2016

Glanbia plc

Full year results

Delivering better nutrition for every step of life's journey

Wednesday, 22 February 2017

glanbia

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION RELATING TO THE PROPOSED SALE OF 60% OF DAIRY IRELAND WITHIN THE SECTION TITLED "STRATEGIC INITIATIVES"

Glanbia delivers seventh year of double digit earnings growth; Announces proposed sale of 60% of Dairy Ireland

22 February 2017 - Glanbia plc ("Glanbia", the "Group", the "plc"), the global nutrition group, announces its results for the financial year ended 31 December 2016.

Results highlights for the full year 2016

- Adjusted Earnings Per Share 87.66 cent, up 11.2% on prior year, constant currency (up 10.8% reported);
- EBITA from wholly owned business €305.1 million, up 12.5% on prior year, constant currency (up 12.6% reported)
- EBITA margins from wholly owned business 10.7%, up 90 bps on prior year, constant currency and reported;
- Glanbia Performance Nutrition ("GPN") EBITA €162.6 million, a 20% increase on prior year, constant currency (up 19.9% reported);
- Glanbia Nutritionals ("GN") EBITA €111.8 million, a 4.5% increase on prior year, constant currency (up 4.9% reported);
- Strong cash conversion with free cash flow of €311.0 million representing 87.6% of EBITDA; and
- Recommended final dividend of 7.94 cent per share, an increase of 10% on prior year.

Commenting today Siobhán Talbot, Group Managing Director, said:

"I am pleased that Glanbia had a strong Group-wide performance in 2016 delivering our seventh year of double digit earnings growth coupled with strong cash conversion. It has been an exciting start to 2017 with a number of key strategic initiatives progressing which will shape the future direction of the Group. Today Glanbia is announcing that it has signed a non-binding memorandum of understanding for the sale of 60% of the Dairy Ireland segment to Glanbia Co-operative Society Limited. Also as recently announced Glanbia Performance Nutrition has made two acquisitions within the plant based nutrition category and direct to consumer channel further expanding our channel and consumer reach. In addition Glanbia is also in advanced discussions to form a new Joint Venture (JV) in the US to build a large scale cheese and whey facility. All of these initiatives demonstrate a desire to play to our strategic strengths and are aligned to our vision to be one of the world's top performing nutrition companies."

2016 full-year results		Reported		Constant Currency
€m	FY 2016	FY 2015	Change	Change[1]
Wholly owned business				
Revenue	2,847.9	2,774.3	+2.7%	+2.8%
EBITA[2]	305.1	271.0	+12.6%	+12.5%
EBITA margin	10.7%	9.8%	+90 bps	+90 bps
Joint Ventures & Associates[3]				
Revenue	849.1	893.1	- 4.9%	- 3.4%
EBITA	44.7	39.7	+12.6%	+14.9%
EBITA margin	5.3%	4.4%	+90 bps	+90 bps
Total Group[4]				
Revenue	3,697.0	3,667.4	+ 0.8%	+ 1.3%
EBITA	349.8	310.7	+12.6%	+ 12.8%
EBITA margin	9.5%	8.5%	+100 bps	+100 bps
Adjusted earnings per share[5]	87.66c	79.14c	+10.8%	+11.2%

1. To arrive at the Constant Currency Change, the average FX rate for the current period is applied to the relevant reported result from the same period in the prior year. The average Euro US Dollar FX rate for 2016 was €1 = $1.107 (FY 2015: €1 = $1.109).
2. EBITA is defined as earnings before interest, tax and amortisation and is stated before exceptional items.
3. Glanbia's share of Joint Ventures & Associates.
4. Total Group comprises wholly-owned business plus Glanbia's share of Joint Ventures & Associates.
5. Adjusted Earnings Per Share is reconciled in Note 13 of the financial statements.

This release contains certain alternative performance measures. A detailed glossary of the key performance indicators and non-IFRS performance measures can be found on pages 33 to 39.

2016 full-year overview

Glanbia delivered a strong performance in 2016. Wholly owned revenue was €2,847.9 million, an increase of 2.8% constant currency (up 2.7% reported). Wholly owned EBITA was €305.1 million, up 12.5% constant currency (up 12.6% reported). Wholly owned EBITA margin was 10.7%, up 90 bps, constant currency and reported. Total Group revenue for the period, including the Group's share of Joint Ventures & Associates, was €3,697.0 million, an increase of 1.3% constant currency (up 0.8% reported). Total Group EBITA was €349.8 million, up 12.8% constant currency (up 12.6% reported). Total Group EBITA margin was 9.5%, up 100 bps, constant currency and reported. Adjusted earnings per share for the year were 87.66 cent, up 11.2%, constant currency (up 10.8% reported).

Dividend and Total Shareholder Return

The Board is recommending a final dividend of 7.94 cent per share, bringing the total dividend for the year to 13.31 cent per share, representing an increase of 10% and returning almost €40 million to shareholders. Subject to shareholder approval, the final dividend will be paid on 28 April 2017 to shareholders on the share register on 17 March 2017. In 2016, the share price decreased 6.9% from €16.95 to €15.78 compared to the Stoxx 600 Food and Beverage Index which declined 5.4% for the year. Glanbia's Total Shareholder Return (TSR) in 2016 was a negative 6.2%; TSR for the 3 years to the end of 2016 was 46.1%.

Board and management changes

On 21 February 2017, Jim Gilsenan and Matthew Merrick informed the Board that they will retire at the Company's AGM in April 2017. Their replacements will be appointed by 30 June 2017.

Capital investment

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, and various systems implementations.

Strategic initiatives

In 2017 Glanbia has made progress on a number of key strategic initiatives. Delivery of these initiatives is consistent with the ambition of the Group to build on its existing strengths and drive future sustainable growth across its growth platforms.

Sale of 60% of Dairy Ireland segment to Glanbia Co-operative Society Limited

Today Glanbia has announced that it has signed a non-binding memorandum of understanding ("MOU") with Glanbia Co-operative Society Limited (the "Society") to sell to the Society a 60% interest in the Dairy Ireland segment (the "Proposed Transaction"). 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. As detailed in today's announcement the proposed transaction is structured such that the Society will acquire a 60% interest in the Dairy Ireland segment net of pension obligations and excluding working capital for €112 million. The working capital on completion will be paid directly to Glanbia by Glanbia Ireland. While discussions are at an advanced stage, the Proposed Transaction is subject to the negotiation of final transaction related agreements and an approval vote of the shareholders of both Glanbia and the Society, with completion expected by mid-2017.

In creating a new Glanbia Ireland business the shareholders will create a strong organisation having the ambition to leverage the benefits of the significant growth plans of the Irish dairy supply base with an ownership structure more aligned to the needs of that supply base. Glanbia Ireland will build on the significant investment programme to date with plans for further strategic investment of approximately €250 million - €300 million between 2017 and 2020 to increase processing capacity and drive value. This investment will largely be funded by debt facilities within Glanbia Ireland.

Acquisitions of Amazing Grass and Body & Fit

On 6 January 2017, Glanbia acquired Grass Advantage LLC ("Amazing Grass") in the US. Amazing Grass has a portfolio of organic and non GMO plant-based nutrition brands. On 3 February 2017, Glanbia agreed to acquire B&F Vastgoed B.V. ("Body & Fit") in the Netherlands, a leading direct to consumer ("DTC") online branded business focused on performance nutrition. The Body & Fit acquisition is expected to close in the first half of 2017. Existing management teams will remain with their respective businesses and integration will largely be related to installing Glanbia support systems. The combined consideration for both acquisitions will be approximately €181 million inclusive of expected contingent consideration. The 2016 full-year combined net revenue of both companies was €99 million. Both acquisitions have a strong strategic fit and will enable Glanbia Performance Nutrition extend its reach to new consumers and channels. The acquisitions will be marginally earnings accretive in 2017 and financed from available banking facilities.

Strategic Joint Venture

On 27 January 2017, Glanbia announced it was 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 "JV Partners"). 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 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.

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 Glanbia Performance Nutrition (GPN) and Glanbia Nutritionals (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.

Operations review

Reported performance

	FY 2016			FY 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%

Glanbia Performance Nutrition

	Reported			Constant Currency
€m	FY 2016	FY 2015	Change	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

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

Glanbia Performance Nutrition ('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. GPN 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.

Amazing Grass and Body & Fit acquisitions

Amazing Grass participates in the fast growing plant-based nutrition, "Greens" and "Super food" 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 support systems which is expected to be completed by the end of 2017.

Body & Fit is an online Direct to Consumer ("DTC") brand based in the Netherlands. Body & Fit's consumer base is largely 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.

Glanbia Nutritionals

	Reported			Constant Currency
€m	FY 2016	FY 2015	Change	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

Glanbia Nutritionals ('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 is a leading marketer of advanced-technology whey protein, specialist vitamin & mineral blends, plant based ingredients and functional beverages. Nutritional Solutions delivered a good performance in 2016 with revenue 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

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

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 30,000MT 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 50,000MT of cheese and 3,000MT of advanced-technology whey protein.

Additionally, Glanbia is in advanced discussions on a proposed new JV to construct a new large scale cheese and whey plant in the State of Michigan, which is expected to be commissioned in late 2019. This proposed plant would produce 140,000MT of cheese and 9,000MT of advanced technology whey protein at full capacity. The total project cost will be $400 million - $425 million with the majority of the costs expected to be financed through debt facilities within the JV.

GN has a strong track record as an effective partner in JVs providing operational, technical and commercial expertise alongside producer organisations that provide a long term secure milk supply. These investments will underpin GN's leadership positions in American style cheddar cheese and advanced technology whey proteins.

Dairy Ireland

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

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 revenue 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 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 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.

Joint Ventures & Associates (Glanbia Share)

	Reported			Constant Currency
€m	FY 2016	FY 2015	Change	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

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 revenue compared to the prior year. All Joint Ventures and 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 its earnings on flat revenues. Robust demand underpinned volume growth however pricing was reduced as a result of lower market pricing.

2016 Finance review

2016 Group Income Statement

	2016			2015		
	Pre-exceptional €million	Exceptional €million	Total €million	Pre-exceptional €million	Exceptional €million	Total €million
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

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.

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.

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. 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 the 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 JV 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.

Cash flow

€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 cash flow	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 cash flow	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)	–
Cash flow 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 cash flow increased from €281.4 million to €354.4 million, representing an increase of 25.6% when the impact of currency is excluded. Free Cash flow was €311.0 million in 2016, an increase of €55.0 million, reflecting the increase in operating cash flow 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.

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.

Investing for growth

In 2016 capital expenditure amounted to €89.5 million of which €57.1 million was strategic capital expenditure 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 Glanbia acquired thinkThin for €202 million which provided an important entry point into the high protein bar sector. This business has performed well in 2016. Glanbia is also adding two businesses to its performance nutrition portfolio in early 2017. Amazing Grass and Body & Fit will provide platforms for GPN in the strategically important plant-based nutrition category and the direct to consumer channel. The combined revenue 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. The Group has also recently announced that it is in advanced discussions with three partners in the US to invest in a cheese and whey facility in the State of Michigan. Glanbia anticipates 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.

Glanbia also has 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. 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 a 60% interest in the Dairy Ireland segment net of pension obligations and excluding working capital for €112 million. One hundred per cent 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 cash flow 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 rates 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.

Shareholders 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%. 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. Five-year TSR was 257.1%.

Principal risks and uncertainties

The Board of Glanbia plc has the ultimate responsibility for the Group's systems of risk management and internal control. The Directors of Glanbia have carried out a robust assessment of the principal risks facing the Group, including those that may threaten the business model, future performance, solvency or liquidity. In 2017 the principal risks and uncertainties affecting the Group's performance continue to be:

- Economic, industry, political and tax risk:
  - Macro-economic 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 cash flow risk, price risk and credit risk is to centrally manage these risks against comprehensive policy guidelines details of which are outlined further in the 2016 Annual Report.

Financial strategy

Glanbia's financial strategy is very much aligned with its overall strategy of ensuring the Group delivers on its 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.

*Net Pension liabilities related to Dairy Ireland as at December 31 2016 on a IAS19 basis

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.

Cautionary statement

This announcement contains forward-looking statements. These statements have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements contained in this announcement, whether as a result of new information, future events, or otherwise.

On behalf of the Board

Siobhán Talbot	Mark Garvey
Group Managing Director	Group Finance Director

22 February 2017

Results webcast and dial-in details

There will be a webcast and presentation to accompany this results announcement at 8.30 a.m. BST today. Please access the webcast from the Glanbia website at http://www.glanbia.com/investors/results-centre, where the presentation can also be viewed or downloaded. In addition, a dial-in facility is available using the following numbers:

Ireland:	01 2465605
UK / International:	+44 20 3427 1925
USA:	+646 254 3387

The access code for all participants is: 4954988
A replay of the call will be available for 30 days approximately two hours after the call ends.

For further information contact

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GROUP INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		2016			2015		
	Notes	Pre–exceptional €'000	Exceptional €'000 (note 3)	Total €'000	Pre–exceptional €'000	Exceptional €'000 (note 3)	Total €'000
Revenue		2,847,892	-	2,847,892	2,774,326	-	2,774,326
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
Finance income	4	2,377	-	2,377	1,706	-	1,706
Finance costs	4	(25,178)	-	(25,178)	(22,816)	-	(22,816)
Share of results of Joint Ventures & Associates		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	5	(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				331			646
				212,155			183,917
Earnings Per Share attributable to the equity holders of the Company							
Basic Earnings Per Share (cent)	6			71.77			62.08
Diluted Earnings Per Share (cent)	6			71.53			61.87

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	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	(31,800)	20,856
Deferred tax credit/(charge) on remeasurements – defined benefit plans	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	27,039	91,102
Net investment hedge	(2,970)	(8,684)
Revaluation of available for sale financial assets	(1,310)	1,273
Net fair value movements on cashflow hedges	834	56
Net fair value movements on cashflow hedges – Joint Ventures & Associates	2,343	89
Recycle of currency reserve to the Group income statement on disposal of Interest in Joint Venture	-	5,037
Deferred tax on revaluation of available for sale financial assets	432	(420)
Deferred tax on cashflow hedges	(222)	(60)
Deferred tax on cashflow hedges – Joint Ventures & Associates	(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	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		628,245	586,190
Intangible assets		966,203	951,527
Interests in Associates		98,158	97,897
Interests in Joint Ventures		68,140	60,585
Available for sale financial assets		9,935	10,754
Trade and other receivables		14,650	1,850
Deferred tax assets		1,818	584
Retirement benefit assets		2,578	3,787
		1,789,727	1,713,174
Current assets			
Current tax assets		5,234	19,996
Inventories		366,532	344,353
Trade and other receivables		327,132	312,624
Derivative financial instruments		1,182	414
Cash and cash equivalents	8	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	9	105,393	105,370
Other reserves		331,617	306,425
Retained earnings		778,986	642,763
		1,215,996	1,054,558
Non–controlling interests		11,073	8,515
Total equity		1,227,069	1,063,073
LIABILITIES			
Non–current liabilities			
Financial liabilities	8	624,173	752,963
Derivative financial instruments		-	47
Deferred tax liabilities		158,206	165,756
Retirement benefit obligations		113,026	91,075
Provisions	10	15,558	18,984
Capital grants		3,006	2,787
		913,969	1,031,612
Current liabilities			
Trade and other payables		460,349	405,317
Current tax liabilities		54,083	38,965
Financial liabilities	8	32,240	42,169
Derivative financial instruments		1,180	902
Provisions	10	19,520	19,128
Capital grants		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 9)	Other reserves €'000	Retained earnings €'000	Total €'000	Non–controlling interests €'000	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 12)	-	-	-	-	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 9)	Other reserves €'000	Retained earnings €'000	Total €'000	Non–controlling interests €'000	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	11	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	12	(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		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		13,825	14,924
Loan advanced to Associate		(12,800)	-
Net redemption and additions in available for sale financial assets		(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	9	23	642
Purchase of own shares		(10,413)	(13,351)
(Decrease)/increase in financial liabilities		(154,501)	91,577
Finance lease payments		(315)	(507)
Dividends paid to Company shareholders	7	(37,163)	(33,895)
Dividends paid to non–controlling interests		(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	8	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		(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	8	(437,558)	(584,243)
Net debt comprises:			
Financial liabilities	8	(624,775)	(753,368)
Cash and cash equivalents net of bank overdrafts	8	187,217	169,125
	8	(437,558)	(584,243)

1. BASIS OF PREPARATION

The financial information set out in this document does not constitute full statutory Financial Statements but has been derived from the Group Financial Statements for the year ended 31 December 2016 (referred to as the 2016 Financial Statements). The Group Financial Statements are prepared under EU adopted International Financial Reporting Standards (IFRS). The 2016 Financial Statements have been audited and have received an unqualified audit report. Amounts are stated in euro thousands (€'000) unless otherwise stated. The financial information is prepared for a 52 week period ending on 31 December 2016. Comparatives are for the 52 week period ending on 2 January 2016. The balance sheets for 2016 and 2015 have been drawn up as at 31 December 2016 and 2 January 2016 respectively. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group Financial Statements.

The financial information has been prepared under the historical cost convention as modified by use of fair values for available for sale financial assets, share based payments, derivative financial instruments and retirement benefit obligations. The Group's accounting policies which will be included in the 2016 Financial Statements are broadly consistent with those as set out in the 2015 Financial Statements. The adaptation of new standards and interpretations (as set out in the 2015 Annual report) that become effective for the Group's Financial Statements for the year ended 31 December 2016 did not have any significant impact on the Group Preliminary Full Year Results Statement.

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; the presentation of current and deferred tax assets and liabilities where the offset criteria in IAS 12 'Income taxes' are met; and the offset of certain trade payables and receivables where the Group is acting as agent in the collection of receivables.

The Financial Statements were approved by the Board of Directors on 21 February 2017 and signed on its behalf by H Corbally, S Talbot, and M Garvey.

2. 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.

2.1 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.

2.1 (a) Segment earnings before interest, tax, amortisation and exceptional items are reconciled to reported profit before tax and profit after tax as follows:

	2016 €'000	2015 €'000
Total Group earnings before interest, tax, amortisation and exceptional items (EBITA)	349,758	310,693
Amortisation	(39,687)	(31,125)
Exceptional items	(17,450)	(26,342)
Joint Ventures & Associates interest, tax and amortisation	(17,026)	(13,420)
Finance income	2,377	1,706
Finance costs	(25,178)	(22,816)
Reported profit before tax	252,794	218,696
Income taxes	(40,639)	(34,779)
Reported profit after tax	212,155	183,917

2.2 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)

2.3 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

2.3 (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.

2.3 (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

2.3 (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

2.4 Entity wide disclosures

Revenue from external customers in the Glanbia Performance Nutrition, Glanbia Nutritionals and Dairy Ireland segment is outlined in section 2.1.

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).

3. 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	5	2,658	2,543
Total exceptional charge		(14,792)	(23,799)

The nature of the total exceptional charge before tax is as follows:

	2016 €'000	2015 €'000
Employee benefit expense	(10,129)	(7,416)
Defined benefit pension plan settlement loss	-	(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) Organisational 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 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.

4. FINANCE INCOME AND COSTS

		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	10	(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. 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).

5. INCOME TAXES

	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	(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.

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

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.

6. 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.

	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

7. 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.

8. NET DEBT

	2016 €'000	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	31,638	41,764
Finance lease liabilities	602	405
	32,240	42,169
Total financial liabilities	656,413	795,132
Less: Cash and cash equivalents	(218,855)	(210,889)
Net debt	437,558	584,243

Financial liabilities include the following for the purposes of the Group statement of cashflows at the reporting date:

	2016 €'000	2015 €'000
Total financial liabilities	656,413	795,132
Bank overdraft included as part of cash and cash equivalents	(31,638)	(41,764)
	624,775	753,368

Cash and cash equivalents include the following for the purpose of the Group statement of cashflows at the reporting date:

	2016 €'000	2015 €'000
Cash and cash equivalents in the Group balance sheet	(218,855)	(210,889)
Bank overdrafts used for cash management purposes	31,638	41,764
Cash and cash equivalents in the Group statement of cashflows	(187,217)	(169,125)

9. SHARE CAPITAL AND SHARE PREMIUM

	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

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.

10. 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

(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.

11. CASH GENERATED FROM OPERATIONS

	Notes	2016 €'000	2015 €'000
Profit after taxation		212,155	183,917
Income taxes		40,639	34,779
Write–down of inventories		2,473	1,981
Impairment of tangible assets		520	-
Impairment of intangible assets		479	-
Non–cash element of exceptional charge		7,051	18,299
Share of results of Joint Ventures & Associates		(27,647)	(26,270)
Depreciation		50,235	43,137
Amortisation		39,687	31,125
Cost of share based payments		7,712	8,724
Difference between pension charge and cash contributions		(5,921)	(6,027)
(Profit)/loss on disposal of property, plant and equipment		(338)	209
Insurance proceeds		1,945	-
Finance income	4	(2,377)	(1,706)
Finance expense	4	25,178	22,816
Amortisation of government grants received		(378)	(282)
Cash generated before changes in working capital		351,413	310,702
Change in net working capital:			
– (Increase)/decrease in inventory		(23,808)	18,306
– (Increase) in short term receivables		(4,327)	(12,187)
– Increase in short term liabilities		55,335	846
– Decrease in provisions		(4,310)	(9,802)
Cash generated from operating activities		374,303	307,865

12. 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 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 for the year ended 31 December 2016 was not material.

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)

At 2 January 2016 the Group held a receivable balance in relation to refund of consideration due from vendor of €1.433 million or $1.56 million and adjusted the purchase consideration accordingly. The Group received €1.4 million or $1.54 million during 2016 in relation to this balance.

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.

13. EVENTS AFTER THE REPORTING PERIOD

See note 7 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 22 February 2017, Glanbia plc together with Glanbia Co-operative Society Limited announced that they have signed a non-binding memorandum of understanding for the sale of a 60% interest in Glanbia's Dairy Ireland segment to the Society.

There were no significant events, outside the ordinary course of business other than those described in note 12 – business combinations, that affected the Group since 31 December 2016.

14. STATUTORY FINANCIAL STATEMENTS

The financial information in this preliminary announcement is not the statutory Financial Statements of the Company, a copy of which is required to be annexed to the Company's annual return filed with the Companies Registration Office. A copy of the Financial Statements in respect of the financial year ended 31 December 2016 will be annexed to the Company's annual return for 2017. The auditors of the Company have made a report, without any qualification on their audit, of the Financial Statements of the Group and Company in respect of the financial year ended 31 December 2016, which were approved by the Directors on 21 February 2017. A copy of the Financial Statements of the Group in respect of the year ended 2 January 2016 has been annexed to the Company's annual return for 2016 and filed with the Companies Registration Office.

GLOSSARY

KEY PERFORMANCE INDICATORS AND NON-IFRS PERFORMANCE MEASURES

NOT COVERED BY INDEPENDENT AUDITORS' REPORT

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.

G 3. EBITA (Group EBITA or wholly owned EBITA)

EBITA is defined as earnings before interest, tax, amortisation and exceptional items.

EBITA is one of the Group's Key Performance Indicators. 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.

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	Group income statement	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%

GLOSSARY

KEY PERFORMANCE INDICATORS AND NON-IFRS PERFORMANCE MEASURES

NOT COVERED BY INDEPENDENT AUDITORS' REPORT

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	Group income statement	305,085	271,003
Group's share of EBITA of Joint Ventures & Associates	Note 2.1/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 2.1	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

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. 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.

	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 6	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 6	482	417	417
Exceptional items (net of related tax)	Note 6	14,792	23,799	23,187
Adjusted net income		258,707	233,613	232,736
Weighted average number of ordinary shares in issue	Note 6	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. Operating cashflow on a constant currency basis is one of the performance conditions in Glanbia's Annual Incentive Plan.

Free cashflow is calculated as the net cashflow in the year before the following items: strategic capital expenditure, acquisition spend, proceeds received on disposals, 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 11	50,235	43,137
Grant amortisation	Note 11	(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

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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 11	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 11	(520)	-
Write down of inventories	Note 11	(2,473)	(1,981)
Insurance proceeds	Note 11	(1,945)	-
Impairment of intangible assets	Note 11	(479)	-
Cost of share options	Note 11	(7,712)	(8,724)
Difference between pension charge and cash contributions	Note 11	5,921	6,027
Profit/(loss) on disposal of property, plant and equipment	Note 11	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:

Pre–tax exceptional charge for year	Note 3	17,450	26,342
Non–cash element of exceptional charge	Note 11	(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 3	9,048	7,047
Total exceptional costs paid in the year		19,447	15,090

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:			
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 3	(9,048)	(7,047)
Non – operating working capital movements in year		-	(686)
Change in net working capital		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 11	7,712	8,724
Difference between pension charge and cash contributions	Note 11	(5,921)	(6,027)
(Profit)/loss on disposal of property, plant and equipment	Note 11	(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 11	520	-
Impairment of intangible assets	Note 11	479	-
Write down of inventories	Note 11	2,473	1,981
Insurance proceeds	Note 11	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 is a measure of the success of the Group's working capital management programme.

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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 8	656,413	795,132
Cash and cash equivalents	Note 8	(218,855)	(210,889)
Net debt	Note 8	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

Adjusted EBIT : net finance cost is calculated as earnings before interest and tax plus dividends received from Joint Ventures and 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 4	25,178	22,816
Finance income	Note 4	(2,377)	(1,706)
Capitalised borrowing costs	Note 4	1,479	2,400
Net finance costs		24,280	23,510
Adjusted EBIT : net finance cost		11.5	10.8

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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. ROCE is one of the performance conditions in Glanbia's Long Term Incentive Plan.

	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 6	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		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:

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:

Exclude thinkThin closing capital employed	-	(236,523)
Include time apportioned thinkThin capital employed	-	29,808
Total adjustment for acquisitions	-	(206,715)

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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 6	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	Group balance sheet	(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		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:

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. TSR is one of the performance conditions in Glanbia's Long Term Incentive Plan.