman nominated by Glanbia Co-operative Society Limited
- Non-Executive Directors nominated by Glanbia Co-operative Society Limited
- Other Non-Executive Directors
- Executive Directors

Allocation of time

- Strategy and corporate development
- Operational and financial performance
- Risk
- Investor relations
- Governance
- People

Directors' tenure on the Board

- Less than 3 years
- Between 3 and 6 years
- Between 6 and 9 years
- Over 9 years

Risk management and internal control
Effective risk management underpins our operating, financial and governance activities. The Board continues to place particular emphasis on monitoring risk and regularly monitors the risk management framework to ensure risks are being appropriately mitigated and new risks identified.

While the Board has ultimate responsibility for determining the Group's risk profile and risk appetite, the Board has delegated responsibility for reviewing the design and implementation of the Group's management and internal control systems to the Audit Committee. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable but not absolute assurance against material misstatement or loss. During the year the Board considered the Group key risk reports and the updates received from the Audit Committee Chairman on the programme of risk presentations from key risk managers across the Group. This work provides a deeper insight into how key risk exposures are managed and better informs the Board in its evaluation of progress against the business's strategic objectives.

The Board and management are satisfied that appropriate risk management and internal control systems are in place throughout the Group. The Risk management section is contained on pages 12 to 16.

Going Concern
Glanbia's business activities, together with the main factors likely to affect its future development and performance, are described in the Strategic Report on pages 1 to 40.

After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements. The Group therefore continues to adopt the going concern basis in preparing its Consolidated Financial Statements.

In reaching this conclusion the Directors have had due regard to:
- Available cash resources, cash generated from operations, committed bank facilities and their maturities which taken together provide confidence that Glanbia will be able to meet its obligations as they fall due. Further information on our bank facilities is provided in Note 26 to the Financial Statements; and
- Glanbia's financial risk management policies which are described in the Financial Statements, the nature of our business activities and the factors likely to impact our operating performance and future growth.

Viability Statement
In accordance with the UK Corporate Governance Code (2014), the Directors have assessed the viability of the Group and its ability to meet its liabilities as they fall due over the medium-term, taking into account the Group's current financial position and the potential impact arising from the principal risks and uncertainties detailed on pages 14 to 16. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are outlined in the Group Finance Director's review on pages 28 to 31.

The Group has developed a rigorous planning process, which comprises of a strategic plan, a consolidated financial forecast for the current year and financial projections for future years. The plan is reviewed each year by the Board as part of its strategy review, with regular monitoring regarding the achievement of strategic objectives taking place at each Board meeting. Assumptions are built at both Group and divisional levels and are subject to detailed examination, challenge and sensitivity analysis by management and the Directors.

The strategic plan has considered the risk of a significant deterioration in economic growth, consumer confidence or other key drivers of revenue, profit and cashflow particularly due to the economic, industry, political and tax risk factors outlined on page 14. The Group considers it will be able to renegotiate banking facilities in advance of expiry date(s).

The Directors have a reasonable expectation that the Company will be able to continue in operation for a period of three years. This time period has been chosen for the purpose of this viability statement, in line with the Group's three-year strategic plan to 2019.

The Group has sufficient distributable reserves to pay dividends for a number of years. The Board assesses the Group's key financial metrics, liquidity position and projected cashflows before declaring interim and proposing final dividends.

The Directors' assessment of the Group's viability has been made with reference to the principal risks and uncertainties facing the Group and how these are managed within the Board's risk appetite, together with a robust assessment of the aforementioned financial projections during the two day strategy and budget review session in December 2016. Having considered these elements, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of the assessment.

Fair, balanced and understandable
The Directors have concluded that the Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects. This assessment was completed by the Audit Committee as outlined in their report on page 60.

Corporate Governance Report
Remuneration

Our aim is to ensure that our remuneration policies and practices remain competitive within our industry to attract the best employees, further details can be obtained on pages 70 to 90.

Relations with shareholders

2016 was another active year for investor relations. Representatives from Glanbia presented at 16 investor conferences globally and held numerous meetings with institutional investors. The highlight of the year was an investor day which was held in May 2016 and focused on the GPN segment of the business. Over 100 people attended the event in London. The Group Chairman and the Senior Independent Director also attended this event. All of the presentations were made available to the public on the Investor Relations section of our website, www.glanbia.com/investors. The number of independent equity analysts covering the Group increased to 11 during the year reflecting the continued growing interest from the capital markets in Glanbia. We update the market regularly on our performance via our AGM, our full and half-year results as well as our interim management statements. Additionally, where possible, all Directors attend the AGM and shareholders are invited to ask questions during the meeting and have an opportunity to meet with all the Directors following the conclusion of the AGM.

Compliance Statements

Corporate Governance Statement

The Group has complied with the detailed provisions of the Irish Corporate Governance Annex (2010) and the UK Corporate Governance Code (2014) (the "Codes") throughout 2016, with the exception of B.1 (Composition of the Board) of the UK Corporate Governance Code, the rationale for this departure is explained on pages 43, 44 and 68 and C3.1 (Composition of the Audit Committee) as the Group Chairman is a member of the Audit Committee. The Codes are not a rigid set of rules and they recognise that an alternative to following a provision may be justified in particular circumstances where good governance is still achieved.

The Irish Corporate Governance Annex published in December 2010 by the Irish Stock Exchange is publicly available on the Irish Stock Exchange website: http://www.ise.ie/Products-Services/Sponsors-and-Advisors/Irish-Corporate-Governance-Annex.pdf (the 'ISE Annex'). The UK Corporate Governance Code is publicly available on www.frc.org.uk/corporate/ukcgcode.cfm (the 'UK Code').

Our approach to corporate governance and how we apply the principles of the Codes is set out in this Corporate Governance Report, Board of Directors and senior management and the Risk Management section (all of which are deemed to be incorporated in this Corporate Governance Statement). The Reports from the Chairmen of Audit, Nomination and Governance and Remuneration Committees highlight the key areas of focus for, and the background to the principal decisions taken by, those Committees, which form an integral part of our governance structure. A fair, balanced and understandable assessment of the Group's position and prospects is set out in the Strategic Report. Other Statutory Information contains certain other information required to be incorporated into this Corporate Governance Statement. All of these statements are deemed to be incorporated in this Corporate Governance Statement.

Directors' Compliance Statement

It is the policy of the Company to comply with its relevant obligations (as defined in the Companies Act 2014). The Directors have drawn up a compliance policy statement as defined in section 225(3)(a) of the Companies Act 2014. Arrangements and structures have been put in place that are, in the Directors' opinion, designed to secure a material compliance with the Company's relevant obligations. These arrangements and structures were reviewed by the Company during the financial year. As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with the relevant obligations. In discharging their responsibilities under section 225, the Directors relied on the advice of third parties whom the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

Performance matters

Board activity

Constantly delivering superior quality performance and shareholder value.

Strategy and corporate development

- Conducted regular strategy update sessions in Board meetings;
- Conducted a detailed strategic review of the themes and key drivers of each of the Group's business segments for the 2017 strategic plan;
- Approved the three-year strategic plan for 2017 to 2019; and
- Received regular updates on Group corporate development opportunities from the Group Corporate Development Director. This included regular reviews of the merger and acquisition strategy/pipeline and the acquisition of Amazing Grass and Body & Fit.

Operational and financial performance

- Received regular reports from the Group Managing Director;
- Received regular updates from the Group Finance Director on business performance, business priorities, and operations for each of the four business segments;
- Approved the Group's Annual Report, half-yearly report and interim management statements;
- Recommended the 2015 final dividend and approved the 2016 interim dividend; and
- Approved the Group budget for the 2017 financial year.

Risk

- Conducted an annual review of the material financial and non-financial risks facing the Group;
- Considered the Group's principal risks and uncertainties and how they are managed within our risk appetite when assessing the Group's longer term viability;
- Received reports from the Group Committee Chairmen; and
- Conducted a review of the Group's material compliance arrangements and structures for the purpose of the Compliance Statement.

Investor relations

- Hosted a Capital Markets day in London in May 2016;
- Presented at 16 investor conferences globally;
- Updated the market regularly on performance via the AGM, full and half-yearly results and interim management statements;
- Received regular feedback on Directors' meetings held with institutional investors; and
- Undertook appropriate preparations for the holding of the AGM including considering and approving an 'outlook' statement and subsequently discussing issues arising from the AGM.

Governance

- Commissioned 2016 Board evaluation;
- Undertook remuneration consultant tender process;
- Confirmed Directors' independence;
- Appointed Patrick Coveney to the Nomination and Governance Committee;
- Received reports from the Committee Chairmen;
- Reviewed and approved new inside information and share dealing policies and procedures including the formation of a Disclosure Committee, see page 68;
- Relaunched the Group Code of Conduct; and
- Received regular updates on corporate regulatory matters.

People

- Reviewed progress of values and behaviours implementation across the Group;
- Evaluated employee engagement Pulse Survey results and actions;
- Received updates on and considered senior succession planning and talent management;
- Renewed focus on career planning;
- Reviewed and approved HR strategy focusing on leadership, talent culture and operational effectiveness; and
- Oversaw Group-wide performance and reward processes and target setting.

Board of Directors and Senior Management
Group Chairman, Vice-Chairmen, Non-Executive Directors

Henry Corbally
Group Chairman

Age: 62

Martin Keane
Vice-Chairman

Age: 61

Patrick Murphy
Vice-Chairman

Age: 58

Experience

Henry Corbally was appointed Group Chairman on 12 June 2015. Henry was nominated for appointment by Glanbia Co-operative Society Limited. Henry farms at Kilmainhamwood, Kells, Co. Meath and holds a certificate of merit in Corporate Governance from University College Cork. He is a former Vice-Chairman of the National Dairy Council.

Martin Keane was appointed Vice-Chairman on 29 June 2010. Martin was nominated for appointment by Glanbia Co-operative Society Limited. Martin farms at Errill, Portlaoise, Co. Laois and has completed the ICOS Co-operative Leadership Programme. Martin is President of Irish Co-operative Organisation Society Limited and a Director of Ornua Co-operative Limited.

Patrick Murphy was appointed Vice-Chairman on 12 June 2015. Patrick was nominated for appointment by Glanbia Co-operative Society Limited. Patrick farms at Smithstown, Maddoxtown, Co. Kilkenny. Patrick is a Director of Farmer Business Developments plc.

Term of office

Date of Appointment: 9 June 1999
Tenure: 17 full years

Date of Appointment: 24 May 2006
Tenure: 10 full years

Date of Appointment: 26 May 2011
Tenure: Five full years

Committee Membership

Nomination and Governance Committee (Chair)
Audit Committee/Remuneration Committee (Member)

Audit Committee/Remuneration Committee (Member)

Audit Committee/Remuneration Committee (Member)

Board of Directors and Senior Management
Senior Independent Director, Non-Executive Directors

Paul Haran
Senior Independent Director
Age: 59

Patrick Coveney
Non-Executive Director
Age: 46

Donard Gaynor
Non-Executive Director
Age: 60

Dan O'Connor
Non-Executive Director
Age: 57

Experience

Paul Haran: Paul Haran is a Director of a number of companies including the Mater Private Hospital, Drury Porter Novelli and Insurance Ireland. He also chairs Edward Dillon & Co. Previously he was Secretary General of the Department of Enterprise and Employment, Principal of the University College Dublin College of Business and Law and a Director of Bank of Ireland, the Road Safety Authority, the Institute of Public Administration and chaired the Qualifications Authority of Ireland. He graduated from Trinity College Dublin with a B.Sc. in Computer Science and an M.Sc. in Public Sector Analysis. He was awarded Honorary Doctorates from both Trinity College Dublin and University College Dublin.

Patrick Coveney: Patrick Coveney is Chief Executive Officer (CEO) of Greencore Group plc, the leading convenience foods manufacturer. Prior to becoming CEO of Greencore, Patrick served as the Group's Chief Financial Officer for over two years. Before he joined Greencore, Patrick was Managing Partner of McKinsey & Company in Ireland. Patrick is also Non-Executive Chairman of Core Media Group. He holds an M.Phil and D. Phil from New College Oxford University, where he was a Rhodes Scholar. He also holds a Bachelor of Commerce degree (First Class) from University College Cork, where he was overall graduate of the year in 1992. Patrick served as President of the Dublin Chamber of Commerce in 2012, having been a Council member since 2003.

Donard Gaynor: Donard Gaynor retired in December 2012 as Senior Vice President of Strategy and Corporate Development of Beam, Inc., the premium spirits company previously listed on the New York Stock Exchange, based in Chicago, Illinois. A Fellow of Chartered Accountants Ireland, he joined Beam Inc. in 2003 as Senior Vice President and Managing Director – International. Prior to this he served in a variety of senior executive leadership roles with The Seagram Spirits & Wine Group in New York and was also Audit Client Services Partner with the New York office of PricewaterhouseCoopers. In November 2016 Donard was appointed Chairman of Hazelwood Demesne Limited "The Lough Gill Distillery" Company.

Dan O'Connor: Dan O'Connor is currently Chairman of Activate Capital Limited and International Personal Finance plc. He is a former Non-Executive Director of CRH plc. Dan is a former President and CEO of GE Consumer Finance Europe and a former Senior Vice-President of GE. He was Executive Chairman of Allied Irish Banks plc from November 2009 until October 2010. A fellow of Chartered Accountants Ireland, Dan graduated from University College Dublin with a Bachelor of Commerce and Diploma in Professional Accounting.

Term of office

Paul Haran	Patrick Coveney	Donard Gaynor	Dan O'Connor
Date of Appointment: 9 June 2005 Tenure: 11 full years	Date of Appointment: 30 May 2014 Tenure: Two full years	Date of Appointment: 12 March 2013 Tenure: Three full years	Date of Appointment: 1 December 2014 Tenure: Two full years

Committee Membership

Paul Haran	Patrick Coveney	Donard Gaynor	Dan O'Connor
Audit Committee/Nomination and Governance/Remuneration Committee (Member)	Audit Committee/Nomination and Governance Committee (Member)	Remuneration Committee (Chair) Audit Committee/Nomination and Governance Committee (Member)	Audit Committee (Chair) Nomination and Governance/ Remuneration Committee (Member)

Board of Directors and Senior Management
Group Operating Executive

Siobhán Talbot
Group Managing Director and Executive Director

Age: 53

Mark Garvey
Group Finance Director and Executive Director

Age: 52

Hugh McGuire
CEO Glanbia Performance Nutrition and Executive Director

Age: 46

Brian Phelan
CEO Glanbia Nutritionals and Executive Director

Age: 50

Experience

Siobhán Talbot was appointed Group Managing Director on 12 November 2013, having been appointed Group Managing Director Designate on 1 June 2013. She was previously Group Finance Director and her role encompassed responsibility for Group strategic planning. She has been a member of the Group Operating Executive since 2000 and the Board since 2009 and has held a number of senior positions since she joined the Group in 1992. She is also a Director of the Irish Business Employers Confederation (IBEC). Prior to joining Glanbia, she worked with PricewaterhouseCoopers in Dublin and Sydney. A fellow of Chartered Accountants Ireland, Siobhán graduated from University College Dublin with a Bachelor of Commerce and Diploma in Professional Accounting.

Mark Garvey was appointed as Group Finance Director on 12 November 2013. Prior to joining Glanbia he held the position of Executive Vice President and Chief Financial Officer until 2012 with Sara Lee Corporation, a leading global food and beverage company. Mark also held a number of senior finance roles in the Sara Lee Corporation in the US and Europe and prior to that he worked with Arthur Andersen in Ireland and the US. A fellow of Chartered Accountants Ireland and the American Institute of Certified Public Accountants, Mark graduated from University College Dublin with a Bachelor of Commerce and Diploma in Professional Accounting and has an Executive MBA from Northwestern University, Illinois.

Hugh McGuire was appointed to the Board on 1 June 2013 as an Executive Director with responsibility for Glanbia Performance Nutrition. Hugh joined the Group in 2003 and has been CEO of Glanbia Performance Nutrition since 2008. Prior to that he held a number of senior management roles in the Group. He previously worked for McKinsey & Company as a consultant across a range of industry sectors. Prior to this he worked in the consumer products industry with Nestlé and Leaf. Hugh graduated from University College Dublin with an M.Sc. in Food Science. He has a Diploma in Finance from the Association of Chartered Certified Accountants, Ireland.

Brian Phelan was appointed as CEO of Glanbia Nutritionals on 1 June 2013. He was appointed to the Board on 1 January 2013 as Group Development and Global Cheese Director. Brian was previously Group Human Resources & Operations Development Director. He is the Chairman of Glanbia Cheese Limited. Since joining the Group in 1993 he has held a number of senior management positions. Prior to this he worked with KPMG. He graduated from University College Cork with a Bachelor of Commerce and is a fellow of Chartered Accountants Ireland.

Term of Office

Siobhán Talbot: Date of Appointment: 1 July 2009
Tenure: Seven full years

Mark Garvey: Date of Appointment: 12 November 2013
Tenure: Three full years

Hugh McGuire: Date of Appointment: 1 June 2013
Tenure: Three full years

Brian Phelan: Date of Appointment: 1 January 2013
Tenure: Four full years

Board of Directors and Senior Management

Non-Executive Directors nominated by Glanbia Co-operative Society Limited

All of the Directors nominated by Glanbia Co-operative Society Limited are full time farmers who have significant experience of the dairy and agricultural industry.

Patsy Ahern

(Aged 59) Patsy was appointed to the Board on 12 June 2015 and has served one full year on the Board.

Jer Doheny

(Aged 62) Jer was appointed to the Board on 29 May 2012 and has served four full years on the Board. Jer has completed the University College Cork Diploma in Corporate Direction.

Jim Gilsenan

(Aged 57) Jim was re-appointed to the Board on 12 June 2015 and has served one full year on the Board in the current term. He previously served 11 full years on the Board. Jim has completed the University College Cork Diploma in Corporate Direction.

Vincent Gorman

(Aged 60) Vincent was appointed to the Board on 27 June 2013 and has served three full years on the Board.

Michael Keane

(Aged 64) Michael was re-appointed to the Board on 29 June 2010 and has served six full years on the Board in the current term. He previously served two full years on the Board.

Matthew Merrick

(Aged 65) Matthew was appointed to the Board on 9 June 2005 and has served 11 full years on the Board. He was a member of the Audit Committee between July 2011 and February 2015. Matthew has completed the University College Dublin Diploma in Corporate Governance.

John Murphy

(Aged 54) John was appointed to the Board on 29 June 2010 and has served six full years on the Board. He is Vice-Chairman of the National Dairy Council. John has completed the University College Cork Diploma in Corporate Direction.

Senior Management
Group Operating Executive

Michael Horan
Group Secretary

Age: 52

Michael Patten
Group Human Resources & Corporate Affairs Director

Age: 54

Tom Tench
Group Corporate Development Director

Age: 46

Experience

Michael Horan was appointed as Group Secretary on 9 June 2005, having previously held the position of Group Financial Controller since June 2002. He joined the Group in 1998 as Financial Controller of the Fresh Pork business in Ireland. Michael previously worked with Almarai Company Limited in Saudi Arabia and BDO Simpson Xavier. A fellow of Chartered Accountants Ireland, Michael graduated from the National University of Ireland, Galway with a Bachelor of Commerce.

Michael Patten is Group Human Resources & Corporate Affairs Director and has responsibility for Group human resources, strategic leadership of the Group's global reputation, public affairs and sustainability agenda. Prior to joining the Group, Michael was Global Public Affairs Director with Diageo plc. He previously served with the Group as Director of Communications. Michael holds a BA in Communication Studies from Dublin City University and is an Honorary Life Fellow of the Public Relations Institute of Ireland.

Tom Tench is the Group Corporate Development Director. Tom joined the Group in 2004 with responsibility for strategy and development for Glanbia's US Cheese and Global Nutritionals businesses. Prior to joining the Group, Tom worked in the investment banking and investment management industry. Tom also served for 10 years as an officer in the US military.

Senior Management
Dairy Ireland and Joint Ventures & Associates

Colm Eustace
CEO Agribusiness

(Aged: 55) Colm Eustace (B.Ag. Sc., C. Dip. AF., MBA) has been CEO of Agribusiness since 2006. He joined the Group in 1985 and has held a number of senior positions since 1997 within Agribusiness.

Colin Gordon
CEO Consumer Foods Ireland

(Aged: 55) Colin Gordon (BBS, MBS, FMII) has been CEO of Consumer Foods Ireland since his appointment to the Group in 2006. He previously worked with C&C Group plc where he held a number of senior positions, including Managing Director of C&C (Ireland) Limited. Colin is currently a member of the Consumer Foods Ireland Board of Bord Bia and a Director of the Marketing Institute of Ireland.

Jim Bergin
CEO Glanbia Ingredients Ireland Designated Activity Company

(Aged: 54) Jim Bergin (B.Comm., M.Sc. Management Practice) is CEO of Glanbia Ingredients Ireland Designated Activity Company, an Associate of the Group. He was appointed to this role in 2012 (having previously been CEO of Dairy Ingredients Ireland). He has worked for the Glanbia plc Group between 1984 and 2012 and has held a number of senior positions during that time. Jim is also a Director of Ornua Co-operative Limited.

Paul Vernon
CEO Glanbia Cheese Limited

(Aged: 56) Paul Vernon is CEO of the Glanbia Cheese Joint Venture since its inception in 2000. Prior to joining the Group in 1995 he worked for a dairy co-operative based in Northern Ireland and began his career with HP Foods, a leading fast moving consumer goods (FMCG) company based in Great Britain.

Audit Committee Report

Embedding an effective risk management and internal control culture

"Regular engagement with management, Internal Audit and the statutory Auditors helps ensure we discharge our duties effectively."

Dan O'Connor
Audit Committee Chairman

Dear shareholder,

As Chairman of the Audit Committee, I am pleased to present the report of the Committee for the year ended 31 December 2016. During the year, the Committee devoted significant time to fulfilling its key oversight responsibilities which involved engaging regularly with management, Internal Audit and the statutory Auditors to ensure the information the Committee receives is timely and accurate, thereby enabling the Committee to discharge its duties effectively in line with the UK Corporate Governance Code (2014) and guidance on risk management and internal control.

As highlighted in last year's Audit Committee Report, the Committee engaged in a formal tender process for the statutory audit of the Group's Financial Statements in respect of the year ended 31 December 2016. Following this tender process, the Board approved the appointment of Deloitte as auditors to the Company and this appointment was subsequently approved by the shareholders as a non-binding resolution at the Annual General Meeting held on 27 April 2016. Our engagement with the statutory Auditors and with the Group Internal Audit function is detailed on pages 63 to 65 of this report.

The Committee has performed a detailed review of both the financial and non-financial information contained in the Group's Annual Report. It is satisfied that the report presents a fair, balanced and understandable assessment of the Group's position and prospects. It also provides the information necessary for shareholders to assess the Group's strategy, business model and performance. We have endeavoured to ensure that the key messages are clearly called out throughout the document and that consistency exists between the front and back sections of the report. To assist in the process of supporting the fair, balanced and understandable statement, management prepare a report for the Committee setting out the key considerations in arriving at the statement including the documented processes for the preparation of the Annual Report and Accounts.

As required by the Companies Act 2014, the Board has delegated responsibility to the Committee for the on-going monitoring of the effectiveness of the Group's systems of risk management and internal control and for conducting a robust assessment of the principal risks, including those that would threaten the Group's business model, future performance, solvency and liquidity. We remain focused on embedding an effective risk management process across the Group. This has enabled the Board to fully consider these risks as part of our three-year Group strategy review process. As a result we are well positioned to confirm that both the Committee and the Board consider it appropriate to adopt the going concern basis of accounting with no material uncertainties as to our ability to continue to do so. The work performed in this regard is set out on pages 51 and 63.

The Audit Committee considered the requirements of the Companies Act 2014 in relation to the Directors' Compliance Statement and is satisfied that appropriate steps have been undertaken to ensure that Glanbia is fully compliant with these requirements.

Management, the Audit Committee and the Board are fully committed to ensuring effective risk management and internal control systems are implemented to protect our people, business and reputation.

On behalf of the Audit Committee

Dan O'Connor
Audit Committee Chairman

Governance

The Committee was in place throughout 2016. The Committee comprises seven Non-Executive Directors, of whom three members constitute a quorum. Each of these Directors is considered by the Board to be independent in judgement and character (see pages 68 to 69 of the Nomination and Governance Committee Report). The Group Secretary acts as secretary to the Committee. Membership of the Committee is reviewed annually by the Chairman of the Committee and the Group Chairman who recommend new appointments to the Nomination and Governance Committee for consideration and onward recommendation to the Board.

The Board is satisfied that Dan O'Connor, Patrick Coveney and Donard Gaynor have recent and relevant financial experience. The Board is also satisfied that the Audit Committee, as a whole, have competence relevant to the sector in which the Company operates, arising from the senior positions they hold or held in other organisations.

The Chairman of the Audit Committee reports to the Board as necessary on the activities of the Committee and attends the Annual General Meeting to answer questions on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.

The terms of reference of the Audit Committee, which outline the key roles and responsibilities of the Committee, can be found on the Group's website: www.glanbia.com, or can be obtained from the Group Secretary. Outlined below is an analysis of the Committee's current membership, 2016 meeting attendance and primary activities during 2016.

Key responsibilities

Reviewing the:

- Draft Financial Statements prior to Board approval;
- Appropriateness of accounting policies and any significant financial reporting issues;
- Design and implementation of the Group's systems of risk management and internal control;
- Internal Audit plan, the reports issued and the effectiveness of the Internal Audit function;
- Group's arrangements for employees to raise concerns in confidence about possible wrongdoings;
- Group's procedures for fraud prevention and detection;
- Approach, scope and terms of engagement of the statutory audit;
- Effectiveness of the statutory audit process and the Group finance function;
- Statutory Auditor's independence and the provision of non-audit services; and
- Group's post-acquisition completion review process.

2016 Committee meeting attendance

There were five scheduled meetings of the Audit Committee during the year ended 31 December 2016. Attendance by the Non-Executive Director members at these meetings is outlined in the table below. Meetings are typically attended by the Group Managing Director, the Group Finance Director, the Group Financial Controller, the Group Head of Internal Audit and the statutory Auditors. Other relevant people from the Group's businesses are requested to attend certain meetings in order to provide a deeper insight into key developments and areas of particular risk focus.

Member	Appointed	Number of full years on the Committee	2016 meeting attendance
D O'Connor (B.Comm, FCA)	1-Dec-14	2	5/5
Mn Keane	29-Jun-10	6	5/5
H Corbally	7-Jul-05	11	5/5
P Coveney (B.Comm, M.Phil, D.Phil)	30-Sep-14	2	5/5
P Haran (B.Sc., M.Sc.)	9-Jun-05	11	5/5
D Gaynor (FCA)	24-Feb-15	1	5/5
P Murphy	12-Jun-15	1	5/5

See pages 54 and 55 for more information on current Audit Committee members.

Composition of the Committee

- Non-Executive Chairman
- Non-Executive Directors nominated by Glanbia Co-operative Society Limited
- Other Non-Executive Directors

Allocation of time

- Financial and corporate governance updates
- Statutory Auditors
- Risk management and internal control systems
- Internal Audit
- Other

Audit Committee Report continued

Key matters considered by the Committee in 2016

Financial reporting

At our meetings during 2016 and to date in 2017, the Committee considered, amongst other matters, the following:

- Reviewed the Group's half-year results, 2016 full-year Financial Statements and Annual Report by considering and challenging (where appropriate) the Group's accounting policies and key judgement areas;
- Reviewed a report from the Group Head of Internal Audit on the key considerations supporting our fair, balanced and understandable statement;
- Considered any potential indicators of impairment to goodwill and other intangible assets and the appropriateness of the going concern basis in preparing the 2016 Financial Statements;
- Reviewed reports from management on accounting, financial reporting, treasury and taxation issues;
- Reviewed the Group's policy of highlighting significant items within the Group's results as exceptional items. The Committee reviewed the items classified as exceptional in 2016 and deemed the classification and disclosures in the Financial Statements to be appropriate. Detailed disclosures are included in Note 6 to the Financial Statements;
- Reviewed the status of the various legal claims and disputes the Group is party to including management's calculations and assumptions utilised in determining whether the provisions held are adequate and appropriate;
- Received a report on the effectiveness of the Group's financial reporting controls and systems of risk management and internal control from the Group Head of Internal Audit including the Group's management representation letter and control self-assessment processes;
- Received a presentation from the Group Head of Tax on tax matters including legislative and other developments, tax structure and controls;
- Received a presentation from the Group Finance Director on key financial risk exposures;
- Considered the Directors' Responsibility Statement and the principal risks and uncertainties of the Group within the 2016 Annual Report and the half-year results;
- Considered the revised UK Corporate Governance Code (2016), the FRC guidance on key developments for 2016 annual reports, Audit Committees and changes to auditor independence rules and their implications for Glanbia;
- Considered the impact to the Group of recent corporate governance updates, IFRS reporting developments and regulator commentary;
- Recommended the approval of the Group's half-year results, 2016 full-year Financial Statements and Annual Report to the Board;
- Considered and approved the ROCE performance condition amendments set out on pages 81 and 82 of the Remuneration Committee Report;
- The Committee considered and were satisfied with the events after the reporting period note in the Financial Statements (Note 38);
- The Committee advised the Board prior to its approval of the interim management statements and Annual Consolidated Financial Statements, whether it believed there were any material uncertainties that may impact the Group's ability to continue as a going concern and if the Annual Report and Financial Statements, taken as a whole are fair, balanced and understandable; and
- During the year, the Committee agreed the process to address the requirements of the UK Corporate Governance Code (2014) in relation to the longer term viability statement, and supported the Board in its conclusion that there is a reasonable expectation that the Company will continue in operation over the period of the assessment.

The Audit Committee considered the effectiveness of the following features of internal control and financial reporting in preparing the Consolidated Financial Statements:

- Board approval of the annual business and strategic plans following Group and Business Unit strategy plan reviews;
- Monitoring of performance against the annual plan through monthly Board reports detailing actual versus budgeted results, analysis of material variances, review of Key Performance Indicators and reforecasting where required;
- Monthly reporting by all Business Units and review by Group Finance;
- Well resourced Finance function to facilitate segregation of duties;
- Audit Committee review of the integrity of the Annual Report and half-yearly report. Any resulting recommendations are included in the Audit Committee Chairman's Board report;
- Board review and approval of the Group half-yearly results, Consolidated Financial Statements, interim management statements and any formal announcements;
- Centralised Taxation and Treasury functions;
- Board approved Treasury risk management policies, designed to ensure that Group foreign exchange and interest rate exposures are managed within defined parameters; and
- Appropriate IT security environment.

Regulators and our financial reporting

The Committee is committed to improving the effectiveness and precision of the Group's reporting and management are encouraged to consider, and adopt where appropriate, initiatives by regulatory bodies such as the FRC Lab projects and guidance issued by the Irish Auditing and Accounting Supervisory Authority (IAASA).

During the year the Group received correspondence from IAASA in respect of the Annual Financial Report for the year ended 2 January 2016. IAASA acknowledged the co-operation received from the Directors and management in responding to the queries raised.

Risk management and internal control systems

Details of the Group's systems of risk management and internal control are set out in the Risk management section on pages 12 to 13. The Group maintains a risk register, which contains the key risks faced by the Group, including their likelihood, impact and velocity as well as the controls and procedures implemented to mitigate these risks.

During the year the Audit Committee:
- Received Group key risk summary presentations tracking residual risk exposures and assessed management action plans to ensure the Board's risk appetite and tolerance levels were not exceeded;
- Considered the current risk management process and deemed it effective in relation to identifying, assessing and monitoring Group risks;
- Received a presentation from the GPN Legal team and the Group Corporate Development Director to review processes and risk management in these areas;
- Received a presentation from the Group Head of Quality and Food Safety on our controls in this area;
- Received a presentation on IT risks from the Group Head of IT which considered key risk areas such as cyber security, data privacy and the non-availability of mission critical systems; and
- Received a presentation from the Group Finance Director on the Group's post-acquisition completion review process.

The Committee also reviewed a presentation from management outlining an overview of the totality of the Group's risk management environment using a three lines of defence model. This was designed to enable the Committee to seek direct engagement with the key risk owners as deemed appropriate. The objectives of this direct engagement (particularly with the relevant second line of defence owners) allows the Committee to assess:
- Whether these individuals understand the potential for their decisions and actions to affect risk levels and the achievement of Group objectives;
- Whether they understand the Board's desired levels of risk;
- Whether they have sufficient information to make intelligent decisions taking into account the desired level of risk;
- What the red flags are to alert senior management to excessive levels of risk and how senior management address the red flags; and
- What additional measures can be taken to enhance risk intelligent decision making.

The Board has reviewed the effectiveness of the current systems of risk management and internal control specifically for the purpose of this statement and is satisfied that these systems have been operating throughout 2016 and to the date of this report.

Internal Audit
- Held a private review meeting with the Group Head of Internal Audit;
- Received presentations covering team development, progress against the 2016 audit plan, improvements implemented to address control weaknesses identified, risk management practices and whistleblowing procedures;
- Received updates on the implementation of a market leading audit management system, which was successfully implemented in 2016 and is now fully operational within the Internal Audit team;
- Considered and approved the 2017 Internal Audit work plan; and
- Considered the effectiveness of the Internal Audit function (including internal audits, IT audits and special investigations), adequacy of resources, experience and expertise and deemed all to be satisfactory.

Whistleblowing and fraud
- Considered the Group's arrangements for its employees to raise concerns, in confidence, about possible wrong doings in financial reporting and other matters, which included the Group's Safecall Speak-up service and the Group Code of Conduct;
- Considered the Group's procedures for fraud prevention and detection to ensure that these arrangements allow for the proportionate and independent investigation of such matters and appropriate follow up action; and
- Deemed the current procedures to be adequate.

Statutory Auditors
- Considered the audit plan and review of corporate reporting updates;
- Reviewed the report from the Auditors regarding their findings in respect of the 2016 audit and a summary of internal control observations, including observations in respect of IT controls;
- Held a private review meeting with the new Audit Partner; and
- Assessed the effectiveness of the Auditors, the audit fee, the level of non-audit services provided and the Auditors' independence and objectivity.

Review of Audit Committee performance
The Board (as part of its external evaluation) and Committee assessed its performance covering its terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Board and Committee are satisfied that the Committee is functioning effectively and it has met its terms of reference.

2016 significant financial reporting judgements and disclosures
The Audit Committee reviewed the effectiveness of the process undertaken by the Directors to evaluate going concern, including the analysis supporting the going concern statement and disclosures in the Financial Statements. The Committee and the Board consider it appropriate to adopt the going concern basis of accounting with no material uncertainties as to the Group's ability to continue to do so. The Committee also reviewed the Directors' viability statement which covers the next three financial years (2017-2019). This statement is supported by the work conducted in the two day strategy and budget review session in December 2016, the Board's strategy discussions at the October 2016 Board meeting and the Board's on-going review of monthly and year-to-date business performance versus budget and forecast. Further detail is given within the viability statement on page 51.

The Audit Committee assessed whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the 2016 Financial Statements. As part of this exercise the Committee reviewed accounting papers prepared by management which provide the supporting detail for the key areas of financial judgement.

Audit Committee Report continued

2016 significant financial reporting judgements and disclosures continued

The primary areas of financial reporting judgement and disclosure which were considered by the Committee in relation to the 2016 Financial Statements and how these were addressed are outlined in the following table.

How the Audit Committee addressed these matters

Impairment review of goodwill and intangibles	• The Committee recognises that goodwill and intangible asset impairment reviews involve a range of judgemental decisions largely related to the assumptions used to assess the value in use of the assets being tested. These assumptions typically include long-term business and macroeconomic projections, cashflow forecasts and associated discount rates; • Detailed reports to support the recoverable value of the balances included in Note 16 to the Financial Statements were received from management and considered by the Committee. This included examining the methodology applied including ensuring the discount rates used are appropriate; and • The Committee constructively challenged assumptions used to support short and long-term projections, with consideration of different scenarios and key assumptions used within the respective reviews. Following these discussions, the Committee is satisfied that the impairment review approach, disclosed in Note 16, key assumptions made and conclusions reached are appropriate.
Pension disclosures and key assumptions	• The Group operates a number of post-employment defined benefit retirement schemes. The pension costs and liability calculations in respect of the defined benefit retirement schemes are calculated and determined by independent actuaries; • The Committee recognises the inherent uncertainties surrounding the financial assumptions adopted in defined benefit retirement scheme valuations, particularly in relation to discount rate, price inflation and mortality assumptions; • The Committee assessed the estimated impacts on plan valuations resulting from changes to the key actuarial assumptions; and • The Committee discussed the appropriateness of the assumptions used with management. Following discussion with management the Committee is satisfied that the accounting and disclosures in respect of the defined benefit retirement schemes are appropriate. Further details on the retirement schemes are given in Note 9 to the Financial Statements.
Revenue recognition	• The Committee considered the extent of rebate and deduction claims across the Group where the amounts payable can vary depending on the arrangements made with individual customers and the volume of trade; and • This included understanding the basis behind any significant year-end provisions to ensure they were adequate and appropriate. Following these discussions, the Committee is satisfied that the basis behind the year-end rebate provisions within the Financial Statements are appropriate.
Tax provisions	• The Committee review focused on the key judgements in relation to the calculation of the year-end tax provisions; • The Committee received an analysis of movements in the tax provisions and obtained an update from management on the outcome of any tax authority reviews conducted during the financial period; • The Committee reviewed external professional advice obtained to support the year-end provisions; and • The Committee discussed the increased focus on international legislation and the future compliance requirements associated with the Base Erosion and Profit Shifting (BEPS) project (including Country by Country Reporting). Following these enquiries, the Committee is satisfied that the key assumptions governing the calculation of tax provisions within the Financial Statements are appropriate.

Review of statutory Auditors

Deloitte were appointed as the Group's statutory Auditors in 2016 following a formal tender process. The statutory audit contract will be put out to tender at least every 10 years.

During the year, the Committee agreed the approach and scope of the annual audit work to be undertaken by the statutory Auditors, which included planned levels of materiality, key risks to the accounts including fraud risks, the proposed audit fee, the Group's processes for disclosing information to the Auditors and the approval of the terms of engagement for the audit. The Committee also discussed recent corporate governance updates, such as the revised UK Corporate Governance Code, FRC guidance, changes to auditor independence rules, IFRS reporting developments and regulator commentary. The Committee monitored the transition process following the audit tender discussed in the 2015 Audit Committee Report and is satisfied that a robust, independent audit was conducted in an effective and efficient manner. Management's progress on control improvement opportunities identified by Deloitte will be maintained under review by the Committee during 2017.

The Committee ensured that the statutory Auditors had direct access to the Chairman of the Committee and the Group Chairman. It is standard practice for the statutory Auditors to meet privately with the Audit Committee on at least an annual basis without any members of management or the Executive Directors being present. This meeting was held in February 2017 following the completion of the 2016 audit to review the findings from the audit of the Group Financial Statements.

Independence of the statutory Auditors

In order to ensure the independence and objectivity of the statutory Auditors, the Committee maintains and regularly reviews the Group's Auditors' Relationship and Independence policy. This policy, which has been updated to reflect the EU audit reform legislation requirements, the UK Corporate Governance Code, Irish legislation and FRC guidance provides clear definitions of services that the statutory Auditors cannot provide, such as financial information systems design and implementation, Internal Audit services or legal services. For services that may be undertaken by the statutory Auditors appropriate approval thresholds are in place to ensure the provision of these services do not impair the Auditors' independence.

The Committee also considers the performance of the statutory Auditors each year, including Audit Partner rotation requirements, and assesses their independence on an on-going basis. In line with regulatory requirements for listed companies, the statutory Auditors are required to rotate the Audit Partner responsible for the Group audit every five years. For 2016, the issue of partner rotation was not applicable due to 2016 being the first year of audit for Deloitte as statutory Auditors.

As part of the independence review process, the statutory Auditors are requested to formally confirm their independence in writing to the Committee. This confirmation process also provides examples of safeguards that may, either individually or in combination, reduce any independence threat to an acceptable level. While their appropriateness depends on the specific circumstances involved in the provision of the service they will always include:

- Ensuring that the statutory Auditors do not play any part in the management or decision-making of Glanbia; and
- Ensuring the individuals involved in providing the non-audit service are not members of the audit engagement team.

Non-audit services

Our revised Audit Relationship and Independence policy includes a clearly defined pre-approval process for audit and other services, including a requirement for the business to submit a formal template setting out the details of the services requested, the likely fee level, the rationale for requiring the work to be carried out by Deloitte rather than another service provider and a confirmation that the service requested is not a prohibited service. The policy requires each request to be reviewed and where appropriate challenged by the Group Financial Controller, the Group Finance Director, the Group Secretary and the Audit Committee Chairman (subject to a defined monetary threshold). The provision of all non-audit services which are not prohibited and approved in line with our policy must be ratified by the Audit Committee at the following meeting of the Committee, who also ensure that the total fees for non-audit services will not exceed the defined thresholds.

Fees paid to Deloitte for audit related and non-audit related services are analysed in Note 5 to the Financial Statements. The primary non-audit related services provided by the Auditors during the year were in respect of consulting services provided before Deloitte were appointed as Auditors for the Company. The Committee will continue to monitor the type and level of services provided to prevent any perceived or actual impact on the Auditors' independence.

Effectiveness

The Committee is satisfied with the effectiveness of the statutory Auditors based on the quality of the presentations received, management commentary on the robustness of the challenge provided, their technical insight and their demonstration of a clear understanding of the Group's business and its key risks. Nevertheless following the completion of Deloitte's first annual audit of the Group, the Committee intends conducting a detailed review of the key areas of the audit process as well as the role that management has contributed to an effective process. The purpose of this exercise will be to ensure that year one audit learnings are fully implemented, the quality of management's papers is maintained at a consistently high standard, the audit process is fully respected and that the overall efficiency and effectiveness of the statutory audit process is further developed in 2017. Internal Audit will support the Committee in this process through a tailored assessment framework utilising the 2015 FRC 'Audit Quality Practice Aid for Audit Committees' and report back to the Committee at its June 2017 meeting.

Nomination and Governance Committee Report

Ensuring the Board has the right skills and experience to meet the Group's strategic objectives

"The Committee reviews the composition and balance of the Board and Group Operating Executive to ensure that the Group has the right structure, skills and diversity of experience in place for the effective management and delivery of the Group's strategic objectives."

Henry Corbally
Nomination and Governance Committee Chairman

Dear shareholder,

Following my first full year as Chairman of the Nomination and Governance Committee, I am pleased to present our report for the year ended 31 December 2016 outlining the work performed by the Committee during the year.

2016 was another year of significant change for the Board. The size of the Board reduced from 22 members to 18 members. Four Non-Executive Directors: Tom Grant, Brendan Hayes, Patrick Hogan and Eamon Power nominated by Glanbia Co-operative Society Limited (the "Society") retired as part of the agreement to restructure the composition and size of the Board over the period 2016 to 2020 (further details are set out on page 68).

Non-executive director succession, recognising the ability of the Society to nominate up to 10 of our 14 Non-Executive Directors, remains a key focus for the Committee for 2017.

During 2016 we commissioned an independently facilitated Board evaluation. The purpose of the evaluation was to review and further improve the Board's performance and identify any potential development needs. The outcome of the evaluation and recommendations are set out on page 50.

The Nomination and Governance Committee continues to work with the Board to enhance the corporate governance processes. We are committed to maintaining the highest standards of disclosure, ensuring that all investors and potential investors have the same access to high-quality, relevant information in an accessible and timely manner to assist them in making informed decisions. During the year, the Board delegated the management of our compliance with market disclosure obligations to a Disclosure Committee comprised of the Group Managing Director, the Group Finance Director, the Group Secretary and the Group Head of Investor Relations, thereby ensuring that the market receives timely disclosure of our inside information (further details on page 68).

As part of our commitment to continuous improvement, we continue to ensure alignment with best practice as it develops. We relaunched our Code of Conduct in May 2016. The Code of Conduct is based on our purpose, vision and values and describes the behaviours that we expect of those who work for Glanbia (further details on page 33).

The following pages provide more details on the roles and responsibilities of the Nomination and Governance Committee and our highlights and achievements during 2016. I am available at any time to discuss any matters that any shareholder may wish to raise.

On behalf of the Nomination and Governance Committee

Henry Corbally

Henry Corbally
Nomination and Governance Committee Chairman

Our 2016 highlights

- Appointment of Patrick Coveney as a member of the Nomination and Governance Committee;
- Reduction in the Society's representation on the Board in accordance with the Relationship Agreement;
- Considered the composition and balance of the Board;
- Commissioned an externally facilitated Board evaluation;
- Senior management succession planning;
- Considered the outcome of the Board evaluation when discussing the effectiveness of the Non-Executive Directors seeking re-election at the 2017 AGM; and
- Oversaw governance aspects of the Board and its Committees.

Governance

The Committee was in place throughout 2016. Henry Corbally, the Group Chairman, is also Chairman of this Committee. The Committee comprises five Non-Executive Directors, of whom two members constitute a quorum. The Group Secretary acts as secretary to the Committee. When dealing with any matters concerning his membership of the Board, the Group Chairman will absent himself from meetings of the Committee as required and such meetings will be chaired by the Senior Independent Director, Paul Haran.

Key responsibilities

- Making recommendations to the Board on the appointment and re-appointment of Directors;
- Planning for the orderly succession of new Directors to the Board and senior management;
- Keeping under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the market place;
- Recommending to the Board the membership and chairmanship of the Audit and Remuneration Committees respectively;
- Keeping the extent of Directors' other interests under review to ensure that the effectiveness of the Board is not compromised;
- Keeping under review corporate governance developments with the aim of ensuring that the Group's governance policies and practices continue to be in line with best practice;
- Ensuring that the principles and provisions set out in the Irish Corporate Governance Annex and the UK Corporate Governance Code (and any other governance code that applies to the Company) are observed where appropriate; and
- Reviewing the disclosures and statements made in the Directors' Report to the shareholders.

The full terms of reference of the Nomination and Governance Committee can be found on the Group's website: www.glanbia.com or can be obtained from the Group Secretary.

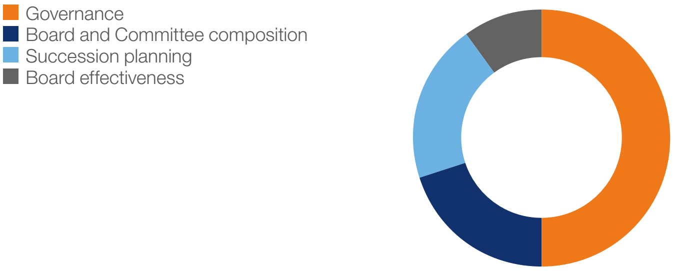
2016 Committee meeting attendance

Member	Appointed	Number of full years on the Committee	2016 meeting attendance
H Corbally	12-Jun-15	1	1/1
P Coveney	23-Feb-16	Less than 1	0/0
D Gaynor	12-Dec-14	2	1/1
P Haran	9-Jun-05	11	1/1
D O'Connor	12-Dec-14	2	1/1

See pages 54 and 55 for more information on current Nomination and Governance Committee members.

Composition of the Committee

Allocation of time



Nomination and Governance Committee Report continued

Glanbia Co-operative Society Limited – right to nominate 10 of the Company's Non-Executive Directors

The Society currently owns 36.5% of the issued share capital of the Company. During 2012 (and further amended in 2015), the Society and the Board agreed the following changes, which will impact the composition and size of the Board in the coming years:
- For 2016 and 2017, the number of Society Nominee Directors on the Board will reduce to 10 members;
- For 2018 and 2019 the number of Society Nominee Directors on the Board will reduce to eight;
- From 2020 the number of Society Nominee Directors on the Board will reduce to seven;
- The Group Chairman of the Company will be a Society Nominee until 2020; and
- Up to eight of the Directors on the Board will be composed of Executive Directors and Non-Executive Directors who are independent of the Society.

In addition, if the number of Non-Society Nominees on the Board changes, the number of Society Nominees on the Board will change on a pro-rata basis. Further, if the Society's shareholding in the Company falls below 33% of the issued share capital, discussions will take place regarding a further reduction in the size of the Society's representation on the Board.

Activities during 2016
The principal activities undertaken by the Committee in 2016 are as follows:

Committee changes and governance
The EU's new Market Abuse Regulations came into effect on 3 July 2016. Cognisant of the requirements and the importance of handling inside information in a highly professional and regulated manner, we reviewed and made certain amendments to our procedures during 2016, including the formation of a Disclosure Committee. Michael Horan (Group Secretary) was appointed Chairman of the Committee with Siobhán Talbot (Group Managing Director), Mark Garvey (Group Finance Director) and Liam Hennigan (Group Head of Investor Relations) being appointed as the members of the Committee. Under the new regulations, Glanbia is required to continue to make timely and accurate disclosure of all information that is required to be so disclosed to meet the legal and regulatory obligations and requirements arising from its Stock Exchange listings. The Disclosure Committee was formed to assist the Company to meet these requirements. The Disclosure Committee has responsibility for, among other things, determining on a timely basis the disclosure treatment of material information, and assisting in the design, implementation and periodic evaluation of disclosure controls and procedures.

There were no changes in the composition of the Audit or Remuneration Committees during the year. On 23 February 2016, Patrick Coveney was appointed as a member of the Nomination and Governance Committee.

Board changes
Tom Grant, Brendan Hayes, Patrick Hogan and Eamon Power retired as Directors on 9 May 2016 reducing the number of Society Nominee Directors from 14 to 10 members reflecting the Board governance arrangements described in the circular which was sent by the Company to shareholders on 2 November 2012 and approved at the Extraordinary General Meeting held on 20 November 2012 and subsequently amended in 2015.

Regular matters
A number of regular matters were considered by the Committee in accordance with its terms of reference, details of which are set out below:

Review of Non-Executive Directors' independence in accordance with the guidance in the Irish Corporate Governance Annex and the UK Corporate Governance Code (2014) (the "Codes")
The Board evaluation and review process considered the independence of each of the Non-Executive Directors, taking into account their integrity, their objectivity and their contribution to the Board and its Committees.

The Board is of the view that the following behaviours are essential for a Non-Executive Director to be considered independent:
- Provides an objective, robust and consistent challenge to the assumptions, beliefs and views of senior management and the other Directors;
- Questions intelligently, debates constructively and challenges rigorously and dispassionately;
- Acts at all times in the best interests of the Company and its shareholders; and
- Has a detailed and extensive knowledge of the Company and the Group's business and of the market as a whole which provides a solid background in which they can consider the Company and the Group's strategy objectively and help the Executive Directors develop proposals on strategy.

The Board and Committee believe that all Non-Executive Directors demonstrated the essential characteristics of independence and brought independent challenge and deliberations to the Board.

The reviews took into consideration the fact that Paul Haran has served on the Board for more than 11 years (seven and a half years of which coincide with the Group Managing Director's tenure, the longest co-terminus period with a current Executive Director) and that 10 of the Non-Executive Directors are nominated by the Society, both of which the Codes state could be relevant to the determination of a Non-Executive Director's independence. However, the Codes also make it clear that a director may be considered independent notwithstanding the presence of one or more of these factors. This reflects the Board's view that independence is determined by the Director's character as set out above. The Committee concluded that both Paul Haran and the Society Nominee Directors continue to demonstrate the essential characteristics of independence and brought independent challenge and deliberations to the Board through their character and objectivity; however notwithstanding this, the Society Nominee Directors are not being designated as independent Directors for the purpose only of Listing Rule 6.2.2 A of the ISE/Listing Rule 9.2.2 A of the UKLA. Paul Haran was considered to be independent. This conclusion was presented to and agreed by the Board.

The Board agreed that Paul Haran should remain on the Board for the foreseeable future in order to continue to maintain a degree of certainty and further facilitate the smooth transition of Board and Committee experience and knowledge to the newer Board members and the Chairman. This decision was subject to a rigorous review in line with the Company's policy on the appointment of independent Non-Executive Directors adopted in 2014. The above views were supported by the external Board evaluation.

Re-election of Directors

The Committee continues to be of the view that, in line with best practice, all Directors should be re-elected to the Board at the Company's AGM. All Directors were re-elected at the 2016 AGM.

All Directors are seeking re-election at the 2017 AGM with the exception of Jim Gilsenan and Matthew Merrick who have indicated their intention to retire at the conclusion of the AGM. The Committee is satisfied that the backgrounds, skills, experience and knowledge of the Company and the Group of the continuing Directors collectively enables the Board and its Committees to discharge their respective duties and responsibilities effectively. This was supported by the formal performance evaluation of the Board, the outcome and recommendations of which are set out on page 50.

Additionally in 2017 (as in 2016), Patrick Coveney, Donard Gaynor, Paul Haran and Dan O'Connor each will seek re-election at the AGM by separate resolution of the independent shareholders (i.e. all of the shareholders save the Society and its subsidiary companies). We believe that sufficient biographical and other information on those Directors seeking re-election is provided in this Annual Report to enable shareholders to make an informed decision.

Review of the time required from a Non-Executive Director

The Committee assessed the time dedicated to the Company and the Group by each Non-Executive Director. This review also considered the extent of the Non-Executive Directors' other interests to ensure that the effectiveness of the Board is not compromised by such interests. The Board and Committee are satisfied that the Group Chairman and each of the Non-Executive Directors commit sufficient time to the fulfilment of their duties. The Group Chairman farms at Kilmainhamwood, Kells, Co. Meath, but the Committee and the Board consider that this does not interfere with the discharge of his duties to the Group.

Review of Nomination and Governance Committee performance

The Board (as part of its external evaluation) and Committee assessed its performance covering its terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Board and Committee are satisfied that the Committee is functioning effectively and it has met its terms of reference.

Remuneration Committee Report

Aligning performance and remuneration to ensure continued delivery for stakeholders

"The Group's current remuneration policy promotes performance, while maintaining the underlying strong financial health of the business. It aims to ensure sound decision making for the success of the Group benefiting all of its stakeholders."

Donard Gaynor
Remuneration Committee Chairman

Dear shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee Report for year ended 31 December 2016.

Against stretching performance conditions, the Group delivered another strong performance year in 2016. Growth in adjusted EPS, on a constant currency basis, for 2016 exceeded full-year guidance of 8% to 10%, achieving 11.2%, the seventh consecutive year of double-digit growth. On a reported basis adjusted EPS grew by 10.8% in the year, reflecting a slight strengthening of the Euro versus the US Dollar during the year. ROCE was 12.9% for 2016. In the three-year performance period of the 2014 Long Term Incentive Plan award – 2014, 2015 and 2016 – reported hereunder, Group revenues grew by 19.6%, EBITA by 62.6%, EBITA margin increased by 280 basis points. Adjusted EPS, on a reported basis, grew by 58% (with double-digit EPS growth in all three years) and TSR grew by 45.8%.

2016 was the second year of the Group's current three-year remuneration policy for the period 2015-2017. The Group's current remuneration policy underpins the strong growth achieved and our stated ambition for this growth to continue into the future, driven by our business strategies. This growth is dependent on us continuing to achieve sustainable performance through each business segment, as well as the overall Group.

The Group's remuneration policy will be reviewed in 2017 with any changes effective for the period 2018-2020. The 2018-2020 remuneration policy will be subject to the Remuneration Committee and the Board's approval as well as an advisory non-binding resolution which will be put to the 2018 AGM.

Remuneration policy and principles

The Group's current remuneration policy promotes performance, while maintaining the underlying strong financial health of the business. It aims to ensure sound decision making for the success of the Group, benefiting all its stakeholders.

The attraction, retention and motivation of a highly effective management team is key to achieving this growth ambition. This is reflected in the principles which underpin the current remuneration policy:

- **Global context –** strong emphasis on the global nature of the Group and therefore global market references for remuneration;
- **Strong alignment with business performance –** clear linkage of Executive Director remuneration to Group performance and business segment metrics, where relevant;
- **Rewarding sustained performance –** higher weighting on long-term incentives, with market benchmarking reflecting trends towards Europe and US markets; and
- **Greater alignment with shareholders/share value growth –** delivery of remuneration through shares, increased shareholding requirements, extended LTIP holding period, malus and claw back provisions together with increased LTIP participation below Executive Director level (both in terms of number of participants and quantum).

Remuneration governance

In line with best practice, the Remuneration Committee undertook a comprehensive selection process for the Remuneration Advisors in 2016, inviting a number of market leading remuneration consultancy firms to participate in the process. The outcome of the process was to re-appoint Willis Towers Watson, maintaining the existing working relationship as Remuneration Advisors. Detail on the selection process is outlined on page 73.

Remuneration changes in 2016

During 2016, base salaries were reviewed and other than for the Group Finance Director the increases were between 2% to 3%. The Remuneration Committee reviewed the Group Finance Director's salary and decided to increase his annual gross salary by 12.5% to €450,000, reflecting span of responsibility, excellence in performance and assessment of the external relativities. The Group Finance Director's annual employer pension contribution was also reviewed and increased from 15% to 25% of his annual base salary to bring it in line with Glanbia's retirement and benefits policy for Executive Directors. Hugh McGuire, CEO of GPN, relocated to Ireland during 2016. In conjunction with Hugh's relocation the Remuneration Committee reviewed and aligned remuneration and applied discretion in respect of outstanding issues relating to previous share awards, details are included on page 79.

Business performance and reward outcomes for 2016

The Executive Directors are incentivised to deliver enhanced performance through the two Group variable remuneration plans – an Annual Incentive and a LTIP.

1) The Annual Incentive for 2016 is based on a combination of personal objectives, year-on-year growth in annual adjusted Earnings Per Share (EPS) on a constant currency basis, EBITA (Earnings Before Interest, Tax and Amortisation) performance and Operating Cashflow (OCF).
2) The 2014 share awards under the 2008 Long Term Incentive Plan (2008 LTIP) in respect of performance in the three-year period to 31 December 2016 are based on growth in annual adjusted EPS on a reported basis, the Group's relative Total Shareholder Return (TSR) measured against a peer group of 12 other international food and nutritional companies and Return on Capital Employed (ROCE). The Group's outcome against the outlined performance conditions has been independently verified by external advisors on behalf of the Remuneration Committee.

The share awards granted to Executive Directors in 2014, under the 2008 LTIP, will vest at a rate of 81.06% no earlier than 2 July 2017, the three-year anniversary of their grant. The final vesting of the 2014 share awards will be subject to a post vesting holding period of one-year in line with the rule amendments approved by shareholders at the 2012 AGM.

Details of both the 2016 Annual Incentive and 2014 share awards for Executive Directors are included on pages 86 and 90.

The Group incentive schemes incentivise performance and reward achievement in line with the agreed business and overall Group strategy. In 2016, business performance overall has met and exceeded expectations and will deliver matching incentive payments through the 2016 Annual Incentive scheme. Given the overall excellent performance and the external environment, the Remuneration Committee considers that both the Annual Incentive and LTIP awards reflect a balanced and fair payment to the Executives.

Non-Executive Director remuneration

The fees paid to Non-Executive Directors for 2016 and 2017 will remain unchanged as shown on page 76. The Non-Executive Directors fees will be reviewed in 2017 as part of the overall remuneration policy review.

Relevant remuneration

As an Irish incorporated company with a primary listing on the Irish Stock Exchange the Remuneration Committee complies with all relevant reporting and legislative requirements. With a secondary listing on the London Stock Exchange, the Remuneration Committee on a voluntary basis integrates, to the extent possible under Irish law, best practice approaches from the UK. Additionally given the scale of our operations in the US the Remuneration Committee is giving increasing regard to US remuneration practices which are relevant in attracting, retaining and motivating senior management.

The Remuneration Committee continues to actively listen and incorporate, as far as possible, the views of the shareholders when determining the remuneration policy and making remuneration decisions.

Additionally the Remuneration Committee, through the advice of the Remuneration Advisors, monitors and incorporates as appropriate, best practice developments for remuneration policies.

Voting

An advisory non-binding resolution to approve the Remuneration Committee Report will be put to the AGM in 2017 (excluding the part containing the Directors' remuneration policy 2015-2017 which was overwhelmingly approved at the 2015 AGM).

In summary, a remuneration policy which attracts and motivates top talent and which incentivises stretching performance delivery continues to serve Glanbia's performance ambitions very well.

Donard Gaynor
Remuneration Committee Chairman

Remuneration Committee Report continued

Our 2016 highlights

- 2015 Annual Incentive scheme – reviewed the outcomes of Group and personal performance conditions for the Group Operating Executive and the Business Unit CEOs and approved the payment of such Annual Incentives including the level of deferral into shares. Considered Executive performance in the context of overall Group performance and market environment.
- 2016 Annual Incentive scheme – reviewed and approved the Group and personal performance conditions and targets for the Group Operating Executive and the Business Unit CEOs.
- 2013 share awards – reviewed and approved the vesting level for share awards granted in 2013 under the 2008 LTIP.
- 2016 share awards – reviewed and approved the performance conditions, targets and total value of share awards granted in 2016 under the 2008 LTIP.
- LTIP Performance Conditions – considered and approved the use of the new ROCE definition from 2017 onwards (see pages 81 and 82).
- Personal Objectives – reviewed progress against personal objectives for Executive Directors on an on-going basis throughout the year.
- Remuneration Advisors – conducted a robust selection process to appoint the Remuneration Advisors to the Remuneration Committee.
- Reviewed the UK disclosure requirements and the Company's voluntary implementation of many of the requirements in these regulations.
- Reviewed Executive Directors service agreement to ensure alignment with best practice, legal and regulatory developments.

Governance

The Remuneration Committee was in place throughout 2016 with Donard Gaynor holding the role of Chairman of the Remuneration Committee since the 2014 AGM. The Remuneration Committee comprises six Non-Executive Directors, of whom three members constitute a quorum. The Group Managing Director and the Group Human Resources & Corporate Affairs Director attend Committee meetings by invitation only. They absent themselves when their remuneration is discussed and no Director is involved in considering his/her own remuneration. The Group Secretary acts as secretary to the Remuneration Committee.

Key responsibilities

- Determine and agree with the Board the framework or broad policy for remuneration of the Non-Executive Directors, the Executive Directors and other senior Executives as required.
- Determine, within the agreed policy, individual total compensation packages for the Non-Executive Directors, the Executive Directors and other senior Executives as required.
- Recommend to the Board any employee share-based incentive schemes and any performance conditions to be used for such schemes.
- Consider and approve Executive Directors' and other senior executives' total compensation arrangements annually.

The full terms of reference of the Remuneration Committee can be found on the Group's website: www.glanbia.com or can be obtained from the Group Secretary.

2016 Committee meeting attendance

Member	Appointed	Number of full years on the Committee	2016 meeting attendance
D Gaynor	13-May-14	2	8/8
P Haran	9-Jun-05	11	8/8
Mn Keane	29-Jun-10	6	7/8
H Corbally	26-Jul-11	5	8/8
D O'Connor	1-Dec-14	2	8/8
P Murphy	12-Jun-15	1	8/8

See pages 54 to 55 for more information on current Remuneration Committee members.

Composition of the Committee

- Non-Executive Chairman
- Non-Executive Directors nominated by Glanbia Co-operative Society Limited
- Non-Executive Directors

Allocation of time

- Framework and policy
- Annual Incentive Plan
- Long Term Incentive Plan
- Pension
- Total compensation package
- Other

Remuneration Advisors
Robust and sound decision making on executive remuneration is paramount to the Remuneration Committee. Willis Towers Watson were first appointed as remuneration advisors in 2011. During 2016 Willis Towers Watson provided independent external advice to the Remuneration Committee. Willis Towers Watson fees for advising the Remuneration Committee during the year were €65,059.

In line with best practice, during 2016 the Remuneration Committee under took a comprehensive selection process for the Remuneration Advisors, inviting a number of market leading remuneration firms to participate in the process. The firms were invited to participate in a four stage process with screening at each stage:
1. Request for information and screening;
2. Request for proposal and screening;
3. Presentation and screening; and
4. Decision and refinement of proposal.

Key considerations in the selection process were in-depth knowledge of relevant pay levels and practices in all the markets Glanbia operates with a particular focus on the US, which has increasing relevance for the Group, demonstrating an understanding of Glanbia and it's evolving needs, a strong, deep and global team with experience in supporting shareholders and managing stakeholder engagement. Paramount to the process was ensuring the firm can provide objective advice to the Remuneration Committee whilst also supporting the operational needs of senior management. The process was facilitated by Glanbia management with full decision making by the Remuneration Committee. The outcome of the process was to re-appoint Willis Towers Watson, maintaining the existing working relationship as Remuneration Advisors.

Section A: Directors' remuneration policy report
There have been no changes to the remuneration policy report since it was approved by shareholders at the 2015 AGM and is reproduced, other than minor formatting and language refinements, in full below for ease of reference. The Group's current three-year remuneration policy for the period 2015-2017 policy will be reviewed during 2017 and the Committee will seek the views of its major investors and stakeholders in that process to ensure a policy fit for the business.

Remuneration strategy, policy and purpose
Remuneration policy is based on attracting, retaining and motivating executives to ensure that they perform in the best interests of the Group and its shareholders by growing and developing the business. Performance related elements of remuneration are designed to form an appropriate portion of the overall remuneration package of Executive Directors and link remuneration to Group performance and individual performance, while aligning the interests of Executive Directors with those of shareholders.

Our remuneration strategy and policies focus on using remuneration to drive the implementation of a successful corporate strategy, within our risk management framework. This strategy aims to deliver superior earnings growth and TSR for our shareholders over the long-term by attracting, retaining and motivating high quality and committed people who are critical to sustaining the future development of the Group.

We seek to:
- Create a consistent global approach to remuneration, by applying our strategy and policy as appropriate to reflect unique geographic circumstances, to all senior executives;
- Provide a competitive benefits package; and
- Provide an appropriate balance between fixed and variable remuneration, the payment of which is linked to the achievement of stretching Group and individual performance measures.

The Group KPIs, which are detailed on pages 10 and 11, underpin the selection of performance criteria used within the incentive arrangements. We have summarised the individual elements of the remuneration packages offered to our Executive Directors on the following pages.

Key elements of remuneration for Executive Directors
The following table details the remuneration policy for the Group's Executive Directors. The content is consistent with the policy approved by shareholders, there are some formatting and language refinements to give better clarity.

Description	Objective	Description and maximum value	Performance measures
Base Salary (fixed)			
Annual fixed pay.	Provide competitive base pay which reflects market value of role, job size, responsibility and individual skills and experience.	Set by reference to the relevant market median of Europe and US based on an external independent evaluation of the role against appropriate peer companies. Reviewed annually by the Remuneration Committee. Any reviews, unless reflecting a change in role, usually take effect from the commencement of the relevant financial year.	Individual performance, with targets and assessment determined annually.

Remuneration Committee Report continued

Section A: Directors' Remuneration Policy Report continued

Key elements of remuneration for Executive Directors continued

Description	Objective	Description and maximum value	Performance measures
Short Term Performance Related Incentive (variable)			
Annual Incentive payment only earned if agreed target performance is achieved.	Incentivise Executive Directors to achieve specific performance goals which are linked to the Group's business plans and personal performance objectives during a one-year period. Ensure greater linkage of remuneration to performance. Ensure greater linkage to long term sustainability and alignment to Group risk management policy. Alignment with shareholders/ share value growth.	The Annual Incentive scheme rewards achievement of specific short-term annual performance metrics. Group Executive Directors can earn 75% of Base Salary at target performance and up to 150% for maximum performance. The proportion of the Annual Incentive earned in excess of 75% of Base Salary is deferred, once the appropriate taxation and social security deductions have been made, invested in shares in the Company and delivered to the Executive Directors two years following this investment. Deferred incentives may be subject to malus and claw back (for a period of two years following this investment) to the extent deemed appropriate by the Remuneration Committee in line with best practice.	Based on growth in annual Group adjusted EPS on a constant currency basis, Group Operating Cashflow, business segment EBITA (where appropriate) and individual performance objectives, all as determined by the Remuneration Committee annually.
Long Term Performance Related Incentive (variable)			
Long Term Incentive Plan under which shares are granted in the form of a provisional allocation of shares for which no exercise price is payable.	To align the interests of Executive Directors and shareholders through a long-term share-based incentive linked to share ownership and holding requirements. To focus on greater alignment with shareholders, long-term retention and reward for sustainable performance.	Long Term Incentive individual annual award level of a maximum of 250% of Base Salary. Set dependent on the level of job responsibilities and with reference to companies of similar size and complexity in Europe and US. In all cases, 25% vests at threshold performance and 100% vests at maximum with straight line vesting in between these levels. Share awards will vest early in the event of a takeover, merger, scheme of arrangement or other similar event involving a change of control of the Company, subject to the pro-rating of the share awards, to reflect the reduced period of time between the commencement of the performance period and the early vesting, although the Remuneration Committee can decide not to pro-rate a share award if it regards it as inappropriate to do so in the particular circumstances. A share award shall not vest unless the Remuneration Committee is satisfied that the Group's underlying financial performance has shown a sustained improvement in the period since the date of grant. The extent of vesting shall be determined by the Group's adjusted EPS on a reported basis, ROCE and TSR performance conditions as appropriate, and in addition where relevant, business segment EBITA and ROCE. Executive Directors will be required to hold shares received pursuant to the vesting of LTIP awards for a minimum period of two years post vesting. The Remuneration Committee has the discretion to change the performance criteria (including the measures, their weighting and calibration) where deemed appropriate. Any changes to these performance conditions will be disclosed in the Remuneration Committee Report which report will be subject to a general shareholder non-binding advisory vote. LTIP awards granted from 2015 are subject to claw back and malus (for a two-year holding period following vesting) to the extent deemed appropriate by the Remuneration Committee in line with best practice.	The award is determined by reference to three performance metrics for the Group Managing Director and Group Finance Director: • 50% based on Group adjusted EPS on a reported basis; • 30% based on Group ROCE; and • 20% based on Relative TSR against the STOXX Europe 600 Food and Beverage Index. For business segment Executive Directors, the weighting of the award is: • 40% based on Group adjusted EPS on a reported basis; • 15% based on Group ROCE; • 15% based on Relative TSR against the STOXX Europe 600 Food and Beverage Index; • 20% based on business segment EBITA and; • 10% based on business segment ROCE. Performance is measured over a three-year period. The Remuneration Committee has discretion to amend the financial performance targets over the performance period to take account of acquisitions and disposals where appropriate.* Straight line pro-rata vesting between threshold and maximum for each of the performance conditions. Calibration details for business segment EBITA and business segment ROCE are considered to be commercially sensitive, but will include significant stretch and targets will be based on a mix of market expectations and budgeted expectations. Quality of earnings review/underpin will continue to be exercised at the discretion of the Remuneration Committee.
Pension (fixed)			
Retirement Benefits.	Provide competitive, affordable and sustainable retirement benefits.	Determined as a % of Base Salary.	

Key elements of remuneration for Executive Directors continued

Description	Objective	Description and maximum value	Performance measures
Other Benefits (fixed)			
Car benefit or equivalent, suitable medical insurance, relocation expenses (if applicable) and overseas allowance where appropriate.	Provide competitive benefits which recognise market value of role, job size and responsibility.	Determined in consideration of the level of responsibilities and local market practice.	
Shareholding Requirement			
Minimum share ownership requirements to be built up over a five-year period.	Ensure a greater alignment with shareholders' interests.	The Group Managing Director is required to build and maintain a shareholding of 250% of Base Salary over a maximum of five years. Other Executive Directors are required to build up and maintain a shareholding of 150% of Base Salary over a maximum of five years. Executive Directors are expected to build a shareholding through the vesting of shares under the Group's 2008 LTIP. Existing shareholdings and shares acquired in the market are also taken into account, and although share ownership guidelines are not contractually binding, the Remuneration Committee retains the discretion to withhold future grants under the 2008 LTIP if Executive Directors do not comply with the guidelines.	

* The Remuneration Committee has agreed that in the event a material acquisition or disposal which was unforeseen at the time of setting LTIP metrics, the calibration of the performance conditions for the Group and Business Unit, may be adjusted for the impact of the acquisition or disposal by the Committee. The principal for such review is that the impact of any transaction on the LTIP should not influence decision making to the detriment of the long-term strategy of the business; that the true underlying performance of the business is factored into any LTIP performance achievement; and that there is a balanced perception of appropriate reward levels and value creation by LTIP participants and shareholders over the long-term.

Elements of remuneration beyond Executive Directors

The Group's remuneration principles and policy as outlined in the preceding tables are used for the Group's Executive Directors. Below this level across the Group the same principles and policy are also applied, as far as possible, taking account of seniority and local market practice. Many of the features outlined above will therefore continue to apply across the Group, but some principal differences are as follows:

Element	Objective	Details
Annual Incentive.	Focus on business responsibilities for individuals and ensure an appropriate deferral percentage based on position and role.	The Annual Incentive potential is based on appropriate and specific Business Unit measures, as determined by the Remuneration Committee. Deferral of the proportion of the Annual Incentive earned in excess of 50% of Base Salary which, once the appropriate taxation and social security deductions have been made, will be invested in shares in the Company and delivered two years following this investment.
Long Term Incentive.	Ability to offer increased level of share awards in markets where there are high levels of long-term incentives. Ensure line of sight to Business Unit metrics.	Material increases in maximum award potential to further align and create an ownership culture, better aligned with market expectations. In addition to key Group financial metrics, the Long Term Incentive level is focused on appropriate and specific Business Unit measures, as determined by the Remuneration Committee. In order to retain or recruit exceptional key employees, there is the ability to offer restricted stock, time based only, for key employees (particularly on recruitment). LTIP share awards granted from 2015 may be subject to malus and claw back provisions during the holding period to the extent deemed appropriate by the Remuneration Committee in line with best practice. During 2016, following a review and in order to remain competitive in the US market it was agreed that the holding period should revert back to the 2012 position of a one-year rather than two-year holding period. Given the substantial US revenue and profit for the Group it is essential we remain competitive and are able to attract and retain top US talent.
Shareholding Guidelines.	Ensure a greater alignment with shareholders' interests through own shareholding.	For Business Unit CEOs, the share ownership recommended level is 75% of Base Salary to be built up over a maximum period of five years.

Section A: Directors' Remuneration Policy Report continued

Key elements of remuneration for Non-Executive Directors

The remuneration policy for the Group Chairman and Non-Executive Directors is summarised below:

Element	Description	Objective	Details
Fees	Annual fixed pay.	Recognise market value of role, job size, responsibility and reflects individual skills and experience.	Set by reference to the relevant market median based on an external independent evaluation of comparator companies of a similar scale and complexity. Reflects a base fee for the role of Non-Executive Director and additional fees reflecting responsibilities for chairmanship of a sub-committee of the Board. Reviewed from time to time by the Remuneration Committee and the Board. Any reviews usually take effect from 1 January in the relevant year.
Benefits and expenses	No additional benefits are provided other than direct expenses relating to the role.	Reimburse role based expenses incurred during performance of the duties of the role.	Such expenses may include travel in the course of the role for the Group.

Non-Executive Director fees

Role	2017 €	2016 €
Group Chairman	**105,000**	105,000
Vice-Chairmen	**52,500**	52,500
Senior Independent Director	**80,000**	80,000
Audit Committee Chairman	**80,000**	80,000
Remuneration Committee Chairman	**80,000**	80,000
Non-Executive Director	**70,000**	70,000
Society Nominated Non-Executive Director	**35,000**	35,000

The Non-Executive Directors do not have service contracts, but have letters of appointment detailing the basis of their appointment. The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM of the Company.

The Non-Executive Directors do not have periods of notice and the Group has no obligation to pay compensation when their appointment terminates. They are subject to annual re-election at the AGM of the Company.

Recruitment policy

When recruiting new Executive Directors, the Group's policy is to pay what is necessary to attract individuals with the skills and experience appropriate to the role to be filled, taking into account remuneration across the Group, including other senior executives, and that offered by other international food and nutritional companies and other companies of similar size and complexity. New Executive Directors will generally be appointed on remuneration packages with the same structure and pay elements as described in the table on pages 73 to 75. Each element of remuneration to be included in the package offered to a new Executive Director would be considered.

On appointment to the Board for either an external or internal candidate:

- Base Salary levels will be set in consideration of the new recruit's existing salary, location, skills, experience and expected contribution to the new role, the current salaries of other Executive Directors in the Group and current market levels for the role;
- Pension will be considered in light of the retirement arrangements which are in place for the other Executive Directors with a contribution level considered by the Remuneration Committee to be appropriate in light of the new recruit's package as a whole, market practice at the time and internal equities;
- Other benefits will be considered in light of the provisions in place for the other Executive Directors;
- For Annual Incentive, the Group will consider whether it is appropriate for the new recruit to participate in the same Annual Incentive plan applicable to the current Executive Directors. If this is considered appropriate, the same financial measures, weighting, payout scale and target and maximum incentive opportunity (as a percentage of Base Salary) which apply to the existing Executive Directors will generally apply to the new recruit;
- The award of long-term incentives will depend on the timing of the appointment and where this fits into the typical annual grant cycles; and
- The maximum level of variable remuneration which may be granted to a new recruit is 400% (i.e. 150% maximum Annual Incentive plus 250% maximum LTIP) excluding any buyout awards that might arise.

For exceptional senior external appointments, the Remuneration Committee reserves the right to offer additional cash and/or share-based payments on recruitment, when it considers this to be in the best interests of the Group and its shareholders. Such payments may take into account remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attached to that remuneration. The Remuneration Committee may also grant share awards on hiring an external candidate to buyout awards which will be forfeited on leaving the previous employer.

The Remuneration Committee's approach to this is to carry out a detailed review of the awards which the individual will lose and calculate the estimated value of them. In doing so, the Remuneration Committee will consider the vesting period, the award exercise period if applicable, whether the awards are cash or share-based, performance related or not, the former employer's recent performance and payout levels and any other factors the Remuneration Committee considers appropriate. If a buyout award is to be made, the structure and level will be carefully designed and will generally reflect and replicate the previous awards as accurately as possible. The award will be made subject to appropriate claw back provisions in the event that the individual resigns or is terminated within a certain time frame. During 2016 this discretion was exercised for some senior management appointments. These instances were exceptional and managed by the Group Human Resources & Corporate Affairs Director with the guidance of Willis Towers Watson, the Remuneration Advisors, and Legal Advisors as appropriate.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any outgoing remuneration obligations existing prior to appointment (which are inconsistent with the policy as disclosed herein) may continue, provided they are disclosed to the Remuneration Committee. Although there are no plans to offer additional cash and/or share-based payments on an internal promotion, the Remuneration Committee reserves the right to do so when it considers this to be in the best interests of the Group and its shareholders.

Exit pay policy

The letters of appointment for Executive Directors do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore, except as may otherwise be required by Irish law, the maximum amount payable upon termination is limited to 12 months payment.

The Remuneration Committee retains the discretion to make additional payments to Executive Directors upon termination.

In the event an Executive Director terminates for reasons of death, injury, disability, redundancy, retirement or any other exceptional circumstance or by agreement with the Group, which the Remuneration Committee in its absolute discretion permits, any outstanding share awards will be pro-rated for time and performance and will vest at the end of the period.

In addition, in the event of a takeover, merger, scheme of arrangement or other similar event involving a change of control of the Company or a demerger of a substantial part of the Group or a special dividend which has the effect of materially changing the Group's business or other similar event that affects the Group's shares to a material extent share awards will vest early, subject to the pro-rating of the share awards to reflect the reduced period of time between the commencement of the performance period and the early vesting, although the Remuneration Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In all other circumstances, outstanding share awards will lapse. There have been no payments made during the year in relation to compensation for loss of office by an Executive Director.

Details of Executive Directors' service contracts

The Executive Directors are employed under contracts of employment with the Company (or one of its subsidiary companies). No Executive Director currently has a service contract with a notice period in excess of 12 months or with provisions for pre-determined compensation on termination which exceed 12 months' salary and benefits-in-kind and accordingly there are no service contracts which are required to be made available for inspection. During 2016, Executive Director service agreements were reviewed to ensure alignment with best practice, legal and regulatory developments.

Policy on external Board appointments

The long-standing policy of allowing Executive Directors to hold external non-executive directorships with the prior approval of the Remuneration Committee will continue. The Remuneration Committee considers that external directorships provide the Group's Executive Directors with valuable experience that is of benefit to Glanbia. The Remuneration Committee believes that it is reasonable for the individual Executive Director to retain any fees received from such appointments given the additional personal responsibility that this entails. Other than Siobhán Talbot's appointment to the IBEC board, for which she does not receive any fee, the Executive Directors have no external directorships and no other fees earned.

Consideration of employment conditions elsewhere in the Group

The Remuneration Committee considers all employees across the Group when establishing and implementing policy for Executive Directors. All senior and high performing individuals within the organisation are invited to participate in both annual and long-term incentive arrangements, similar to the Executive Directors to ensure reward strategy is calibrated to provide substantive reward only on achievement of superior performance.

The Remuneration Committee does not consult directly with employees when formulating Executive Director pay policy. However, it does solicit and take into account information provided by the Group Human Resources function and the independent external advice from Willis Towers Watson, Remuneration Advisors.

Remuneration Committee Report continued

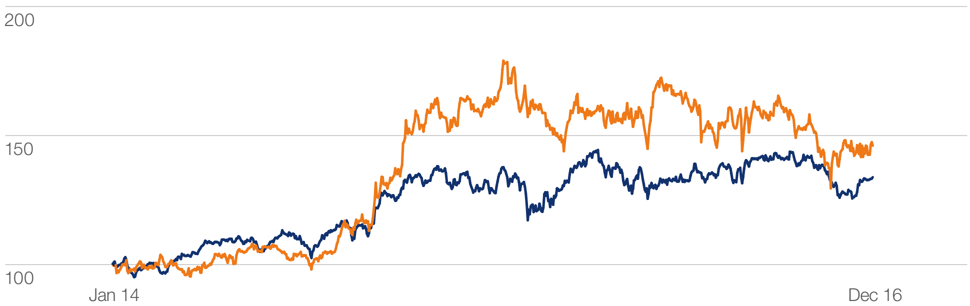
Section B: Directors' Remuneration Implementation Report

This section of the report explains how the Group's remuneration policy was implemented during 2016. This is aligned with the Group's strategy to deliver superior earnings growth for our shareholders.

Comparison of overall performance and pay

The graph below illustrates the value over the last three financial years of €100 invested in Glanbia plc compared with that of €100 invested in the STOXX Europe 600 Food and Beverage Index. The return from the hypothetical €100 invested in Glanbia shares over the three years is €146.06 (inclusive of original investment) versus the Index of €133.76.

TSR



Executive Director remuneration 2016

	Fixed			Variable		Total	
Remuneration element	Base Salary €'000	Pension Contribution[1] €'000	Other Benefits €'000	Annual Incentive (paid in cash)[3] €'000	Annual Incentive (deferred into shares)[4] €'000	**2016 Total €'000**	2015 Total €'000
Executive Directors							
S Talbot	761	202	27	574	465	**2,029**	1,889
M Garvey[5]	438	99	21	338	278	**1,174**	984
H McGuire	494[6]	74	353[2]	370	285	**1,576**	1,299
B Phelan	396	105	16	298	165	**980**	891

1. The aggregate of these amounts is €480,000, of which €173,000 relates to contributions to defined contribution schemes and €307,000 relates to taxable payments made to S Talbot and B Phelan in lieu of contributions to defined benefit schemes. Both Siobhán Talbot and Brian Phelan are deferred members of the Glanbia defined benefit pension scheme, Mark Garvey and Hugh McGuire participate in the defined contribution retirement plan.
2. Other benefits includes an overseas allowance of €93,067 (no longer payable post 2016) and a one-off payment of €150,000 in respect of relocation (see details on page 79).
3. This reflects the proportion of the Annual Incentive payable to Executive Directors in respect of performance for the year 2016 (which amount to 75% of Base Salary), which will be paid through salary in 2017.
4. This reflects the proportion of the gross Annual Incentive (over 75% of Base Salary) which once the appropriate taxation and social security deductions have been made will be invested in shares in the Company in 2017 and delivered to Executive Directors two years following this investment (2019).
5. This includes an up-lift in the base salary of the Group Finance Director, Mark Garvey, of 12.5% bringing his annual gross salary to €450,000 effective 1 April 2016. This change reflects span of responsibility, excellence in performance and assessment of the internal and external relativities. The Group Finance Director's annual employer pension contribution was also reviewed and increased from 15% to 25% of his annual base salary in line Glanbia's retirement and benefits policy for senior Executives.
6. The Base Salary is paid in US Dollars whilst currency movement impacts the Euro reported number.

Details of Directors' long-term awards expected to vest in respect of performance to 31 December 2016 are set out on page 82. Further explanatory notes relating to each remuneration element follow.

Base salary (fixed)

Base salaries for the Executive Directors are determined by the Remuneration Committee, set by reference to the relevant market median of Europe and US based on an external independent evaluation of the role against appropriate peer companies. The following table sets out the closing 2016 Base Salary for each of the Executive Directors.

	Base Salary
Executive Directors	
S Talbot	€765,000
M Garvey[1]	€450,000
H McGuire[2]	$546,724
B Phelan	€397,800

1. This includes an up-lift in the base salary of the Group Finance Director, Mark Garvey, of 12.5% bringing his annual gross salary to €450,000 effective 1 April 2016.
2. Other benefits includes an overseas allowance of €93,067 (no longer payable post 2016) and a one-off payment of €150,000 in respect of relocation (see details on page 79).

Following a review by the Remuneration Committee of performance and considering appropriate external relativities, Base Salaries for Executive Directors will increase by up to 6% with effect from 1 January 2017.

Pension (fixed)

Siobhán Talbot and Brian Phelan are deferred members of a Glanbia defined benefit pension scheme effective 1 January 2012 and 4 January 2015 respectively. In light of the cap on pension benefits introduced in the Irish Finance Act 2006, and subsequently amended in December 2010, the Remuneration Committee have put in place a taxable payment of 26.5% of Base Salary in lieu of pension benefits.

Hugh McGuire and Mark Garvey participate in a defined contribution retirement plan, to which contributions are made at an agreed rate. As already mentioned in this report, the contribution rate from 1 January 2017 for both individuals will be 25%, ensuring all senior executives in Ireland are on a similar level of pension contribution.

Other benefits (fixed)

This includes employment related benefits such as the use of company cars, medical/life assurance, relocation costs and overseas allowance, where appropriate. All benefits are subject to normal deductions per the relevant regulations.

Hugh McGuire, CEO of GPN, relocated to Ireland during 2016. In conjunction with Hugh's relocation the Remuneration Committee reviewed and aligned remuneration and applied discretion in respect of outstanding issues relating to previous share awards:

- Base Salary was reset at €500,000, pension contributions were reset to 25% of base salary in line with other Executive Directors effective 1 January 2017;
- A one-off payment of €150,000 was made in respect of relocation to Ireland. In addition, certain non-tax exempt relocation costs incurred by Hugh were re-imbursed by the Company amounting to $26,918 gross;
- On 8 January 2013 Hugh McGuire exercised three sets of options previously granted to him in Ireland. For the relevant performance period, Hugh McGuire worked mainly in Ireland as well as in the US for a short period, therefore in line with regulations the awards were subject to US federal tax on an apportioned and State tax on a non-apportioned basis. The impact of the Irish and US tax treatment meant an increased taxation of an additional $36,000 which resulted from the move to the US. The Remuneration Committee determined that Hugh McGuire should not be penalised based on the Company request to move to the US and consequently that Hugh McGuire should be compensated for the additional tax incurred as a direct result of the relocation. The Remuneration Committee therefore agreed to make a gross cash payment of $53,532 (net $36,000) to cover this additional net cost and the tax roll-up costs thereof; and
- An LTIP award of 26,900 shares granted to Hugh McGuire when he was a member of the Glanbia Management Committee on 23 April 2013 vested in 2016 at a level of 74.98% resulting in 20,172 shares, as reported in the 2015 Annual Report. On 1 June 2013, five weeks after the granting of the 2013 LTIP award, Hugh McGuire was appointed as an Executive Director. As Hugh McGuire's appointment as an Executive Director was almost directly after the 2013 award and the outstanding business performance under Hugh McGuire's leadership throughout the three-year performance period of the 2013 award (which was a strong contributor to the overall Group value), the Remuneration Committee considered and determined that it was appropriate to apply discretion to align Hugh McGuire's 2013 LTIP award to the other Executive Directors, ensuring greater fairness. Consequently, Hugh McGuire's vested award was increased to represent the value as an Executive Director calculated on a pro-rata basis. The revised value for Hugh McGuire reflects an equivalent total vesting of 35,087 shares compared to the unchanged number of shares vesting for the other Executive Directors of 36,555 for Brian Phelan and 42,479 for Siobhán Talbot as outlined on page 82. This value represented a difference of 14,915 Glanbia plc shares taking into account the actual vesting level of 74.98%. A payment of an equivalent cash amount was made to Hugh McGuire of €256,165 gross (14,915 shares at €17.175 opening Glanbia plc share price on the date of vest 8 June 2016) in June 2016. This cash payment was made on the condition that the net amount was used to purchase Glanbia plc shares (or offset against Glanbia plc shares that he would have otherwise sold to settle withholding tax obligations arising on vesting of share awards), holding them for at least one-year consistent with the post-vesting holding requirement of 2013 LTIP awards. The major shareholder was consulted and supported the approach taken.

Annual incentive (variable)

The Group's Executive Directors participate in a performance related Annual Incentive scheme, which aims to reward achievement of specific short-term performance metrics determined by the Remuneration Committee annually and reviewed periodically during the year. Other senior executives below the Group's Executive Directors also participate in this scheme, albeit at different participation levels. The performance metrics consider collective business performance and individual performance. The Committee believes that this method of performance measurement and assessment is objective, transparent, rigorous and balanced, and provides an appropriate means to evaluate annual performance. It also ensures that all senior management in the Group are aligned to the same annual goals in the best interest of the Group and the shareholders.

For the annual period to 31 December 2016, each Executive Director could earn up to 150% of Base Salary for maximum performance measured against growth in adjusted EPS on a constant currency basis, OCF on a constant currency basis, individual performance objectives and where relevant business segment EBITA for Executive Directors with Business Unit responsibility. The mix of weightings for all objectives reflected 30% for personal objectives at maximum performance and 120% for business objectives (EPS, OCF and business segment EBITA where relevant) at maximum performance.

Both personal and business objectives are specific and measurable, determined and communicated at the start of the financial year. The mix and weighting of objectives recognises each individual's contribution to the Group. Personal objectives are aligned with the Group strategy reflecting personal contribution to the achievement of both medium and long-term strategic objectives. Working together the Group Executive Directors delivered against personal objectives all relating to: organisational effectiveness, the execution of the strategy growth plan, driving innovation capability and embedding the organisation purpose vision and values. Progress was made on all on all fronts and is reflected in the personal objectives achievement included in the 2016 Annual Incentive outcome as outlined on page 80.

Remuneration Committee Report continued

Section B: Directors' Remuneration Implementation Report continued

Annual incentive (variable) continued

The table below summarises the achieved performance in 2016 in respect of the primary measures used in the determination of Annual Incentive, together with an indication of actual performance relative to target.

Performance Assessment in 2016	Actual Performance	Below Target	Target	Above Target	Maximum
Adjusted EPS Growth [1]	11.2%			✓	
Group OCF (€m) [2]	354.4				✓

1. Adjusted EPS growth is measured on a constant currency basis to reflect the underlying performance of the Group. For 2016 the Executive Directors targeted constant currency adjusted EPS growth of 8.7% with a maximum incentive achieved at 12%. The 2016 outcome is 11.2% growth in adjusted EPS.
2. OCF is defined as EBITDA plus or minus the movement in Working Capital less Business Sustaining Capital Expenditure. Similar to Adjusted EPS, OCF is measured on a constant currency basis. For 2016 the Executive Directors targeted constant currency OCF of €305 million with a maximum incentive achieved at €320 million. The 2016 outcome was €354.4 million.

The table outlines the 2016 Annual Incentive design for each Executive Director and respective weightings. It also details the full year 2016 actual incentive outcome as a percentage of salary.

	Annual Incentive Weighting						
Executive Directors	Adjusted EPS	Group OCF	Personal Objectives^	Business Segment EBITA	Total	Annual Incentive Opportunity	2016 Actual Incentive Outcome as a % of Salary
S Talbot	56%	24%	20%	–	100%	0% – 150%	135.8%
M Garvey	56%	24%	20%	–	100%	0% – 150%	136.7%
H McGuire	40%	20%	20%	20%	100%	0% – 150%	132.7%
B Phelan	40%	20%	20%	20%	100%	0% – 150%	116.5%

^ Personal objectives are aligned with the Group strategy reflecting personal contribution to: organisational effectiveness, the execution of the strategic growth plan, driving innovation capability and embedding the organisation purpose, vision and values.

LTIP

The Group operates a 2008 LTIP for Executive Directors. The 2008 LTIP was approved by shareholders and was subsequently amended in 2012 with shareholder approval to include a post vesting holding period of one-year. The 2008 LTIP was further amended in 2015 with shareholder approval to extend the post vesting holding period to two years as well as the addition of clawback and malus provisions.

The Remuneration Committee approves the terms, conditions and allocation of awards under the 2008 LTIP to Executive Directors and senior management. Based on the best practice reviews, the Committee believe that the combination of the short-term Annual Incentive Plan and the 2008 LTIP provide an appropriate balance to incentivise and reward performance which supports shareholder value creation and aligns to the key strategic imperatives of long-term sustainable performance.

Long-term incentives (share awards with performance periods ending in the year)

Long-term incentive share awards granted 2 July 2014 had a three year performance period ending on 31 December 2016 with one third of the award subject to satisfaction of an adjusted EPS growth target, one third subject to a relative TSR performance target and one third subject to a ROCE performance target.

During the performance period, there has been a number of acquisitions and disposals to develop the Group's business portfolio. The Remuneration Committee have reflected on the changes to the business structure and their impact on the incentive targets set during the period, to ensure the target continues to reflect a keen and fair incentive to perform as well as the overall value and health of the underlying business. Whilst relative TSR reflects the relative health of the business and the Remuneration Committee considered did not require any adjustment, the Remuneration Committee also reviewed EPS and ROCE in detail for this performance cycle and made an adjustment to the ROCE metric range as stated on pages 81 and 82.

EPS performance condition

One third of the award vests according to the Group's rate of growth in reported adjusted EPS as compared to the Consumer Price Index (CPI) over the three-year performance period. Adjusted EPS is calculated as the profit attributable to the equity holders of the Group before exceptional items and intangible asset amortisation (net of related tax), divided by the weighted average number of ordinary shares in issue during the year.

Investors consider adjusted EPS to be a key indicator of long-term financial performance and value creation of a public limited company. Therefore adjusted EPS is a key metric to incentivise long-term sustainable business performance.

The vesting conditions are as follows:

	EPS element vesting
Threshold performance (Three-year adjusted EPS growth equal to CPI plus 5% compounded (4.93%))	50%
Maximum performance (Three-year adjusted EPS growth equal to CPI plus 10% compounded (9.93%))	100%
Actual performance (Three-year adjusted EPS growth equal to 14.36%)	100%

The table below shows the Group's reported adjusted EPS over the performance period for continuing operations.

2013 as restated to reflect IAS 19 (revised)	55.46c
2016	87.66c

TSR performance condition

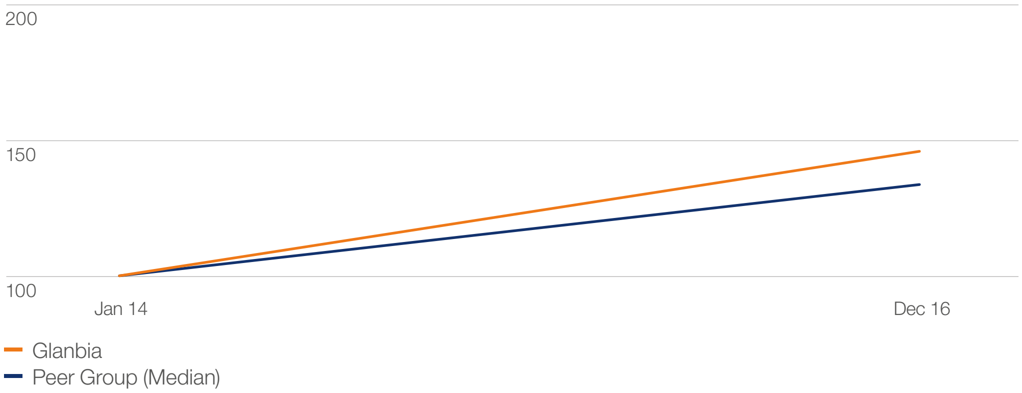
One third of the award vests according to the Group's TSR ranking relative to an agreed comparator group of 12 other international food and nutritional companies. TSR represents the change in the capital value of a listed/quoted company over a period, plus dividends reinvested, expressed as a plus or minus percentage of the opening value.

Investors regard TSR as an important indication of both earnings and capital growth relative to other major companies in the same sector and to ensure that share awards only vest if there has been a clear improvement in the Group's relative performance over the relevant period. Therefore TSR is a key metric to incentivise long term sustainable business performance.

The graph below shows that, under the terms of the 2008 LTIP, at 31 December 2016, a hypothetical €100 invested in Glanbia plc on 5 January 2014 would have generated a total return (inclusive of original investment) of €145.76 compared with a total return of €138.56 if invested in the median performer from the peer group. This will result in 43.2% of the relative TSR element vesting to each Executive Director. The methodology on which TSR is calculated for LTIP purposes differs from the TSR calculation on page 78 due mainly to the use of a 30 day average base and final share price in the LTIP calculation. The vesting conditions are presented below.

	TSR element vesting
Threshold performance (Ranked halfway)	30%
Maximum performance (Ranked in top quartile)	100%
Actual performance (Ranked between median and top quartile)	43.2%

TSR



ROCE performance condition

One third of the award vests according to the Group's ROCE over the three-year performance period. ROCE is calculated as Group earnings before interest and amortisation net of tax plus Glanbia's share of results of Joint Ventures & Associates after interest and tax divided by Capital Employed. Capital employed is calculated as the sum of the Group's total assets less current liabilities, excluding all borrowings, cash and deferred tax balances plus cumulative intangible asset amortisation.

The Committee amended the 2014 ROCE performance condition threshold and maximum by -0.88% maintaining the performance metric range to take account of the impact of strategic acquisitions and disposals during 2014, 2015 and 2016. The Committee believes this to be a fairer measure of underlying business performance whilst continuing to maintain the Group's commitment to deliver a minimum ROCE performance of 12% (see page 74 of the Remuneration Policy).

Remuneration Committee Report continued

Section B: Directors' Remuneration Implementation Report continued
ROCE performance condition continued

	ROCE element vesting
Threshold performance (Three-year simple ROCE average equal to 12.12% (as amended))	0%
Maximum performance (Three-year simple ROCE average equal to 13.12% (as amended))	100%
Actual performance (Three-year simple ROCE average equal to 13.38%)	100%

In light of the performance against the EPS growth target, relative TSR and adjusted ROCE targets, the Committee confirmed that 81.06% of the total 2014 LTIP share award is capable of vesting to each Executive Director.

2008 LTIP - 2014 award vesting
It is expected that share awards granted to Executive Directors in 2014, under the 2008 LTIP scheme, for the three-year performance period 2014-2016, will vest in 2017 as follows:

	Number of Share Awards	Estimated Market Value[1]
Executive Directors		
S Talbot	64,853	€1,012,355
M Garvey	43,168	€673,852
H McGuire	43,168	€673,852
B Phelan	42,154	€658,024

1. This reflects the value of long-term incentive awards expected to vest in 2017 with a three-year performance period ended in 2016. These have been estimated using the average official closing price over the last quarter of 2016 of €15.61.

2008 LTIP - 2013 award vesting
The following table outlines the number of share awards granted to Executive Directors in 2013, under the 2008 LTIP scheme, which vested at 74.98% in 2016. Hugh McGuire's cash equivalent reflects his restated award as outlined on page 79. There is no change to the number of shares vesting for Brian Phelan and Siobhán Talbot.

	Cash Equivalent	Number of Share Awards	Total
Executive Directors			
S Talbot	–	42,479	42,479
H McGuire[1]	14,915	20,172	35,087
B Phelan	–	36,555	36,555

1. This reflects the original award of 20,172 shares plus an additional award of 14,915, shares settled in cash of €256,165 gross (14,915 shares at €17.175 opening Glanbia plc share price on the date of vest 8 June 2016), aligning him with other Executive Directors.

Performance targets for outstanding share awards

The performance targets for all outstanding 2008 LTIP share awards are set out in the following tables:

ADJUSTED EPS GROWTH		Vesting Level 0%	Vesting Level 50% (Threshold)*	Vesting Level 100% (Maximum)*
2014 Awards	33% of award for all participants.	Three-year adjusted EPS growth less than CPI plus 5% compounded	Three-year adjusted EPS growth equal to CPI plus 5% compounded	Three-year adjusted EPS growth equal to or greater than CPI plus 10% compounded
		Vesting Level 0%	Vesting Level 25% (Threshold)*	Vesting Level 100% (Maximum)*
2015 Awards 2016 Awards	50% of award for Group Managing Director and Group Finance Director. 40% of award for business segment Executive Directors.	Three-year adjusted EPS growth less than 6% CAGR	Three-year adjusted EPS growth equal to 6% CAGR	Three-year adjusted EPS growth equal to or greater than 12% CAGR

TSR RANKING IN THE COMPARATOR GROUP		Vesting Level 0%	Vesting Level 30% (Threshold)*	Vesting Level 100% (Maximum)*
2014 Awards	33% of award for all participants. Peer group of 12 other international food and nutritional companies.	Ranked below the top half	Ranked half way	Ranked in the top quartile
		Vesting Level 0%	Vesting Level 25% (Threshold)*	Vesting Level 100% (Maximum)*
2015 Awards 2016 Awards	20% of award for Group Managing Director and Group Finance Director. 15% of award for business segment Executive Directors. Peer group is the STOXX Europe 600 Food and Beverage Index.	Ranked below the top half	Ranked half way	Ranked in the top quartile

RETURN ON CAPITAL EMPLOYED		Vesting Level 0%	Vesting Level 0% (Threshold)*	Vesting Level 100% (Maximum)*
2014 Awards	33% of award for all participants.	Less than 12.12%^	Equal to 12.12%^	Equal to or greater than 13.12%^
		Vesting Level 0%	Vesting Level 25% (Threshold)*	Vesting Level 100% (Maximum)*
2015 Awards 2016 Awards	30% of award for Group Managing Director and Group Finance Director. 15% of award for business segment Executive Directors.	Less than 12.0%	Equal to 12.0%	Equal to or greater than 14%

BUSINESS SEGMENT RETURN ON CAPITAL EMPLOYED**		Vesting Level 0%	Vesting Level 25% (Threshold)*	Vesting Level 100% (Maximum)*
2015 Awards 2016 Awards	10% of award for business segment Executive Directors based on Average Business Segment ROCE.	Below target	At target	At Maximum

BUSINESS SEGMENT EBITA**		Vesting Level 0%	Vesting Level 25% (Threshold)*	Vesting Level 100% (Maximum)*
2015 Awards	20% of award for business segment Executive Directors.	Growth over Base EBITA is less than 6% per annum compounded	Growth over Base EBITA is equal to 6% per annum compounded	Growth over Base EBITA is equal to or greater than 12% per annum compounded
2016 Awards	20% of award for business segment Executive Directors.	Growth over Base EBITA is less than the defined % per annum compounded (GPN:8%, GN:5%)	Growth over Base EBITA is equal to the defined % per annum compounded (GPN:8%, GN:5%)	Growth over Base EBITA is equal to or greater than the defined % per annum compounded (GPN:14%, GN:11%)

* Straight line vesting between threshold performance and maximum performance.
** Commercially sensitive information.
^ Threshold, target and maximum revised to 12.12% and 13.12% respectively to take account of strategic acquisitions and disposals during 2015 and 2016.

Remuneration Committee Report continued

Section B: Directors' Remuneration Implementation Report continued

Long-term incentives (share awards made in the financial year)

Long-term incentive share awards were made to the Executive Directors on 25 February 2016 and will vest no earlier than 25 February 2019, subject to the achievement of TSR, EPS and ROCE performance conditions. For business segment Executive Directors, their long-term incentive weightings also include business segment EBITA and business segment ROCE as outlined in the table 'Key Elements of Remuneration for Executive Directors' on page 74.

These awards were made in line with the remuneration policy agreed at the AGM in May 2015. Performance is measured over a three-year period. The performance period will end on 29 December 2018. The shares are subject to a two-year holding period from date of vesting.

Executive Directors	Share awards granted February 2016	Market value €[1]	Share award as a % of Base Salary
S Talbot	103,790	1,912,331	250%
M Garvey[2]	44,280	815,859	181%
H McGuire	54,040	995,687	200%
B Phelan	43,180	795,592	200%

1. These have been valued at the mean between the highest and lowest sale prices of a Glanbia plc share on 24 February 2016 (€18.425) the dealing day immediately preceding the date of grant.
2. 181% represents Mark Garvey's adjustment in Base Salary during 2016.

Directors' shareholdings

As at 31 December 2016, the Executive Directors' share ownership against the guidelines was as follows:

Executive Directors	Shares held as at 31 December 2016	% of Base Salary based on market value as at 31 December 2016	Compliance with shareholding guidance
S Talbot	233,567	482%	250%
M Garvey[1]	8,356	29%	150%
H McGuire	110,945	354%	150%
B Phelan	141,845	563%	150%

1. Mark Garvey joined the Group on 12 November 2013 and has a maximum of five years to build up his shareholding in the Company to 150% of his Base Salary.

Dilution

The Company offers Executive Directors and employees the opportunity to participate in share-based schemes as part of the Group's remuneration policy.

Share awards granted under the 2008 LTIP and the Annual Deferred Incentive are satisfied through the funding of employee benefit trusts which acquire shares in the market. The employee benefit trusts held 934,860 shares at 31 December 2016.

The exercise of share options under the 2002 LTIP (which expired in 2012) is satisfied by the allotment of newly issued shares. At 31 December 2016 the total number of shares which could be allotted under this scheme was 45,000 shares which represent significantly less than one percent of the issued share capital of the Company.

The Group Chairman and Non-Executive Directors

Henry Corbally was appointed Group Chairman on 12 June 2015. His appointment is subject to annual re-appointment by the shareholders at the AGM of the Company. His appointment as Group Chairman will automatically terminate if he ceases to be a Director of the Company or a Director of Glanbia Co-operative Society Limited.

The Group Chairman's fee is set by the Remuneration Committee and for 2016 is €105,000 per annum (2015: €105,000). This fee reflects the level of commitment and responsibility of the role and is set by reference to the relevant market median based on an external independent evaluation conducted by Willis Towers Watson, remuneration advisors.

Implementation of policy in 2017

The Base Salaries of Executive Directors as of the date of this report are set out on page 78. Following a review by the Remuneration Committee of performance and considering appropriate external relativities, Base Salaries for Executive Directors will increase by up to 6% with effect from 1 January 2017. Annual Incentive opportunity for Executive Directors and senior executives in 2017 will continue to align with the remuneration policy review carried out in 2014 by the Remuneration Committee. Annual Incentive will be contingent on meeting targets relating to EPS, Group Operating Cashflow and individual performance objectives, with financial performance metrics tailored to business segment where relevant. The Committee intends that the financial targets will include significant stretch and will be based on a mix of market expectations and budgeted expectations. Annual Incentive opportunity will also remain unchanged in 2017.

2017 LTIP awards will continue to operate in line with the remuneration policy as outlined on page 74. Proportional weighting will apply to Group adjusted EPS, Group ROCE and Relative TSR against the STOXX Europe 600 Food and Beverage Index, extended to include business segment EBITA and business segment ROCE for business segment Executive Directors. The Committee intends that the performance measures and targets will continue to include significant stretch to reflect the Group's and external expectations of performance.

All pension and other benefits will remain unchanged.

Review of committee performance

The Board (as part of its external evaluation) and Committee assessed its performance covering its terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Board and Committee is satisfied that it is functioning effectively and it has met its terms of reference.

Directors remuneration and interests in shares in Glanbia plc

Tables A to H give details of the Directors remuneration and interests in shares etc. The tables give details of the Directors' remuneration and interests in shares in Glanbia plc held by Directors and the Group Secretary and their connected persons as at 31 December 2016. There have been no changes in the interests listed in Tables B to G between 31 December 2016 and 21 February 2017.

The market price of the ordinary shares as at 31 December 2016 was €15.78 and the range during the year was €18.75 to €14.00. The average price for the year was €16.81.

Results 2016 – Resolution to receive and consider the Remuneration Committee report for the year ended 31 December 2016 (excluding the part containing the Directors Remuneration Policy)

For	%	Against	%	Total excluding withheld	%	Withheld	%	Total including withheld	%
187,867,070	99.93%	125,406	0.07%	187,992,476	100.00%	227,259	0.12%	188,219,735	100.00%

Remuneration Committee Report continued

Section B: Directors' Remuneration Implementation Report continued

Table A: 2016 Directors' remuneration

The salary, fees and other benefits pursuant to the remuneration package of each Director during the year were:

	Date of appointment/resignation, if applicable	Base Salary €'000	Fees €'000	Annual Incentive paid in cash[1] €'000	Annual Incentive deferred into shares[2] €'000	Pension[3] contribution €'000	Other benefits €'000	2016 Total €'000	2015 Total €'000
Executive Directors									
S Talbot		761	–	574	465	202	27	2,029	1,889
M Garvey[5]		438	–	338	278	99	21	1,174	984
H McGuire		494[6]	–	370	285	74	353[4]	1,576	1,299
B Phelan		396	–	298	165	105	16	980	891
2016		**2,089**	**–**	**1,580**	**1,193**	**480**	**417**	**5,759**	
2015		2,019	–	1,515	894	438	197		5,063
Non-Executive Directors									
H Corbally		–	105	–	–	–	–	105	81
Mn Keane		–	53	–	–	–	–	53	53
P Murphy	App. Vice-Chairman 12 Jun 2015	–	53	–	–	–	–	53	45
P Ahern	App. 12 Jun 2015	–	35	–	–	–	–	35	19
W Carroll	Ret. 6 Nov 2015	–	0	–	–	–	–	0	30
P Coveney		–	70	–	–	–	–	70	70
J Doheny		–	35	–	–	–	–	35	35
D Farrell	Ret. 12 May 2015	–	0	–	–	–	–	0	13
D Gaynor		–	80	–	–	–	–	80	80
J Gilsenan	Reapp. 12 Jun 2015	–	35	–	–	–	–	35	19
P Gleeson	Ret. 12 May 2015	–	0	–	–	–	–	0	13
V Gorman		–	35	–	–	–	–	35	35
T Grant	App 15 Dec 2015 and Ret. 9 May 2016	–	12	–	–	–	–	12	2
P Haran		–	80	–	–	–	–	80	80
B Hayes	Ret. 9 May 2016	–	12	–	–	–	–	12	35
L Herlihy	Ret. 12 May 2015	–	0	–	–	–	–	0	38
P Hogan	App. 12 Jun 2015 and Ret. 9 May 2016	–	12	–	–	–	–	12	19
Ml Keane		–	35	–	–	–	–	35	35
M Merrick		–	35	–	–	–	–	35	35
J Murphy		–	35	–	–	–	–	35	35
D O'Connor		–	80	–	–	–	–	80	80
E Power	Ret. 9 May 2016	–	12	–	–	–	–	12	35
2016		**–**	**814**	**–**	**–**	**–**	**–**	**814**	
2015		–	887	–	–	–	–		887
Total 2016		**2,089**	**814**	**1,580**	**1,193**	**480**	**417**	**6,573**	
Total 2015		2,019	887	1,515	894	438	197		5,950

1. This reflects the portion of the Annual Incentive earned by Executive Directors in respect of performance for the year 2016 (which amounts to 75% of Base Salary) which will be paid through salary in 2017.
2. This reflects the portion of the Annual Incentive (over 75% of Base Salary) which once the appropriate taxation and social security deductions have been made will be invested in shares in the Company in 2017 and delivered to Executive Directors two years following investment (2019).
3. The aggregate of these amounts is €480,000, of which €173,000 relates to contributions to defined contribution schemes and €307,000 relates to taxable payments made to S Talbot and B Phelan in lieu of contributions to defined benefit schemes. Both Siobhán Talbot and Brian Phelan are deferred members of the Glanbia defined benefit pension scheme, Mark Garvey and Hugh McGuire participate in the defined contribution retirement plan.
4. Other benefits includes an overseas allowance of €93,067 (no longer payable post 2016) and a one-off payment of €150,000 in respect of relocation (see details on page 79).
5. This includes an up-lift in the Base Salary of the Group Finance Director, Mark Garvey, of 12.5% bringing his annual gross salary to €450,000 effective 1 April 2016. This change, which was above the predicted inflationary increase of 2-3% for the executive group in last years report, reflects span of responsibility, excellence in performance and assessment of the internal and external relativities. The Group Finance Director's annual employer pension contribution was also reviewed and increased from 15% to 25% of his annual Base Salary in line Glanbia's retirement and benefits policy for senior executives.
6. The Base Salary is paid in US Dollars whilst currency movement impacts the Euro reported number.

Details of Directors' long-term awards expected to vest in respect of performance to 31 December 2016 are set out on page 90.

Table A: 2016 Directors' remuneration continued

The pension benefits of each of the Executive Directors during the year were as follows:

	Transfer value of increase in accrued pension €'000	Annual pension accrued in 2016 in excess of inflation €'000	Total annual accrued pension at 31 December 2016 €'000
S Talbot	–	–	158
B Phelan	–	–	103
2016	**0**	**0**	**261**
2015	0	0	261

Siobhán Talbot and Brian Phelan are deferred members of the Glanbia defined benefit pension scheme, effective 1 January 2012 and 4 January 2015 respectively. As a result of the cap on pension benefits introduced in the Irish Finance Act 2006, and subsequently amended in December 2010, the Remuneration Committee reviewed the pension arrangements for Executive Directors and agreed to offer the option to receive a taxable payment in lieu of future service pension benefit.

The cost of death in service and dependants' pensions is not included in the figures quoted above.

Table B: Directors' and Secretary's interests in ordinary shares in Glanbia plc

	As at 31 December 2016 Ordinary Shares	As at 3 January 2016 Ordinary Shares
Directors		
H Corbally	**13,991**	13,991
Mn Keane	**24,664**	24,664
P Murphy	**31,105**	31,105
S Talbot [1]	**233,567**	223,150
P Ahern	**7,720**	7,720
P Coveney	**3,900**	3,900
J Doheny	**15,257**	16,257
M Garvey [1]	**8,356**	2,444
D Gaynor	**10,000**	10,000
J Gilsenan	**5,373**	5,373
V Gorman	**4,173**	4,173
P Haran	**7,462**	7,462
Ml Keane	**35,927**	35,927
H McGuire [1]	**110,945**	125,602
M Merrick	**7,736**	7,736
J Murphy	**8,000**	8,000
D O'Connor	**7,680**	7,680
B Phelan [1]	**141,845**	130,342
Secretary		
M Horan	**57,878**	55,524

1. Executive Director

Note: The ordinary shares held in trust for the Directors and Secretary disclosed in Table C on page 88 are included in the total number of ordinary shares held by the Directors and Secretary above.

Remuneration Committee Report continued

Section B: Directors' Remuneration Implementation Report continued

Table C: Directors' and Secretary's interests in ordinary shares in Glanbia plc subject to restriction

	2008 LTIP[2]	2014 Annual Deferred Incentive[3]	2015 Annual Deferred Incentive[4]	Total[1]
Executive Directors				
S Talbot	21,464	2,991	10,417	34,872
M Garvey	–	1,595	5,912	7,507
H McGuire	10,644	2,484	7,436	20,564
B Phelan	18,470	834	2,674	21,978
Secretary				
M Horan	10,192	838	2,354	13,384

1. The above ordinary shares are held on trust for the Directors and Secretary by the Glanbia plc Section 128D Employee Benefit Trust and are included in the total number of ordinary shares held by the Directors and Secretary disclosed in Table B.
2. Subject to restriction on sale until 8 June 2017.
3. Subject to restriction on sale until 27 March 2017.
4. Subject to restriction on sale until 29 March 2018.

Table D: Summary of Directors' and Secretary's interests in Glanbia plc 2002 LTIP and 2008 LTIP

	As at 31 December 2016		As at 3 January 2016	
	2008 LTIP Share awards	2002 LTIP Share awards	2008 LTIP Share awards	2002 LTIP Share awards
Directors				
S Talbot	**293,240**	**–**	246,100	700
M Garvey	**144,230**	**–**	99,950	–
H McGuire	**153,990**	**–**	126,850	–
B Phelan	**140,680**	**–**	146,250	750
Secretary				
M Horan	**69,810**	**–**	76,350	–

Table E: Directors' and Secretary's interests in 2008 LTIP

	Date of grant	3 January 2016	Granted during the year	Vested during the year	Lapsed during the year	31 December 2016	Market price at date of award €	Earliest date for vesting	Expiry date	Notes
Directors										
S Talbot										
	23-Apr-13	56,650	–	42,479	14,171	–	10.11	23-Apr-16	23-Apr-17	1,2,3
	02-Jul-14	80,000	–	–	–	80,000	11.51	02-Jul-17	02-Jul-18	4
	18-May-15	109,450	–	–	–	109,450	17.525	18-May-18	18-May-19	5
	25-Feb-16	–	103,790	–	–	103,790	18.47	25-Feb-19	25-Feb-20	5
Total:		**246,100**	**103,790**	**42,479**	**14,171**	**293,240**				
M Garvey										
	02-Jul-14	53,250	–	–	–	53,250	11.51	02-Jul-17	02-Jul-18	4
	18-May-15	46,700	–	–	–	46,700	17.525	18-May-18	18-May-19	5
	25-Feb-16	–	44,280		–	44,280	18.47	25-Feb-19	25-Feb-20	5
Total:		**99,950**	**44,280**	**–**	**–**	**144,230**				
H McGuire										
	23-Apr-13	26,900	–	20,172	6,728	–	10.11	23-Apr-16	23-Apr-17	1,2,3
	02-Jul-14	53,250	–	–	–	53,250	11.51	02-Jul-17	02-Jul-18	4
	18-May-15	46,700	–	–	–	46,700	17.525	18-May-18	18-May-19	5
	25-Feb-16	–	54,040	–	–	54,040	18.47	25-Feb-19	25-Feb-20	5
Total:		**126,850**	**54,040**	**20,172**	**6,728**	**153,990**				
B Phelan										
	23-Apr-13	48,750	–	36,555	12,195	–	10.11	23-Apr-16	23-Apr-17	1,2,3
	02-Jul-14	52,000	–	–	–	52,000	11.51	02-Jul-17	02-Jul-18	4
	18-May-15	45,500	–	–	–	45,500	17.525	18-May-18	18-May-19	5
	25-Feb-16	–	43,180	–	–	43,180	18.47	25-Feb-19	25-Feb-20	5
Total:		**146,250**	**43,180**	**36,555**	**12,195**	**140,680**				
Secretary										
M Horan										
	23-Apr-13	26,900	–	20,172	6,728	–	10.11	23-Apr-16	23-Apr-17	1,2,3
	02-Jul-14	28,000	–	–	–	28,000	11.51	02-Jul-17	02-Jul-18	4
	18-May-15	21,450	–	–	–	21,450	17.525	18-May-18	18-May-19	5
	25-Feb-16	–	20,360	–	–	20,360	18.47	25-Feb-19	25-Feb-20	5
Total:		**76,350**	**20,360**	**20,172**	**6,728**	**69,810**				

1. Awards granted on 23 April 2013 were subject to performance conditions measured over the three financial years ended 2 January 2016. The outcome of these performance conditions was such that 74.98% of the awards vested. The vesting date was 8 June 2016. These shares vested at the official opening price of €17.175.
2. Directors were permitted to sell sufficient shares to satisfy any tax or social security deductions arising on the acquisition of the shares. The balance of the shares are restricted from sale for one-year and are held on trust for them by the trustee of the Glanbia plc Section 128D Employee Benefit Trust.
3. The total number of shares subject to restriction are included in the total number of ordinary shares disclosed in Table B on page 87.
4. Awards granted on 2 July 2014 were subject to performance conditions measured over the three financial years ended 31 December 2016. The outcome of these performance conditions is such that 81.06% of these awards are expected to vest during 2017, and will be restricted from sale for one-year and be held on trust for them by the trustee of the Glanbia plc section 128D Employee Benefit Trust.
5. The performance periods in respect of the 2008 LTIP awards made in 2015 and 2016 are the three financial years ending 2017 and 2018 respectively. The performance conditions attached to the awards are detailed in the section entitled 'Performance Targets for Outstanding Awards' on page 83.

Table F: Directors' and Secretary's in 2002 LTIP

Siobhán Talbot retained 7,000 of the shares allotted to her on 8 January 2013 under the 2002 LTIP until 8 January 2015 and was therefore eligible for a share award of 10% of these shares (700) which vested on 8 June 2016. The official opening price on 8 June 2016 was €17.175 per share.

Brian Phelan retained 7,500 of the shares allotted to him on 8 January 2013 under the 2002 LTIP until 8 January 2015 and was therefore eligible for a share award of 10% of these shares (750) which vested on 8 June 2016. The official opening price on 8 June 2016 was €17.175 per share.

Remuneration Committee Report continued

Section B: Directors' Remuneration Implementation Report continued

Table G: Directors' and Secretary's Annual Deferred Incentive

	Value of Annual Incentive converted into shares €[1]	Date of conversion/ acquisition of shares	Acquisition price per share at date of conversion €	Number of shares acquired
Directors				
S Talbot				
2014 Annual Deferred Incentive	94,000	27-Mar-15	16.79	5,584
2015 Annual Deferred Incentive	351,000	29-Mar-16	18.05	19,446
M Garvey				
2014 Annual Deferred Incentive	50,000	27-Mar-15	16.79	2,978
2015 Annual Deferred Incentive	199,000	29-Mar-16	18.05	11,037
H McGuire				
2014 Annual Deferred Incentive	62,000	27-Mar-15	16.79	3,665
2015 Annual Deferred Incentive	253,000	29-Mar-16	18.05	14,011
B Phelan				
2014 Annual Deferred Incentive	26,000	27-Mar-15	16.79	1,557
2015 Annual Deferred Incentive	90,000	29-Mar-16	18.05	4,992
Secretary				
M Horan				
2014 Annual Deferred Incentive	26,000	27-Mar-15	16.79	1,565
2015 Annual Deferred Incentive	79,000	29-Mar-16	18.05	4,396

1. Numbers are rounded to the nearest thousand.
2. Directors were permitted to sell sufficient shares to satisfy any tax or social security deductions arising on the acquisition of the shares. The balance of the shares are restricted from sale for two years and are held on trust for them by the trustee of the Glanbia plc Section 128D Employee Benefit Trust.
3. The total number of shares subject to restriction are included in the total number of ordinary shares disclosed in Table B on page 87.

Table H: Value of awards expected to vest in 2017 and awards vested in 2016

	Number of shares awarded expected to vest in 2017	Estimated Market Value €[1]	Number of shares vested in 2016	Market Value €[2]
Executive Directors				
S Talbot	64,853	1,012,355	42,479	729,577
M Garvey	43,168	673,852	–	–
H McGuire	43,168	673,852	20,172[3]	346,454
B Phelan	42,154	658,024	36,555	627,832
Payable in 2017 in respect of three-year performance to 31 December 2016	**193,343**	**3,018,083**		
Paid in 2016 in respect of three-year performance to 2 January 2016			99,206	1,703,863

1. This reflects the value of long-term incentive awards expected to vest in 2017 with a three-year performance period ended in 2016. The market values have been estimated using the average closing price over the last quarter of 2016 of €15.61 per share.
2. This reflects the value of long-term incentive awards vested in 2016 with a three-year performance period ended in 2015. These have been valued at the market value of the shares on the date of vesting €17.175 per share (official opening price).
3. This reflects the original award to Hugh McGuire of 20,172 shares. Please refer to page 82 for details of Hugh McGuire's restated 2013 LTIP award of an additional award of 14,915 shares aligning him with other Executive Directors which was settled in cash of €256,165 gross (14,915 shares at €17.175 opening Glanbia plc share price on the date of vest 8 June 2016).

Other Statutory Information

Principal activities, strategy and business model
Glanbia plc is a global nutrition group, headquartered in Ireland, with operations in 32 countries worldwide.

The Group's business model and strategy are summarised in the Strategic Report on pages 6 to 9.

The Group Chairman's statement on pages 2 to 3, the Group Managing Director's review on pages 4 to 5, the Operations review on pages 22 to 27 and the Group Finance Director's review on pages 28 to 31 contain a review of the development and performance of the Group's business during the year, of the state of affairs of the business at 31 December 2016, of recent events and of likely future developments. Information in respect of events since the year end is included in these sections and in Note 38 to the Consolidated Financial Statements.

As set out in the Consolidated Income Statement on page 102, the Group reported a profit before tax and exceptional items for the year of €270.2 million. Comprehensive reviews of the financial and operating performance of the Group during 2016 are set out in the Group Finance Director's review on pages 28 to 31 and in the Operations review on pages 22 to 27. Key Performance Indicators are set out in Key Performance Indicators on pages 10 and 11. The treasury policy and the financial risk management objectives of the Group are set out in detail in Note 31 to the Consolidated Financial Statements. Our approach to our people and sustainability are discussed on pages 32 to 40.

Process for appointment/retirement of Directors
In addition to the Companies Acts, the Constitution of the Company contains provisions regarding the appointment and retirement of Directors. At each AGM the Constitution provides that each Director who has been in office at the conclusion of each of the three preceding AGMs and who has not been appointed or re-appointed at either of the two most recently held of those three meetings shall retire from office; however in accordance with the UK Corporate Governance Code (2014), all Directors, with the exception of Jim Gilsenan and Matthew Merrick who have indicated their intention to retire at the conclusion of the AGM, will retire at the 2017 AGM and, being eligible, offer themselves for re-appointment. The Constitution also allows the election and re-election of independent Directors to be conducted in accordance with the election provisions for independent Non-Executive Directors in the Irish Stock Exchange Listing Rules (ISE) and the United Kingdom Listing Authority (UKLA) Listing Rules.

No person other than a Director retiring by rotation shall be appointed a Director at any general meeting unless he is recommended by the Directors or, not less than seven nor more than 42 days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment. If a Director is also a Director of Glanbia Co-operative Society Limited (the "Society"), the Constitution provides that his appointment as a Director shall terminate automatically in the event of his ceasing to be a Director of the Society.

The Constitution also contains provisions regarding the automatic retirement of a Director in certain other limited circumstances.

Annual General Meeting
The Company's AGM will be held on 26 April 2017. Full details of the AGM, together with explanations of the resolutions to be proposed, are contained in the Notice of the Annual General Meeting.

Powers of the Directors
The Directors are responsible for the management of the business of the Company and the Group and may exercise all powers of the Company subject to applicable legislation and regulation and the Constitution. At the 2016 AGM, the Directors were given the power to issue new shares up to a nominal amount of €3,237,558.96. This power will expire on the earlier of the conclusion of the 2017 AGM or 26 July 2017. Accordingly, a resolution will be proposed at the 2017 AGM to renew the Company's authority to issue further new shares.

At the 2016 AGM, the Directors were also given the power to dis-apply the strict statutory pre-emption provisions in the event of an open offer or rights issue or in any other issue up to an aggregate amount equal to 10% of the nominal value of the Company's issued share capital (€1,776,244.10). This authority too will expire on the earlier of the conclusion of the 2017 AGM or 26 July 2017.

Consistent with the Statement of Principles issued by the Pre-Emption Group, as updated in March 2015, resolutions will be proposed at the 2017 AGM to:

(i) dis-apply the strict statutory pre-emption provisions in the event of a rights issue or other pre-emptive issue or in any other issue up to an aggregate amount equal to 5% of the nominal value of the Company's issued share capital. This 5% limit includes any treasury shares re-issued by the Company while this authority remains operable. This authority will expire on the earlier of the date of the AGM of the Company in 2018 or the close of business on 25 July 2018; and

(ii) dis-apply the strict statutory pre-emption provisions for an additional 5% for specific transactions. If approved, the resolution will give the Directors an additional power to allot shares on a non-pre-emptive basis and for cash up to a further 5% of the issued share capital in connection with an acquisition or a specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding six month period and is disclosed in the announcement of the issue. The 5% limit includes any treasury shares re-issued by the Company while this authority remains operable. This authority will expire on the earlier of the date of the AGM of the Company in 2018 or the close of business on 25 July 2018.

Research and development
The Group is fully committed to on-going technological innovation in all sectors of its business, providing integrated customer-focused product development by leveraging our global technology capabilities and expertise. Expenditure on research and development amounted to €8.8 million in 2016 (2015: €6.6 million) as disclosed in Note 5 to the Consolidated Financial Statements.

Other Statutory Information continued

Dividends
An interim dividend of 5.37 cent per share was paid on 7 October 2016 (an aggregate of €15.9 million) to shareholders on the register at the close of business on 26 August 2016. The Directors propose a final dividend of 7.94 cent per share. Subject to shareholder approval, the final dividend will be paid on 28 April 2017 to shareholders on the share register on 17 March 2017.

Following approval by shareholders at the AGM in 2010, all dividend payments will be made by direct credit transfer into a nominated bank or financial institution. If a shareholder has not provided his/her account details prior to the payment of the dividend, a shareholder will be sent the normal tax voucher advising a shareholder of the amount of his/her dividend and that the amount is being held because his/her direct credit transfer instructions had not been received in time.

A shareholder's dividends will not accrue interest while they are held. Payment will be transferred to a shareholder's account as soon as possible on receipt of his/her direct credit transfer instructions. Additionally, if a shareholder's registered address is in the UK and a shareholder has not previously provided the Company with a mandate form for an Irish Euro account, a shareholder's dividend will default to a Sterling payment. All other shareholder's dividends will default to a Euro payment.

Political donations
The Electoral Act, 1997 as amended requires companies to disclose all political donations over €200 in aggregate made during the financial year. The Directors, on enquiry, have satisfied themselves that no payment or other donations in excess of this amount have been made by the Group.

Issued share capital
At 31 December 2016 the authorised share capital of the Company was 350,000,000 ordinary shares of €0.06 each and the issued share capital was 296,040,684 (2015: 296,030,684) ordinary shares of €0.06 each, of which 36.5% was held by the Society. All the Company's shares are fully paid up and quoted on the Irish and London Stock Exchanges. During the year 10,000 ordinary shares of €0.06 each were allotted, upon the exercise of outstanding share options under the 2002 LTIP.

Details of the Company's share capital and shares under option or award at 31 December 2016 are given in Note 10, respectively, to the Financial Statements.

Rights and obligations of ordinary shares
On a show of hands at a general meeting every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote. On a poll, every shareholder present in person or by proxy, shall have one vote for every ordinary share held. In accordance with the provisions of the Constitution, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes. On a return of capital on a winding up, holders of ordinary shares are entitled to participate.

Restrictions on transfer of shares/votes
With the exception of restrictions on transfer of shares under the Company's share schemes, while the shares are subject to the schemes, there are no restrictions on the voting rights attaching to the Company's ordinary shares (except as outlined below) or the transfer of securities in the Company.

Article 2 of the Constitution provides that any ordinary shares acquired by any person who is/was an employee of the Group or any associate or joint venture (provided he is neither a Director of the Company nor a Director of the Society) shall be non-voting shares if such acquisition would, if not for this restriction on voting rights, cause such person to be deemed to have acquired indirect control of the Company or to have to make an offer under Rule 9 of the Irish Takeover Panel Act 1997, Takeover Rules 2013.

Under the Constitution of the Company, the Directors have the power to impose restrictions on the exercise of rights attaching to share(s) where the holder of the share(s) fails to disclose the identity of any person who may have an interest in those shares. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

Exercise of rights of shares in employee share schemes
As detailed in Note 10 to the Financial Statements at 31 December 2016, 934,860 ordinary shares were held in employee benefit trusts for the purpose of the Group's employee share schemes.

The employee benefit trusts have waived dividends due to them in respect of unallocated shares save a nominal amount.

The Trustees of the employee trusts do not seek to exercise voting rights on shares held in the employee trusts other than on the direction of the underlying beneficiaries. No voting rights are exercised in relation to shares unallocated to individual beneficiaries.

Rights under the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009
Shareholder(s) have the right to ask questions related to items on the agenda of a general meeting and to receive answers, subject to certain qualifications. Shareholder(s) holding 3% of the issued share capital of the Company, representing at least 3% of its total voting rights, have the right to put items on the agenda and to table draft resolutions at AGMs. The request must be received by the Company at least 42 days before the relevant meeting. Further details of shareholders' rights under the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009 are contained in the notice of the 2017 AGM.

Restrictions on voting deadlines

The notice of any general meeting shall specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at the general meeting. The number of proxy votes for, against or withheld in respect of each resolution are published on the Group's website after the meeting.

Constitution

The Company's Constitution details the rights attaching to the shares; the method by which the Company's shares may be purchased or re-issued; the provisions which apply to the holding of shares and voting at general meetings; and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. A copy of the Constitution can be obtained from the Group's website: www.glanbia.com.

Unless expressly specified to the contrary in the Constitution of the Company, the Company's Constitution may be amended by special resolution of the Company's shareholders.

Change of control provisions

The Group has certain debt facilities which may require repayment in the event that a change in control occurs with respect to the Group.

There are also a number of agreements that take effect, alter or terminate upon a change of control of the Group, which include the Group's Joint Venture with Leprino Foods Company. If a third party were to acquire control of the Group, Leprino Foods Company could elect to terminate its Joint Venture with the Group and, if this were to occur, the Group could then be required to sell its shareholding in the Joint Venture to Leprino Foods Company at a price equal to its fair value.

In addition, the Company's employee share plans contain change of control provisions which can allow for the acceleration of the exercisability of share options and the vesting of share awards in the event of a change of control.

The Board is satisfied that no change of control provisions has occurred in respect of this agreement.

Substantial interests

The Company has been advised of the following notifiable interests in its ordinary share capital:

Shareholder	No of ordinary shares as at 31/12/2016	% of issued share Capital as at 31/12/2016	No of ordinary shares as at 21/02/2017	% of issued share Capital as at 21/02/2017
Glanbia Co-operative Society Limited	108,014,900	36.5%	108,014,900	36.5%
The Capital Group Companies, Inc.*	17,798,631	6.0122%	17,798,631	6.0122%
Standard Life Investments (Holdings) Limited **	11,686,469	3.948%	11,686,469	3.948%

* The Capital Group Companies, Inc. ("CGC") is the parent company of Capital Research and Management Company ("CRMC"). CRMC is a US based investment management company that manages the American Funds family of mutual funds. CRMC manages equity assets for various investment companies through three divisions, Capital Research Global Investors, Capital International Investors and Capital World Investors. CRMC in turn is the parent company of Capital Group International, Inc. ("CGII"), which in turn is the parent company of five investment management companies ("CGII management companies"): Capital Guardian Trust Company, Capital International, Inc., Capital International Limited, Capital International Sàrl and Capital International K.K. The CGII management companies primarily serve as investment managers to institutional clients.
Neither CGC nor any of its affiliates own shares in the Company for their own account. Rather, the shares reported are owned by accounts under the discretionary investment management of one or more of the investment management companies described above. The Growth Fund of America ("GFA") is a mutual fund registered in the US under the Investment Company Act of 1940. GFA is the legal owner of 9,159,495 shares (3.094% of the outstanding shares).

** An interest of 3.486% held by Standard Life Investments Limited is included in the holding of Standard Life Investments (Holdings) Limited.

Contracts of significance for the purpose of LR 6.8.1, ISE Listing Rules / LR 9.8.4 R, UKLA Listing Rules

The Company has entered into a Shareholders' Agreement dated 25 November 2012 with the Society in respect of Glanbia Ingredients Ireland Designated Activity Company (GII).

The key terms of the Shareholders' Agreement are as follows: the board of directors of GII will comprise 14 directors appointed by the Society, six directors appointed by the Company (the 'PLC Appointees') and up to three executive directors. The PLC Appointees will be appointed from the Executive Directors of the Company, the independent (of the Society) Non-Executive Directors of the Company and such other persons as may be approved by the Nomination and Governance Committee of the Board of the Company. Each of the PLC Appointees will have 1.5 votes at any meeting of the board of directors of GII. All of the other directors on the board of directors of GII will have one vote each. The prior written consent of the Company and the Society will be required for certain matters relating to GII, including agreeing the annual budget and the three-year rolling business plan, changes to the business being carried on by GII, issuing shares in GII, making material investments, acquisitions and disposals or incurring material new debt. Any proposed transfer of shares in GII must be offered first to the other shareholder. If the Society proposes to dispose of its shares in GII so that the Society ceases to own a majority of the issued shares in GII, the Company (as a condition to completion of any such sale by the Society) will be entitled to sell its shares to the buyer in the same proportion and on the same terms as the proposed disposal by the Society (to include any non-cash consideration and non-compete covenants (limited to two years and only the business and geographical scope of GII's business at the time of sale) agreed by the Society, if applicable). Future capital contributions will be considered by shareholders on a case by case basis (without any binding commitment).

Other Statutory Information continued

The shareholders are required to agree a business plan for GII which provides, inter alia, for the delivery of a minimum retained profit in the business equivalent to 1 cent per litre of milk processed, post the expansion investment period. In addition, post the expansion investment period in a year of low dairy pricing, GII can reduce the profit retained in the business to 0.5 cent per litre in any one financial year of a four-year cycle commencing with the 2017 financial year.

Under the Shareholders' Agreement the Society has a call option (the "Call Option") exercisable over the six-year period post completion to acquire the Company's remaining 40% interest in GII. Should the Society exercise this option, the Company would no longer be a shareholder of GII. The Call Option will be exercisable for a four month period following the end of each financial year or as otherwise may be agreed. The Company cannot sell its shares in GII so long as the Call Option remains exercisable without the prior consent of the Society. The price payable by the Society on completion of the Call Option shall be an amount equal to 40% of the higher of: (i) the audited book value of the net assets (subject to adjustment in respect of any pension deficit of GII as described below and adjusted upwards for an amount, if any, by which the assets of GII have been written down by reference to the discount of €20 million against the book value of the net assets of Dairy Ingredients Ireland at completion) of GII as at the end of the financial year prior to the date of exercise of the Call Option; or (ii) 5.5 x 12 months audited earnings before interest, tax, depreciation and amortisation (EBITDA) of GII (calculated as the average of the last three financial years prior to the exercise of the Call Option).

The equity consideration under this formula will be on a debt-free, cash-free basis. A cap has been placed on the total consideration which may be payable in respect of a disposal of GII (i.e. being the initial 60% sale to the Society and the further sale of the remaining 40% on the exercise of the Call Option by the Society). The IAS 19 pension deficit of GII for the purposes of calculating the equity value pursuant to the Call Option will be calculated by valuing the scheme liabilities using the average of the yields to calculate such liabilities on each of the last four reporting dates (June, December) ending on the financial year ended immediately prior to the exercise of the Call Option. If, following the exercise of the Call Option by the Society, GII continues to be a participating employer in the Glanbia pension scheme, the Society will guarantee to the Company the due performance of its obligations under the scheme.

If the Company ceases to have any shareholding in GII, the Shareholders' Agreement provides that the following will happen:

- The proposed licence arrangements for use by GII of the Avonmore and Premier trademarks will terminate;
- GII will change its name to a new name which does not include the name 'Glanbia' and the Company will pay to GII 50% of the vouched reasonable costs of rebranding up to a maximum liability for the Company of €500,000; and
- Unless the Society effects a change of its name to one which does not include the name 'Glanbia' within a prescribed period from the date on which the Company ceases to have any shareholding in GII, the Society will bear the reasonable and vouched costs of the Company and its subsidiaries rebranding to a name which does not include the name 'Glanbia'.

Information required to be disclosed by LR 6.8.1, ISE Listing Rules/LR 9.8.4 R, UKLA Listing Rules

For the purposes of LR 6.8.1/LR 9.8.4 R, the information required to be disclosed by LR 6.8.1/LR 9.8.4 R can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Financial Statements, Notes 11 and 15
(2)	Publication of unaudited financial information	Not applicable
(3)	Small related party transactions	Not applicable
(4)	Details of long-term incentive schemes	Remuneration Committee report
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Other Statutory Information
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Other Statutory Information
(13)	Shareholder waivers of future dividends	Other Statutory Information
(14)	Agreement with controlling shareholders	Page 50

All the information cross-referenced above is hereby incorporated by reference into this Directors' Report.

Subsidiary and associated undertakings

A list of the principal subsidiary and associated undertakings and their activities is included in Note 39 to the Financial Statements.

Adequate accounting records

The Directors are responsible for keeping adequate accounting records that are sufficient to correctly record and explain the transactions of the Company or enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable the Directors to ensure that the Financial Statements comply with the Companies Act 2014, and as regards the Group Financial Statements, Article 4 of the IAS Regulation and enable those Financial Statements to be audited.

The Directors, through the use of appropriate procedures and systems, have also ensured that measures are in place to secure compliance with the Company and the Group's obligation to keep adequate accounting records. These accounting records are kept at the registered office of the Company.

Accountability and audit

Directors' responsibilities for preparing the Financial Statements for the Company and the Group are detailed on page 96.

The Independent Auditors' report details the respective responsibilities of Directors and statutory Auditors.

Statutory Auditors

The statutory Auditors, Deloitte, have expressed their willingness to continue in office in accordance with Section 383(2) of the Companies Act, 2014.

Disclosure of information to statutory Auditors

In accordance with the provisions of section 330 of the Companies Act 2014, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2014) of which the statutory Auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to ensure that the statutory Auditor is aware of such information.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group and Company Financial Statements in accordance with applicable law and regulations. Irish company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and elected to prepare the Company Financial Statements in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014. Under Irish law the Directors shall not approve the Group and Company Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position, of the Group and Company respectively, as at the end of the financial year and of the profit or loss of the Group for the financial year and otherwise comply with the Companies Act 2014.

In preparing these Group and Company Financial Statements the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRS as adopted by the European Union and ensure the Financial Statements contain the information required by the Companies Act 2014 and as regards the Company Financial Statements as applied in accordance with the provision of the Companies Act 2014; and
- prepare the Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also required by the Transparency Directive (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland, the Companies Act 2014 and the Listing Rules issued by the Irish Stock Exchange to prepare a Directors Report and reports relating to Directors' remuneration and corporate governance and the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records that are sufficient to:
- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy;
- enable the Directors to ensure that the Group and Company Financial Statements and the Directors Report comply with the Companies Act 2014, and as regards the Group Financial Statements Article 4 of the IAS Regulation; and
- enable the Group and Company Financial Statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of certain corporate and financial information included on the Group's website (www.glanbia.com). Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 54 to 57 confirms that he/she considers that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy. Each of the current Directors also confirms that to the best of each person's knowledge and belief:
- the Group Financial Statements prepared in accordance with IFRS as adopted by the European Union and the Company Financial Statements prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provision of the Companies Act 2014 give a true and fair view of the assets, liabilities and financial position of the Company and the Group and of the profit of the Group; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

Strategic (pages 1 to 40) and Directors' Report (pages 41 to 96) are deemed to be the Directors' Report.

Directors' Report
On behalf of the Board

Henry Corbally | **Siobhán Talbot** | **Mark Garvey**

Directors
21 February 2017

Financial Statements

Independent auditors' report to the members of Glanbia plc

Report on the financial statements

Opinion on Financial Statements of Glanbia plc

In our opinion, the Financial Statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the Company as at 31 December 2016 and of the Group's profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and in particular, with the requirements of the Companies Act 2014 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Financial Statements comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group balance sheet;
- the Group statement of changes in equity;
- the Group statement of cashflows;
- the Company balance sheet;
- the Company statement of changes in equity;
- the Company statement of comprehensive income and statement of cashflows;
- and the related notes 1 to 39.

The relevant financial reporting framework that has been applied in the preparation of the Group and parent Company Financial Statements is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU), and in the case of the parent Company Financial Statements IFRSs as applied in accordance with the Companies Act 2014.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the Group Financial Statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the EU, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group Financial Statements comply with IFRSs as issued by the IASB.

Summary of our audit approach

Key risks	The key risks that we identified in the current year related to: • Potential impairment to the carrying value of goodwill & intangible assets; • Appropriateness of taxation provisions; • Appropriateness of key assumptions used to determine retirement benefit obligations; • Potential misstatement arising from incorrect revenue recognition.
Materiality	The materiality that we used in the current year was €14 million which was determined on the basis of profit before tax and exceptional items.
Scoping	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide internal financial controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work in 35 reporting units. 12 of these were subject to a full audit, whilst the remaining 23 were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the significance of the group's operations in those reporting units.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement contained within the Director's Report on page 51 that the Group is a going concern.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 14 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 14 to 16 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in Note 2 to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the directors' explanation on page 51 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk of material misstatement	Our audit response to the risk
Carrying value of goodwill & intangible assets The Group's goodwill and intangible assets of €966 million, which is held across 11 individual Cash Generating Units (CGUs), represents approximately 36% of the Group's total assets at year end. The Performance Nutrition business accounts for 80% of total goodwill and intangible assets as it has been the fastest growing most acquisitive division of the Group over recent years. There is a risk that the net present value of future cashflows within the CGUs will not be sufficient to recover the Group's carrying value of goodwill and intangible assets, leading to an impairment charge that has not been recognised in the financial statements. Management's impairment assessment involves significant judgement in relation to the assumptions used in their impairment model. Key assumptions used include the discount rates and growth rates. *Refer also to page 64 (Audit Committee Report), page 114 (Intangible assets accounting policy), note 3 (Critical accounting estimates and judgements), and note 16 to the financial statements.*	The Group audit team, which included valuation specialists, assessed the Group's impairment review methodology. We challenged the underlying key assumptions within the Group's impairment model including discount rates and growth rates. We tested cashflow projections by comparing them to historic rates and Group strategic plans. We also challenged the Group's forecasts with reference to recent performance, economic and industry forecasts and trend analysis including historic growth rates. We assessed the reasonableness of related assumptions used in determining terminal values. We developed an independent view of the key assumptions used in the model, in particular, the Group discount rates where we benchmarked the rates used by management against market data and comparable organisations. We evaluated management's sensitivity analysis and performed our own sensitivity analysis on the key assumptions used. We assessed whether the disclosures in relation to goodwill and intangibles assets were appropriate and met the requirements of the relevant accounting standards.
Taxation provisions The Group operates across numerous multinational jurisdictions, the most significant of which are Ireland and the USA. Management applies significant judgement in assessing current and deferred tax risks and exposures in relation to the interpretation of local and international tax laws, rates and treaties relating to worldwide provisions for uncertain tax positions. There is a risk that tax authorities could have different interpretations to those of management resulting in potential misstatement of tax provisions. *Refer also to page 64 (Audit Committee Report), page 117 (Income tax accounting policy), note 3 (Critical accounting estimates and judgements) and notes 12 and 27 to the financial statements.*	Using Irish and International tax specialists as part of our audit team, we obtained an understanding of the Group's tax strategy, tax operating models and management's assessment of related tax risks and exposures across the Group. We challenged and evaluated management's assumptions and estimates, including external advice obtained, in respect of tax risks and related provisions. We focussed particularly on management judgements made in relation to transfer pricing risks and interpretations of relevant tax laws, and management's assessment of likely outcomes for uncertain tax positions in key jurisdictions where the Group has significant trading operations. We assessed current and deferred tax disclosures for compliance with the relevant accounting standards.
Retirement benefit obligations The Group operates a number of defined benefit schemes in Ireland and the UK. The net pension deficit relating to these schemes was €110 million at the balance sheet date. There is a high degree of estimation and judgement by management in the calculation of the pension liabilities, particularly in the underlying actuarial assumptions, specifically the discount and inflation rates, which are subject to high volatility from small movements in assumptions. There is a risk that the liabilities of pension plans are determined using inappropriate actuarial assumptions, leading to potential misstatement of the net pension deficit. *Refer also to page 64 (Audit Committee Report), page 116 (Retirement benefit obligations accounting policy), note 3 (Critical accounting estimates and judgements) and note 9 to the financial statements.*	We utilised Deloitte actuaries as part of our team to assist us in evaluating the appropriateness of key actuarial assumptions with particular focus on discount rates and inflation rates. Our work included discussions with both Management and the Group's external pension advisors to understand their processes and the assumptions used in calculating retirement benefit liabilities. We benchmarked key assumptions used against market and peer data where available. We tested the valuation of a sample of plan assets, including obtaining independent valuations of investments held at year end. We assessed whether managements' disclosures in the financial statements in respect of retirement benefit obligations were in accordance with the relevant accounting standards.

Independent auditors' report to the members of Glanbia plc continued

Risk of material misstatement	Our audit response to the risk
Revenue Recognition The Group sells products to customers under a variety of contractual terms. Revenue is recognised net of discounts, rebates and other promotional arrangements where they apply to sales contracts. Significant judgement is required to determine the level of accruals required to settle these arrangements with customers post year end, which impacts the amount of revenue recognised in the period. There is a risk that year end accruals relating to selling arrangements, and therefore revenue, could be misstated either intentionally to achieve performance targets, or as a result of error. *Refer also to page 64 (Audit Committee Report), and page 118 (Revenue recognition accounting policy).*	We obtained an understanding of the various selling contracts and arrangements in place with customers across all divisions of the Group, and of the internal controls and IT systems in place over the revenue processes to determine if revenue was appropriately recognised to reflect the terms of contracts with customers and to ensure that the appropriate cut-off procedures are applied and revenue at year end is not misstated. We tested year end accruals for settlement of rebates and other selling arrangements and assessed whether there was any evidence of management bias in key judgements made by management. We also tested year end cut-off procedures and reviewed goods in transit at the year end date to ensure transactions were recorded in the correct period. We reviewed manual journal entries posted to revenue for any unusual items. We tested higher risk transactions including consignment sales and agency arrangements and assessed if these transactions were appropriately accounted for in accordance with the relevant accounting standards. In addition, we reviewed post year end credit notes and rebate payments to identify any invalid sales transactions recorded in the period.

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be €14 million, which is approximately 5% of profit before tax and exceptional items, and 1% of Consolidated Shareholders' equity.

We agreed with the Audit Committee that we would report to them all audit differences in excess of €700,000 as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in 35 reporting units. 12 of these were subject to a full audit, whilst the remaining 23 were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in those reporting units. These 35 reporting units represent the principal business units and account for at least 90% of the Group's net assets, revenue and profit before tax and exceptional items. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 35 reporting units was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from €1 million to €12 million.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team performed site visits and attended planning meetings at a number of significant component locations, including Ireland and the USA, during the year and participated in audit meetings with other significant components and a number of non-significant components. The Group audit team directed the component audits by issuing detailed Group referral instructions, reviewing audit plans and risk assessment procedures of significant components and reviewing documentation of the findings of component auditors.

Opinion on other matters prescribed by the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the Financial Statements to be readily and properly audited.

The parent Company balance sheet is in agreement with the accounting records.

In our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report, in relation to information given in the Corporate Governance Report on pages 43-52, that:

- Based on knowledge and understanding of the Company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention;
- Based on the work undertaken in the course of our audit, in our opinion:
  - The description of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the Financial Statements and have been prepared in accordance with the Companies Act 2014; and
  - The Corporate Governance Report contains the information required by the Companies Act 2014.

Matters on which we are required to report by exception

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Under the Listing Rules of the Irish Stock Exchange we are required to review the six specified elements of disclosures in the report to shareholders by the board on directors' remuneration. Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made. We have nothing to report arising from our review of these matters.

Under the Listing Rules of the Irish Stock Exchange we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report arising from our review.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Restriction on use

This report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Sheehan
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

21 February 2017

Group income statement
for the financial year ended 31 December 2016

		2016			2015		
	Notes	Pre-exceptional €'000	Exceptional €'000 (note 6)	Total €'000	Pre-exceptional €'000	Exceptional €'000 (note 6)	Total €'000
Revenue		**2,847,892**	**–**	**2,847,892**	2,774,326	–	2,774,326
Earnings before interest, tax and amortisation (EBITA)	5	**305,085**	**(17,450)**	**287,635**	271,003	(26,342)	244,661
Intangible asset amortisation	16	**(39,687)**	**–**	**(39,687)**	(31,125)	–	(31,125)
Operating profit	5	**265,398**	**(17,450)**	**247,948**	239,878	(26,342)	213,536
Finance income	11	**2,377**	**–**	**2,377**	1,706	–	1,706
Finance costs	11	**(25,178)**	**–**	**(25,178)**	(22,816)	–	(22,816)
Share of results of Joint Ventures & Associates	17/18	**27,647**	**–**	**27,647**	26,270	–	26,270
Profit before taxation		**270,244**	**(17,450)**	**252,794**	245,038	(26,342)	218,696
Income taxes	12	**(43,297)**	**2,658**	**(40,639)**	(37,322)	2,543	(34,779)
Profit for the year		**226,947**	**(14,792)**	**212,155**	207,716	(23,799)	183,917
Attributable to:							
Equity holders of the Company				**211,824**			183,271
Non-controlling interests	25			**331**			646
				212,155			183,917
Earnings Per Share attributable to the equity holders of the Company							
Basic Earnings Per Share (cent)	13			**71.77**			62.08
Diluted Earnings Per Share (cent)	13			**71.53**			61.87

Group statement of comprehensive income
for the financial year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Profit for the year		**212,155**	183,917
Other comprehensive income			
Items that will not be reclassified subsequently to the Group income statement:			
Remeasurements – defined benefit plans	9	**(31,800)**	20,856
Deferred tax credit/(charge) on remeasurements – defined benefit plans	27	**1,839**	(2,334)
Share of remeasurements – defined benefit plans – Joint Ventures & Associates		**(7,093)**	4,254
Deferred tax credit/(charge) on remeasurements – defined benefit plans – Joint Ventures & Associates		**1,087**	(612)
Items that may be reclassified subsequently to the Group income statement:			
Currency translation differences	24	**27,039**	91,102
Net investment hedge	24	**(2,970)**	(8,684)
Revaluation of available for sale financial assets	24	**(1,310)**	1,273
Net fair value movements on cashflow hedges	24	**834**	56
Net fair value movements on cashflow hedges – Joint Ventures & Associates	24	**2,343**	89
Recycle of currency reserve to the Group income statement on disposal of Interest in Joint Venture	24	**–**	5,037
Deferred tax on revaluation of available for sale financial assets	24	**432**	(420)
Deferred tax on cashflow hedges	24	**(222)**	(60)
Deferred tax on cashflow hedges – Joint Ventures & Associates	24	**(1,261)**	–
Other comprehensive (expense)/income for the year, net of tax		**(11,082)**	110,557
Total comprehensive income for the year		**201,073**	294,474
Total comprehensive income attributable to:			
Equity holders of the Company		**200,742**	293,828
Non-controlling interests	25	**331**	646
Total comprehensive income for the year		**201,073**	294,474

Group balance sheet
as at 31 December 2016

	Notes	2016 €'000	2015 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**628,245**	586,190
Intangible assets	16	**966,203**	951,527
Interests in Associates	17	**98,158**	97,897
Interests in Joint Ventures	18	**68,140**	60,585
Available for sale financial assets	19(a)	**9,935**	10,754
Trade and other receivables	20	**14,650**	1,850
Deferred tax assets	27	**1,818**	584
Retirement benefit assets	9	**2,578**	3,787
		1,789,727	1,713,174
Current assets			
Current tax assets		**5,234**	19,996
Inventories	21	**366,532**	344,353
Trade and other receivables	20	**327,132**	312,624
Derivative financial instruments	31	**1,182**	414
Cash and cash equivalents	22	**218,855**	210,889
		918,935	888,276
Total assets		**2,708,662**	2,601,450
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital and share premium	23	**105,393**	105,370
Other reserves	24	**331,617**	306,425
Retained earnings		**778,986**	642,763
		1,215,996	1,054,558
Non-controlling interests	25	**11,073**	8,515
Total equity		**1,227,069**	1,063,073
LIABILITIES			
Non-current liabilities			
Financial liabilities	26	**624,173**	752,963
Derivative financial instruments	31	**–**	47
Deferred tax liabilities	27	**158,206**	165,756
Retirement benefit obligations	9	**113,026**	91,075
Provisions	28	**15,558**	18,984
Capital grants	29	**3,006**	2,787
		913,969	1,031,612
Current liabilities			
Trade and other payables	30	**460,349**	405,317
Current tax liabilities		**54,083**	38,965
Financial liabilities	26	**32,240**	42,169
Derivative financial instruments	31	**1,180**	902
Provisions	28	**19,520**	19,128
Capital grants	29	**252**	284
		567,624	506,765
Total liabilities		**1,481,593**	1,538,377
Total equity and liabilities		**2,708,662**	2,601,450

On behalf of the Board

H Corbally **S Talbot** **M Garvey**
Directors

Group statement of changes in equity
for the financial year ended 31 December 2016

	Attributable to equity holders of the Company					
	Share capital and share premium €'000 (note 23)	Other reserves €'000 (note 24)	Retained earnings €'000	Total €'000	Non-controlling interests €'000 (note 25)	Total €'000
Balance at 2 January 2016	105,370	306,425	642,763	1,054,558	8,515	1,063,073
Profit for the year	–	–	211,824	211,824	331	212,155
Other comprehensive income/(expense)						
Remeasurements – defined benefit plans	–	–	(31,800)	(31,800)	–	(31,800)
Deferred tax on remeasurements – defined benefit plans	–	–	1,839	1,839	–	1,839
Share of remeasurements – defined benefit plans – Joint Ventures & Associates	–	–	(7,093)	(7,093)	–	(7,093)
Deferred tax on remeasurements – defined benefit plans – Joint Ventures & Associates	–	–	1,087	1,087	–	1,087
Revaluation of available for sale financial assets	–	(1,310)	–	(1,310)	–	(1,310)
Fair value movements on cashflow hedges	–	834	–	834	–	834
Fair value movements on cashflow hedges – Joint Ventures & Associates	–	2,343	–	2,343	–	2,343
Deferred tax on revaluation of available for sale financial assets	–	432	–	432	–	432
Deferred tax on cashflow hedges	–	(222)	–	(222)	–	(222)
Deferred tax on cashflow hedges – Joint Ventures & Associates	–	(1,261)	–	(1,261)	–	(1,261)
Currency translation differences	–	27,039	–	27,039	–	27,039
Net investment hedge	–	(2,970)	–	(2,970)	–	(2,970)
Total comprehensive income for the year	–	24,885	175,857	200,742	331	201,073
Transactions with equity holders of the Company						
Contributions and distributions						
Dividends	–	–	(36,780)	(36,780)	(933)	(37,713)
Cost of share based payments	–	7,712	–	7,712	–	7,712
Transfer on exercise, vesting or expiry of share based payments	–	3,008	(3,008)	–	–	–
Deferred tax on share based payments	–	–	154	154	–	154
Shares issued and premium on shares issued	23	–	–	23	–	23
Purchase of own shares	–	(10,413)	–	(10,413)	–	(10,413)
Total contributions and distributions	23	307	(39,634)	(39,304)	(933)	(40,237)
Changes in ownership interests						
Non-controlling interests arising on gain in control (note 36)	–	–	–	–	3,160	3,160
Balance at 31 December 2016	105,393	331,617	778,986	1,215,996	11,073	1,227,069

Group statement of changes in equity continued
for the financial year ended 31 December 2016

	Attributable to equity holders of the Company					
	Share capital and share premium €'000 (note 23)	Other reserves €'000 (note 24)	Retained earnings €'000	Total €'000	Non-controlling interests €'000 (note 25)	Total €'000
Balance at 3 January 2015	104,728	218,581	473,573	796,882	7,896	804,778
Profit for the year	–	–	183,271	183,271	646	183,917
Other comprehensive income/(expense)						
Remeasurements – defined benefit plans	–	–	20,856	20,856	–	20,856
Deferred tax on remeasurements	–	–	(2,334)	(2,334)	–	(2,334)
Share of remeasurements – defined benefit plans – Joint Ventures & Associates	–	–	4,254	4,254	–	4,254
Deferred tax on remeasurements – defined benefit plans – Joint Ventures & Associates	–	–	(612)	(612)	–	(612)
Revaluation of available for sale financial assets	–	1,273	–	1,273	–	1,273
Fair value movements on cashflow hedges	–	56	–	56	–	56
Fair value movements on cashflow hedges – Joint Ventures & Associates	–	89	–	89	–	89
Deferred tax on revaluation of available for sale financial assets	–	(420)	–	(420)	–	(420)
Deferred tax on cashflow hedges	–	(60)	–	(60)	–	(60)
Currency translation differences	–	91,102	–	91,102	–	91,102
Recycle of currency reserve to the Group income statement on disposal of Interest in Joint Venture	–	5,037	–	5,037	–	5,037
Net investment hedge	–	(8,684)	–	(8,684)	–	(8,684)
Total comprehensive income for the year	–	88,393	205,435	293,828	646	294,474
Transactions with equity holders of the Company						
Contributions and distributions						
Dividends	–	–	(33,895)	(33,895)	(427)	(34,322)
Cost of share based payments	–	8,724	–	8,724	–	8,724
Transfer on exercise, vesting or expiry of share based payments	–	4,078	(4,078)	–	–	–
Deferred tax on share based payments	–	–	1,728	1,728	–	1,728
Shares issued and premium on shares issued	642	–	–	642	–	642
Purchase of own shares	–	(13,351)	–	(13,351)	–	(13,351)
Total contributions and distributions	642	(549)	(36,245)	(36,152)	(427)	(36,579)
Changes in ownership interests						
Non-controlling interests arising on gain in control	–	–	–	–	400	400
Balance at 2 January 2016	105,370	306,425	642,763	1,054,558	8,515	1,063,073

Group statement of cashflows
for the financial year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Cashflows from operating activities			
Cash generated from operating activities	34	**374,303**	307,865
Interest received		**2,367**	1,773
Interest paid		**(24,772)**	(22,939)
Tax paid		**(28,989)**	(9,987)
Net cash inflow from operating activities		**322,909**	276,712
Cashflows from investing activities			
Acquisition of subsidiaries – purchase consideration	36	**(15,725)**	(195,579)
Acquisition of subsidiaries – liabilities settled at completion		**–**	(1,296)
Acquisition of subsidiaries – cash and cash equivalents acquired		**1,065**	6,991
Disposal of Interest in Joint Venture		**–**	28,516
Capital grants received	29	**578**	1,132
Purchase of property, plant and equipment		**(65,398)**	(103,753)
Purchase of intangible assets		**(24,084)**	(19,798)
Interest paid in relation to property, plant and equipment		**(1,479)**	(2,403)
Dividends received from Joint Ventures & Associates	17/18	**13,825**	14,924
Loan advanced to Associate	37	**(12,800)**	–
Net redemption and additions in available for sale financial assets	19(a)	**(491)**	1,140
Proceeds from property, plant and equipment		**358**	428
Net cash outflow from investing activities		**(104,151)**	(269,698)
Cashflows from financing activities			
Proceeds from issue of ordinary shares	23	**23**	642
Purchase of own shares	24	**(10,413)**	(13,351)
(Decrease)/increase in financial liabilities		**(154,501)**	91,577
Finance lease payments		**(315)**	(507)
Dividends paid to Company shareholders	14	**(37,163)**	(33,895)
Dividends paid to non-controlling interests	25	**(933)**	(427)
Net cash (outflow)/inflow from financing activities		**(203,302)**	44,039
Net increase in cash and cash equivalents		**15,456**	51,053
Cash and cash equivalents at the beginning of the year		**169,125**	110,370
Effects of exchange rate changes on cash and cash equivalents		**2,636**	7,702
Cash and cash equivalents at the end of the year	22	**187,217**	169,125

Reconciliation of net cashflow to movement in net debt		2016 €'000	2015 €'000
Net increase in cash and cash equivalents		**15,456**	51,053
Cash movements from debt financing		**154,816**	(91,070)
New finance leases	15	**(1,902)**	(39)
Debt acquired on acquisition		**(848)**	–
		167,522	(40,056)
Exchange translation adjustment on net debt		**(20,837)**	(33,824)
Movement in net debt in the year		**146,685**	(73,880)
Net debt at the beginning of the year		**(584,243)**	(510,363)
Net debt at the end of the year		**(437,558)**	(584,243)
Net debt comprises:			
Financial liabilities	26	**(624,775)**	(753,368)
Cash and cash equivalents net of bank overdrafts	22	**187,217**	169,125
		(437,558)	(584,243)

Company balance sheet
as at 31 December 2016

	Notes	2016 €'000	2015 €'000
ASSETS			
Non-current assets			
Interests in Associates	17	**22,115**	22,876
Investments in subsidiaries	19(b)	**605,917**	609,530
Available for sale financial assets	19(a)	**6,223**	5,827
Deferred tax assets	27	**536**	377
		634,791	638,610
Current assets			
Trade and other receivables	20	**253**	213
Cash and cash equivalents	22	**11,264**	15,303
		11,517	15,516
Total assets		**646,308**	654,126
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital and share premium	23	**460,661**	460,638
Retained earnings		**148,244**	147,489
Other reserves		**8,015**	8,586
Total equity		**616,920**	616,713
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	27	**990**	1,422
		990	1,422
Current liabilities			
Financial liabilities	26	**–**	372
Trade and other payables	30	**28,398**	35,619
		28,398	35,991
Total liabilities		**29,388**	37,413
Total equity and liabilities		**646,308**	654,126

As permitted by section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its separate income statement in these Financial Statements and from filing it with the Registrar of Companies. The profit for the year dealt with in the Financial Statements of the Company amounts to €40.5 million (2015: €130.6 million).

On behalf of the Board

H Corbally **S Talbot** **M Garvey**
Directors

Company statement of changes in equity
for the financial year ended 31 December 2016

	Share capital and share premium €'000 (note 23)	Retained earnings €'000	Other reserves: Capital reserve €'000 (note 24 (a))	Other reserves: Own shares €'000 (note 24 (f))	Other reserves: Share based payment reserve €'000 (note 10)	Other reserves: Available for sale financial asset reserve €'000 (note 19/27)	Total €'000
Balance at 2 January 2016	**460,638**	**147,489**	**4,227**	**(13,238)**	**14,708**	**2,889**	**616,713**
Profit for the year	**–**	**40,543**	**–**	**–**	**–**	**–**	**40,543**
Other comprehensive income/(expense)							
Fair value movements	**–**	**–**	**–**	**–**	**–**	**(1,310)**	**(1,310)**
Deferred tax on fair value movements	**–**	**–**	**–**	**–**	**–**	**432**	**432**
Total comprehensive income/(expense) for the year	**–**	**40,543**	**–**	**–**	**–**	**(878)**	**39,665**
Transactions with equity holders of the Company							
Contributions and distributions							
Dividends	**–**	**(36,780)**	**–**	**–**	**–**	**–**	**(36,780)**
Cost of share based payments	**–**	**–**	**–**	**–**	**7,712**	**–**	**7,712**
Transfer on exercise, vesting or expiry of share based payments	**–**	**(3,008)**	**–**	**8,466**	**(5,458)**	**–**	**–**
Shares issued and premium on shares issued	**23**	**–**	**–**	**–**	**–**	**–**	**23**
Purchase of own shares	**–**	**–**	**–**	**(10,413)**	**–**	**–**	**(10,413)**
Total contributions and distributions	**23**	**(39,788)**	**–**	**(1,947)**	**2,254**	**–**	**(39,458)**
Balance at 31 December 2016	**460,661**	**148,244**	**4,227**	**(15,185)**	**16,962**	**2,011**	**616,920**
Balance at 3 January 2015	459,996	54,875	4,227	(7,965)	9,984	2,036	523,153
Profit for the year	–	130,587	–	–	–	–	130,587
Other comprehensive income/(expense)							
Fair value movements	–	–	–	–	–	1,273	1,273
Deferred tax on fair value movements	–	–	–	–	–	(420)	(420)
Total comprehensive income for the year	–	130,587	–	–	–	853	131,440
Transactions with equity holders of the Company							
Contributions and distributions							
Dividends	–	(33,895)	–	–	–	–	(33,895)
Cost of share based payments	–	–	–	–	8,724	–	8,724
Transfer on exercise, vesting or expiry of share based payments	–	(4,078)	–	8,078	(4,000)	–	–
Shares issued and premium on shares issued	642	–	–	–	–	–	642
Purchase of own shares	–	–	–	(13,351)	–	–	(13,351)
Total contributions and distributions	642	(37,973)	–	(5,273)	4,724	–	(37,880)
Balance at 2 January 2016	460,638	147,489	4,227	(13,238)	14,708	2,889	616,713

Company statement of comprehensive income and statement of cashflows
for the financial year ended 31 December 2016

Company statement of comprehensive income	Notes	2016 €'000	2015 €'000
Profit for the year after tax		**40,543**	130,587
Other comprehensive (expense)/income			
Revaluation of available for sale financial assets	19(a)	**(1,310)**	1,273
Deferred tax on revaluation of available for sale financial assets	27	**432**	(420)
Other comprehensive (expense)/income for the year, net of tax		**(878)**	853
Total comprehensive income for the year		**39,665**	131,440

Company statement of cashflows	Notes	2016 €'000	2015 €'000
Cashflows from operating activities			
Cash generated from operating activities	34	**42,178**	53,011
Dividend income received from Group companies		**(42,959)**	(34,065)
External dividend income received		**(47)**	(66)
Net cash (outflow)/inflow from operating activities		**(828)**	18,880
Cashflows from investing activities			
Disposal of investment in subsidiary within the Group	19(b)	**3,414**	–
Purchase of investments	19(a)	**(1,706)**	(66)
Net cash inflow/(outflow) from investing activities		**1,708**	(66)
Cashflows from financing activities			
Proceeds from issue of ordinary shares	23	**23**	642
Dividends paid to Company shareholders	14	**(37,163)**	(33,895)
Purchase of own shares		**(10,413)**	(13,351)
Dividend income received from other Group companies		**42,959**	34,065
External dividend income received		**47**	66
Net cash outflow from financing activities		**(4,547)**	(12,473)
Net (decrease)/increase in cash and cash equivalents		**(3,667)**	6,341
Cash and cash equivalents at the beginning of the year		**14,931**	8,590
Cash and cash equivalents at the end of the year	22	**11,264**	14,931

Notes to the financial statements
for the financial year ended 31 December 2016

1. General information
Glanbia plc (the 'Company') and its subsidiaries (together the 'Group') is a leading global nutrition group with its main operations in Europe, US, Middle East, Asia Pacific and Latin America. See note 4.

The Company is a public limited Company incorporated and domiciled in Ireland. The address of its registered office is Glanbia House, Kilkenny, Ireland. Glanbia Co-operative Society Limited (the 'Society'), together with its subsidiaries, holds 36.5% of the issued share capital of the Company. The Board of Directors for the year ended 31 December 2016 is comprised of 18 members, of which up to 10 are nominated by the Society. In accordance with IFRS 10 'Consolidated Financial Statements', the Society controls the Group and is the ultimate parent of the Group.

The Company's shares are quoted on the Irish and London Stock Exchanges.

The Company and consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 21 February 2017.

2. Summary of significant accounting policies
New accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted by the Group and Company during the year ended 31 December 2016 are dealt with in section (ab) below. The adoption of these standards and interpretations had no significant impact on the results or financial position of the Group and Company during the year.

The principal accounting policies adopted in the preparation of the Financial Statements are set out below.

These policies have been consistently applied to all years presented, by the Company, its subsidiaries and Joint Ventures & Associates unless otherwise stated.

(a) Basis of preparation
The consolidated Financial Statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and those parts of the Companies Act 2014, applicable to companies reporting under IFRS.

Both the Company and consolidated Financial Statements have also been prepared in accordance with IFRS as adopted by the European Union (EU) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB). The consolidated Financial Statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

The Company Financial Statements are prepared using accounting policies consistent with the accounting policies applied by the Group to the consolidated Financial Statements, as applied in accordance with the Companies Act 2014.

The consolidated Financial Statements have been prepared under the historical cost convention as modified by use of fair values for available for sale financial assets, derivative financial instruments, share-based payments and retirement benefit obligations. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The preparation of the consolidated Financial Statements in conformity with IFRS requires the use of estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates. See note 3.

Amounts are stated in euro thousands (€'000) unless otherwise stated. These Financial Statements are prepared for the 52-week period ended 31 December 2016. Comparatives are for the 52-week period ended 2 January 2016. The balance sheets for 2016 and 2015 have been drawn up as at 31 December 2016 and 2 January 2016 respectively.

Re-presentation
Certain comparative amounts in the balance sheet have been reclassified or re-presented, to achieve a more appropriate presentation. These include the reclassification of retirement benefit assets (note 9); the presentation of current and deferred tax assets and liabilities where the offset criteria in IAS 12 'Income taxes' are met (note 27); and the offset of certain trade payables and receivables where the Group is acting as agent in the collection of receivables (notes 20, 30 and 37).

Going concern
After making enquiries the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated Financial Statements. Further details can be found in the Going Concern statement on page 51.

(b) Basis of consolidation
(i) Subsidiaries
The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by it (its subsidiaries). Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses, unless they provide an indicator of impairment, between Group companies are eliminated.

(ii) Joint Ventures
The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be Joint Ventures. Investments in Joint Ventures are accounted for using the equity method of accounting.

(iii) Associates
Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not the ability to control or jointly control those policies. Investments in Associates are accounted for using the equity method of accounting.

(iv) Equity method of accounting – Joint Ventures & Associates
Under the equity method of accounting, interests in Joint Ventures & Associates are initially recognised at cost.

The Group's share of Joint Ventures & Associates post acquisition profits or losses after tax are recognised in the 'Share of results of Joint Ventures & Associates' in the Group income statement.

Notes to the financial statements continued
for the financial year ended 31 December 2016

2. Summary of significant accounting policies continued

The Group's share of Joint Ventures & Associates post acquisition movement in reserves is recognised in other comprehensive income.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment less any impairment in value. Where indicators of impairment arise, the carrying amount of the Joint Venture or Associate is tested for impairment by comparing its recoverable amount against its carrying value.

Unrealised gains arising from transactions with Joint Ventures & Associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are similarly eliminated to the extent that they do not provide evidence of impairment.

When the Group's share of losses in a Joint Venture or Associate equals or exceeds its interest in the Joint Venture or Associate the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the Joint Venture or Associate.

When the Group ceases to have joint control or significant influence, any retained interest in the entity is re-measured to its fair value at the date when joint control or significant influence is lost with the change in carrying amount recognised in the income statement. The Group also reclassifies any movements previously recognised in other comprehensive income to the income statement.

(v) Business combinations

The Group uses the acquisition method of accounting to account for business combinations.

The acquisition date is deemed to be the date the Group gained control of the entity.

The cost of the acquisition is measured at the aggregate of the fair value of the consideration given.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' in the income statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date except for deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively.

The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

Upon acquisition, the Group assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Acquisition-related costs are expensed as incurred in the income statement.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

(vi) Discontinued operations and non-current assets held for sale

Discontinued operations and non-current assets held for sale are defined as follows: a component of an entity that either has been disposed of, abandoned or is classified as held for sale and:
- represents a separate major line of business or geographical area of operation; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal, abandonment or when the operations meet the criteria to be classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying value and the fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than continued use. This condition is regarded as satisfied only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Property, plant and equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an Associate, Joint Venture or financial asset.

In addition, any movements previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(vii) Non-controlling interests
Non-controlling interests represent the portion of the equity of a subsidiary not attributable either directly or indirectly to the Company and are presented separately in the income statement and within equity in the balance sheet, distinguished from shareholders' equity attributable to owners of the Company.

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the Financial Statements of each of the Group's subsidiaries, Joint Ventures & Associates are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated Financial Statements are presented in euro, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement, except when deferred in equity as qualifying cashflow hedges or net investment hedges.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Currency translation differences on monetary assets and liabilities are taken to the income statement, except when deferred in equity in the currency translation reserve as (i) qualifying cashflow hedges or (ii) exchange gains or losses on long–term intra–group loans and on net investment hedges.

Net investment hedges are foreign currency borrowings used to finance or provide a hedge against Group equity investments in non–euro denominated operations to the extent that they are neither planned nor expected to be repaid in the foreseeable future or are expected to provide an effective hedge of the net investment. When long–term intra–group loans are repaid the related cumulative currency translation recognised in the currency reserve is not reclassified to the income statement unless the entity is disposed of.

(iii) Subsidiaries, Joint Ventures & Associates
The income statement and balance sheet of subsidiaries, Joint Ventures & Associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities at each reporting date are translated at the closing rate at the reporting date of the balance sheet;
- income and expenses in the income statement and statement of comprehensive income are translated at average exchange rates for the year. Average exchange rates are only permissible if they approximate actual. The average exchange rates are a reasonable approximation of the cumulative effect of the rates on transaction dates; and
- all resulting exchange differences are recognised in other comprehensive income.

Resulting exchange differences are taken to a separate currency reserve within equity. When a foreign entity is disposed outside the Group, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

The principal exchange rates used for the translation of results and balance sheets into euro are as follows:

	Average		Year end	
Euro 1=	**2016**	2015	**2016**	2015
US dollar	**1.1068**	1.1092	**1.0541**	1.0887
Pound sterling	**0.8194**	0.7259	**0.8562**	0.7340
Danish krone	**7.4452**	7.4589	**7.4344**	7.4626

(iv) Business combinations
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are expressed as functional currency assets and liabilities of the foreign entity and are recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

(d) Property, plant and equipment

(i) Cost
Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs, for example the costs of major renovation, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is de–recognised when replaced.

All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

Borrowing costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of the assets.

(ii) Depreciation
Depreciation is calculated on the straight–line method to write off the cost (less residual value) of each asset over its estimated useful life at the following rates:

	%
Land	Nil
Buildings	2.5 – 5
Plant and equipment	4 – 33
Motor vehicles	20 – 25

Land is not depreciated.

Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Notes to the financial statements continued
for the financial year ended 31 December 2016

2. Summary of significant accounting policies continued

(iii) Impairment
In accordance with IAS 36 'Impairment of Assets', the carrying amounts of items of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value over the remaining useful life.

(e) Intangible assets

(i) Goodwill
Goodwill is initially recognised at cost being the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, Joint Venture or Associate at the date of acquisition.

Goodwill on acquisition of subsidiaries is included within intangible assets.

Goodwill associated with the acquisition of Joint Ventures & Associates is included within the interest in Joint Ventures & Associates under the equity method of accounting.

Following initial recognition goodwill is carried at cost less accumulated impairment losses, if applicable. Goodwill impairments are not reversed.

Goodwill is not amortised but is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist; the annual goodwill impairment tests are undertaken at a consistent time in each annual period.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

In accordance with IFRS 1 'First time Adoption of International Financial Reporting Standards', goodwill written off to reserves prior to date of transition to IFRS remains written off. In respect of goodwill capitalised and amortised at transition date, its carrying value at date of transition to IFRS remains unchanged.

(ii) Research and development costs
Research expenditure is recognised as an expense in the income statement as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering, its commercial and technological feasibility and costs can be measured reliably.

Development costs are amortised using the straight line method over their estimated useful lives which is normally six years.

(iii) Brands, customer relationships and other intangibles
Brands, customer relationships and other intangibles acquired as part of a business combination are stated at their fair value at the date control is achieved.

Indefinite life brands are carried at cost less accumulated impairment losses, if applicable. Indefinite life brands are not amortised on an annual basis but are tested annually for impairment. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. The classification of the brands as indefinite is assessed annually.

Definite life brands, customer relationships and other intangibles are amortised using the straight–line method over their useful life as follows:

	Yrs
Brands	10 – 40
Customer relationships	5 – 15
Other intangibles	2 – 15

The useful life used to amortise definite life brands, customer relationships and other intangibles relates to the future performance of the assets acquired and management's judgement of the period over which the economic benefit will be derived from the assets.

The carrying values of definite life brands, customer relationships and other intangibles are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or circumstances indicate that the carrying values may not be recoverable.

(iv) Computer software
Computer software is stated at cost less accumulated amortisation and impairment losses.

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing computer software programmes for internal use, if they meet the recognition criteria of IAS 38 'Intangible Assets'.

Computer software costs recognised as assets are amortised using the straight–line method over their estimated useful lives, which is normally between five and 10 years.

(v) Impairment of intangible assets
All intangible assets are reviewed for impairment annually or more frequently if indicators of impairment exist.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cashflows (cash generating units).

An impairment loss is recognised in the income statement for the amount by which the carrying value of the cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is determined as the discounted future cashflows of the CGU.

(f) Available for sale financial assets
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are classified as non-current assets unless management intends to dispose of the available for sale financial asset within 12 months of the reporting date.

They are initially recognised at fair value plus transaction costs and are subsequently adjusted to fair value at each reporting date.

Unrealised gains and losses arising from changes in the fair value of the available for sale financial assets are recognised in other comprehensive income.

When such available for sale assets are disposed or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from available for sale financial assets.

The fair values of quoted financial assets are based on current bid prices (level 1 within the fair value hierarchy).

If the market for a financial asset is not active the Group establishes fair value using valuation techniques.

Where the range of reasonable fair values is significant and the probability of various estimates cannot be reasonably assessed, the Group measures the investment at cost.

Dividends on available for sale financial assets are recognised in the income statement.

Impairment
A significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists, the cumulative loss is measured as the difference between the acquisition cost and the current fair value. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(g) Inventories

Inventories are stated at the lower of cost or net realisable value.

Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition.

Cost is determined by the first-in, first-out (FIFO) method or by weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal capacity).

Costs of inventories include the transfer from equity of any gains/losses on qualifying cashflow hedges which relate to purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision is made, where necessary, for aged, slow moving, obsolete and defective inventories.

(h) Trade and loan receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Loan receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. These are classified as non-current assets except for those maturing within 12 months of the reporting date.

Impairment
A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Objective evidence includes significant financial difficulties of the trade/loan receivable, probability that the trade/loan receivable will enter bankruptcy or financial reorganisation and default or delinquency in payments.

If collectability appears unlikely compared with the original terms of the receivable, the Group will determine the appropriate provision based on the available evidence at that time.

The amount of the provision is the difference between the asset's carrying value and the estimated future cashflows. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement. When a receivable is uncollectable it is written off against the provision account for receivables.

Subsequent recoveries of amounts previously written off are credited to the income statement. Where risks associated with receivables are transferred out of the Group under debt purchase agreements such receivables are recognised in the balance sheet to the extent of the Group's continued involvement and retained risk. The Group has not entered into any debt purchase arrangement.

(i) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost which approximates to fair value given the short dated nature of these liabilities.

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid.

The amounts are unsecured and are usually paid within 30-60 days of recognition depending on the terms negotiated with suppliers. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(j) Provisions

Provisions are recognised on the balance sheet when the Group has a constructive or legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured using management's best estimate of the present value of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognised as an interest expense.

Provisions arising on business combinations are only recognised to the extent that they have qualified for recognition in the Financial Statements of the acquiree prior to acquisition.

A contingent liability is not recognised but is disclosed where the existence of the obligation will only be confirmed by future events or where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

Notes to the financial statements continued for the financial year ended 31 December 2016

2. Summary of significant accounting policies continued

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the Group statement of cashflows, cash and cash equivalents consists of cash and cash equivalents as defined above net of bank overdrafts.

(l) Financial liabilities

Financial liabilities are recognised initially at fair value. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterpart.

(m) Employee benefits

(i) Pension obligations

The Group companies operate various pension plans. The plans are funded through payments to trustee–administered funds. The Group has both defined benefit and defined contribution plans.

Defined contribution pension

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense in the income statement when they are due.

Defined benefit pension obligation

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The fair value of plan assets is based on market price information and in the case of quoted securities in active markets it is the published bid price.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Remeasurements are not reclassified to the income statement in subsequent periods.

A curtailment arises when the Group significantly reduces the number of employees or employee entitlements covered by a plan. A past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when benefits are withdrawn or changed so that the present value of the defined benefit obligation decreases).

A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan (other than a payment of benefits to, or on behalf of, employees in accordance with the terms of the plan and included in the actuarial assumptions).

The gain or loss on a settlement is the difference between:
(a) the present value of the defined benefit obligation being settled, as determined on the date of settlement; and
(b) the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement.

The deferred tax impact of pension plan obligations is disclosed separately within deferred tax assets.

(ii) Share based payments

The Group operates a number of equity settled share based compensation plans which include share option and share award schemes which are open to Executive Directors and certain senior managers.

The charge to the income statement in respect of share-based payments is based on the fair value of the equity instruments granted and is spread over the performance period.

Options under the 2002 Long Term Incentive Plan

The fair value of the instruments awarded were calculated using the binomial model.

The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised.

Awards under the 2008 Long Term Incentive Plan

The fair value of the awards is calculated using a Monte Carlo simulation technique. The awards contain inter alia a Total Shareholder Return (TSR) based (and hence market based) vesting condition and, accordingly, the fair value assigned to the related equity instruments is adjusted so as to reflect the anticipated likelihood at the grant date of achieving the market-based vesting condition.

Non-market vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

The non-market based charge to the income statement is reversed where awards do not vest because non-market performance conditions have not been met or where, subject to the rules of the scheme, an employee in receipt of share awards leaves service before the end of the vesting period.

Awards under the Annual Incentive Deferred into Shares Scheme
The fair value of shares awarded is determined in line with the Group's Annual Incentive Scheme rules and equates with the cash value of the portion of the annual incentive that will be settled by way of shares. The expense is recognised immediately in the income statement with a corresponding entry to equity.

(n) Derivative financial instruments

The activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group uses foreign currency, interest rate and commodity derivative financial instruments to hedge these exposures.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the reporting date.

The fair value of any foreign currency contracts or any commodities contract is estimated by discounting the difference between the contractual forward price and the current forward price, using the market interest rate at the measurement date, for a time period equal to the residual maturity of the contract.

The fair value of any interest rate swap is estimated by discounting future cashflows under the swap, using the market interest rates, at the measurement date, for time periods equal to the residual maturity of the contracted cashflows.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cashflow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and every six months, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cashflows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 31. Movements on the cashflow hedging reserve in equity are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cashflow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The recycled gain or loss relating to the effective portion of interest rate swaps hedging variable interest rates on borrowings is recognised in the income statement within 'finance costs'. The recycled gain or loss relating to the effective portion of foreign exchange contracts is recognised in the income statement within revenue.

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised in the income statement.

(iv) Financial guarantee contracts
Financial guarantee contracts are issued to banking institutions by the Group and Company on behalf of certain of its subsidiaries. These subsidiaries engage in ongoing financing arrangements with these banking institutions. Under the terms of IAS 39 'Financial Instruments: Recognition and Measurement', financial guarantee contracts are required to be recognised at fair value at inception and subsequently measured as a provision under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', on the Company balance sheet. Guarantees provided by the Company over the payment of employer contributions in respect of the UK defined benefit pension plans are treated as insurance contracts. See note 32.

(o) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current tax
Current tax is calculated on the basis of tax laws enacted or substantively enacted at the Group balance sheet date in countries where the Group operates and generates taxable income, taking into account adjustments relating to prior years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks and the tax uncertainties have been measured using a probability weighted expected value approach. We recognise interest and penalties related to tax uncertainties within administration expenses in the income statement and within provisions on the balance sheet.

Current tax assets and liabilities are offset only if certain criteria are met.

Notes to the financial statements continued
for the financial year ended 31 December 2016

2. Summary of significant accounting policies continued

(ii) Deferred tax

Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax is provided on a non-discounted basis, using the balance sheet liability method, providing for temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill not having full tax basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, Joint Ventures & Associates except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(p) Government grants

Grants from government authorities are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Revenue grants are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in current and non-current liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Research and development taxation credits are recognised at their fair value in the income statement where there is reasonable assurance that the credit will be received.

(q) Share capital

(i) Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(ii) Own shares

Where the Employee Share Trust and/or the Employee Share Scheme Trust (on behalf of the Company) purchases the Company's equity share capital, under the 2008 LTIP Scheme and the Annual Incentive Deferred into Shares Scheme, the consideration paid is deducted from total equity and classified as own shares until they are re–issued. Where such shares are re-issued, they are re-issued on a first in, first out basis and the amount re-issued is transferred from own shares to retained earnings.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received/ receivable for the sale of goods to external customers net of value added tax, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefit will flow to the entity and when specific criteria have been met for each of the Group's activities.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. This generally arises on delivery or in accordance with specific terms and conditions agreed with customers.

Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience. Rebates and discounts are recorded in the same period as the original revenue.

Interest income is recognised using the effective interest rate method.

Dividends are recognised when the right to receive payment is established.

Revenue from the sale of property is recognised when there is an unconditional and irrevocable contract for sale.

If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of commission made by the Group. Management considers the following factors to determine whether the Group acts as an agent or principal: (a) whether the Group takes title to or is exposed to inventory risk related to the goods, or has no significant responsibility in respect of the goods sold; (b) although the Group collects the revenue from the final customer, all credit risk is borne by the supplier of the goods; and (c) the ability of the Group to vary the selling prices set by the supplier by more than a small percentage.

The timing of recognition of service revenue equals the timing of when the services were rendered.

(s) Segment reporting

In identifying the Group's operating segments, management assessed the following by Business Unit:

- the nature of the products
- the nature of the production processes
- the type or class of customer
- the methods used to distribute the products.

The Group has four segments:

Glanbia Performance Nutrition

Glanbia Performance Nutrition earns its revenue from performance nutrition products. Its products are sold through a variety of channels including specialty retail, the internet and gyms in a variety of formats, including powders, bars and ready-to-drink beverages.

Glanbia Nutritionals

Glanbia Nutritionals manufactures and sells cheese, dairy and non-dairy nutritional ingredients and vitamin and mineral premixes targeting the increased market focus on health and nutrition.

Dairy Ireland

Dairy Ireland comprises two Irish business units. Consumer Foods Ireland is a leading supplier to the food retail sector and Agribusiness has a network of over 50 retail stores focused on the Irish agri sector.

Joint Ventures & Associates
Joint Ventures & Associates comprise the Group's strategic Joint Ventures & Associates and are considered by management as strategically important, not just in their own right but also in terms of synergies and growth opportunities they bring to the wholly owned Group.

These segments align with the Group's internal reporting system and the way in which the Chief Operating Decision Maker (Glanbia Operating Executive) assesses performance and allocates the Group's resources.

Finance income, finance costs and income taxes are not allocated to segments, as this type of activity is driven by central treasury and taxation functions which manage the cash and tax position of the Group. Unallocated assets and liabilities primarily include tax, cash and cash equivalents, available for sale financial assets, financial liabilities and derivatives. Intersegment revenue is determined on an arms-length basis. Where a material dependency or concentration on an individual customer would warrant disclosure, this is disclosed in the operating segments note under IFRS 8 'Operating Segments'.

(t) Dividends
Dividends on ordinary shares to the Company's shareholders are recognised as a liability of the Company when approved by the Company's shareholders.

Proposed dividends that are approved after the balance sheet date are not recognised as a liability but are disclosed in the dividends note.

(u) Finance costs
Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, net losses on hedging instruments that are recognised in the income statement, facility fees and the unwinding of discounts on provisions. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

General and specific finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other finance costs are expensed in the income statement in the period in which they are incurred.

(v) Finance income
Finance income is recognised in the income statement as it accrues using the effective interest rate method and includes net gains on hedging instruments that are recognised in the income statement.

(w) Earnings Per Share
Earnings Per Share represents the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the period excluding own shares.

Adjusted Earnings Per Share is calculated on the net profit attributable to the owners of the Company before exceptional items and intangible asset amortisation (net of related tax) divided by the weighted average number of ordinary shares in issue during the period excluding own shares.

Diluted Earnings Per Share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(x) Leases
(i) Finance leases
Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are operating leases.

A determination is also made as to whether the substance of an arrangement could equate to a finance lease.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance cost. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

The corresponding rental obligation, net of finance charges is included in financial liabilities and split between current and non–current, as appropriate.

(ii) Operating leases
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight–line basis over the period of the lease.

(y) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits.

(z) Income statement format
(i) Exceptional items
The Group has adopted an income statement format that seeks to highlight significant items within the Group results for the year. Such items may include restructuring, impairment of assets, adjustments to contingent consideration, material acquisition integration costs, restructuring costs, profit or loss on disposal or termination of operations, material acquisition costs, litigation settlements, legislative changes, gains or losses on defined benefit pension plan restructuring and profit or loss on disposal of investments. Judgement is used by the Group in assessing the particular items which by virtue of their scale and nature should be disclosed in the income statement and notes as exceptional items.

(ii) Earnings before interest, tax and amortisation (EBITA)
The Group believes that EBITA is a relevant performance measure and has therefore disclosed this amount in the Group income statement. EBITA is stated before considering the share of results of Joint Ventures & Associates.

(aa) Financial assets – Company
Investments in subsidiaries and associates held by the Company are carried at cost.

Notes to the financial statements continued for the financial year ended 31 December 2016

2. Summary of significant accounting policies continued

(ab) New accounting standards and IFRIC interpretations

The following standards and interpretations, issued by the IASB and IFRIC are effective for the Group for the first time in the year ended 31 December 2016 and have been adopted by the Group:

- Annual improvements to IFRSs 2010–2012 Cycle
- Annual improvements to IFRSs 2012–2014 Cycle
- Amendment to IAS 1 'Presentation of Financial Statements' on the disclosure initiative
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets', on depreciation and amortisation
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' on the equity method
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28, 'Investments in Associates and Joint Ventures'
- Amendments to IFRS 11 'Joint Arrangements' on acquisition of an interest in a joint operation.

None of the above have had a significant impact on the results or the financial position of the Group during the year ended 31 December 2016.

The Company continues to hold its investments in subsidiaries, Joint Ventures & Associates at cost and has not adopted the equity method now permitted under the amendment to IAS 27.

The following standards, amendments and interpretations have been published. The Group will apply the relevant standards from their effective dates. The standards are mandatory for future accounting periods but are not yet effective and have not been early adopted by the Group.

IFRS 9 'Financial Instruments' (EU effective date: on or after 1 January 2018)
This standard replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group is currently considering the implications of IFRS 9 and it is not intended to apply IFRS 9 before the EU effective date.

IFRS 15 'Revenue from Contracts with Customers' (EU effective date: on or after 1 January 2018)
IFRS 15 is a converged standard from the IASB and the Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in Financial Statements globally. The Group is currently considering the implications of IFRS 15 and the implementation options available to it.

IFRS 16 'Leases' (IASB effective date: on or after 1 January 2019 – not yet endorsed)
IFRS 16 supersedes IAS 17 'Leases'. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

Amendments to IAS 12 'Income Taxes' on the recognition of deferred tax assets for unrealised losses (IASB effective date: on or after 1 January 2017 – not yet endorsed)
These amendments clarify the recognition of deferred tax assets for unrealised losses on debt instruments.

Amendments to IAS 7 'Statement of Cash Flows' under its disclosure initiative (IASB effective date: on or after 1 January 2017 – not yet endorsed)
These amendments are intended to improve the information provided to users of Financial Statements about an entity's financing activities.

Amendments to IFRS 2 'Classification and Measurement of Share-based payment Transactions' (IASB effective date: on or after 1 January 2018 – not yet endorsed)
These amendments clarify that only market and non-vesting conditions are taken into account in the measurement of the fair value of the liability in a cash-settled share-based payment transaction. Vesting conditions (other than market conditions) are considered when estimating the number of awards expected to vest.

Annual Improvements to IFRSs 2014–2016 Cycle (IASB effective date: on or after 1 January 2018 – not yet endorsed)
A number of small amendments to IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures'.

IFRIC Interpretation 22 'Foreign Currency Translation and Advance Consideration' (IASB effective date: on or after 1 January 2018 – not yet endorsed)
IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

Amendments to IAS 40 'Transfers of Investment Property' (IASB effective date: on or after 1 January 2018 – not yet endorsed)
This amendment provides guidance on transfers to, or from, investment properties.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to estimates are recognised prospectively. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated Financial Statements is included in the following notes:

- Note 2(r) – commission revenue: whether the Group acts as an agent in the transaction rather than as a principal;
- Note 6 – exceptional items: assessing particular items which by virtue of their scale and nature should be disclosed in the income statement and noted as exceptional items;
- Note 18 – interests in Joint Ventures: whether the Group has joint control over an investee;
- Note 26 – financial liabilities: whether an arrangement contains a lease; and
- Note 2(x) – lease classification.

Estimates

(a) Impairment reviews of goodwill and indefinite life intangibles

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(e). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates.

The intangible assets of Dairy Ireland, Glanbia Nutritionals and Glanbia Performance Nutrition, including goodwill arising on acquisition were tested for impairment using projected cashflows over a three year period and a terminal value assuming 2% growth into perpetuity. A reduction in projected EBITDA of 10% or an increase in the discount factor used by 1% would not result in an impairment of the assets. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. The classification of intangible assets as indefinite is reviewed annually.

Additional information in relation to impairment reviews is disclosed in note 16.

(b) Income taxes

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions during the ordinary course of business for which the ultimate tax determination is uncertain and the applicable tax legislation is open to differing interpretations. The Group takes external professional advice to help minimise this risk. It recognises liabilities for anticipated tax authority reviews based on estimates of whether additional taxes will be due, having regard to all information available on the tax matter. The Group engages with local tax experts to support the judgements made where there is significant uncertainty about the position taken. In determining any liability for amounts expected to be paid to tax authorities, the Group has regard to the tax status of the entities involved, the external professional advice received, the status of negotiations and correspondence with the relevant tax authorities, a probability weighted expected value, past practices of the tax authorities and any precedents in the relevant jurisdiction. Where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised. The Group estimates the most probable amount of future taxable profits using assumptions consistent with those employed in impairment calculations and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

The decision to recognise deferred tax assets (or not) also requires judgement as it involves an assessment of future recoverability of those assets.

(c) Retirement benefit obligations

The Group operates a number of defined benefit pension plans both in Ireland and the UK. The rates of contributions payable, the pension cost and the Group's total obligation in respect of defined benefit plans is calculated and determined by independent qualified actuaries and updated at least annually. The Irish plans have plan assets totalling €285.3 million (2015: €267.3 million) and plan liabilities of €364.6 million (2015: €334.0 million) giving a net pension deficit of €79.3 million (2015: €66.7 million). The UK plans have plan assets totalling €81.5 million (2015: €85.5 million) and plan liabilities of €112.6 million (2015: €106.1 million) giving a net pension deficit of €31.1 million (2015: €20.6 million).

The size of the obligation and cost of the benefits are sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions including price inflation, benefit and salary increases together with the discount rate used. Given the result of the UK referendum on EU membership the Group's UK defined benefit pension plan assumptions are subject to increased volatility and risk. The Group concluded that it was appropriate to disclose the UK defined benefit pension plan details separate from the Irish plans to address the impact of a change in UK assumptions on the Group's defined benefit pension plans. The Group has reviewed the impact of a change in the discount rate used and concluded that based on the pension deficit at 31 December 2016, an increase/decrease in the discount rate applied of 0.25% would have the impact of decreasing/increasing the Irish pension plan deficit by approximately €16 million to €17 million (2015: €14 million to €15 million) and decreasing the UK pension plan deficit by approximately €5 million (2015: €4 million).

Additional information in relation to retirement benefit obligations is disclosed in note 9.

(d) Business combinations

Business combinations are accounted for using the acquisition method which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of this method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition. For intangible assets acquired, the Group bases valuations on expected future cashflows. This method employs a discounted cashflow analysis using the present value of the estimated after-tax cashflows expected to be generated from the purchased intangible asset using risk adjusted discount rates, revenue forecasts, estimated customer attrition and royalty savings as appropriate. The period of expected cashflows is based on the expected useful life of the intangible asset acquired.

(e) Provisions

The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 28.

Notes to the financial statements continued
for the financial year ended 31 December 2016

4. Segment information

In accordance with IFRS 8 'Operating Segments', the Group has four segments as follows: Glanbia Performance Nutrition, Glanbia Nutritionals (previously Global Ingredients), Dairy Ireland and Joint Ventures & Associates. These segments align with the Group's internal financial reporting system and the way in which the Chief Operating Decision Maker assesses performance and allocates the Group's resources.

Each segment derives its revenues as follows: Glanbia Performance Nutrition earns its revenue from performance nutrition products; Glanbia Nutritionals earns its revenue from the manufacture and sale of cheese, dairy and non-dairy nutritional ingredients and vitamin and mineral premixes, Dairy Ireland earns its revenue from the manufacture and sale of a range of consumer products and farm inputs and Joint Ventures & Associates revenue arises from the manufacture and sale of cheese and dairy ingredients.

Each segment is reviewed in its totality by the Chief Operating Decision Maker. The Glanbia Operating Executive assesses the trading performance of operating segments based on a measure of earnings before interest, tax, amortisation and exceptional items.

Amounts stated below for Joint Ventures & Associates represents the Group's share.

4.1 The segment results are as follows:

2016		Glanbia Performance Nutrition €'000	Glanbia Nutritionals €'000	Dairy Ireland €'000	Joint Ventures & Associates €'000	Group €'000
Total gross segment revenue		**1,007,499**	**1,250,368**	**616,843**	**–**	**2,874,710**
Inter-segment revenue		**–**	**(26,182)**	**(636)**	**–**	**(26,818)**
Revenue		**1,007,499**	**1,224,186**	**616,207**	**–**	**2,847,892**
Total Group earnings before interest, tax, amortisation and exceptional items (EBITA)	(a)	**162,585**	**111,813**	**30,687**	**44,673**	**349,758**

2015		Glanbia Performance Nutrition €'000	Glanbia Nutritionals €'000	Dairy Ireland €'000	Joint Ventures & Associates €'000	Group €'000
Total gross segment revenue		924,165	1,272,795	633,787	–	2,830,747
Inter-segment revenue		(1,050)	(54,814)	(557)	–	(56,421)
Revenue		923,115	1,217,981	633,230	–	2,774,326
Total Group earnings before interest, tax, amortisation and exceptional items (EBITA)	(a)	135,610	106,642	28,751	39,690	310,693

Included in external revenue are related party sales between Glanbia Nutritionals and Joint Ventures of €13.5 million (2015: €18.3 million) and related party sales between Dairy Ireland and Joint Ventures & Associates of €11.3 million (2015: €9.7 million). Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

4.1 (a) Segment earnings before interest, tax, amortisation and exceptional items are reconciled to reported profit before tax and profit after tax as follows:

	Notes	2016 €'000	2015 €'000
Total Group earnings before interest, tax, amortisation and exceptional items (EBITA)		**349,758**	310,693
Amortisation	16	**(39,687)**	(31,125)
Exceptional items	6	**(17,450)**	(26,342)
Joint Ventures & Associates interest, tax and amortisation		**(17,026)**	(13,420)
Finance income	11	**2,377**	1,706
Finance costs	11	**(25,178)**	(22,816)
Reported profit before tax		**252,794**	218,696
Income taxes	12	**(40,639)**	(34,779)
Reported profit after tax		**212,155**	183,917

4.2 Income statement disclosures

Other segment items included in the pre-exceptional income statement are as follows:

2016	Glanbia Performance Nutrition €'000	Glanbia Nutritionals €'000	Dairy Ireland €'000	Joint Ventures & Associates €'000	Group €'000
Depreciation and impairment of property, plant and equipment	13,354	27,323	10,078	15,596	66,351
Amortisation and impairment of intangibles	28,128	9,761	2,277	773	40,939
Capital grants released to income statement	(23)	(22)	(333)	(748)	(1,126)

2015	Glanbia Performance Nutrition €'000	Glanbia Nutritionals €'000	Dairy Ireland €'000	Joint Ventures & Associates €'000	Group €'000
Depreciation of property, plant and equipment	10,352	23,777	9,008	14,863	58,000
Amortisation of intangibles	19,471	9,209	2,445	476	31,601
Capital grants released to income statement	(17)	(38)	(227)	(1,212)	(1,494)

4.3 Balance sheet and other disclosures

The segments assets and liabilities and segment capital expenditure and acquisitions are as follows:

2016		Glanbia Performance Nutrition €'000	Glanbia Nutritionals €'000	Dairy Ireland €'000	Joint Ventures & Associates €'000	Group €'000
Segment assets	(a)	1,157,205	772,631	307,350	180,948	2,418,134
Segment liabilities	(b)	264,585	212,446	179,821	–	656,852
Capital expenditure – additions	(c)	24,725	40,149	26,197	28,975	120,046
Capital expenditure – business combinations	(c)	3,020	–	7,959	–	10,979

2015		Glanbia Performance Nutrition €'000	Glanbia Nutritionals €'000	Dairy Ireland €'000	Joint Ventures & Associates €'000	Group €'000
Segment assets	(a)	1,130,373	742,614	296,262	160,332	2,329,581
Segment liabilities	(b)	236,885	186,315	175,404	–	598,604
Capital expenditure – additions	(c)	34,437	64,399	13,484	35,522	147,842
Capital expenditure – business combinations	(c)	235,359	–	1,109	–	236,468

4.3 (a) Segment assets are reconciled to reported assets as follows:

	2016 €'000	2015 €'000
Segment assets	2,418,134	2,329,581
Unallocated assets	290,528	271,869
Reported assets	2,708,662	2,601,450

Unallocated assets primarily include taxation, cash and cash equivalents, available for sale financial assets and derivatives.

4.3 (b) Segment liabilities are reconciled to reported liabilities as follows:

	2016 €'000	2015 €'000
Segment liabilities	656,852	598,604
Unallocated liabilities	824,741	939,773
Reported liabilities	1,481,593	1,538,377

Unallocated liabilities primarily include items such as taxation, borrowings and derivatives.

Notes to the financial statements continued
for the financial year ended 31 December 2016

4. Segment information continued

4.3 (c) Segment capital expenditure and acquisitions are reconciled to reported capital expenditure and acquisitions as follows:

	2016 €'000	2015 €'000
Capital expenditure – additions	120,046	147,842
Capital expenditure – business combinations	10,979	236,468
Joint Ventures & Associates capital expenditure	(28,975)	(35,522)
Unallocated capital expenditure	7,745	8,086
Total	109,795	356,874

4.4 Entity wide disclosures

Revenue from external customers in the Glanbia Performance Nutrition, Glanbia Nutritionals and Dairy Ireland segment is outlined in section 4.1.

Geographical information

Revenue by geographical destination is reviewed by the Chief Operating Decision Maker. The breakdown of revenue by geographical destination is as follows:

	2016 €'000	2015 €'000
US	1,733,842	1,657,701
Ireland	619,576	614,824
UK	73,497	83,333
Rest of Europe	155,597	154,556
Other	265,380	263,912
	2,847,892	2,774,326

Revenue of approximately €332.5 million (2015: €291.4 million) is derived from a single external customer within the Glanbia Nutritionals segment.

The total of non-current assets, other than financial instruments and deferred tax assets, located in Ireland is €857.4 million (2015: €821.3 million) and located in other countries, mainly the US, is €920.5 million (2015: €880.5 million).

5. Operating Profit

	2016			2015		
	Pre–exceptional €'000	Exceptional €'000 (note 6)	Total €'000	Pre–exceptional €'000	Exceptional €'000 (note 6)	Total €'000
Revenue	2,847,892	–	2,847,892	2,774,326	–	2,774,326
Cost of goods sold	(2,065,576)	(1,005)	(2,066,581)	(2,079,893)	–	(2,079,893)
Gross profit	782,316	(1,005)	781,311	694,433	–	694,433
Selling and distribution expenses	(281,588)	–	(281,588)	(245,312)	–	(245,312)
Administration expenses	(195,643)	(16,445)	(212,088)	(178,118)	(26,342)	(204,460)
Earnings before interest, tax and amortisation (EBITA)	305,085	(17,450)	287,635	271,003	(26,342)	244,661
Intangible asset amortisation	(39,687)	–	(39,687)	(31,125)	–	(31,125)
Operating profit	265,398	(17,450)	247,948	239,878	(26,342)	213,536

Operating profit is stated after (charging)/crediting:	Notes	2016 Pre-exceptional €'000	2016 Exceptional €'000 (note 6)	2016 Total €'000	2015 Pre-exceptional €'000	2015 Exceptional €'000 (note 6)	2015 Total €'000
Raw materials and consumables used		**(1,745,256)**	**(1,005)**	**(1,746,261)**	(1,782,647)	–	(1,782,647)
Depreciation of property, plant and equipment	15	**(50,235)**	**–**	**(50,235)**	(43,137)	–	(43,137)
Amortisation of capital grants received	29	**378**	**–**	**378**	282	–	282
Employee benefit expense	7	**(362,131)**	**(10,129)**	**(372,260)**	(329,894)	(11,722)	(341,616)
Auditor's remuneration (note 1)		**(1,798)**	**–**	**(1,798)**	(3,346)	–	(3,346)
Research and development costs		**(8,845)**	**–**	**(8,845)**	(6,646)	–	(6,646)
Net foreign exchange gain		**767**	**–**	**767**	790	–	790
Intangible asset amortisation	16	**(39,687)**	**–**	**(39,687)**	(31,125)	–	(31,125)
Gain/(loss) on disposal of property, plant and equipment		**338**	**–**	**338**	(209)	–	(209)
Impairment of intangible assets	16	**(479)**	**(617)**	**(1,096)**	–	–	–
Impairment of property, plant and equipment	15	**(520)**	**–**	**(520)**	–	–	–
Operating lease expense	15	**(24,140)**	**–**	**(24,140)**	(23,796)	–	(23,796)

Note 1: Auditor's remuneration: On 15 April 2016, PricewaterhouseCoopers resigned as Auditor of the Company and Deloitte was appointed as Group Auditor. The following tables disclose the fees paid or payable to Deloitte Ireland and to other Statutory Audit firms in the Deloitte network.

Current auditor	2016 €'000
Statutory auditor	
– Statutory audit of Group companies*	**489**
– Other assurance services	**10**
– Tax advisory services	**48**
– Other non-audit services	**45**
	592

Current auditor	2016 €'000
Other statutory auditor network firms	
– Statutory audit of Group companies	**596**
– Other assurance services	**–**
– Tax advisory services	**–**
– Other non-audit services	**–**
	596

In addition to the above, Deloitte and its member firms received fees of €0.2 million in respect of the audit of the Group's Joint Ventures & Associates.

The following table sets out the amounts paid or payable to PricewaterhouseCoopers up to their date of resignation on 15 April 2016, together with comparatives for the year ended 2 January 2016:

Former auditor	2016 €'000	2015 €'000
Statutory auditor		
– Statutory audit of Group companies**	**–**	823
– Other assurance services	**–**	583
– Tax advisory services	**565**	1,930
– Other non-audit services	**45**	10
	610	3,346

* The audit fee for the Company is €35,000 and is payable to Deloitte Ireland, the statutory auditor.
** The 2015 audit fee for the Company was €35,000 and was paid to PricewaterhouseCoopers.

Notes to the financial statements continued
for the financial year ended 31 December 2016

6. Exceptional items

	Notes	2016 €'000	2015 €'000
Organisation redesign costs	(a)	**(11,342)**	(6,945)
Acquisition integration costs	(b)	**(3,070)**	(2,919)
Rationalisation costs	(c)	**(3,038)**	(7,841)
Irish defined benefit pension plans	(d)	**–**	(5,006)
Disposal of Joint Venture	(e)	**–**	(3,631)
Total exceptional charge before tax		**(17,450)**	(26,342)
Tax credit on exceptional items	12	**2,658**	2,543
Total exceptional charge		**(14,792)**	(23,799)

The nature of the total exceptional charge before tax is as follows:

	Notes	2016 €'000	2015 €'000
Employee benefit expense	7	**(10,129)**	(7,416)
Defined benefit pension plan settlement loss	7/9	**–**	(4,306)
Other operating costs		**(7,321)**	(14,620)
Total exceptional charge before tax		**(17,450)**	(26,342)

The total cash outflow during the year in respect of exceptional charges was €19.4 million (2015: €15.1 million) of which €9.1 million (2015: €7.1 million) was in respect of prior year exceptional charges.

(a) Organisation redesign costs incurred by Glanbia Nutritionals relate to the project to create one integrated Glanbia Nutritionals organisation. It is anticipated this project will conclude during 2017 with the deployment of supporting IT systems. Costs of €11.3 million include consultancy of €2.9 million, employee benefit expense of €5.0 million, of which redundancy was €1.4 million, travel and expenses of €1.7 million, impairment of development costs and product line of €1.6 million and other costs of €0.1 million. 2015 costs of €6.9 million, included consultancy of €4.9 million, employee benefit expense of €0.6 million and other costs of €1.4 million.

(b) Acquisition integration costs of €3.1 million comprise costs incurred by Glanbia Performance Nutrition relating to the restructure and redesign of route to market capabilities in acquired businesses. Costs of €3.1 million include consultancy of €0.7 million, employee benefit expense comprising redundancy of €2.1 million and other costs of €0.3 million. 2015 costs of €2.9 million, included consultancy of €1.6 million, employee benefit expense of €0.8 million and other costs of €0.5 million.

(c) Rationalisation costs primarily relate to the completion of the restructuring programme in the Dairy Ireland segment. Costs of €3.0 million relate to redundancy. 2015 costs of €7.8 million, included redundancy of €5.9 million and other costs of €1.9 million.

(d) The Group undertook a review of its pension arrangements in 2015 and agreed with the pension trustees to wind up three of its smaller Irish defined benefit pension plans. This transaction resulted in an exceptional charge in the prior year of €5.0 million. The charge related to loss on settlement of €4.3 million, in accordance with IAS 19 'Employee Benefits', and professional fees of €0.7 million in relation to the transaction. This settlement reduced the gross retirement benefit obligation by €60.2 million.

(e) On 1 April 2015, the Group disposed of its investment in Milk Ventures (UK) Limited which is the parent company of Nutricima Limited, a non–core Joint Venture business involved in the supply and distribution of evaporated and powdered milk, based in Nigeria. PZ Cussons plc, Glanbia's partner in the Joint Venture Nutricima, acquired Glanbia's 50% stake for cash consideration of £21.0 million (€28.5 million). The disposal of the Group's interest resulted in a non–cash loss of €3.6 million. This comprised a profit on disposal of €1.4 million (cash consideration of €28.5 million less carrying value €27.1 million including loan to Joint Venture) offset by the recycle of €5.0 million cumulative foreign currency translation losses previously recognised in equity. Milk Ventures (UK) Limited was previously included in the Joint Ventures & Associates segment.

7. Employee benefit expense

The aggregate payroll costs of employees (including Executive Directors) in the Group were:

	Notes	2016 €'000	2015 €'000
Wages and salaries		**295,457**	266,197
Social security costs		**26,593**	24,196
Pension costs – defined contribution plans	9	**9,419**	7,817
Pension costs – defined benefit plans	9	**7,319**	8,512
Other compensation costs:			
Cost of share based payments	10	**7,712**	8,724
Company car allowance		**1,649**	1,383
Private health insurance		**13,982**	13,065
		362,131	329,894
Exceptional items	6	**10,129**	11,722
At the end of the year		**372,260**	341,616

Exceptional items includes redundancy of €6.5 million (2015: €6.8 million) and wages and salaries of €3.6 million (2015: €0.6 million). Included in 2015 is the exceptional charge of €4.3 million recognised on wind up of three of the Group's smaller Irish defined benefit pension plans. Capitalised labour costs of €12.3 million (2015: €12.0 million) are included within the aggregate payroll costs above. See note 15 and note 16.

The average number of employees, excluding the Group's Joint Ventures & Associates, in 2016 was 4,794 (2015: 4,630) and is analysed into the following categories:

	2016	2015
Glanbia Performance Nutrition	**1,719**	1,598
Glanbia Nutritionals	**1,812**	1,781
Dairy Ireland	**1,263**	1,251
	4,794	4,630

The aggregate payroll costs of employees in the Company is nil (2015: nil).

8. Directors' remuneration

The Directors' remuneration information is shown on tables A to H on pages 86 to 90 in the Remuneration Committee report.

9. Retirement benefit obligations

The Group operates defined benefit and defined contribution pension plans.

Defined contribution plans

The Group has a number of defined contribution pension plans in operation.

The following amounts have been recognised in the Group income statement in relation to the defined contribution pension plans:

	Notes	2016 €'000	2015 €'000
Defined contribution pension plan expense	7	**9,419**	7,817

Defined benefit pension plans

The Group operates three defined benefit pension plans in the Republic of Ireland and two defined benefit pension plans in the United Kingdom (UK).

The defined benefit pension plans in Ireland and the UK are administered by Boards of Trustees through separate trustee controlled funds. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations. Each of the Group's plans operate under their respective regulatory frameworks and minimum funding requirements. All of the plans are closed to new entrants and the UK plans comprise solely pensioners and deferred pensioners.

The defined benefit pension plans provide retirement and death benefits for the Group's employees. The majority of the defined benefit pension plans are career average pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their average salary over their period of employment.

Notes to the financial statements continued for the financial year ended 31 December 2016

9. Retirement benefit obligations continued

The contributions paid to the defined benefit pension plans are in accordance with the schedule of contributions agreed between the Group and the Trustees of the relevant plans as recommended in the actuarial valuation reports or in subsequent actuarial advice. The contributions are partly funded by the employees, where they are required to contribute a fixed percentage of pensionable salary, and partly by the Group. The latest actuarial valuation reports for these plans, which are not available for public inspection, are dated between 5 April 2014 and 1 January 2016.

Principal risks in the defined benefit pension plans

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

(a) Investment risk

The pension plans hold investments in asset classes such as equities, which have volatile market values. While these assets are expected to provide higher returns than other asset classes over the long-term, the short-term volatility could cause an increase in the deficit at any particular point in time. When assets return less than the discount rate, this will lead to an increase in the net defined benefit obligation. The Trustees conduct investment reviews to take advice on asset allocation, taking into account asset valuations, liability durations, funding measurements and an achievement of an appropriate return on assets.

(b) Interest rate risk

The pension liabilities are assessed using market yields on high-quality corporate bonds to discount the liabilities. As the pension plans hold other assets such as equities, the value of the assets and liabilities may not move in the same way. A change in the defined benefit obligation as a result of changes in the discount rate leads to volatility in the Group balance sheet, Group income statement and Group statement of comprehensive income. It also impacts the funding requirements for the plans.

(c) Inflation risk

A significant proportion of the benefits under the plans are linked to inflation, be it consumer price inflation or retail price inflation, which in most cases are subject to a cap on annual increases. Although there are caps in force on inflation increases and the plans' assets are expected to provide a good hedge against inflation over the long-term, higher inflation will lead to higher liabilities.

(d) Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

Principal assumptions used in the defined benefit pension plans

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016 ROI	2016 UK	2015 ROI	2015 UK
Discount rate	1.80%	2.50%	2.25%	3.70%
Inflation rate	1.40%-1.50%	2.20%-3.20%	1.30%-1.40%	2.0%-3.0%
Future salary increases*	2.50%	0.00%	2.40%	3.75%
Future pension increases	0.00%	2.25%-2.95%	0.00%	2.10%-2.80%

* The ROI defined benefit pension plans are on a career average structure therefore this assumption does not have a material impact. The UK defined benefit pension plans comprise solely pensioners and deferred pensioners.

Mortality rates

	2016 ROI mortality rates Years	2016 UK mortality rates Years	2015 ROI mortality rates Years	2015 UK mortality rates Years
Male – reaching 65 years of age in 20 years time	23.0	23.1	22.9	22.3
Female – reaching 65 years of age in 20 years time	25.4	25.7	25.3	24.9
Male – currently aged 65 years old	20.6	21.4	20.4	21.0
Female – currently aged 65 years old	23.2	23.8	23.1	23.3

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Recognition in the Group income statement and in the Group statement of comprehensive income

The following amounts have been recognised in the Group income statement and Group statement of comprehensive income in relation to defined benefit pension plans:

Recognition in the Group income statement:

	Notes	2016 €'000	2015 €'000
Current service cost		**(5,328)**	(5,887)
Net interest cost		**(1,991)**	(2,625)
Total expense pre-settlement	7	**(7,319)**	(8,512)
Settlement loss	6(d)	**–**	(4,306)
Total expense recognised in the Group income statement in employee benefit expense		**(7,319)**	(12,818)

Recognition in the Group statement of comprehensive income:

	2016 €'000	2015 €'000
Return of plan assets in excess of interest income	**17,728**	3,888
Actuarial gains arising from experience adjustments	**3,450**	7,045
Actuarial losses arising from changes in demographic assumptions	**(1,573)**	(1,153)
Actuarial (loss)/gain arising from changes in financial assumptions	**(51,405)**	11,076
Total (expense)/income recognised in the Group statement of comprehensive income	**(31,800)**	20,856

The Group undertook a review of pension arrangements in 2015 and agreed with the pension trustees to wind up three of its smaller Irish defined benefit pension plans. This transaction resulted in a settlement loss of €4.3 million. The Group has also committed to making estimated cash contributions to the plans of €6.5 million as part of the transaction which are accrued as at 31 December 2016.

Recognition in the Group balance sheet:

	2016 €'000	2015 €'000
Present value of funded obligations	**(477,250)**	(440,077)
Fair value of plan assets	**366,802**	352,789
Net defined benefit pension plan liability	**(110,448)**	(87,288)

Reconciliation of net defined benefit pension plan liability to the amounts recognised in the Group balance sheet:

	2016 €'000	2015 €'000
Non-current assets		
Surplus on defined benefit pension plan	**2,578**	3,787
Non-current liabilities		
Deficit on defined benefit pension plan	**(113,026)**	(91,075)
Net defined benefit pension plan liability	**(110,448)**	(87,288)

The net liability disclosed above relates to funded plans.

Notes to the financial statements continued
for the financial year ended 31 December 2016

9. Retirement benefit obligations continued

The movement in the net retirement benefit liability recognised in the Group balance sheet is as follows:

	Notes	2016 €'000	2015 €'000
At the beginning of the year		(87,288)	(114,808)
Exchange differences		2,719	(1,557)
Service cost and net interest cost	7	(7,319)	(8,512)
Loss on settlement	6(d)	–	(4,306)
Remeasurements – defined benefit plans		(31,800)	20,856
Contributions paid/payable by employer		13,240	21,039
At the end of the year		(110,448)	(87,288)

The movement in obligations during the year is as follows:

	2016			2015		
	ROI €'000	UK €'000	Total €'000	ROI €'000	UK €'000	Total €'000
At the beginning of the year	(334,011)	(106,066)	(440,077)	(404,849)	(103,249)	(508,098)
Exchange differences	–	15,112	15,112	–	(6,815)	(6,815)
Current service costs	(5,328)	–	(5,328)	(5,866)	(21)	(5,887)
Settlement	–	–	–	60,229	–	60,229
Interest costs	(7,433)	(3,442)	(10,875)	(8,033)	(3,912)	(11,945)
Remeasurements:						
– Experience gain	3,450	–	3,450	5,958	1,087	7,045
– (Loss)/gain from changes in demographic assumptions	–	(1,573)	(1,573)	(2,600)	1,447	(1,153)
– (Loss)/gain from changes in financial assumptions	(30,702)	(20,703)	(51,405)	10,885	191	11,076
Contributions by plan participants	(1,427)	–	(1,427)	(1,467)	(10)	(1,477)
Payments from plans:						
– Benefit payments	10,826	4,047	14,873	11,732	5,216	16,948
At the end of the year	(364,625)	(112,625)	(477,250)	(334,011)	(106,066)	(440,077)

The movement in the fair value of plan assets during the year is as follows:

	2016			2015		
	ROI €'000	UK €'000	Total €'000	ROI €'000	UK €'000	Total €'000
At the beginning of the year	267,314	85,475	352,789	313,335	79,955	393,290
Exchange differences	–	(12,393)	(12,393)	–	5,258	5,258
Interest income	6,051	2,833	8,884	6,230	3,090	9,320
Settlement	–	–	–	(64,535)	–	(64,535)
Remeasurements:						
– Return on plan assets excluding amounts included in interest income/(expense)	12,132	5,596	17,728	6,019	(2,131)	3,888
Contributions by plan participants	1,427	–	1,427	1,467	10	1,477
Contributions paid/payable by employer	9,194	4,046	13,240	16,531	4,508	21,039
Payments from plans:						
– Benefit payments	(10,826)	(4,047)	(14,873)	(11,733)	(5,215)	(16,948)
At the end of the year	285,292	81,510	366,802	267,314	85,475	352,789

The fair value of plan assets at the end of the reporting period are as follows:

	2016				2015			
	Quoted €'000	Unquoted €'000	Total €'000	%	Quoted €'000	Unquoted €'000	Total €'000	%
Equities:								
– Consumer	13,854	–	13,854	4	17,408	–	17,408	5
– Energy	6,090	–	6,090	2	4,245	–	4,245	1
– Financials	17,957	–	17,957	5	17,487	–	17,487	5
– Healthcare	8,895	–	8,895	2	8,785	–	8,785	2
– Industrials	9,041	–	9,041	2	8,869	–	8,869	3
– Information technology	11,030	–	11,030	3	9,836	–	9,836	3
– Materials	3,997	–	3,997	1	3,209	–	3,209	1
– Telecommunication services	2,949	–	2,949	1	2,480	–	2,480	1
– Utilities	2,705	–	2,705	1	1,946	–	1,946	1
– Other	6,914	1,015	7,929	2	8	1,406	1,414	–
Corporate bonds:								
– Investment grade	27,872	6,715	34,587	9	24,629	6,755	31,384	9
– Non-investment grade	3,539	856	4,395	1	3,229	77	3,306	1
Government bonds and gilts	70,660	11,518	82,178	22	61,778	12,869	74,647	21
Property:								
– UK	–	3,146	3,146	1	–	796	796	–
– Ireland	1,426	1,112	2,538	1	1,611	2,822	4,433	1
– Europe	–	6,303	6,303	2	–	6,566	6,566	2
Cash	1,174	9,054	10,228	3	1,931	13,791	15,722	4
Investment funds	–	119,609	119,609	33	2,555	115,807	118,362	34
Other	385	18,986	19,371	5	1,665	20,229	21,894	6
	188,488	178,314	366,802	100	171,671	181,118	352,789	100

The plan assets at the end of the reporting period do not include any equities held in the Group, nor does the Group use or occupy any of the plan assets.

Sensitivity analysis for principal assumptions used to measure plan liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension plans. The following table analyses, for the Group's pension plans, the estimated impact on the plan liabilities resulting from changes to key actuarial assumptions, with all other assumptions remaining constant.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated. The impact on the plan liabilities has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised on the Group balance sheet.

There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

		ROI plans		UK plans	
2016 Assumption	**Change in assumption**	**Increase €'000**	**Decrease €'000**	**Increase €'000**	**Decrease €'000**
Discount rate	0.25% movement	(16,007)	16,773	(4,843)	5,136
Price inflation	0.25% movement	5,542	(5,433)	3,491	(3,379)
Longevity	1 year movement	10,684	(10,392)	4,301	(4,301)
Future salary increases*					
Future pension increases**					

		ROI plans		UK plans	
2015 Assumption	Change in assumption	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
Discount rate	0.25% movement	(14,362)	15,030	(4,243)	4,518
Price inflation	0.25% movement	5,845	(5,712)	3,118	(3,076)
Longevity	1 year movement	8,918	(9,108)	3,415	(3,606)
Future salary increases*					
Future pension increases**					

* The majority of the defined benefit plans are career average plans. As a result, future salary increases will not have a material impact on the plan liabilities.

** There are no future pension increases agreed in the material defined benefit pension plans.

Notes to the financial statements continued
for the financial year ended 31 December 2016

9. Retirement benefit obligations continued

	ROI plans €'000	UK plans €'000
Expected contributions to the defined benefit pension plans for the coming year	**9,257**	**4,025**

	ROI plans Years	UK plans Years
Weighted average duration of the defined benefit plans	**18**	**18**

10. Share based payment expense

The Group operates the following equity settled share based payment arrangements as defined in IFRS 2 'Share based Payment'. The arrangements include both share option and share award schemes open to both Executive Directors and certain senior management.

- 2002 Long term incentive plan (the 2002 LTIP)
- 2008 Long term incentive plan (the 2008 LTIP)
- The Annual Incentive Deferred Into Shares Scheme (the AIDIS Scheme)

Further details of the plans are available in the Remuneration Committee report on pages 70 to 90.

The share based payment reserve reflects charges relating to granting of both share options and awards under the 2002 LTIP, the 2008 LTIP and the AIDIS Scheme, net of transfers on vesting or expiry of share based payments.

The movement in the share based payment reserve for the year ended 31 December 2016 and 2 January 2016 is as follows:

		Group		Company	
	Notes	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000
At the beginning of the year	24	**14,708**	9,984	**14,708**	9,984
Transfer on exercise, vesting or expiry of share based payments	24	**(5,458)**	(4,000)	**(5,458)**	(4,000)
Cost of share based payments	24	**7,712**	8,724	**7,712**	8,724
At the end of the year	24	**16,962**	14,708	**16,962**	14,708

The total cost recognised in the Group income statement is analysed as follows:

	Notes	**2016 €'000**	2015 €'000
The 2008 LTIP		**5,771**	7,211
The AIDIS Scheme		**1,941**	1,513
	7	**7,712**	8,724

2002 Long Term Incentive Plan

This plan closed to further grants in 2012, the last share options were granted in 2011.

Under the 2002 LTIP, options could not be exercised before the expiration of three years from the date of grant and could only be exercised if a pre-determined performance criterion for the Group has been achieved. The performance criterion required an increase in the adjusted Earnings Per Share (EPS) of the Group of at least the Consumer Price Index plus 5% over a three year period.

When the options are exercised, the Company issues new shares and the fair value of the awards exercised is reclassified from the share based payment reserve to retained earnings.

In accordance with the terms of the 2002 LTIP, certain executives to whom options were granted in 2004 were eligible to receive share awards related to the number of ordinary shares which they held on the second anniversary of the exercise of the option up to a maximum of 1,450 ordinary shares. There are no share awards outstanding as at the end of the year (2015: 1,450).

Movement in the number of options outstanding under 2002 LTIP for the year ended 31 December 2016 and 2 January 2016 is as follows:

	Notes	**2016 Weighted average exercise price per share €**	**2016 Number of options**	2015 Weighted average exercise price per share €	2015 Number of options
At the beginning of the year		**3.81**	**55,000**	4.06	210,000
Exercised during the year	23	**(2.29)**	**(10,000)**	(4.14)	(155,000)
At the end of the year		**4.15**	**45,000**	3.81	55,000

Expiry dates of share options outstanding and exercisable at 31 December 2016 and 2 January 2016 is as follows:

Expiry date	Exercise price €	**2016 Number of options**	2015 Number of options
2019	2.29	**5,000**	15,000
2021	4.38	**40,000**	40,000
		45,000	55,000

Total options of 45,000 (2015: 55,000) ordinary shares were outstanding at 31 December 2016 under the 2002 LTIP at prices of €2.29 and €4.38. The cost of the 2002 LTIP charged in the Group income statement was nil (2015: nil). The fair value of the share options was calculated using the Binomial Model.

Options over 45,000 (2015: 55,000) ordinary shares were exercisable at 31 December 2016. The share price at the date of exercise for share options exercised was €18.39 (2015: €16.92). The weighted average life for share options outstanding is four years.

2008 Long Term Incentive Plan

This is a long-term share incentive plan, which was introduced in 2008 following the approval by the shareholders, under which share awards are granted to Executive Directors and certain senior managers in the form of a provisional allocation of shares for which no exercise price is payable.

Awards outstanding under the 2008 LTIP as at 31 December 2016 amounted to 2,294,783 (2015: 2,060,605). These are scheduled to vest in periods up to February 2020, to the extent that there is sustained improvement in the underlying financial performance over a three year period and that the service condition is fulfilled as determined by the Remuneration Committee. The maximum annual award level is 250% (for awards granted before 2015 the maximum was 150%) of Base Salary. Vesting is determined on a straight line basis between threshold and maximum. Further details are included within the Remuneration Committee report.

The extent of vesting for awards granted before 2015 is determined by growth in EPS, Total Shareholder Return performance (TSR) and Return on Capital Employed (ROCE), with each of EPS, TSR and ROCE representing one third of the maximum vesting level. A service condition also applies. There is a requirement to hold shares received pursuant to the vesting of LTIP awards for a minimum period of one year post vesting.

The extent of vesting for awards granted from 2015 onwards is determined based on the performance category of each individual and consists of a combination of the following performance metrics, a service condition and in certain circumstances a personal objective.

The award is determined by reference to three performance metrics for the Group Managing Director and the Group Finance Director:
- 50% based on Group adjusted EPS on a reported basis;
- 30% based on Group ROCE; and
- 20% based on relative TSR against the STOXX Europe 600 Food and Beverage index.

For business segment Executive Directors, the award is determined by reference to the following performance metrics:
- 40% based on Group adjusted EPS on a reported basis;
- 15% based on Group ROCE;
- 15% based on relative TSR against the STOXX Europe 600 Food and Beverage index;
- 20% based on business segment EBITA; and
- 10% based on business segment ROCE.

From 2015 onwards the required period to hold shares received post vesting of LTIP award has increased to two years for members of the Group Operating Executive.

IFRS 2 requires that a recognised valuation methodology be employed to determine the fair value of shares awarded and stipulates that this methodology should be consistent with methodologies used for pricing of financial instruments. The expense of €5.8 million (2015: €7.2 million) charged in the Group income statement has been arrived at through applying a Monte Carlo simulation technique to model the combination of market and non-market based performance conditions of the plan.

Notes to the financial statements continued
for the financial year ended 31 December 2016

10. Share based payment expense continued

The assumptions used in the valuation were as follows:

	Granted in 2016	Granted in 2015	Granted in 2014	Granted in 2013
Risk-free interest rate	**(0.50%)**	0.04%	0.10%	0.20%
Expected volatility	**22.30%**	22.0%	26.10%	29.90%
Dividend yield	**0.66%**	0.81%	0.94%	1.17%

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the award.

At each reporting date the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and the service condition. A share award may lapse if a participant ceases to be employed within the Group before the date of vest.

When the awards are exercised the Company re-issues shares from own shares and the fair value of the awards exercised is reclassified from the share based payment reserve to retained earnings.

Movement in the 2008 LTIP for the year ended 31 December 2016 and 2 January 2016 is as follows:

	2016 Number of awards	2015 Number of awards
At the beginning of the year	**2,060,605**	2,073,126
Granted	**851,305**	844,490
Vested	**(457,852)**	(596,451)
Lapsed	**(159,275)**	(260,560)
At the end of the year	**2,294,783**	2,060,605

Expiry dates of share awards outstanding at 31 December 2016 and 2 January 2016:

	2016 Number of awards	2015 Number of awards
Expiry date in		
2017	**4,000**	470,015
2018	**710,103**	766,500
2019	**751,865**	824,090
2020	**828,815**	–
At the end of the year	**2,294,783**	2,060,605

The total expense in the Group income statement is analysed as follows:

	Share price at date of award €	Year of earliest vesting date	Number of shares	Fair value – TSR component €	Fair value – non-market performance components €	Total weighted average fair value €	Expense in Group income statement 2016 €'000	Expense in Group income statement 2015 €'000
Granted in 2013								
2008 Long Term Incentive Plan	10.11	–	824,100	6.38	9.76	8.63	**–**	732
Granted in 2014								
2008 Long Term Incentive Plan	11.51	2017	841,000	5.75	11.19	9.38	**2,356**	2,159
Granted in 2015								
2008 Long Term Incentive Plan	17.53	2018	844,490	13.16	17.10	16.55	**2,474**	4,320
Granted in 2016								
2008 Long Term Incentive Plan	18.47	2019	851,305	11.19	18.11	17.15	**941**	–
Total expense recognised in Group income statement							**5,771**	7,211

On 4 May 2016, 8 June 2016 and 21 October to 3 November 2016, 260,333, 180,453 and 17,066 respectively, of the share awards granted in 2013 vested. 362,248 of the share awards lapsed and 4,000 share awards have yet to vest.

Annual Incentive Deferred into Shares Scheme

This scheme is an annual performance related incentive scheme for Executive Directors and other senior management. The fair value of the Annual Incentive Deferred into Shares Scheme was calculated as €1.9 million in 2016 (2015: €1.5 million) and equates to the cash value of the portion of the annual incentive that will be settled by way of shares. The number of shares received is determined by the share price on the date of allocation. The incentive will be invested in shares in the Company and delivered to the Executive Directors and senior management two years following this investment. Please refer to the Remuneration Committee report on pages 70 to 90 for further information.

11. Finance income and costs

	Notes	2016 €'000	2015 €'000
Finance income			
Interest income		**2,377**	1,706
Total finance income		**2,377**	1,706
Finance costs			
Bank borrowing costs		**(6,048)**	(4,369)
Facility fees including cost amortisation		**(2,698)**	(2,761)
Unwinding of discounts	28	**(271)**	(142)
Finance lease costs		**(35)**	(127)
Net interest (expense)/income on currency swaps		**(126)**	260
Finance cost of private debt placement		**(16,000)**	(15,677)
Total finance costs		**(25,178)**	(22,816)
Net finance costs		**(22,801)**	(21,110)

Net finance costs exclude borrowing costs of €1.5 million (2015: €2.4 million) attributable to the acquisition, construction or production of qualifying assets, which have been capitalised, as disclosed in note 15. Interest is capitalised at the Group's average interest rate for the period of 3.8% (2015: 4.0%). Interest income includes interest on loans to related parties of €0.7 million (2015: €0.1 million). See note 37(f).

12. Income taxes

	Notes	2016 €'000	2015 €'000
Current tax			
Irish current tax		**14,578**	14,191
Adjustments in respect of prior years		**(314)**	489
Irish current tax for the year		**14,264**	14,680
Foreign current tax		**37,379**	14,177
Adjustments in respect of prior years		**1,298**	(5,488)
Foreign current tax for the year		**38,677**	8,689
Total current tax		**52,941**	23,369
Deferred tax			
Deferred tax – current year		**(11,408)**	5,657
Adjustments in respect of prior years		**(894)**	5,753
Total deferred tax	27	**(12,302)**	11,410
Tax charge		**40,639**	34,779
The tax credit on exceptional items included in the above amounts are as follows:			
Current tax		**(2,468)**	(2,302)
Deferred tax		**(190)**	(241)
Total tax credit on exceptional items for the year		**(2,658)**	(2,543)

The net tax credit on exceptional items in 2016 and 2015 has been disclosed separately above as it relates to costs and income which have been presented as exceptional.

Notes to the financial statements continued
for the financial year ended 31 December 2016

12. Income taxes continued

The tax on the Group's profit before tax differs from the theoretical amount that would arise applying the corporation tax rate in Ireland, as follows:

	2016 €'000	2015 €'000
Profit before tax	252,794	218,696
Income tax calculated at Irish rate of 12.5% (2015: 12.5%)	31,599	27,337
Earnings at higher Irish rates	45	24
Difference due to overseas tax rates	13,132	10,632
Adjustment to tax charge in respect of previous periods	90	754
Tax on post-tax profits of Joint Ventures & Associates included in profit before tax	(3,456)	(3,284)
Other reconciling differences	(771)	(684)
Total tax charge	40,639	34,779

Details of deferred tax charged or credited directly to other comprehensive income during the year are outlined in note 27.

Factors that may affect future tax charges and other disclosure requirements

The total tax charge in future periods will be affected by any changes to the applicable tax rates in force in jurisdictions in which the Group operates and other relevant changes in tax legislation, including amendments impacting on the excess of tax depreciation over accounting depreciation. The total tax charge of the Group may also be influenced by the effects of corporate development activity and the resolution of uncertain tax positions where the final outcome of those matters is different than the amounts recorded using the probability weighted expected value approach.

13. Earnings Per Share

Basic

Basic Earnings Per Share is calculated by dividing the net profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as own shares (see note 24).

	2016	2015
Profit after tax attributable to equity holders of the Company (€'000)	211,824	183,271
Weighted average number of ordinary shares in issue	295,130,809	295,196,003
Basic Earnings Per Share (cent)	71.77	62.08

Diluted

Diluted Earnings Per Share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. Share options and share awards are the Company's only potential dilutive ordinary shares.

The share awards, which are performance based, are treated as contingently issuable shares, because their issue is contingent upon satisfaction of specified performance conditions, as well as the passage of time. Contingently issuable shares are included in the calculation of diluted Earnings Per Share to the extent that conditions governing exercisability have been satisfied, as if the end of the reporting period were the end of the vesting period.

	2016	2015
Weighted average number of ordinary shares in issue	295,130,809	295,196,003
Shares deemed to be issued for no consideration in respect of:		
Share awards	955,421	1,002,678
Share options	33,896	42,617
Weighted average number of shares used in the calculation of diluted Earnings Per Share	296,120,126	296,241,298
Diluted Earnings Per Share (cent)	71.53	61.87

Adjusted (Non-IFRS information)

Adjusted Earnings Per Share is calculated on the net profit attributable to equity holders of the Company, before exceptional items (net of related tax) and intangible asset amortisation (net of related tax). Adjusted Earnings Per Share is considered to be more reflective of the Group's overall underlying performance and reflects the metrics used by the Group to measure profitability and financial performance.

	2016 €'000	2015 €'000
Profit after tax attributable to equity holders of the Company	**211,824**	183,271
Amortisation and impairment of intangible assets net of related tax of €8.6 million (2015: €5.0 million)	**31,609**	26,126
Amortisation of Joint Ventures & Associates intangible assets net of related tax of €0.1 million (2015: €0.1 million)	**482**	417
Exceptional items (net of related tax)	**14,792**	23,799
Adjusted net income	**258,707**	233,613
Adjusted Earnings Per Share (cent)	**87.66**	79.14
Diluted adjusted Earnings Per Share (cent)	**87.37**	78.86

14. Dividends

	2016 € Cent	2015 € Cent
Dividends recommended per ordinary share are as follows:		
Final dividend recommended for the year ended 31 December 2016	**7.94**	
Final dividend for the year ended 2 January 2016		7.22
Interim dividend for the year ended 31 December 2016	**5.37**	
Interim dividend for the year ended 2 January 2016		4.88
	13.31	12.10

On 7 October 2016 an interim dividend for the year ended 31 December 2016 of 5.37 cent per share (total €15.9 million) was paid. On 16 October 2015 the interim dividend paid for the year ended 2 January 2016 was 4.88 cent per share (total €14.4 million).

On 29 April 2016 a final dividend for the year ended 2 January 2016 of 7.22 cent per share (total €21.3 million) was paid. On 15 May 2015 a final dividend for the year ended 3 January 2015 of 6.57 cent per share (total €19.5 million) was paid.

Cash payments in relation to dividends of €37.2 million in the year does not equate to the amount deducted from equity due to timing of waived dividends.

The Directors have recommended the payment of a final dividend of 7.94 cent per share on the ordinary shares which amounts to €23.5 million. Subject to shareholder approval, this dividend will be paid on 28 April 2017 to shareholders on the register of members at 17 March 2017, the record date. These Financial Statements do not reflect this final dividend. There are no income tax consequences for the Company in respect of dividends proposed prior to issuance of the Financial Statements.

Notes to the financial statements continued
for the financial year ended 31 December 2016

15. Property, plant and equipment

	Notes	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Year ended 31 December 2016					
Opening carrying amount		**243,988**	**341,279**	**923**	**586,190**
Exchange differences		**5,425**	**5,974**	**591**	**11,990**
Acquisitions	36	**6,906**	**617**	**601**	**8,124**
Additions		**25,493**	**48,708**	**460**	**74,661**
Disposals		**(302)**	**(1,439)**	**(224)**	**(1,965)**
Impairments	5	**(520)**	**–**	**–**	**(520)**
Depreciation charge	5	**(10,100)**	**(39,614)**	**(521)**	**(50,235)**
Closing carrying amount		**270,890**	**355,525**	**1,830**	**628,245**
At 31 December 2016					
Cost		**356,859**	**694,494**	**11,095**	**1,062,448**
Accumulated depreciation and impairment		**(85,969)**	**(338,969)**	**(9,265)**	**(434,203)**
Carrying amount		**270,890**	**355,525**	**1,830**	**628,245**
Year ended 2 January 2016					
Opening carrying amount		200,698	288,628	854	490,180
Exchange differences		14,541	23,723	139	38,403
Acquisitions		38	765	2	805
Additions		36,462	63,637	477	100,576
Disposals		(13)	(582)	(42)	(637)
Reclassification		887	(887)	–	–
Depreciation charge	5	(8,625)	(34,005)	(507)	(43,137)
Closing carrying amount		243,988	341,279	923	586,190
At 2 January 2016					
Cost		321,232	743,907	20,413	1,085,552
Accumulated depreciation and impairment		(77,244)	(402,628)	(19,490)	(499,362)
Carrying amount		243,988	341,279	923	586,190

Depreciation expense of €50.2 million was charged to the Group income statement during the year (2015: €43.1 million).

Impairment charge of €0.5 million was charged to the Group income statement during the year (2015: nil).

Included in the closing cost at 31 December 2016 is an amount of €24.3 million (2015: €73.9 million) incurred in respect of assets under construction.

Included in the cost of additions for 2016 is €1.8 million (2015: €2.1 million) incurred in respect of staff costs capitalised into assets.

During the year, the Group has capitalised borrowing costs amounting to €1.5 million (2015: €2.4 million) on qualifying assets (see note 11).

Operating lease rentals amounting to €24.1 million (2015: €23.8 million) are charged to the Group income statement (see notes 5 and 33).

Assets held under finance leases:
The net carrying amount in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment is as follows:

	2016 €'000	2015 €'000
Carrying amount at the beginning of the year	**1,198**	1,451
Exchange differences	**(11)**	20
Additions	**1,902**	39
Disposals	**(43)**	–
Depreciation charge	**(324)**	(312)
Carrying amount at the end of the year	**2,722**	1,198
At the end of the year		
Cost	**6,023**	6,281
Accumulated depreciation	**(3,301)**	(5,083)
Carrying amount	**2,722**	1,198

16. Intangible Assets

	Notes	Goodwill €'000	Brands and other intangibles €'000	Software costs €'000	Development costs €'000	Total €'000
Year ended 31 December 2016						
Opening carrying amount		**374,096**	**523,710**	**25,458**	**28,263**	**951,527**
Exchange differences		**11,456**	**15,367**	**579**	**1,118**	**28,520**
Acquisitions	36	**1,347**	**1,508**	**–**	**–**	**2,855**
Additions		**–**	**149**	**12,205**	**11,801**	**24,155**
Disposals		**–**	**–**	**(71)**	**–**	**(71)**
Impairment	5	**–**	**–**	**–**	**(1,096)**	**(1,096)**
Amortisation	5	**–**	**(27,525)**	**(5,609)**	**(6,553)**	**(39,687)**
Closing carrying amount		**386,899**	**513,209**	**32,562**	**33,533**	**966,203**
At 31 December 2016						
Cost		**386,899**	**665,383**	**89,461**	**66,183**	**1,207,926**
Accumulated amortisation and impairment		**–**	**(152,174)**	**(56,899)**	**(32,650)**	**(241,723)**
Carrying amount		**386,899**	**513,209**	**32,562**	**33,533**	**966,203**
Year ended 2 January 2016						
Opening carrying amount		262,989	358,226	21,291	19,663	662,169
Exchange differences		25,340	36,069	1,414	2,198	65,021
Acquisitions		85,790	149,867	6	–	235,663
Additions		–	335	8,124	11,371	19,830
Disposals		–	–	(31)	–	(31)
Reclassification		(23)	23	82	(82)	–
Amortisation	5	–	(20,810)	(5,428)	(4,887)	(31,125)
Closing carrying amount		374,096	523,710	25,458	28,263	951,527
At 2 January 2016						
Cost		374,096	643,481	76,265	53,843	1,147,685
Accumulated amortisation and impairment		–	(119,771)	(50,807)	(25,580)	(196,158)
Carrying amount		374,096	523,710	25,458	28,263	951,527

Notes to the financial statements continued for the financial year ended 31 December 2016

16. Intangible Assets continued

Amortisation expense of €39.7 million (2015: €31.1 million) has been charged to operating profit during the year (note 5). The average remaining amortisation period for software costs is 7 years (2015: 7 years) and development costs is 4 years (2015: 5 years).

Approximately €6.8 million of software additions during the year (2015: €6.0 million) were internally generated which included €6.0 million (2015: €4.4 million) of staff costs capitalised. Approximately €10.6 million of development cost additions during the year (2015: €10.2 million) were internally generated which included €4.5 million (2015: €5.5 million) of staff costs capitalised.

Developments costs of €1.1 million (2015: nil) were written off during the year. €0.6 million has been charged to exceptional items relating to development costs in the Glanbia Nutritionals segment which have been written off driven by a change in product portfolio focus following the reorganisation of the business structure. €0.5 million has been charged to administration expenses relating to development costs in the Glanbia Performance Nutrition segment which have been written off due to uncertainty that these products will reach commercialisation.

Brands and other intangibles

	Notes	Brands €'000	Customer relationships €'000	Other €'000	Total brands and other intangibles €'000
Year ended 31 December 2016					
Opening carrying amount		**336,910**	**185,231**	**1,569**	**523,710**
Exchange differences		**10,244**	**5,083**	**40**	**15,367**
Acquisitions	36	**–**	**1,508**	**–**	**1,508**
Additions		**–**	**–**	**149**	**149**
Amortisation		**(7,441)**	**(19,804)**	**(280)**	**(27,525)**
Closing carrying amount		**339,713**	**172,018**	**1,478**	**513,209**
At 31 December 2016					
Cost		**376,482**	**285,962**	**2,939**	**665,383**
Accumulated amortisation and impairment		**(36,769)**	**(113,944)**	**(1,461)**	**(152,174)**
Carrying amount		**339,713**	**172,018**	**1,478**	**513,209**
Year ended 2 January 2016					
Opening carrying amount		238,826	115,549	3,851	358,226
Exchange differences		24,017	11,924	128	36,069
Acquisitions		78,589	71,278	–	149,867
Additions		–	–	335	335
Reclassification		1,129	1,505	(2,611)	23
Amortisation		(5,651)	(15,025)	(134)	(20,810)
Closing carrying amount		336,910	185,231	1,569	523,710
At 2 January 2016					
Cost		365,244	275,530	2,707	643,481
Accumulated amortisation and impairment		(28,334)	(90,299)	(1,138)	(119,771)
Carrying amount		336,910	185,231	1,569	523,710

Individually material intangible assets with definite useful lives

	Carrying amount 2016 €'000	Average remaining amortisation period 2016 Years	Carrying amount 2015 €'000	Average remaining amortisation period 2015 Years
Brands				
Glanbia Performance Nutrition – BSN	**51,462**	**34**	51,289	35
Glanbia Performance Nutrition – Isopure	**64,789**	**38**	64,390	39
Glanbia Performance Nutrition – thinkThin	**79,418**	**39**	78,862	40
Customer Relationships				
Glanbia Performance Nutrition – Optimum Nutrition	**39,635**	**6**	45,365	7
Glanbia Performance Nutrition – BSN	**26,980**	**9**	29,319	10
Glanbia Performance Nutrition – Isopure	**26,408**	**11**	27,957	12
Glanbia Performance Nutrition – thinkThin	**67,778**	**12**	71,406	13

Management reviewed the amortisation period and amortisation method for the intangible assets with definite useful lives at the reporting date. Management noted no difference in the expected useful life of the assets from the original estimates and noted no change in the expected pattern of consumption of the future economic benefits of the assets.

Indefinite life intangible assets

	Carrying amount 2016 €'000	Useful life 2016 Years	Carrying amount 2015 €'000	Useful life 2015 Years
Brands				
Glanbia Performance Nutrition – Optimum Nutrition	**116,403**	**Indefinite**	112,703	Indefinite

As at the reporting date management reviewed the events and circumstances supporting the indefinite useful life assessment. The brand is long established, continues to have a strong market presence with high customer recognition and there are no material legal, contractual or other factors that limit its useful life. In addition, the likelihood that market based factors could truncate the brand's life is relatively remote because of the size, diversification and market share of the brand in question. It was determined that this asset will continue to contribute indefinitely to the cashflows of the Group.

Impairment tests for goodwill and indefinite life intangibles

Goodwill acquired in business combinations is allocated to the Group's cash generating units (CGUs) that are expected to benefit from the business acquisition, rather than where the asset is owned. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8 'Operating Segments'.

A summary of the carrying value of goodwill and indefinite life intangibles together with the number of CGUs is analysed between the operating segments in the Group as follows:

	Goodwill 2016 €'000	Indefinite life intangibles 2016 €'000	Number of CGUs 2016	Goodwill 2015 €'000	Indefinite life intangibles 2015 €'000	Number of CGUs 2015
Glanbia Performance Nutrition	**265,790**	**116,403**	**6**	256,156	112,703	6
Glanbia Nutritionals	**110,340**	**–**	**4**	107,171	–	4
Dairy Ireland	**10,769**	**–**	**1**	10,769	–	1
	386,899	**116,403**	**11**	374,096	112,703	11

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for the financial year ended 31 December 2016

16. Intangible Assets continued

In accordance with IAS 36 'Impairment of Assets', the CGUs to which significant amounts of goodwill and indefinite life intangibles have been allocated and the discount rates used are as follows:

	Goodwill 2016 €'000	Indefinite life intangibles 2016 €'000	Discount rate 2016	Goodwill 2015 €'000	Indefinite life intangibles 2015 €'000	Discount rate 2015
Glanbia Performance Nutrition – thinkThin	**88,324**	**–**	**7.5%**	85,126	–	6.8%
Glanbia Performance Nutrition – Optimum Nutrition	**82,926**	**116,403**	**7.9%**	79,286	112,703	6.8%
Glanbia Performance Nutrition – Isopure	**60,192**	**–**	**7.6%**	58,279	–	6.8%
Glanbia Nutritionals – Customised Solutions	**76,312**	**–**	**7.5%**	73,887	–	6.5%
Other CGUs without individually significant goodwill	**79,145**	**–**	**6.4%-9.2%**	77,518	–	6.0%-8.0%
	386,899	**116,403**		374,096	112,703	

Impairment testing methodology, inputs, assumptions and results:

Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis or more frequently if there are indications that they might be impaired. The recoverable amount of goodwill and indefinite life intangibles allocated to a CGU is determined based on a value in use computation.

The cashflow projections are based on the 2017 budget formally approved by, and the strategic plan for 2018 and 2019 as presented to, the Board of Directors. In preparing the 2017 budget and strategic plan, management considered the Group's history of earnings, past experience and cashflow generation. Management also considered external sources of information pertaining to estimated growth of the relevant market, customer and consumer behaviours, competitor activity and developing trends in the industry in which the CGU operates in. Business sustaining capital expenditure and working capital requirements are estimated by assigning values to the investment required to support the estimated future profitability taking into account historic investment patterns and past experience. The cashflow projections exclude the impact of future development and acquisition activity.

A terminal value assuming 2% growth into perpetuity was used. This growth rate does not exceed the long term average growth rate for the industries in which each CGU operates. The application of the terminal value has taken account of the Group's strong financial position, its established history of earnings growth and cashflow generation and its proven ability to integrate value enhancing acquisitions.

The present value of future cashflows is calculated using pre-tax discount rates which are the Group's weighted average cost of capital, calculated using the Capital Asset Pricing Model adjusted for the Group's specific beta coefficient together with a country risk premium, adjusted to reflect risks associated with the CGU.

No impairments arose in either 2016 or 2015.

Sensitivity analysis

The following sensitivities have been performed across the CGUs:
- estimated future profitability 10% lower than managements estimates
- terminal value assuming zero growth
- pre–tax discount rate 1% higher than managements estimates.

Applying these assumptions would not have required the Group to recognise any impairment against goodwill or indefinite life intangibles. Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

17. Interests in Associates

	Notes	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
At the beginning of the year		**97,897**	81,365	**22,876**	22,876
Share of profit after tax		**14,010**	12,450	**–**	–
Remeasurements defined benefit plan (net of deferred tax)		**(2,983)**	4,284	**–**	–
Fair value movement on cashflow hedges (net of deferred tax)	24(d)	**(998)**	190	**–**	–
Dividend received		**–**	(392)	**–**	–
Transfer to interests in Joint Ventures	18	**(4,119)**	–	**–**	–
Transfer to investment in subsidiary	36/19	**(5,649)**	–	**(761)**	–
At the end of the year		**98,158**	97,897	**22,115**	22,876

Nature of interests in Associates

Name of entity	Place of business/ country of incorporation	% of ownership interest	Primary activity
Glanbia Ingredients Ireland DAC	Kilkenny, Ireland	40%	Milk products
Co-Operative Animal Health Limited	Tullow, Co Carlow, Ireland	50%	Agri chemicals

The Associates listed above have share capital, consisting of ordinary shares.

Glanbia Ingredients Ireland DAC (GII) is the largest dairy processor in Ireland. Its products, the large majority of which are exported, include milk powders, butter, cheese, whey protein, milk protein and casein. Its customers include many of the large global food and infant formula manufacturers, including Glanbia plc, as well as more regionally focused food companies across Europe, Middle East, Africa and Asia. This is a key strategic partnership as the Associate is a key supplier to the Group of whey protein, milk powders, butter and cheese. GII also acts as an agent in the collection of liquid milk for the Group's Dairy Ireland business.

Co-Operative Animal Health Limited provides nutrition and veterinary solutions to the agricultural sector in Ireland and complements the Group's Dairy Ireland business. In accordance with the Group's accounting policy, Co-Operative Animal Health Limited is included in the Group result as an Associate using the equity method of accounting. The Group, despite holding 50% of the ordinary share capital of this entity, has significant influence and not joint control over the entity, due to the nature of its voting rights.

On 22 December 2016 the Group gained control over South Eastern Cattle Breeding Society Limited which became a subsidiary from that date. In the current year profits have been accounted for under the equity method. South East Port Services Limited has been reclassified to a Joint Venture as at 3 January 2016 (see note 18).

There are no contingent liabilities relating to the Group's interests in its Associates.

Summarised financial information for Associates

Set out below is the summarised financial information for the Group's Associates, which are accounted for using the equity method.

The information below reflects the amounts presented in the Financial Statements of the Associates reconciled to the carrying value of the Group's interest in Associates.

2016	Glanbia Ingredients Ireland DAC €'000	Co–Operative Animal Health Ltd €'000	South Eastern Cattle Breeding Society Ltd €'000	Total €'000
Associate balance sheet (100%):				
Non-current assets	375,091	2,622	–	377,713
Current assets	266,525	14,227	–	280,752
Non-current liabilities	(284,235)	(970)	–	(285,205)
Current liabilities	(114,474)	(10,739)	–	(125,213)
Net assets	242,907	5,140	–	248,047
Reconciliation to the carrying value of the Group's interest in Associate:				
Group's equity interest	40%	50%	–	–
Group's share of net assets	97,163	2,570	–	99,733
Adjustment in respect of unrealised profit on sales to the Group	(1,575)	–	–	(1,575)
Carrying value of Group's interest in Associate	95,588	2,570	–	98,158
Associate income statement (100%):				
Revenue	833,482	31,489	6,166	871,137
Profit before tax	37,751	(510)	1,035	38,276
Profit after tax	32,556	(524)	973	33,005
Other comprehensive (expense)/income	(10,028)	60	–	(9,968)
Total comprehensive income/(expense)	22,528	(464)	973	23,037
Reconciliation to the Group's share of total comprehensive income/(expense):				
Group's equity interest	40%	50%	61%	–
Group's share of total comprehensive income/(expense)	9,011	(232)	594	9,373
Group's adjustment due to change in voting rights	–	–	324	324
Adjustment in respect of unrealised profit on sales to the Group	332	–	–	332
Group's share of total comprehensive income/(expense)	9,343	(232)	918	10,029

Notes to the financial statements continued
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17. Interests in Associates continued

2015	Glanbia Ingredients Ireland DAC €'000	Other €'000	Total €'000
Associate balance sheet (100%):			
Non-current assets	346,837	27,952	374,789
Current assets	262,804	16,879	279,683
Non-current liabilities	(280,400)	(11,443)	(291,843)
Current liabilities	(108,861)	(11,078)	(119,939)
Net assets	220,380	22,310	242,690
Reconciliation to the carrying value of the Group's interest in Associate:			
Group's equity interest	40%	–	–
Group's share of net assets	88,152	11,652	99,804
Adjustment in respect of unrealised profit on sales to the Group	(1,907)	–	(1,907)
Carrying value of Group's interest in Associate	86,245	11,652	97,897
Associate income statement (100%):			
Revenue	870,889	40,174	911,063
Profit before tax	34,232	1,953	36,185
Profit after tax	30,424	1,773	32,197
Other comprehensive income/(expense)	11,499	(251)	11,248
Total comprehensive income	41,923	1,522	43,445
Reconciliation to the Group's share of total comprehensive income:			
Group's equity interest	40%	–	–
Group's share of total comprehensive income	16,769	782	17,551
Adjustment in respect of unrealised profit on sales to the Group	(627)	–	(627)
Group's share of total comprehensive income	16,142	782	16,924

The Group's other interest in Associates in 2015 includes South Eastern Cattle Breeding Society Limited, Co-Operative Animal Health Limited and South East Port Services Limited. Further details in relation to principal Associates are outlined in note 39.

18. Interests in Joint Ventures

	Notes	**2016 €'000**	2015 €'000
At the beginning of the year		**60,585**	69,945
Share of profit after tax		**13,637**	13,820
Disposals (see note (f))		**–**	(18,263)
Remeasurements – defined benefit pension plans (net of deferred tax)		**(3,023)**	(642)
Fair value movement on cashflow hedges (net of deferred tax)	24(d)	**2,080**	(101)
Income tax movement		**6,850**	6,236
Dividend received		**(13,825)**	(14,532)
Exchange differences		**(2,283)**	4,513
Transfer from interests in Associates (see note (d))	17	**4,119**	–
Transfer to investment in subsidiaries (see note (e))		**–**	(391)
At the end of the year		**68,140**	60,585

Nature of interests in Joint Ventures

Name of entity	Place of business/country of incorporation	Notes	% of ownership interest	Primary activity
Southwest Cheese Company, LLC	Clovis, New Mexico, US	(a)	50%	Milk products
Glanbia Cheese Limited	Magheralin and Llangefni, UK	(b)	51%	Cheese products
Malting Company of Ireland Limited	Togher, Co Cork, Ireland	(c)	50%	Malting
South East Port Services Limited	Kilkenny, Ireland	(d)	49%	Port services

The Joint Ventures listed above have share capital, consisting solely of ordinary shares, membership interests or membership units and preference shares.

The Group holds 60% of the preference shares in South East Port Services Limited through its subsidiary D. Walsh & Sons Limited. No voting rights are attached to these shares.

The percentage of ownership interest is in line with the Group's control of voting rights in the entity at year end, with the exception of Glanbia Cheese Limited (see note (b) below).

(a) Southwest Cheese Company, LLC (SWC) is a large scale manufacturer of premium quality block cheese and whey protein ingredients for consumer foods and beverage markets internationally. The Group act as an agent on behalf of SWC and earn commission on the sale of whey protein products and cheese.

(b) Glanbia Cheese Limited is a leading European mozzarella producer. Its customers include most of the leading pizza and pasta chains, food service operators, industrial food manufacturers, wholesalers and retailers across Europe and internationally. The two plants (Magheralin and Llangefni) are strategically located in productive agricultural heartlands which helps to ensure a secure and consistent supply of high–quality milk. The Group holds 51% of the share capital of Glanbia Cheese Limited but this entity is considered to be a Joint Venture as the Group does not have control of the company as it has equal representation on the Board of Directors, along with its Joint Venture partner Leprino Foods Company who direct the relevant activities of the business. The Group controls only 50% of the voting rights and is entitled to appoint only 50% of the total number of Directors to the Board.

(c) Malting Company of Ireland Limited provides Irish malted barley products to the brewing and distilling industry and complements the Group's Dairy Ireland business.

(d) South East Port Services Limited is engaged in the provision of storage, stevedoring and shipping agency services. It was reclassified as a Joint Venture as at 3 January 2016 (see note 17) and complements the Group's Dairy Ireland business.

(e) Garristown Properties Limited was reclassified as a subsidiary as at 2 January 2016.

(f) Milk Ventures (UK) Limited was the parent company of Nutricima Limited, a company based in Nigeria, involved in the supply and distribution of evaporated and powdered milk. The Group disposed of its share in Milk Ventures (UK) Limited to its Joint Venture partner, PZ Cussons plc on 1 April 2015, as the business no longer aligned with the Group's strategic priorities.

Commitments and contingent liabilities in respect of Joint Ventures

There are no contingent liabilities or commitments relating to the Group's interest in its Joint Ventures.

Notes to the financial statements continued
for the financial year ended 31 December 2016

18. Interests in Joint Ventures continued
Summarised financial information for Joint Ventures
Set out below is the summarised financial information for the Group's Joint Ventures, which are accounted for using the equity method.

The information below reflects the amounts presented in the Financial Statements of the Joint Ventures reconciled to carrying value of the Group's interest in Joint Ventures.

2016	Southwest Cheese Company, LLC €'000	Glanbia Cheese Limited €'000	Other €'000	Total €'000
Joint Venture balance sheet (100%):				
Non-current assets	288,287	41,607	25,414	355,308
Current assets				
Cash and cash equivalents	–	36,815	–	36,815
Other current assets	102,814	11,122	6,176	120,112
	102,814	47,937	6,176	156,927
Non-current liabilities				
Financial liabilities	(157,643)	–	(1,664)	(159,307)
Other non-current liabilities	–	(16,133)	(7,502)	(23,635)
	(157,643)	(16,133)	(9,166)	(182,942)
Current liabilities				
Bank overdrafts and loans	(12,023)	–	(1,994)	(14,017)
Other current liabilities	(141,514)	(36,087)	(5,116)	(182,717)
	(153,537)	(36,087)	(7,110)	(196,734)
Net assets	79,921	37,324	15,314	132,559
Reconciliation of the carrying value of the Group's interest in Joint Ventures:				
Group's equity interest	50%	51%	–	–
Group's share of net assets	39,960	19,035	7,567	66,562
Dividend income receivable	–	1,578	–	1,578
Carrying value of Group's interest in Joint Ventures	39,960	20,613	7,567	68,140
Joint Venture income statement (100%):				
Revenue	739,710	230,475	17,691	987,876
Depreciation	(12,044)	(4,277)	(436)	(16,757)
Interest (expense)/income	(5,208)	59	(173)	(5,322)
Profit before tax	31,285	4,159	2,215	37,659
Tax	(12,514)	(937)	(267)	(13,718)
Profit after tax	18,771	3,222	1,948	23,941
Other comprehensive income/(expense)	4,573	(6,333)	–	(1,760)
Total comprehensive income/(expense)	23,344	(3,111)	1,948	22,181
Reconciliation to the Group's share of total comprehensive income:				
Group's equity interest	50%	51%	–	–
Group's share of total comprehensive income/(expense)	11,672	(1,587)	960	11,045
Dividends receivable by the Group	–	1,649	–	1,649
Group's share of total comprehensive income	11,672	62	960	12,694
Joint Venture other movements:				
Dividend received by Group	(11,294)	(2,139)	(392)	(13,825)
Exchange differences arising on consolidation	1,391	(3,674)	–	(2,283)
Income tax movement	6,850	–	–	6,850
Transfers from interests in Associates	–	–	4,119	4,119

2015	Southwest Cheese Company, LLC €'000	Glanbia Cheese Limited €'000	Milk Ventures (UK) Limited €'000	Other €'000	Total €'000
Joint Venture balance sheet (100%):					
Non-current assets	220,890	40,764	–	7,397	269,051
Current assets					
Cash and cash equivalents	–	12,195	–	–	12,195
Other current assets	75,891	38,003	–	6,177	120,071
	75,891	50,198	–	6,177	132,266
Non-current liabilities					
Financial liabilities	(123,135)	–	–	(1,656)	(124,791)
Other non-current liabilities	–	(7,409)	–	(370)	(7,779)
	(123,135)	(7,409)	–	(2,026)	(132,570)
Current liabilities					
Bank overdrafts and loans	(11,127)	–	–	(1,079)	(12,206)
Other current liabilities	(99,836)	(31,859)	–	(4,709)	(136,404)
	(110,963)	(31,859)	–	(5,788)	(148,610)
Net assets	62,683	51,694	–	5,760	120,137
Reconciliation of the carrying value of the Group's interest in Joint Ventures:					
Group's equity interest	50%	51%	–	50%	–
Group's share of net assets	31,341	26,364	–	2,880	60,585
Carrying value of Group's interest in Joint Ventures	31,341	26,364	–	2,880	60,585
Joint Venture income statement (100%):					
Revenue	752,687	259,730	22,544	11,569	1,046,530
Depreciation	(11,417)	(4,339)	–	(439)	(16,195)
Interest (expense)	(5,871)	(238)	(193)	(75)	(6,377)
Profit/(loss) before tax	25,263	14,370	803	(313)	40,123
Tax	(10,105)	(2,476)	(197)	58	(12,720)
Profit/(loss) after tax	15,158	11,894	606	(255)	27,403
Other comprehensive income/(expense)	889	(2,170)	–	–	(1,281)
Total comprehensive income/(expense)	16,047	9,724	606	(255)	26,122
Reconciliation to the Group's share of total comprehensive income:					
Group's equity interest	50%	51%	50%	50%	50%
Group's share of total comprehensive income/(expense)	8,024	4,959	303	(128)	13,158
Joint Venture other movements:					
Dividend received by Group	(11,269)	(3,263)	–	–	(14,532)
Exchange differences arising on consolidation	2,678	1,442	393	–	4,513
Income tax movement	6,236	–	–	–	6,236
Transfers to investments in subsidiaries	–	–	–	(391)	(391)

The Group's other interest in Joint Ventures includes Malting Company of Ireland Limited and South East Port Services Limited in 2016 and Malting Company of Ireland Limited in 2015. Further details in relation to principal Joint Ventures are outlined in note 39.

Notes to the financial statements continued
for the financial year ended 31 December 2016

19. Investments
(a) Available for sale financial assets

	Group		Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
At the beginning of the year	10,754	10,621	5,827	4,488
Disposals/redemption	(1,255)	(1,506)	–	–
Fair value adjustment	(1,310)	1,273	(1,310)	1,273
Additions	1,746	366	1,706	66
At the end of the year	9,935	10,754	6,223	5,827

Available for sale financial assets at the reporting date include the following:

			Group		Company	
	Notes	Level	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Listed securities						
Equity securities – eurozone countries	31.2	1	162	161	162	161
Unlisted securities						
One51 plc	31.2	2	4,027	4,772	4,027	4,772
Ornua Co-Operative Limited	31.2	2	2,978	4,041	–	–
The BDO Development Capital Fund	31.2	2	2,034	894	2,034	894
Other available for sale financial assets			734	886	–	–
			9,935	10,754	6,223	5,827

Available for sale financial assets with a carrying value of €0.7 million (2015: €0.9 million) are included at cost. The fair value of these shares cannot be reliably measured as they are not actively traded or there is not a readily available market for such instruments. The Group has no plans to dispose of these financial assets in the foreseeable future.

Available for sale financial assets are classified as non-current assets, unless they are expected to be realised within 12 months of the reporting date or unless they will need to be sold to raise operating capital. All available for sale financial assets are euro denominated.

The additions during the year primarily related to the increase in the Company's investment in the BDO Development Capital Fund.

(b) Investments in subsidiaries

	Notes	2016 Company €'000	2015 Company €'000
At the beginning of the year		609,530	609,530
Disposals		(3,414)	–
Impairment		(960)	–
Transfer from interest in Associate	17	761	–
At the end of the year		605,917	609,530

The Company's principal subsidiaries, Joint Ventures & Associates are disclosed in note 39. During the year the Company disposed of an investment in a subsidiary undertaking to another Group company. The Company recorded an impairment charge during the year which related predominantly to subsidiary undertakings that are no longer trading. On 22 December 2016 control was gained over South Eastern Cattle Breeding Society Limited, the carrying amount of net assets on the date of acquisition was €9.2 million, see note 36.

20. Trade and other receivables

	Notes	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Trade receivables		297,361	277,959	–	–
Less provision for impairment of receivables		(9,103)	(8,969)	–	–
Trade receivables – net		288,258	268,990	–	–
Prepayments		18,848	24,061	155	–
Receivables from Joint Ventures & Associates	37	7,174	4,862	98	101
Receivables from other related parties	37	402	263	–	112
Loans to Joint Ventures & Associates	37	14,650	1,850	–	–
Value added tax		2,550	2,500	–	–
Other receivables		9,900	11,948	–	–
Total		341,782	314,474	253	213
Non-current – loans to Joint Ventures & Associates		14,650	1,850	–	–
Current		327,132	312,624	253	213
		341,782	314,474	253	213

See note 35 for analysis of the movement in trade and other receivables. Information in relation to the Group's credit risk and fair value estimation process is included in note 31.

The carrying amounts of the Group's trade and other receivables at the reporting date by currency are as follows:

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Euro	133,358	111,919	253	213
US dollar	181,953	180,904	–	–
Pound sterling	11,898	12,485	–	–
Australian dollar	4,252	86	–	–
Other	10,321	9,080	–	–
	341,782	314,474	253	213

At 31 December 2016, Group trade receivables of €63.5 million (2015: €63.3 million) were past due:

	2016 €'000	2015 €'000
Past due:		
Less than 30 days	20,540	21,865
1 to 3 months	19,352	20,882
4 to 6 months	14,195	13,242
Over 6 months	9,442	7,353
	63,529	63,342
Less provision for impairment of receivables	(9,103)	(8,969)
	54,426	54,373

Where the Group expects that those balances that are past due are not collectible in full the Group establishes a provision for impairment that represents the difference between the carrying value of the trade and other receivable and the estimated future cashflows, see note 2(h). At 31 December 2016 the provision for impairment of trade receivables was €9.1 million (2015: €9.0 million).

Notes to the financial statements continued
for the financial year ended 31 December 2016

20. Trade and other receivables continued

The movement in the provision for impairment of Group trade receivables is as follows:

	2016 €'000	2015 €'000
At the beginning of the year	**8,969**	8,600
Exchange differences	**(33)**	91
Provision for impairment recognised in the year	**1,971**	1,201
Receivables written off during the year as uncollectible	**(320)**	(548)
Unused amounts reversed	**(1,484)**	(375)
At the end of the year	**9,103**	8,969

The net movement in the provision for impairment of receivables has been included within the Group income statement.

21. Inventories

	2016 €'000	2015 €'000
Raw materials	**114,832**	97,348
Work in progress	**16,548**	16,411
Finished goods	**199,343**	198,615
Consumables	**35,809**	31,979
	366,532	344,353

Included above are inventories carried at net realisable value amounting to €35.9 million (2015: €38.0 million). The cost of inventories recognised as an expense during the year in cost of goods sold in respect of continuing operations was €1,746.3 million (2015: €1,782.6 million). The cost of inventories recognised as an expense includes €2.5 million (2015: €2.0 million), being the net of write-downs of inventory to net realisable value and reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

22. Cash and cash equivalents

		Group		Company	
	Notes	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Cash at bank and in hand		**209,627**	202,021	**11,264**	15,303
Short term bank deposits		**9,228**	8,868	**–**	–
Cash and cash equivalents in the Group and Company balance sheet		**218,855**	210,889	**11,264**	15,303
Bank overdrafts used for cash management purposes	26	**(31,638)**	(41,764)	**–**	(372)
Cash and cash equivalents in the Group and Company statement of cashflows		**187,217**	169,125	**11,264**	14,931

23. Share capital and share premium

Group	Number of shares (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 2 January 2016	**296,031**	**17,761**	**87,609**	**105,370**
Shares issued	**10**	**1**	**22**	**23**
At 31 December 2016	**296,041**	**17,762**	**87,631**	**105,393**
At 3 January 2015	295,876	17,752	86,976	104,728
Shares issued	155	9	633	642
At 2 January 2016	296,031	17,761	87,609	105,370

Company	Number of shares (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 2 January 2016	**296,031**	**17,761**	**442,877**	**460,638**
Shares issued	**10**	**1**	**22**	**23**
At 31 December 2016	**296,041**	**17,762**	**442,899**	**460,661**
At 3 January 2015	295,876	17,752	442,244	459,996
Shares issued	155	9	633	642
At 2 January 2016	296,031	17,761	442,877	460,638

The total authorised number of ordinary shares is 350 million shares (2015: 350 million shares) with a par value of €0.06 per share (2015: €0.06 per share). All issued shares are fully paid, carry one vote per share and a right to dividends.

During the year ended 31 December 2016 10,000 (2015: 155,000) of the 2002 LTIP shares were exercised with exercise proceeds of €0.023 million (2015: €0.6 million). The related weighted average exercise price was €2.29 (2015: €4.14) per share.

The rights and obligations of the ordinary shares and the restrictions on the transfer of shares and voting rights are provided on page 92.

Details of share options and awards granted under the Long Term and Annual Incentive Schemes are provided in note 10 and also in the Remuneration Committee report on page 70 to 90.

The difference between the Company and Group share capital and share premium is due to the merger of Waterford Foods plc now named Waterford Foods DAC and Avonmore Foods plc now named Glanbia plc in 1997. See note 24(b).

Notes to the financial statements continued
for the financial year ended 31 December 2016

24. Other reserves

	Capital reserve €'000 note (a)	Merger reserve €'000 note (b)	Currency reserve €'000 note (c)	Hedging reserve €'000 note (d)	Available for sale financial asset reserve €'000 note (e)	Own shares €'000 note (f)	Share based payment reserve €'000 note (g)	Total €'000
Balance at 2 January 2016	**2,825**	**113,148**	**186,251**	**(660)**	**3,391**	**(13,238)**	**14,708**	**306,425**
Currency translation differences	**–**	**–**	**27,039**	**–**	**–**	**–**	**–**	**27,039**
Net investment hedge	**–**	**–**	**(2,970)**	**–**	**–**	**–**	**–**	**(2,970)**
Revaluation of interest rate swaps – gain in year	**–**	**–**	**–**	**3,393**	**–**	**–**	**–**	**3,393**
Foreign exchange contracts – loss in year	**–**	**–**	**–**	**(488)**	**–**	**–**	**–**	**(488)**
Transfers to income statement:								
– Foreign exchange contracts – loss in year	**–**	**–**	**–**	**24**	**–**	**–**	**–**	**24**
– Forward commodity contracts – loss in year	**–**	**–**	**–**	**359**	**–**	**–**	**–**	**359**
Revaluation of forward commodity contracts – loss in year	**–**	**–**	**–**	**(111)**	**–**	**–**	**–**	**(111)**
Revaluation of available for sale financial assets – loss in year	**–**	**–**	**–**	**–**	**(1,310)**	**–**	**–**	**(1,310)**
Deferred tax on fair value movements	**–**	**–**	**–**	**(1,483)**	**432**	**–**	**–**	**(1,051)**
Cost of share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**7,712**	**7,712**
Transfer on exercise, vesting or expiry of share based payments	**–**	**–**	**–**	**–**	**–**	**8,466**	**(5,458)**	**3,008**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(10,413)**	**–**	**(10,413)**
Balance at 31 December 2016	**2,825**	**113,148**	**210,320**	**1,034**	**2,513**	**(15,185)**	**16,962**	**331,617**
Balance at 3 January 2015	2,825	113,148	98,796	(745)	2,538	(7,965)	9,984	218,581
Currency translation differences	–	–	91,102	–	–	–	–	91,102
Recycle of currency reserve to the Group income statement on disposal of Interest in Joint Venture	–	–	5,037	–	–	–	–	5,037
Net investment hedge	–	–	(8,684)	–	–	–	–	(8,684)
Revaluation of interest rate swaps – gain in year	–	–	–	248	–	–	–	248
Foreign exchange contracts – loss in year	–	–	–	(294)	–	–	–	(294)
Transfers to income statement:								
– Foreign exchange contracts – gain in year	–	–	–	(149)	–	–	–	(149)
– Forward commodity contracts – loss in year	–	–	–	701	–	–	–	701
Revaluation of forward commodity contracts – loss in year	–	–	–	(361)	–	–	–	(361)
Revaluation of available for sale financial assets – gain in year	–	–	–	–	1,273	–	–	1,273
Deferred tax on fair value movements	–	–	–	(60)	(420)	–	–	(480)
Cost of share based payments	–	–	–	–	–	–	8,724	8,724
Transfer on exercise, vesting or expiry of share based payments	–	–	–	–	–	8,078	(4,000)	4,078
Purchase of own shares	–	–	–	–	–	(13,351)	–	(13,351)
Balance at 2 January 2016	2,825	113,148	186,251	(660)	3,391	(13,238)	14,708	306,425

(a) Capital reserve
The capital reserve comprises of a capital redemption reserve and a capital reserve which arose on the re-nominalisation of the Company's share capital on conversion to the euro.

	Group		Company	
	2016 €'000	2015 €'000	**2016 €'000**	2015 €'000
At the beginning and the end of the year	**2,825**	2,825	**4,227**	4,227

(b) Merger reserve

The merger reserve arose on the merger of Waterford Foods plc now named Waterford Foods DAC and Avonmore Foods plc now named Glanbia plc in 1997. The merger reserve adjustment represents the difference between the nominal value of the issued share capital of Waterford Foods DAC and the fair value of the shares issued by Glanbia plc.

	2016 €'000	2015 €'000
Share premium representing excess of fair value over nominal value of ordinary shares issued in connection with the merger of Avonmore Foods plc and Waterford Foods plc	**355,271**	355,271
Merger reserve adjustment	**(327,085)**	(327,085)
Share premium and other reserves relating to nominal value of shares in Waterford Foods Limited	**84,962**	84,962
At the beginning and end of the year	**113,148**	113,148

(c) Currency reserve

The currency reserve reflects the foreign exchange gains and losses arising from the translation of the net investment in foreign operations and on borrowings designated as hedges of the net investment which are taken to equity. See note 31.1 for further details. When an entity is sold the accumulated foreign currency gains and losses are recycled to the income statement.

(d) Hedging reserve

The hedging reserve reflects the effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges. Amounts accumulated in the hedging reserve are recycled to the income statement in the periods when the hedged item affects income or expense. The hedging reserve also reflects the Group's share of the effective portion of changes in the fair value of derivatives that are entered into by the Group's Joint Ventures & Associates. Refer to note 31.1.

The movements on the hedging reserve for the years ended 31 December 2016 and 2 January 2016 are as follows:

	Joint Ventures & Associates €'000	Group €'000	Total hedging reserve €'000
Balance at 2 January 2016	**(536)**	**(124)**	**(660)**
Revaluation of interest rate swaps – gain in year	**3,393**	**–**	**3,393**
Foreign exchange contracts (loss)/gain in year	**(924)**	**436**	**(488)**
Transfer to income statement			
– Foreign exchange contracts – loss/(gain) in year	**58**	**(34)**	**24**
– Forward commodity contracts – loss in year	**103**	**256**	**359**
Revaluation of forward commodity contracts – (loss)/gain in year	**(287)**	**176**	**(111)**
Deferred tax on fair value movements	**(1,261)**	**(222)**	**(1,483)**
Balance at 31 December 2016	**546**	**488**	**1,034**
Balance at 3 January 2015	(625)	(120)	(745)
Revaluation of interest rate swaps – gain in year	248	–	248
Foreign exchange contracts (loss)/gain in year	(329)	35	(294)
Transfer to income statement			
– Foreign exchange contracts – loss/(gain) in year	106	(255)	(149)
– Forward commodity contracts – loss in year	167	534	701
Revaluation of forward commodity contracts – loss in year	(103)	(258)	(361)
Deferred tax on fair value movements	–	(60)	(60)
Balance at 2 January 2016	(536)	(124)	(660)

(e) Available for sale financial asset reserve

Unrealised gains and losses arising from changes in the fair value of available for sale financial assets are recognised in the available for sale financial asset reserve. When such available for sale financial assets are sold or impaired, the accumulated fair value adjustments are recycled to the Group income statement.

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24. Other reserves continued
(f) Own Shares
The own shares reserve reflects the ordinary shares of Glanbia plc which are held in trust.

The movement in own shares for the year ended 31 December 2016 and 2 January 2016 are as follows:

	2016 Value €'000	2016 Nominal value €'000	2016 Number of shares	2015 Value €'000	2015 Nominal value €'000	2015 Number of shares
At the beginning of the year	13,238	51	859,933	7,965	43	715,558
Purchased	10,413	37	609,845	13,351	46	770,475
Allocated	(8,466)	(32)	(534,918)	(8,078)	(38)	(626,100)
At the end of the year	15,185	56	934,860	13,238	51	859,933

The shares held in trust are allocated to employees under the 2008 LTIP plan and the AIDIS scheme.

An Employee Share Trust was established in May 2002 to operate initially in connection with the Company's Saving Related Share Option Scheme (Sharesave Scheme) and subsequently for the vesting of shares under the 2008 LTIP. The Trustee of the Employee Share Trust is Computershare Trustees (Jersey) Limited, a Jersey based trustee services company. The dividend rights in respect of these shares have been waived, save 0.001 pence per share.

An Employee Share Scheme Trust was established in April 2013 to operate in connection with the Company's AIDIS scheme. The Trustee of the Employee Share Scheme Trust is Glanbia Management Services Limited. The dividend rights in respect of shares which have not vested have been waived.

Shares purchased for the 2008 LTIP scheme and the Company's AIDIS scheme are deemed to be own shares in accordance with IAS 32 'Financial Instruments'. The shares included in the Employee Share Trust and the Employee Share Scheme Trust at 31 December 2016 cost €15.2 million (2015: €13.2 million) and had a market value of €14.8 million (2015: €14.6 million). During the year ended 31 December 2016 534,918 (2015: 626,100) shares were allocated of which 457,852 (2015: 596,451) were allocated under the 2008 LTIP and 77,066 (2015: 29,649) were allocated under the AIDIS scheme. See note 37 for details of own shares acquired during the year from related parties.

(g) Share based payment reserve
The share based payment reserve reflects the equity settled share based payment plans in operation by the Group. See note 10.

Other reserves in the Company are detailed in the Company statement of changes in equity on page 109.

25. Non-controlling interests

	2016 €'000	2015 €'000
At the beginning of the year	8,515	7,896
Share of profit for the year	331	646
Dividends to non-controlling interests	(933)	(427)
Non-controlling interests arising on gain in control	3,160	400
At the end of the year	11,073	8,515

On 22 December 2016 the Group gained control over South Eastern Cattle Breeding Society Limited, the carrying amount of net assets on the date of acquisition was €9.2 million, see note 36. The non-controlling interests are not considered to be individually material to the Group.

26. Financial liabilities

	Notes	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Non-current					
Bank borrowings		**313,999**	453,978	**–**	–
Private debt placement		**308,320**	298,521	**–**	–
Finance lease liabilities*		**1,854**	464	**–**	–
		624,173	752,963	**–**	–
Current					
Bank overdrafts	22	**31,638**	41,764	**–**	372
Finance lease liabilities*		**602**	405	**–**	–
		32,240	42,169	**–**	372
Total financial liabilities		**656,413**	795,132	**–**	372

* Secured on specific plant and equipment.

Bank borrowings
The Group's bank borrowings are denominated in euro, US dollar, pound sterling and Australian dollar and are borrowed at floating interest rates. Interest is set at commercial rates based on a spread over EURIBOR, US dollar LIBOR, pound sterling LIBOR and Australian dollar LIBOR for periods of up to six months. At 31 December 2016, the Group had undrawn uncommitted bank overdraft facilities of €10.8 million (2015: €11.8 million).

Private debt placement
In August 2011, Private Placement notes of $325 million were issued at a fixed rate of 5.4% and mature in June 2021. At 31 December 2016, the Group had undrawn uncommitted Private Placement facilities of €94.9 million (2015: €68.9 million).

Debt issue costs
Included within the carrying value of borrowings are deferred debt issue costs of €1.0 million, all of which will be recognised in finance costs in the Group income statement using the effective interest rate method over the remaining life of the borrowings.

Guarantees
Financial liabilities are secured by cross-guarantees from Glanbia plc and certain principal subsidiaries. The Group has complied with the financial covenants of its borrowing facilities during 2016 and 2015. See note 31.3.

Financial liabilities include the following for the purposes of the Group and Company statement of cashflows at the reporting date:

	Notes	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Total financial liabilities		**656,413**	795,132	**–**	372
Bank overdraft included as part of cash and cash equivalents	22	**(31,638)**	(41,764)	**–**	(372)
		624,775	753,368	**–**	–

The maturity profile of financial liabilities and undrawn committed facilities is as follows:

	Loans and borrowings 2016 €'000	Undrawn committed facilities 2016 €'000	Loans and borrowings 2015 €'000	Undrawn committed facilities 2015 €'000
12 months or less	**32,240**	**–**	42,169	–
Between 1 and 2 years	**314**	**–**	333	–
Between 2 and 5 years	**622,658**	**405,893**	454,109	265,562
More than 5 years	**1,201**	**–**	298,521	–
	656,413	**405,893**	795,132	265,562

Undrawn uncommitted facilities expiring within one year are €105.7 million (2015: €80.7 million). All of the undrawn borrowing facilities are floating rate facilities.

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for the financial year ended 31 December 2016

26. Financial liabilities continued

The exposure of the Group's total financial liabilities to interest rate changes, taking account of contractual repricing dates, at the reporting date is as follows:

	2016 €'000	2015 €'000
12 months or less	**346,239**	496,147
Between 1 and 2 years	**314**	333
Between 2 and 5 years	**308,659**	131
More than 5 years	**1,201**	298,521
	656,413	795,132

Details of the Group's exposure to risks arising from current and non-current financial liabilities are set out in note 31.

The terms and conditions of outstanding loans are as follows:

2016	Currency	Nominal interest rate	Year of maturity	Carrying amount €'000
Private debt placement	**USD**	**5.40%**	**2021**	**308,320**
Committed unsecured bank facility loan	**EUR**	**1.14%**	**2020**	**190,000**
Other committed unsecured bank facility loans	**Other**	**0.82%-3.23%**	**2020**	**123,999**
Finance lease liabilities	**Other**	**3.57%-7.00%**	**2017/2035**	**2,456**
Bank overdrafts	**Other**	**0.83%-2.50%**	**2017**	**31,638**
Total interest bearing liabilities				**656,413**

Other represents financial liabilities denominated in the following currencies – euro, US dollar, New Zealand dollar, Danish krone, Swedish krone and Norwegian krone.

2015	Currency	Nominal interest rate	Year of maturity	Carrying amount €'000
Private debt placement	USD	5.40%	2021	298,521
Committed unsecured bank facility loan	USD	1.58%-1.93%	2020	242,004
Committed unsecured bank facility loan	EUR	1.32%	2020	190,000
Other committed unsecured bank facility loans	EUR	1.0%-1.06%	2020	21,974
Finance lease liabilities	Other	6.00%-7.00%	2016/2018	869
Bank overdrafts	Other	0.95%-1.10%	2016	41,764
Total interest bearing liabilities				795,132

Other represents financial liabilities denominated in the following currencies – euro, pound sterling, Danish krone, Swedish krone and Norwegian krone.

The carrying amounts of the Group's total financial liabilities are denominated in the following currencies at 31 December 2016:

	Euro €'000	US dollar €'000	Pound Sterling €'000	Australian dollar €'000	Other* €'000	Total €'000
Bank overdrafts	**17,483**	**–**	**10,304**	**–**	**3,851**	**31,638**
Bank borrowings	**211,609**	**91,375**	**–**	**10,619**	**396**	**313,999**
Private debt placement	**–**	**308,320**	**–**	**–**	**–**	**308,320**
Finance lease liabilities	**1,891**	**–**	**–**	**–**	**565**	**2,456**
	230,983	**399,695**	**10,304**	**10,619**	**4,812**	**656,413**

* Other represents financial liabilities denominated in the following currencies – New Zealand dollar, Danish krone, Swedish krone and Norwegian krone, none of which are individually material to the Group.

The carrying amounts of the Group's total financial liabilities are denominated in the following currencies at 2 January 2016:

	Euro €'000	US dollar €'000	Pound Sterling €'000	Australian dollar €'000	Other* €'000	Total €'000
Bank overdrafts	21,377	–	20,387	–	–	41,764
Bank borrowings	211,974	242,004	–	–	–	453,978
Private debt placement	–	298,521	–	–	–	298,521
Finance lease liabilities	–	–	–	–	869	869
	233,351	540,525	20,387	–	869	795,132

* Other represents financial liabilities denominated in the following currencies – Danish krone, Swedish krone and Norwegian krone, none of which are individually material to the Group.

Finance lease liabilities – minimum lease payments at the reporting date:

	2016 €'000	2015 €'000
12 months or less	**653**	474
Between 1 and 2 years	**336**	366
Between 2 and 5 years	**390**	136
Greater than 5 years	**1,820**	–
	3,199	976
Future finance charges on lease payments	**(743)**	(107)
Present value of finance lease liabilities	**2,456**	869

The present value of finance lease liabilities at the reporting date is as follows:

	2016 €'000	2015 €'000
12 months or less	**602**	405
Between 1 and 2 years	**314**	333
Between 2 and 5 years	**339**	131
Greater than 5 years	**1,201**	–
	2,456	869

27. Deferred taxes

The following amounts are shown in the Group balance sheet:

	2016			2015		
	Deferred tax assets €'000	**Deferred tax liabilities €'000**	**Net €'000**	Deferred tax assets €'000	Deferred tax liabilities €'000	Net €'000
Deferred tax (assets)/liabilities before set off	**(45,666)**	**202,054**	**156,388**	(36,474)	201,646	165,172
Set off of deferred tax	**43,848**	**(43,848)**	**–**	35,890	(35,890)	–
Deferred tax (assets)/liabilities after set off	**(1,818)**	**158,206**	**156,388**	(584)	165,756	165,172

Notes to the financial statements continued
for the financial year ended 31 December 2016

27. Deferred taxes continued

The gross movement on the deferred tax account is as follows:

	Notes	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
At the beginning of the year		165,172	99,499	1,045	403
Income statement (credit)/charge	12	(12,302)	11,410	(159)	222
Deferred tax (credit)/charge on fair value movements	24	(210)	480	(432)	420
Deferred tax (credit)/charge relating to defined benefit remeasurement		(1,839)	2,334	–	–
Deferred tax on acquisition of subsidiaries	36	573	42,807	–	–
Deferred tax credited on share based payments		(154)	(1,728)	–	–
Exchange differences		5,148	10,370	–	–
At the end of the year		156,388	165,172	454	1,045

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets	Retirement benefit obligations €'000	Other employee obligations €'000	Tax losses €'000	Other €'000	Total €'000
At 2 January 2016	(8,197)	(18,136)	(961)	(9,180)	(36,474)
(Credited)/charged to income statement	(3,142)	2,669	(669)	(4,803)	(5,945)
Credited to other comprehensive income	(1,839)	–	–	–	(1,839)
Credited directly to equity	–	(154)	–	–	(154)
Acquisitions of subsidiaries and intellectual property	–	62	–	(397)	(335)
Exchange differences	(174)	(309)	74	(510)	(919)
At 31 December 2016	(13,352)	(15,868)	(1,556)	(14,890)	(45,666)
At 3 January 2015	(11,043)	(9,952)	(707)	(6,801)	(28,503)
Charged/(credited) to income statement	2,136	(6,452)	2,264	(1,070)	(3,122)
Charged to other comprehensive income	2,334	–	–	–	2,334
Credited directly to equity	–	(1,728)	–	–	(1,728)
Acquisitions of subsidiaries and intellectual property	(648)	–	(2,527)	(655)	(3,830)
Exchange differences	(976)	(4)	9	(654)	(1,625)
At 2 January 2016	(8,197)	(18,136)	(961)	(9,180)	(36,474)

Deferred tax liabilities	Notes	Accelerated tax depreciation €'000	Fair value gain €'000	Development costs and other intangibles €'000	Other €'000	Total €'000
At 2 January 2016		**80,139**	**1,324**	**106,488**	**13,695**	**201,646**
Charged/(credited) to income statement		**9,545**	**–**	**(9,739)**	**(6,163)**	**(6,357)**
Credited to other comprehensive income	24	**–**	**(210)**	**–**	**–**	**(210)**
Acquisition of subsidiaries		**139**	**–**	**1,123**	**(354)**	**908**
Exchange differences		**2,910**	**–**	**3,121**	**36**	**6,067**
At 31 December 2016		**92,733**	**1,114**	**100,993**	**7,214**	**202,054**
At 3 January 2015		61,978	844	56,556	8,624	128,002
Charged/(credited) to income statement		11,970	–	(2,317)	4,879	14,532
Charged to other comprehensive income	24	–	480	–	–	480
Acquisition of subsidiaries		58	–	46,440	139	46,637
Exchange differences		6,133	–	5,809	53	11,995
At 2 January 2016		80,139	1,324	106,488	13,695	201,646

A deferred tax asset has been recognised on the basis that the realisation of the related tax benefit through future taxable profits is probable. This includes deferred tax assets which are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

At the balance sheet date, the Group has unused tax losses of €117.0 million (2015: €126.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of €4.0 million (2015: €2.0 million) of such losses. No deferred tax asset has been recognised in respect of the remaining €113.0 million (2015: €124.0 million) as it is not considered probable that there will be future taxable profits available. Included in unrecognised tax losses are losses of €10.7 million (2015: €4.0 million) which will expire within the next 5 years. Other tax losses may be carried forward indefinitely. Also included in unrecognised tax losses are €46.7 million (2015: €54.3 million) of capital losses.

No deferred tax liability has been recognised on temporary differences of €17.7 million (2015: €15.4 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in Joint Ventures & Associates are insignificant.

The deferred income tax charged to other comprehensive income during the year is as follows:

	Notes	**2016 €'000**	2015 €'000
Available for sale financial asset reserve	24	**(432)**	420
Hedging reserve	24(d)	**222**	60
Defined benefit remeasurements		**(1,839)**	2,334
		(2,049)	2,814

Deferred income tax credited to equity:
The deferred income tax credited to equity during the year was €0.2 million (2015: €1.7 million) and relates to tax benefits arising on share based payments.

The following amounts are shown in the Company balance sheet:

	Company	
	2016 €'000	2015 €'000
Deferred tax assets – other	**(536)**	(377)
Deferred tax liability – available for sale financial assets	**990**	1,422
	454	1,045

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for the financial year ended 31 December 2016

28. Provisions

	Restructuring €'000 note (b)	Legal claims €'000 note (c)	Property & lease commitments €'000 note (d)	Operational €'000 note (e)	Total €'000
At 2 January 2016	**5,692**	**6,928**	**992**	**24,500**	**38,112**
Reclassification (note a)	**–**	**–**	**4,218**	**(4,218)**	**–**
Net amount provided for in the year	**6,421**	**1,338**	**–**	**–**	**7,759**
Utilised in the year	**(6,629)**	**(989)**	**(135)**	**(941)**	**(8,694)**
Exchange differences	**39**	**230**	**–**	**(2,639)**	**(2,370)**
Unwinding of discounts	**–**	**–**	**3**	**268**	**271**
At 31 December 2016	**5,523**	**7,507**	**5,078**	**16,970**	**35,078**
Non-current	**–**	**–**	**–**	**15,558**	**15,558**
Current	**5,523**	**7,507**	**5,078**	**1,412**	**19,520**
	5,523	**7,507**	**5,078**	**16,970**	**35,078**
At 3 January 2015	2,750	7,164	1,219	30,417	41,550
Reclassification	–	(180)	–	–	(180)
Net amount provided for in the year	4,720	2,190	–	–	6,910
Utilised in the year	(1,778)	(2,676)	(240)	(7,294)	(11,988)
Exchange differences	–	430	8	1,240	1,678
Unwinding of discounts	–	–	5	137	142
At 2 January 2016	5,692	6,928	992	24,500	38,112
Non-current	–	–	864	18,120	18,984
Current	5,692	6,928	128	6,380	19,128
	5,692	6,928	992	24,500	38,112

(a) Certain reclassifications have taken place in the period to better reflect the nature of the provisions.

(b) The restructuring provision relates mainly to additional termination payments agreed as part of the rationalisation programme in Dairy Ireland, the organisation redesign programme in Glanbia Nutritionals and the acquisition integration project in Glanbia Performance Nutrition. The provision is expected to be fully utilised during 2017. The amount provided in the year is recognised as an exceptional item in the Group income statement.

(c) The legal claims provision represents legal claims brought against the Group, none of which are individually material to the Group. The balance at 31 December 2016 is expected to be utilised during 2017. Unused amounts reversed in the period were €4.9 million (2015: €2.1 million). In the opinion of the Directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amounts provided for at 31 December 2016.

(d) The property and lease commitments provision relates to a remaining onerous lease and property remediation works and is based on the estimated cost of re–instating two properties to their original condition. It is expected that the provision will be fully utilised within one year.

(e) The operational provision represents provisions relating to certain insurance claims, product returns, UK Pension provision, certain regulatory issues including interest and penalties on uncertain tax positions and other items. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.

29. Capital grants

	Notes	2016 €'000	2015 €'000
At the beginning of the year		**3,071**	2,214
Credited to the Group income statement	5	**(378)**	(282)
Additions		**578**	1,132
Exchange differences		**(13)**	7
At the end of the year		**3,258**	3,071
Non-current		**3,006**	2,787
Current		**252**	284
		3,258	3,071

The entities receiving the grants are principal subsidiaries as outlined in note 39 and have no going concern issues therefore, there are no material unfulfilled conditions or other contingencies attaching to any grants received.

30. Trade and other payables

	Notes	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Trade payables		**266,794**	225,240	**58**	35
Amounts due to Joint Ventures & Associates	37	**8,561**	6,891	**–**	–
Amounts due to other related parties	37	**798**	42	**37**	–
Amounts due to other Group companies	37	**–**	–	**18,458**	26,819
Social security costs		**5,210**	4,385	**–**	–
Accrued expenses		**178,986**	168,759	**9,845**	8,765
		460,349	405,317	**28,398**	35,619

See note 35 for analysis of the movement in trade and other payables. See note 31 for information on the Group's fair value estimation process.

31. Derivative financial instruments and financial risk management

31.1 Derivative financial instruments

	Notes	2016 Assets €'000	2016 Liabilities €'000	2015 Assets €'000	2015 Liabilities €'000
Cross currency swap – fair value through income statement		**–**	**(1,113)**	–	(666)
Foreign exchange contracts – cashflow hedges		**499**	**(63)**	35	(25)
Commodity futures – cashflow hedges		**180**	**(4)**	–	(258)
Commodity futures – fair value hedges		**503**	**–**	379	–
Total		**1,182**	**(1,180)**	414	(949)
Non-current		**–**	**–**	–	(47)
Current		**1,182**	**(1,180)**	414	(902)
	31.5	**1,182**	**(1,180)**	414	(949)

Derivatives recognised at fair value through income statement

This derivative is a pound sterling US dollar cross currency swap with a notional amount of GBP £31.0 million and US dollar $39.3 million and is accounted for at fair value. The translation gain included in the Group income statement in respect of this swap is €1.0 million. The instrument in the prior year refers to a pound sterling euro cross currency swap with a notional amount of GBP £31.0 million which was settled during 2016. The translation loss included in the Group income statement in respect of this swap is €1.5 million.

Derivative assets and liabilities designated as cashflow hedges

Foreign exchange contracts

The Group uses foreign exchange contracts to hedge its future cashflow risk from movements in foreign exchange rates, such contracts are generally designated as cashflow hedges.

The notional principal amounts of the outstanding foreign exchange contracts at 31 December 2016 were €12.9 million (2015: €12.5 million). All outstanding foreign exchange contracts will mature and be released to the Group income statement within 12 months of the reporting date (2015: within 12 months of the reporting date).

Commodity futures

The Group uses commodity futures to hedge its future cashflow risk from movement in gas commodity prices. The notional principal amount of the outstanding futures designated as cashflow hedges is €1.1 million (2015: €2.0 million). All outstanding commodity futures mature and will be released to the Group income statement within 12 months of the reporting date (2015: within 24 months of the reporting date).

Notes to the financial statements continued
for the financial year ended 31 December 2016

31. Derivative financial instruments and financial risk management continued

Amounts recognised in the Group income statement and the Group statement of comprehensive income:

Gains/(losses) recognised in other comprehensive income	Notes	2016 €'000	2015 €'000
Foreign exchange contracts	24(d)	**436**	35
Commodity futures	24(d)	**176**	(258)
		612	(223)

(Losses)/gains transferred from equity to the Group income statement	Notes	2016 €'000	2015 €'000
Foreign exchange contracts	24(d)	**(34)**	(255)
Commodity futures	24(d)	**256**	534
		222	279

No ineffectiveness has been recognised in respect of the cashflow hedges in 2016 (2015: nil).

The maturity profile of the cashflows of the derivative financial instruments is included in note 31.4(d).

Derivative assets and liabilities designated as fair value hedges

Commodity futures

The Group enters into fixed price purchase and sale contracts for milk and cheese respectively and uses commodity futures to hedge this exposure.

The notional principal amounts of the outstanding commodity (milk and cheese) futures, designated as fair value hedges at 31 December 2016 was €61.0 million (2015: €43.5 million). All outstanding commodity contracts are short positions at 31 December 2016.

Net investment hedge

A portion of the Group's US dollar denominated borrowings amounting to US dollar $98.5 million (2015: US dollar $98.5 million) is designated as a hedge of the net investment in the Group's US dollar net assets.

	Notes	2016 €'000	2015 €'000
Carrying value of net investment hedge		**93,444**	90,474
Loss recognised in other comprehensive income	24	**(2,970)**	(8,684)

There was no ineffectiveness recognised in profit or loss during the year (2015: nil).

Derivative financial instruments entered into by Joint Ventures & Associates

The Group's Joint Ventures & Associates enter into interest rate swaps, commodity futures (gas, oil and butter) and foreign exchange contracts. The Group's share of the movement in the derivative financial instruments designated as cashflow hedges is recognised in other comprehensive income and against the carrying value of the interest in Joint Ventures & Associates.

The Group has not entered into an interest rate swap, the gain recognised in other comprehensive income on interest rate swaps (note 24) represents the Group's share of the movement in the interest rate swaps entered into by Joint Ventures & Associates. All movements are recognised against the carrying value of the interest in Joint Ventures & Associates until repayment of the related bank borrowings.

Financial guarantee contracts

In accordance with Group accounting policy, management has reviewed the fair values associated with financial guarantee contracts, as defined within IAS 39 'Financial Instruments: Recognition and Measurement', issued in the name of Glanbia plc and has determined that their value is not significant. No adjustment has been made to the Glanbia plc Company balance sheet to reflect fair value of the financial guarantee contracts issued in its name.

Call option

Glanbia Co-operative Society Limited has a call option to acquire Glanbia plc's 40% interest in Glanbia Ingredients Ireland DAC under an agreed valuation methodology for a six year period from November 2012. Only the Society has a right to call the shares and the Company has no right to put the shares. Notice of intention to exercise the call must be made within 120 days of 30 December 2017. The Group is satisfied that there is no more than a nominal value attached to this call option.

31.2 Fair value and fair value estimation

The fair value of financial assets and liabilities together with their carrying amounts are as follows:

	Notes	Cashflow hedges €'000	Fair value through income statement €'000	Financial assets/ (liabilities) held at amortised cost €'000	Financial assets/ (liabilities) held at fair value €'000	Total carrying value €'000	[1,2] Fair value €'000
At 31 December 2016							
Trade receivables – net	20	**–**	**–**	**288,258**	**–**	**288,258**	**–**
Receivables from Joint Ventures & Associates	20	**–**	**–**	**7,174**	**–**	**7,174**	**–**
Receivables from other related parties	20	**–**	**–**	**402**	**–**	**402**	**–**
Loans to Joint Ventures & Associates	20	**–**	**–**	**14,650**	**–**	**14,650**	**–**
Available for sale financial assets at amortised cost	19	**–**	**–**	**734**	**–**	**734**	**–**
Available for sale financial assets at fair value	19	**–**	**–**	**–**	**9,201**	**9,201**	**9,201**
Derivative financial instruments	31.1	**679**	**503**	**–**	**–**	**1,182**	**1,182**
Cash and cash equivalents	22	**–**	**–**	**218,855**	**–**	**218,855**	**–**
Total financial assets		**679**	**503**	**530,073**	**9,201**	**540,456**	
Trade payables	30	**–**	**–**	**(266,794)**	**–**	**(266,794)**	**–**
Amounts due to Joint Ventures & Associates	30	**–**	**–**	**(8,561)**	**–**	**(8,561)**	**–**
Amounts due to other related parties	30	**–**	**–**	**(798)**	**–**	**(798)**	**–**
Financial liabilities – non-current	26	**–**	**–**	**(624,173)**	**–**	**(624,173)**	**(644,173)**
Financial liabilities – current	26	**–**	**–**	**(32,240)**	**–**	**(32,240)**	**–**
Derivative financial instruments	31.1	**(67)**	**(1,113)**	**–**	**–**	**(1,180)**	**(1,180)**
Total financial liabilities		**(67)**	**(1,113)**	**(932,566)**	**–**	**(933,746)**	

	Notes	Cashflow hedges €'000	Fair value through income statement €'000	Financial assets/ (liabilities) held at amortised cost €'000	Financial assets/ (liabilities) held at fair value €'000	Total carrying value €'000	[1,2] Fair value €'000
At 2 January 2016							
Trade receivables – net	20	–	–	268,990	–	268,990	–
Receivables from Joint Ventures & Associates	20	–	–	4,862	–	4,862	–
Receivables from other related parties	20	–	–	263	–	263	–
Loans to Joint Ventures & Associates	20	–	–	1,850	–	1,850	–
Available for sale financial assets at amortised cost	19	–	–	886	–	886	–
Available for sale financial assets at fair value	19	–	–	–	9,868	9,868	9,868
Derivative financial instruments	31.1	35	379	–	–	414	414
Cash and cash equivalents	22	–	–	210,889	–	210,889	–
Total financial assets		35	379	487,740	9,868	498,022	
Trade payables	30	–	–	(225,240)	–	(225,240)	–
Amounts due to Joint Ventures & Associates	30	–	–	(6,891)	–	(6,891)	–
Amounts due to other related parties	30	–	–	(42)	–	(42)	–
Financial liabilities – non-current	26	–	–	(752,963)	–	(752,963)	(776,931)
Financial liabilities – current	26	–	–	(42,169)	–	(42,169)	–
Derivative financial instruments	31.1	(283)	(666)	–	–	(949)	(949)
Total financial liabilities		(283)	(666)	(1,027,305)	–	(1,028,254)	

The Group deemed that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Group Financial Statements approximate their fair value.

1. The Group has not disclosed the fair values for financial instruments such as short-term trade and other receivables and trade and other payables because their carrying amounts are a reasonable approximation of fair value.
2. Loans to Joint Ventures & Associates includes a subordinated fixed interest rate loan of €12.8 million advanced to Glanbia Ingredients Ireland DAC (GII). The interest rate is re-set every 12 months and there has been no change in the credit status of GII, therefore the carrying amount is deemed to approximate to fair value. The Group does not expect GII to fail to meet its contractual obligations.

Notes to the financial statements continued for the financial year ended 31 December 2016

31. Derivative financial instruments and financial risk management continued

Group's fair valuation process

The Group's finance department includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values.

The valuation team reports directly to the Group Finance Director who in turn reports to the Audit Committee. Discussions of valuation processes and results are held between the Group Finance Director and the Audit Committee.

Changes in level 2 and level 3 fair values are analysed at each reporting date. As part of this discussion, the valuation team presents a report that explains the reasons for fair value movements.

Fair value of financial assets and liabilities carried at fair value

In accordance with IFRS 13 'Fair Value Measurements', the Group has disclosed the fair value of instruments by the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1);
- inputs, other than quoted prices included in level 1, that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities, which are measured at fair value at 31 December 2016 and 2 January 2016:

	Notes	Fair value hierarchy	2016 €'000	2015 €'000
Assets				
Foreign exchange contracts – cashflow hedges	(b)	Level 2	**499**	35
Commodity futures – cashflow hedges	(c)	Level 2	**180**	–
Commodity futures – fair value hedges	(c)	Level 2	**503**	379
Available for sale financial assets – equity securities – listed	(d)	Level 1	**162**	161
Available for sale financial assets – equity securities – One51 plc	(e)	Level 2	**4,027**	4,772
Available for sale financial assets – equity securities – The BDO Development Capital Fund	(f)	Level 2	**2,034**	894
Available for sale financial assets – Ornua Co-Operative Ltd	(g)	Level 2	**2,978**	4,041
Total assets			**10,383**	10,282

	Notes	Fair value hierarchy	2016 €'000	2015 €'000
Liabilities				
Cross currency swap – fair value through income statement	(a)	Level 2	**(1,113)**	(666)
Foreign exchange contracts – cashflow hedges	(b)	Level 2	**(63)**	(25)
Commodity futures – cashflow hedges	(c)	Level 2	**(4)**	(258)
Total liabilities			**(1,180)**	(949)

(a) Fair value is determined by reference to the current foreign exchange rates at the end of the reporting period.
(b) The fair value is estimated by discounting the difference between the contractual forward exchange rate and the current forward exchange rate (from observable forward exchange rates at the end of the reporting period). The effect of discounting was insignificant in 2016 and 2015.
(c) The fair value is estimated by discounting the difference between the contractual forward commodity price and the current forward commodity price (from observable commodity forward prices at the end of the reporting period) and contract forward prices. The effect of discounting was insignificant in 2016 and 2015.
(d) Fair value is determined by reference to the stock exchange quoted bid prices at the end of the reporting period.
(e) The unlisted equity shares in One51 plc are currently traded on an informal 'grey' market. Fair value is determined by reference to these published prices.
(f) The unlisted investment in the BDO Development Capital Fund is fair valued by reference to the latest quarterly report available to the limited partners.
(g) The fair value is estimated by discounting the expected future cashflows using current interest rates.

There were no transfers in either direction between Level 1 and Level 2 in 2016 and 2015. The Group did not hold any Level 3 financial assets or liabilities at 31 December 2016 or 2 January 2016.

Fair value of financial assets and liabilities carried at amortised cost
With the exception of those financial liabilities outlined below, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Group Financial Statements approximate their fair value.

The following table shows the fair value hierarchy of the financial liabilities not measured at fair value in the Group balance sheet but for which fair value disclosures are required:

	Notes	Fair value hierarchy	**Carrying amount 2016 €'000**	**Fair value 2016 €'000**	Carrying amount 2015 €'000	Fair value 2015 €'000
Non-current financial liabilities	(a)	Level 2	**624,173**	**644,173**	752,963	776,931

(a) Fair value is estimated by discounting future contractual cashflows using current market interest rates (from observable interest rates at the end of the reporting period) that are available to the Group for similar financial instruments.

31.3 Capital risk management
The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern while maximising the returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital. Total capital is calculated based on equity as shown in the balance sheet and net debt as follows:

	Notes	**2016 €'000**	2015 €'000
Total equity per the Group balance sheet		**1,227,069**	1,063,073
Cash and cash equivalents	22	**(218,855)**	(210,889)
Non-current financial liabilities	26	**624,173**	752,963
Current financial liabilities	26	**32,240**	42,169
Total capital		**1,664,627**	1,647,316

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to increase or reduce debt or buy back shares. Any material adjustments to the capital structure are approved by the Board of Directors. From time to time, the Group purchases its own shares on the market. These shares are primarily intended to be used for issuing shares under the Group's long term and short term incentive plans. Buy decisions are made on a specific transaction basis by the Employee Benefit Trusts. The Group does not have a defined share buy-back plan.

The Group monitors capital using adjusted EBIT: net finance cost and net debt: adjusted EBITDA ratios. At 31 December 2016 the Group's adjusted EBIT: net finance cost was 11.5 times (2015: 10.8 times) which is within the Group's financing covenants. Adjusted EBIT: net finance cost is calculated as earnings before interest and tax plus dividends received from Joint Ventures & Associates divided by net finance cost. Net finance cost comprises finance costs less finance income per the Group income statement plus capitalised borrowing costs.

At 31 December 2016, the Group's net debt: adjusted EBITDA ratio was 1.19 times (2015: 1.75 times), which is deemed by management to be prudent and within the Group's financing covenants. Net debt: adjusted EBITDA is calculated as net debt at the end of the year divided by adjusted EBITDA. Net debt is calculated as total financial liabilities excluding debt issue costs less cash and cash equivalents. Adjusted EBITDA is calculated as EBITDA for the wholly owned businesses plus dividends received from Joint Ventures & Associates, and, in the event of an acquisition in the year, includes pro-forma EBITDA as though the acquisition date had been at the beginning of the year.

The Group's capital position and information on the capital monitoring ratios are included in the monthly report issued to the Board of Directors.

The Group has no externally imposed capital requirements.

No changes were made in the objectives, policies or processes for capital management during 2016.

31.4 Financial risk management
The conduct of its ordinary business operations necessitates the Group holding financial instruments. The Group has exposure to the following risks arising from financial instruments: currency risk, interest rate risk, price risk, liquidity risk, cashflow risk, and credit risk.

The Group does not engage in holding or issuing speculative financial instruments. The Group finances its operations by a mixture of retained profits, medium-term committed borrowings and short-term uncommitted borrowings. The Group borrows in the major global debt markets in a range of currencies at both fixed and floating rates of interest, using derivatives where appropriate to generate the desired effective currency profile and interest rate basis. Risk management, other than credit risk management, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's business units. The Board of Directors provides written principles for overall risk management, as well as, written policies covering specific areas such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

Notes to the financial statements continued
for the financial year ended 31 December 2016

31. Derivative financial instruments and financial risk management continued

There has been no significant change during the financial year or since the end of the year to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

Market risk

(a) Currency risk

Although the Group is based in Ireland with the euro as the functional currency of Glanbia plc, it has significant geographic investment and operating exposures outside the eurozone, primarily in the US. As a result, currency movements, particularly movements in the euro/US dollar exchange rate, can significantly affect the Group's euro balance sheet and income statement. The Group has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. Group companies are required to manage their foreign exchange risk against their functional currency and to hedge foreign exchange risk exposure through Group Treasury. Group Treasury monitors and manages these currency exposures on a continuous basis, using approved hedging strategies (including net investment hedges) and appropriate currency derivative instruments.

Sensitivity analysis

The following table demonstrates the sensitivity of profit before tax and total equity to movements in the euro/US dollar exchange rate with all other variables held constant.

5% change in euro/US dollar exchange rate	2016 €'000	2015 €'000
Impact on profit before tax*	**12,968**	10,449
Impact on total equity**	**55,287**	59,128

* The impact on profit before tax is based on changing the euro/US dollar exchange rate used in calculating profit before tax for the period.

** The impact on total equity is calculated by changing the euro/US dollar exchange rate used in measuring the closing balance sheet.

(b) Interest rate risk

The Group's objective is to minimise the impact of interest rate volatility on interest costs. This is achieved by determining a long-term strategy against a number of policy guidelines, which focus on (a) the amount of floating rate indebtedness anticipated over such a period and (b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability. The Group borrows at both fixed and floating rates of interest and can use interest rate swaps to manage the Group's resulting exposure to interest rate fluctuations.

Borrowings issued at floating rates expose the Group to cashflow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain no more than one third of its projected debt exposure on a floating rate basis over any succeeding 12 month period with further minimum guidelines over succeeding 24 and 36 month periods.

The Group, on a continuous basis, monitors the level of fixed rate cover dependent on prevailing fixed market rates, projected debt and market informed interest rate outlook.

Occasionally, the Group manages its cashflow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under these interest rate swaps, the Group agrees with other parties to exchange at specified intervals, the difference between fixed interest rate amounts and floating interest rate amounts calculated by reference to the agreed notional amounts. Occasionally the Group enters into fixed to floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates. The Group has not entered into any interest rate swaps in 2016 or 2015.

The following table analyses the financial liabilities at 31 December 2016 and 2 January 2016 between fixed and variable rates. The Group fix a portion of the variable rate financial liabilities for 6 month periods in line with Group policies.

	Notes	2016 €'000	2015 €'000
Financial liabilities – fixed rate		**310,776**	299,390
Financial liabilities – variable rate		**345,637**	495,742
Cash and cash equivalents – variable rate	22	**(218,855)**	(210,889)
Net debt		**437,558**	584,243

Sensitivity analysis
The Group doesn't account for any fixed rate financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The following table demonstrates the sensitivity of profit before tax and total equity if market interest rates had been 1% higher with all other variables being constant:

1% increase in market interest rates	2016 €'000	2015 €'000
Impact on profit before tax	(2,542)	(1,807)
Impact on total equity	(2,224)	(1,581)

(c) Price risk
Equity price risk
The Group's objective is to minimise the price risk the Group is exposed to because of investments held by the Group in listed and unlisted securities. These securities are classified on the Group balance sheet as available for sale financial assets. To manage its price risk arising from investments in listed equity securities, the Group does not maintain a significant balance with any one equity. Diversification of the portfolio must be done in accordance with the limits set by the Group.

Sensitivity analysis
The impact of a 5% increase or decrease in equity indices across the eurozone countries would not have any material impact on Group profit before tax or total equity.

Commodity price risk
The Group's objective is to minimise commodity price risk through entering into commodity future contracts and the use of appropriate hedging strategies.

The Group enters into forward purchase and forward sale agreements in the normal course of business. Certain of these contracts are deemed to be 'own use' in line with IAS 32 'Financial Instruments' as they were entered into in accordance with the Group's expected purchase, sale or usage requirements.

Sensitivity analysis
The impact of a 5% increase or decrease in commodity prices (milk, cheese and gas) would not have any material impact on Group profit before tax or total equity.

(d) Liquidity and cashflow risk
The Group's objective is to ensure that the Group does not encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

In order to preserve the continuity of funding, the Group's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business, during the succeeding 12 month period. At the year end, the Group had multi-currency committed term facilities of €1,032.8 million (2015: €1,019.0 million) of which €405.9 million (2015: €265.6 million) was undrawn. The weighted average maturity of these facilities is 3.5 years (2015: 4.4 years).

When appropriate, surplus funds in the Group are transferred to Group Treasury through different methods including the repayment of borrowings, deposits and dividends. These are then lent to Group companies or contributed as equity to fund Group operations, used to repay external debt or invested externally. The Group does not use off-balance sheet special purpose entities as a source of liquidity or for other financing purposes. The Group uses cashflow forecasts to constantly monitor the funding requirements of the Group. Compliance with the Group's debt covenants is monitored continually based on statutory and management accounts and financial projections. All covenants have been complied with and based on current financial projections it is expected that all covenants will continue to be complied with for the foreseeable future. There is no significant concentration of liquidity risk.

Further analysis of the Group's debt covenants is included in the Group Finance Director's Review on pages 28 to 31.

For further details regarding the Group's borrowing facilities see note 26.

Notes to the financial statements continued
for the financial year ended 31 December 2016

31. Derivative financial instruments and financial risk management continued

The table below analyses the Group's financial liabilities, all non-derivative financial liabilities and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cashflows, into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows.

Financial liabilities	Notes	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 31 December 2016						
Non-derivative financial liabilities						
Financial liabilities (excluding finance lease liabilities)		(57,392)	(25,756)	(674,403)	–	(757,551)
Finance lease liabilities	26	(653)	(336)	(390)	(1,820)	(3,199)
Trade and other payables		(276,153)	–	–	–	(276,153)
		(334,198)	(26,092)	(674,793)	(1,820)	(1,036,903)
Less future finance costs		25,805	25,776	49,948	619	102,148
		(308,393)	(316)	(624,845)	(1,201)	(934,755)
Derivative financial liabilities						
Commodity futures – gross cash (outflow)	31.1	(4)	–	–	–	(4)
Commodity futures – gross cash inflow	31.1	180	–	–	–	180
Cross currency swap – gross cash (outflow)	31.1	(37,319)	–	–	–	(37,319)
Cross currency swap – gross cash inflow	31.1	36,206	–	–	–	36,206
Foreign exchange contracts – gross cash (outflow)	31.1	(63)	–	–	–	(63)
Foreign exchange contracts – gross cash inflow	31.1	499	–	–	–	499
		(501)	–	–	–	(501)

Financial liabilities	Notes	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 2 January 2016						
Non-derivative financial liabilities						
Financial liabilities (excluding finance lease liabilities)		(65,159)	(23,359)	(516,688)	(305,775)	(910,981)
Finance lease liabilities	26	(474)	(366)	(136)	–	(976)
Trade and other payables		(232,173)	–	–	–	(232,173)
		(297,806)	(23,725)	(516,824)	(305,775)	(1,144,130)
Less future finance costs		23,464	23,392	62,715	7,254	116,825
		(274,342)	(333)	(454,109)	(298,521)	(1,027,305)
Derivative financial liabilities						
Commodity futures – gross cash (outflow)	31.1	(211)	(47)	–	–	(258)
Cross currency swap – gross cash (outflow)	31.1	(42,900)	–	–	–	(42,900)
Cross currency swap – gross cash inflow	31.1	42,234	–	–	–	42,234
Foreign exchange contracts – gross cash (outflow)	31.1	(25)	–	–	–	(25)
Foreign exchange contracts – gross cash inflow	31.1	35	–	–	–	35
		(867)	(47)	–	–	(914)

The Company had cash at bank of €11.3 million at 31 December 2016 (2015: €15.3 million). The contractual undiscounted cash flows for cash and cash equivalents equal the carrying value at 31 December 2016 and 2 January 2016.

(e) Credit risk
The Group's objective is to minimise credit risk which is managed on a Group basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial transaction fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, derivative financial instruments as well as credit exposures to customers, including outstanding receivables and committed transactions.

In the international movement and placement of funds and execution of financial transactions, the risk of counterparty default is managed by the Group's policies requiring exposure to independently rated parties with long term credit ratings of at least A3 (Moody's) or A- (Standard & Poor's). In the movement and placement of funds and execution of financial transactions in Ireland, the Group's policies accept exposure to independently rated parties with long term credit ratings of at least Baa3 (Moody's) or BBB- (Standard & Poor's). The Group held cash and cash equivalents of €218.9 million (2015: €210.9 million) and derivative financial assets of €1.2 million (2015: €0.4 million) at 31 December 2016, all balances were held within financial institutions which complied with Group policy.

The Group advanced an interest bearing loan of €12.8 million to Glanbia Ingredients Ireland DAC (an Associate of the Group) during the year ended 31 December 2016 for the purposes of funding capital expenditure. The Group does not expect Glanbia Ingredients Ireland DAC to fail to meet its obligations.

The Group's credit risk management policy requires that, where possible, all debt is insured with an external credit insurance underwriter, with the exception of Agribusiness (see below). No goods may be dispatched to a customer on credit until the application for credit has been authorised. The Group's authorisation review includes external credit agency reports, the trading and financial history and position of the customer, the business case, the country in which the customer operates and any other available information. The utilisation of credit limits is actively managed and reviewed formally on an annual basis. Where the extension of credit is not appropriate, payment in advance is required. No goods are dispatched on credit until the credit controller has authorised the application confirming all necessary procedures have been complied with.

Agribusiness within the Dairy Ireland segment is not covered by the credit insurance policy, new accounts or increasing credit facilities on existing accounts are the responsibility of the business unit manager. All customers are categorised by risk profile and risk category reviews occur annually. Payment terms offered are as short as possible to minimise risk and to shorten cash collection period.

Goods are sold primarily subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. Where required, the Group holds appropriate security or liens in respect of trade and other receivables. The Group does not hold any significant security or liens at the end of the year.

As disclosed in note 4.4 the Group has one significant external customer within the Glanbia Nutritionals segment. This customer accounted for €51.8 million of the trade and other receivables carrying amount (2015: €33.4 million). The Group is satisfied that they have satisfactory credit control procedures in place in respect of this customer.

The Group does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

For further details regarding the Group's trade and other receivables see note 20.

31.5 Offsetting financial assets and financial liabilities
The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. The Glanbia Advance Payment (GAP) scheme, which offers advance payments to Society member suppliers in periods where grain and milk prices are weak, commenced in 2016 and is facilitated by the Group on behalf of the Society. At the end of the reporting period the Group has a payable balance outstanding to the Society and a receivable balance from the Society member suppliers. The ISDA agreements and the GAP agreement do not meet the criteria for offsetting in the Group balance sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on bank loans or other credit events. No collateral is paid or received.

The Group is required to maintain cash on deposit in respect of certain borrowings. Upon maturity the Group and the lender intend to net settle or realise the asset and settle the liability simultaneously. As a result, the Group's borrowings have been presented net of the cash on deposit as the requirements for offsetting have been met.

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for the financial year ended 31 December 2016

31. Derivative financial instruments and financial risk management continued
The following tables set out the carrying amounts of recognised financial instruments that are subject to the above agreements:

31.5(a) Financial assets

At 31 December 2016	Notes	Gross amounts of recognised financial assets €'000	Gross amounts of recognised financial liabilities set off in the balance sheet €'000	Net amounts of financial assets presented in the balance sheet €'000
Derivative financial assets	31.1	**1,182**	**–**	**1,182**
Cash and cash equivalents	22	**337,440**	**(118,585)**	**218,855**
		338,622	**(118,585)**	**220,037**

At 2 January 2016	Notes	Gross amounts of recognised financial assets €'000	Gross amounts of recognised financial liabilities set off in the balance sheet €'000	Net amounts of financial assets presented in the balance sheet €'000
Derivative financial assets	31.1	414	–	414
Cash and cash equivalents	22	425,705	(214,816)	210,889
		426,119	(214,816)	211,303

31.5 (b) Financial liabilities

At 31 December 2016	Notes	Gross amounts of recognised financial liabilities €'000	Gross amounts of recognised financial assets set off in the balance sheet €'000	Net amounts of financial liabilities presented in the balance sheet €'000
Derivative financial liabilities	31.1	**(1,180)**	**–**	**(1,180)**
Bank overdrafts and borrowings	26	**(774,998)**	**118,585**	**(656,413)**
		(776,178)	**118,585**	**(657,593)**

At 2 January 2016	Notes	Gross amounts of recognised financial liabilities €'000	Gross amounts of recognised financial assets set off in the balance sheet €'000	Net amounts of financial liabilities presented in the balance sheet €'000
Derivative financial liabilities	31.1	(949)	–	(949)
Bank overdrafts and borrowings	26	(1,009,948)	214,816	(795,132)
		(1,010,897)	214,816	(796,081)

32. Contingent liabilities

Group

Bank guarantees amounting to €5.4 million (2015: €3.6 million) are outstanding at 31 December 2016. The Group does not expect any material loss to arise from these guarantees.

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liability will arise from these contingent liabilities other than those provided for.

Company

As explained below the Company has guaranteed certain liabilities of:

- D. Walsh & Sons Limited
- Eilish Oils Limited
- Grassland Fertilizers (Kilkenny) Limited
- Inactive Company 100 Limited
- Inactive Company 101 Limited
- Rathcoffey Fertilizers Limited

and all the Company's Irish registered wholly-owned subsidiaries with the exception of:

- Glanbia Pension Trustees Limited
- Glanbia Pension Trustees (No. 2) Limited
- Virginia Milk Products Pension Trustees Limited

in respect of any losses or liabilities (as defined in section 357 (i) (b) of the Companies Act 2014) for the year ended 31 December 2016 and the Directors are of the opinion that no losses will arise thereon. These subsidiaries avail of the exemption from filing audited Financial Statements, as permitted by section 357 of the Companies Act 2014.

Within the scope of benefiting from the exemption related to the filing of annual accounts for the financial year ended 31 December 2016 of Glanbia Foods B.V. (see note 39), the Company has guaranteed the liabilities ensuing from legal acts performed by this subsidiary from 1 January 2016 in accordance with and to the extent as set out in section 2:403.1(f) of the Dutch Civil Code. Therefore Glanbia Foods B.V. is exempt from the obligation to publish its Financial Statements and its obligation to file Financial Statements has been fulfilled by means of the publication of the declaration of consent and the declaration of liability.

Within the scope of benefiting from the exemption related to the filing of the annual accounts for the financial year ended 31 December 2016 of the three Luxembourg subsidiaries (see note 39), the Company has guaranteed the liabilities of these subsidiaries in respect of any losses or liabilities (as provided by Article 70 (c) of the Luxembourg Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings) for the financial year ended 31 December 2016. These subsidiaries avail of the exemption from filing their Financial Statements, as permitted by Article 70 of the Luxembourg Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings.

The Group recognises a defined benefit liability and certain other costs in relation to its UK pension plans for businesses disposed of in prior years, as outlined in note 9. In addition, the Company has guaranteed the payment of a proportion of employer contributions in respect of these UK pension plans. The Company considers these guarantees to be insurance contracts and accounts for them as such. The amount of the potential liability under the UK pension guarantee is reducing annually by the contributions paid into these plans. The Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

33. Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the Group Financial Statements is as follows:

	2016 €'000	2015 €'000
Property, plant and equipment	**7,731**	12,845

Operating lease commitments – where the Group is the lessee

The Group leases various assets. Generally, operating leases are short-term with no purchase option. The future aggregate minimum lease payments under non-cancellable operating leases are as follows at the reporting date:

	2016 €'000	2015 €'000
Not later than 1 year	**21,646**	18,944
Later than 1 year and not later than 5 years	**61,352**	59,742
Later than 5 years	**58,632**	64,187
	141,630	142,873

Notes to the financial statements continued
for the financial year ended 31 December 2016

34. Cash generated from operations

	Notes	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Profit after taxation		**212,155**	183,917	**40,543**	130,587
Income taxes		**40,639**	34,779	**(159)**	222
Write-down of inventories	21	**2,473**	1,981	**–**	–
Impairment of tangible assets	15	**520**	–	**–**	–
Impairment of intangible assets		**479**	–	**–**	–
Non-cash element of exceptional charge		**7,051**	18,299	**–**	–
Share of results of Joint Ventures & Associates	17/18	**(27,647)**	(26,270)	**–**	–
Depreciation	15	**50,235**	43,137	**–**	–
Amortisation	16	**39,687**	31,125	**–**	–
Cost of share based payments	10	**7,712**	8,724	**–**	–
Difference between pension charge and cash contributions		**(5,921)**	(6,027)	**–**	–
(Profit)/loss on disposal of property, plant and equipment	5	**(338)**	209	**–**	–
Insurance proceeds		**1,945**	–	**–**	–
Impairment of investments in subsidiaries	19(b)	**–**	–	**960**	–
Finance income	11	**(2,377)**	(1,706)	**–**	–
Finance expense	11	**25,178**	22,816	**–**	–
Amortisation of government grants received	29	**(378)**	(282)	**–**	–
Cash generated before changes in working capital		**351,413**	310,702	**41,344**	130,809
Change in net working capital:					
– (Increase)/decrease in inventory	35	**(23,808)**	18,306	**–**	–
– (Increase) in short term receivables	35	**(4,327)**	(12,187)	**(40)**	(63)
– Increase/(decrease) in short term liabilities	35	**55,335**	846	**874**	(77,735)
– (Decrease) in provisions	35	**(4,310)**	(9,802)	**–**	–
Cash generated from operating activities		**374,303**	307,865	**42,178**	53,011

35. Movement in working capital

2016	Notes	Inventories €'000	Trade and other receivables €'000	Trade and other payables €'000	Provisions €'000	Total €'000
At 2 January 2016		344,353	312,624	(405,317)	(38,112)	213,548
Exchange differences		5,731	6,144	(9,786)	2,370	4,459
Arising on acquisition	36	4,418	5,365	(799)	–	8,984
Exceptional items, interest accruals, capital creditors and other non-operating items		(11,778)	(1,328)	10,888	(3,646)	(5,864)
Increase/(decrease) in working capital	34	23,808	4,327	(55,335)	4,310	(22,890)
At 31 December 2016		366,532	327,132	(460,349)	(35,078)	198,237

36. Business combinations

Acquisitions in 2016 – EMI Nutrition Distributors Pty Limited

On 29 February 2016, the Group acquired 100% of the business and operating assets of EMI Nutrition Distributors Pty Limited (EMI). EMI's principal activity is the distribution and marketing of performance nutrition products. The acquisition will allow the Group to expand and further enhance Glanbia Performance Nutrition's distribution channels. Goodwill is attributable to the profitability and development opportunities associated with complementing and enhancing existing distribution channels. Goodwill is not deductible for tax purposes.

Acquisition related costs charged to the Group income statement, included within administrative expenses (note 5), during the year ended 31 December 2016 amounted to €0.2 million (2015: €0.8 million).

Details of the net assets acquired and goodwill arising from the acquisition during the year ended 31 December 2016 are as follows:

	2016 €'000
Purchase consideration	10,318
Less: fair value of assets acquired	(9,355)
Goodwill	**963**

Prior to the acquisition, EMI was a distributor of the Group's products in Australia. As at the acquisition date, EMI's trade payable balance to the Group amounted to €1.6 million being the contractual value. This balance was effectively settled on the acquisition date and is excluded from the liabilities acquired.

The total purchase consideration is as follows:

	2016 €'000
Purchase consideration – cash paid	8,724
Pre-existing relationship payable balance	1,594
Purchase consideration	**10,318**

The fair value of assets and liabilities arising from the acquisition are as follows:

	2016 €'000
Property, plant and equipment	165
Intangible assets – customer relationships	1,508
Inventories	3,686
Trade and other receivables	4,225
Trade and other payables	(41)
Deferred tax liability	(188)
Fair value of assets acquired	**9,355**

The fair value of EMI's trade and other receivables at the acquisition date amounted to €4.2 million, which equates to the gross contractual amount.

The impact of the acquisition on the Group's revenue and profit was not material.

Notes to the financial statements continued
for the financial year ended 31 December 2016

36. Business Combinations continued

Acquisitions in 2016 – South Eastern Cattle Breeding Society Limited

On 22 December 2016 the Group gained control of South Eastern Cattle Breeding Society Limited (SECB). The Group's interest in SECB had been accounted for under the equity method of accounting as an interest in Associate. Net assets at the date of acquisition which approximated to fair value were €9.2 million which included property, plant and equipment of €7.9 million, working capital of €1.1 million and net cash and cash equivalents of €0.2 million. The Group also recognised an increase in non-controlling interests of €3.2 million as the Group holds a 61% ownership interest.

Acquisitions in 2015

The Group recorded an increase in goodwill of €0.4 million and a corresponding increase in the deferred tax liability upon finalisation of the fair value adjustments of the acquisition of PHTT Acquisition, LLC (thinkThin). With the exception of this, there are no material revisions to the provisional fair value adjustments since the initial values of the acquisitions in 2015 were established.

During 2016 the following payments and receipts were made in relation to the acquisition of thinkThin:

	2016 €'000
Payment of liabilities assumed on completion	(8,389)
Receipt of refund of consideration from vendor	1,388
	(7,001)

Acquisitions after the reporting period

On 6 January 2017, the Group acquired 100% of the equity of Grass Advantage LLC (Amazing Grass) for a total consideration of $132.5 million, which is payable in cash. Amazing Grass offers plant based organic, GMO free products to lifestyle consumers in the natural, online, food, drug and mass channels in North America. The brand is complementary to the current product portfolio of Glanbia Performance Nutrition and offers a strong position in the plant based nutrition market.

At the acquisition date Amazing Grass had net tangible assets of $12.0 million and intangible assets of $120.5 million which comprise goodwill, customer relationships and brands. This goodwill represents the additional benefits to the Group of integrating the Amazing Grass business into our existing operations.

At the date of publication of the Financial Statements, the fair values of the assets have been determined on a provisional basis, particularly in relation to the intangible assets.

On 3 February 2017 the Group agreed to acquire 100% of the equity of B&F Vastgoed B.V. (Body & Fit) for an estimated consideration (including contingent consideration) of €56.0 million which is payable in cash and is mostly attributable to intangible assets. Body & Fit is a leading direct to consumer online branded business focused on performance nutrition. This acquisition offers Glanbia Performance Nutrition a direct presence in the rapidly growing direct to consumer channel.

At the date of publication of the Financial Statements, the fair values of the assets have been determined on a provisional basis, particularly in relation to the intangible assets.

37. Related party transactions

Related parties of the Group and Company include Glanbia Co-operative Society Limited (the Group's ultimate parent), subsidiary undertakings, Joint Ventures & Associates, post-employment benefits, key management personnel and connected parties. A listing of the principal subsidiary and associated undertakings is provided in note 39.

Transactions with Glanbia Co-operative Society Limited

Glanbia Co-operative Society Limited (the Society) holds 36.5% of the issued share capital of the Company. The Society controls the composition of the Board of Directors and is the ultimate parent of the Group. During 2016, dividends of €13.6 million (2015: €13.3 million) were paid to the Society and its wholly owned subsidiaries based on their shareholding in Glanbia plc. Dividends receivable from the Society of €0.3 million were recognised within a subsidiary society of the Group in 2016 (2015: nil). The Group provides a range of management and administrative services to the Society and is headquartered in a premises owned by the Society. The Glanbia Advance Payment (GAP) scheme, which offers advance payments to Society member suppliers in periods where grain and milk prices are weak, commenced in 2016 and is facilitated by the Group on behalf of the Society. The GAP scheme offered advance payments of up to a maximum of 2 cent per litre on liquid and manufacturing milk supply in any month from May to December where the base Glanbia Ingredients Ireland DAC (GII) manufacturing milk price (including VAT) fell below 24 cent per litre. Reimbursements are triggered when the GII base manufacturing price increases above 30 cent per litre including VAT. Return payments will be set at a maximum of 2 cent per litre. Included in the outstanding balances is €0.8 million payable to the Society. The Group has a receivable of €0.8 million from the farmer member suppliers of the Society.

Transactions with subsidiaries

Glanbia plc is the parent company of the Group. Transactions in the financial year between the Company and its subsidiaries include dividends received of €43.0 million (2015: €34.1 million), payment of management services of €5.5 million (2015: €6.8 million) and other transactions entered into in the normal course of business. The Group operates an annual incentive scheme whereby a portion of the annual incentive will be settled by way of shares and a long term incentive plan whereby share awards in the Company are granted to Executive Directors and senior management. The Company recharges the costs of these plans to its subsidiaries and the balances are settled in cash (2016: €7.7 million, 2015: €8.7 million), see note 10. Details of balances to/from subsidiaries are provided in the Company balance sheet on page 108, note 20 and note 30.

Sales to and purchases from, together with outstanding payables and receivables to and from subsidiaries, are eliminated in the preparation of the Group Financial Statements in accordance with IFRS 10 'Consolidated Financial Statements'. Financial liabilities are secured by cross-guarantees from Glanbia plc and certain principal subsidiaries.

Transactions with Joint Ventures & Associates

The Group trades in the normal course of business with its Joint Ventures & Associates. The Group has certain agency agreements in place with its Joint Ventures & Associates. The commission income receivable is included in sales of services, see note 37(a) and the year end balance receivable is included in note 37(c). The Group provides management and administrative services to its Joint Ventures & Associates, which are settled in cash. Dividends received by the Group from its Joint Ventures & Associates are as follows:

	Notes	2016 €'000	2015 €'000
Southwest Cheese Company, LLC	18	**11,294**	11,269
Glanbia Cheese Limited	18	**2,139**	3,263
South East Port Services Limited	18/17	**392**	392
		13,825	14,924

Key management personnel and connected parties

The Board of Directors and Glanbia Operating Executive are deemed to be key management personnel as they are responsible for planning, directing and controlling the activities of the Group. The Group trades in the normal course of business, within the Dairy Ireland segment, with key management personnel and connected parties who are involved in farming activities.

The following transactions were carried out with related parties:

37 (a) Sales of goods and services

	Group		Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Sales of goods:				
– Associates	**8,336**	6,886	**–**	–
– Joint Ventures	**3,224**	2,971	**–**	–
– Key management	**1,040**	2,294	**–**	–
	12,600	12,151	**–**	–
Sales of services:				
– Glanbia Co-operative Society Limited	**2,192**	1,331	**–**	–
– Associates	**10,540**	6,679	**–**	–
– Joint Ventures	**16,474**	15,770	**–**	–
	29,206	23,780	**–**	–

Sales to related parties were carried out under normal commercial terms and conditions.

Notes to the financial statements continued
for the financial year ended 31 December 2016

37. Related party transactions continued
37 (b) Purchases of goods and services

	Group		Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Purchases of goods:				
– Associates	73,051	70,394	–	–
– Joint Ventures	3,518	5,681	–	–
– Key management	370	378	–	–
	76,939	76,453	–	–
Purchases of services:				
– Glanbia Co-operative Society Limited	1,041	290	–	–
– Associates	4,278	6,427	–	–
– Joint Ventures	1,980	24	–	–
– Subsidiaries	–	–	5,523	6,803
	7,299	6,741	5,523	6,803

Purchases from related parties were carried out under normal commercial terms and conditions.

37 (c) Year end balances

	Group		Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Receivables from related parties:				
– Glanbia Co-operative Society Limited	285	102	–	112
– Associates	4,762	2,456	98	101
– Joint Ventures	2,412	2,406	–	–
– Key management	117	161	–	–
	7,576	5,125	98	213
Payables to related parties:				
– Glanbia Co-operative Society Limited	751	–	37	–
– Associates	7,834	6,771	–	–
– Joint Ventures	727	120	–	–
– Key management	47	42	–	–
– Subsidiaries	–	–	18,458	26,819
	9,359	6,933	18,495	26,819

The outstanding balances included in receivables and payables at the balance sheet date in respect of transactions with related parties are unsecured, interest free and settlement arises in cash. No guarantees have been given or received. All outstanding balances are deemed to be fully recoverable by the Group.

37 (d) Contributions to retirement benefit plans
Information in relation to the Group's contributions to retirement benefit plans is disclosed in note 9.

37 (e) Key management compensation
IAS 24 'Related Party Disclosures' requires the disclosure of compensation paid to the Group's key management.

Key management compensation includes the compensation of the Board of Directors (Executive and Non-Executive) and members of the Glanbia Operating Executive, including the Group Secretary. Dividends totalling €0.1 million (2015: €0.1 million) were received by key management personnel during the year, based on their personal shareholdings in Glanbia plc.

In addition to their salaries and short term benefits, the Group contributes to post retirement benefit plans on behalf of key management personnel and these personnel also participate in the Group's Annual Incentive Scheme and Long Term Incentive Plan, see notes 9 and 10. No loans were made to key management during the year (2015: nil).

	Group		Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Salaries and other short-term employee benefits	5,605	5,179	–	–
Post-employment benefits	679	568	–	–
Share based payments	4,693	4,343	–	–
Non-Executive Directors fees	814	887	814	887
	11,791	10,977	814	887

Retirement benefits of €0.3 million (2015: €0.3 million) were accrued in the year to three members of key management (2015: three) under a post retirement defined benefit plan. Total retirement benefits accrued to directors under the post retirement defined benefit plan are €4.1 million (2015: €3.7 million).

The Group through Employee Benefit Trusts reacquired Company shares from key management personnel, the total number reacquired was 186,282 ordinary shares at an average price of €16.91 per share.

Details of the Directors compensation including salary, fees and other benefits, together with their interest in Glanbia plc, the Long Term Incentive Plan and the Annual Incentive Scheme is disclosed in the Remuneration Committee report on pages 70 to 90.

The following table sets out details of the amounts outstanding on trading accounts by Directors during the period together with amounts owed by the Group to Directors at the end of the year.

Current Directors

	Balance at 2 January 2016 €'000	Sales/ (purchases) with Director during 2016 €'000	(Receipts from)/ payments to Director during 2016 €'000	Interest charged during 2016 €'000	Balance at 31 December 2016 €'000	Maximum balance during 2016 €'000
H Corbally						
Sales to Director	4	47	(48)	–	3	15
Purchases from Director	(7)	(64)	64	–	(7)	(7)
MN Keane						
Sales to Director	4	61	(62)	2	5	23
Purchases from Director	–	–	–	–	–	–
P Murphy						
Sales to Director	–	43	(37)	1	7	13
Purchases from Director	–	–	–	–	–	–
P Ahern						
Sales to Director	5	94	(96)	–	3	19
Purchases from Director	–	–	–	–	–	–
J Doheny						
Sales to Director	1	9	(10)	–	–	5
Purchases from Director	–	–	–	–	–	–
J Gilsenan						
Sales to Director	4	25	(24)	–	5	11
Purchases from Director	(9)	(75)	74	–	(10)	(10)
V Gorman						
Sales to Director	–	80	(80)	–	–	4
Purchases from Director	(10)	(85)	86	–	(9)	(9)
MI Keane						
Sales to Director	3	61	(60)	1	5	16
Purchases from Director	–	–	–	–	–	–
M Merrick						
Sales to Director	8	108	(100)	1	17	26
Purchases from Director	(8)	(72)	67	–	(13)	(13)
J Murphy						
Sales to Director	90	172	(162)	7	107	168
Purchases from Director	(8)	(74)	74	–	(8)	(8)

Notes to the financial statements continued
for the financial year ended 31 December 2016

37. Related party transactions continued

Former Directors who were in office during the year:

	Balance at 2 January 2016 €'000	Sales/ (purchases) with Director during 2016 €'000	(Receipts from)/ payments to Director during 2016 €'000	Interest charged during 2016 €'000	Balance at date of retirement 2016 €'000	Maximum balance during period €'000
T Grant						
Sales to Director	5	19	(8)	1	17	17
Purchases from Director	–	–	–	–	–	–
B Hayes						
Sales to Director	8	23	(17)	–	14	14
Purchases from Director	–	–	–	–	–	–
E Power						
Sales to Director	6	48	(37)	1	18	37
Purchases from Director	–	–	–	–	–	–

Connected persons:

The aggregate of credit to connected persons of Directors in office at 31 December 2016, as defined in section 220 of the Companies Act 2014, are as follows (aggregate of 8 persons):

	Balance at 2 January 2016 €'000	Sales/ (purchases) with connected persons during 2016 €'000	(Receipts from)/ payments to connected persons during 2016 €'000	Interest charged during 2016 €'000	Balance at 31 December 2016 €'000	Maximum balance during 2016 €'000
Sales to connected persons	23	250	(313)	5	(35)	97
Purchases from connected persons	–	–	–	–	–	–

Directors in office during 2015:

	Balance at 3 January 2015 €'000	Sales/ (purchases) with Director during 2015 €'000	(Receipts from)/ payments to Director during 2015 €'000	Interest charged during 2015 €'000	Balance at 2 January 2016 €'000	Maximum balance during 2015 €'000
H Corbally						
Sales to Director	2	45	(43)	–	4	10
Purchases from Director	(7)	(63)	63	–	(7)	(7)
MN Keane						
Sales to Director	2	65	(65)	2	4	22
Purchases from Director	–	–	–	–	–	–
P Murphy						
Sales to Director	1	43	(45)	1	–	15
Purchases from Director	–	–	–	–	–	–
P Ahern						
Sales to Director	7	46	(48)	–	5	19
Purchases from Director	–	–	–	–	–	–
J Doheny						
Sales to Director	5	5	(9)	–	1	5
Purchases from Director	–	–	–	–	–	–
J Gilsenan						
Sales to Director	3	11	(10)	–	4	7
Purchases from Director	–	(43)	34	–	(9)	(9)
V Gorman						
Sales to Director	–	50	(50)	–	–	2
Purchases from Director	–	(86)	76	–	(10)	(10)
T Grant						
Sales to Director	6	29	(31)	1	5	16
Purchases from Director	–	–	–	–	–	–
B Hayes						
Sales to Director	6	58	(57)	1	8	16
Purchases from Director	–	–	–	–	–	–
MI Keane						
Sales to Director	1	37	(35)	–	3	15
Purchases from Director	–	–	–	–	–	–
M Merrick						
Sales to Director	7	114	(114)	1	8	23
Purchases from Director	(7)	(65)	64	–	(8)	(8)
J Murphy						
Sales to Director	91	154	(159)	4	90	143
Purchases from Director	–	(66)	58	–	(8)	(8)
E Power						
Sales to Director	–	107	(103)	2	6	43
Purchases from Director	–	–	–	–	–	–

Former Directors who were in office during 2015:

	Balance at 3 January 2015 €'000	Sales/ (purchases) with Director during 2015 €'000	(Receipts from)/ payments to Director during 2015 €'000	Interest charged during 2015 €'000	Balance at date of retirement 2015 €'000	Maximum balance during period €'000
W Carroll						
Sales to Director	390	1,147	(1,112)	10	435	562
Purchases from Director	–	–	–	–	–	–
D Farrell						
Sales to Director	–	11	–	–	11	11
Purchases from Director	(17)	(55)	62	–	(10)	(13)
L Herlihy						
Sales to Director	76	168	(152)	–	92	106
Purchases from Director	–	–	–	–	–	–

Notes to the financial statements continued
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37. Related party transactions continued

Connected persons

The aggregate of credit to connected persons of Directors in office at 2 January 2016, as defined in section 220 of the Companies Act 2014, are as follows (aggregate of 8 persons):

	Balance at 3 January 2015 €'000	Sales/(purchases) with connected persons during 2015 €'000	(Receipts from)/ payments to connected persons during 2015 €'000	Interest charged during 2015 €'000	Balance at 2 January 2016 €'000	Maximum balance during 2015 €'000
Sales to connected persons	31	203	(216)	5	23	104
Purchases from connected persons	–	–	–	–	–	–

37 (f) Loans to Joint Ventures & Associates

	Group		Company	
	2016 €'000	2015 €'000	**2016 €'000**	2015 €'000
Loans receivable				
At the beginning of the year	**1,850**	9,863	**–**	–
Exchange differences	**–**	462	**–**	–
Loans advanced during the year	**12,800**	–	**–**	–
Loan payments received	**–**	(8,475)	**–**	–
At the end of the year	**14,650**	1,850	**–**	–
Interest on loans receivable				
At the beginning of the year	**53**	261	**–**	–
Exchange differences	**–**	11	**–**	–
Interest charged	**653**	89	**–**	–
Interest received	**(702)**	(308)	**–**	–
At the end of the year	**4**	53	**–**	–
Total loan and interest receivable at the end of the year	**14,654**	1,903	**–**	–

On 21 January 2016 a subordinated loan of €12.8 million was advanced to Glanbia Ingredients Ireland DAC, an Associate of the Group. This unsecured loan is repayable on 3 July 2018 and an interest rate of 5% applies, which is re-set every 12 months based on commercial terms. An interest bearing unsecured loan of €1.5 million, to South East Port Services Limited, a Joint Venture, is repayable subject to cashflows. An interest rate of 3.5% applies. An interest free unsecured loan of €0.35 million to Malting Company of Ireland Limited, a Joint Venture, is repayable on 15 June 2043. These loans are classified within non-current trade and other receivables in the Group balance sheet and are detailed in note 20.

38. Events after the reporting period

See note 14 for the final dividend, recommended by the Directors, to be paid on 28 April 2017.

On 27 January 2017 the Group announced that it is in advanced discussions with Dairy Farmers of America Inc, Michigan Milk Producers Association and Foremost Farms USA, to create a new stand-alone Joint Venture to build and operate a new cheese and whey production facility in the State of Michigan, USA. It is proposed that 50% of the Joint Venture will be owned by the Group and the balance by the other venturers. The total project cost will be approximately $400 to $425 million, with the majority of the cost expected to be financed through debt facilities in the Joint Venture. The plant will be commissioned in late 2019.

On 21 February 2017, Glanbia plc together with Glanbia Co-operative Society Limited signed a non-binding memorandum of understanding for the sale of a 60% interest in Glanbia's Dairy Ireland segment to Glanbia Co-operative Society Limited.

There were no significant events, outside the ordinary course of business other than those described in note 36 – business combinations, that affected the Group since 31 December 2016.

39. Principal subsidiary and associated undertakings

The information outlined below relates only to the principal undertakings in the Group. The Group has availed of the exemption under section 316 of the Companies Act 2014. The information required under section 314 of the Companies Act 2014 including a full listing of subsidiaries, Joint Ventures & Associate undertakings will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

All beneficial interests are in ordinary shares, membership interests or membership units.

39 (a) Subsidiaries

Incorporated and operating in	Registered office	Principal activity	Beneficial % interest 2016	Beneficial % interest 2015
Ireland				
Alanfield Society Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding society	**100**	100
Avonmore Proteins Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Financing	**100**	100
Avonmore Skim Milk Products Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	**100**	100
Cold Chain Food Distributors Limited	Glanbia House, Kilkenny, Co Kilkenny	Inactive	**100**	100
Glanbia Cheesip Limited[1]	Glanbia House, Kilkenny, Co Kilkenny	Research and development	**100**	100
D. Walsh & Sons Limited	Palmerstown, Co Kilkenny	Grain and fertilisers	**60**	60
Glanbia Consumer Foods Limited	Glanbia House, Kilkenny, Co Kilkenny	Chilled consumer foods	**100**	100
Glanbia Estates Limited	Glanbia House, Kilkenny, Co Kilkenny	Property and land dealing	**100**	100
Glanbia Feeds Limited	Glanbia House, Kilkenny, Co Kilkenny	Manufacture of animal feed	**100**	100
Glanbia Finance Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Financing	**100**	100
Glanbia Financial Services Unlimited Company	Glanbia House, Kilkenny, Co Kilkenny	Financing	**100**	100
Glanbia Investipr Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Management of receivables	**100**	100
Glanbia Holdings (Ireland) Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**100**	100
Glanbia Management Services Limited	Glanbia House, Kilkenny, Co Kilkenny	Management services	**100**	100
Glanbia Nutritionals (Blending) Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	**100**	100
Glanbia Nutritionals (Europe) Limited	Glanbia House, Kilkenny, Co Kilkenny	Nutritional ingredients	**100**	100
Glanbia Nutritionals (Ireland) Limited	Glanbia House, Kilkenny, Co Kilkenny	Performance nutrition and ingredients	**100**	100
Glanbia Nutritionals (Research) Limited	Glanbia House, Kilkenny, Co Kilkenny	Research and development	**100**	100
Glanbia Property Holding Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**100**	100
Glanbia Property Rentals Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Property rental company	**100**	100
Glanbia Support Services Limited	Glanbia House, Kilkenny, Co Kilkenny	Business services	**100**	100
Glassonby Unlimited Company	Glanbia House, Kilkenny, Co Kilkenny	Financing	**100**	100
Grassland Fertilizers (Kilkenny) Limited	Palmerstown, Co Kilkenny	Fertilisers	**73**	73
South Eastern Cattle Breeding Society Limited	Dovea, Thurles, Co Tipperary	Cattle breeding	**61**	61
ON Optimum Nutrition Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	**100**	100
Waterford Foods Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**100**	100
Glanbia Foods Ireland Limited	Glanbia House, Kilkenny, Co Kilkenny	Consumer foods, agri trading and business services	**100**	100
United States				
Aseptic Solutions USA Ventures, LLC	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Beverage manufacturer & co packer	**100**	100
Glanbia (Delaware), Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Holding company	**100**	100
Glanbia, Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Holding company	**100**	100
Glanbia Business Services, Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Business services	**100**	100
Glanbia Foods, Inc.	Corporate Creations Network Inc., 950 W. Bannock Street 1100, Boise, ID83702, Ada County	Cheese and nutritional ingredients	**100**	100
Glanbia Ingredients Inc.	4650 W.Spencer Street, Appleton, Outagamie County, WI 54914	Dairy Products Distribution	**100**	100
Glanbia Nutritionals (NA), Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Nutritional ingredients	**100**	100

Notes to the financial statements continued
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39. Principal subsidiary and associated undertakings continued

Incorporated and operating in	Registered office	Principal activity	Beneficial % interest 2016	Beneficial % interest 2015
United States				
Glanbia Nutritionals Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Nutritional ingredients	**100**	100
Glanbia Performance Nutrition, Inc.	11380 Prosperity Farms Rd 221E, Palm Beach Gardens FL 33410	Performance nutrition	**100**	100
thinkThin, LLC	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Performance nutrition	**100**	100
The Isopure Company, LLC	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Performance nutrition	**100**	100
Britain and Northern Ireland				
Glanbia Feedstuffs Limited	One Victoria Square, Birmingham, B1 1BD	Animal feed distribution	**100**	100
Glanbia Foods (NI) Limited	202 City Business Park, Dunmurry, BT17 9HY	Consumer food distribution	**100**	100
Glanbia Holdings Limited	One Victoria Square, Birmingham, B1 1BD	Financing	**100**	100
Glanbia Investments (UK) Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	**100**	100
Glanbia Milk Limited	One Victoria Square, Birmingham, B1 1BD	Management services	**100**	100
Glanbia Performance Nutrition (UK) Limited	Unit 3 Romaldkirk Rd, Middlesbrough, TS2 1XA	Performance nutrition products	**100**	100
Glanbia (UK) Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	**100**	100
Waterford Foods International Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	**100**	100
Germany				
Glanbia Nutritionals Deutschland GmbH	Gewerbestrasse 3, 78359 Orsingen - Nenzingen	Nutritional delivery systems	**100**	100
Glanbia Performance Nutrition GmbH	Köpenicker Strasse 10, 10997, Berlin	Performance nutrition products	**100**	100
Asia				
Glanbia Nutritionals Singapore Pte Limited	70 Bendemeer Road, 06-01, 339940, Singapore	Customer service office	**100**	100
Glanbia Nutritionals (Suzhou) Co. Limited	No. 128 Fangzong Street SIP, Suzhou, Jiangsu Province, PRC 215025, China	Nutrient delivery systems	**100**	100
Glanbia Performance Nutrition Trading (Shanghai) Co., Ltd.	Room 908, World Trade Tower, Guangdong Road 500, Huangpu District, Shanghai, 200001	Performance nutrition	**100**	–
GN Life Science (Shanghai) Co. Limited	Room 432, No.473 Fute Xiyi Road, Waigaoqiao Free Trade Zone, Shanghai, China	Nutritional ingredients	**100**	100
Australia				
Glanbia Performance Nutrition Pty Limited	Unit 4, 14 Lionel Road Mount Waverley VIC 3149	Performance nutrition	**100**	100
Brazil				
Glanbia Marketing de Produtos de Nutricao e Performance do Brasil Ltda	Alameda Gabriel Monteiro da Silva, No. 2892, Jardim America, na Cidade de Sao Paulo, São Paulo	Performance nutrition	**100**	100
Canada				
Glanbia Nutritionals (Canada) Inc.	c/o Thompson Dorfman Sweatman LLP, 201 Portage Avenue, Suite 2200, Winnipeg MB R3B 3L3	Nutritional products	**100**	100
Glanbia Performance Nutrition Canada Inc.	c/o Thompson Dorfman Sweatman LLP, 201 Portage Avenue, Suite 2200, Winnipeg MB R3B 3L3	Performance nutrition	**100**	100

Incorporated and operating in	Registered office	Principal activity	**Beneficial % interest 2016**	Beneficial % interest 2015
Denmark				
Nutramino Holding ApS	Frederikssundsvej 62 B 1, 2400 København NV	Holding company	**100**	100
Nutramino Int. ApS	Frederikssundsvej 62 B 1, 2400 København NV	Performance nutrition	**100**	100
France				
Glanbia Performance Nutrition France SAS	8, Avenue Hoche, 75008, Paris	Performance nutrition	**100**	100
India				
Glanbia India Private Limited[2]	43/61, "Srinidhi", Surveyor's Street, Basavangudi, Bangalore 560004	Nutritional ingredients	**100**	100
Glanbia Performance Nutrition (India) Private Limited	234, 3rd Floor, Shivani CGHS Ltd., Plot No. 18, Sector 12, Dwarka, New Delhi, West Delhi, Delhi-DL, 110078	Performance nutrition	**100**	100
Luxembourg				
Glanbia Luxembourg SA[3]	5, Rue Guillaume Kroll, L-1882	Financing	**100**	100
Glanbia Luxfin SA[3]	5, Rue Guillaume Kroll, L-1882	Financing	**100**	100
Glanbia Luxinvest SA[3]	5, Rue Guillaume Kroll, L-1882	Financing	**100**	100
Netherlands				
Glanbia Foods B.V.	Atrium Building 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam	Holding company	**100**	100
Mexico				
Glanbia, S.A. de CV	Av. Prolongación Paseo de la Reforma No. 115-1006, Col. Paseo de las Lomas, C.P. 01330	Nutritional ingredients	**100**	100
New Zealand				
Glanbia Performance Nutrition (New Zealand) Limited	C/-Martelli Mckegg, Level 20, PwC Tower, 188 Quay Street, Auckland, 1010	Performance nutrition	**100**	100
Norway				
Nutramino NO AS	Fillpstad brygge 1, 0252, Oslo	Performance nutrition	**100**	100
Portugal				
Glanbia Nutritionals (Portugal) – Sociedade Unipessoal, Lda.	Miraflores, Torre de Mansanto, Rua Afonso Praça, 30-7o e 8o piso, 1495-061 Miraflores	Performance nutrition	**100**	100
Russian Federation				
LLC Glanbia	Office 1934, 10 Testovskaya Street, 123317, Moscow	Nutritional ingredients	**100**	100
South Africa				
Glanbia (Pty) Limited	Stand 893, 7 Forbes Street, Midstream Estate - Windsor Gate, Brakfontein Road, Ekurhuleni, South Africa 1692	Nutritional ingredients	**100**	100
Sweden				
Nutramino AB	Ostermalmstorg 1, 4 tr, 114 42, Stockholm, Sweden	Performance nutrition	**100**	100
Turkey				
Glanbia Besin Ürünleri Pazarlama ve Ticaret Limited Sirketi	Kocatepe Mah., Lamartin Cad. No:5, Ofis Lamartine Kat:6, Taksim, Beyoglu, Istanbul, 34437	Performance nutrition	**100**	100
Uruguay				
Glanbia (Uruguay Exports) SA	Copacabana Street, Block 26 - S 12, Médanos de Solymar City, Canelones	Customer service office	**100**	100

1. Glanbia Cheesip Limited has a branch at 1 rue Hildegard von Bingen L-1282 Luxembourg, with a statutory year fixed at 31 December each year in order to comply with statutory requirements.
2. The statutory year end of this subsidiary is 31 March 2017, which coincides with the tax year in India.
3. The statutory year end of these subsidiaries is fixed at 31 December each year in order to comply with statutory requirements.

The Group has no significant restrictions in relation to the Group's ability to access or use the assets and settle the liabilities of the Group.

Notes to the financial statements continued
for the financial year ended 31 December 2016

39 (b) Joint Ventures & Associates

Incorporated and operating in	Joint Venture/ Associate	Date to which results are included	Registered office	Principal activity	Beneficial % interest 2016	Beneficial % interest 2015
Ireland						
Co-Operative Animal Health Limited	Associate	31/12/2015[1]	Tullow, Co Carlow	Agri chemicals	**50**	50
Glanbia Ingredients Ireland Designated Activity Company	Associate	31/12/2016	Ballyconra, Ballyragget, Co Kilkenny	Milk products	**40**	40
Malting Company of Ireland Limited	Joint Venture	30/10/2016	The Maltings, South Link, Togher, Co Cork	Malting	**50**	50
South East Port Services Limited	Joint Venture	31/12/2016	Palmerstown, Co Kilkenny	Port services	**49**	49
United States						
Southwest Cheese Company, LLC	Joint Venture	31/12/2016	1209 Orange Street, Wilmington New Castle County, DE 19801	Milk products	**50**	50
Britain and Northern Ireland						
Glanbia Cheese Limited	Joint Venture	31/12/2016	4 Royal Mews, Gadbrook Park, Rudheath, Northwich, Cheshire, CW9 7VD	Cheese products	**51**	51

1 This Associate's results do not have a material impact on the Group's result and are therefore accounted for one year in arrears.

The Groups interests in Joint Ventures & Associates are subject to certain restrictions however these are not material.

Other Information*

*** Not covered by the Independent Auditors' Report**

Glossary
Key performance indicators and non-IFRS performance measures

Non-IFRS performance measures
The Group reports certain performance measures that are not defined under IFRS but which represent additional measures used by the Board of Directors and the Glanbia Operating Executive in assessing performance and for reporting both internally and to shareholders and other external users. The Group believes that the presentation of these non-IFRS performance measures provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides readers with a more meaningful understanding of the underlying financial and operating performance of the Group.

None of these non-IFRS performance measures should be considered as an alternative to financial measures drawn up in accordance with IFRS.

The principal non-IFRS performance measures used by the Group are:
G 1. Constant currency
G 2. Revenue
G 3. EBITA
G 4. EBITA margin
G 5. Total Group
G 6. Adjusted Earnings Per Share
G 7. Operating cashflow and free cashflow
G 8. Financing Key Performance Indicators
G 9. Return on capital employed (ROCE)
G 10. Total shareholder return (TSR)

These principal non-IFRS performance measures are defined below with a reconciliation of these measures to IFRS measures where applicable.

G 1. Constant currency
While the Group reports its results in euro, it generates a significant proportion of its earnings in currencies other than euro, in particular US dollar. Constant currency reporting is used by the Group to eliminate the translational effect of foreign exchange on the Group's results. To arrive at the constant currency year-on-year change, the results for the prior year are retranslated using the average exchange rates for the current year and compared to the current year reported numbers.

The principal average exchange rates used to translate results for 2016 and 2015 were as follows:

Euro 1 =	2016	2015
US dollar	1.1068	1.1092
Pound sterling	0.8194	0.7259
Danish krone	7.4452	7.4589

G 2. Revenue (wholly owned revenue)
Revenue comprises sales of goods and services of the wholly owned businesses to external customers net of value added tax, rebates and discounts. Revenue is one of the Group's Key Performance Indicators and is an IFRS performance measure (see pages 10 to 11).

G 3. EBITA (Group EBITA or wholly owned EBITA)
EBITA is defined as earnings before interest, tax and amortisation and exceptional items.

EBITA is one of the Group's Key Performance Indicators (see pages 10 to 11). Business Segment EBITA growth on a constant currency basis is one of the performance conditions in Glanbia's Annual Incentive Plan for Executive Directors with Business Unit responsibility. See Remuneration Committee report on pages 70 to 90 for more information.

See note 5 to the Financial Statements for the reconciliation of EBITA.

G 4. EBITA margin (Group EBITA margin or wholly owned EBITA margin)
EBITA margin is defined as EBITA before exceptional items as a percentage of the revenue of the wholly owned businesses.

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
EBITA per the Group income statement	Note 5	305,085	271,003
Revenue per the Group income statement	Group income statement	2,847,892	2,774,326
EBITA margin		10.7%	9.8%

G 5. Total Group

The Group has a number of strategically important Joint Ventures & Associates which when combined with the Group's wholly owned businesses give an important indication of the scale and reach of the Group's operations. Total Group is used to describe certain financial metrics such as Revenue and EBITA when they include both the wholly owned businesses and the Group's share of Joint Ventures & Associates.

G 5.1 Total Group Revenue

Total Group Revenue comprises the revenue of the wholly owned businesses and the Group's share of the revenue of its Joint Ventures & Associates.

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Revenue per the Group income statement	Group income statement	**2,847,892**	2,774,326
Group's share of revenue of Joint Ventures & Associates	G 5.1.1	**849,090**	893,089
Total Group Revenue		**3,696,982**	3,667,415

G 5.1.1 Group's share of revenue of Joint Ventures & Associates:

2016	Glanbia Ingredients Ireland DAC €'000	Southwest Cheese Company, LLC €'000	Glanbia Cheese Limited €'000	Milk Ventures (UK) Limited €'000	Other Joint Ventures & Associates €'000	Total €'000
Joint Ventures & Associates revenue (100%)	**833,482**	**739,710**	**230,475**	**–**	**55,346**	**1,859,013**
% of ownership interest	**40%**	**50%**	**51%**	**–**	**–**	**–**
Group's share of revenue of Joint Ventures & Associates	**333,393**	**369,855**	**117,542**	**–**	**28,300**	**849,090**
2015						
Joint Ventures & Associates revenue (100%)	870,889	752,687	259,730	22,544	51,743	1,957,593
% of ownership interest	40%	50%	51%	50%	–	–
Group's share of revenue of Joint Ventures & Associates	348,356	376,344	132,462	11,272	24,655	893,089

G 5.2 Total Group EBITA

Total Group EBITA comprises EBITA of the wholly owned businesses and the Group's share of its Joint Ventures & Associates EBITA.

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
EBITA per the Group income statement	Note 5	**305,085**	271,003
Group's share of EBITA of Joint Ventures & Associates	Note 4.1/G 5.2.1	**44,673**	39,690
Total Group EBITA		**349,758**	310,693

G 5.2.1 Reconciliation of the Group's share of Joint Ventures & Associates EBITA to the share of results of Joint Ventures & Associates per the Group income statement is as follows:

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
EBITA of Joint Ventures & Associates	Note 4.1	**44,673**	39,690
Amortisation		**(550)**	(476)
Finance costs		**(6,660)**	(5,037)
Income tax		**(9,816)**	(7,907)
Share of results of Joint Ventures & Associates per the Group income statement		**27,647**	26,270

Glossary continued
Key performance indicators and non-IFRS performance measures

G 5.3 Total Group EBITA margin
Total Group EBITA margin is defined as Total Group EBITA as a percentage of Total Group Revenue.

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Total Group EBITA	G 5.2	**349,758**	310,693
Total Group Revenue	G 5.1	**3,696,982**	3,667,415
Total Group EBITA margin		**9.5%**	8.5%

G 6. Adjusted Earnings Per Share (EPS)
Adjusted EPS is defined as the net profit attributable to the equity holders of Glanbia plc, before exceptional items and intangible asset amortisation, net of related tax, divided by the weighted average number of ordinary shares in issue during the year. The Group believes that adjusted EPS is a better measure of underlying performance than Basic EPS as it excludes exceptional items that are not related to on-going operational performance and intangible asset amortisation, which allows better comparability of companies that grow by acquisition to those that grow organically.

Adjusted EPS is one of the Group's Key Performance Indicators (see pages 10 to 11). Adjusted EPS growth on a constant currency basis is one of the performance conditions in Glanbia's Annual Incentive Plan. Adjusted EPS growth on a reported basis is one of the performance conditions in Glanbia's Long-term Incentive Plan. See Remuneration Committee report on pages 70 to 90 for more information.

	Reference to the Financial Statements/Glossary	Reported 2016 €'000	Reported 2015 €'000	Constant currency 2015 €'000
Profit attributable to equity holders of the Company	Group income statement	**211,824**	183,271	182,961
Amortisation and impairment of intangible assets net of related tax of €8.6 million (2015: €5.0 million)	Note 13	**31,609**	26,126	26,171
Amortisation of Joint Venture & Associates intangible assets net of related tax of €0.1 million (2015: €0.1 million)	Note 13	**482**	417	417
Exceptional items (net of related tax)	Note 13	**14,792**	23,799	23,187
Adjusted net income		**258,707**	233,613	232,736
Weighted average number of ordinary shares in issue	Note 13	**295,130,809**	295,196,003	295,196,003
Adjusted Earnings Per Share (cent)		**87.66**	79.14	78.84

G 7. Operating cashflow and free cashflow

Operating cashflow is defined as pre-exceptional earnings before interest, taxation, depreciation and amortisation (EBITDA) of the wholly owned businesses net of business sustaining capital expenditure and working capital movements, excluding exceptional cashflows. EBITDA represents pre-exceptional EBITA of the wholly owned businesses plus depreciation, net of grant amortisation.

Operating cashflow is one of the Group's Key Performance Indicators (see pages 10 to 11). Operating cashflow on a constant currency basis is one of the performance conditions in Glanbia's Annual Incentive Plan. See Remuneration Committee report on pages 70 to 90 for more information.

Free cashflow is calculated as the net cashflow in the year before the following items: strategic capital expenditure, acquisition spend, proceeds received on disposals, loans to Joint Ventures & Associates, equity dividends paid, exceptional costs paid and currency translation movements.

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Earnings before interest, tax and amortisation (pre-exceptional EBITA)	Group income statement	305,085	271,003
Depreciation	Note 5	50,235	43,137
Grant amortisation	Note 5	(378)	(282)
Earnings before interest, tax, depreciation and amortisation (pre-exceptional EBITDA)		354,942	313,858
Movement in working capital (pre-exceptional)	G 7.4	31,938	4,896
Business sustaining capital expenditure	G 7.3	(32,427)	(37,391)
Operating cashflow		354,453	281,363
Net interest and tax paid	G 7.5	(52,873)	(33,556)
Dividends from Joint Ventures & Associates	Group statement of cashflows	13,825	14,924
Other outflows	G 7.6	(4,366)	(6,663)
Free cashflow		311,039	256,068

G 7.1 Reconciliation of free cashflow and operating cashflow to the Group statement of cashflows in the Financial Statements:

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Cash generated from operating activities	Note 34	374,303	307,865
Add back exceptional costs paid in the year	G 7.2	19,447	15,090
Non-operating working capital movements in the year	G 7.4	–	686
Less business sustaining capital expenditure	G 7.3	(32,427)	(37,391)
Non-cash items not adjusted in computing operating cashflow:			
Impairment of tangible assets	Note 34	(520)	–
Write down of inventories	Note 34	(2,473)	(1,981)
Insurance proceeds	Note 34	(1,945)	–
Impairment of intangible assets	Note 34	(479)	–
Cost of share options	Note 34	(7,712)	(8,724)
Difference between pension charge and cash contributions	Note 34	5,921	6,027
Profit/(loss) on disposal of property, plant and equipment	Note 34	338	(209)
Operating cashflow		354,453	281,363
Net interest and tax paid	G 7.5	(52,873)	(33,556)
Dividends from Joint Ventures & Associates	Group statement of cashflows	13,825	14,924
Other outflows	G 7.6	(4,366)	(6,663)
Free cashflow		311,039	256,068

G 7.2 Exceptional costs paid in the year:

		2016 €'000	2015 €'000
Pre–tax exceptional charge for year	Note 6	17,450	26,342
Non-cash element of exceptional charge	Note 34	(7,051)	(18,299)
Current year exceptional costs paid in the year		10,399	8,043
Prior year exceptional costs paid in the year	Note 6	9,048	7,047
Total exceptional costs paid in the year		19,447	15,090

Glossary continued
Key performance indicators and non-IFRS performance measures

G 7.3 Capital expenditure analysis

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Business sustaining capital expenditure		**32,427**	37,391
Strategic capital expenditure		**57,055**	86,160
Total capital expenditure		**89,482**	123,551

Capital expenditure reconciled to the Group statement of cashflows:		2016 €'000	2015 €'000
Purchase of property, plant and equipment	Group statement of cashflows	**65,398**	103,753
Purchase of intangible assets	Group statement of cashflows	**24,084**	19,798
Total capital expenditure per the Group statement of cashflows		**89,482**	123,551

G 7.3.1 Business sustaining capital expenditure
The Group defines business sustaining capital expenditure as the expenditure required to maintain/replace existing assets with a high proportion of expired useful life. This expenditure does not attract new customers or create the capacity for a bigger business. It enables the Group to keep running at current throughput rates but also keep pace with regulatory and environmental changes as well as complying with new requirements from existing customers.

G 7.3.2 Strategic capital expenditure
The Group defines strategic capital expenditure as the expenditure required to facilitate growth and generate additional returns for the Group. This is generally expansionary expenditure beyond what is necessary to maintain the Group's current competitive position.

G 7.4 Movement in working capital:

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Movement in working capital (pre-exceptional)		**31,938**	4,896
Prior year exceptional costs paid in the year	Note 6	**(9,048)**	(7,047)
Non-operating working capital movements in year		**–**	(686)
Change in net working capital	Note 35	**22,890**	(2,837)

G 7.5 Net interest and tax paid:

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Interest received	Group statement of cashflows	**2,367**	1,773
Interest paid	Group statement of cashflows	**(24,772)**	(22,939)
Tax paid	Group statement of cashflows	**(28,989)**	(9,987)
Interest paid in relation to property, plant and equipment	Group statement of cashflows	**(1,479)**	(2,403)
Net interest and tax paid		**(52,873)**	(33,556)

G 7.6 Other outflows

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Cost of share based payments	Note 34	**7,712**	8,724
Difference between pension charge and cash contributions	Note 34	**(5,921)**	(6,027)
(Profit)/loss on disposal of property, plant and equipment	Note 34	**(338)**	209
Capital grants received	Group statement of cashflows	**578**	1,132
Net redemption and additions in available for sale financial assets	Group statement of cashflows	**(491)**	1,140
Proceeds from issue of ordinary shares	Group statement of cashflows	**23**	642
Purchase of own shares	Group statement of cashflows	**(10,413)**	(13,351)
Dividends paid to non-controlling interests	Group statement of cashflows	**(933)**	(427)
Impairment of tangible assets	Note 34	**520**	–
Impairment of intangible assets	Note 34	**479**	–
Write down of inventories	Note 34	**2,473**	1,981
Insurance proceeds	Note 34	**1,945**	–
Non-operating working capital movements in the year	G 7.4	**–**	(686)
		(4,366)	(6,663)

G 7.7 Operating working capital

Operating working capital is defined as inventories plus trade and other receivables less trade and other payables. The year on year movement on operating working capital, excluding the impact of currency translation, acquisitions, disposals and other non-operating items (note 35) is a measure of the success of the Group's working capital management programme.

G 8. Financing Key Performance Indicators

The following are the financing key performance indicators defined as per the Group's financing agreements.

Net debt: adjusted EBITDA is calculated as net debt at the end of the year divided by adjusted EBITDA. Net debt is calculated as total financial liabilities (excluding debt issue costs) less cash and cash equivalents. Adjusted EBITDA is calculated as EBITDA for the wholly owned businesses (as defined under operating cashflow) plus dividends received from Joint Ventures & Associates, and in the event of an acquisition in the year, includes pro-forma EBITDA as though the acquisition date had been at the beginning of the year.

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Financial liabilities	Note 26	**656,413**	795,132
Cash and cash equivalents	Note 22	**(218,855)**	(210,889)
Net debt		**437,558**	584,243
Earnings before interest, tax, depreciation and amortisation (pre-exceptional EBITDA)	G 7	**354,942**	313,858
Dividends received from Joint Ventures & Associates	Group statement of cashflows	**13,825**	14,924
Acquisition pro-forma EBITDA		**–**	5,188
Adjusted EBITDA		**368,767**	333,970
Net debt: adjusted EBITDA		**1.19**	1.75

Glossary continued
Key performance indicators and non-IFRS performance measures

G 8. Financing Key Performance Indicators continued

Adjusted EBIT: net finance cost is calculated as earnings before interest and tax plus dividends received from Joint Ventures & Associates divided by net finance cost. Net finance cost comprises finance costs less finance income per the Group income statement plus capitalised borrowing costs.

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Operating profit – pre-exceptional	Group income statement	**265,398**	239,878
Dividends received from Joint Ventures & Associates	Group statement of cashflows	**13,825**	14,924
Adjusted EBIT		**279,223**	254,802
Finance costs	Note 11	**25,178**	22,816
Finance income	Note 11	**(2,377)**	(1,706)
Capitalised borrowing costs	Note 11	**1,479**	2,400
Net finance costs		**24,280**	23,510
Adjusted EBIT: net finance cost		**11.5**	10.8

G 9. Return on capital employed (ROCE)

ROCE is defined as the Group's earnings before interest, tax and amortisation (net of related tax) plus the Group's share of the results of Joint Ventures & Associates after interest and tax divided by capital employed. Capital employed comprises the sum of the Group's total assets plus cumulative intangible asset amortisation less current liabilities but excluding all financial liabilities, retirement benefit assets, cash and deferred tax balances. It is calculated by taking the average of the relevant opening and closing balance sheet amounts.

In years where the Group makes significant acquisitions or disposals, the ROCE calculation is adjusted appropriately, to ensure the acquisition or disposal are equally time apportioned in the numerator and the denominator.

ROCE is one of the Group's Key Performance Indicators (see pages 10 to 11). ROCE is one of the performance conditions in Glanbia's Long Term Incentive Plan. See Remuneration Committee report on pages 70 to 90 for more information.

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Operating profit – pre-exceptional	Group income statement	**265,398**	239,878
Tax on operating profit at effective rate of 17.8% (2015: 17.1%)	G 9.1	**(47,366)**	(40,923)
Amortisation and impairment of intangible assets (net of related tax)	Note 13	**31,609**	26,126
Share of results of Joint Ventures & Associates	Group income statement	**27,647**	26,270
Return		**277,288**	251,351
Total assets	Group balance sheet	**2,708,662**	2,601,450
Current liabilities	Group balance sheet	**(567,624)**	(506,765)
Less cash and cash equivalents	Group balance sheet	**(218,855)**	(210,889)
Less current financial liabilities	Group balance sheet	**32,240**	42,169
Less deferred tax assets	Group balance sheet	**(1,818)**	(584)
Less retirement benefit assets	Group balance sheet	**(2,578)**	(3,787)
Plus accumulated amortisation	Note 16	**241,723**	196,158
Capital employed before acquisition adjustment		**2,191,750**	2,117,752
Adjustment for acquisitions	G 9.2	**–**	(206,715)
Capital employed		**2,191,750**	1,911,037
Average capital employed		**2,154,751**	1,808,039
Return on capital employed		**12.9%**	13.9%

G 9.1 Effective tax rate:

		2016 €'000	2015 €'000
Profit before taxation	Group income statement	**270,244**	245,038
Less share of results of Joint Ventures & Associates	Group income statement	**(27,647)**	(26,270)
		242,597	218,768
Income tax (pre-exceptional)	Group income statement	**43,297**	37,322
Effective tax rate		**17.8%**	17.1%

G 9.2 Adjustment for acquisitions:

	2016 €'000	2015 €'000
Exclude thinkThin closing capital employed	**–**	(236,523)
Include time apportioned thinkThin capital employed	**–**	29,808
Total adjustment for acquisitions	**–**	(206,715)

From 2017 the ROCE definition is changing to include deferred tax liabilities in determining capital employed. The 2016 and 2015 ROCE under the new definition are as follows:

	Reference to the Financial Statements/Glossary	2016 €'000	2015 €'000
Operating profit – pre-exceptional	Group income statement	**265,398**	239,878
Tax on operating profit at effective rate of 17.8% (2015: 17.1%)	G 9.1	**(47,366)**	(40,923)
Amortisation and impairment of intangible assets (net of related tax)	Note 13	**31,609**	26,126
Share of results of Joint Ventures & Associates	Group income statement	**27,647**	26,270
Return		**277,288**	251,351
Total assets	Group balance sheet	**2,708,662**	2,601,450
Current liabilities	Group balance sheet	**(567,624)**	(506,765)
Deferred tax liabilities	Note 27	**(158,206)**	(165,756)
Less cash and cash equivalents	Group balance sheet	**(218,855)**	(210,889)
Less current financial liabilities	Group balance sheet	**32,240**	42,169
Less retirement benefit assets	Group balance sheet	**(2,578)**	(3,787)
Plus accumulated amortisation	Note 16	**241,723**	196,158
Capital employed before acquisition adjustment		**2,035,362**	1,952,580
Adjustment for acquisitions	G 9.3	**–**	(167,052)
Capital employed		**2,035,362**	1,785,528
Average capital employed		**1,993,971**	1,695,534
Return on capital employed		**13.9%**	14.8%

G 9.3 Adjustment for acquisitions:

	2016 €'000	2015 €'000
Exclude thinkThin closing capital employed	**–**	(191,141)
Include time apportioned thinkThin capital employed	**–**	24,089
Total adjustment for acquisitions	**–**	(167,052)

G 10. Total Shareholder Return (TSR)

TSR represents the change in the capital value of a listed quoted company over a period, plus dividends reinvested, expressed as a plus or minus percentage of the opening value.

TSR is one of the Group's Key Performance Indicators (see pages 10 to 11). TSR is one of the performance conditions in Glanbia's Long Term Incentive Plan. See Remuneration Committee report on pages 70 to 90 for more information.

Shareholder Information

Stock exchange listings
The Company's shares are listed on the main market of the Irish Stock Exchange as well as having a premium listing on the main market of the London Stock Exchange.

Managing your shareholding
Computershare Investor Services (Ireland) Limited (Computershare) maintains the Company's register of members. Should a shareholder have any queries in respect of their shareholding, they should contact Computershare directly using the contact details provided below:

Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.

Contact details:
Telephone number:
Within Ireland: 01 247 5349
Outside Ireland: +353 1 247 5349

or by logging on to: www.investorcentre.com/ie/contactus

	2016	2015
Share price data	**€**	€
Share price as at financial year end	**15.78**	16.95
Market capitalisation as at financial year end	**4,671m**	5,018m
Share price movements during the year:		
– high	**18.75**	19.55
– low	**14.00**	12.37

The current share price of Glanbia plc ordinary shares can be accessed at: http://www.glanbia.com/prices-delayed

Shareholder analysis

Geographic Location	Number of shares held	% of Total
Institutional		
North America	33,645,277	11.4
UK	44,710,500	15.1
Rest of World	36,513,108	12.3
Other		
Retail	73,163,102	24.7
Glanbia Co-op Society Ltd	108,014,900	36.5

Shareholder analysis

Share capital
The authorised share capital of the Company at 31 December 2016 was 350,000,000 ordinary shares at €0.06 each. The issued share capital at 31 December 2016 was 296,040,684 ordinary shares of €0.06 each.

Employee share schemes
The Company operates a number of employee share schemes. At 31 December 2016 934,860 ordinary shares were held in employee benefit trusts for the purpose of the Group's employee share schemes. While any shares in the Company are held by the Trustees, the Trustees shall refrain from exercising any voting rights which may attach to the shares save that if the beneficial interest in any share has been vested in any beneficiary the Trustees shall seek and comply with any direction from such beneficiary as to the exercise of voting rights attaching to such shares.

Dividend payments direct to your bank account
An interim dividend of 5.37 cent per share was paid in respect of ordinary shares on 7 October 2016.

Subject to shareholders' approval, a final dividend of 7.94 cent per share will be paid in respect of ordinary shares on 28 April 2017 to shareholders on the register of members on 17 March 2017. If a shareholder's registered address is in the UK and a shareholder has not previously provided the Company with a mandate form for an Irish euro account, the payment will be in GBP. All other payments will be in euro.

Dividend Withholding Tax (DWT) is deductible from dividends paid by an Irish resident company unless the shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company's Registrar, Computershare. DWT applies to dividends paid by way of cash and is deducted at the standard rate of income tax (currently 20%). Non-resident shareholders and certain Irish companies, trusts, pension plans, investment undertakings and charities may be entitled to claim exemption from DWT and are thereby required to send the relevant form to Computershare. Copies of this form may be obtained from Computershare.

In order to continue to improve the security of dividend payments to shareholders and reduce costs, the Company proposes to pay future dividend payments on its ordinary shares only by credit transfer into a nominated bank or building society account.

Shareholders will continue to receive tax vouchers in respect of dividend payments. The Company takes data security issues very seriously. Bank account details supplied to the Company and its Registrar will be used only for dividend distribution and the information will not be used for any other purpose or supplied to any third party.

www.glanbia.com

Shareholders may visit: www.glanbia.com/shareholder-centre for up-to-date investor information. Electronic copies of current and past annual and half-yearly reports can be downloaded from the website. Current and historic share prices, news, updates and presentations may also be obtained. Shareholders may also register to receive future shareholder communications electronically.

Electronic communications

The Transparency (Directive 2004/109/EC) Regulations 2007 recognises the growing importance of electronic communications. The Group therefore provides documentation and communications to all shareholders via our website unless a shareholder has specifically elected to receive a hard copy.

Using electronic communications enables fast receipt of documents, helps the environment by significantly reducing the amount of paper used to communicate with shareholders and reduces associated printing, mailing and distribution costs.

Shareholders can also vote online for the next Annual General Meeting (AGM). This is a quick and easy option, using the proxy voting service provided by Computershare. Shareholders may use this facility by visiting: www.eproxyappointment.com.

Financial calendar

Announcement of final results for 2016	22 February 2017
Ex-dividend date	16 March 2017
Record date for dividend	17 March 2017
Date for receipt of proxy forms	24 April 2017
Record date for AGM	24 April 2017
AGM	26 April 2017
Dividend payment date	28 April 2017

AGM

The AGM will be held on 26 April 2017. The notice of meeting, together with details of the business to be conducted at the meeting will be available on: www.glanbia.com/agm.

The voting results for the 2017 AGM, including proxy votes and votes withheld will be available on our website shortly after the meeting at the following address: www.glanbia.com/agm.

Conditions for participating in a meeting

Every shareholder, irrespective of how many Glanbia plc shares they hold, has the right to attend, speak, ask questions and vote at the AGM. Completion of a proxy form will not affect a shareholder's right to attend, speak, ask questions and/or vote at the meeting in person.

The quorum for a general meeting of the Company is constituted by three persons entitled to vote upon the business of the meeting, each being a shareholder or a proxy or corporate representative for a shareholder.

The right to participate in the AGM is subject to the registration of the shares prior to the date of the meeting (the record date). For the 2017 AGM the record date is 5.00pm on 24 April 2017 (or in the case of an adjournment 5.00pm, on the day prior to the day before the time fixed for the adjourned meeting).

Appointment of proxy

Where a shareholder is unable to attend the AGM in person, a proxy (or proxies) may be appointed to attend, speak, ask questions and vote on their behalf. For this purpose a form of proxy is posted to all shareholders. Copies of these documents may be requested by telephoning the Company's Registrar on 01 247 5349 (within Ireland), +353 1 247 5349 (outside Ireland) or by logging on to www.investorcentre.com/ie/contactus or by writing to the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland.

Alternatively, a shareholder may appoint a proxy electronically, by visiting: www.eproxyappointment.com and submitting their proxy details. They will be asked to enter the Control Number, the Shareholder Reference Number (SRN) and PIN and agree to certain terms and conditions. The Control Number, the SRN and the PIN can be found on the top of the form of proxy.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST manual.

How to exercise shareholders rights

Shareholders have several ways to exercise their right to vote:

- by attending the AGM in person;
- by appointing the Chairman or another person as a proxy to vote on their behalf; or
- by appointing a proxy via the CREST system, if they have shares in CREST.

The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires at least 75% of the votes cast to be in favour of the resolution.

Tabling agenda items

A shareholder or a group of shareholders acting together who hold at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of the AGM. In order to exercise this right, written details of the item to be included on the 2017 AGM agenda together with a written explanation why the item is to be included on the agenda and evidence of the shareholding must be received by the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie/info@glanbia.ie no later than 16 March 2017 (i.e. 42 days before the AGM).

An item cannot be included on the AGM agenda unless it is accompanied by the written explanation and received at either of these addresses by this deadline.

Shareholder Information continued

Tabling draft resolutions

A shareholder, or a group of shareholders acting together, who hold at least 3% of the issued share capital of the Company, has the right to table a draft resolution for inclusion on the agenda of the 2017 AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must be received no later than 16 March 2017 (i.e. 42 days before the AGM) by post to the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie/info@glanbia.ie. A resolution cannot be included on the 2017 AGM agenda unless it is received at either of these addresses by this deadline. Furthermore, shareholders are reminded that there are provisions in company law which impose other conditions on the right of shareholders to propose resolutions at the general meeting of a company.

How to ask a question before or at the meeting

The AGM is an opportunity for shareholders to put a question to the Chairman during the question and answer session. Before the 2017 AGM, a shareholder may also submit a question in writing by sending a letter and evidence of shareholding at least four business days before the 2017 AGM (i.e. 21 April 2017) to the Group Secretary, Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie/info@glanbia.ie.

Dividend rights

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of shareholders but no dividend shall exceed the amount recommended by the Directors. The Directors may also declare and pay interim dividends if it appears to them that the interim dividends are justified by the profits of the Company available for distribution.

Distribution on winding up

If the Company shall be wound up and the assets available for distribution among shareholders shall be insufficient to repay the whole of the paid up or credited as paid up share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by shareholders in proportion to the capital paid up or credited as paid up at the commencement of the winding up on the shares held by them respectively. Further if, in a winding up, the assets available for distribution among shareholders shall be more than sufficient to repay the whole of the share capital paid up or credited as paid up at the commencement of the winding up, the excess shall be distributed among shareholders in proportion to the capital at the commencement of the winding up paid up or credited as paid up on the said shares held by them respectively.

Contacts

Group Secretary and Registered Office
Michael Horan,
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The Governor and Company of the Bank of Ireland
BNP Paribas S.A.
Barclays Bank Ireland plc
Citibank N.A.
Danske Bank A/S
HSBC Bank plc
Rabobank International
Ulster Bank Ireland Limited

Registrar
Computershare Investor Services (Ireland) Limited,
Heron House,
Corrig Road,
Sandyford Industrial Estate,
Dublin 18,
Ireland.

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