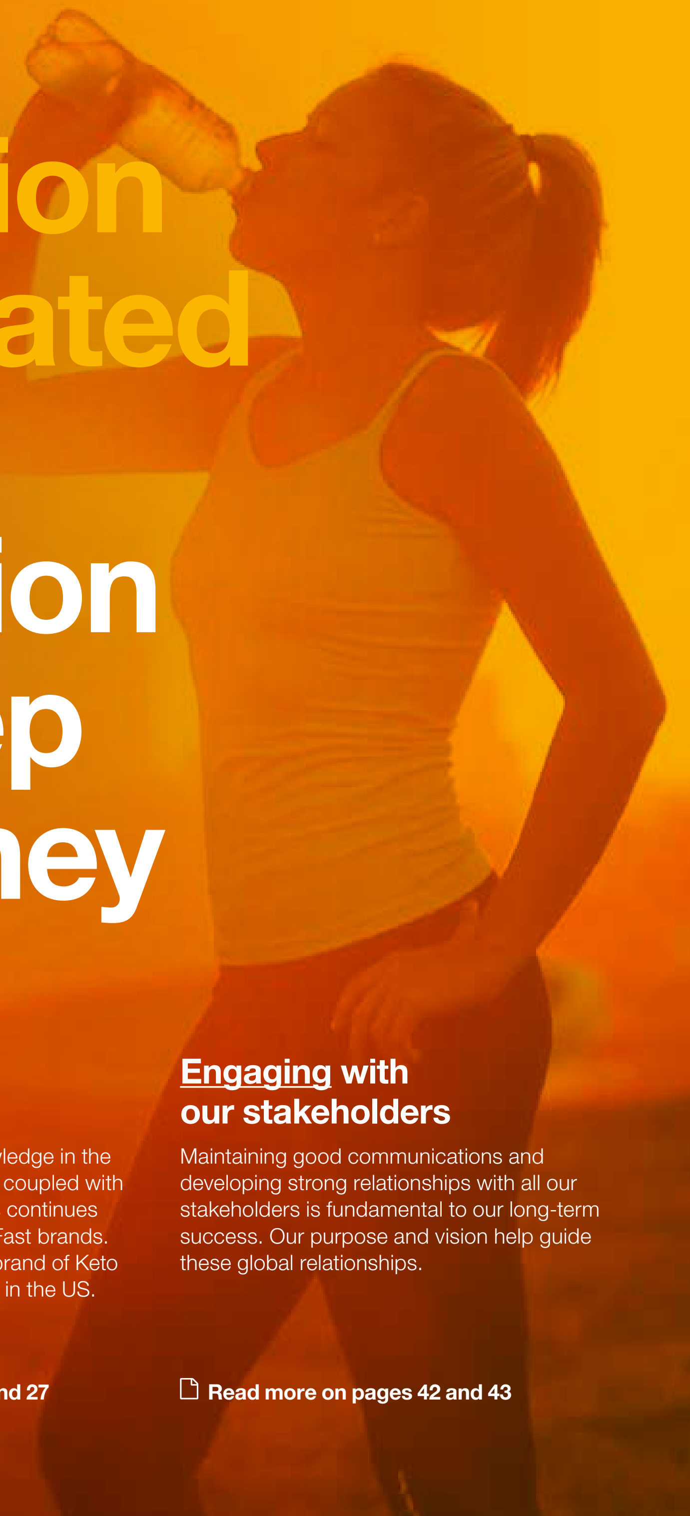
Glanbia plc
Annual Report and Financial Statements 2019

At the heart of healthy lifestyles



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

Large and growing markets

Consumers around the globe continue to search for healthier, cleaner and more convenient food, snacks and beverages that fit their active lifestyles and nutritional needs. We operate in large and growing markets and these powerful consumer trends offer strong engines of growth for the future.

Read more on pages 20 and 21

SlimFast and Innovation

Our extensive consumer knowledge in the weight management category coupled with our use of data-driven insights continues to drive innovation in our SlimFast brands. In 2019, SlimFast was the #1 brand of Keto weight management products in the US.

Read more on pages 26 and 27

Engaging with our stakeholders

Maintaining good communications and developing strong relationships with all our stakeholders is fundamental to our long-term success. Our purpose and vision help guide these global relationships.

Read more on pages 42 and 43

Highlights of 2019

> "While we had some challenges in 2019 our business is strong and we have commenced a series of initiatives that will drive growth momentum in 2020 and beyond."

Siobhán Talbot
Group Managing Director

Adjusted Earnings Per Share

88.10c
(2018: 91.01c)
-3.2%[1]
-7.7%[2]

Basic Earnings Per Share

61.04c
(2018: 79.28c)
-23.0%[1]
-26.6%[2]

Revenue

€3.9bn
(2018: €3.2bn)
+22.2%[1]
+16.6%[2]

EBITA (pre-exceptional)

€276.8m
(2018: €284.9m)
-2.8%[1]
-7.8%[2]

EBITA Margin (wholly-owned)

7.1%
(2018: 9.0%)
-190bps[1,2]

Return On Capital Employed

10.9%
(2018: 13.2%)
-230bps

OCF cash conversion

86%
(2018: 92%)
-600bps

Net debt

€614.3m
(2018: €576.7m)
+€37.6m

Sales volumes

-8.9%
(2018: +9.2%)
GPN branded like-for-like (LFL)

+7.0%
(2018: +8.5%)
Nutritional Solutions (LFL)

Profit after Tax

€180.2m
(2018: €234.0m)
-€53.8m

[1] Reported currency
[2] Constant currency

For definitions and more information on constant currency and other performance measures see the glossary on pages 200 to 208.

Forward-looking statements
Glanbia plc (the 'Group') has made forward-looking statements in this Annual Report that are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements include, but are not limited to, information concerning the Group's possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words 'believe,' 'develop,' 'ensure,' 'arrive,' 'achieve,' 'anticipate,' 'maintain,' 'grow,' 'aim,' 'deliver,' 'sustain,' 'should' or the negative of these terms or similar expressions. Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any forward-looking statements. The risk factors included at pages 56 to 59 of this Annual Report could cause the Group's results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. These forward-looking statements are made as of the date of this Annual Report. The Group expressly disclaims any obligation to update these forward-looking statements other than as required by law. The forward-looking statements in this Annual Report do not constitute reports or statements published in compliance with any of Regulations 4 to 9 and 26 of the Transparency (Directive 2004/109/EC) Regulations 2007. As an Irish incorporated group, the Strategic report does not constitute a strategic report for the purposes of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and the Remuneration Committee report does not constitute a remuneration report for the purposes of the UK Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations.

Glanbia at a glance

Who we are:

We are a global nutrition group delivering performance and lifestyle nutrition brands and an extensive portfolio of functional and nutritional ingredient solutions and customised premixes. We are the #1 US producer and marketer of American-style cheddar cheese and a partner in scale joint ventures in the EU and US.

What we do:

Through our distinctive capabilities we create world-leading performance and lifestyle nutrition brands and innovative nutritional and functional ingredients and customised premixes. Our unique consumer-insights enable us to anticipate and respond to rapidly changing marketplaces.

Glanbia Performance Nutrition

Glanbia Performance Nutrition (GPN) is a global leader in the performance and lifestyle nutrition business. GPN has a portfolio of nine brands ranging in appeal from consumers looking to improve their athletic performance to those seeking on-the-go snacks and beverages to support weight management and a healthy lifestyle.

Read more on page 22

Glanbia Nutritionals

Glanbia Nutritionals (GN) comprises: Nutritional Solutions (NS) and US Cheese. Through its extensive portfolio of ingredients and capabilities, NS is a global provider of both dairy and non-dairy nutritional and functional solutions and customised premixes. In an innovative model with US dairy partners, US Cheese is the #1 producer and marketer of American-style cheddar cheese.

Read more on page 28

Joint ventures

Glanbia Ireland is the largest Irish-based integrated dairy nutrition and agri-food business. Southwest Cheese and MWC are US-based cheese and whey manufacturing businesses with an existing plant in New Mexico and a plant under construction in Michigan. Glanbia Cheese UK is the largest mozzarella cheese manufacturer in Europe. Glanbia Cheese EU is constructing a new mozzarella cheese plant in Ireland.

Read more on page 34

#1

Global performance nutrition brand portfolio

Weight management brand in the UK

Producer of American-style cheddar cheese

Engagement score

72% **engagement**

Our recent employee engagement survey confirmed a culture of positive engagement and inclusiveness.

People

7,385 **people**

Our people are our most important asset. We are proud of our ability to attract, retain and develop the best people.

Brands

9 **GPN brands**

GPN has a portfolio of nine performance nutrition and lifestyle brands.

Global reach

29 **production facilities**

We have 29 production facilities worldwide with two more under construction.

Where we do business

Our ambition is to be one of the world's top performing nutrition companies trusted to enrich lives every day. We have a direct presence in 34 countries worldwide. Our branded performance and lifestyle nutrition products are sold in more than 100 countries and our ingredient and premix customers produce some of the world's iconic food and drink brands.

Investment case

Our business has core strength and resilience

We are focused on implementing key strategic initiatives to return the business to growth. We are investing in maintaining a strong business that will deliver consistent and sustained value for all our stakeholders.

Powerful consumer trends

We operate in attractive markets which provide significant opportunity for growth. Global health and wellness trends coupled with a growing desire for convenient Ready-to-Eat and Ready-to-Drink foods underpin an increasing demand for our performance nutrition and lifestyle brands, and our nutritional and functional ingredient solutions.

Strong brands and market positions

Our flagship sports nutrition brand, Optimum Nutrition is the #1 performance nutrition brand worldwide. SlimFast is the #1 brand in the weight management category in the UK and #2 in the US. We are the #1 US producer of American-style cheddar cheese and high-protein whey, and the #2 producer of global micronutrient premixes.

Sustainable business model

Through our consumer-focused innovation, long-term partnerships, and talented team we add value to our pool of raw ingredients and deliver a portfolio of higher-margin nutritional and functional ingredients, and branded performance nutrition and lifestyle brands.

Strong balance sheet

Our strong conversion of earnings to cash enables the Group sustain a progressive dividend policy. We have strong financing metrics and considerable financial firepower and flexibility to fund strategic capital expenditure and acquisitions.

Ambition for future growth

Our focus for 2020 is to regain momentum in GPN. Our growth strategy will continue to be a blend of organic growth and strategic acquisition opportunities, which we will continue to evaluate as they arise.

Group Chairman's Statement

Dear Shareholder

Overall, 2019 was a difficult year for the Group. Challenging sector dynamics in certain international markets impacted the performance of our Glanbia Performance Nutrition (GPN) business, however Glanbia Nutritionals (GN) and our joint ventures (JVs) delivered a very good performance for the year. Both recent acquisitions SlimFast and Watson exceeded our ambitions in their first year as part of the Glanbia family.

Performance

Group revenue was €3.9 billion, up 16.6% constant currency. EBITA before exceptional items decreased by 7.8% constant currency to €276.8 million. The decline in EBITA was driven by GPN as challenges in some key markets throughout 2019 resulted in lower volumes and earnings. Profit after tax was €180.2 million (2018: €234.0 million). Adjusted Earnings per Share (EPS) was 88.10 cent in line with our guidance of 88-92 cent. Basic EPS was 61.04 cent. The Group retained a strong balance sheet over the course of the year. Return on Capital Employed (ROCE), a key metric for the Group, was within our guidance range of 10% to 13% at 10.9%, down from 13.2% in 2018. This reflects increased capital employed in our strategic investments. The strong operating cash flow conversion continued at 86%, (2018: 92%) with net debt at the year-end of €614.3 million.

Return to Shareholders

While GN and our JVs performed very well, the challenges in GPN led to a significant share price drop in the second half of the year. As a Board we are, of course, disappointed with the share price performance during 2019. However, the fundamental strength of the organisation remains intact. Our focus is to recover growth momentum and the Board has devoted considerable time to reviewing, with management, the 2019 challenges and the necessary initiatives required to regain momentum.

Dividends and proposed share buyback

Testament to the strength of our balance sheet and in line with our progressive dividend policy, the Board is recommending a 10% increase in the 2019 full year dividend to 26.62 cent. This total dividend represents a return of €78.6 million to shareholders from 2019 earnings and a payout of 30.2% of 2019 adjusted earnings per share.

A proposed 2019 final dividend of 15.94 cent per share is to be to be paid on 24 April 2020 to shareholders on the register as at the close of business on 13 March 2020. The Group intends to maintain a dividend payout ratio of between 25%-35%.

The Board of Glanbia will seek shareholder authorisation for a share buyback programme at the Annual General Meeting (AGM). The Board believes that it is important that the Company would have the flexibility to return value to shareholders in this manner.

Strategy

We have a strong portfolio across branded performance and lifestyle nutrition and dairy and non-dairy nutritional and functional ingredient solutions playing into key consumer trends. Responding to the 2019 challenges in GPN the team has taken the opportunity to reassess GPN's strategic priorities to regain growth momentum. As outlined by Siobhán on pages 8-10 our core ambition is to regain topline growth in 2020 and drive both topline and margin growth to 2022 through a simplification and decomplexing of the GPN business and a ruthless focus on our core brands. We will also focus on organisational change across the Group, and continue to invest to drive future growth in GN and our JVs.

> **"Post the 2019 challenges, our focus is to recover growth momentum. While our long-term growth opportunities are significant, our immediate focus is on improved operating performance so that we have a sound and credible platform for future investment and growth."**

Martin Keane

Martin Keane
Group Chairman

Our recent acquisitions performed very well in 2019. SlimFast delivered an excellent performance with pro-forma like-for-like revenues up 32.4% versus its full year 2018 revenues. SlimFast is now the number 1 weight management product in the UK and the number 2 weight management product in the US. GN delivered strong revenue growth for the year especially in its Nutritional Solutions (NS) business. The acquisition of Watson in February 2019 is proving to be an excellent addition to the NS component of GN's business. Our JVs performed well and delivered a very good performance in 2019.

Board composition

Later in the annual report, I detail our governance activities for the year. The Board exercises its governance responsibilities with diligence, but also with a clarity of purpose to support the management team, to drive growth momentum and drive value for all our stakeholders. Board composition and renewal continues to be an important area of focus for the Group. Our aim is to achieve a Board with broad-based skills that reflect a diverse range of education, cultures, gender, experience, expertise and perspectives.

During the year, we welcomed three new colleagues to the Board, John Daly, Richard Laube and Mary Minnick whose biographies are on page 63. All three are highly experienced board directors and business leaders who have successfully operated at senior management levels internationally.

Paul Haran retired as Non-Executive Director on 1 May 2019. I would like to express my deep gratitude to Paul for his valued contribution and wise counsel over his tenure. Richard Laube has recently indicated that for family and personal reasons, he is no longer in a position to remain on the Board and he will retire on 28 February 2020. In addition, Non-Executive Directors Jer Doheny and Eamon Power, nominated to the Board by Glanbia Co-operative Society Limited ('the Society'), will retire from the Board at the forthcoming AGM on 22 April 2020. On behalf of the Board, I would like to thank Richard, Jer and Eamon for their service and commitment to Glanbia. We wish them every success for the future. A process to identify a new Independent Non-Executive Director has commenced.

In accordance with the Relationship Agreement between Glanbia plc and the Society, in 2020 the number of directors nominated by the Society will reduce from eight to seven and in 2022 to six.

Also in accordance with the Relationship Agreement a process to identify my successor as Chairperson has commenced. A sub-committee of the Board, led by Dan O'Connor, Senior Independent Director, has been established. External advisors have been appointed to assist the sub-committee in the selection process.

Annual General Meeting

We remain proactive in our engagement and look forward to answering your questions at our AGM which will be held on 22 April 2020 in the Lyrath Estate Hotel, Lyrath, R95 F685, Kilkenny, Ireland.

Our people

The importance of organisational culture continues to be the focus of our governance thinking. We believe that a positive, open and honest culture is a trademark of our Group and vital to our future success. The Board is cognisant of its role in supporting employee welfare and in seeking evidence that the right culture is being fostered. By its nature this tends to be informal, but the results of our recent employee engagement survey confirmed our views that a progressive, dynamic and inclusive culture exists within Glanbia. The employee engagement survey showed strong positive responses in terms of the values the Group espouses and our employees' buy-in to these values. We have a long tradition of attracting ambitious, enthusiastic and committed people who have come together with a shared goal, to deliver better nutrition for every step of life's journey. We recognise the dedication and hard work of our people throughout the Group and I would like to thank in particular our Group Managing Director Siobhán and all her team for their commitment and dedication in 2019.

Looking ahead

We now look forward to 2020. Our strategy remains aligned to market growth opportunities. We have reassessed and refocused our GPN strategy and remain confident in its delivery. While our long-term growth opportunities are significant, our immediate focus is on improved operating performance so that we have a sound and credible platform for future investment and growth.

Martin Keane

Martin Keane
Group Chairman

Our purpose and culture

We have a strong culture at Glanbia which remains true to our values and the behaviours which underpin them. A healthy culture both protects and generates value. As a Board, we are mindful that society is demanding that companies, both public and private, serve a social purpose. We are proud of the Group's purpose to deliver better nutrition for every step of life's journey. Companies must benefit all their stakeholders, including shareholders, employees, customers, suppliers and the communities in which they operate. Without a sense of purpose, no company can achieve its full potential.

We recognise that the 2018 Corporate Governance Code will be effective for the Group's 2020 Report, and in line with this we are working to articulate more explicitly and holistically our purpose and values and how they relate to all our stakeholders. We strive to ensure we have meaningful two-way dialogue with all our stakeholders.

For more information on Board and stakeholder engagement see page 67.

Group Managing Director's Review

Dear Shareholder

In 2019, we did not achieve our earnings growth ambition. While many areas of the organisation performed well, we had some significant challenges in certain international markets for our GPN business that impacted the Group's overall performance for the year. However, we are highly focused on regaining our growth momentum in 2020.

The fundamentals of Glanbia are strong. Our performance nutrition, weight management and functional dairy and non-dairy ingredients are positioned in attractive end markets forecast to grow annually at mid-single-digit percentage growth rates. Global macro trends around health and wellness as well as active lifestyles continue to drive significant consumer demand in these categories. Our strategy is to capture this growth via our two platforms of Glanbia Performance Nutrition (GPN) and Glanbia Nutritionals (GN).

2019 financial performance

We delivered strong revenue growth with wholly-owned revenue increasing by 16.6% constant currency, to €3.9 billion. The drivers of revenue growth included a 6.6% increase in pricing and 9.9% contribution from acquisitions with overall volume broadly in line with 2018. Price and volume growth were driven by a good performance from GN with the acquisitions of Watson and SlimFast also performing well in 2019.

Wholly-owned EBITA (pre-exceptional) was €276.8 million, a 7.8% decline, constant currency, and EBITA margin was 7.1%, 190 bps lower than 2018. EBITA decline was driven by GPN which, as previously noted, encountered challenges in specific international markets as well as lower sales in the North American Specialty and Club channels resulting in lower volumes and negative operating leverage. This decline was partially offset by a 10.5% increase, constant currency, in pre-exceptional EBITA in GN driven by volume growth, price increases and the Watson acquisition.

Glanbia's share of JVs' profit after tax increased by €3.3 million to €48.6 million in 2019 primarily as a result of good growth in volume in all JVs.

Exceptional items of €34.6 million, after tax, primarily relate to the GPN segment as well as Brexit mitigation costs and acquisition integration costs in 2019. There were no exceptional items in 2018.

Total Group profit after tax and exceptional items was €180.2 million. Total Group profit (pre-exceptional) was €214.8 million for 2019 down from €234.0 million in 2018.

As a result of lower Group profit, adjusted earnings per share was 88.10 cent which was 7.7% lower, constant currency, than 2018 but within the previously issued guidance range. Basic earnings per share was 61.04 cent, a 26.6% decrease constant currency on prior year, reflecting lower Group profit and exceptional charges in the year.

"While we did not achieve our 2019 earnings growth ambitions, we have conducted a comprehensive review of our GPN business and are taking actions to simplify the operating model and brand strategy. We are highly focused on regaining growth momentum in 2020."

Siobhán Talbot
Group Managing Director

2020 key strategic focus areas

In light of the significant performance issues in GPN in 2019 a comprehensive review of this business's brand strategy, route-to-market and operating model took place in the second half of 2019. GPN will now be managed through the commercial lens of North America Performance Nutrition, North America Lifestyle, International and Direct-to-Consumer businesses. GPN has invested in new senior talent to enhance capabilities and enable growth in each of these businesses.

In North America, GPN has two distinct brand portfolios in the performance nutrition and lifestyle categories. Consumer motivations, market segments and reach differ for each portfolio with both having the scale to benefit from focused resources to drive growth.

In International markets, GPN is reshaping primarily around the Optimum Nutrition ("ON") brand in the performance nutrition category and the Body & Fit direct-to-consumer online platform in Europe which also enhances GPN's digital capability globally.

Our key strategic focus areas for 2020 are clear:

1. **Regain growth momentum in our core GPN branded business;**

2. **Continue organisational change programmes in GPN and Group-wide to deliver margin improvement by 2022; and**

3. **Execute our planned strategy in GN and the joint ventures, prioritising the continued evolution of GN's Nutritional Solutions through both organic growth and acquisitions.**

1. Regain growth momentum in GPN

Branded revenue growth in GPN will be achieved through prioritisation of (i) the ON brand within the performance nutrition category globally. This brand, which had Global sales of $655 million in 2019 is the largest brand in the GPN portfolio and makes up the majority of sales in the North America Performance Nutrition and International businesses; (ii) SlimFast with the majority of its sales within the North America Lifestyle portfolio, and some sales in the UK, was acquired in November 2018. SlimFast grew strongly in 2019 to revenue of $325 million and anchors the North America Lifestyle portfolio; (iii) The Body & Fit direct-to-consumer platform is the key path to growth in the online channel in Europe, as well as providing digital capability which can be leveraged on a global basis.

2. Organisational change

Complementary to the revenue growth initiatives undertaken in GPN, we have established a Group-wide project to drive margin growth to 2022. This project encompasses a series of initiatives both in GPN and across the Group.

GPN margins will be improved via the following initiatives:
1. Simplification and exit of low margin business. This is being achieved via SKU rationalisation of the lowest performing products, which has already commenced, and will have a minimal impact on net sales. GPN will also exit the majority of the US contract manufacturing business during the second half of 2020 and 2021;
2. Supply chain optimisation globally encompassing a review of the mix of owned and contract manufacturing; and
3. Refined approach to innovation to focus on higher margin opportunities across the branded portfolio.

It is expected that this project will both fund investment in building GPN brands and contribute to EBITA margin progression with a target of over 200 basis point improvement in GPN EBITA margin by 2022.

GPN's key initiatives are further outlined in the table below.

At a Group level, Glanbia has commenced a review of the current operating model across GPN and GN to identify opportunities to further leverage Glanbia's scale.

Area	Key GPN initiatives
Brand	• Prioritise focus and investment in Optimum Nutrition and SlimFast brands • Streamline the product portfolio; eliminate 35% of stock keeping units (SKUs) while limiting revenue loss • Exit the majority of US contract business • Refine GPN's approach to innovation to focus on higher margin opportunities • Optimise investment and margin across the total brand portfolio
Route-to-Market	• Improve routes-to-market in India, Brazil and Middle East, redefining partner relationships as needed • Continue investment in building Direct-to-Consumer capability in the EU and eCommerce capability globally • Decomplex and optimise our supply chain foot print globally to a mix of owned and contract manufacturing operations
Resources	• In the US, leverage our reorganised commercial operating models around performance nutrition and lifestyle • In international markets, reshape the organisation to focus on the ON brand and invest in resources across key markets to leverage growth potential.

Group Managing Director's Review continued

3. Continued strategic execution in Glanbia Nutritionals and joint ventures

Glanbia Nutritionals (GN)

GN is a global player providing dairy and non-dairy functional and nutritional ingredient solutions to regional and global customers across a wide variety of sectors. Overall, GN delivered a very good performance in 2019. Specifically, we had a strong performance from Nutritional Solutions (NS) with revenues growing 23.4% constant currency. Like-for-like volume growth was 7.0%, with good growth across both our dairy and non-dairy value-add ingredients.

The Watson acquisition, which was completed in February 2019, added revenue growth of 12.6% to NS. This business has proven to be an excellent addition to NS. Its facilities are highly complementary to the GN footprint and further strengthen NS's capabilities, enhancing our ability to create superior customised precision premix solutions that address our customers' complex formulation and application requirements.

The NS strategy is to leverage its core position as a supplier of choice to customers seeking ingredients and solutions in premix and healthy snacking segments. NS will achieve this via its innovation capabilities and build-out of complementary portfolios. NS has a diverse product portfolio and supports a range of ingredients and solutions in ready-to-eat, value-added beverages and powder based formats in a number of categories.

NS also continues to further expand its reach in international markets where it partners with key brand owners and delivers a suite of products from straight ingredients to full consumer-ready solutions. We remain very ambitious for growth within NS and we continue to evaluate further acquisition opportunities to achieve this growth.

US Cheese and joint ventures

Our primary dairy activities encompass our US Cheese and joint venture operations.

Our wholly-owned US Cheese business within GN grew revenue by 18.5% constant currency in 2019 and continues to be the leading producer and marketer of American-style cheddar cheese in the US. GN's US Cheese team continues to operate all of the dairy processing plants within GN including the Southwest Cheese joint venture, which produces cheese and whey ingredients. Our new joint venture project in Michigan is at an advanced stage of construction and is expected to be commissioned by 2021.

Our other joint ventures in Europe, Glanbia Ireland and Glanbia Cheese UK had a good performance in 2019 delivering strong operational performance and volume growth. The growth strategy for both these joint ventures is clear and underpinned by volume growth ambitions. Our business models across the joint ventures are robust, facilitating strategic investment which is financed on a non-recourse basis to the Group.

Our people

As an organisation, Glanbia has a unique set of values that drive our culture and influence how we operate on a daily basis. We enjoy good engagement with our employees as our recent employee engagement survey has shown. While this has been a difficult year for the Group, we have experienced remarkable commitment and dedication from all our people across the organisation. I take this opportunity to thank each of them for their valued contribution in 2019.

Strategic targets and 2020 outlook

A number of Glanbia's financial metrics as outlined at its capital markets day in 2018 remain unchanged. Adjusted earnings per share in 2020 is expected to be broadly in line with prior year on a constant currency basis and Glanbia is targeting an average growth rate of 5% to 10% constant currency in adjusted earnings per share for the three years to 2022.

We expect GPN to deliver branded revenue, margin and EBITA progression in 2020 versus prior year. In GN, Nutritional Solutions continued revenue momentum is expected to be offset by margin headwinds. Joint Venture performance year-on-year is expected to decline largely due to commissioning costs of new joint venture capital projects.

In considering capital allocation priorities, the Board considered a share buyback programme and will seek shareholder authorisation at the Annual General Meeting on 22 April 2020.

Our business will not be immune to international disruption and we have factored into Quarter 1, the expected impact of the coronavirus. However, the depth and breadth of our portfolio, as well as the commitment and focus of our people, give us confidence in our resilience as we navigate 2020. Our balance sheet is strong and our financial discipline will continue to drive strong cash conversion and return on investment metrics. While we are ambitious for further acquisition activity in our GN Nutritional Solutions business it is not a current priority for GPN as we focus on regaining organic growth momentum.

We remain very ambitious for Glanbia and focused on regaining growth momentum. We have met the challenges in GPN in 2019 and during 2020 we will complete the reset of the business that will underpin future revenue growth and margin momentum.

Siobhán Talbot

Siobhán Talbot
Group Managing Director

Our Strategy

Our 2022 Ambition

Delivered through organic and acquisition enabled growth

Financial metrics for 3 year ambition

Total Group Revenue[1]	Average adjusted EPS Growth	OCF Conversion	Return On Capital Employed	Dividend Payout Ratio
€6bn	5%-10%	80%+	10%-13%	25%-35%

Our 2020 key strategic focus areas

Regain momentum in our GPN branded business

Focus on brand investment in ON and SlimFast.

Fix routes-to-market in key international markets.

Evolve operating model and invest as required to fuel growth.

Accelerate Body & Fit eCommerce platform and digital capabilities.

Continue Group and GPN organisational change plan

Leverage group scale and operating model.

Focus on efficiency and cost reduction.

Develop and retain talent.

Further progress strategic execution in GN and Joint Ventures

Focus on NS organic and M&A growth opportunities.

Evolve NS portfolio capabilities.

Progress new JV dairy facilities in the EU and US.

Strategic priorities to achieve 2020 – 2022 growth ambitions

Address 2019 challenges & grow our global leadership positions in performance and lifestyle nutrition

Read more on page 12

Sustain current, and drive further, market leadership positions in nutritional ingredients

Read more on page 13

Grow through organic investment programme and acquire complementary businesses

Read more on page 14

Develop talent, culture and values in line with our global growth ambition

Read more on page 15

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1 Including share of revenue in joint ventures.

Our Strategy continued

Strategic priority #1

Address 2019 challenges and grow our global leadership in performance and lifestyle nutrition

2019 progress in GPN

- Recognised challenges in certain international markets and commenced project to simplify and decomplex the business;
- Reorganised US operating model into Performance Nutrition and Lifestyle portfolios;
- Navigated channel shift in Performance Nutrition in US driving mid-single-digit growth of overall ON consumption;
- Delivered very strong double-digit SlimFast consumption levels as a result of innovation;
- Continued to develop consumer engagement and digital capabilities with execution of D2C strategy; and
- Rebranded think! business and delivered turnaround initiatives.

Looking Forward

- Continue to rollout strategic initiatives to fund brand investment and drive future EBITA margin progression;
- Through higher consumer engagement, capture full scale potential of ON as a global flagship brand;
- Continue growth in SlimFast through further innovation achieving full portfolio potential;
- Recapture growth in international markets with a more focused approach on high growth potential markets leveraging the eCommerce channel;
- Continue to support our regional specialty brands in Lifestyle and Performance Nutrition; and
- Hire and develop the best people.

Key Performance Indicators

Adjusted Earnings Per Share

88.10c (2018: 91.01c)
-7.7% constant currency

GPN Revenue

€1.4bn (2018: €1.2bn)
+11% cc

GPN EBITA (pre-exceptional)

€146.4m (2018: €173.1m)
-19.6% cc

LFL branded revenue volume growth

-8.9% (2018: +9.2%)

Key risks

- A lack of robust market data in certain international markets;
- An accelerated deterioration in economic growth or consumer confidence;
- An increase in international trade volatility (tariffs);
- Competitor activity or a rapid change in consumer behaviour; and
- The inability to manage disruption from the spread of the coronavirus with resultant people management, supply chain and other issues.

Link to remuneration

- Adjusted earnings per share is a performance target in both annual incentive and LTIP for Executive Directors;
- Business segment EBITA forms part of the annual incentive and LTIP for the CEO of GPN; and
- GPN LFL branded revenue growth forms part of the annual incentive of the CEO of GPN.

Strategic priority #2

Sustain current, and drive further, market leadership positions in nutritional ingredients

2019 progress

- Good GN performance with strong revenue and EBITA growth;
- Deepened our relationships with key customers as a partner of choice for a comprehensive range of dairy, plant-based, healthy snacking and premix solutions, across a broad range of categories;
- Informed by market, customer and consumer insights, continued to innovate across all product platforms;
- Acquired Watson, a value-added non-dairy solutions business to complement the NS component of GN's business; and
- Progressed a new Dairy JV in Michigan, US, which is on track for commissioning in 2021. When commissioned all output will be commercialised by GN.

Looking forward

Nutritional Solutions

- Build on core strength in premix and healthy snacking solutions;
- Continue to build strong positions in US and progress in building out our core capabilities in Europe and ASPAC; and
- Develop and expand into adjacent ingredient solutions to enhance our offering and relevance to customers.

Cheese

- Deepen our strategic relationships with customers and suppliers through innovative partnership models; and
- Continue market-leading innovation and develop export markets.

Key Performance Indicators

Adjusted Earnings Per Share

88.10c (2018: 91.01c)
-7.7% constant currency

GN Revenue

€2.5bn (2018: €2.0bn)
+19.9% cc

GN EBITA (pre-exceptional)

€130.4m (2018: €111.8m)
+10.5% cc

NS LFL revenue volume growth

+7.0% (2018: +8.5%)

Key risks

- A failure to match our approach to innovation and internal capabilities to key consumer insights;
- The loss or significant deterioration in commercial terms with one of our key customers;
- An increase in international trade volatility (tariffs) and dairy market headwinds; and
- The inability to manage disruption from the spread of the coronavirus with resultant people management, supply chain and other issues.

Link to remuneration

- Adjusted earnings per share is a performance target in both annual incentive and LTIP for Executive Directors;
- Business segment EBITA forms part of the annual incentive and LTIP for the CEO of GN; and
- NS LFL revenue volume growth forms part of the annual incentive of the CEO of GN.

Our Strategy continued

Strategic priority #3

Grow through organic investment programme and acquire complementary businesses

2019 progress

- Successfully integrated the SlimFast brand into GPN's lifestyle portfolio;
- Acquired Watson, a value-added non-dairy solutions business to complement the NS component of GN's business; and
- Progressed construction of joint venture capital projects in Michigan, US (US$470 million) and in Portlaoise, Ireland (€130 million); and
- Completed capital spend of €76.3 million.

Looking forward

- Focus on acquisition opportunities that enhance the portfolio and capabilities of GN NS; and
- Working with our joint venture partners, continue the development of JV projects in the US and Ireland.

Key Performance Indicators

Adjusted Earnings Per Share

88.10c (2018: 91.01c)
-7.7% constant currency

ROCE

10.9% (2018: 13.2%)
-230bps

OCF Conversion

86% (2018: 92%)

Total Shareholder Return (TSR)

-36.7% (2018: +11.4%)

Key risks

- The anticipated benefits of acquisitions may not be achieved if the Group fails to conduct effective due diligence or properly integrate the acquired businesses;
- Adopting business strategies that fail to adequately recognise disruptive trends; and
- Below expected performance of acquired businesses may result in the diversion of management attention and impact our growth objectives.

Link to remuneration

- Adjusted earnings per share is a performance target in both annual incentive and LTIP for Executive Directors;
- OCF conversion is a performance target in the annual incentive for Executive Directors and the Operating Executive; and
- ROCE and TSR are performance targets in the LTIP for Executive Directors and the Operating Executive.

Strategic priority #4

Develop talent, culture and values in line with our global growth ambition

2019 progress

- Continued to embed our employee-focused purpose, vision and values across all levels of the Group;
- Commenced a multi-year HR transformation programme;
- Completed a comprehensive organisation and people review, to inform talent bench strength and succession planning;
- Reviewed the Glanbia graduate programme and developed an early careers framework to meet the changing needs of our organisation;
- Established Diversity & Inclusion (D&I) Strategy Working Group;
- Accelerated talent and leadership development programmes across the organisation with continued rollout of a new suite of leadership development programmes for all management levels; and
- Prepared for our global employee engagement survey.

Looking forward

- Enhance culture and engagement based on learnings from our global employee engagement survey;
- Deliver phase one of the multi-year HR transformation programme looking at operating model, service delivery and technology;
- Continue to focus on talent, succession and leadership development across the Group;
- Rollout a new global early career talent framework aligned to the diverse needs of our global organisation;
- Continue to invest in hiring new capabilities and skills to underpin growth ambitions;
- Develop Diversity & Inclusion strategy, align its goals with the overall business strategy and improve gender diversity at senior levels in the organisation; and
- Sustain focus on values and behaviours across the Group.

Key Performance Indicators

Employee Engagement Score

72%

the percentage of employees who are highly engaged through their work in Glanbia

Glanbia Risk Management System

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

Key risks

- A failure to embrace the diversity of our people or invest in developing them will impact employee retention; and
- Strong economic performance in our key markets has increased talent retention risks.

Link to remuneration

- Development of talent is a personal objective of Executive Directors and the Operating Executive.

Business Model

Our business model enables us to create world-leading performance and lifestyle nutrition brands and innovative nutritional and functional ingredients. We operate through both wholly-owned businesses and joint ventures.

Driven by

Our purpose

To deliver better nutrition for every step of life's journey.

Our values

The customers' champion

Performance matters

Showing respect

Find a better way

Winning together

Impacted by

Key market trends

The global healthy nutrition market

Read more on pages 20-21

Our assets & resources

- Capital deployment
- Financial control
- Quality risk management
- Supply chain
- People & relationships

The views of our stakeholders

Understanding key issues through effective engagement.

Read more on pages 42-43

Glanbia Culture

- Hard-working and adaptable
- Passion for delivering better nutrition
- Curious and innovative
- Respectful and inclusive
- Collaborative and supportive

How we add value

Our core capabilities

Brand power
Our brands occupy leading positions in the performance and lifestyle nutrition markets with an unrivalled product offering and key channel and category leadership. As an ingredient supplier in the B2B arena, the Glanbia brand stands for quality, integrity, innovation and sustainability.

Portfolio management
Glanbia has a strong track record of efficient capital allocation and portfolio management. Our use of a variety of structures including joint ventures supports financial discipline and strong returns of capital, critical to sustainable long-term growth both organically and by acquisition.

Operational excellence
Operational excellence enables us to manufacture products that meet customer and consumer food safety and high-quality standards as a trusted partner to key global customers.

Science-backed innovation
Innovation is critical to our success, and that of our customers. We focus on market-led and technology-driven innovation, to move up the ingredients value chain and deliver well researched patented ingredients and branded products.

Driven through four clear strategic priorities

Address 2019 challenges and grow leadership positions in performance and lifestyle nutrition

Sustain current, and drive further, market leadership positions in nutritional ingredients

Grow through organic investment programme and acquisition/partnership with complementary businesses

Develop talent, culture and values in line with our global growth ambition

Our sustainability strategy

To advance our purpose and vision through an integrated and phased sustainability programme, which will strengthen our businesses for the future.

Read more on pages 44-51

Outputs

Glanbia Performance Nutrition

Leading portfolios of consumer brands in performance and lifestyle nutrition.

Glanbia Nutritionals

Provider of dairy and non-dairy based ingredients and nutritional solutions to the food and beverage industry.

Primary Dairy

Robust business models with attractive, scalable platforms providing dairy products in Europe & US.

Outcomes

Committed people

7,385

We attract and retain talented employees through management training and development programmes aligned with our purpose, vision and values.

Read more on pages 44-46

Thriving communities

€1.6m

Through community giving initiatives, sponsorships, employee fundraising and corporate donations we contributed over €1.6 million to our thriving global and local communities and charities.

Read more on pages 47

Revenue

€3.9bn

Our core strengths are our world-leading branded products and ingredient solutions portfolios, admired by consumers and our customers. In 2019 revenue grew by 16.6% constant currency to €3.9bn.

Read more on pages 22-35

Dividend payout

30.2%

We have a progressive dividend policy with a dividend payout ratio of between 25% and 35% of adjusted Earnings Per Share. The dividend payout ratio for 2019 was 30.2%.

Read more on pages 36-41

Key performance indicators

Revenue

€3.9bn (2018: €3.2bn[1])

+16.6% cc

Strategic relevance

Revenue growth is a key indicator of how the Group is succeeding in developing through investment in organic growth and the ongoing acquisition programme.

In addition to overall revenue for the Group there are a number of key components of Group revenue (price, volume and acquisition) which are actively monitored to provide greater insight into markets, opportunities and performance of Business Units.

Performance

In 2019, revenue was €3.9 billion (2018: €3.2 billion), up 22.2% on a reported basis and up 16.6% constant currency on 2018. Revenue growth was driven by pricing growth of 6.6% and acquisitions of 9.9%. Sales volumes were broadly flat, as volume growth in GN was offset by volume declines in GPN.

Revenue volume growth[2]

+0.1% (2018: +6.7%)

GPN -8.9% (2018: +9.2%)

LFL branded revenue growth

NS +7.0% (2018: + 8.5%)

Strategic relevance

Revenue volume growth is an important metric for the Group as it represents the underlying growth in sales to customers excluding any impact of price. Volume is further broken down by the Business Units to understand the brand growth within GPN and the components of volume growth in Nutritional Solutions within GN.

Performance

Overall volumes were broadly flat in the year. The key volume growth metrics were a LFL branded volume decline in GPN of -8.9% and volume growth within the NS division of the GN segment of +7.0% LFL. The decline in GPN volumes related mainly to the challenging environment in some non-US markets.

EBITA[3] (pre-exceptional)

€276.8m (2018: €284.9m)

-7.8% cc

Strategic relevance

Earnings Before Interest, Tax and Amortisation (EBITA), pre-exceptional items, is the key performance measure of the wholly-owned segments within the Group. The exclusion of amortisation aids comparability between our segments.

EBITA margin is a key metric to ensure that growth is being driven in a responsible manner by maintaining margins within an acceptable range. The strategy for the Group is to focus on higher growth, higher margin products within GPN and GN.

Performance

EBITA was €276.8 million in 2019, down 2.8%reported and down 7.8% on a constant currency basis. GN had EBITA growth of 10.5% constant currency with EBITA margins down 40bps versus 2018. GPN's EBITA declined by -19.6% constant currency versus 2018, while EBITA margins were down 410bps.

Profit after Tax

€180.2m (2018: €234.0m)

Strategic relevance

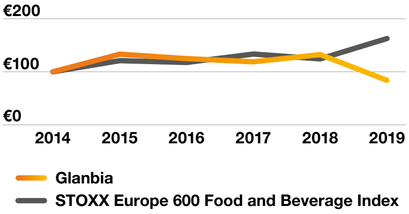
Profit after tax is the profit attributable to the equity shareholders of the Company and is a measure of the profit retained by the Group for the year, post-tax and post-exceptional items.

Performance

Profit after tax for 2019 was €180.2 million compared to €234.0 million in 2018, a decrease of €53.8 million, due to lower underlying EBITA in the year and higher amortisation and exceptional charges.

Total Shareholder Return[4]

-36.7% (2018: +11.4%)



Strategic relevance

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

Performance

Glanbia's TSR was negative 36.7% in 2019. The STOXX Europe 600 Food and Beverage Index (F&B Index), which is a key benchmark for remuneration purposes, increased by 30.9% in the year. Glanbia's TSR over the three-year period of 2017 to 2019 was a negative 32.9% versus the F&B index of +38.4% and over the five-year period of 2015 to 2019 was negative 16.1% versus the F&B Index of +62.8%. Glanbia's share price at the end of the financial year was €10.16 (2018: €16.35).

Adjusted Earnings Per Share[2,4]

88.10c (2018: 91.01c)

-7.7% cc

Strategic relevance

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

Performance

Adjusted EPS was 88.1 cent, down 3.2% on a reported basis, down 7.7% constant currency basis, primarily driven by reduced profitability within GPN.

Return on Capital Employed[4]

10.9% (2018: 13.2%)

Strategic relevance

Return on Capital Employed (ROCE) measures the efficiency of the Group's organic and acquisition investment programmes as well as the utilisation of its assets.

Performance

ROCE in 2019 decreased by 230 basis points to 10.9% (2018:13.2%). This was primarily due to the combination of lower profitability in the year and higher average capital employed as a result of recent acquisitions and investments in joint ventures.

OCF conversion[2,3]

86% (2018: 92%)

Strategic relevance

Operating Cash Flow (OCF) measures the cash generated from operations before interest and tax payments and before strategic capital expenditure. OCF conversion is OCF as a percentage of EBITDA (earnings before interest, tax, depreciation and amortisation) and is a measure of the ability of the Group to convert trading profits to cash, which is then available for strategic investments and dividend payments.

Performance

OCF conversion was 86% in 2019 compared to a target conversion of 80% and conversion in 2018 of 92%.

Health and safety

Objective

Maintain the highest possible global safety standards using sites with no Lost Time Case (LTC) as a key benchmark.

See page 46 for more information on Environmental Health and Safety.

Strategic relevance

The health and safety of our employees is inherent in our Glanbia values and is reflected in our organisational goal of 'Zero Harm'. LTC frequency rate is an established global measure of safety performance and Glanbia aspires to zero LTC.

Performance

In 2019, 30% of reporting locations had zero LTC (2018: 50%). In Glanbia plc the full year result for Lost Time Incident Rate (LTIR) was 0.45, which is well within the 2019 target of 1.0. Site action plans are being monitored by our Corporate Responsibility Council (CRC) leadership.

Glanbia Risk Management System (GRMS)

Objective

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

See pages 52 to 59 for more information on Risk Management.

Strategic relevance

GRMS is an auditable framework for the identification and management of operational risks across the Group. Assessment and ranking levels are based on international risk management standards. On-site assessments are conducted by an independent third party to help drive a culture of continuous improvement across our sites. Each site is awarded a level 1 to 5 score.

Performance

All locations maintained or improved their individual site rating from the prior year. Management action plans to address the key improvement opportunities were developed by the independent assessor and agreed with local management. Progress against these recommendations are centrally monitored.

Employee engagement score

72%

See page 45 for more information

Strategic relevance

We employ 7,385 people across 34 different countries and in a wide range of working environments, including our joint ventures. At Glanbia we acknowledge that people who are positively engaged, motivated and supported perform to the best of their ability, find a greater sense of meaning in what they do and contribute positively to Glanbia's success.

Performance

Glanbia's employee engagement score as measured by a new survey partner Glint was 72%. Glint has implemented a new continuous listening survey framework, which helps us understand how engaged our employees are and enables us to take actions to make sure that Glanbia continues to be a great place to work.

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[1] 2018 numbers have been restated to reflect the adoption of IFRS 15.

[2] Performance condition of Glanbia's Annual Incentive Scheme.

[3] Both EBITA and OCF are presented on a pre-exceptional basis.

[4] Performance condition of Glanbia's Long-Term Incentive Plan.

Operations Review
At the heart of healthy lifestyles

Large and growing markets

Market opportunity

Sports nutrition market

As more and more people seek active and healthy lifestyles the sports nutrition industry has experienced strong growth in recent years.

$1.2bn
Glanbia
Revenue

$22bn[1]
Market size
Source: Euromonitor International

Growth drivers and global trends

- While consumers are becoming more aware of and more used to consuming proteins from different sources, elite athletes & sports teams remain convinced and committed to the effectiveness of dairy protein powder.[2]
- Newer adopters are viewing sports products as an extension of the larger nutritional purchases they make to meet their daily lifestyle goals.[3]
- Sports nutrition sits in a valuable position, as the category builds from performance and exercise goals into wellness and lifestyle positioning.[3]

Glanbia's market position

#1

Optimum Nutrition is the #1 performance nutrition brand globally.

26%

26% of Glanbia Performance Nutrition revenues are from online sales.

Market opportunity

Weight management market

The global weight management market continues to grow due to the growth of obesity and chronic diseases, and unhealthy eating habits.

$325m
Glanbia
Revenue

$8bn
Market size
Source: Euromonitor International

Growth drivers and global trends

- Obesity is a major global health concern with more than 1.4 billion overweight and obese adults in the world.[4]
- Healthy nutrition advocates often lean toward a slimming or clean-label orientation or on-the-go snack-based options like sports protein bars and ready-to-drink sports protein.[3]
- Consumers seek longer-lasting satiety as an aid to weight management.[5]

Glanbia's market position

98%

SlimFast's brand awareness in US.

#2

SlimFast is the #2 weight management brand in the US.

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[1] Euromonitor; Note: Beginning in 2019 updated Euromonitor definition of the Sports Nutrition category is now broader and includes mass market energy/low protein nutrition bars previously excluded, significantly increasing the estimated size of the global Sports Nutrition market.

[2] GPN Protein Summit 2018.

[3] Euromonitor International.

[4] World Health Organisation.

[5] Nutrition Insight 2019.

Market opportunity

Nutritional and Functional Ingredients

Consumers are seeking quick and convenient ways to achieve a healthier lifestyle. Demand continues to grow for functional snacks, fortified nutritionals, and naturally nutrient-dense food and drinks in convenient formats.

$834m

Glanbia Revenue

Nutritional Solutions delivers a large and diverse range of ingredients and solutions across multiple end market segments.

See page 28 for more details.

Growth drivers and global trends

- Demand continues to grow for on-trend and purposeful ingredient solutions, which help address specific market challenges, while achieving the desired taste, nutrition, clean-labelling and cost.[6]
- Dairy remains the protein of choice with 58% of US consumers saying dairy is their preferred source of protein.[7]
- Rising health and wellness awareness levels among consumers, growing demand for fortified food products, will drive the global food premix market in future.[8]

Glanbia's market position

#1

GN is the #1 US producer of whey protein isolate.

#2

GN is the #2 provider of global micronutrient premixes.

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6 Databridge market research 2020.
7 Nielsen 2018.
8 Zion Market Research Food Premix Market Global Industry Perspective. Comprehensive Analysis, and Forecast, 2018–2025.

Market opportunity

US Cheese

The overall cheese market continues to grow with cheese proving to be a powerful source of protein and a unique way of delivering essential nutrients. Consumer preferences have shifted towards eating more natural food and Glanbia's clean-label offerings play to these growing trends.

1.1bn lbs

Glanbia cheese* volumes

5.3bn lbs

Market size*

*American-style cheddar cheese

Growth drivers and global trends

- US per-capita consumption of cheddar cheese increased from 9.0 pounds in 1995 to 11.2 pounds in 2018. Expanded usage of cheese within foodservice has been one of the growth drivers but sales also continue to expand at retail level.[9]
- The growth in popularity of the European food culture in the US is a major driver of growth in the US cheese market.[10]
- More than 20 percent of adults are actively checking labels for protein.[11] Cheese is seen a natural source of superior quality protein, providing a range of essential amino acids.

Glanbia's market position

#1

producer and marketer of American-style cheddar cheese.

90

World and US Cheese innovation championships awards.

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9 USDA's Economic Research Service.
10 Dairy Management Inc.
11 US Cheese Market- Opportunity Analysis and Industry Forecast, 2017-2025.

Glanbia Performance Nutrition Operations Review

About GPN

Who we are

We are a global performance nutrition and lifestyle brand business.

Our mission

Inspiring people everywhere to achieve their performance and healthy lifestyle goals.

Key stats

Brands	EBITA (pre-exceptional)
9	**€146.4m** (2018: €173.1m)

Revenue	EBITA Margin
€1,363.8m (2018: €1,179.6m)	**10.7%** (2018: 14.7%)

Our brands

Glanbia Performance Nutrition has a portfolio of nine brands – Optimum Nutrition (ON) and SlimFast are our flagship brands and BSN, Isopure, Nutramino, ABB, think!, Amazing Grass and Body & Fit are our specialty brands. Our products are sold in over 100 countries.

Performance

Overview

€'m	FY 2019	FY 2018	Change	Constant Currency Change
Revenue	**1,363.8**	1,179.6	+15.6%	+11.0%
EBITA[1]	**146.4**	173.1	(15.4%)	(19.6%)
EBITA margin	**10.7%**	14.7%	(400bps)	(410bps)

[1] Pre-exceptional

All commentary is on a constant currency basis.

GPN delivered revenue growth of 11.0% in FY 2019 versus prior year. This was driven by the contribution of SlimFast, which was acquired in November 2018 and increased GPN revenues by 20.6% in 2019, offset by a volume decline of 9.0% and pricing decline of 0.6%. Branded revenue declined 9.8% in the year on a like-for-like basis driven by an 8.9% volume decline and 0.9% pricing decline. Pricing decline related to the first half of 2019 and in the third quarter price increases were successfully implemented which helped deliver positive pricing in the second half of 2019.

EBITA

GPN pre-exceptional EBITA in FY 2019 was €146.4 million, 19.6% lower than the prior year, with a pre-exceptional EBITA margin of 10.7%. GPN margins improved in H2 2019, however, due to increased marketing spend, lower like-for-like volumes and the resulting negative operating leverage and business mix, full year margins reduced by 410 basis points versus the full year 2018.

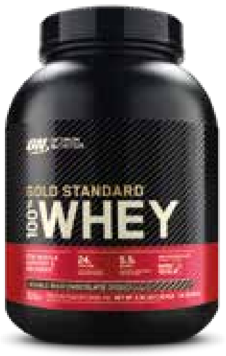
> **“Following a challenging year for GPN, we have reorganised the business to ruthlessly focus our activities on brand growth opportunities.”**

Hugh McGuire
CEO
Glanbia Performance Nutrition

At the heart of healthy lifestyles

26%

percentage of GPN revenue through online sales (2018: 28%). The percentage reduction reflects the acquisition of SlimFast.



Business reorganisation

2019 was a challenging year for GPN and in response to this the business has been reorganised to focus on growth opportunities. The segment will now be managed as North America Performance Nutrition, North America Lifestyle, International and Direct-to-Consumer businesses.

North America Performance Nutrition portfolio

The North America Performance Nutrition portfolio accounted for 39% of total Global GPN sales in 2019 and encompasses the Optimum Nutrition (ON), BSN and Isopure brands. Revenue declined in this portfolio as shipments lagged consumption during the year and the business had a lower level of activity in the Club channel in the fourth quarter versus the prior year. As a category leader, particularly in the Online and Club channels, ON recorded year-on-year consumption growth of mid-single-digits in North America measured channels[1] (which capture 72% of ON North America net sales) as a result of marketing investment. As part of an overall programme to simplify and decomplex the business, GPN has significantly reduced the number of SKUs in the North America branded portfolio to provide greater focus on its core ON brand. GPN will continue to support the BSN and Isopure brands in specific channels and consumer segments. GPN will exit the majority of its contract manufacturing business during H2 2020 and 2021, which accounted for 5% of total GPN sales in 2019.

North America Lifestyle portfolio

The North America Lifestyle portfolio accounted for 29% of total Global GPN sales in 2019 and encompasses SlimFast, think! and Amazing Grass brands. The platform brand within this portfolio is SlimFast which grew consumption in North America measured channels[1] (which captures 73% of SlimFast North America net sales) by very strong double digits in 2019, mainly as a result of successful innovation across a range of ready-to-eat and ready-to-drink formats in the Keto weight management category. In 2019, revenue progression of the North America Lifestyle portfolio on a like-for-like basis was flat versus prior year as a weak first quarter was balanced by a good final quarter. The final quarter reflected good momentum of the think! brand which was relaunched in the second half of the year, and the ongoing strong performance from SlimFast which entered like-for-like comparatives in November 2019.

International

International markets accounted for 26% of 2019 total Global GPN sales with European markets 13% and Rest of World 13%. These markets were the most challenging for GPN in 2019 as foreign exchange headwinds and higher tariffs impacted its competitive position resulting in branded volume declining by double digits in the year. In response to this GPN has taken actions which will restore International markets to growth in 2020.

In Europe growth in the UK market was offset by declines in Western European markets as a result of an acceleration of channel shift from the Specialty channel to Online. This market shift is being addressed through a focus on the ON brand and the Body & Fit platform.

In Rest of World markets, growth in Asia and Oceania was offset by the challenges in Brazil, Middle East and India. GPN's relative competitive position declined in Brazil in the period largely due to foreign exchange headwinds on products imported from GPN's US manufacturing base. GPN has reduced its number of SKUs and has changed its route-to-market arrangements in Brazil and this transition will be completed through 2020. In the Middle East access to a number of markets was reduced due to political instability in the region and in response to this GPN has scaled back its presence in these markets. In India the relative competitive position has been impacted by foreign exchange headwinds and importation tariffs, introduced in late 2018. Supply chain initiatives commenced in India in 2019 have taken longer than planned and will be ongoing in 2020. Throughout International markets SKU complexity has been reduced with a refocus on the ON brand.

GPN markets

🟧	North America Performance Nutrition 39%
🟨	North America Lifestyle 29%
🟦	International 26%
⬛	Direct-to-Consumer 6%

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[1] North America measured channels include Online FDMC (Food, Drug, Mass, Club) and Specialty Channels. Data compiled from published external sources and Glanbia estimates.

Glanbia Performance Nutrition Operations Review continued

Direct-to-Consumer

Body & Fit is GPN's Direct-to-Consumer online platform serving consumers in Europe and accounted for 6% of total GPN sales in 2019. This business delivered revenue growth in 2019 as a result of increased market coverage. Body & Fit has upgraded its online platform in 2019 and increased its digital resources. It is expanding its presence in Western Europe with a target of serving 14 markets by the end of 2020. In addition Body & Fit provides GPN with strong eCommerce capability which can be deployed for other GPN brands in the portfolio as well as in other Global markets.

Future growth momentum

Following a challenging year for GPN, we have reorganised the business to ruthlessly focus our activities on brand growth opportunities. The actions we are taking to simplify our business will allow us to concentrate on our core brands and optimise our routes to market across channels and geographies. As a result, we expect GPN to regain branded revenue growth momentum in 2020.

Hugh McGuire
CEO
Glanbia Performance Nutrition

OPTIMUM NUTRITION PROVEN™ by consumers

Optimum Nutrition launched a new communications platform, 'Proven' in April 2019. Proven reflects Optimum Nutrition's position as a global leader in sports nutrition and uses comments and reviews from real consumers. Proven was brought to life through a combination of over 1,200 advertising, social media, digital and merchandising assets in over 30 countries around the world. Featuring the entire Optimum Nutrition range and with a focus on Gold Standard 100% Whey, Proven ran 30 second and 15 second creative assets on digital channels in the US as well as tailored content and programmes with a number of key retail partners in the online, specialty and independent channels.

Proven was also featured heavily in the activation of the England Rugby sponsorship for the UK market, with Optimum Nutrition giving consumers an insight into the post-match recovery shake of the men's England Rugby team after the World Cup Semi Final. Proven will continue to evolve in 2020, with the addition of new creative assets to be executed in digital and social channels, a new series of education-based video content and further integration with team and individual partnerships.

1,200

advertising, social media, digital and merchandising assets in over 30 countries across the world.

GPN 2022 Ambition

Inspiring people everywhere to achieve their performance and healthy lifestyle goals

World-class brands

Our flagship brands

OPTIMUM NUTRITION

SlimFast

Our specialty brands:

Performance → **Lifestyle**

A.B.B. | BSN | ISOPURE | BODY&FIT | NUTRAMINO | think! | Amazing Grass

Growth fuelled by:

Focus on key brands

Investment in resources

Drive for efficiencies and optimise routes-to-market

To create and deliver sustainable growth

2022: revenue ambition $1.8bn

2022: margin improvement of over 200 bps

At the heart of healthy lifestyles

SlimFast: Enabling Danielle to reach her lifestyle goals

Related Glanbia Products

- SlimFast shakes
- think!
snack bars
- Healthy snacks (including GN ingredients)

Today's consumers are increasingly aware of the importance of nutrition in improving their overall health and weight management. We are searching for better, healthier and smarter weight management products that fit our busy lifestyles.

In the competitive weight management industry, success can be hard won, but the emergence in 2019 of the Keto lifestyle coupled with the SlimFast team's strategic approach to innovation quickly led to the launch of SlimFast Keto.

Consumers are seeking great-tasting Keto foods, drinks and snacks that are also convenient. SlimFast Keto quickly captured the Keto segment of the weight management category with powders, ready-to-eat meal bars and snacks, and ready-to-drink shakes.

At the end of 2019, SlimFast held a 70% share of the Keto segment within the weight management category with 8 of the top 10 items in this Keto segment from the SlimFast brand.[1] The Keto launch also accelerated momentum in the overall SlimFast business with SlimFast now the #2 brand in the US weight loss category.[2]

Market position

#2

SlimFast is the #2 brand
in the US weight loss category.

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[1] IRI, MULO, 4 weeks through 3/11/2019.

[2] IRI, 52 weeks through 3/11/2019.

Watch the video at www.slimfast.com/success-stories

“SlimFast’s product range made it easy for me to achieve my healthy lifestyle and weight management goals.

At the heart of healthy lifestyles

Danielle Weight management

“As a graphic designer for SlimFast, I helped design the packaging for the new SlimFast Keto line. During the process, I learned a lot about the Keto diet. When SlimFast’s Keto products became available, I knew I had to give them a try!”

With a goal to lose 20 pounds, Danielle surpassed her goal and lost 45 pounds in 39 weeks.

Glanbia Nutritionals Operations Review

About GN

Glanbia Nutritionals (GN) comprises: Nutritional Solutions (NS) and US Cheese.

Nutritional Solutions (NS)

NS is a global provider of innovative nutritional and functional solutions. Through its extensive portfolio of dairy and non-dairy ingredients and capabilities, NS provides a wide range of science-led solutions to customers across the globe.

Market

#1

Producer of US whey protein isolate

NS Revenue

€744.9m

(2018: €577.0m)

US Cheese

GN is the number one producer of American-style cheddar cheese, supplying our natural cheese to brand owners and other leading food service organisations globally.

Market

#1

Producer of American-style cheddar cheese

US Cheese Revenue

€1,767.0m

(2018: €1,413.9m)

Revenue by Division

🟨 Nutritional solutions 30%
🟧 US cheese 70%

Performance

Overview

€'m	FY 2019	FY 2018[2]	Change	Constant Currency Change
Revenue	**2,511.9**	1,990.9	+26.2%	+19.9%
EBITA[1]	**130.4**	111.8	+16.6%	+10.5%
EBITA margin	**5.2%**	5.6%	(40bps)	(40bps)

1 Pre-exceptional
2 Restated following adoption of IFRS 15

All commentary is on a constant currency basis.

GN delivered revenue growth of 19.9% in 2019, on prior year, driven by increases in volume and pricing of 5.5% and 10.8% respectively, additionally supported by revenue from the Watson acquisition. Volume growth related to capacity expansion and underlying market growth, with pricing increases at both Nutritional Solutions (NS) and US Cheese reflecting higher dairy markets. GN's pre-exceptional EBITA in 2019 was €130.4 million, a 10.5% improvement versus prior year, however EBITA margin had a 40 basis point decline to 5.2% primarily as result of reduced margins in NS.

> **"We are pursuing market segments which are on-trend and growing. Innovation is a key enabler to accelerate this growth."**

Brian Phelan
CEO Glanbia Nutritionals

Nutritional Solutions

Nutritional Solutions (NS) is a global provider of nutritional and functional premix solutions for use in healthy snacks, bars and beverages. Through its expertise and technological capabilities, it is a leading producer of advanced-technology whey protein, specialist vitamin and mineral blends and plant-based ingredients.

€'m	FY 2019	FY 2018[2]	Reported Change	Constant Currency Change
Revenue	744.9	577.0	+29.1%	+23.4%
EBITA[1]	100.0	88.6	+12.9%	+7.1%
EBITA margin	13.4%	15.4%	(200bps)	(210bps)

[1] Pre-exceptional
[2] Restated following adoption of IFRS 15

NS LFL revenue increased by 23.4% in full year 2019 versus prior year with a strong performance across both dairy and non-dairy solutions. This was driven by a 7.0% increase in volume, 3.8% increase in pricing and the Watson acquisition contributing 12.6% to revenue growth. Volume growth was broad based with a strong performance in Asian markets for vitamin and mineral blends and in the US for dairy-based healthy snacking ingredients. Pricing increase was primarily as a result of dairy market dynamics versus prior year.

Watson is performing well and has helped to expand the Nutritional Solutions supply chain footprint in addition to bringing technical capability into the business.

NS delivered an increase in EBITA of 7.1% as a result of revenue growth offsetting a margin decline of 210 basis points to 13.4%. Margin decline primarily related to negative mix from certain dairy ingredients, headwinds from tariffs on raw materials, increased investment in resources to support growth and some dilution from the Watson acquisition.

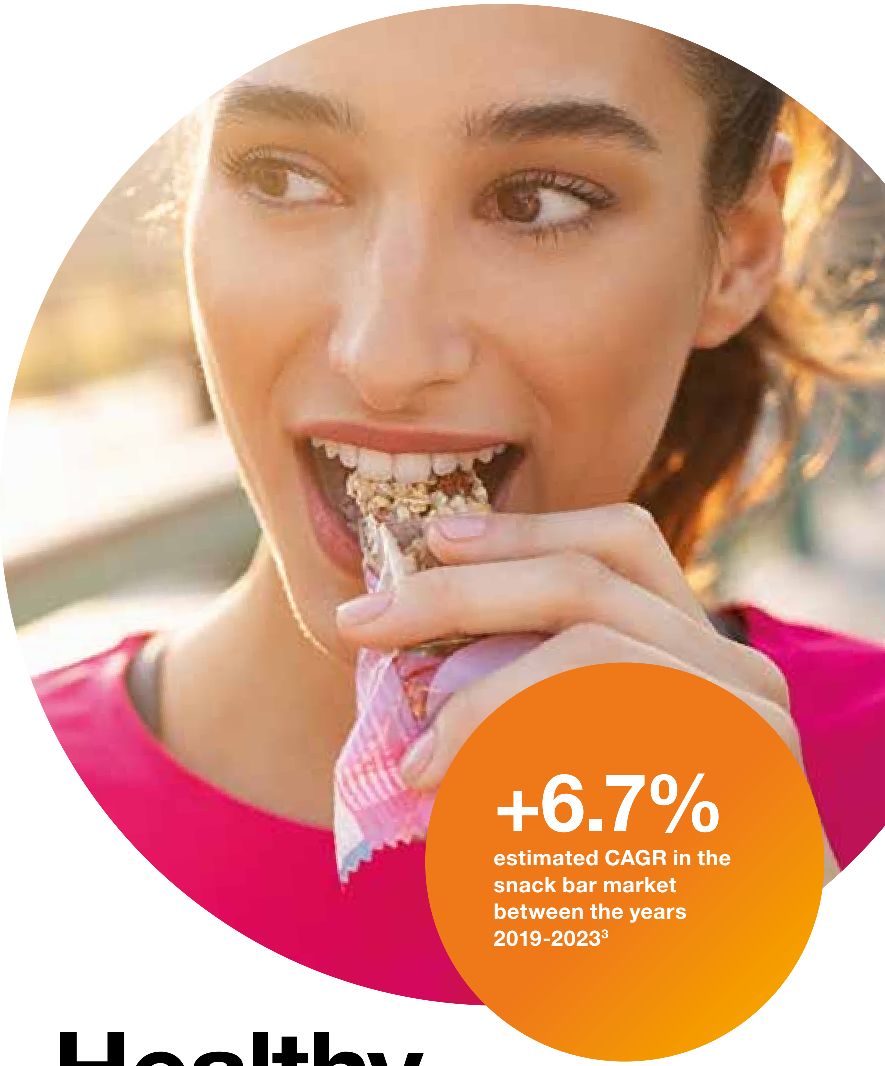
NS strategic priorities

Build our premix and bioactives business
The micronutrient premix business continues to perform well and we remain ambitious for growth.

Leverage protein capability into healthy snacking
As consumer habits continue to evolve we are leveraging our core expertise to innovate new solutions and applications to address this market need.

Scale in adjacent solutions
As consumers expand their tastes, and brand owners seek to offer increasingly novel and tailored nutrition solutions, NS will seek to identify growth areas in adjacent solutions.

Innovation
While the proliferation of the brand landscape continues, NS will leverage our core expertise, by continuing to quarterback the sectors in which we operate.



+6.7%
estimated CAGR in the snack bar market between the years 2019-2023[3]

Healthy Snacking

With consumers becoming increasingly aware of healthy eating, snack bars have become immensely popular replacing chocolates, cakes and biscuits as the go-to snacks.

With the snack bar market expected to grow 6.7% CAGR in the years 2019-2023[3], snack bar manufacturers are including protein and fibre in their bars to capture the healthy option segment of the market.

NS has extensive dairy and non-dairy protein capability in this healthy snacking category with a sophisticated and comprehensive bar and snack library that showcases our capabilities and responds to these current nutritional market trends.

Our state-of-the-art technologies enable us to deliver healthy snacks with the maximum nutritional value without compromising on taste, texture or format.

With production facilities in Europe, Asia and North America, NS is a diverse business with state-of-the-art technologies servicing a wide range of end markets. We offer ingredient solutions with applications in a number of areas including extended shelf life, reduced sugar and enhanced texture and taste. NS also has the ability to tailor these snacks for regional and ethnic palates using our innovative flavours and high-protein seasonings.

[3] Global Snack Bar Market 2019 Industry Research Report.

Glanbia Nutritionals Operations Review continued

US Cheese

US Cheese is a leading producer of American-style cheddar cheese in the US supplying a broad range of customers, predominantly US based, who participate in the food service and retail consumer branded and private label end markets. As well as selling its own manufactured cheese, US Cheese is also the commercial partner for its joint venture Southwest Cheese (SWC).

€'m	FY 2019	FY 2018[2]	Reported Change	Constant Currency Change
Revenue	1,767.0	1,413.9	+25.0%	+18.5%
EBITA[1]	30.4	23.2	+31.0%	+23.6%
EBITA margin	1.7%	1.6%	+10bps	+10bps

[1] Pre-exceptional
[2] Restated following adoption of IFRS 15

US Cheese revenue increased by 18.5% in full year 2019 versus prior year. This was driven by pricing increase of 13.6%, as cheese markets were significantly stronger in the second half of 2019 versus prior year. Volume growth of 4.9% reflected the full year benefit of capacity expansion commissioned in 2018.

US Cheese delivered an increase in EBITA of 23.6% as a result of revenue growth, and EBITA margin improved by 10 bps to 1.7% versus prior year due to a good operating performance.

US Cheese strategic priorities

Solidify #1 market position
Through close collaboration with our customers and strategic development, our ambition is to grow and maintain our #1 position in American-style cheddar cheese and in selected export markets.

Deepen strategic relationships
Our long-standing and valued relationships, both with key customers and strategic partners such as Dairy Farmers of America (DFA) and Select Milk Producers (Select), deepened in 2019. Our new JV project in St. Johns, Michigan is at an advanced stage of construction and is expected to be commissioned in the second half of 2021.

Brian Phelan
CEO
Glanbia Nutritionals

Innovation
New cheese technology offers cleaner labels

Processed cheese was developed in the early 1900's when it was discovered that heating a combination of cheese and emulsifying salts resulted in a viscous product that could be shaped into processed cheese products for use in a variety of applications on hamburgers, pizza, salads and other food products.

However, emulsifying salts resulted in labels with undesirable ingredients and also high levels of sodium.

With the growing trend of health conscious consumers seeking great tasting products with fewer ingredients and cleaner labels, Glanbia has developed an innovative cheese ingredient technology that reduces emulsifying salts and sodium levels in the barrel cheese, while potentially increasing the calcium levels.

This unique barrel cheese provides the functionality that results in an end product that is healthier and cleaner but with similar characteristics of processed cheese – melt, stretch, flavour and colour.

This ingredient technology is patent pending with ongoing collaborations to improve and commercialise.

US Cheese volumes sold in 2019

1.1bn lbs[3]

[3] American-style cheddar cheese

Read more on page 21

At the heart of healthy lifestyles

New Cheese technology

Trends addressed: Desire from consumers for clean-label products without compromise in taste or functionality.
Value to customers: Better nutrition with great taste and functionality and the flexibility to develop tailored stretch, melt, colour and flavour depending on the desired application.
Value to GN: Supports barrel placement by offering a differentiated product in the barrel space.

GN 2022 Ambition

GN's strong and agile operating model

- Centres of excellence
- One face to the customer
- Insights-led
- Integrated vision and culture
- Fuelled by top talent
- Scalable
- Efficient and agile

Key consumer trends enabling GN growth

Trends	**Opportunity**
New brand growth	Formulation capability
Shortening product lifecycles	Proactive innovation
On-the-go convenience	Application and format expertise
Clean labelling	Quality ingredients and supply chain
Population growth and urbanisation	Increasing international opportunity
Increase in dairy consumption	Capital efficient partnership model

GN is pursuing market segments which are on-trend and growing

Our chosen markets and growth rates*

Bakery and confectionary	5.7%
Sports nutrition	4.9%
Beverages	5.5%
Infant nutrition	5.2%
Dairy products	4.6%
Dietary products	5.4%
Clinical nutrition	4.7%

GN's 2022 Ambition:

NS: €1bn revenue

US Cheese: €2bn revenue

* Source: ARC Nutrition, Premixes Market Report 2018.

At the heart of healthy lifestyles

> “Premixes that support healthy living or healthy ageing command a premium.”

Source: Euromonitor premix analysis 2019

At the heart of healthy lifestyles

Premix

$1.9bn

estimated value of global premix market by 2023.

Source: Nutritional Premixes Market – Global Opportunity Analysis and Industry Forecast (2018-2023)

Expanding our global footprint in a growing premix market

Growth in the global nutritional premix market is driven by a growing desire from consumers for safe, quality-assured, science-based solutions for use in clinical and early life nutrition, sports and lifestyle nutrition, supplements and mainstream food and beverages. Furthermore, the convenience to the manufacturing process of a premix (in place of using multiple individual ingredients) is contributing to demand.

GN's Nutritional Solutions (NS) business has the expertise and technical capability set to create superior premix solutions that meet the formulation requirements of today's complex application demand. As the #2 global premix nutrient provider, NS works closely with our customers to combine various ingredients and deliver customised precision premixes with optimal nutritional, functional and operational performance.

In February 2019, we strengthened our capability set, customer and category reach, with our acquisition of Watson, a US-based non-dairy ingredient solutions business. Watson specialises in vitamin and mineral premix solutions, edible films and material conditioning and serves global and regional customers in the food, nutritional, supplement and personal care categories.

The acquisition of Watson broadens NS's premix production footprint which now extends coast-to-coast across the US with facilities in California, Missouri, Illinois and Connecticut. NS also has facilities in Germany and China to provide truly global scale to our customers as they grow internationally.

Premix categories

- Sports and lifestyle nutrition
- Mainstream food and beverages
- Clinical nutrition
- Early life nutrition
- Supplements

For more information: www.glanbianutritionals.com

Strategic Joint Ventures Operations Review

Delivering growth through strong partnership models

Robust Joint Venture models

Joint Venture:	Glanbia Ireland	Glanbia Cheese UK	Glanbia Cheese EU	(a) Southwest Cheese (b) MWC
Key activities:	Largest Irish-based integrated agri-food and dairy nutrition business	Large-scale manufacturer and marketer of mozzarella cheese	JV established in 2018 to build a mozzarella cheese plant	US producers of American-style cheddar cheese and whey ingredients
Location:	Ireland	United Kingdom	Ireland	(a) New Mexico, US (b) Michigan, US
2019 Revenue:	€784.7m*	€174.3.m*	Commissioning in 2020	(a) €517.1m* (b) Commissioning in 2021

* Glanbia share. See glossary page 201 for further details.

Joint Venture Business Performance

(Glanbia share)

€'m	FY 2019	FY 2018	Change	Constant Currency Change
Revenue	**1,476.1**	1,283.8	+15.0%	+12.9%
EBITA	**73.6**	65.8	+11.9%	+9.7%
EBITA margin	**5.0%**	5.1%	(10bps)	(10bps)
Share of profit after tax	**48.6**	45.3	+7.3%	+5.9%

All commentary is on a constant currency basis.

Glanbia's share of profit after tax (PAT) from JVs increased by €3.3 million to €48.6 million in 2019 compared to the prior year and this was driven by revenue and margin growth. Glanbia's share of JVs' revenues increased by 12.9%, with sales volume growth of 9.6%, and overall pricing increases of 3.3% primarily due to higher year-on-year dairy markets in the US.

Glanbia Ireland

The Glanbia Ireland JV (GI) is owned 60% by Glanbia Co-operative Society Limited and 40% by Glanbia plc. GI is the largest milk processor in Ireland producing a range of value-added dairy ingredients and consumer products as well as selling farm inputs.

GI delivered a good performance in 2019 with revenue growth, due to higher volumes, offset by modest price declines. Milk volumes processed in 2019 increased by 7.4% on a like-for-like basis with the previous year, resulting in a total GI milk pool of 2.9 billion litres.

A record volume of 86.8 million litres of milk was processed in the peak week in May 2019. This was a 10% increase over the same week in 2018. This growth in the milk pool, combined with a clearance of high stock levels, helped drive a strong increase in sales volume across the ingredients business. Continued progress was made in expanding GI's consumer branded offerings internationally, with substantial growth in sales of UHT milk and cream into South East Asia. A new brand

Glanbia Ireland
total milk pool in 2019

2.9bn
litres

'Truly Grass Fed', offering a range of butter and cheese products, has been well received in the US market. Strong emphasis is being placed on driving value-added growth and growing new markets. A strategic review set out ambitious targets for the next five years which will run in tandem with the aims of GI's suppliers to continue with their plans to increase volumes at sustainable levels over the coming years. Sustainable growth is key to all GI's planning for the future. GI continued to launch a range of innovative schemes including a new initiative in partnership with energy companies, to bring a renewable solar energy solution to the market. GI has entered into a strategic partnership with Royal A-ware, a leading global cheese and dairy producer in the Netherlands, to build a new continental cheese manufacturing facility in Belview, Co. Kilkenny, Ireland. The new facility, which is scheduled for commissioning in 2022, is currently progressing through the planning process.

Glanbia Cheese UK

Glanbia Cheese UK is a large-scale manufacturer and marketer of mozzarella cheese, 51% owned by Glanbia plc and 49% owned by a global specialist mozzarella producer, Leprino Foods Company. The business has two state-of-the-art mozzarella cheese manufacturing facilities in Llangefni, Wales and in Magheralin, Northern Ireland. Glanbia Cheese UK delivered higher revenues in 2019 due to increased volumes partly offset by a modest reduction in market pricing.

Glanbia Cheese EU

Glanbia Cheese EU was established in 2018 as a 50:50 joint venture between Glanbia plc and Leprino Foods Company. The construction of the new mozzarella cheese plant in Portlaoise, Ireland is progressing to plan with commissioning expected to be completed before the end of 2020. Of a total project investment of €35 million for Glanbia, €25 million has been invested to-date with a further €10 million to be invested during the remaining construction phase of the facility.

Southwest Cheese

Southwest Cheese (SWC) is a large-scale producer of American-style cheddar cheese and whey ingredients in the US with a production facility located in the State of New Mexico, US. All of SWC cheese and whey ingredients are sold through GN's route-to-market channels at market prices. SWC delivered a strong performance in 2019, as a result of higher revenue mainly due to increased pricing and volume growth, related to increased production capacity and higher year-on-year US dairy markets.

MWC

MWC is Glanbia's new JV in Michigan, US. This $470 million facility is at an advanced stage of construction with commissioning expected to be completed by the third quarter of 2021. Of the total project investment of $82.5 million for Glanbia, $75 million has been invested to-date, with a balance of $7.5 million to be invested on completion of the construction phase.

Our growth drivers

Investment programme to support Glanbia Ireland expansion is on track.

New facility in Michigan, US is on track to be commissioned in 2021.

New facility in Ireland to be commissioned in 2020.

Group Finance Director's Review

2019 Financial Metrics

Adjusted EPS

88.10 cent

(2018: 91.01 cent)

-7.7% constant currency
-3.2% reported currency

Basic EPS

61.04 cent

(2018: 79.28 cent)

-26.6% constant currency
-23.0% reported currency

EBITA (Pre-exceptional)

€276.8m

(2018: €284.9m)

-7.8% constant currency
-2.8% reported currency

ROCE

10.9%

(2018: 13.2%)

-230bps

OCF cash conversion

86%

(2018: 92%)

OCF as % of EBITDA

Dividend payout ratio

30.2%

(2018: 26.6%)

Dividend per share as a % of Adjusted EPS

As outlined earlier in this Report, 2019 was a disappointing year for Glanbia. The Group reported adjusted EPS of 88.1 cent, down 7.7% constant currency on prior year. This profitability decline is due to challenges experienced by GPN, particularly in certain non-US markets. GN and the Joint Ventures posted good results for the year.

GPN's revenues of €1.4 billion reflected an increase of 11% constant currency, comprising organic volume declines of 9% and pricing decline of 0.6%, offset by the impact of the SlimFast acquisition of +20.6%. GPN's organic revenue declines were most severe in a number of its non-US markets, in particular India, Middle East and Brazil. GPN was impacted by different issues in each market which included dollar strength and tariffs reducing competitiveness, distributor changes leading to unplanned adjustments in inventory holdings and increased local competition. In the EU, increased competition from the Direct-to-Consumer channel impacted revenues in traditional channels, albeit Body & Fit further expanded its country reach and had good revenue growth for the year. In North America, consumption continued to be strong in sports nutrition in the Online and Club channels with core brands, whereas the specialty channel continued to be challenged during the year. GPN's US lifestyle brands performed well in 2019, particularly SlimFast, and the relaunch of the think! brand has gone well. As a consequence of the revenue declines, GPN EBITA, at €146.4 million, was down 19.6% constant currency, on prior year. In response to the aforementioned revenue challenges we have reviewed the forecasting process in GPN's non-US operations and are implementing more robust forecasting procedures in 2020.

Revenues in GN were strong in the year, up 19.9% constant currency, with organic volumes up 5.5%, pricing up 10.8% (dairy and cheese related) and the impact of the Watson acquisition in February 2019, of +3.6%. NS organic volumes were up 7% with strong growth in Asian markets for vitamin and mineral blends and in the US for dairy-based healthy snacking ingredients. US Cheese also had a good year, with organic volumes up 4.9% as a result of the annualised impact of the Southwest Cheese expansion completed in 2018. GN EBITA grew 10.5% constant currency, to €130.4 million.

> **"We are focused on delivering on our key metrics and returning the Group to its long-term trajectory of profitable growth."**

Mark Garvey
Group Finance Director

Operating cash flow (OCF) was strong at just under €280 million converting 86% of EBITDA into OCF, against a target of 80% conversion. Free cash flow for the year was €231 million. In the first quarter the Group acquired Watson for a total consideration including acquired debt of $87 million, and this business is performing well since acquisition. An additional €47 million was invested in two significant joint venture projects in MWC and Glanbia Cheese EU, and €76 million was invested in capital expenditure projects. The Group return on capital employed was 10.9%, within our guidance range of 10%–13%.

Return of capital to shareholders is a key priority of the Group and, in line with our dividend policy, we will have a dividend payout of 30.2% of adjusted EPS in respect of 2019. This represents a final dividend of 15.94 cent per share to bring the total 2019 dividend to 26.62 cent per share, a 10% increase and a total of €78.6 million returned to shareholders from 2019 earnings.

The Board will seek authorisation for a share buyback programme at the Annual General Meeting on the 22 April 2020.

2020 Outlook

In 2020, Glanbia expects to deliver adjusted earnings per share broadly in line with prior year on a constant currency basis.

Glanbia expects GPN to deliver branded revenue, margin and EBITA progression in 2020 versus prior year. In GN, Nutritional Solutions continued revenue momentum is expected to be offset by margin headwinds. Joint Venture performance year-on-year is expected to decline largely due to commissioning costs of new joint venture capital projects.

2019 Income Statement review

The 2019 results are for the 53 week period ended 4 January 2020 while 2018 comparatives are for the 52 week period ended 29 December 2018.

Revenue and EBITA

Revenue and EBITA are key performance indicators (KPIs) for the Group. In particular the Group focuses on revenue volumes and EBITA margins to assess underlying performance. Details of these KPIs are set out below.

€'m	2019	2018[1]	Change	Constant currency change
Revenue				
GPN	**1,363.8**	1,179.6	15.6%	11.0%
GN	**2,511.9**	1,990.9	26.2%	19.9%
Total Revenue	**3,875.7**	3,170.5	22.2%	16.6%
EBITA (pre-exceptional)				
GPN	**146.4**	173.1	(15.4%)	(19.6%)
GN	**130.4**	111.8	16.6%	10.5%
Total EBITA	**276.8**	284.9	(2.8%)	(7.8%)
EBITA Margin (pre-exceptional)				
GPN	**10.7%**	14.7%	(400bps)	(410bps)
GN	**5.2%**	5.6%	(40bps)	(40bps)
Total EBITA Margin	**7.1%**	9.0%	(190bps)	(190bps)

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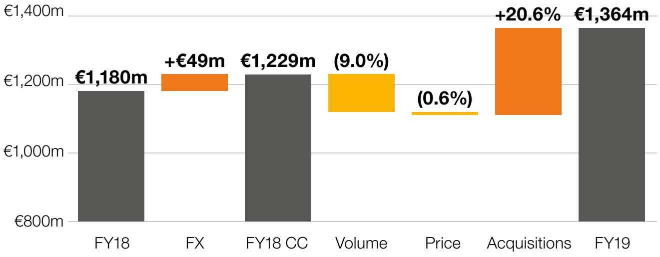
[1] Following the implementation of IFRS 15, GN prior year revenue was restated to reflect the impact of recognising the Group as a principal in its sales relationship with its joint venture Southwest Cheese rather than as an agent. The impact was to increase prior year sales by €784 million; there was no change to EBITA following this restatement.

Revenue

Wholly-owned revenue increased in 2019 by 16.6% versus prior year on a constant currency basis to €3.9 billion, an increase of 22.2% on a reported basis. Sales volumes were broadly flat, with 5.5% volume growth in GN offset by a decrease of 9% year-on-year in sales volumes in GPN. Pricing had a positive impact, increasing revenue by 6.6%, driven primarily by higher dairy market pricing within GN. The SlimFast and Watson acquisitions had strong performances and accounted for 9.9% of the growth in revenue. Detailed analysis of revenue by GPN and GN segments is set out below.

Glanbia Performance Nutrition:

GPN delivered revenue growth of 11.0% constant currency in 2019 versus prior year. This was driven by the contribution of SlimFast which increased GPN revenues by 20.6%, offset by a volume decline of 9.0% and pricing decline of 0.6%. Branded revenue declined 9.8% in the year on a like-for-like basis, -8.9% volume and -0.9% price.

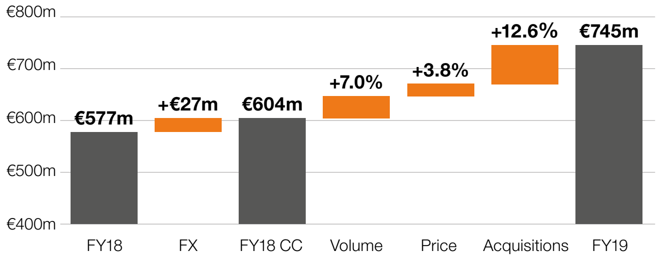


Pricing declines were evident in the first half of 2019. In the third quarter, price increases in North America were successfully implemented which helped deliver positive pricing in the second half of 2019.

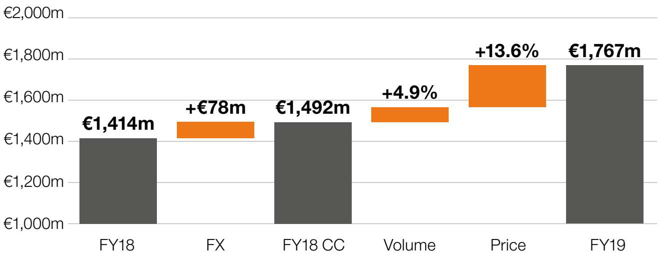
Glanbia Nutritionals

GN delivered revenue growth of 19.9% constant currency in 2019, on prior year, driven by increases in volume and pricing of 5.5% and 10.8% respectively, supported by revenue from the Watson acquisition in the first quarter. Volume growth and pricing increases at both Nutritional Solutions and US Cheese, reflect higher dairy markets.

Nutritional Solutions



US Cheese:



Group Finance Director's Review continued

EBITA (pre-exceptional)

EBITA before exceptional items declined 7.8% constant currency (down 2.8% reported) to €276.8 million (2018: €284.9 million).

GPN EBITA pre-exceptional decreased by 19.6% constant currency to €146.4 million (2018: €173.1 million), a decrease of 15.4% on a reported basis. GPN pre-exceptional EBITA margin at 10.7% was 400 basis points lower than prior year reported, due to lower volumes and resulting negative operating leverage arising from lower organic revenue and business mix.

GN pre-exceptional EBITA increased by 10.5% constant currency to €130.4 million (2018: €111.8 million) – 16.6% increase on a reported basis. GN pre-exceptional EBITA margin was 5.2%, down 40 basis points from 2018, due to the impact of product mix and tariff headwinds.

Net finance costs

€'m	**2019**	2018	Change
Finance income	**6.2**	3.9	2.3
Finance costs	**(32.5)**	(21.4)	(11.1)
Net finance costs	**(26.3)**	(17.5)	(8.8)

Net finance costs increased by €8.8 million to €26.3 million (2018: €17.5 million). The increase was driven primarily by higher average levels of debt throughout the year relating to acquisitions and investments in joint ventures. The Group's average interest rate in 2019 was 3.4% (2018: 4.3%), the reduction on last year being mainly due to lower US dollar interest rates. Glanbia operates a policy of fixing a significant amount of its interest exposure, with 70% of projected 2020 debt currently contracted at fixed rates.

Share of results of joint ventures

€'m	**2019**	2018	Change
Share of profits of joint ventures	**48.6**	45.3	3.3

The Group's share of joint venture profits increased by €3.3 million to €48.6 million (2018: €45.3 million) in the year. The share of results of joint ventures is stated after tax. Our joint ventures continue to perform strongly, with year-on-year volume growth in all JVs.

Income taxes

€'m	**2019**	2018	Change
Income taxes (pre-exceptional)	**23.4**	32.8	(9.4)
Effective tax rate	**12.3%**	14.8%	(250bps)

The 2019 pre-exceptional tax charge decreased by €9.4 million to €23.4 million (2018: €32.8 million). This represents an effective tax rate, excluding joint ventures, of 12.3% (2018: 14.8%). The reduction in pre-exceptional tax rate is driven primarily by the geographic mix of profits, a lower charge for uncertain tax risks and a lower tax charge relating to corporate development activity in the year. The tax credit related to exceptional items is €4.5m. The Group currently expects that its effective tax rate for 2020 will be in the range of 11.5% to 12.5%.

Exceptional items

€'m	**2019**
Organisational redesign costs (note 1)	**12.7**
Asset impairments (note 2)	**17.3**
Acquisition integration costs (note 3)	**6.8**
Brexit related costs (note 4)	**2.3**
Exceptional charge before tax	**39.1**
Exceptional tax credit	**(4.5)**
Exceptional charge after tax	**34.6**

Details of the exceptional items are as follows:

1. Organisation redesign costs relate primarily to a fundamental reorganisation of the Glanbia Performance Nutrition segment, including the creation of distinct North America Performance Nutrition, North America Lifestyle, International and Direct-to-Consumer businesses. Costs incurred to-date are professional consultancy (€7.9 million) and redundancy and employment related costs including recruitment costs and costs of relocating people to new markets and geographies to support the organisation change (€4.8 million). This restructuring programme will continue into 2020.
2. Asset impairments comprise the write down of inventory to net realisable value (€14.9 million), related development assets (€2.0 million) and some fixed assets (€0.4 million) in the GPN business. The impairment of inventory arises from (i) sales volume declines in certain non-US markets resulting in surplus inventories of €5.6 million, (ii) unsuccessful innovation SKUs in the US Food/Drug/Mass/Club (FDMC) channels of €5.7 million, (iii) the cost of discontinuing a significant number of other North American SKUs of €2.6 million to reduce SKU complexity and simplify the supply chain, and (iv) other inventory impairments of €1.0 million. Overall these inventory impairments will result in a significant simplification within the GPN business resulting in approximately 1,200 SKUs (35% of total) being discontinued. This level of inventory impairment is substantially in excess of past experience in the GPN business and none of the SKUs rationalised will be manufactured or contracted for in the future. Based on the past 12 months sales, the revenue related to the discontinued SKUs is approximately 5% of total GPN revenues, the vast majority of which is expected to be retained through sales of alternative GPN SKUs.
3. Acquisition integration costs comprise costs relating to the integration and restructuring of acquired businesses and the transaction costs incurred in completing the current year acquisition. The charge comprises professional fees of €2.5 million, employee benefit costs of €1.2 million and inventory impairments of €3.1 million following a post-acquisition assessment of the product portfolio of the acquired businesses.
4. Brexit related costs have been incurred in preparing the organisation for the departure of the United Kingdom from the European Union. Costs incurred include professional fees and increased storage and production costs as the Group sought to mitigate the potential risks relating to Brexit.

The total net cash outflow during the year in respect of exceptional items was €12.0 million. During 2018 there were cash outflows of €2.6 million in respect of exceptional charges incurred prior to 2018.

Profit after tax

€'m	2019	2018	Change
Profit after tax	**180.2**	234.0	(53.8)

Profit after tax for the year was €180.2 million compared to €234.0 million in 2018, comprising pre-exceptional profit after tax of €214.8m down €19.2 million on prior year and exceptional charges of €34.6 million (there were no exceptional items in 2018). The €19.2 million decline in pre-exceptional profit after tax is primarily driven by the reduced profitability of GPN which more than offset increased profits in GN and the joint ventures. Higher net finance costs were offset by a lower tax charge for the year.

Earnings per share

	2019	2018	Reported change	Constant currency change
Basic EPS	**61.04**	79.28	(23.0%)	(26.6%)
Adjusted EPS	**88.10**	91.01	(3.2%)	(7.7%)

Basic EPS decreased by 23.0% reported versus prior year, driven by year-on-year reduction in pre-exceptional profitability and exceptional charges in 2019.

Adjusted EPS is a Key Performance Indicator (KPI) of the Group and a key metric guided to the market. Adjusted EPS declined by 7.7% constant currency (3.2% reported) in the year, driven by the reduction in profitability of the GPN segment and increased interest costs, offset by increased share of profits of joint ventures and lower income taxes.

Cash flow

€'m	2019	2018
EBITDA pre-exceptional	**324.9**	327.8
Movement in working capital (pre-exceptional)	**(24.9)**	(9.7)
Business-sustaining capital expenditure	**(20.1)**	(16.4)
Operating cash flow	**279.9**	301.7
Net interest and tax paid	**(74.1)**	(42.2)
Dividends from Joint Ventures	**35.3**	31.6
Other inflows/(outflows)	**(9.6)**	4.3
Free cash flow	**231.5**	295.4
Strategic capital expenditure	**(56.2)**	(46.2)
Equity dividends	**(74.3)**	(76.0)
Acquisitions	**(58.3)**	(313.0)
Disposals	**0.2**	1.3
Exceptional items paid	**(12.0)**	(2.6)
Loans to/equity in Joint Ventures	**(47.4)**	(58.9)
Cash flow pre-foreign exchange translation/ other adjustments	**(16.5)**	(200.0)
Exchange translation/other adjustments	**(10.5)**	(9.0)
Debt acquired on acquisition	**(10.6)**	–
Net debt movement	**(37.6)**	(209.0)
Net debt at beginning of the year	**(576.7)**	(367.7)
Closing net debt	**(614.3)**	(576.7)

For more information on operating cash flow and free cash flow see glossary page 205

The principal cash flow KPIs of the Group and Business Units are Operating Cash Flow (OCF) and Free Cash Flow (FCF). OCF represents EBITDA of the wholly-owned businesses net of business-sustaining capital expenditure and working capital movements, excluding exceptional cash flows. FCF is calculated as the cash flow in the year before the following items: strategic capital expenditure, equity dividends, acquisition spend, proceeds received on disposal, exceptional costs paid, loans to/equity invested in joint ventures, and foreign exchange movements. These metrics are used to monitor the cash conversion performance of the Group and Business Units and identify available cash for strategic investment. OCF conversion, which is OCF as a percentage of EBITDA is a key element of Executive Directors and senior management remuneration.

OCF was €279.9 million in the year (2018: €301.7 million) and represents a strong cash conversion on EBITDA of 86% (2018: 92%). The OCF conversion target for the year was 80%. The decrease in OCF versus prior year was due primarily to higher investment in working capital and business sustaining capital expenditure.

The Group continues to actively manage its working capital. During the year, the Group embarked on a programme to increase payables terms with significant vendors in response to similar increased receivables terms that have been agreed with certain customers.

FCF was €231.5 million vs €295.4 million in 2018, with the decrease primarily due to lower OCF and increased corporation tax (including acquisition integration related) payments as well as higher interest payments as a result of increased levels of debt due to acquisitions.

Acquisition spend relates to the cost of Watson which was acquired in February 2019. Loans to/equity in Joint Ventures includes the continuation of the investments in Glanbia Cheese EU, the mozzarella cheese joint venture in Portlaoise, Ireland and in MWC, the joint venture cheese and whey plant in Michigan, US.

Group net debt

Group Financing	2019	2018
Net debt (€'m)	**614.3**	576.7
Net debt: adjusted EBITDA	**1.71 times**	1.55 times
Adjusted EBIT: net finance cost	**9.3 times**	14.8 times

The Group's financial position continues to be strong. Net debt at the end of 2019 was €614.3 million. This is an increase of €37.6 million from the prior year end net debt of €576.7 million. At year-end 2019, Glanbia had committed debt facilities of €1.2 billion with a weighted average maturity of 2.8 years. Glanbia's ability to generate cash as outlined above and its available debt facilities ensures the Group has considerable capacity to finance future investments. Net debt to adjusted EBITDA was 1.71 times and interest cover was 9.3 times, both metrics remaining well within financing covenants.

Of committed bank borrowings at year end, facilities amounting to €261.5 million currently mature on 5th November 2020. The Group expects to have completed a re-financing of these facilities, incorporating an extension of maturity date, prior to 31st March 2020.

Group Finance Director's Review continued

Use of capital

Capital expenditure

The cash outflow relating to capital expenditure for the year amounted to €76.3 million (2018: €62.6 million) which includes €20.1 million of business-sustaining capital expenditure and €56.2 million of strategic capital expenditure. Key strategic projects completed in 2019 included investments in innovation, expansion of manufacturing facilities and IT systems development, particularly the further enhancement of our D2C platforms.

Investments in joint ventures

During 2019, the Group continued its investment in the new joint ventures commenced in 2018. A total of $35 million was invested in MWC during 2019, the joint venture cheese and whey manufacturing facility in Michigan US. This brings the total Group investment in MWC to $75 million with a balance of $7.5 million still to be invested. Construction is well advanced in this facility with commissioning expected to be complete in 2021.

During 2019 the Group also invested €17 million in Glanbia Cheese EU, the joint venture mozzarella cheese plant in Portlaoise, Ireland, bringing the total invested to €25 million. The Group expects to invest a further €10 million over the construction phase of this project which will be commissioned in 2020. The remaining funding for both of these projects will come from the other joint venture partners, government grants and dedicated joint venture banking facilities, which are non-recourse to Glanbia.

Return on Capital Employed

	2019	2018	Change
Return on Capital Employed	**10.9%**	13.2%	(230bps)

Return on Capital Employed (ROCE) decreased in 2019 by 230 basis points to 10.9%. This decrease resulted from the combination of lower profitability in the year and increased average capital employed as a result of recent acquisitions and investments in joint ventures. Acquisitions remain a key part of the growth strategy for the Group and it is the Group's goal to maintain a ROCE range of between 10% and 13% over the medium-term.

Annual impairment testing

The Group monitors the performance of acquisitions on an ongoing basis and completes annual impairment reviews in respect of goodwill and intangible assets. No impairments were identified from the 2019 review, however a significant reduction in the headroom for the BSN cash generating unit (CGU) was noted. In addition, sensitivity analysis on the 'think!' lifestyle brand, shows that a reasonably possible change in one of the sensitivity assumptions could result in an impairment charge. This is the former thinkThin business which has been re-branded and relaunched with positive consumption momentum evident since relaunch.

For the purposes of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs) and these CGUs are kept under review to ensure that they reflect any changes to the interdependencies of cash flows within the Group. CGUs will be reviewed in 2020 and we expect that the completion of recent organisation redesign within GPN and GN will result in a change to the number of CGUs we report.

Dividends

Glanbia adopts a dividend policy that includes an annual dividend payout ratio between 25% and 35% of adjusted EPS. In line with this policy the recommended final 2019 dividend will be 15.94 cent per share (2018: final dividend 14.49 cent per share) and will bring the total dividend for the year to 26.62 cent per share (2018: 24.20 cent per share) and a payout ratio of 30.2%. This represents a 10% increase on prior year and a return of €78.6 million to shareholders from 2019 earnings.

Total Shareholder returns

Total Shareholder Return (TSR) for 2019 was negative 36.7%. The STOXX Europe 600 Food & Beverage Index (F&B Index) a key benchmark for the Group, increased by 30.9% in 2019. The three-year period 2017 to 2019 Glanbia TSR was negative 32.9% versus the F&B Index of +38.4%. The five-year Glanbia TSR to 2019 was negative 16.1% versus the F&B Index of +62.8%. Glanbia's share price at the end of the financial year was €10.16 compared to €16.35 at the 2018 year end, a 38% decrease.

Impact of new accounting standards

While new accounting standards and improvements are issued annually there are two new accounting standards which have or are expected to have significant impacts to the Group. Set out below are the impacts where relevant to Glanbia from these standards.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' is effective and was adopted by the Group for the 2019 financial year. Following a detailed review by the Group there were no material changes to revenue recognition and profits across the Group with the exception of the Glanbia Nutritionals (GN) segment as outlined below.

The Group concluded that the relationship between GN and the Group joint venture partner Southwest Cheese (SWC), transitioned from an agent relationship to that of a principal following a change in the assessment criteria of a principal and agent within IFRS 15. The impact is as follows:

- Revenue and costs within GN were grossed up for all sales of SWC products on which previously only commission was recognised. Comparative numbers for 2018 have also been restated to reflect this change, in line with the transitional arrangements for IFRS 15.
- There is no change to EBITA in GN or at Glanbia Group level.
- Although there is no change to EBITA, as a result of the increase in revenue, there is dilution to the EBITA margin percentage of GN and consequently of the wholly-owned Group. Restatement of the 2018 revenue has resulted in a reduction in EBITA margin for the Group from the previously reported margin of 11.9% to a revised margin of 9.0%.

IFRS 16 'Leases'

IFRS 16 'Leases' comes into effect for the financial year commencing on 5 January 2020. Under the new accounting standard the fair value of all qualifying operating leases, representing the present value of the lease payments over the life of the lease, will be recognised as a right of use asset with a corresponding lease liability. The new standard will result in the removal of a rental charge from the Income Statement for the leases and will be replaced with a depreciation charge in respect of the right of use asset and an interest charge relating to the lease liability.

The Group will adopt the modified retrospective approach to transition permitted by the standard in which the cumulative effect of initially applying the standard is recognised in opening retained reserves at the date of initial application. The Group expects to recognise right of use assets and lease liabilities of €105.8 million and €127.5 million respectively. We do not expect this change to have a material impact on the financial KPIs of adjusted EPS or Return on Capital Employed. We expect EBITA to increase by €2.4 million, which will be offset by a corresponding increase in interest charge of €2.7 million.

Pension

The Group's net pension liability under IAS 19 (revised) 'Employee Benefits', before deferred tax, increased in 2019 by €7.8 million to €46.3 million (2018: €38.5 million). The defined benefit pension liability is calculated by discounting the estimated future cash outflows using appropriate corporate bond rates. During 2019, the relevant corporate bond rates for both the Irish and UK pension schemes reduced significantly, and this resulted in an increase to the net pension liability, despite the Group pension contributions made during the year.

Foreign exchange

Glanbia generates over 90% of its earnings in US dollar currency and has significant assets and liabilities denominated in US dollars. As a result, and as Glanbia's reporting currency is euro, there can be a significant impact to reported numbers arising from currency movements year-on-year and on translation of US dollar non-monetary assets and liabilities in the preparation of the Consolidated Financial Statements. Commentary has been provided on a constant currency basis to provide a better reflection of the underlying operating results in the year, as this removes the translational currency impact. To arrive at the constant currency change, the average foreign exchange rate for the current period is applied to the relevant reported result from the same period in the prior year. At the balance sheet date, due to the strengthening of the US dollar compared to prior year, there was a translation gain arising on the translation of US assets and liabilities into euro. The gain on translation of non-monetary assets and liabilities from US dollar to euro is presented within other comprehensive income and amounted to €46.7 million in the year. The retranslation of non-euro denominated debt resulted in a loss of €10.5 million within the cash flow statement. Average and year-end US dollar to euro rates were as follows:

	Average		Year-end	
	2019	2018	**2019**	2018
1 Euro converted to US dollar	**1.1196**	1.1812	**1.1147**	1.1454

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 target minimum benchmark of 12% return after tax by end of year three, with a goal of between 10% and 13% ROCE in any one year;
- Focusing the organisation on cash conversion through improved working capital management and disciplined business-sustaining capital expenditure, with a goal of greater that 80% cash conversion;
- Leveraging the Group's activities to enable improved cost structures utilising shared services, procurement, IT and a continuous improvement mindset;
- Maintaining the capital structure of the Group within an implicit investment-grade credit profile; and
- Dividend policy with a payout ratio of 25%-35%.

Brexit and international trade challenges

The UK departed from EU membership (Brexit) on 31 January 2020. The process and its impact in terms of the exit deal including tariffs and trade agreements remain unclear and difficult to quantify at this point in time. 2019 was a year of uncertainty in relation to Brexit and the Group sought to mitigate potential risks as much as possible as outlined in the principal risks and uncertainties on pages 52 to 59. An exceptional cost of €2.3m has been incurred in respect of this activity.

As global trade uncertainty continues, the impact of tariffs on international trade will continue to be monitored by the Group and mitigated as much as possible.

Investor relations

Glanbia continued its active investor relations initiatives in 2019. During the year, representatives from Glanbia presented at 12 investor conferences globally and held over 300 meetings with institutional investors. A shareholder survey was carried out at the end of 2019 by an independent research company which interviewed shareholders and other stakeholders to gain insights into how Glanbia's strategy, investment case and communications are perceived. A summary of the key findings and recommendations from this research was shared with the Glanbia Board. In addition, Glanbia engaged directly with its top 40 shareholders representing over 70% of the issued equity of Glanbia on remuneration policy which was led by the Chairman of the Remuneration Committee with Remuneration advisers, and findings were shared directly with the Board and also published via RNS.

Annual General Meeting (AGM)

Glanbia plc's AGM will be held on Wednesday, 22 April 2020, in the Lyrath Estate Hotel, Lyrath, Kilkenny, Ireland.

Mark Garvey
Group Finance Director

Engaging with our stakeholders

Glanbia's success depends on our ability to engage effectively and work constructively with our key stakeholder groups. Glanbia engages with five key groups; our people, our consumers and customers, our suppliers, our shareholders and society.

Materiality assessment

Process and findings

During 2019 the Group undertook its first materiality assessment to clearly align sustainability with the needs of our main stakeholders. We consulted with approximately 200 of the Group's key stakeholders – including the Board, employees, suppliers, and customers – to identify priority issues and inform our future sustainability strategy.

The key topics identified in collaboration with our stakeholders are shown in the matrix below. Covering environmental, social, societal, business and governance aspects, these topics have been evaluated to determine sustainability risks and opportunities for Glanbia. These topics will now determine our strategic focus with the aim of improving our overall performance in areas of climate change and social impact, contributing to delivering the Paris Agreement on climate change, and to delivering the UN Guiding Principles on Human Rights and increasing our alignment with the UN Sustainable Development Goals (SDGs).

Materiality methodology

We followed these three steps:

1: Identification of key materiality issues

2: Mapping of stakeholder concerns

3: Assessment and validation of results

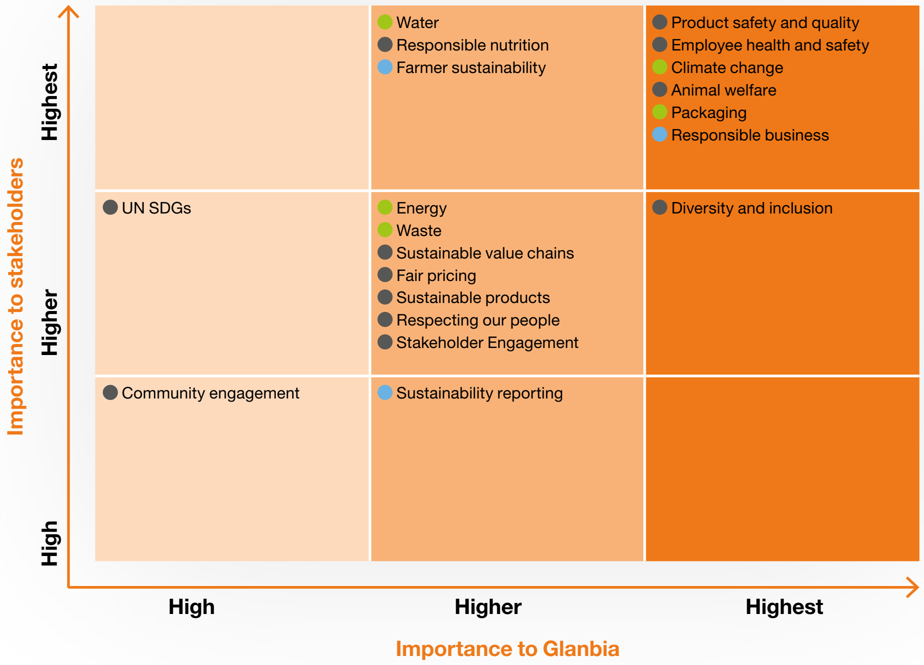
Step 1: Identification of potentially relevant topics
Firstly, we identified a selection of environmental, social and economic topics that are directly or indirectly connected to Glanbia's business and stakeholders' interests. We considered the Glanbia business model, consulted with internal experts and external sustainability advisors, and examined relevant sustainability standards.

Step 2: Confirm topics and stakeholders
The project team confirmed the topics most relevant to Glanbia and our stakeholders. We also prioritised and confirmed a list of key stakeholders.

Step 3: Assessment and validation
We engaged with our priority stakeholder groups through existing relationship channels and a quantitative survey. This survey was conducted worldwide, involving some 80 Glanbia employees, more than 100 professional stakeholders and 10 key customers. The topics were ranked according to their potential impact on the activity and their importance for the interviewed stakeholders.

After completion of the surveys we conducted a workshop with the senior team and a select group of external and internal stakeholders to review the overall findings of the materiality assessment and confirm how topics will be addressed.

Key: 🔵 Economic ⚫ Social 🟢 Environmental



Importance to stakeholders / Importance to Glanbia	High	Higher	Highest
Highest		🟢 Water ⚫ Responsible nutrition 🔵 Farmer sustainability	⚫ Product safety and quality ⚫ Employee health and safety 🟢 Climate change ⚫ Animal welfare 🟢 Packaging 🔵 Responsible business
Higher	⚫ UN SDGs	🟢 Energy 🟢 Waste ⚫ Sustainable value chains ⚫ Fair pricing ⚫ Sustainable products ⚫ Respecting our people ⚫ Stakeholder Engagement	⚫ Diversity and inclusion
High	⚫ Community engagement	🔵 Sustainability reporting	

People

Consumers and customers

Suppliers

Shareholders

Society

Significance	How we engage	2019 highlights	Further links
We have an experienced, diverse and dedicated workforce, which we recognise as a key asset of our business. We continually create the right environment to encourage and create opportunities for individuals and teams to realise their full potential.	• Communication through intranet, workplace meetings and employee surveys; • Group MD and workforce Director participated in employee townhalls; and • Focus on development training and succession planning.	72% response rate to employee 'Your Voice' engagement survey. 1,238 employees attended leadership and talent development programmes.	Employees have their say through the 'Your Voice' survey. **Read more on page 45** Addressing the talent requirements of the organisation. **Read more on page 46**
Our performance nutrition and lifestyle brands enjoy a loyal following across the globe. In GN, we build relationships with our customers by working collaboratively and developing products that meet their needs.	• Consumers surveys; • Customer visits, industry conferences and a commitment to deliver on feedback; and • Category attitude and usage studies as well as brand health studies.	GPN partnered with Sprinklr to gain a deeper understanding of consumer feedback and engagement in digital channels. In its global innovation centres, GN experts worked side-by-side with customers sharing ideas and insights.	Responding to our customers' needs in a growing marketplace. **Read more on page 20** Showcasing our globally recognised and trusted brands. **Read more on page 22**
As a global nutrition company, we are passionate about helping people understand how we deliver sustainable ingredients and brands in an efficient manner. Glanbia's supply chain spans procurement of raw materials, packaging and transport globally.	• Ongoing dialogue via our commercial teams; • Assessments against our Supplier Code of Conduct including anti-bribery and anti-corruption, human rights and environmental policies; and • Dedicated farm relations teams.	Updated our Group-wide procurement policy. 100% of Irish dairy suppliers accredited to Origin Green and 52% of Idaho suppliers completed FARM Environmental Scheme assessment.	Our commitment to excellence in food safety and quality. **Read more on page 48** Encouraging and supporting a sustainable dairy industry. **Read more on page 49**
Glanbia is committed to maintaining constructive dialogue with shareholders and engages with them regularly to understand their concerns and ensure these are considered in its decision-making.	• Regular investor updates and meetings; • Annual Report and Annual General Meeting; and • Website (www.glanbia.com).	300+ investor meetings throughout Europe and North America. Presented at 12 investor conferences globally.	A clear and compelling investment case. **Read more on page 04** A sustainable business model driven by our purpose. **Read more on page 16**
We have a desire and responsibility to make a positive contribution to civic society. We believe in the value of working together with our communities and supporting charities and local community groups. Helping communities thrive and prosper is important to us as a business.	• Staff volunteering; • Global and local event sponsorship; and • GPN's Sports Nutrition School.	€625,000 raised for Breast Cancer Ireland across Ireland and the US. 20,400 participants in GPN's education programme focusing on sports nutrition.	Raising money for global and local causes. **Read more on page 47** GPN's industry leading Sports Nutrition School. **Read more on page 47**

Sustainability

Sustainability Business Model

Driven by

Our purpose

To deliver better nutrition for every step of life's journey.

Our values

The customers' champion

Performance matters

Showing respect

Find a better way

Winning together

Impacted by

SUSTAINABLE DEVELOPMENT GOALS

The views of our stakeholders

Understanding key issues through effective engagement with employees, customers, suppliers and investors.

How we add value

Our strategic pillars

Our Sustainability Vision

We are a responsible business generating economic, environmental and social value. Our ambition is to embed sustainability in our strategy, creating value for all stakeholders.

Our Sustainability Strategy

To advance our purpose and vision through an integrated and phased sustainability programme, which will strengthen our business for the future.

Bringing our values to life

Our People

Our Society

Our World

Our Supply Chain

Outcomes

Employee numbers

7,385
Total Group employees.

Employee engagement score

72%
Total Employee engagement from employee survey.

Food safety

97%
Adoption of new food safety certification requirements in 2019.

Water usage

-19%
Reduction in water use intensity since base year 2015.

Showing respect

We are a responsible business seeking always to generate economic, environmental and social value. Our sustainability strategy is formulated to deliver on our ambitions for the business and advance our purpose and vision through an integrated and phased sustainability programme. Respect is the core value underpinning this strategy. Central to showing respect is an understanding that our future growth is founded on developing and rewarding our employees, delivering on the highest standards in food safety and quality, reducing our environmental impact, optimising our safety performance and having a positive social and economic impact on our communities.

Glanbia's approach to sustainability focuses on four key pillars: Our People; Our Society; Our World; and Our Supply Chain.

The Glanbia Corporate Responsibility Council (CRC) and its framework allows us to measure and publicly report against our commitments. This supports continuous improvement and practice change where necessary. When the framework was first established, we focused on our 2020 goals. Our focus will now turn to the next phase of strategy development and target setting, to 2030 and beyond. Our materiality review in 2019 combined with our partnership with Carbon Trust on target setting and value chain mapping ensure that our new strategy will be informed by global scientific evidence and the targets being deployed in our sector.

Michael Patten
Group Human Resources
and Corporate Affairs Director

Our Vision

To develop the talent, culture and values of Glanbia, within an inclusive framework that protects and develops our people, respects the wider community and upholds international human rights.

Employee engagement score

72%

Proud of Glanbia's products

82%

Total Recordable Incident Rate (TRIR)

1.89

12% improvement versus 2018

United Nations SDGs most relevant to Glanbia

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES

Glanbia's people are our most important resource. Their energy, expertise, integrity and passion underpin our strategy and potential. Glanbia's people strategy is to unlock the full potential of our people and our culture.

Global employee base

In 2019, total Group employees, including Joint Ventures, increased to 7,385 people based in 34 countries. Glanbia Performance Nutrition (GPN) had 2,115 employees during the year. Glanbia Nutritionals (GN) employed 2,427 people during the year including the addition of 295 from Watson. Our Joint Ventures had 2,843 employees in 2019.

Culture and engagement

In 2019, the 'Our Glanbia' roadshow extended its global reach and saw our Group MD Siobhán Talbot and members of the Group Operating Executive visit 29 sites across the US, Europe and Asia Pacific, conducting 36 townhall meetings and interacting directly with more than 3,000 employees across the Group. Recognition was a key focus of the roadshow events, with more than 120 awards presented to employees and teams across the Group, recognising their commitment to our values in action.

Workforce engagement

In line with the new UK Corporate Governance Code, in 2018 the Board agreed that Non-Executive Director Donard Gaynor would assume responsibility for workforce engagement. During 2019, Donard engaged with a broad representation of the workforce at townhall meetings and regional and market visits where he accompanied various members of the Glanbia leadership team. Furthermore, he reviewed the results of the Your Voice engagement survey and will be involved in providing strategic input to key initiatives arising from the survey findings.

Listening to our people

Your Voice Engagement Survey

Our people are fundamental to delivering success for Glanbia and we are committed to fostering a culture where our employees are motivated, empowered and supported to perform to the best of their ability. Listening to and acting on employee feedback is a fundamental part of our 'Showing Respect' value and the feedback from previous 'Your Voice' surveys led to a number of significant learning and development, and engagement initiatives being implemented across Glanbia.

The Your Voice survey conducted by Glint in January 2020, shows that engagement levels remain satisfactory in line with industry benchmarks and that pride in Glanbia's products and services among our employees remains strong. In addition, most Glanbia employees feel safe in their workplace and feel comfortable being themselves at work. Insights from the recent survey will continue to inform our ways of working, engagement strategies and leadership development programmes to make sure that Glanbia continues to be a great place to work. Areas for improvement identified in the survey include developing career pathways, improving organisational agility and enhancing communications delivery across the organisation.

Employee engagement scores

Contributing to the success of Glanbia

80%

know how they contribute to Glanbia's success

Comfortable to be themselves

78%

agreed with the statement 'I feel comfortable being myself at work'.

Meaningful work

77%

feel the work they do is meaningful.

Sustainability continued

A diverse and inclusive Glanbia

Creating and sustaining a diverse and inclusive culture is core to our purpose. In 2019, we continued to develop our policy framework to make Glanbia a place where every employee has the freedom to succeed regardless of age, status, gender, ethnicity or any other attribute. In 2019, a Diversity & Inclusion strategy working group was established with representatives from each part of the business, with a mandate to develop Glanbia's strategy in this area. Our Group Finance Director is sponsoring this work at Executive level and the Group expects to deliver its recommendations during 2020. We also marked initiatives including International Women's Day, Pride and World Mental Health Day in 2019.

Talent and Performance

In 2019 our talent centre of excellence continued to focus on anticipating and responding to the talent needs of the organisation, particularly in relation to leadership development. Across the organisation, more than 1,200 leadership development training days took place, including 'Leading the Glanbia Way' and 'Reverse Mentoring'. Glanbia now operates a suite of development programmes for all leadership levels across the Group.

In 2019, the Group also completed a comprehensive talent and succession review, our organisation and people review (OPR), which assesses succession bench strength and emerging issues in our talent planning. This year the OPR covered 1,275 positions across the Group.

In addition, GN undertook several talent development initiatives including developing over 100 leaders in First Line Supervisor Training Programme, continuing to cultivate early talent through graduate and intern hiring and structured rotations and developing career pathways and competency models for our product management, R&D and HR teams.

In GPN, work across functions and regions was undertaken, centred on developing engagement and communication skills to create high performing teams and building a stronger culture.

Pure Ambition Graduate Programme

In 2019 we embarked on a review of our early career talent programme to ensure that it meets the changing needs of our future organisation. We engaged with internal and external stakeholders, benchmarked against other organisations and gathered insights from current and former associates. The output of this process was the development of a new global early career talent framework aligned to the needs of our organisation, which will be rolled out in 2020. More than two-thirds of graduates stay with the organisation for five years or more after the completion of the graduate programme, according to our most recent review.

Gender equality

The Board and Glanbia Operating Executive are committed to gender equality. During 2019 analysis of gender representation and gender pay was undertaken. Insights and recommendations were presented to the Board and Glanbia Operating Executive. Further work in this area will continue to ensure proactive monitoring and management for equitable gender representation and pay.

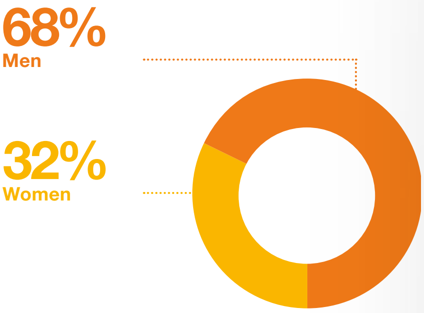
Parental benefit

In 2019 Glanbia enhanced parental leave benefits for all employees in the US and also implemented improvement to parental leave entitlements in Ireland.

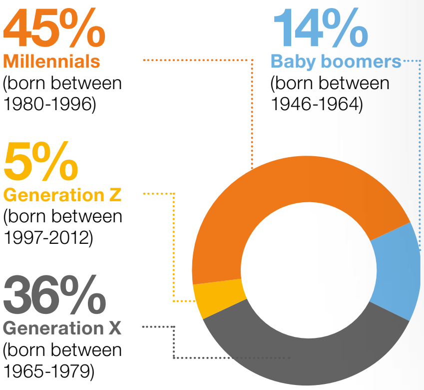
Anti-bribery and corruption

Glanbia does not tolerate bribery and corruption in any form. Our policy is summarised in our Anti-Bribery and Corruption Policy which states that bribery, corrupt payments and any other forms of unethical business practice are strictly prohibited. The policy is available on our website: www.glanbia.com

Total employee gender split



Number of employees by age



Health and Safety (H&S)

In 2019, we continued to enhance our H&S reporting standards, with all sites now reporting in a single, standard global platform. The H&S Leadership Team delivered group-wide standards, including the launch of a Glanbia-wide 'Root Cause Analysis' module, and a standardised risk assessment tool, 'Job Safety Analysis'. The application of these tools will enhance our ability to detect and eventually prevent workplace risks that could result in injury, and drive practical solutions.

Our Total Recordable Incident Rate (TRIR) for the plc, excluding JVs, improved by 12% at 1.89 incidents per 200,000 hours worked, versus 2018 (2.15 incidents per 200,000 hours). Our Group-wide TRIR for 2019 was 2.32. All Glanbia sites which missed their targets have been reviewed, and in 2020 will have improvement plans in place, with bi-annual reviews by our Corporate Responsibility Council (CRC).

Health & Safety Vision

To safeguard the health, safety and wellness of employees, customers and our community, in pursuing 'Zero Harm'.

2019 Performance

- Glanbia plc improved TRIR by 12% 2019 versus 2018
- Underlying Root Cause Analyses (RCA) and priority sites action plans in place
- 100% of Group locations (excluding recent acquisitions) are now reporting on our common H&S global reporting platform
- Roll-out of global policies, Risk Assessment, and a global registry for Health & Safety RCA
- Increased depth of data trending on incident types, locations, categories driving focused improvements

2020 targets

- To integrate newly opened/acquired sites into our global reporting standards and programmes (Michigan, Watson)
- To log and track all priority sites' H&S improvement plans in our global reporting platform
- To continue to drive down injuries with a 10% reduction in TRIRs at leading sites

Our Vision

To have a positive social and economic impact on our communities through the promotion of health and wellbeing at all stages of life's journey.

Supporting local communities

€1m+

contributed to community causes in 2019.

Breast cancer research

€625k

raised for breast cancer research across three locations.

GPN's educational programme

20,400

participants engaged in GPN's Sports Nutrition School (SNS).

United Nations SDGs most relevant to Glanbia

3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Health and wellbeing

Glanbia supports the physical, nutritional and mental health of our people through health and wellbeing programmes, including health checks, the provision of sports facilities and nutritional and healthy lifestyle education. In 2019, more than 50 sites across Glanbia's global operations, including new colleagues from Watson and SlimFast, took part in our largest ever Workplace Wellbeing day.

Community support

Glanbia continued its long tradition of supporting local communities through focused partnerships. In North America, Glanbia Nutritionals continued its work with local communities with the 25th Annual GN Charity Golf Tournament raising $215,000 for local charities, bringing the total amount raised to US$2.5 million since 2003. In Ireland, we continued our relationship with the GAA through our sponsorship of the Kilkenny and Wexford intercounty teams. Our local community sponsorships included the Kilkenny Arts Festival and food festivals Savour Kilkenny and the Waterford Festival of Food.

Education initiatives

GPN's Sports Nutrition School is an industry leading educational programme designed to immerse participants in the science of sports nutrition. This year 185 education sessions were experienced by over 20,400 consumers, customers and employees across EMEA, LAPAC and North America.

In addition, Optimum Nutrition launched a new online nutrition education programme designed specifically for fitness professionals and coaches. 'Optimum Nutrition for Health and Performance' is an Association for Nutrition certified course and is approved for continuous professional development points from leading fitness professional bodies such as the Register of Exercise Professionals and Chartered Institute for the Management of Sport and Physical Activity. The course addresses the most common nutrition queries and myths circulating in the industry and is delivered by PhD level sports nutritionists and experienced lecturers. To date over 1,200 fitness professionals have enrolled in the course.

Breast Cancer Ireland

Glanbia continued its partnership with Breast Cancer Ireland (BCI) in 2019. The Great Pink Run series was expanded to add a third event which took place in Chicago's Diversey Harbor in October, followed by the Dublin and Kilkenny races. More than 12,000 people, including almost 500 Glanbia employees, participated in the three events, which raised a record €625,000 for Breast Cancer Ireland and US charity partners Research-A-Cure and the Ludwig Center at the University of Chicago. Proceeds from this year's events will support research into metastatic breast cancer.

In Ireland, circa. 100 Glanbia employees took on the Two Peaks Challenge for BCI, climbing Carrauntoohill and Mangerton mountains in a charity challenge. The Two Peaks Challenge, Glanbia 300 Cycle and Pink Bales initiative raised a further €90,000 for BCI.

Caption: Glanbia employees who participated in the inaugural Great Pink Run in Chicago.

Sustainability continued

Our People | Our Society | **Our Supply Chain** | Our World

Our Vision

To sustainably source all raw materials in line with the principles of ethical business set out in the Glanbia Code of Conduct.

Food safety

97%

Adoption of global food safety certification requirements in 2019.

Milk pool

8bn

litres of milk produced annually by 5,000 milk suppliers.

Environmental stewardship

52%

of Idaho milk suppliers completed the Environmental Stewardship assessment in 2019.

United Nations SDGs most relevant to Glanbia

Responsible sourcing

Glanbia's supply chain spans procurement of raw materials, packaging, transport and other services globally. In 2019 we updated our Group-wide procurement policy and brought together a Group-wide procurement team. The Group procurement policy sets our expectations of our suppliers and follows the principles of ethical business set out in the Glanbia Code of Conduct.

Glanbia requires our suppliers to be compliant with the laws, regulations and social customs of the countries in which they operate and with all human rights, labour and environmental health and safety regulations. As we have evolved our non-financial policies so too have we increased our requirements from our suppliers.

Safe products for every step of life's journey

We continued our commitment to excellence in food safety and quality in 2019, marking four years since setting up of our centre of excellence, the Quality Leadership Team (QLT) in 2015. The Glanbia Quality System (GQS) – our food safety code of practice – has continued to develop new policies and standards to address areas relevant to our businesses. In 2019, we launched a 'Merger and Acquisition Due Diligence' standard, aimed at ensuring our prospective and newly acquired businesses integrate into the Glanbia family and apply the same principles we have developed for our existing manufacturing sites. We completed audits to the 12 core policies of the GQS (completing nearly 250 such assessments in this review cycle) to drive improvement in topics central to food safety. We completed 95% of all planned audits, and have an 88% proficiency rate for these audits in 2019. In addition, a Group-wide policy for sustaining a globally recognised quality and food safety certification at all our manufacturing sites has achieved 97% compliance. We continued the 'Investigative Excellence' initiative to drive a culture of learning and prevention. This policy requires a global logging of all potentially significant quality incidences, and requires a completed Root Cause Analysis (RCA) of acceptable quality, and a post-case review/close out. In 2019 we have achieved a 97% success rate on this programme, and added a regular forum to review/discuss RCA amongst the expert community across the Group. 2019 saw a Group-wide effort to aggregate and improve standards to deliver infant nutrition excellence that will carry forward into 2020. This reinforced our commitment to excellence in this highly important category of the most sensitive consumers. Like our H&S programmes, we will further embed our global GQS reporting and action plans/tracking into our single global platform.

Our value chain

Dairy is in our DNA but as our business has grown in ambition so too has the scope and complexity of our value chain including non-dairy ingredients and products. In 2019 Glanbia worked with the Carbon Trust to map our value chain. The value chain project is integral to developing our future ambition as we move beyond the current sustainability 2020 targets while ensuring our focus is on the most material impact areas upstream and downstream. The project delivered a detailed mapping, including our own operations (Scope 1 & 2), and 15 of the most material Scope 3 categories (outside our operations) as recommended by the Carbon Trust based on the Greenhouse Gas (GHG) protocol. Unsurprisingly, given our sector, the most material aspect in transitioning to a low carbon economy, is our dairy sourcing, with over 89% of total carbon emissions in our value chain attributable to purchased milk. This data reaffirms our long-standing prioritisation and dedication to on-farm improvement. Our operations account for 4% of total value chain carbon emissions. Whilst relatively speaking a much smaller factor, packaging (2.1% of total value chain emissions) is a further material consideration for the next phase in our strategy.

Sustainable dairy supply

We are committed to playing a meaningful role in the transformation of our food system, for the betterment of our planet, our people and our communities. Historically we have reported on our efforts to drive on-farm improvement for sustainable dairy production. The value chain project underscores the importance of this effort whilst the scale of the challenge in global decarbonisation means we won't be alone. Glanbia has been a thought leader in the development of sustainability programmes and driving best practice in partnerships including with Bord Bia (Irish Food Board) and the Innovation Center for US Dairy. In 2019 that work continued, with the global demands pushing everyone in the supply chain for an acceleration of ambition and effort.

Farm programmes

Sustainable US milk production
Glanbia has supported the US Farmers Assuring Responsible Management (FARM) since its inception when the primary focus was animal welfare. The FARM programme has expanded in scope to include Environmental Stewardship (FARM ES). FARM ES is a model that calculates dairy's carbon and energy footprint. The FARM ES module requires a web or application entry on farm across 46 input areas and generates the GHG and energy use intensity and changes over time. As with Origin Green, Ireland's national sustainability programme, FARM ES gives farmers the tools to track progress, identify potential efficiency gains and assess against best in class local and national performance. We continue to work with our farmer suppliers on the roll out of FARM ES with 52% of Idaho suppliers completing a FARM ES assessment in 2019.

In 2019 Glanbia Nutritionals, having been engaged as a thought leader through the ES committee of the Innovation Center for US Dairy, adopted the US Dairy Stewardship Commitment. The Commitment allows US dairy to document and demonstrate progress in material sustainability areas. By signing the Commitment, Glanbia has agreed to follow a rigorous set of standards to demonstrate positive impact. FARM ES allows US dairy aggregate data and track against progress. In 2019 Glanbia played a leadership role in the deployment of a US-wide processor reporting tool. The reporting is rolling out with the majority of US dairy processors and co-operatives already committed to uploading their environmental data. When viewed in its entirety the FARM ES tool allied to the dairy processor reporting allows US dairy to plot and report progress against an ambitious direction on emissions to ensure the sector meets the demands of consumers and the overriding imperative of carbon reduction.

Ireland Origin Green
All Glanbia's Irish dairy suppliers are accredited to Origin Green. The programme involves audits as part of the Sustainable Dairy Assurance Scheme (SDAS), ensuring highly sustainable and responsible sourcing in our supply chain. Our milk advisory team works closely with suppliers on milk quality, sustainability and farm development as well as planning for the future in terms of finances, expansion and succession planning.

In 2019, Glanbia announced the third Open Source Future Farm Programme – an Irish Government (Teagasc) and Glanbia Ireland knowledge transfer pilot programme. A key objective of this Pilot – which is based around 11 demonstration farms – is to help farmers implement changes to ensure that their environmental footprint is in line with the aims of the national Climate Action Plan. It will also provide strong insights for other farmers on streamlining their farming operations to deliver lean management practices, whilst also supporting the health and wellbeing of the farmer.

Caption: Paul Gagliano, (centre) EVP of Sales SlimFast, accepts the award from Matt Musgrave, Walmart Buyer OTC, and Annie Walker, VP OTC Merchandising at Walmart HQ, Arkansas.

Supplier of the Year

SlimFast awarded the prestigious 'Supplier of the Year' award by Walmart.

Walmart serves millions of customers every week, providing convenient access to food, health and wellness products and general merchandise. For more than forty years, SlimFast has been a key brand in the Walmart weight management portfolio through its 'Original' and 'Advanced' product lines.

In recent years, the success of the partnership has been enhanced by new SlimFast brand innovations including the launch of the Keto product range and new formats which have captured the attention of consumers seeking convenience in their nutrition choices. Sustained growth across a number of Stock Keeping Units (SKUs) in the category have been a further feature of the relationship.

Supply chain excellence is about moving the right items at the right time by the most efficient means possible and Walmart is recognised as a global leader and continuous innovator in this space.

Working closely with Walmart's replenishment teams, SlimFast focuses on providing accurate and timely data on forecasting as well as filling orders on time and in full (OTIF) to continuously exceed Walmart's requirements for on-shelf availability.

In 2019, the success of the partnership was recognised by Walmart naming SlimFast as its Supplier of the Year (Consumables), at its annual Supplier Summit in Rogers, Arkansas.

Accepting the award on behalf of SlimFast, Paul Gagliano, Chief Customer Officer at SlimFast said: "Walmart is a key retail partner for SlimFast and we are proud to work closely with the team, helping them to better serve their customers every day."

Sustainability continued

Our People | Our Society | Our Supply Chain | **Our World**

Our Vision

To protect the environment through strong, responsible stewardship.

Water	Energy	Waste	United Nations SDGs most relevant to Glanbia
19.3% reduction in water use intensity over 2015 base year.	**4.6%** reduction in energy use intensity over 2015 base year.	**Zero** waste to landfill for all GPN sites.	13 CLIMATE ACTION

A solid foundation

Over the first four years of our Group-wide sustainability programme we have focused on the most material aspects within our operation. Our focus was on building a strong culture, the systems to support in-depth analysis, and a governance model to oversee progress against targets. Since we began Group-wide data collection in 2015 we have hit the targets we set on water use and waste and recorded progress on energy use reduction. Taking account of the Carbon Trust recommendations we deployed Intelex, the Environmental Health & Safety management software. Today all operating sites are reporting on water, waste and energy use. Intelex gives us improved dashboards on progress against targets and allows in-depth analysis of the data behind the material focus areas by site or Business Unit. For example, combusted energy is analysed by the type of energy, the nature of the source, background conversion factors relevant to the location and on-site energy production. As a result, we were able to build a carbon footprint with the oversight of the Carbon Trust. This granularity in data is a critical pillar to evolving a new strategy in 2020.

CARBON TRUST

KPIs

We have targets for water, energy and waste. In addition to these Group-wide metrics each business unit has its own internal targets for its most material elements for the same time period of 2015 to 2020.

Waste

In 2018 we reported that GPN had achieved its target of zero waste to landfill for all operating sites. That ambition was set in 2016 and was delivered ahead of schedule. Glanbia Nutritionals specialty operation sites are embarking on a similar ambition in 2020.

Water

Our ambition was to reduce water use intensity by 8% from our 2015 baseline. In 2019 we achieved a water use intensity reduction of 19% over the 2015 baseline.

Energy

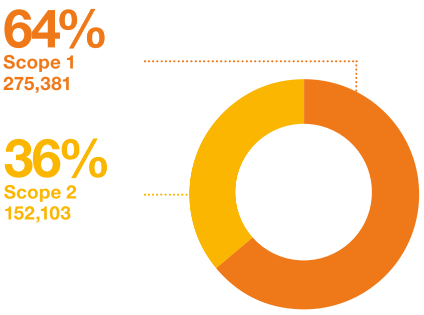
Energy use intensity has been reduced by 4.6% over the 2015 baseline.

The reduction in intensity for both water and energy is behind that reported in 2018. However, the water reduction remains significantly ahead of target whilst energy continues to show a reduction over 2015.

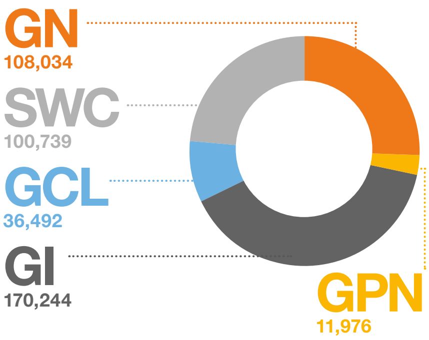
Greenhouse gases

In 2018 we reported our carbon footprint across all operating sites. That effort was supported by the oversight of the Carbon Trust and our consultants Harbor Environmental and Safety. Our 2019 Carbon footprint shows Scope 1 (direct emissions from our operations) and Scope 2 (indirect emissions generated by the electricity consumer and purchased by Glanbia) emissions, which resulted in a 1.5% reduction on our 2018 footprint. The value chain project conducted in 2019 shows the total carbon footprint beyond our operations. Two years of GHG emissions data, allied to continuous improvement in Intelex functionality and analysis, provides insights on our most material considerations for reducing our Scope 1 and Scope 2 emissions. In the first instance, we are pursuing certified renewable electricity, with 54.6% of our group wide grid electricity certified as renewably sourced in 2019.

CO_2 emissions by scope (tonnes)



CO_2 emissions by Business Unit (tonnes)



We will continue to pursue a renewable energy procurement focus as 36% of our footprint is attributable to purchased electricity. As part of our 2019 science-based target project with Carbon Trust we have mapped our future energy reduction projects across the Group against the reductions we would need to implement to meet the global ambition of keeping temperature rises well below 2.0 degrees Celsius by 2050.

2020

With phase one of our strategy completed, in 2019 we built the cornerstones for the next phase of our sustainability strategy. The materiality study combined with target exploration and value chain mapping conducted with the Carbon Trust inform the priority areas for our ambition to 2030 and beyond. In 2020 we will develop a new strategy, taking into account the scientific information from these projects, targets being set in our supply chain, and, working with the Carbon Trust, where we fit in the global effort to meet our ambition.

Our 2019 Carbon Disclosure Project (CDP) score

Carbon Disclosure Project (CDP) provides a globally recognised, transparent and line up independently evaluated disclosure system that enables companies to assess, disclose and manage their environmental metrics. A number of our customers request that Glanbia submit to CDP. We, in turn, benefit from the insights on our performance. In 2019 Glanbia submitted a Group-wide response to CDP's climate change (including supplier engagement) and water questionnaires. In the interest of transparency, we made our disclosure available to investors on the CDP portal. Overall we continue to demonstrate a solid performance, however, our climate change score is below the sector average. A score of D on climate change acknowledges that we disclose, but to move to a higher ranking CDP requires further evidence of coordinated action and implementation of best practice, which is exactly what is being developed in our 2020 strategy refresh. Specifically CDP feedback calls out the need to accelerate our ambition on emission reduction initiatives and target setting. We are confident our central strategic projects including science-based targets and value chain mapping, position us to improve relative to the sector average by directly addressing the limiting factors of the CDP result. With our current strategy coming to its conclusion 2020 we will leverage these insights to the next phase to 2030 and beyond.

	Climate change	Water	Supplier engagement rating
Glanbia plc 2019	**D**	**B-**	**B-**
Sector average 2019	**C**	**B**	**C**

Non-Financial reporting statement

Glanbia aims to comply with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017. The table below is designed to help stakeholders navigate to the relevant sections in this Annual Report to understand the Group's approach to these non-financial risks. Many of our policies can be viewed on www.glanbia.com.

Reporting Requirement	Policies and standards which govern our approach	Risk management and additional information
Environmental matters	• Environmental sustainability • Supply chain and responsible sourcing and on-farm sustainability	• Our world and climate action – pages 50 and 51 • Site Compliance risk and Environmental, Health and Safety regulation risk management – page 46 • Our Supply chain – page 48
Employee matters	• Culture and engagement • Group Code of Conduct • Whistleblowing policy • Diversity and inclusion	• Corporate Responsibility Council – page 44 • Group Code of Conduct – page 48 • UK Corporate Governance Code – page 73 • Diversity and inclusion – page 46
Social Matters	• Education initiatives • Community support	• GPN Sports Nutrition School and other education initiatives – page 47 • Community and charity support – page 47
Human Rights	• Anti-Slavery and human trafficking statement	• Available on www.glanbia.com
Anti-Bribery and Corruption	• Group Code of Conduct and Anti-Bribery and Corruption policy	• Available on www.glanbia.com
Description of principal risks and impact of business activity		• Principal risks – pages 52 to 59 • Potential impact of Coronavirus – page 10
Description of the business model		• Business Model – pages 16 and 17
Non-Financial KPIs		• Key Performance Indicators – pages 18 and 19 • Our Sustainability – pages 44 to 51

Risk Management

Our Principal Risks and Uncertainties

The Board recognises that the effective management of risk can only be achieved by instilling a culture of open communication in combination with our formal risk management processes. The Board is committed to the continued investment in and development of our people, processes and systems to help enable us to anticipate and address changes to the Group's risk environment, that may impact the delivery of the Group's strategic objectives, as they emerge.

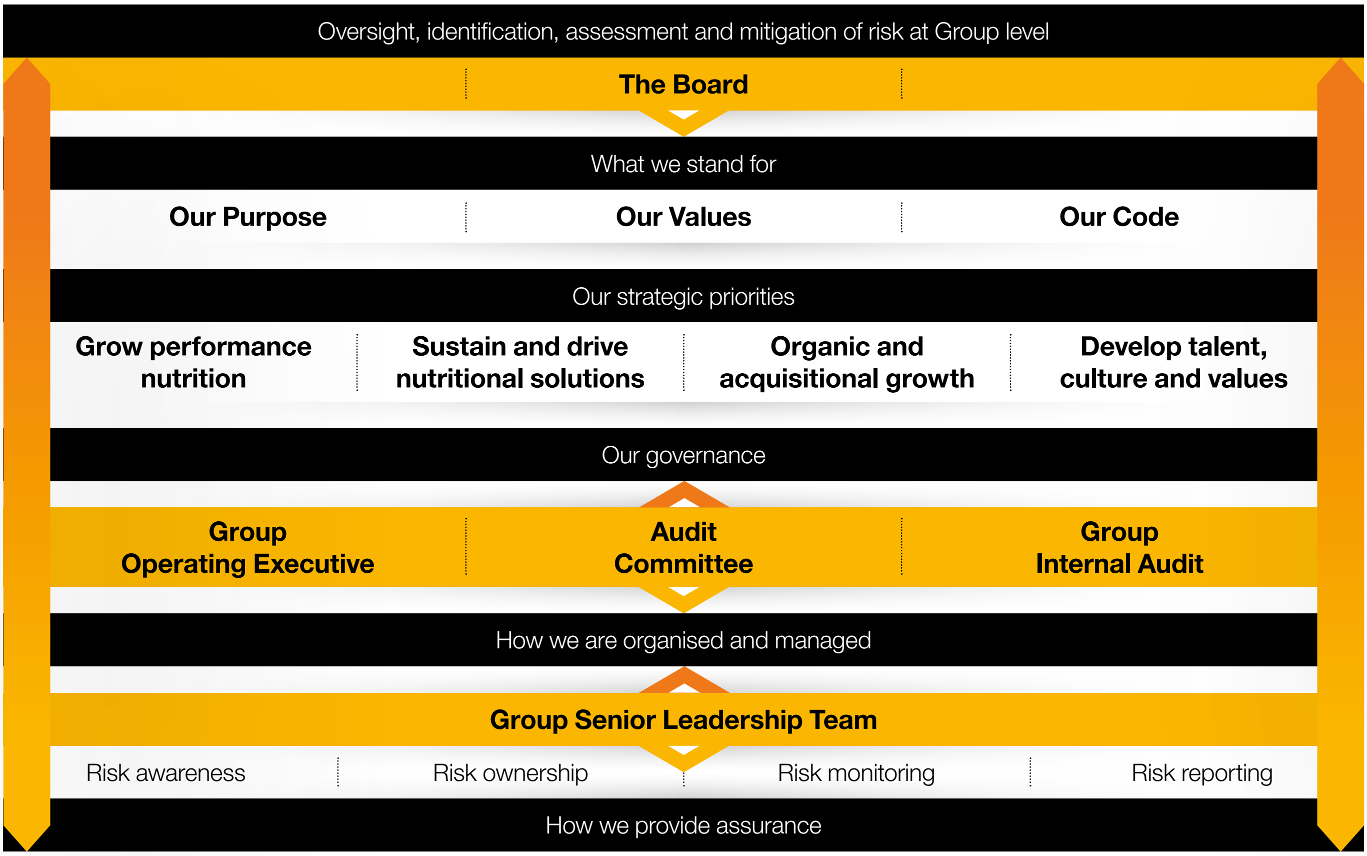
A robust risk management framework is critical to correctly identify, assess, prioritise and manage risks. The Board has implemented appropriate governance structures to ensure that there is clarity of ownership and responsibility for risk management throughout the Group. An overview of the Group's risk management and internal control framework is outlined in the diagram below.

The Group did encounter a range of challenges in 2019, particularly in our non-US markets, where the impact of some of our principal risks and uncertainties could not be fully mitigated. This was most evident in relation to the geopolitical and market risks encountered where the impact of increased tariffs, currency volatility, route-to-market challenges and local market competition impacted our non-US growth. Forecasting challenges in some of these markets, where the availability of robust market data is limited, impacted our ability to respond effectively. The Audit Committee and the Board have discussed these impacts and the required corrective actions in detail to ensure that we are better positioned in 2020 and onwards to protect ourselves from the challenges encountered in 2019. These actions include a fundamental re-assessment of GPN's routes-to-market and innovation strategy, a significant supply chain simplification and SKU rationalisation project, focused cost reduction initiatives and brand and eCommerce investments to reinvigorate our growth strategy. The Board believes that these improvement initiatives, combined with our eCommerce and continued brand investments, provide a solid platform for future growth.

Our risk management framework

Our risk management framework outlines the key stakeholder responsibilities. It is designed to ensure that there is input across all levels of the business to the management of risk. While risk management is a regular agenda item at Board meetings, the Board also conducts a detailed consideration of the impact of the Group's

Our system of Risk Management and Internal Control



Oversight, identification, assessment and mitigation of risk at business unit level and across key Group functional areas

principal risks, including emerging risks, during the annual Group strategy process. This is designed to ensure that the Board understands both the key risks existing within the business and newly emerging risks together with the methods by which these risks are being managed. The Board and management use the same process to assess and manage risks within our material Joint Ventures as it does for the wholly-owned areas of the Group. We hold board positions in all such entities. The Board's risk assessment was completed at the December 2019 strategy meeting and refreshed at the February 2020 meeting to ensure that the Group's principal risks and uncertainties, as outlined on pages 54 to 59, effectively describe the nature and extent of the Group's principal risks.

Following the additional mitigation measures introduced to address the challenges encountered in 2019 the Board is satisfied that its risk management and internal control processes are effective, however, as with all practices, a mindset of continuous improvement is required. The Board also considered its obligations in relation to providing both the annual Going Concern and Long-term Viability Statements. Its review and conclusions in this regard are outlined on page 55.

Our risk management process

Our risk management process supports the delivery of the Group's strategy by managing the risk of failing to achieve business objectives. Group Internal Audit (GIA) prepare regular Group summary risk management reports based on information submitted by management throughout the year. These reports include:

- An analysis of key Group risks in terms of impact (assessed over the following 12 months within defined monetary terms), likelihood of occurrence (using defined probabilities of occurrence) and velocity (speed at which the impact of the risk could materialise);
- A summary of the key movements in the identified risks, with a particular focus on highlighting new or emerging risks;
- Management action plans (MAPs) to manage risk exposures; and
- An overview of the broader organisational and business risks.

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

Group Senior Leadership Team (SLT)

The management team of each business segment and the Group functional leads are required to maintain and submit a risk register. The register ensures consistency of approach in the reporting of risks to Group defined guidelines. By focusing our risk management system on the early identification of new or emerging risks, it enables us to conduct a detailed consideration of the existing level of mitigation and the management actions required to either reduce or remove the risk. Where the reduction or removal of the risk is not possible, the Group formulates a MAP to respond to the risk should the risk materialise. The quality and consistency of SLT risk reporting is supported by a number of other monitoring and reporting processes during the year including:

- Group strategy process and Board review of key financial and operational performance, including detailed finance, capex planning and expenditure reviews;
- Bi-annual control self-assessment and management representation letter processes;
- Post-acquisition completion and significant Capex project reviews;
- Risk focused GIA plan; and
- The externally assessed Glanbia Risk Management System (GRMS) reviews which assess operational risks across the Group and the internal Glanbia Quality System (GQS) reviews.

Board and Audit Committee oversight

The Board has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving the Group's strategic objectives. This is achieved by carrying out a robust assessment of the Group's principal risks, including emerging risks, identified in our risk register process. The focus of the Board during such reviews is to ensure that the Group residual risk position is within its risk appetite.

The Group Operating Executive and the Audit Committee, supported by GIA, are entrusted with ensuring that appropriate measures are in place to validate the strength of internal controls and risk mitigation. In 2019 the Audit Committee continued its approach to developing a deeper awareness and insight into the Group's principal risks by receiving ongoing updates from senior executives and detailed presentations from Group functional leads including the:

- Group Head of Glanbia Business Services and IT;
- Group Head of Tax; and
- Group Head of Quality and Safety.

These presentations typically provide the opportunity to review the Group's risk appetite statements in relation to the principal and emerging risks being examined. Due to the adverse market performance during the year, the Audit Committee and Board also received market performance updates from senior executives including a detailed overview of the GPN operating performance, particularly the GPN non-US business and think! brand performance. The Group forecasting process and related management action improvement plans were also reviewed in detail and will continue to be a focus area in 2020.

Brexit

In line with the guidance issued by the Financial Reporting Council (FRC), the Board has considered the risks and uncertainties in the political and economic environment arising from Brexit and the potential impact of those risks and uncertainties on the Group.

The UK formally left the EU on 31 January 2020 and has entered a transition period. The transition period maintains the UK's current relationship with the EU making the short term position to 31 December 2020 largely unchanged. From a medium to longer term perspective, the Brexit process has now entered the trade negotiation phase where the future relationship remains uncertain. The Board is alert to the risk of additional costs, such as higher tariffs, following the negotiations and has the position under review. A significant revision to macro-economic performance in our European markets, including the UK, could impact our operating performance.

As a consequence of the increased risks, the Board and the Brexit cross-divisional and joint venture committee has focused on ensuring that the potential impacts to the Group are clearly understood and that we are equipped as well as possible to address the challenges that may arise across a broad range of issues including operational risks, currency risks, regulatory, raw material inflation and tariff exposures. Key impacts to the Group include effectively planning for and managing raw material and finished goods movements into and out of the UK; and cross border product flows. Mitigation measures include items such as:

- Amending our EU storage and co-manufacture arrangements;
- Understanding potential customer and supplier export certificate, customs inspection and logistic requirements;
- Review of potential alternative manufacturing and supply strategies; and
- Tax team monitoring of international tax legislation developments, particularly in the UK.

Note 6(d) to the Financial Statements outlines the exceptional Brexit related costs incurred in 2019.

Risk Management continued

Risk Categories

The Board has updated the way our risks are categorised. Our approach recognises the external risks associated with our operating environment, which are typically considered and managed through our strategic processes, and the mainly internal risks associated with our people, processes and systems which are managed through our internal controls. Emerging risks with the potential to impact our longer term success are also considered to ensure we plan appropriately to respond to them over time.

Strategic/External

Mainly external risks associated with our operating environment

- ▲ Market Disruption
- ▶ Economic, Industry and Political
- ▶ Customer Concentration

Financial

Our financial status and internal controls

- ▶ Taxation Changes

Technological

The systems we use to drive the business and the data they hold

- ▲ Digital Transformation
- ▲ Cyber Security and Data Protection

Operational/Regulatory

The people and processes we use to power our business model

- ▲ Talent Management
- ▲ Supply Chain
- ▶ Product Safety and Compliance
- ▶ Health and Safety
- ▶ Acquisition/Integration

Emerging

Emerging or developing risks with the potential to impact in the longer term

- ▲ Climate Change

Identifying our principal risks and uncertainties

The Directors have carried out a robust assessment of the Group's principal risks, including those that may threaten our business model, future performance, solvency or liquidity. Key risks are identified based on the likelihood of occurrence, potential impact and velocity on the Group using the process outlined on pages 52 and 53. The Board fully recognises that many risks do not exist in isolation and that one or more risks may crystallise at the same time which could increase the impact to the Group, as experienced in 2019. The interactions and relationship between such risks are discussed and considered by the Board throughout the year.

Risks are reported on a residual risk basis and represent a snapshot of the Group's principal risk profile. This is not an exhaustive list of all of the risks faced by the Group, there may be other risks and uncertainties that are not yet considered material or not yet known to us and this list will change if these risks assume greater importance in future. Likewise, some of the current risks will drop off the key risks schedule as management actions are implemented or changes in the operating environment occur.

Changes to risks in the year

- Re-classifying acquisition/integration risk from being a strategic risk to an operational risk. This re-classification recognises that a key Group focus in 2019 and for the year ahead in 2020 is the successful integration of the SlimFast and Watson acquisitions.
- The potential impacts of the new coronavirus strain are broad and impact a number of our principal risks. A project team is in place to assess these threats and ensure we have appropriate incident and response plans in place. Above all, we will maintain our commitment to the health and safety of our employees and customers by putting people first.
- Other risk trend movements during the period are indicated by the arrows in the table above.

New risks

- Digital transformation risk was added to recognise our GPN direct-to-consumer (D2C) ambitions and the IT infrastructure development required to support our objectives. A significant technology failure or data leak may negatively impact these ambitions.

Emerging risks

- Climate change risk was added as an emerging risk recognising the scientific consensus that action is required to address the impact of greenhouse gases on rising global temperatures and our role in protecting the environment.

Principal risks and uncertainties

Key risk factors and uncertainties with the potential to impact on the Group's financial performance in 2020 include:

- Market disruption – Increasing competition, tariffs, currency volatility and channel shifts contributed to decreased sales volumes in 2019, particularly within our GPN international markets. While the disruption threat remains in some of our markets we have reacted appropriately by working to better manage our routes-to-market, channel mix and by implementing a SKU rationalisation project to reduce the tail of under-performing SKUs. The continued execution of these programmes and effective implementation of our GPN focus areas in 2020 is important to ensuring a positive overall impact on revenue and margin;
- Economic, industry and political – As an international business we operate in many countries and currencies where changing economic conditions can impact us. In 2019, this was evidenced by the negative impact from the introduction of trade tariffs. While the risk from this element of the geopolitical climate appears to be reducing following positive US/China trade negotiations, other uncertainties such as the nature of the UK's future trading relationship with the EU post the Brexit transition phase is still to be determined;
- Customer concentration – While from a strategic perspective the Group aims to build strong customer relationships with major customers, the loss, or material disruption with one or more of these customers, or a significant deterioration in commercial terms, could materially impact profitability. It can also expose the Group to credit exposure and other balance sheet risks. The Board is focused on utilising available mitigation to limit such exposures where possible;
- Talent management – The investment in building our global talent pool and D2C capability may be negatively impacted by a failure to attract and retain top talent; and
- Supply chain – The ability of governments and medical agencies to contain the spread of the COVID-19 virus will be important in preventing unexpected supply chain disruptions which could result in restrictions on the importation of key raw materials and/or negative impacts on our international sales channels. While we

have appropriate safety stocks in place for our core raw materials a prolonged impact to the supply chain would have negative consequences from both a supply and pricing perspective.

Going concern

Glanbia's business activities, together with the main factors likely to affect its future development and performance, are described in the Strategic Report on pages 1 to 59. After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements. The Group therefore continues to adopt the going concern basis in preparing its Financial Statements. In reaching this conclusion the Directors have had due regard to:

- Available cash resources, cash generation from operations, committed bank facilities and their maturities which taken together provide confidence that Glanbia will be able to meet its obligations as they fall due. Further information on its bank facilities is provided in Note 25 to the Financial Statements and outlined in the Group Finance Director's review on pages 36 to 41; and
- Glanbia's financial risk management policies are described in Note 29 to the Financial Statements, the nature of its business activities and the factors likely to impact our operating performance and future growth.

Long-term viability statement

Assessment of prospects

In accordance with the Code and Listing Rule 6.1.82 (3) of Euronext Dublin, the Directors have assessed the viability of the Group and its ability to meet its liabilities as they fall due over a period extending to 2022. This period was chosen as it is aligned to the Group's growth strategy and ambitions as set out at the Group's Capital Markets Day in Chicago in May 2018 and refreshed at the Board budget review sessions in December 2019 and early 2020. The Board considers this the most appropriate period to assess the Group's prospects taking into account its current financial position, the Group's strategy and business model and the potential impact arising from the principal risks and uncertainties. Factors considered in assessing long-term prospects include:

(a) The Group's current position

- Strong Group financial position with good cash generation.
- While we experienced significant challenges in 2019, particularly with the GPN non-US business, the Board believe that global market trends in human nutrition are positive and will underpin the execution of the Group's strategic ambition.
- Strong market positions in the wholly-owned segments GPN and GN and robust joint venture business models.
- SlimFast and Watson acquisitions are performing well.
- Key long-term customer relationships, brands with strong equity and leadership positions in ingredients.
- A team of talented and committed people, focused on the delivery of Group targets in line with our Group purpose, vision and values.

See the Finance Director's review on pages 36 to 41 for more detail.

(b) The Group's strategy and business model

- Clearly articulated business model with well-defined and communicated Group growth targets.
- Clear priority of returning GPN to top line growth and driving earnings to 2022 from our core platforms of GPN and NS.
- Evaluating further opportunities to return our margin profile to historical levels by leveraging our eCommerce capabilities and reducing our cost base to better position ourselves for future growth in line with our guided targets.
- Ongoing review to identify priority areas to reset and transform the business in 2020, and further refine to 2022 in line with the strategic plan.
- Delivery of the defined strategic approaches will be focused on growing market share where we have market leading capabilities, underpinned by a simplification of the business across product portfolios, routes-to-market and geographies.
- Ambition to grow through both organic investment and acquisition activity within a framework of clear capital allocation priorities, as demonstrated by our acquisitions and scale investments in dairy processing conducted through robust joint venture models.
- Clear focus and prioritisation on the development of talent which remains central to our strategy.

See the Group's business model and strategy on pages 11 to 17 for more detail.

(c) Principal risks related to the Group's business

See pages 56 to 59 for a detailed description of each of the Group's principal risks, related mitigation measures and 2020 focus areas.

Assessment of viability

The Directors' assessment of the Group's viability has been made with reference to the 2019 performance, the principal risks and uncertainties including emerging risks facing the Group and how these are managed within the Board's risk appetite as detailed on pages 54 to 59. The Directors carried out a robust assessment of the consolidated financial forecast for the current year and financial projections for future years to 2022 during the strategy and budget review session in December 2019 and subsequent meetings in early 2020.

The Board reviewed the assessment of the Group's prospects made by management, including:

- The development of a rigorous planning process, the outputs of which comprise a strategic plan, a consolidated financial forecast for the current year and financial projections for future years covering the period of the plan;
- A comprehensive review of the strategic plan as part of its annual strategy review, with regular monitoring on the achievement of strategic objectives taking place at each Board meeting;
- Assumptions are built at both Group and business unit levels and are subject to detailed examination, challenge and sensitivity analysis by management and the Directors; and
- A consideration of how the impact of one or more of the principal risks and uncertainties, outlined on pages 56 to 59, could materially impact the Group's performance, solvency or liquidity.

These considerations include external factors such as the impacts of lower economic growth, particularly in our key areas of operation; unfavourable currency exchange rate movements, principally the USD/euro rate; increased regulations; and internal factors such as the strategic plan under-delivering; the loss of a key production site; or a major food safety related event. These considerations also took into account additional mitigating measures available to the Group, including the ability to reduce capital expenditure and the potential availability of additional debt facilities. The Board is satisfied that sufficient financial headroom exists to address the potential negative impacts arising from the events considered.

Conclusions

Having considered these elements and the challenges experienced in 2019, the Board assessed the prospects and viability of the Group in accordance with the UK Corporate Governance Code requirements. The Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment. In reaching this assessment the Board has also considered the impact of the new coronavirus strain and the on-going Brexit uncertainties as outlined on pages 53 and 54. The Board does not expect any reasonably anticipated coronavirus or Brexit-related outcomes to impact the Group's long-term viability or ability to continue as a going concern. The Board, in considering its dividend policy for the years to 2022, believes it will have sufficient distributable reserves to pay dividends. The Board assesses the Group's key financial metrics, liquidity position and projected cash flows before declaring interim and proposing final dividends.

Principal Risks and Uncertainties

Link to Strategic Priorities (see pages 12 to 15)

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

Risk	Potential Impact	Mitigation
Strategic/External		
Market Disruption ↑ **Increasing competition across certain channels through high promotional activity, competitor product innovation and channel shifts provides an ongoing challenge.**	Potential adverse effect on the Group's financial performance if we fail to adapt successfully where and when required to meet market challenges. Failing to recognise or obtain accurate and relevant competitive and environmental intelligence may result in the adoption of incorrect business strategies.	The Board considered the major trends, such as clean labelling, impacting our businesses as part of our strategic review processes. We invest in research and development expenditure focused on value-added and customer-specific solutions, and invest in promotional activities where required. GN focuses on differentiating its capabilities from competitors through innovation to enable it to be the partner of choice for nutritional and functional solutions across both the dairy and non-dairy segments.
Economic, Industry and Political → **Our performance is influenced by global economic conditions, consumer confidence and the stability of the markets in which we operate.**	Deterioration in economic growth or consumer confidence, significant currency movements, political instability or civil disturbance may impact performance and the achievement of growth targets.	After a difficult 2019 our strategy has been reset around our core performance nutrition brands and our consumers with a simplification of the business underway across product portfolios, geographies and processes. These actions together with the effective implementation of our GPN focus areas positions us well to regain revenue and profitability growth.
Customer Concentration → **The Group benefits from close commercial relationships with a number of key customers.**	The loss or material disruption with one or more of these customers, or a significant deterioration in commercial terms, could have a material impact on Group profitability. Pricing risks associated with the growth of the online channel.	The Group has developed strong relationships with major customers by focusing on superior customer service, quality assurance and cost competitiveness. The Board regularly reviews its exposure to individual customers and considers the impact of acquisitions where relevant. Credit exposure is actively reviewed and managed including the use of credit insurance where possible.
Financial		
Taxation Changes → **The Group's tax strategy may be impacted by legislative changes to local or international tax rules.**	The Group may be exposed to additional tax liabilities.	The Group employs a team of tax professionals to support the Group in ensuring compliance with legislative requirements globally. We constructively engage with tax authorities where appropriate and we engage advisors to clarify tax legislation to ensure that we achieve compliance with relevant tax law across the jurisdictions in which we operate.
Technological		
Digital Transformation ↑ **The Group is focused on implementing an effective digital strategy to improve competitiveness and enhance customer service.**	A failure to adopt new technologies may impact our targeted growth.	Executive commitment to ensuring the full benefits of newly acquired digital capabilities are maximised. Significant investment by the Group in ensuring market-leading technologies are deployed by the right talent to drive growth across the eCommerce landscape.
Cyber Security and Data Protection ↑ **The Group is dependent on robust IT systems and infrastructure for most of our principal business processes which may be impacted by the significant growth of cyber threats.**	An adverse event could result in significant reputational damage due to the potential loss or unauthorised access to sensitive financial, personal and commercial information such as the Group's intellectual property (IP) and that of our customers.	There is a dedicated Group IT Security team in place to limit IT risks. We have policies in place regarding the protection of both business and personal information, as well as the use of IT systems and applications by our employees. We have systems in place (including ongoing audit activities) to monitor compliance with relevant privacy laws and regulations. Detailed IT Internal Audit work programme to identify operational IT weaknesses. Regular security scanning across all eCommerce sites with penetration testing completed on all new sites.

Risk Trend

⬆ Increasing ➡ Stable ⬇ Decreasing

Developments in 2019	2020 Focus Areas
Increased local market competition, channel shifts, trade tariffs and route-to-market challenges contributed to a difficult 2019, particularly in our non-US GPN markets. This was compounded by the forecasting challenges encountered in some of our non-US markets where the availability of robust market data was limited. The North American market remains competitive for ready-to-eat formats and the 2019 rebranding from thinkThin to think! has reinvigorated our growth in this category.	The challenges encountered in 2019 led the Group to focus on resetting the business in 2020. This reset will include the simplification of our product portfolio and geographic footprint, and implementation of our GPN focus areas as we work to reverse the 2019 revenue decline and aim to regain top line momentum. We will focus on developing key consumer insights and trends in all areas of the business to assist in improving our GPN forecasting processes. Matching these insights to our refined approach to innovation and internal capabilities will be integral to our stated growth ambitions. In our non-US markets this will include reshaping the GPN organisation to focus on the performance nutrition category and the ON brand.
Macroeconomic and global trade uncertainty increased in the first half of 2019, partly as a result of the geo-political climate where the continued introduction of trade tariffs combined with currency fluctuations and competitive markets contributed to a very difficult year in the GPN business across many of its non-US markets. This uncertainty stabilised in H2 2019 as US/China relations improved and the timing of Brexit became more clear. Management, in combination with external advisors, conducted a detailed assessment of key market trends and the implications for Group performance and strategic objectives with a number of corrective actions in progress.	The uncertainty surrounding the UK's future trading relationship with the EU post Brexit is still to be determined and the associated risks to the Group will be maintained under review. We will continue to invest in developing in-house capabilities to assess trends in key market areas ensuring accurate and relevant data is available to the Board and management teams to support decision making.
The Board has reviewed its exposures to individual customers and channels as part of the strategic review process. We continually assess the potential impact of channel shifts by consumers and the financial strength of our customer base. Tariff headwinds on raw materials contributed to a margin decline where the increased costs were not passed on in full to customers.	Building key customer partnerships through strategic capacity expansions and product supply opportunities, particularly with our core GN customers. The Group is re-focusing its innovation pipeline in GPN and using enhanced market research to drive targeted investment. Monitoring our customer credit exposures and balance sheet risks and utilising available mitigation to limit the risks where possible.
The Audit Committee received a detailed management presentation during the year on the status of current tax authority reviews, our tax structures and controls and the ongoing management of our current operations. The Committee was satisfied with the outcome of the various tax authority reviews which concluded in 2019 with no material issues arising.	Management will continue to monitor potential further developments in international tax legislation while continuing to ensure compliance with current legislative requirements. Continued pro-active engagement with tax authorities in all material jurisdictions.
A leading eCommerce platform was selected following a detailed supplier risk assessment process. Project plan in place to transform our digital capabilities, increase our speed to market, reduce costs and improve customer experience.	Completion of the phased migration to our preferred eCommerce platform. The Group is focused on ensuring the successful execution of our D2C ambitions which are a key enabler to the delivery of our growth objectives. Appropriate IT controls will continue to be implemented to ensure the security of our core platform.
Control processes further developed to limit the risk of system intrusion and/or data loss with a particular focus on the EU General Data Protection Regulation requirements. Vulnerability scans implemented across all eCommerce sites. Fraud and cyber security exercises completed.	Focus on ensuring the effective integration of our IT systems and the related Group monitoring controls post-acquisition. Continued focus on monitoring the evolving threats and raising awareness of potential cyber-attack threats such as phishing and social engineering. Protection of IP is a key focus area for the cross-functional teams involved including Group Legal, IT and the relevant commercial, operational and R&D teams. We will continue to ensure our IP is protected through appropriate IT security measures, patent applications and related control procedures.

Principal Risks and Uncertainties continued

Link to Strategic Priorities (see pages 12 to 15)

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

Operational/Regulatory

Risk	Potential Impact	Mitigation
Talent Management ↑ **The Group is dependent upon our global talent to deliver best in class portfolio management, operational excellence, science-based innovation and strong customer relationships.**	A failure to retain, attract and/or develop key talent, particularly in emerging areas of talent need or areas such as D2C and robotics, will impact on our ability to deliver sustainable value for all our stakeholders.	A remuneration policy is in place with clear links to our strategic objectives. This policy includes a balanced approach to short and long-term incentives and is aimed at mitigating weak performance in any one year and utilising appropriate retention tools for key individuals. The Group has implemented strong recruitment processes, effective HR policies and procedures, robust succession management planning and a range of talent management initiatives. Strong graduate recruitment and mentor programmes are in place to support the Group's succession planning processes.
Supply Chain ↑ **The risks include principal ingredient supply not achieving an appropriate balance between sustainable milk supply and cost and the inability to contain the spread of the coronavirus with resulting unexpected supply chain disruptions.**	Milk availability and pricing can vary from quarter-to-quarter and year-to-year with resulting impacts on production levels and input costs. The coronavirus could result in restrictions on the importation of key raw materials and/or negative impacts on our international sales channels.	The majority of our dairy activities are in joint venture partnerships with established, robust business models to manage this risk in our dairy operations. Our milk and procurement strategy teams work proactively with the US patron supplier base to ensure the business remains competitive in its supplier offerings to underpin long-term sustainable supply including the provision of non-pricing value-added initiatives. Appropriate short-term safety stocks in place for our core raw materials, while we assess alternative sources of supply.
Product Safety and Compliance → **A breakdown in control processes may result in contamination of products resulting in a breach of existing food safety legislation and potential consumer or employee illness.**	Reputational damage, regulatory penalties or restrictions, product recall costs, compensation payments, lost revenues and reduced growth potential. The sudden introduction of more stringent regulations such as additional labelling requirements may also cause operational difficulties.	Suitably qualified and experienced staff are employed within the Group. The Glanbia Quality Leadership Team (QLT) has established governance, benchmarking and KPI measurement processes to ensure the Group is tracking to global standards and best practice. The Group also ensures appropriate product liability insurance is maintained.
Health and Safety → **The risk of an escalation in the spread of the new coronavirus strain or non-compliance with building and fire code regulations and/or zoning restrictions resulting in a loss of capacity or closure at a major site.**	Health and safety risks to our people and the wider public, reputational damage, regulatory penalties and an inability to service customer requirements due to capacity restrictions or plant closure.	The Glanbia Corporate Responsibility Council (CRC) monitors progress against our key health and safety, food safety and quality and environmental objectives. The CRC, which includes two members of our Group Operating Executive, helps ensure an effective framework, Group policies and clear objectives are in place and that corrective actions are implemented in a timely manner where required. The Group monitors overall safety and loss prevention performance through the independently assessed Glanbia Risk Management System (GRMS).
Acquisition/Integration → **The anticipated benefits of acquisitions may not be achieved if the Group fails to conduct effective due diligence, complete the transaction or properly integrate the acquired businesses.**	Below expected performance of the acquired business and the diversion of management attention to integration efforts could result in significant value destruction.	The Board approves the business case and funding requirements for all significant investments. The Group has acquisition integration processes in place to monitor the performance of acquired businesses and implement corrective actions. Acquired entity management teams are typically strengthened by the transfer of experienced Glanbia managers, which assists in increasing the efficiency of integration efforts. Mandatory post-acquisition completion and significant capital expenditure project reviews are conducted, with regular Audit Committee updates.

Emerging

Risk	Potential Impact	Mitigation
Climate Change ↑ **The risk of non-compliance with regulations and/or the Group's vision to protect the environment through responsible stewardship.**	Changes in policy, regulation, technologies and weather conditions, may impact the Group or influence consumer preferences. Failure to comply with incident reporting regulations may cause reputational damage.	The Board recognises the scientific consensus that action is required to address the impact of greenhouse gases on rising global temperatures and has ensured that: • Our operating sites are reporting on water, waste and energy use. • The Group-wide sustainability programme focuses on building a strong culture, systems and governance model to oversee progress.

Risk Trend

↑ Increasing → Stable ↓ Decreasing

Developments in 2019	2020 Focus Areas
Given the strong economic performance in the key markets in which we operate and our 2019 underperformance we have a resulting increased talent retention risk. Continued execution of our people strategy which aims to sustain a high-performing, values driven and respectful culture. Our HR transformation programme continued its development particularly through the global talent centre of excellence and IT platform development work. This, combined with focused management development programmes, helps to enhance the mobility and capabilities of our workforce.	In early 2020 we conducted a Group-wide employee survey. In H1 2020 we will perform a detailed analysis of the results as part of our employee engagement programme and develop appropriate action plans. Continued development of our approach to increasing diversity across the organisation, including our talent pipeline, new acquisitions and new geographies. Continue to embed our purpose, vision and values across all levels of the Group through defined training programmes.
Structurally in many areas of our business our models for the purchase of milk are significantly aligned with our end product pricing. However, that protection is not absolute. In particular, the relative pricing dynamic between base and high-end whey can have a significant impact on GN dairy margins, when our ability to pass pricing volatility to suppliers is constrained by competitive pressures.	Monitoring the potential impacts of the coronavirus, particularly on the import of key raw materials and/or negative impacts on our international sales channels and taking effective action where required. On-going engagement with our supply base in Ireland and the US to ensure sustainability of supply at a level of pricing that is both commercial and competitive.
Embedding our global reporting tool, core Glanbia Quality Standards (GQS) and system of third party audits/certifications across the Group. Enhanced our Group-wide standards particularly in relation to contract manufacturing qualification and acquisition integration. 97% adoption of global food safety certification requirements in 2019.	Maintaining standards as we optimise our supply chain globally by encompassing a mix of owned and contract manufacture facilities. Working to continuously improve our operations while reducing our environmental impacts in a cost effective and sustainable manner. Ensuring new regulatory requirements and emerging issues are captured with appropriate team training on the revised requirements.
Worked to embed our Group policies and procedures through our global health and safety reporting platform, improved performance dashboard reporting and CRC oversight. Continued the Group commitment to pursuing a vision of 'Zero Harm'. Close monitoring of our accident rates with a clear focus on driving effective root cause analysis across the Group.	We recognise that the uncertainty of the new coronavirus strain may create fear and anxiety for our employees. We took decisive action by temporarily closing our GN China plant in Suzhou, restricting travel to China and are maintaining regular communications with our employees, many of whom are working from home, to help ensure the safety of our people. Even if the coronavirus is contained and suppressed in the coming weeks, we will assess whether any business activities have not gone as planned and make the required improvements to limit any future exposures. Monitor evolving health and safety regulatory requirements.
The Board considered and approved the acquisition of Watson, a US-based non-dairy ingredient solutions business, which completed in February 2019. Management focused on ensuring the 2018 acquisition of the SlimFast brand and the Watson acquisition were effectively integrated into the Group's operations. The Group continued to participate with its strategic joint venture partners in the progression of a number of dairy-related investments. The Audit Committee assessed the impairment review of goodwill and intangibles as outlined on page 78.	The Board will continue to review the Group's overall portfolio as part of its strategic review processes. Acquisition integration and post-acquisition review processes will be monitored through Board and Audit Committee reviews. The Audit Committee will continue to review the impairment testing methodology, inputs, assumptions, sensitivity analysis and results of any material business units performing below expectations. The Board will continue to evaluate acquisition opportunities to broaden the Group's portfolio.
The Group continues to invest in energy efficiency advancements, carbon reduction and emission management programmes. The value chain project conducted in 2019 has mapped out the total carbon footprint across all our operating sites and helped us to identify the key areas of potential improvement. Continued on-farm sustainability and animal welfare programmes in Ireland.	In 2020 the Board will develop an enhanced internal strategy, taking into account scientific information, targets being set in our supply chain and, by working with Carbon Trust, identify our responsibilities in the global effort to reduce greenhouse gases and protect our environment. Driving continuous improvement with our US farm suppliers through the US Farmers Assuring Responsible Management environmental stewardship programme.

Corporate Governance Report
Introduction from the Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Group's Corporate Governance Report for 2019.

2019 was a difficult year for the Group. Our Glanbia Nutritionals ('GN') and Joint Venture ('JV') businesses delivered good performances however Glanbia Performance Nutrition ('GPN') experienced a number of challenges in specific international markets outside the US.

Driving our agenda forward with an eye on the long-term sustainable success of Glanbia has been, and will continue to be, the Board's primary objective. It is therefore essential for the Board to be highly engaged to support and challenge senior management. A strong and robust corporate governance structure is integral in supporting this. The Board is committed to ensuring that the Group has the best strategy, structure, people and culture in place to support the delivery of the Group's long-term success.

Stakeholder engagement

Glanbia's success is dependent on the Board taking decisions for the benefit of our shareholders while at the same time having regard for all of our stakeholders. The 2018 edition of the UK Corporate Governance Code renewed the emphasis on stakeholder engagement and on pages 42 to 43 and page 67 you will find further information on how we have engaged with all of our stakeholders this year. The Board is committed to understanding the views of all of Glanbia's stakeholders to inform the decisions that we make.

We continue to strive for transparency for shareholders and other stakeholders and we are committed to ensuring that the Group's corporate governance arrangements are effective and continue to evolve with best practice. This report explains Glanbia's governance structure and how the Company has applied the principles and complied with the provisions of the 2016 edition of the UK Corporate Governance Code, and highlights the main areas of focus for the Board during 2019.

Areas of focus for the Board

In 2019, the Board devoted a considerable amount of time to reviewing, with senior management, the challenges which impacted specific areas of the business. These areas will continue to be a priority for the Board over the next 12 months. The Board also focused on strategy, Board renewal, succession planning and talent management.

Strategy

We take seriously our responsibility for ensuring the Group is capable of delivering on our strategic objectives and operating in the best interests of our stakeholders over the long-term.

Our purpose is at the core of our strategy which aims to drive shareholder returns through a focus on operational excellence and organic growth by deepening customer engagement, transforming our operating model and improving asset utilisation.

Board renewal and Committee changes

There were a number of changes to the composition of the Board during the year which are discussed in detail in the Nomination and Governance Committee Report on pages 80 and 82.

From a governance perspective the most significant changes were the reorganisation of the composition of the Board and its Committees following the appointment of three new Independent Non-Executive Directors, John Daly, Richard Laube and Mary Minnick, on 1 May 2019. They brought a wealth of experience from prior executive and non-executive leadership roles within various multinational consumer health, food and beverage businesses. Unfortunately, due to family and personal reasons, Richard Laube has indicated that he will retire as Non-Executive Director effective 28 February 2020. I thank Richard for his invaluable contributions to the Board during his short tenure. A process to identify a new Independent Non-Executive Director is currently underway.

Paul Haran retired from the Board as Non-Executive Director and Senior Independent Director on 1 May 2019 and was succeeded by Dan O'Connor as Senior Independent Director from that date. I thank Paul for his commitment, integrity, probity and valuable contributions to the Board during his tenure and wish him every success for the future.

> "Good corporate governance is critical to promoting long-term sustainable success for the benefit of our shareholders, and for building and maintaining relationships with stakeholders."

Martin Keane
Group Chairman

Non-Executive Directors, Jer Doheny and Eamon Power, have confirmed that they will not be seeking re-election at the 2020 Annual General Meeting ('AGM'). I thank both Jer and Eamon for their commitment and support during their respective tenures.

In accordance with the amended and restated Relationship Agreement dated 2 July 2017 (the 'Relationship Agreement') between the Company and Glanbia Co-operative Society Limited (the 'Society'), the number of Directors nominated by the Society (the 'Society Nominee Directors') will reduce in 2020 from eight to seven and to six in 2022.

Also, in accordance with the Relationship Agreement, a process to identify my successor as Chairperson has commenced. A sub-committee of the Board, led by Dan O'Connor, Senior Independent Director, has been established. External advisors have been appointed to assist the sub-committee in the selection process.

Priorities for the Board's Committees in 2019

During 2019, the **Audit Committee's** key priorities included reviewing the Group's forecasting processes, exceptional items, impairment reviews and related financial statements disclosures, ensuring the effective management of cyber-security risks, the development of the Group's direct-to-consumer strategy and compliance with the EU General Data Protection Regulation (GDPR). Further details on these and other matters dealt with by the Audit Committee are set out on pages 74 to 79.

In accordance with our triennial cycle of Board evaluations, during 2019 the **Nomination and Governance Committee** commissioned an externally facilitated evaluation of the Board, the purpose of which was to review and further improve the Board's performance and to identify any development needs. The review was undertaken by Independent Audit. Taking into account the significant Board changes during 2019, it was decided to undertake two successive external reviews to ensure a consistent approach to development. The 2019 review was questionnaire based. The 2020 review, scheduled for mid-2020, will be interview based and include observation of Board meetings. Independent Audit will conduct full interviews with each Director and the key contributors to the Board and Committee meetings and review progress against the 2019 agreed actions.

Further information on the process of Independent Audit's appointment and a full description of the 2019 Board evaluation process and results can be found on page 71.

Following a 21% vote, at the 2019 AGM, against Resolution 5, the 2018 Directors' Remuneration Report, the Chairman of the **Remuneration Committee** led an in-depth consultation with shareholders to better understand and address their concerns. Details of the outcome of this consultation were published on 18 October 2019 and are summarised in the Directors' Remuneration Report on page 85.

During 2019, the Remuneration Committee also undertook a remuneration advisor selection process and Korn Ferry was appointed as advisors. Further details on the shareholder consultation and engagement process and the remuneration advisor selection process can be found in the Directors' Remuneration Report on page 87.

Looking ahead

The Board is committed to maintaining the highest standards of corporate governance across the Group to support the delivery of our strategy.

I encourage all shareholders to vote their shares in respect of the resolutions, as recommended in the Circular, to be considered at our AGM which will be held in Lyrath Estate Hotel, Lyrath, R95 F685, Kilkenny on 22 April 2020, even if you are unable to attend in person. This will enable us gain a better understanding of your views.

I also welcome questions from shareholders either via our website www.glanbia.com, by e-mail at ir@glanbia.ie or in person at the AGM.

Finally, I again thank my colleagues on the Board and all our employees for their continued support, commitment and passion for our business.

Martin Keane

Martin Keane
Group Chairman

UK Corporate Governance Code

The Group has adopted the Irish Corporate Governance Annex (2010) and the UK Corporate Governance Code collectively known as the 'Codes'. A fundamental part of the way the Board conducts its business is embedding the main principles of the Codes and embracing best practice across all parts of our organisation. Details of where the Codes can be accessed are included on page 73.

The Company is reporting in accordance with the 2016 edition of the UK Corporate Governance Code (the '2016 Code') and has also incorporated many of the changes introduced by the substantially revised 2018 edition of the code (the '2018 Code') although these provisions only apply to the Company in respect of its next annual report.

The Board considers that the Company has, throughout the year ended 4 January 2020, complied fully with the provisions of the Codes with the exception of B.1 (Composition of the Board of Directors) and D.2.1 (Minimum of three members of the Remuneration Committee) of the 2016 Code. The current composition of the Board reflects the historical shareholding and relationship of the Company with the Society which is documented in the amended and restated Relationship Agreement dated 2 July 2017 the provisions of which were approved by shareholders at the Extraordinary General Meeting held on 22 May 2017. Between 2012 and 2017, the Society and the Board agreed on a number of changes impacting the composition and size of the Board over the period 2016 to 2022 which will reduce the number of Directors nominated by the Society on the Board from the current level of eight (previously 14) to six (details of which are set out in the Nomination and Governance Committee Report on page 81). The Board will continue to work closely with the representatives of the Society to further the interests of the Group. The Board is satisfied that the current composition and size of the Board (which has received shareholder approval) is justified in our particular circumstances. The membership of the Remuneration Committee fell to two following the retirement of Paul Haran on 1 May 2019 until the appointment of John Daly and Mary Minnick on 20 June 2019 brought the membership up to four. The Remuneration Committee held one meeting during this period but did not make any material decisions.

A detailed description of how we have applied the principles of the Codes is set out in the following pages including the Audit, Nomination and Governance and Remuneration Committee Reports.

Corporate Governance Report continued

Board of Directors and Senior Management

Group Chairman, Vice-Chairmen, Non-Executive Directors nominated by Glanbia Co-operative Society Limited (the 'Society')

Martin Keane

Group Chairman and Non-Executive Director nominated by the Society

Age: 64

Term of office
Date of Appointment: 24 May 2006
Tenure: 13 full years

Skills, competence and experience
Martin Keane was appointed Group Chairman on 1 June 2018 having previously served eight years as Vice-Chairman. Martin farms at Errill, Portlaoise, Co. Laois and has completed the ICOS Co-operative Leadership Programme. Martin is a Director of Ornua Co-operative Limited and former President of the Irish Co-operative Organisation Society Limited.

John Murphy

Vice-Chairman and Non-Executive Director nominated by the Society

Age: 57

Term of office
Date of Appointment: 29 June 2010
Tenure: Nine full years

Skills, competence and experience
John Murphy was appointed as a Vice-Chairman on 2 June 2017. John farms at Ballinacoola, Craanford, Gorey, Co. Wexford. John is Vice-Chairman of the National Dairy Council and has completed the University College Cork Diploma in Corporate Direction.

Patrick Murphy

Vice-Chairman and Non-Executive Director nominated by the Society

Age: 61

Term of office
Date of Appointment: 26 May 2011
Tenure: Eight full years

Skills, competence and experience
Patrick Murphy was re-appointed as a Vice-Chairman on 1 June 2018 having previously served two years as a Vice-Chairman from 2015 to 2017. Patrick farms at Smithstown, Maddoxtown, Co. Kilkenny and is a Director of Farmer Business Developments plc.

Executive Directors and Group Secretary (Group Operating Executive)

Siobhán Talbot

Group Managing Director and Executive Director

Age: 56

Term of office
Date of Appointment: 1 July 2009
Tenure: 10 full years

Skills, competence and experience
Siobhán Talbot was appointed as Group Managing Director on 12 November 2013, having been appointed Group Managing Director Designate on 1 June 2013. She was previously Group Finance Director and her role encompassed responsibility for Group strategic planning. She has been a member of the Group Operating Executive since 2000 and the Board since 2009 and has held a number of senior positions since she joined the Group in 1992. She is also a Director of the Irish Business Employers' Confederation (IBEC) and was appointed as a Non-Executive Director of CRH plc effective 1 December 2018. Prior to joining Glanbia, she worked with PricewaterhouseCoopers in Dublin and Sydney. A fellow of Chartered Accountants Ireland, Siobhán graduated from University College Dublin with a Bachelor of Commerce and Diploma in Professional Accounting.

Mark Garvey

Group Finance Director and Executive Director

Age: 55

Term of office
Date of Appointment: 12 November 2013
Tenure: Six full years

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

Michael Horan

Group Secretary

Age: 55

Term of office
Date of Appointment: 9 June 2005
Tenure: 14 full years

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

Board of Directors and Senior Management

Senior Independent Director, Non-Executive Directors

Dan O'Connor

Senior Independent Director and Non-Executive Director

Age: 60

Term of office

Date of Appointment: 1 December 2014
Tenure: Five full years

Committee Membership

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

Skills, competence and experience

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

Patrick Coveney

Non-Executive Director

Age: 49

Term of office

Date of Appointment: 30 May 2014
Tenure: Five full years

Committee Membership

Audit Committee/Nomination and Governance Committee (Member)

Skills, competence and experience

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

John Daly

Non-Executive Director

Age: 63

Term of office

Date of Appointment: 1 May 2019
Tenure: Less the one full year

Committee Membership

Remuneration Committee (Member)

Skills, competence and experience

John Daly currently serves as Chairman of Britvic plc, a leading soft drinks company, and Vivo Energy plc, a downstream petroleum company. He is a former Non-Executive Director of Ferguson plc and G4S plc. He retired as an Executive Director of British American Tobacco ('BAT') in 2013. Over a 19 year career at BAT, he held commercial leadership roles in both developed and emerging markets, culminating in his position as Chief Operating Officer. Prior to his time with BAT, John held various roles with Johnson & Johnson, Bristol-Myers Squibb, Pennwalt Corporation and Schering-Plough. John holds an MBA from University College Dublin and a Diploma in Marketing from the Chartered Institute of Marketing (UK).

Donard Gaynor

Non-Executive Director

Age: 63

Term of office

Date of Appointment: 12 March 2013
Tenure: Six full years

Committee Membership

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

Skills, competence and experience

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

Richard Laube

Non-Executive Director

Age: 63

Term of office

Date of Appointment: 1 May 2019
Tenure: Less than one full year

Committee Membership

Audit Committee (Member)

Skills, competence and experience

Richard Laube was Chief Executive Officer (CEO) of Nobel Biocare, a Swiss listed medical device business, from 2011 to 2016. Prior to that, he served as Executive Board Member of Nestlé SA, from 2005 to 2010 and operationally as CEO of Nestlé Nutrition. Before Nestlé, Richard served as Executive Committee member of Roche Holding AG and was operationally responsible for Roche Consumer Health. Earlier in his career, he held a range of international management roles at Procter & Gamble. Richard currently serves as a Director of Gnubiotics Sciences SA and of Piqur Therapeutics. He previously served as Chairman of Atkins Nutritionals Inc. and as an independent board member of Logitech SA. Richard holds an MA and BA in Psychology from Boston University.

Mary Minnick

Non-Executive Director

Age: 60

Term of office

Date of Appointment: 1 May 2019
Tenure: Less than one full year

Committee Membership

Remuneration Committee (Member)

Skills, competence and experience

Mary Minnick was previously a partner of Lion Capital LLP, a consumer-focused private equity firm, from 2007 to 2018. Prior to that, she had a 23-year career with The Coca-Cola Company, where she held a variety of senior management positions, including Chief Operating Officer of the Asian region, Division President roles in the Japan, South Pacific and Asian regions, and ultimately as the company's Chief Marketing Officer and Global President of Strategy and Innovation. She is currently a member of the boards of Target Corporation and Leo Holdings Corp. Previously she was a member of the boards of Heineken NV and Whitewave Foods. Mary holds an MBA from Duke University and a B.Sc in Business Administration from Bowling Green State University.

Corporate Governance Report continued

Board of Directors and Senior Management

Non-Executive Directors nominated by the Society

All of the Directors nominated by the Society are full time farmers who have significant experience of the global dairy and agribusiness industry.

Patsy Ahern

Non-Executive Director nominated by the Society

Age: 62

Term of office

Date of Appointment: 21 June 2018
Tenure: Four full years (over each of his terms)

Skills, competence and experience

Patsy Ahern farms at Sheanmore, Ballyduff Upper, Co. Waterford and previously served two full years on the Board. Patsy has completed the University College Cork Diploma in Corporate Direction.

Jer Doheny

Non-Executive Director nominated by the Society

Age: 64

Term of office

Date of Appointment: 1 June 2018
Tenure: Six full years (over each of his terms)

Skills, competence and experience

Jer Doheny farms at Upper Tullaroan, Co. Kilkenny and previously served five full years on the Board. Jer has completed the University College Cork Diploma in Corporate Direction.

Vincent Gorman

Non-Executive Director nominated by the Society

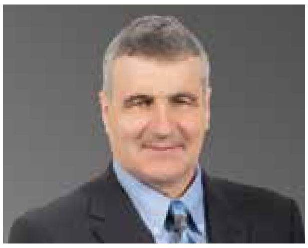
Age: 63

Term of office

Date of Appointment: 27 June 2013
Tenure: Six full years

Skills, competence and experience

Vincent Gorman farms at Ballindrum, Athy, Co. Kildare. Vincent is also Chairman of Progressive Genetics Co-operative Society Limited.



Brendan Hayes

Non-Executive Director nominated by the Society

Age: 59

Term of office

Date of Appointment: 2 June 2017
Tenure: Seven full years (over each of his terms)

Skills, competence and experience

Brendan Hayes farms at Ballyquinn, Carrick-on-Suir, Co. Waterford and previously served four full years on the Board. Brendan has completed the University College Cork Diploma in Corporate Direction.

Eamon Power

Non-Executive Director nominated by the Society

Age: 65

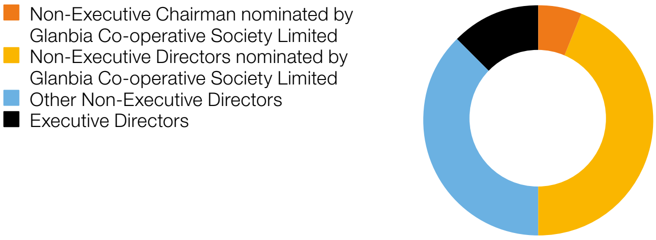
Term of office

Date of Appointment: 2 June 2017
Tenure: 16 full years (over each of his terms)

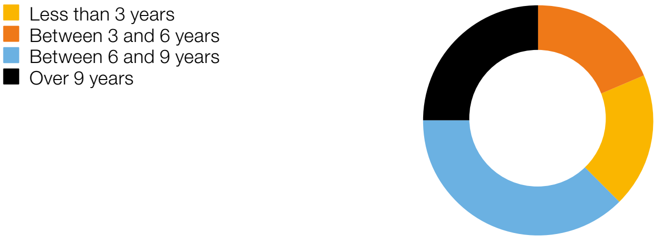
Skills, competence and experience

Eamon Power farms at Fethard-on-Sea, New Ross, Co. Wexford and previously served 13 full years on the Board. Eamon has completed the University College Cork Diploma in Corporate Direction.

Composition of the Board



Directors' tenure on the Board



Senior Management

Group Operating Executive

Jim Bergin

CEO Glanbia Ireland

Age: 57

Term of office
Date of Appointment: 2 July 2017
Tenure: Two full years

Skills, competence and experience
Jim Bergin was appointed as Director and Chief Executive Officer (CEO) of Glanbia Ireland, a Joint Venture of the Group, in 2017 having previously been Director and CEO of Glanbia Ingredients Ireland since 2012. He worked for the Group between 1984 and 2012 and held a number of senior positions during that time. Jim is also a Director of Ornua Co-operative Limited. Jim graduated from University College Cork with a Bachelor of Commerce and has a M.Sc. in Management Practice from Smurfit Business School.

Hugh McGuire

CEO Glanbia Performance Nutrition

Age: 49

Term of office
Date of Appointment: 1 June 2013
Tenure: Six full years

Skills, competence and experience
Hugh McGuire is Chief Executive Officer of Glanbia Performance Nutrition. Hugh was appointed to the Board on 1 June 2013 and served as a Director of the Company between June 2013 and April 2019. Hugh joined the Group in 2003 and has been CEO of Performance Nutrition since 2008. Prior to that he held a number of senior management roles in the Group. He previously worked for McKinsey & Company as a consultant across a range of industry sectors. Prior to this he worked in the consumer products industry with Nestle and Leaf. Hugh graduated from University College Dublin with an M.Sc. in Food Science. He has a Diploma in Finance from the Association of Chartered Certified Accountants Ireland.

Michael Patten

Group Human Resources & Corporate Affairs Director

Age: 57

Term of office
Date of Appointment: 11 December 2014
Tenure: Five full years

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

Brian Phelan

CEO Glanbia Nutritionals

Age: 53

Term of office
Date of Appointment: 1 January 2004
Tenure: 16 full years

Skills, competence and experience
Brian Phelan was appointed as Chief Executive Officer (CEO) of Glanbia Nutritionals on 1 June 2013 and served as a Director of the Company between January 2013 and April 2019. Brian was previously Group Human Resources & Operations Development Director (2004 to 2012). He is the Chairman of Glanbia Cheese Limited. Since joining the Group in 1993, he has held a number of senior management positions. Prior to this, he worked with KPMG. He graduated from University College Cork with a Bachelor of Commerce and is a fellow of Chartered Accountants Ireland.

Corporate Governance Report continued
Board Leadership and Company Purpose

What was on the Board's agenda in 2019?

The following pages offer some insight into how the Board uses its meetings as a mechanism for discharging its duties, including the broad range of matters it discussed and debated during the year. It also includes a description of how we engaged with our key stakeholders.

Each Board meeting follows a carefully tailored agenda agreed in advance by the Group Chairman, the Group Managing Director and the Group Secretary. A typical meeting will comprise reports on current trading, financial and general business performance from the Group Managing Director and the Group Finance Director, legal and governance updates from the Group Secretary and a review of the strategic initiatives, and one or two detailed deep dives into areas of particular strategic importance. The CEOs of the Group's two global growth platforms, Glanbia Performance Nutrition ('GPN') and Glanbia Nutritionals ('GN') generally attend all Board meetings and provide detailed business and operational reviews of their respective businesses. Details of the Directors' attendance at the seven scheduled meetings that took place during the year can be found on page 69.

Committee Updates

Throughout the year the Chairmen of the Audit, Nomination and Governance and Remuneration Committees updated the Board on the proceedings of their meetings, including the key discussion points and any particular areas of concern.

Strategy and Corporate Development

Read more on pages 1 to 59

Trading updates

- Undertook a strategic review of retail market pressures and challenges, competitor performance and the implications on trading arising from these reviews;
- Kept under review operational issues arising and responses, such as customer demands, stock availability, supplier relationships and general systems operations; and
- Discussed funding requirements for the next phases of the Group's strategy.

Strategic initiatives

- Reassessed Group strategic priorities with a renewed focus on: improved financial performance, simplification and de-complexing of the GPN business and brand strategy and future growth of GN and JVs;
- Agreed the Group's strategic KPIs and key enablers for the two global growth platforms GPN and GN and our JVs with regular updates provided throughout the year; and
- Agreed a significant Group organisational change programme to be implemented in 2020.

IT strategy

- Considered the effective management of cyber security risks;
- Received updates on the Group's direct-to-consumer strategy; and
- Considered compliance with the EU General Data Protection Regulation (GDPR).

Acquisitions

- Considered and approved the acquisition of Watson, a non-dairy ingredient solutions business headquartered in Connecticut, USA.

Operational and Financial Performance

Read more on pages 20 to 41

Budget process

- Considered performance versus the 2019 budget and agreed the budgets for each of the business segments for 2020;
- Considered actual performance against the strategic plans and budgets including implications on long-term performance and future investments; and
- Reviewed, supported by Internal Audit, the Group's forecasting processes, exceptional items, impairment reviews and related financial statements disclosures.

Cash flow and dividend

- Reviewed cash flow, dividend cover and shareholder returns, taking into consideration financial performance, liquidity and credit metrics, and agreed a dividend increase of 10%, resulting in a full year dividend of 26.62 cent per share.

Costs

- Reaffirmed the ambition to create a more efficient cost base and generate savings; and
- Reviewed cost savings achieved during the year relating to management structure, infrastructure costs, IT costs and procurement costs.

Risk

- Reviewed the Group risk profile, covering core internal and external risks, risks driven by business change and areas of emerging risk; and
- Agreed the Group-level risks to be monitored and appropriate mitigating activities, and delegated responsibility to the Audit Committee to review the processes and Group policies underpinning these.

Governance and Legal

Read more on pages 60 to 113

Board involvement programme

- Appointed Donard Gaynor as Workforce Director to enhance Board engagement with employees.

Annual General Meeting

- Convened the thirty first Annual General Meeting ('AGM') of the Company; and
- Reviewed specific issues raised by shareholders throughout the year to be addressed in the Group Chairman's AGM statement.

Board succession and diversity

- Considered and reviewed the Board's composition, diversity and succession plans, facilitating the appointment and induction of three new Independent Non-Executive Directors; and
- Established a sub-committee of the Board to make recommendations to the Board for the appointment of a new Group Chairperson assisted by external advisers who have been appointed.

Legal and regulatory

- On the recommendation of the Audit Committee, reviewed and approved the Annual Report and Financial Statements, Notice of AGM and the Half and Full Year Results announcements; and
- Monitored regulatory and legislative developments and considered any potential impact on the Group's operations.

Board action plan and evaluation

- Reviewed progress against the 2019 Board Action Plan and set the Action Plan for 2020, with a clear process for monitoring progress over the course of the year;
- Engaged external consultants, Independent Audit, to facilitate an external evaluation of the effectiveness of the Board and its Committees, their processes and ways of working, with feedback from individual Directors provided through online questionnaires and the outcome was discussed by the Board; and
- Revised the terms of reference of the Audit, Nomination and Governance and Remuneration Committees in light of changes to the UK Corporate Governance Code.

Board Stakeholder Engagement

Read more on pages 42 to 51

Communities

- Received progress updates against sustainability targets including environment, supply chain and society programmes; and
- Supported and received updates on Glanbia's involvement in local community and charitable partnerships.

People

- Received updates on a comprehensive organisation and people review and HR strategy;
- Reviewed the multi-year HR transformation programme;
- Oversaw Group-wide performance reward processes and target setting; and
- Workforce Director, Donard Gaynor reviewed the global employee engagement survey; reviewed the Group's whistleblowing system; attended employee 'skip-level' meetings; and participated in Group 'townhall' meetings.

Investor relations

- Completed an independent survey of key stakeholders including investors using a specialist third party agency;
- Attended 12 equity conferences across North America and Europe;
- Reviewed output from over 300 one-to-one institutional investor meetings;
- Led by the Remuneration Committee Chair, engaged with the top 40 investors representing over 70% of the issued equity of Glanbia and the two major independent proxy advisory firms on remuneration policy; and
- Updated the market regularly on performance via the AGM, Full and Half-Year Results announcements and Interim Management Statements.

Customers and consumers

- Evaluated insights from customer and consumer research gathered as part of the stakeholders survey;
- Assessed recommendations in respect of our brands' positioning; and
- Received updates on key customer relationships.

Suppliers

- Continued engagement with Dairy Farmers of America and Select Milk Producers as part of the review of the US Joint Venture operations;
- Extensively engaged with Irish farmer suppliers; and
- Received updates on the operation of the Group procurement function and supply chain priorities and initiatives.

Corporate Governance Report continued
Division of Responsibilities

Board

Board Committees

Audit Committee
Key activities: Review of Annual Report and Financial Statements and statutory Auditor's independence and fees, internal controls, risk management systems, post-acquisition reviews and the effectiveness of the Group Internal Audit and Group Finance functions.

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

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

Managing Director

Group Management

Group Operating Executive
This group is comprised of the two Executive Directors, the Group Secretary, the CEO of Glanbia Performance Nutrition, the CEO of Glanbia Nutritionals, the Group Human Resources & Corporate Affairs Director and the CEO of Glanbia Ireland. Key activities: Monitoring performance and making strategic recommendations to the Board. This forum is also the Group Risk Committee and the Group Investment Committee.

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

The Disclosure Committee remains in place to oversee the timely and accurate disclosure of all information required to be so disclosed by the Group to meet the legal and regulatory obligations required by its stock exchange listings. It also continues to assist in the design, implementation and periodic evaluation of disclosure controls and procedures.

The following are the key matters reserved for the Board:

- Approval of the Group's strategic plan, oversight of the Group's operations and review of performance in light of the Group's strategy, objectives, business plans and budgets, ensuring that any necessary corrective/transformative action is taken;
- Ultimate oversight of risk, including determining the Group's risk profile and risk appetite;
- Approval of acquisitions, disposals and other transactions outside delegated limits;
- Financial reporting and controls, including approval of the Half-Year Results, Interim Management Statements and Full-Year Results, approval of the Annual Report and Financial Statements, approval of any significant changes in accounting policies or practices and ensuring maintenance of appropriate internal control and risk management systems;
- Ensuring the Annual Report and Financial Statements present a fair, balanced and understandable assessment of the Group's position and prospects and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy;
- Assessment of the Group's viability and ability to continue as a going concern;
- Capital expenditure, including the annual approval of the capital expenditure budgets and any material changes to them in line with the Group-wide policy on capital expenditure;
- Dividend policy, including the annual review of the dividend policy and declaration of the interim dividend and recommendation of the final dividend;
- Shareholder documentation, including approval of resolutions and corresponding documentation to be put to the shareholders and approval of all press releases concerning matters decided by the Board; and
- Key business policies.

Board meeting attendance and Directors' tenure, key skills and competencies

The Board had seven meetings in 2019 with Board member meeting attendance as follows:

Director	Appointed	Number of full years on the Board	2019 Meeting attendance	Governance & Management	Global Food Industry	Financial & Risk Management	Strategy & Transformation	Merger & Acquisitions
M Keane	24 May 2006	13	7/7	●	●		●	
J Murphy	29 June 2010	9	7/7	●	●		●	
P Murphy	26 May 2011	8	7/7	●	●		●	
S Talbot	1 July 2009	10	7/7	●	●	●	●	●
P Ahern (Note 1)	21 June 2018	4	7/7	●	●		●	
P Coveney	30 May 2014	5	7/7	●	●	●	●	●
J Daly	1 May 2019	Less than 1	5/5	●	●	●	●	●
J Doheny (Note 2)	1 June 2018	6	7/7	●	●		●	
M Garvey	12 November 2013	6	7/7	●	●	●	●	●
D Gaynor	12 March 2013	6	7/7	●	●	●	●	●
V Gorman	27 June 2013	6	7/7	●	●		●	
P Haran (Note 3)	9 June 2005	13	2/2	●	●	●	●	●
B Hayes (Note 4)	2 June 2017	7	7/7	●	●		●	
R Laube	1 May 2019	Less than 1	5/5	●	●	●	●	●
H McGuire (Note 5)	1 June 2013	5	2/2	●	●	●	●	●
M Minnick	1 May 2019	Less than 1	5/5	●	●	●	●	●
D O'Connor	1 December 2014	5	7/7	●	●	●	●	●
B Phelan (Note 5,6)	1 January 2013	6	1/2	●	●	●	●	●
E Power (Note 7)	2 June 2017	16	7/7	●	●		●	

1. P Ahern retired from the Board on 1 June 2018 and was re-appointed to the Board on 21 June 2018 having previously served two full years on the Board.
2. J Doheny was re-appointed to the Board on 1 June 2018 having previously served five full years on the Board.
3. P Haran retired from the Board on 1 May 2019.
4. B Hayes was re-appointed to the Board on 2 June 2017 having previously served four full years on the Board.
5. H McGuire and B Phelan did not put themselves forward for re-election at the 2019 AGM (24 April 2019) in order to facilitate the re-organisation and the broadening of the external perspective of the Board.
6. B Phelan was unable to attend one Board meeting due to work commitments abroad.
7. E Power was re-appointed to the Board on 2 June 2017 having previously served 13 full years on the Board.

Board responsibilities

To ensure that the Board operates efficiently and effectively, the Directors, the Group Secretary and the Group Operating Executive have clearly defined responsibilities which are set out below. There is a clear division of responsibility between the Group Chairman and the Group Managing Director.

Martin Keane, Group Chairman

- Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors and sets the highest standards of corporate governance;
- Regularly meets with the Group Managing Director and other senior management to stay informed; and
- Ensures effective communication with our stakeholders.

Siobhán Talbot, Group Managing Director

- Develops and implements strategy and chairs the Group Operating Executive;
- Leads the Group through the Group Operating Executive; and
- Promotes the purpose, vision and values of the organisation internally and externally.

Dan O'Connor, Senior Independent Director

- Provides a sounding board to the Group Chairman and appraises his performance;
- Acts as intermediary for other Directors, if needed; and
- Is available to respond to shareholder concerns when contact through the normal channels is inappropriate.

Mark Garvey, Group Finance Director

- Manages the effectiveness and profitability of the Group including financial and operational risk management;
- Develops appropriate capital and corporate structures to ensure the Group's strategy is met; and
- Oversees Group corporate development.

Non-Executive Directors

- Provide independent insight based on relevant experience;
- Contribute to developing strategy; and
- Scrutinise and constructively challenge business performance and strategic execution.

Michael Horan, Group Secretary

- Monitors the Group's compliance with legal, regulatory, governance, ethics, policy and procedural matters;
- Ensures that the correct Board procedures are followed. In conjunction with the Group Chairman ensures that the Directors receive timely and clear information so that the Directors are equipped for robust debate and informed decision making; and
- Supports the Group Chairman by organising induction and training programmes for Directors.

Group Operating Executive

- With the Group Managing Director, develops and executes the Group's strategy in line with the policies and objectives agreed by the Board;
- Manages operational effectiveness and profitability of the Group; and
- Is the Group Risk Committee and Group Investment Committee.

Read more on pages 62 to 65

Corporate Governance Report continued
Composition, Succession and Evaluation

The Board has a clear governance framework with defined responsibilities and accountabilities which ensures that policies and procedures set at Board level are effectively communicated across the whole Group. The Board has established certain principal Committees to assist it in fulfilling its oversight responsibilities, providing detailed focus on particular areas as set out in the respective Committee reports that follow.

Information for the Board

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

At each scheduled Board meeting, the Group Managing Director, the Group Finance Director and CEOs of the Group's two global growth platforms, Glanbia Performance Nutrition ('GPN') and Glanbia Nutritionals ('GN'), provide operational and financial updates. Depending on the nature of the proposal to be considered, other Senior Executives are invited to make presentations or participate in Board discussions to ensure that Board decisions are supported by a full analysis of each proposal.

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

Board structure

The Board currently comprises 16 Directors: Two Executive Directors and 14 Non-Executive Directors of whom eight are nominated by Glanbia Co-operative Society Limited (the 'Society').

Avonmore Foods plc and Waterford Foods plc merged in 1997 to form Glanbia plc. At the same time, their respective major shareholders also merged to form the Society. The Society retains a major shareholding in the Company and nominates from its board of directors up to eight (previously 14) Non-Executive Directors for appointment to the Board of the Company. This will reduce to seven Non-Executive Directors in 2020 and six Non-Executive Directors in 2022, more details of which are set out on page 81 of the Nomination and Governance Committee Report. Our Directors come from diverse backgrounds, ranging from public service, accountancy and banking to industry (dairy, fast moving consumer goods and production).

Appointments to the Board, policy, diversity and succession planning

During 2018, the Board approved a Board Diversity Policy which recognises the benefits of diversity. Having regard to the right of the Society to nominate eight of the 16 Directors, the Nomination and Governance Committee keeps the Board's balance of skills, knowledge, experience and the tenure of Directors under constant review. In this regard, the Company has not set any specific quota. In respect of succession planning and maintaining the skill set of the Board, there is an established procedure for the appointment of new Directors and Senior Executives. The Nomination and Governance Committee identifies the set of skills and experience required. Individuals are then selected on the basis of required competencies, irrespective of gender, age, nationality or other personal characteristics. External search agencies are engaged to assist where appropriate. The Company also has a formal policy with respect to the appointment of new Independent Non-Executive Directors (other than those nominated by the Society). The policy provides that any new Independent Non-Executive Directors will be appointed for an initial three-year term, subject to re-appointment by shareholders at each AGM and should expect to serve no more than three successive three-year terms i.e. a maximum of nine years. All new Independent Non-Executive Directors, and any re-appointments, will be subject to a rigorous review by the Committee after each three-year term and annually after six years.

Induction and Board development

A robust induction and site visits are an integral part of performing one's duties as a Director. They are invaluable in enabling Board members to develop a greater understanding of the opportunities and challenges affecting the business, leading to more informed discussions around the Board table.

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

John Daly, Richard Laube and Mary Minnick joined the Board on 1 May 2019 and each received an extensive and thorough induction. Prior to their first Board meeting in June 2019, they met with the Group Managing Director, the Group Finance Director and other members of senior management from various Group functions. A session on strategic planning and corporate development formed part of their first Board Meeting.

They also met individually with the Group Secretary who explained the obligations of a Director of an Irish and UK listed company, and the relevant rules, regulations, and supporting governance processes at Glanbia.

As part of their induction, they spent a day at the GPN facilities in Chicago followed by a day at the GN facilities in Idaho, the Group's two main global growth platforms. They undertook tours of each production facility, R&D facility and innovation centre. They also visited the corporate offices in each location where they received an introduction to both businesses. This consisted of meetings with the respective Chief Executive Officers and business overview presentations from other members of their senior leadership teams.

The Group Chairman regularly encourages the Non-Executive Directors to update their skills, expertise and knowledge of the Group in order to carry out their responsibilities competently. This is achieved by regular presentations at Board meetings from senior management on matters of significance. Examples during the year included regular presentations from senior management of our two wholly-owned business segments GPN and GN and from our strategic Joint Ventures. The Board and Committees also received presentations from the Group Human Resources & Corporate Affairs Director, General Manager of Group Business Services, Director of Global Business Solutions and Group Head of Quality and Safety.

In addition to the induction programme that all Directors undertake on joining the Board, an ongoing programme of Director development has been established. For example, as part of the annual programme of Board meetings, Directors visit some of the Group's principal operations to meet employees and gain an understanding of the business operations and strategy. Opportunities to visit our operations globally and learn more about the business continue to be very important and valuable for the Board, and for new members in particular, as they provide the opportunity for our Directors to understand operations, performance and challenges in a regional context. Board members also get a chance to engage with local employees in different roles at different levels of seniority and from varying backgrounds. This aspect of Board visits provides real insight into the culture of the business. These visits also afford Directors the opportunity to interact with employees and develop deeper insights into the quality of our current senior management and the potential for succession. It also helps the Directors to actively embed the values of Glanbia across key locations.

During 2019, the October Board meeting was held in GPN, Downers Grove, Illinois. This was a three day event and the itinerary for the visit was split between formal Board and Committee meetings, business updates, store visits and engagement events with employees.

Directors are regularly provided with updates on corporate governance, legislative and regulatory issues. During 2019, updates included a presentation from the Group Secretary on the revised provisions of the UK Corporate Governance Code (2018), the impact of Brexit from a governance perspective and an investor relations update presentation from the Group Finance Director.

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

Board evaluation

The annual Board evaluation process is an important element in ensuring and enhancing the effective and efficient operation of the Board. The Group has established a formal process for the annual evaluation of the performance of the Board and its principal Committees, including a triennial external evaluation. The external evaluation supplements our existing internal Board performance evaluation processes. During 2019, in accordance with our triennial cycle of Board performance evaluations and taking into account the significant changes to the Board in 2019, it was decided to carry out two successive external reviews to ensure a consistent approach to development. External consultants, Independent Audit, were engaged to facilitate the external evaluation of the effectiveness of the Board and its Committees, the purpose of which was to review and further improve the Board's and Committees performance and identify any development needs. Independent Audit was retained following a detailed selection process undertaken by the Committee which involved the evaluation of eight providers, the consideration of three written proposals and meetings with two providers. Independent Audit has no other connection with the Group. The evaluation carried out in 2019 was questionnaire-based and the 2020 evaluation scheduled for mid-2020 will be interview-based and include observation of meetings.

The process that was followed for the 2019 review and the conclusions of the evaluation are set out below:

1. Each Director and key contributors to the Board and Committees completed a detailed online questionnaire produced by Independent Audit;
2. Independent Audit conducted a review of the Board and Committee papers and key governance policies and procedures;
3. The results of stages 1-2 were collected and analysed by Independent Audit and a report was prepared and discussed with the Group Chairman and the Group Secretary; and
4. The results were presented by Independent Audit to the Board and discussed at its meeting in January 2020. An action plan for 2020, listing areas of focus from the evaluation, was agreed at the February Board meeting. These are summarised below.

The evaluation highlighted numerous aspects where the Board is working well, in particular, the effectiveness of the chairmanship of both the Board and the Committees, the commitment of all Directors to their responsibilities, the structure and depth of financial performance reporting and the importance given to particular aspects of risk management.

The Board agreed the following areas of focus for 2020:

- Board papers and agendas should be refined to enhance the efficient operation of the Board and its Committees by focusing on the medium/long term priorities for the Board and contextualising the papers to highlight emerging issues, performance drivers (including non-financial drivers and related indicators) and their link to the strategic goals; and
- Talent management and executive and non-executive succession planning.

During 2020 Independent Audit will conduct full interviews with each Director and the key contributors to the Board and Committees and undertake a full review of progress against agreed 2020 actions. During 2020 Independent Audit will also attend and observe meetings of the Board and Committees.

The evaluation of the Group Chairman's performance formed a part of the external evaluation. The Group Chairman's performance was also separately evaluated by the Board led by the Senior Independent Director. As part of the Group Chairman's evaluation, the Non-Executive Directors met separately under the chairmanship of the Senior Independent Director.

Independent Audit assessed each Committee's performance covering each of their terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Board and each Committee is satisfied that each Committee is functioning effectively and continues to meet its terms of reference.

Independence

The Board and the Nomination and Governance Committee believe that all Non-Executive Directors demonstrate the essential characteristics of independence and bring independent challenge and deliberations to the Board. A detailed description of how independence was determined is set out in the Nomination and Governance Committee Report on page 83. While the Company regards the Directors nominated by the Society (the 'Society Nominee Directors') as being independent, the Society Nominee Directors are not being designated as Independent Directors for the purpose of Listing Rule 6.1.7 (2) of Euronext Dublin/Listing Rule 9.2.2 AD of the United Kingdom Listing Authority (UKLA). This is to ensure consistency with the agreement reached at the Extraordinary General Meeting held on 22 May 2017 updating the previously agreed position with regard to the composition and size of the Board and allowing for the planned reduction of the Society's representation on the Board as described in the Circular which was sent by the Company to shareholders on 28 April 2017 and is set out on page 81 of this Annual Report and is available to view at www.glanbia.com (Society representation on the Board).

In compliance with Listing Rule 6.1.7 (2) of Euronext Dublin/Listing Rule 9.2.2 AD of the UKLA, the Company has entered into a written legally binding agreement with the Society (the 'Relationship Agreement'), the only controlling shareholder, which is intended to ensure that the Society complies with the independence provisions/undertakings set out in Listing Rule 2.2.15 of Euronext Dublin and 6.5.4 R of the UKLA (the 'Independence Provisions'). This Relationship Agreement also provides that the governance arrangements referred to above will apply with respect to the composition and size of the Board.

During 2019, the Company has complied with the Independence Provisions in the Relationship Agreement and, in so far as the Company is aware, the Society has also complied with the Independence Provisions. The Company's constitution allows the election and re-election of Independent Directors for the purpose of Listing Rule 6.1.7 (2) of Euronext Dublin/Listing Rule 9.2.2 AD of the UKLA, to be conducted in accordance with the election provisions for such Directors in the Euronext Dublin/UKLA Listing Rules.

Corporate Governance Report continued
Audit, Risk, Internal Control and Remuneration

Re-election of Directors
In accordance with the UK Corporate Governance Code, all of the Directors are subject to annual re-election by shareholders. Accordingly, each of the Directors, with the exception of Richard Laube (who retires effective 28 February 2020), Jer Doheny and Eamon Power who are not putting themselves forward for re-election at the AGM, will seek re-election at the 2020 AGM. Additionally the re-election of Patrick Coveney, John Daly, Donard Gaynor, Mary Minnick and Dan O'Connor will be subject to the approval by independent shareholders (i.e. all of the shareholders save the Society and its subsidiary companies and related parties). All Directors have indicated that they will abstain from voting on these resolutions.

Audit, Risk and Internal Control

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

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

The Board and management are satisfied that appropriate risk management and internal control systems are in place throughout the Group. The Risk Management section is contained on pages 52 to 59.

Going concern
Glanbia's business activities, together with the main factors likely to affect its future development and performance, are described in the Strategic Report on pages 1 to 59.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements. The Group therefore continues to adopt the going concern basis in preparing its Financial Statements. The full Going Concern Statement is contained on page 55.

Long-term viability statement
In accordance with the UK Corporate Governance Code (2016) and Listing Rule 6.1.82(3) of Euronext Dublin Listing Rules, the Directors have assessed the viability of the Group and its ability to meet its liabilities as they fall due over a period extending to 2022, taking into account the Group's current financial position, the Group's strategy and business model and the potential impact arising from the principal risks and uncertainties. The factors considered in assessing the long-term prospects are detailed on page 55.

Having considered these factors and the challenges experienced in 2019, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of the assessment. The full viability statement is contained on page 55.

Fair, balanced and understandable
The Directors have concluded that the Annual Report and Financial Statements present a fair, balanced and understandable assessment of the Group's position and prospects and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. This assessment was completed by the Audit Committee as outlined in its report on page 76.

Adequate accounting records
The Directors are responsible for keeping adequate accounting records that are sufficient to correctly record and explain the transactions of the Company or enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable the Directors to ensure that the Financial Statements comply with the Companies Act 2014, and, as regards the Group Financial Statements, Article 4 of the IAS Regulation, and enable those Financial Statements to be audited. The Directors, through the use of appropriate procedures and systems, have also ensured that measures are in place to secure compliance with the Company's and the Group's obligation to keep adequate accounting records. These accounting records are kept at Glanbia House, Kilkenny, Ireland, R95 E866, the registered office of the Company.

Accountability and audit
Directors' responsibilities for preparing the Financial Statements for the Company and the Group are detailed on page 114.

The Independent Auditor's report details the respective responsibilities of Directors and the statutory Auditor.

Statutory Auditor
The statutory Auditor, Deloitte Ireland LLP, continues in office in accordance with section 383(2) of the Companies Act 2014. Deloitte (who was succeeded by Deloitte Ireland LLP) was originally appointed on 27 April 2016.

Disclosure of information to statutory Auditor
In accordance with the provisions of section 330 of the Companies Act 2014, each of the persons who are Directors of the Company at the date of approval of this Report confirms that:
- So far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2014) of which the statutory Auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to ensure that the statutory Auditor is aware of such information.

Remuneration
The Remuneration Committee's agenda continued to apply focus to the key matters of Group and individual Executive Director performance and the consideration of appropriate targets for 2020 and beyond. Our aim is to ensure that our remuneration policies and practices remain competitive within our industry to attract, retain and motivate high quality and committed people who are critical to the future development and growth of the Group. Further details can be obtained on pages 84 to 108.

Compliance Statements

Directors' Compliance Statement

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

Corporate Governance Statement

During 2019 the Group was subject to the Irish Corporate Governance Annex (2010) and the UK Corporate Governance Code (2016), the 'Codes'. The Group has complied with the detailed provisions of the Codes throughout 2019 with the exception of B.1 (Composition of the Board of Directors) and D.2.1 (Minimum of three members of the Remuneration Committee) of the UK Corporate Governance Code (2016). The rationale for these departures are explained on pages 61 and 81. The Codes are not a rigid set of rules and they recognise that an alternative to following a provision may be justified in particular circumstances where good governance is still achieved.

The Irish Corporate Governance Annex published in December 2010 by the Irish Stock Exchange is publicly available on the Euronext Dublin website: **www.ise.ie/Products-Services/Sponsors-and-Advisors/Irish-Corporate-Governance-Annex.pdf**. The UK Corporate Governance Code is publicly available the Financial Reporting Council website: **www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf**.

Our approach to corporate governance and how we apply the principles of the Codes is set out in this Corporate Governance Report, the Board of Directors and Senior Management section and the Risk Management section (all of which are deemed to be incorporated in this Corporate Governance Report). The Reports from the Chairmen of the Audit, Nomination and Governance and Remuneration Committees highlight the key areas of focus for, and the background to, the principal decisions taken by those Committees, which form an integral part of our governance structure. A fair, balanced and understandable assessment of the Group's position and prospects is set out in the Strategic Report on pages 1 to 59. Other Statutory Information contains certain other information required to be incorporated into this Corporate Governance Statement. All of these statements are deemed to be incorporated in this Corporate Governance Statement.

Irish Corporate Governance Annex

Board Composition	Pages 62 to 71
Board Appointments	Pages 60, 61, 80 and 82
Board Evaluation	Pages 61 and 71
Board Re-election	Pages 72 and 83
Audit Committee	Pages 74 to 79
Remuneration	Pages 84 to 108

Section 1373 Companies Act 2014

Applicable Codes	Pages 61 and 73
Departures from the Codes	Pages 61 and 73
Risk Management and Internal Control	Pages 52 to 59, 72 and 77
Takeover Regulations	Pages 109 to 113
Shareholder Information	Pages 209 to 212
Board and Committees	Pages 60 to 108

UK Corporate Governance Code

Board Leadership and Company Purpose: Leadership	Pages 66 to 67
Division of Responsibilities: Leadership	Pages 68 to 69
Composition Succession and Evaluation: Effectiveness	Pages 70 to 71 and 80 to 83
Audit Risk and Internal Controls: Accountability	Pages 72 and 74 to 79
Remuneration	Pages 84 to 108
Board Leadership and Company Purpose: Relations with shareholders	Pages 66 to 67

Non-Financial Reporting Statement **Page 51**

Audit Committee Report

Dear shareholder

As Chairman of Glanbia's Audit Committee, I am pleased to present the report of the Committee for the year ended 4 January 2020. This report provides an overview of the Committee's principal activities during the year, its role in ensuring the integrity of the Group's published financial information and an outline of the Committee's priorities for the year ahead.

Committee structure

Following the reorganisation of the composition of the Board, the membership of the Committee has also been updated. Paul Haran retired from the Board as Non-Executive Director, Senior Independent Director and Audit Committee member on 1 May 2019. I succeeded Paul as Senior Independent Director from that date while Richard Laube was appointed as a member of the Audit Committee on 20 June 2019. As recently announced, Richard has advised the Company of his intention to step down from the Board with effect from 28 February 2020 for family and personal reasons and a process to identify a new independent Non-Executive Director has commenced. On behalf of the Committee, I would like to thank Paul and Richard for their service and commitment to the Committee and wish them both every success for the future.

Areas of focus in 2019

From a performance perspective 2019 was a difficult year for the Group. After a decade of strong growth a series of challenges including the impact of increased tariffs, currency volatility and local market competition, particularly in our non-US markets, combined to have a significant adverse impact on operating performance and results versus our initial expectations. During this difficult period the Audit Committee has supported the Board on a number of matters relating to the Group's financial reporting, internal control and risk management and despite the challenges encountered in 2019 we believe that the corrective actions, both taken and planned, will strengthen our control environment and better position the Group for growth in the years ahead. Key areas of Committee focus in 2019 and to-date in 2020 included:

- Review of the half-year results, interim management statement and full year results announcements including an assessment of the accounting, reporting and disclosure of the year-end impairment reviews and exceptional items;
- Addressing the forecasting challenges in some of our non-US markets where the availability of robust market data is limited;
- Conducting a robust assessment of the Group's budget and forecasting processes, particularly in relation to key market assumptions, with appropriate sensitivity analysis; and
- Monitoring the development of the Group's IT capabilities, cyber-security risks and associated IT security and data protection controls.

Responsibilities

The Committee is responsible for monitoring the integrity of the Group's Financial Statements and for assisting the Board in determining that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This included conducting a detailed review of both the financial and non-financial information contained in the Group's Annual Report. The work performed in this regard is detailed on pages 76 and 77. A summary of the 2019 significant financial judgements and disclosures and the steps taken by the Committee to address these matters is included on page 78.

The Committee is also responsible for assisting the Board in reviewing the effectiveness of the Group's risk management and internal control systems and for ensuring a robust assessment of the emerging and principal risks facing the company. During 2019, the Committee evaluated key areas of risk such as financial reporting and tax, regulatory compliance, IT security, food safety and quality and health and safety by receiving direct presentations from the Group functional leads. The work performed in this regard is detailed on page 77. The Audit Committee considered the requirements of the Irish Companies Act 2014 in relation to the Directors' Compliance Statement and is satisfied that appropriate steps have been undertaken to ensure that Glanbia plc is fully compliant with these requirements.

Engagement

In fulfilling its key oversight responsibilities the Committee engaged regularly with management, Group Internal Audit and the statutory Auditor to ensure the provision of timely and accurate information. Our engagement with the Group Internal Audit function and our external Auditors is detailed on pages 77 and 79 together with an explanation of how the Committee has assessed the independence and effectiveness of the external audit process. The Committee is satisfied, based on the evidence obtained throughout the audit process, and the outcome of the external audit effectiveness review conducted during the year, that a robust and efficient process is taking place across the Group. In particular, the Committee reviewed the key audit risk areas, and the work undertaken by the Auditors to address those risks, in detail.

> **"The Committee is focused on rebuilding confidence in the GPN forecasting processes and the Group's growth prospects through effective oversight."**

Dan O'Connor
Audit Committee Chairman

Priorities for 2020
The Committee's key priorities for 2020 include:

- Providing an independent challenge and oversight to ensure shareholder interests are protected;
- Ensuring the Group's Financial Statements are accurate and reflect the balanced and consistent application of accounting and financial reporting requirements and fairly represent the performance of the business;
- Maintaining a continued focus on our impairment testing methodology, inputs, assumptions, sensitivity analysis and results;
- Reviewing the bench strength of the Group's finance talent and resources;
- Assessing the processes in place to ensure effective oversight of environmental, social and governance activities and other non-financial disclosures; and
- Ensuring that robust due diligence is performed, acquisition integration is closely monitored and post-acquisition/capital expenditure reviews are conducted on all material investments in line with Group policy.

The Committee will continue its programme of direct presentations from management to ensure that effective risk management processes are implemented to address these key risk areas in a manner consistent with the Group's risk appetite.

Review of Audit Committee performance
Board evaluation consultants assessed the Committee's performance covering its terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Board and the Committee are satisfied that the Committee is functioning effectively and continues to meet its terms of reference, see page 71 for more details on the Board and Committee evaluations.

On behalf of the Audit Committee

Dan O'Connor
Audit Committee Chairman

Terms of reference

The full terms of reference of the Audit Committee which were updated in December 2019 can be found on the Group's website: www.glanbia.com or can be obtained from the Group Secretary.

Key responsibilities

Monitor the integrity of the Group's Financial Statements.

Review the appropriateness of accounting policies and significant financial reporting issues or judgements.

Advise the Board in relation to its responsibilities in regard to monitoring the Group's systems of risk management and internal controls.

Provide input on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable.

Assist the Board in its responsibilities with regard to the assessment of the Going Concern and Viability Statements.

Oversee the relationship with the statutory Auditor, including approving the terms of engagement and assessing the effectiveness of the process.

Ensure that the Group's Auditor Relationship and Independence Policy is enforced including conducting an audit tender at least every 10 years.

Review the operation and effectiveness of the Internal Audit function.

Assess the Group's procedures for fraud prevention and detection.

Review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting and other matters.

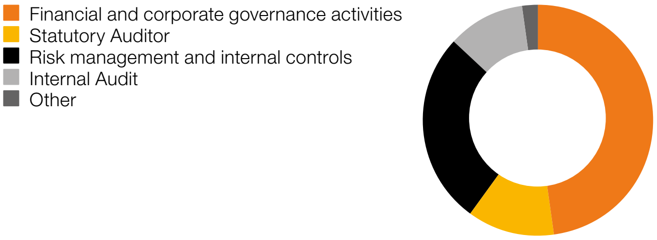
2019 Audit Committee meeting attendance

Member	Appointed	Number of full years on the Committee	2019 meeting attendance
D O'Connor	1-Dec-14	5	7/7
P Haran[1]	9-Jun-05	13	2/2
P Coveney	30-Sep-14	5	7/7
D Gaynor	24-Feb-15	5	7/7
R Laube[2]	20-Jun-19	<1	4/4

See page 63 for more information on current Audit Committee members.

[1] P Haran retired on 1 May 2019 from the Audit Committee.
[2] R Laube has indicated his intention to retire on 28 February 2020.

Allocation of time



Audit Committee Report continued

Governance

Committee Membership

The Audit Committee was in place throughout 2019. The Committee comprises four Independent Non-Executive Directors, Dan O'Connor (Senior Independent Director and Committee Chairman), Patrick Coveney, Donard Gaynor and Richard Laube, of whom two members constitute a quorum. The Group Secretary acts as secretary to the Committee. Membership is reviewed annually by the Chairman of the Committee and the Group Chairman who recommend new appointments to the Nomination and Governance Committee for consideration and onward recommendation to the Board. As recently announced, Richard has advised the Company of his intention to step down from the Board with effect from 28 February 2020 and a process to identify a new independent Non-Executive Director has commenced.

The Board is satisfied that Dan O'Connor, Patrick Coveney and Donard Gaynor meet the requirements for recent and relevant financial experience, as set out in the UK Corporate Governance Code (2016). The Board is also satisfied that the Audit Committee, as a whole, has competence relevant to the sector in which the Group operates including a wide range of skills, expertise and experience arising from the senior positions they hold or held in other organisations as set out in their biographical details on page 63.

Meetings

The Audit Committee met seven times during the year ended 4 January 2020 and there was full attendance by all members of the Committee. The increase in meetings held during the year reflected the challenges encountered during 2019 and the additional time required by the Committee to consider the financial reporting and risk oversight requirements. The Group Managing Director, Group Finance Director, Group Secretary, Group Head of Internal Audit, Group Financial Controller and representatives of the statutory Auditor are typically invited to attend all meetings of the Committee, with additional members of the Group Senior Leadership Team invited to attend as deemed necessary.

The Committee ensured that the statutory Auditor has direct access to the Chairman of the Committee and the Group Chairman. It is standard practice for the statutory Auditor to meet privately with the Audit Committee on at least an annual basis without any members of management or the Executive Directors being present. This meeting was held in February 2020 following the completion of the 2019 audit to review the findings from the audit of the Financial Statements. Management's progress on control improvement opportunities identified by Deloitte Ireland LLP will be maintained under review by the Committee during 2020. The Group Head of Internal Audit also has direct access to the Chairman of the Audit Committee.

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

Audit Committee key activities

Financial reporting and significant financial judgements

At our meetings during 2019 and to date in 2020, the Committee reviewed the interim management statements, half-year and Annual Consolidated Financial Statements and all formal announcements relating to these statements by considering and challenging, where appropriate, the Group's accounting policies and key judgement areas. The Committee paid particular attention to matters it deemed to be important by virtue of their impact on the Group's results and particularly those items which involved a higher level of estimation or judgement before submitting them to the Board with a recommendation to approve the documents presented.

As outlined in our accounting policies on page 142, the Group has adopted an income statement format that seeks to highlight significant items within the Group results for the year. Judgement is used by the Directors in assessing the particular items which by virtue of their scale and nature should be disclosed in the Income Statement and Financial Statement notes as exceptional items. While no such items were noted in the 2018 Group results a number of significant items have been highlighted as exceptional items in 2019 and the Committee is satisfied that this is appropriate and consistent with the Group's policy in this area. The table on page 78 sets out the 2019 significant financial statement reporting judgements and disclosures and how the Audit Committee addressed these matters. The Committee reviewed reports from the Group Finance team on financial reporting disclosure requirements, accounting, treasury, and taxation issues in making these assessments.

The Committee considered the Directors' Responsibility Statement and the principal risks and uncertainties of the Group within the 2019 Annual Report and Financial Statements and the half-year results and were satisfied with the adequacy of the disclosures.

Fair, balanced and understandable

At the request of the Board, the Audit Committee reviewed the content of the Annual Report to ensure that it is a fair, balanced and understandable assessment of the Company's position and prospects and that it considers the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In satisfying this responsibility the Committee considered the following:

- the established, documented process and timelines for the planning, preparation and review of the Annual Report and Financial Statements;
- a dedicated project manager is in place to drive adherence to deadlines, reporting standards and consistency and this is aligned with the external audit process undertaken by Deloitte Ireland LLP;
- the key process milestones, in particular to ensure the draft Annual Report and Financial Statements were available to the Committee in sufficient time in advance of the Committee meeting to facilitate adequate review and promote effective challenge at the meeting;
- the senior finance management and executive team review and authorisation procedures;
- a detailed management report outlining the process by which they assessed the narrative and financial sections and disclosures within the 2019 Annual Report to ensure that the criteria of fair, balanced and understandable has been achieved; and
- the effectiveness of the key features of internal control, including the reporting timetable, in preparing the Financial Statements and the coordination and review activities involved.

Having considered the above, in conjunction with the regular updates the Committee receives from management and the reports received from our external Auditors, Deloitte Ireland LLP, the Committee has confirmed to the Board, that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company position, performance, business model and strategy.

Going Concern and Viability Statements

The Audit Committee reviewed the draft Going Concern and Viability Statements prior to recommending them for approval by the Board. These statements are included in the Risk Management Report on page 55. This review included assessing the effectiveness of the process undertaken by the Directors to evaluate going concern, including the analysis supporting the Going Concern statement and disclosures in the Financial Statements. The Committee and the Board consider it appropriate to adopt the going concern basis of accounting with no material uncertainties as to the Group's ability to continue to do so.

The Committee also reviewed the Directors' Viability Statement which is supported by the work conducted in the strategy and budget review sessions in December 2019, early 2020 and the Board's ongoing review of monthly and year-to-date business performance versus budget and forecast. Further detail is provided within the Viability Statement on page 55.

Regulators and our financial reporting
During the year the Group received correspondence from the Irish Auditing and Accounting Supervisory Authority (IAASA) in respect of the Group's Annual Report and Financial Statements for the year ended 29 December 2018 outlining a number of areas on which they required further information and clarity. The Company provided the necessary information and clarifications requested and IAASA acknowledged the cooperation received from the Directors and management in responding to the queries raised. The Committee was satisfied that no material findings arose from the review.

Internal Audit
To fulfil its responsibilities for monitoring and reviewing the operation and effectiveness of the Internal Audit function the Committee:
- approved the Group Internal Audit annual work programme;
- ensured that it is adequately resourced with a strong mix of skills and expertise capable of conducting effective internal audits, IT audits and special investigations;
- received regular reports from the Group Head of Internal Audit covering team development, progress against the audit plan, best practice risk management and whistleblowing procedures;
- received an overview of the Internal Audit process from the audit planning prioritisation stage, through the planning and production phases of the audit to the report publication and subsequent tracking of management progress in implementing the agreed actions. The Committee also reviewed a sample of the templates typically used in the Internal Audit communication processes;
- noted that the Group Internal Audit team utilises a market leading audit management system and appropriate data analytics tools to maintain the effectiveness of the Internal Audit processes; and
- regularly reviewed progress on the status of management action plans to address control weaknesses identified during the Internal Audit reviews which are tracked to closure using the audit management system.

The Group Head of Internal Audit routinely meets with the Chairman of the Audit Committee in preparation for upcoming Committee meetings, to review the meeting agenda and draft papers and to ensure that the overall Committee work plan remains aligned to the current and emerging areas of key Group risk. Where required, the relevant Board or Committee agendas are amended to include items that require more detailed consideration, typically by a direct presentation to the Committee or Board by the relevant business unit or functional lead.

On the basis of the above, the Committee concluded that for 2019 the Internal Audit function was performing well and is satisfied that the quality, experience and expertise of the function is appropriate for the Group. In 2020, the Group Head of Internal Audit will assess the impacts of the recently updated Internal Audit Code of Practice issued by the Institute of Internal Auditors. The Institute's update to this Code was designed to assist in reinforcing the role of the internal audit profession as a cornerstone of good corporate governance. The Group Head of Internal Audit will review any resulting improvement opportunities with the Committee in 2020.

The Committee also encourages effective coordination between the external and internal audit teams to maximise the benefits from coordinated activities and ensures that this is in place through the regular Committee meetings.

Risk management and internal control systems
The Audit Committee is responsible for assisting the Board by taking delegated responsibility for the ongoing monitoring of the effectiveness of the Group's systems of risk management and internal control. The Risk Management Report on pages 52 to 59 sets out the detailed steps in this regard.

The Committee receive regular Group key risk summary reports, prepared by the Internal Audit team, tracking residual risk exposures which allows the Committee to assess the appropriateness of management's action plans to ensure the Board's risk appetite is not exceeded and to remain alert to emerging risks as they are identified through the review process.

The Committee's risk management focus during 2019 included:
- reviewing and approving the assessment of the principal risks and uncertainties that could impact the achievement of the Group's strategic objectives as outlined on pages 12 to 15;
- an evaluation of the key areas of risk such as financial reporting (particularly the Group's forecasting processes), tax, regulatory compliance, IT security, food safety and quality and health and safety by receiving direct presentations from the Group functional leads;
- developing a detailed understanding of the risks within each of these core functions, our improvement opportunities, team strengths and weaknesses and areas of emerging risk;
- receiving updates from the Group Finance Director, Glanbia Performance Nutrition Finance Director and the Group Financial Controller on the forecasting issues identified during the year. This included a detailed analysis of how the risk failures occurred, the difficulty in obtaining reliable market data in some of our non-US markets and the status of the agreed corrective actions;
- a consideration of the detailed performance updates on Group investments and the impairment review methodology and outcomes outlined in Note 16;
- receiving regular updates from the Group Head of Internal Audit based on reports completed during the year outlining non-compliance with Group policies and controls, fraud investigation reports and management actions to address them;
- assessing the Group's risk management and internal control systems in line with the Financial Reporting Council (FRC) guidance on risk management and internal control; and
- reviewing reports from our external Auditors in respect of significant financial accounting and reporting issues, together with management's plans in place to address any internal control weaknesses noted.

The Committee, having assessed the above information, is satisfied that the Group's systems of internal control and risk management are operating effectively and has reported that opinion to the Board. Where improvement opportunities have been identified appropriate management action plans are in place.

The Board also reviewed the effectiveness of the current systems of risk management and internal control and, despite the forecasting challenges encountered during 2019 in some of our non-US markets where the availability of robust market data is limited, is satisfied that these systems are operating effectively.

Audit Committee Report continued

2019 significant financial reporting judgements and disclosures

The Audit Committee assessed whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the 2019 Financial Statements. As part of this exercise the Committee reviewed accounting papers prepared by management which provide the supporting detail for the key areas of financial judgement and disclosure considered by the Committee in relation to the 2019 Financial Statements. An outline of how these were addressed is included in the following table.

Key financial judgement and disclosures	How the Audit Committee addressed these matters
Impairment review of goodwill and intangibles	• Goodwill and intangible asset impairment reviews involve a range of judgemental decisions largely related to the assumptions used to assess the value-in-use of the assets being tested. These assumptions typically include short and long-term business and macroeconomic projections, cash flow forecasts and associated discount rates; • In 2019 the Committee received a number of detailed performance updates on the Group investments where the headroom between the carrying value of the asset and the value in use had reduced in 2018; • Management provided the Committee with detailed reports to support the recoverable value of the balances included in Note 16 to the Financial Statements. The Committee examined the methodology applied including ensuring that the discount rates used were appropriate; • The Committee considered the output from the sensitivity analysis performed at 2019 year-end, in particular they noted that a reasonably possible change in a key assumption used in the think! impairment assessment could result in an impairment charge and the significant reduction in the headroom for the BSN Cash Generating Unit (CGU); and • The Committee constructively challenged assumptions used for future cash flows, discount rates, terminal values and growth rates, with consideration of different scenarios and key assumptions used within the respective reviews. Following these discussions, the Committee is satisfied that the impairment review methodology, disclosed in Note 16, has been consistently applied and that the key assumptions made and conclusions reached are appropriate.
Exceptional items	• The Committee considered the presentation of the Group's Financial Statements and, in particular, the appropriateness of the presentation of exceptional items; and • Consideration was given by the Committee to ensure our reported results represent a true and fair view of the underlying performance during the year. The Committee reviewed the nature of the items identified and after a robust challenge and consideration of the disclosures is satisfied that the treatment was in line with Group policy, consistently applied across years and appropriately presented in the Financial Statements with sufficient detail to allow users of the Financial Statements to understand the nature and extent of the exceptional items and how they arose.
Revenue recognition	• All revenue across the Group is recorded automatically at the point of dispatch as part of our sales systems. Manual adjustments are recorded to ensure revenue is recorded in line with the underlying contractual terms with customers and the requirements of IFRS 15 'Revenue from Contracts with Customers'; • The Group Finance team outlined to the Committee the established review processes in place to ensure the accuracy of the manual revenue reversals for which the performance obligations have not been met; • Within the GPN segment revenue is recognised net of rebate, discount, deduction and allowance claims across the Group where the amounts payable can vary depending on the arrangements made with individual customers and the volume of trade; and • The Committee received a paper from the Group Finance team outlining the basis of any significant year-end rebate provisions to ensure they were adequate and appropriate. Following these discussions, the Committee is satisfied that the timing of revenue recognition and the basis of the year-end rebate provisions within the Financial Statements are appropriate.
Uncertain tax provisions	• The Committee received a presentation from the Group Finance Director and Group Head of Tax on various tax matters including legislative changes, tax structures and controls; • The Committee considered in detail the impact of the refinancing activity conducted during the year and the Group's compliance with the increasing legislative requirements in this area; • The Committee received an analysis of movements in the year-end uncertain tax provisions, reviewed the key judgements in relation to the calculation of the uncertain tax provisions, the external professional advice obtained to support the provisions and the Financial Statement disclosure requirements; • The Committee obtained an update from management on the status or outcome of any tax authority reviews conducted during the financial period; and • The Committee challenged management on the key judgements and estimates made. Following these enquiries, the Committee is satisfied that the key assumptions governing the calculation of uncertain tax provisions and their disclosure within the Financial Statements are appropriate.

Whistleblowing and fraud
The Audit Committee assisted the Board by taking delegated responsibility for ensuring that the Group maintains suitable whistleblowing arrangements for employees. These arrangements are outlined in our Code of Conduct which is available on the Company's website www.glanbia.com and on our Group intranet. The Committee received a presentation from the Group Secretary outlining:

- the Group's Speak-Up policy and the evolving regulatory responsibilities in this area, including the European Union Directive for the protection of persons reporting on breaches of Union Law;
- the Group's arrangements for its employees to raise concerns, in confidence, about possible wrong doings in financial reporting and other matters. This included a review of the Group's independent Safecall Speak-up service. This is a multi-lingual service and is accessible to all employees and third parties 24 hours a day by phone, web or email;
- an overview of how concerns raised are categorised, investigated, monitored and reported with a review of the themes arising; and
- management's actions designed to improve the effectiveness of the Group's whistleblowing arrangements, training and communication processes.

The Committee concluded, and confirmed to the Board, that it was satisfied that the Group's whistleblowing and other fraud prevention and detection procedures, including the Internal Audit team activities, are adequate and allow for the proportionate and independent investigation of such matters and appropriate follow up action.

Review of statutory Auditor

The Committee oversees the relationship with the statutory Auditor, including ensuring that the statutory audit contract is put out to tender at least every 10 years. Deloitte (who were succeeded by Deloitte Ireland LLP) were appointed as the Group's statutory Auditor on 27 April 2016 following a formal tender process.

At the Committee's October 2019 meeting it reviewed the approach and scope of the annual audit work to be undertaken by the statutory Auditor, which included planned levels of materiality, key risks to the accounts, the audit of the Group's core financial IT systems, fraud responsibilities and representations, the Group's processes for disclosing information to the Auditor, the proposed audit fee and the approval of the terms of engagement for the audit. The Committee discussed recent corporate governance updates, including the requirements of the revised 2018 UK Corporate Governance Code for the 2020 Annual Report, regulator commentary and correspondence, the increasing demands from investors for environmental, social and governance information, climate related risks and the potential impacts and preparation requirements for IFRS 16 together with other planned IFRS reporting developments. The Committee also received reports from the Auditor at its meetings in December 2019, January 2020 and February 2020.

Independence of the statutory Auditor
In order to ensure the independence and objectivity of the statutory Auditor, the Committee:

- maintains and regularly reviews the Group's Auditor Relationship and Independence Policy;
- considers the performance of the statutory Auditor each year;
- reviews Audit Partner rotation requirements, and assesses their independence on an ongoing basis. In line with regulatory requirements for listed companies, the statutory Auditor is required to rotate the Audit Partner responsible for the Group audit every five years. The current audit engagement partner, Kevin Sheehan, was appointed as lead engagement partner for the Group in 2016. As 2020 will be Kevin's final year as lead engagement partner the Committee will ensure appropriate consideration and preparation is put in place for his successor; and
- requests the statutory Auditor to formally confirm its independence in writing to the Committee. This confirmation process also provides examples of safeguards that may, either individually or in combination, reduce any independence threat to an acceptable level. These safeguards will always include ensuring:
  - that the statutory Auditor does not play any part in the management or decision-making of Glanbia; and
  - the individuals involved in providing any non-audit services are not members of the audit engagement team.

Non-audit services
Our Auditor Relationship and Independence Policy includes a clearly defined pre-approval process for audit and other services, including a requirement for the business to submit a formal template setting out the details of the services requested, the likely fee level, the rationale for requiring the work to be carried out by Deloitte Ireland LLP rather than another service provider and confirmation that the service requested is not a prohibited service.

The policy requires each request to be reviewed and where appropriate challenged by the Group Financial Controller, Group Finance Director, Group Secretary and Audit Committee Chairman (subject to a defined monetary threshold). The provision of all non-audit services which are not prohibited and approved in line with our policy must be ratified by the Audit Committee at the following meeting of the Committee, who also ensures that the total fees for non-audit services will not exceed the defined thresholds. Fees paid to Deloitte Ireland LLP for audit related and non-audit related services are analysed in Note 5 to the Financial Statements.

The Committee is pleased that this policy has been effectively implemented since the appointment of Deloitte Ireland LLP as statutory Auditor. The focus on compliance in this area has significantly reduced the type and level of services provided to prevent any perceived or actual impact on the Auditor's independence.

Effectiveness
The Committee is very satisfied with its own interactions with Deloitte Ireland LLP, both in terms of reports received and direct interactions during Audit Committee meetings. However, the Committee considered it appropriate, following the completion of three full audit cycles, to complete a review of the effectiveness of the audit process to identify any potential areas for improvement. As part of the review process, audit effectiveness questionnaires were developed utilising some best practice examples provided by IAASA and ESMA and shared with relevant finance executives at Group and Business Unit level who have the most interaction with Deloitte Ireland LLP.

The responses were summarised by management and reported to the Audit Committee. The summary report concluded that the external audit process is highly effective with a robust challenge provided in relation to judgemental and complex areas. The Committee noted that good staff continuity across the teams has enabled the Deloitte audit teams to build their knowledge of the Group and to understand the business well.

The observations from the survey were shared with the statutory Auditor to enable the learnings to be openly discussed and acted upon and to ensure that the 2019 audit process was further enhanced. The Committee remains satisfied with the effectiveness of the statutory Auditor based on the improvements implemented following the audit process review, the quality of the presentations received, management commentary on the robustness of the challenge provided, their technical insight and their demonstration of a clear understanding of the Group's business and its key risks.

Nomination and Governance Committee Report

Dear shareholder,

Having succeeded Paul Haran as Chairman of the Nomination and Governance Committee, on behalf of the Board, I am delighted to present my first report for the year ended 4 January 2020 which outlines the work performed by the Committee during the year.

Board and Committee changes during 2019

2019 was another year of significant change for the Board and its Committees. From a governance perspective the most significant changes were the reorganisation of the composition of the Board and its Committees following the appointment of three new Independent Non-Executive Directors, John Daly, Richard Laube and Mary Minnick, on 1 May 2019.

Since 1 May 2019 the Board is comprised as follows:

- Two Executive Directors; Group Managing Director and Group Finance Director;
- Six Independent Non-Executive Directors; and
- Eight Society Nominee Directors.

The new Non-Executive Directors have brought valuable experience and fresh perspective to the Glanbia Board, full biographical details of each of these new Directors are contained on page 63.

To facilitate the reorganisation and the broadening of the external perspective of the Board, Hugh McGuire and Brian Phelan did not put themselves forward for re-election at the 2019 Annual General Meeting (AGM). Their key executive roles are unaltered and they continue in their executive leadership positions as CEOs of the Group's two global growth platforms, Glanbia Performance Nutrition and Glanbia Nutritionals respectively.

Paul Haran retired from the Board as Non-Executive Director and Senior Independent Director on 1 May 2019. I succeeded Paul Haran as Senior Independent Director from that date.

On 20 June 2019 the composition of the Board Committees was changed following the appointment of the new Directors (which continue to comprise only of Independent Non-Executive Directors), full detail of which is contained on page 82.

Board and Committee changes during 2020

For personal and family reasons, Richard Laube has notified the Company that he will retire as Independent Non-Executive Director effective 28 February 2020. A process to identify a new Independent Non-Executive Director is currently underway.

Non-Executive Directors, Jer Doheny and Eamon Power, have confirmed that they will not be seeking re-election at the 2020 AGM. In accordance with the amended and restated Relationship Agreement between the Company and Glanbia Co-operative Society Limited (the 'Society') dated 2 July 2017 (the 'Relationship Agreement'), in 2020 the number of Directors nominated by the Society (the 'Society Nominee Directors') on the Board will reduce from eight to seven. Any changes arising from Jer and Eamon's retirement and the reduction contemplated by the Relationship Agreement will be considered in June 2020.

Also in accordance with the Relationship Agreement, a process to identify a successor to Martin Keane as Chairperson has commenced. A sub-committee of the Board, led by myself, has been established to lead the process in identifying a new Chairperson for recommendation for appointment to the Board. External advisors have been appointed to assist the sub-committee.

The following pages provide further details on the roles and responsibilities of the Committee and its highlights and achievements during 2019.

I am available at any time to discuss any matters that any shareholder may wish to raise.

On behalf of the Nomination and Governance Committee

Dan O'Connor
Nomination and Governance Committee Chairman

> **"The Committee ensures the Board and Group Operating Executive comprise individuals with the requisite skills and diversity of experience to discharge their responsibilities."**
>
> **Dan O'Connor**
> Nomination and Governance Committee Chairman

Key responsibilities

Assessing the composition, structure and size (including skills, knowledge, experience and diversity) of the Board and its Committees and making recommendations on appointments and re-appointments to the Board;

Recommending to the Board the membership and chairmanship of the Audit and Remuneration Committees respectively;

Planning for the orderly succession of new Directors to the Board and of senior management;

Keeping under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the market place;

Keeping the extent of Directors' other interests under review to ensure that the effectiveness of the Board is not compromised;

Overseeing the performance evaluation of the Board, its Committees and individual Directors;

Keeping under review corporate governance developments with the aim of ensuring that the Group's governance policies and practices continue to be in line with best practice;

Ensuring that the principles and provisions set out in the Irish Corporate Governance Annex and the UK Corporate Governance Code (and any other governance code that applies to the Company) are observed; and

Reviewing the disclosures and statements made in the Directors' Report to the shareholders.

Terms of reference

The full terms of reference of the Nomination and Governance Committee (which were reviewed and updated in December 2019) can be found on the Group's website: www.glanbia.com or can be obtained from the Group Secretary.

2019 Committee members and attendance

Member	Appointed	Number of full years on the Committee	2019 meeting attendance
D O'Connor	12-Dec-14	5	6/6
P Coveney	23-Feb-16	4	6/6
D Gaynor	12-Dec-14	5	6/6
P Haran*	9-Jun-05	13	3/3

* P Haran retired on 1 May 2019 from the Board and the Nomination and Governance Committee.

See page 63 for more information on current Nomination and Governance Committee members.

Glanbia Co-operative Society Limited – Right to nominate Non-Executive Directors.

The Society currently owns 31.5% of the issued share capital of the Company.

The current composition and size of the Board reflects the historical shareholding and relationship of the Company with the Society and is documented in the amended and restated Relationship Agreement dated 2 July 2017.

Between 2012 and 2017, the Society and the Board agreed the following changes, which will impact the composition and size of the Board in the coming years:

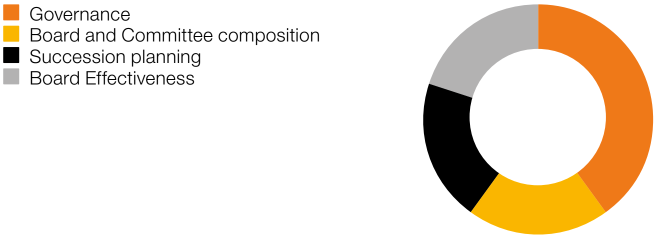
- In 2020 the number of Society Nominee Directors will reduce from eight to seven, which number of Society Nominee Directors will also apply in 2021; and
- In 2022 the number of Society Nominee Directors will reduce from seven to six, which number of Society Nominee Directors will also apply each subsequent year.

It is the intention that the Society would continue to nominate a Society Nominee Director as Chairman of the Board until no later than 30 June 2020.

Up to eight of the Directors on the Board will be made up of Executives and Independent (of the Society) Non-Executive Directors. The parties will co-operate to ensure (as far as practicable) that the Independent Non-Executive Directors will be appointed on the recommendation of the Nomination and Governance Committee. If the number of non-Society Nominee Directors on the Board changes, the number of Society Nominee Directors set out above will change pro rata.

Where a reduction is required to take effect in the number of Society Nominee Directors in respect of a particular year it shall take effect on the earlier of the conclusion of the first board meeting of the Society immediately following the AGM of the Society which takes place in that year or 30 June (or such earlier date as the Society shall agree with Glanbia plc) in that year. Further, if the Society's shareholding in the Company falls below 28% of the issued share capital, discussions will take place regarding a further reduction in the size of the Society's representation on the Board.

Allocation of time



Nomination and Governance Committee Report continued

Governance

The Committee was in place throughout 2019 and Dan O'Connor, Senior Independent Director is Chairman of the Committee. The Committee comprises three Independent Non-Executive Directors, of whom two members constitute a quorum. The Group Secretary acts as secretary to the Committee. The Group Chairman and Group Managing Director attend by invitation only.

Nomination and Governance Committee key activities

The principal activities undertaken by the Committee in 2019 were as follows:

Board and Committee changes

During 2019, there were a number changes to the composition of the Board and Board Committees. These changes were driven primarily by the reorganisation of the composition of the Board in accordance with the Relationship Agreement as described on page 81.

Board changes during 2019

To facilitate the reorganisation and the broadening of the external perspective of the Board, Hugh McGuire and Brian Phelan did not put themselves forward for re-election at the 2019 AGM.

Three new Independent Non-Executive Directors, John Daly, Richard Laube and Mary Minnick, were appointed to the Board on 1 May 2019. On the same day, Paul Haran retired as Senior Independent and Non-Executive Director and Dan O'Connor was appointed as Paul's successor as Senior Independent Non-Executive Director.

Committee changes during 2019

On 20 June 2019 the composition of the Board Committees was refreshed following the appointment of the new Independent Non-Executive Directors. Richard Laube, Independent Non-Executive Director was appointed as a member of the Audit Committee. John Daly and Mary Minnick, Independent Non-Executive Directors, were appointed as members of the Remuneration Committee and Dan O'Connor was appointed as Chairman of the Nomination and Governance Committee.

In compliance with the UK Corporate Governance Code the membership of the Audit, Nomination and Governance and Remuneration Committees continues to comprise only Independent (of the Society) Non-Executive Directors.

Society changes in 2020

In accordance with the Relationship Agreement between the Company and the Society, in 2020 the number of Society Nominee Directors on the Board will reduce from eight to seven.

To assist the Board in the identification of a new Chairperson, in accordance with the Relationship agreement, the Board unanimously agreed to the Nomination and Governance Committee's recommendation to establish a sub-committee of the Board (comprising of Dan O'Connor, as Chairman of the sub-committee, John Murphy, Pat Murphy and Patrick Coveney), assisted by an external advisor who does not have any other connection with the Group. In accordance with good governance, it was agreed that Martin Keane should not be involved in the process to appoint his successor.

Diversity

A description of our Diversity Policy is contained on page 70. Details of our diversity objectives, policy on inclusion and linkage to Company strategy and progress on achieving the objectives are contained in 'Our People' on page 46.

Independent Non-Executive Director recruitment and selection process

During 2018, the Committee commenced a process to recruit and appoint new Independent Non-Executive Directors (which continued into 2019). The Committee had a number of discussions to scope out the current and likely key skills, experience, characteristics and requirements for the role having regard to the challenges and demands of the future operating environment, growth opportunities for Glanbia and Board diversity. An Independent Non-Executive Director specification was drawn up and approved by the Committee. Key criteria included international experience, management of cultural diversity, strategic commercial business acumen and knowledge of global capital markets and major transactions.

The Committee retained Leaders Mores (Ireland) and Russell Reynolds Associates (International) to lead the search for the Independent Non-Executive Directors. Both are leading executive and non-executive search practices and have no other connection with the Group.

A structured timetable was adopted for the process and regular Committee discussions and updates held throughout the process. Both Leaders Mores and Russell Reynolds Associates put together an extensive range of potential candidates for consideration which was narrowed down to a strong shortlist for interview. Shortlisted candidates went through a three-stage interview process meeting with the then Senior Independent Director and the current Senior Independent Director and the Group Secretary, the Group Managing Director and the Group Chairman and finally the Committee. All were unanimous in their final selection of each of John Daly, Richard Laube and Mary Minnick as Independent Non-Executive Directors. Unfortunately, due to personal and family reasons, Richard Laube has notified the Company that he will retire as Non-Executive Director effective 28 February 2020. A process to identify a new Independent Non-Executive Director is currently underway.

Senior Independent Non-Executive Director

The Board, on the recommendation of the Nomination and Governance Committee, approved the appointment of Dan O'Connor to succeed Paul Haran as Senior Independent Non-Executive Director effective from Paul's retirement on 1 May 2019.

Workforce Director

During 2019, the role of Donard Gaynor, an Independent Non-Executive Director, was expanded to include oversight of workforce engagement to further improve Board involvement in this area.

Details of Donard's engagements and activities with employees during 2019 are set out in the 'Our People' section on page 45 and on page 67.

Succession planning

The Committee is responsible for ensuring that the Board, its Committees and senior management have the correct balance of skills, knowledge and experience to effectively lead the Group both now and in the longer term. This is achieved through effective succession planning. During 2019, the Committee continued to focus on the succession pipeline with consideration of both Board-level plans to ensure orderly refreshment of membership, and longer term talent strategy to understand the changing competencies required to ensure the development of a skilled workforce which will support the Group's strategy, purpose, culture and values.

Through ongoing review of Non-Executive tenure, the Committee can identify any likely short to medium term changes in the skill set, diversity and independence of the Board and ensure that Board refreshment is progressive and planned.

Internal talent development and the attraction and retention of skilled individuals is facilitated through engagement with HR to ensure that the broader people strategy supports the development of the internal talent pipeline and ensures access to a diverse and inclusive external talent pool. We have looked to identify, harness and accelerate the development of talent at all levels, based on an assessment of successor readiness in respect of senior positions. Annually one Board meeting is held at one of the wholly-owned business sites which provide an opportunity for interaction with employees and a chance for Non-Executive Directors to develop deeper insights into the quality of our current senior management in both these businesses and the potential for succession.

Our culture is a major contributing factor to the delivery of long-term success for our stakeholders. The Committee plays a key role in embedding a positive culture by ensuring that our succession planning and appointment process identifies candidates who are exemplars of our values. Our induction and training programmes, and the annual performance evaluation process promotes these values in all our Directors and employees.

Regular matters

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

Review of Non-Executive Directors' independence in accordance with the guidance in the Irish Corporate Governance Annex and the UK Corporate Governance Code (2016) (the 'Codes')

The Board evaluation and review process considered the independence of each of the Non-Executive Directors, taking into account their integrity, objectivity and contribution to the Board and its Committees. A rigorous internal review was carried out in respect of those Non-Executive Directors who served longer than six years.

The Board is of the view that the following behaviours are essential for a Non-Executive Director to be considered independent:

- Provides an objective, robust and consistent challenge to the assumptions, beliefs and views of senior management and the other Directors;
- Questions intelligently, debates constructively and challenges rigorously and dispassionately;
- Acts at all times in the best interests of the Company and its shareholders; and
- Has a detailed and extensive knowledge of the Company and the Group's business and of the market as a whole which provides a solid background with which they can consider the strategy of the Company and the Group objectively and help the Executive Directors develop proposals on strategy.

The Board and Committee believe that all Non-Executive Directors demonstrated the essential characteristics of independence and brought independent challenge and deliberations to the Board. The reviews took into consideration the fact that Martin Keane, Eamon Power and John Murphy have each served on the Board for more than nine years; (Martin serving ten and a half years coterminously with the Group Managing Director, the longest coterminous period with a current Executive Director) and that eight of the Non-Executive Directors are Society Nominee Directors, both of which the Codes state could be relevant to the determination of a Non-Executive Director's independence. The Codes also make it clear, however, that a director may be considered independent notwithstanding the presence of one or more of these factors. This reflects the Board's view that independence is determined by the Director's character as set out above. The Committee concluded that the Society Nominee Directors including the Group Chairman continue to demonstrate the essential characteristics of independence and brought independent challenge and deliberations to the Board through their character and objectivity. Notwithstanding this, however, the Society Nominee Directors are not being designated as Independent Directors for the purpose of Listing Rule 6.1.7 (2) of Euronext Dublin/Listing Rule 9.2.2 AD of the UKLA. This conclusion was presented to, and agreed by, the Board.

Re-election of Directors

The Committee continues to be of the view that all Directors should be re-elected to the Board at the Company's AGM. All Directors who sought re-election at the 2019 AGM were re-elected. All Directors, with the exception of Richard Laube (who retires effective 28 February 2020), Jer Doheny and Eamon Power (who are not putting themselves forward for re-election at the AGM), are seeking re-election at the 2020 AGM.

The Committee is satisfied that the backgrounds, skills, experience and knowledge of the Group of the continuing Directors collectively enables the Board and its Committees to discharge their respective duties and responsibilities effectively. Each Director is committed to their role, provides constructive challenge and devotes sufficient time to contribute to the performance of the Board. The Group Chairman farms in Co. Laois and is a Director of Ornua Co-operative Society Limited, but the Committee and the Board consider that this does not interfere with the discharge of his duties to the Group. This conclusion was supported by the formal external evaluation of the Board conducted during 2019, see page 71 for more details on the Board evaluation. The table on page 69 provides a summary of the competencies, important to the long term success of the Group, that each Director brings to the Board. Full biographies are set out on pages 62 to 65.

Additionally in 2020, as in 2019, the re-election of each of the Independent (of the Society) Non-Executive Directors, Patrick Coveney, John Daly, Donard Gaynor, Mary Minnick and Dan O'Connor will be subject to approval by the independent shareholders (i.e. all of the shareholders save the Society and its subsidiary companies and related parties). We believe that sufficient biographical and other information on those Directors seeking re-election is provided in this Annual Report, and the Circular accompanying the Notice of the 2020 AGM to be published, to enable shareholders to make an informed decision.

Remuneration Committee Report

Dear shareholder,

On behalf of the Board and Remuneration Committee, I am pleased to present the Directors' Remuneration Committee Report for the year ended 4 January 2020. The Directors' Remuneration Committee Report sets out the operation of the Directors' Remuneration Policy in 2019 and proposed operation in 2020. Our current 2018-2020 policy was approved at our 2018 AGM and is included for reference in this Remuneration Report.

As set out in the Group Chairman's Statement, 2019 has been a mixed year. Glanbia Performance Nutrition experienced a challenging year as a result of a range of factors that included a consumer channel shift in Europe and difficult global trade dynamics in key international markets. The challenges in Glanbia Performance Nutrition were, in part, offset by good performance in our Glanbia Nutritionals business segment, our Joint Venture businesses and our recent acquisitions of SlimFast and Watson.

As fully explained later in the report, the Committee's decisions in respect of 2019 short-term incentive plan outcomes and application of remuneration policy in 2020 reflect an evaluation of the performance delivery for 2019 as well as our acknowledgement of wider shareholder expectations. In this regard, exercising the Committee's remit to apply appropriate discretion, the Committee has moved beyond application of the formulaic methodologies for bonus determination set out in policy to ensure that remuneration reflects the results achieved and incentivises an improved performance in 2020.

The Committee's approach has been supported by the Group Operating Executive. Indeed the Group Managing Director Siobhán Talbot and the CEO of Glanbia Performance Nutrition Hugh McGuire went further by voluntarily waiving any annual short term bonus award in respect of 2019, due to the performance challenges experienced in Glanbia Performance Nutrition.

Consequently, the decisions by the Remuneration Committee in respect of the 2019 short-term incentive plan are to:

1. Reduce the bonus amount payable in respect of non-financial metrics for the Group Operating Executive, which includes the Executive Directors, to reflect the holistic performance outcome. An exception to this is the CEO of Glanbia Nutritionals who is to receive his bonus as normal given the strong performance of this business unit in 2019.
2. Any bonus payable for 2019 to the Group Finance Director who is receiving a reduced bonus equivalent to 29.3% of maximum, would be deferred into shares for two years in accordance with the procedures that normally apply for bonus earned above target as part of the Group's Remuneration Policy.

In addition, in the light of the challenges encountered in 2019 the Remuneration Committee has made the following decisions in respect to 2020 remuneration for the Group Operating Executive, which includes the Executive Directors:

1. No salary increases will be awarded to the Group Operating Executive in 2020.
2. In respect of the 2020 annual bonus plan, a modifier has been introduced whereby the bonus pool available across the Group may be reduced if the Group's 2020 EPS target is not met. This applies to all employees eligible to participate in the Group bonus plan and is in addition to the Remuneration Committee's overriding discretion to adjust the formulaic bonus outcome for the Group Operating Executive including the Executive Directors if it is not reflective of underlying performance.
3. Acknowledging the decline in the 2019 share price, a reduction in the size of 2020 long-term incentive plan awards will be made to the Group Operating Executive, including the Executive Directors when they are expressed as a multiple of salary. The revised award levels to operate in 2020 will be 200% of salary (from 250% of salary) for the Group Managing Director and 160% of salary (from 200% of salary) for the Group Finance Director. Furthermore, the Committee is retaining the same range of growth targets (EPS and ROCE) for the three year performance period 2020 to 2022 as were set for the 2019 award to end 2021. In the context of the challenging nature of 2019, and market outlook for dairy and Joint Ventures in 2020, this is considered an indication of Committee focus on driving performance in 2020 and beyond.
4. Noting developments in institutional investors' expectations in relation to Directors' pensions, a newly appointed Executive Director will have their pension set in line with the wider workforce.

Looking ahead to the renewal of our current Remuneration Policy which will take place at our 2021 AGM (being the third anniversary of the introduction of the current Policy), the Committee intends to undertake a comprehensive review of our current approach to Executive Remuneration. We take into this process the benefit of the feedback received from our investors in the recent consultation process and the decisions made in respect of 2019 and 2020 to continue to evolve our remuneration policy and operation. We have considered the recommended best practice remuneration provisions

> **"Aligning shareholder interests and executive remuneration through robust performance and pay linkages."**

Donard Gaynor
Remuneration Committee Chairman

included in the 2018 UK Corporate Governance Code and note that we already comply with the majority of those provisions. However, during the review of remuneration we are to undertake in 2020 we will consider the areas that our current policy does not comply with a view to taking appropriate policy decisions to align with the Code where we consider it appropriate to do so.

The Committee also notes that, from 2020, the format and structure of our Remuneration Report will be updated to reflect the reporting obligations under the Shareholder Rights Directive which will require changes to our current format of reporting and the 2018 UK Corporate Governance Code. The Committee considered early adoption of expected requirements under the Shareholder Rights Directive but concluded that it was better to wait for the specifics of the legislation to be transposed into Irish law before adopting them. The Committee has, however, improved certain aspects of its disclosure for 2019 (e.g. reporting on non-financial performance in the annual bonus).

As noted above, the Committee has spent considerable time engaging with our institutional shareholders during the year. This follows the 2019 AGM voting on our Directors' Remuneration Report where, whilst the majority of our shareholders were supportive of the way we applied our remuneration policy in 2019, just over 21% of shareholders voted against the Directors' Remuneration Report. The votes against related to changes to Executive Directors' salaries, their contractual terms and the 2019 long-term incentive plan targets. We did consult widely prior to the 2019 AGM on these changes but a key learning from our post AGM discussions, with those shareholders that voted against, was that we should have better communicated the rationale for the changes we made. Accordingly, during the year we undertook a far reaching consultation exercise with over 70% of our shareholder register (plus the leading shareholder advisor bodies) to better explain our changes and gather shareholder feedback. Based on the information we provided the feedback from this exercise was overwhelmingly positive and at the request of some of those consulted, we have included a further detailed explanation in the Directors' Remuneration Report of the rationale for the changes we made for 2019. This included the Committee's objective of setting pay at a level that reflected the size and complexity of the Group (allowing for the growth in recent years by acquisition, also through organic growth and the substantial joint ventures we operate) and to recognise the unique legal framework in Ireland that necessitates taking a different approach to non-compete provisions than is standard in the UK. Further details are set out on pages 90 to 91.

Board changes

As set out on page 80 a number of Board changes were made during the year. Paul Haran retired from the Board and the Remuneration Committee. John Daly and Mary Minnick were appointed Non-Executive Directors to the Board on 1 May 2019, both also taking a seat on the Remuneration Committee on 20 June 2019. Further details of Remuneration Committee members and meeting attendance is set out on page 87.

To facilitate this reorganisation and the broadening of the external perspective of the Board, the CEO of Glanbia Nutritionals and the CEO of Glanbia Performance Nutrition did not put themselves forward for re-election to the Board at the AGM on 24 April 2019. Their executive roles are unaltered. In line with best practice their pro-rata remuneration to 24 April 2019 is set out in this Remuneration Report.

Business performance 2019

The Group had good revenue growth versus prior year, driven by a strong performance in Glanbia Nutritionals and from the recent acquisition of SlimFast and Watson. While Glanbia Nutritionals and our strategic Joint Ventures performed well, Glanbia Performance Nutrition encountered challenges primarily in some non-US markets throughout 2019. Adjusted EPS was down 7.7% constant currency (down 3.2% reported). Return on capital employed was 10.9%, a decline from prior year reflecting lower profitability and higher capital employed from recent acquisitions and investments in joint ventures. The Balance Sheet continues to be strong. Net debt was €614.3m with all financial metrics well within bank covenant levels at year end, and with capacity for further investment available. Operating Cash Flow of €279.9m equates to an EBITDA cash conversion of 86.1%.

Remuneration in respect of 2019

Executive Director base salary and benefits

The increases in salary for our Executive Directors were set out in last year's Remuneration Report and formed part of my consultation with shareholders as set out above. Further context for the increases awarded is provided on page 94 with the salaries in effect from 1 January 2019 for the current Executive Directors being €1,050,000 for the Group Managing Director and €581,000 for the Group Finance Director.

2019 Annual Incentive

The 2019 Annual Incentive was based on a combination of business (80% weighting) and personal strategic (20% weighting) objectives. As a result of challenging market conditions the Group Adjusted EPS and Glanbia Performance Nutrition EBITA targets have not been met. The Cash Flow targets have been exceeded as have the Executive Director personal objectives. However, as detailed above the formulaic bonus outcomes were the subject of a review and adjustment by the Committee resulting in reduced overall bonus outcome of between 0% and 42.8% of maximum for the Group Operating Executive. Full details are provided on pages 95 to 97. As stated earlier, the Group Managing Director and the CEO of Glanbia Performance Nutrition have both waived any bonus payment for 2019.

2017 Share Awards granted under the 2008 Long-Term Incentive Plan (LTIP 2008)

Under the 2008 LTIP the 2017 share award is the third share award which incorporates business segment as well as Group performance conditions for relevant Executive Directors. Against very stretching objectives for the three year performance period 2017 to 2019, the vesting for Executive Directors is in the range of 11.0% and 17.7% for the 2017 share awards. The 2017 share awards will vest no earlier than 23 February 2020, the third anniversary of their grant. Full details on the LTIP 2017 share awards can be found in the Directors' Remuneration Implementation Report on pages 98 to 100.

Non-Executive Director remuneration

Following the review of and increase in the fees paid to Non-Executive Directors as part of the Remuneration Policy review approved at the AGM in April 2018, there were no increases for 2019. The Non-Executive Directors fees for 2019 are outlined on page 92.

Remuneration Committee Report continued

Executive Director remuneration for 2020

The Committee has carefully considered the operation of the current policy for 2020 and feedback from investors. The Committee has reviewed the use of EPS in both the Annual and Long-Term incentives and the current TSR peer group and has determined to retain both of these for 2020 (with this in part relating to the Committee's desire to best recognise joint venture profit after tax performance in our financial targets for short and long-term performance and since EPS is the most comprehensive financial measure of performance it is to be retained in both schemes). However, the Committee intends to review this approach from first principles as part of the 2020 policy review. For 2020 no substantive changes will be made to the operation of policy in place for 2019. Further detail of the Committee's considerations is set out on page 102.

Executive Director base salary and benefits

The base salaries of the Group Managing Director and Group Finance Director will remain unchanged for 2020. No increase in base salary will be applied.

2020 Annual Incentive

The Group Managing Director and Group Finance Director will continue to participate in the Annual Incentive plan based on a combination of business (80% weighting) and personal (20% weighting) objectives. The target and maximum payments will remain at 75% and 150% of base salary respectively. However, as outlined, the 2020 bonus structure is being amended to further focus on performance and growth.

2020 Share Awards granted under the 2018 Long-Term Incentive Plan (LTIP 2018)

The Group Managing Director and Group Finance Director will continue to participate in the LTIP 2018 in 2020. However, as detailed earlier, in light of the current share price the current Executive Directors' award levels, expressed as a percentage of salary, will be reduced by 20% versus our standard application of Policy. Performance and vesting will continue to be determined by the key Group performance metrics of adjusted EPS, ROCE and relative TSR against the STOXX Europe 600 Food and Beverage Index.

Directors' Remuneration Policy Review and Transposition of the EU Shareholder Rights Directive into Irish Law

The current 2018-2020 Remuneration Policy will be reviewed during 2020 and a new policy brought to shareholders for approval at our 2021 AGM. The Committee will also consider as part of its review how the requirements of the 2018 UK Corporate Governance Code will be addressed in the new policy including post-employment shareholding guidelines and Directors' pension contributions.

In 2019 the Group also undertook an analysis of gender representation and pay. Insights and recommendations were presented to the Board. We will continue to proactively monitor to ensure equitable representation and pay.

We are awaiting the new legislation to bring the amended European Shareholder Rights Directive into Irish law which is now overdue and our policy review and shareholder resolution to approve the new policy will take into account any new requirements. It is expected that this legislation will prescribe many aspects of the content and format of remuneration reporting which will directly influence the Directors' Remuneration Report in future years. In doing so the Group will seek to comply with the provisions of the UK Corporate Governance Code in a manner consistent with the methodologies set out by Irish law.

Voting & Shareholder engagement

An advisory non-binding resolution to approve the 2019 Remuneration Committee Annual Report on Remuneration will be put to the AGM on 22 April 2020.

During 2019 the Group continued to execute its strategic ambitions, despite the performance headwinds detailed in the Group Chairman's Statement. The Committee is confident that, following its use of discretion, the remuneration outcomes for the Executive Directors are aligned to that performance. I and my fellow Committee members are committed to strong and effective engagement with our shareholders and to providing remuneration reporting disclosures that effectively explain our remuneration decisions.

I am grateful to our shareholders for their engagement in a productive and valuable process in relation to the issues identified at our 2019 AGM. I trust that the more detailed explanations that we have been able to provide through this engagement and as set out in this year's Directors' Remuneration Report enable you to support the remuneration decisions that we made in 2019. I look forward to further engagement as the Committee reviews the Directors' Remuneration Policy in advance of the shareholder vote on a revised policy at our 2021 AGM.

I am available through our Group Secretary if you wish to engage with me prior to our 2020 AGM.

Donard Gaynor
Remuneration Committee Chairman

Key responsibilities

- Determine and agree with the Board the framework and policy for remuneration of the Executive Directors and other Senior Executives as required.
- Oversee remuneration design and target setting of annual and long-term incentive arrangements to ensure comprehensive linkages between performance and reward and to incentivise delivery of Group strategy.
- Determine, within the agreed policy, individual total compensation packages for the Executive Directors and other Senior Executives as required.
- Determine any employee share-based incentive award and any performance conditions to be used for such awards.
- Consider and approve Executive Directors' and other Senior Executives' total compensation arrangements annually.
- Determine the achievement of performance conditions for vesting of Annual and Long-Term Incentive Plans.
- Review and understanding of reward policies and practices throughout the Glanbia Group.

Terms of reference

The full terms of reference of the Remuneration Committee (which were reviewed and updated in December 2019) can be found on the Group's website: www.glanbia.com or can be obtained from the Group Secretary.

Remuneration Committee Governance 2019

Remuneration Committee Governance

The Remuneration Committee is currently comprised of four Independent (in all respects, including of the Society) Non-Executive Directors, of whom two members constitute a quorum. Where relevant the Group Chairman may also attend the Remuneration Committee meetings.

The Group Managing Director and the Group Human Resources & Corporate Affairs Director attend Committee meetings by invitation only. No Director or member of Operating Executive Committee is involved in considering his/her own remuneration, they absent themselves when their remuneration is discussed. The Group Secretary acts as secretary to the Remuneration Committee.

Remuneration Best Practices

The Remuneration Committee complies with all relevant reporting and legislative requirements applicable to an Irish incorporated company with a primary listing on Euronext Dublin. With a secondary listing on the London Stock Exchange, the Remuneration Committee has also resolved on a voluntary basis to align, to the extent it considers possible and appropriate having had regard to Irish law, the Directors' Remuneration Policy and Remuneration Reporting with UK remuneration best practices including the regulations applicable to UK incorporated and listed companies. Additionally, the Remuneration Committee is giving increasing regard to remuneration practices in the major overseas countries in which the Group operates which are relevant in attracting, retaining and motivating senior talent in relevant markets. The Committee also continues to monitor the adoption of the amended European Shareholder Rights Directive in Ireland and any potential impact.

The Remuneration Committee receives independent external advice. This advice was provided by Willis Towers Watson, who were first appointed as Remuneration Advisers in 2011, until October 2019. Following a competitive selection process Korn Ferry are now appointed as Remuneration Advisers to the Board. The provision of external advice to the Remuneration Committee supports a robust and sound decision making process. Willis Towers Watson fees for advising the Remuneration Committee to October 2019 were €52,678 and Korn Ferry's fees from October to the end of the year were €34,595.

The Remuneration Committee is committed to strong and effective engagement with our shareholders and to provide remuneration reporting disclosures that effectively explain our remuneration decisions. As noted in the letter of the Chairman of the Remuneration Committee, engagement with shareholders took place in 2019 following the 21% vote against our 2018 Annual Report on Remuneration. We will engage with our shareholders again in 2020 regarding our new policy. Following feedback received this year we reviewed our remuneration reporting to ensure it clearly explains our remuneration decisions and we will consider this again as part of our policy review.

The Committee continues to actively listen and incorporate, as far as possible, the views of the shareholders when determining the Directors' Remuneration Policy and making remuneration decisions. Furthermore, through the advice of its independent external Remuneration Advisers, the Committee monitors and incorporates, as appropriate, best practice developments for remuneration policies. The Directors' Remuneration Committee is currently operating within the Directors' Remuneration Policy 2018-2020 which received 99.83% approval of shareholders at the AGM on 25 April 2018.

Remuneration Report Results at 2019 AGM

Resolution to receive and consider the Remuneration Committee report for the year ended 29 December 2018

For	%	Against	%	Total excluding withheld	%	Withheld	%	Total including withheld	%
160,590,836	78.69%	43,492,339	21.31%	204,083,175	100.00%	117,788	0.06%	204,200,963	100.00%

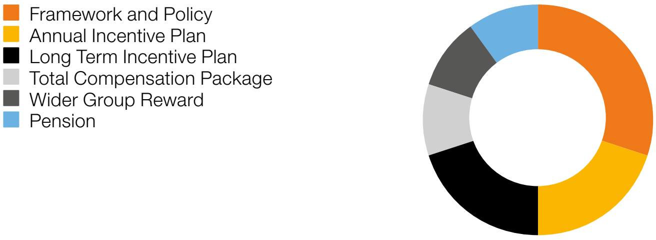
2019 Committee Members and meeting attendance

Member	Appointed	Number of full years on the Committee	2019 meeting attendance
D Gaynor	13-May-14	5	7/7
P Haran*	9-Jun-05	13	2/2
D O'Connor	1-Dec-14	5	7/7
J Daly^	1-May-19	<1	4/4
M Minnick^	1-May-19	<1	4/4

* Paul Haran retired from the Board and the Remuneration Committee on 1 May 2019.
^ John Daly and Mary Minnick were appointed to the Board on 1 May 2019 and took their seats on the Remuneration Committee on 20 June 2019.

See page 63 for more information on current Remuneration Committee members.

Allocation of time



Remuneration Committee Report continued

Section A: Directors' Remuneration Policy 2018-2020

The 2018-2020 Directors' Remuneration Policy applies to the Group's Executive Directors. The new legislation required to be enacted in Ireland prior to 10 June 2019 for the purposes of implementing the amended European Shareholder Rights Directive has not yet been brought into effect. This new legislation will provide shareholders with the right to vote on the policy for directors' remuneration but the effective date of this provision is not yet known. Subject to the provisions of the new legislation, it is the Remuneration Committee's intention that the Directors' Remuneration Policy will continue to apply until the 2021 Annual General Meeting when a new policy which is aligned to the requirements of any new legislation in place by that time will be brought to shareholders for approval.

Remuneration strategy, policy and purpose

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

The Directors' Remuneration Policy focuses on incentivising the successful implementation of our corporate strategy, consistent with our risk management framework. This strategy aims to deliver sustainable, superior earnings growth, solid financial stewardship and total shareholder return performance for our shareholders over the long-term through the strong performance of high-quality and committed leadership, critical to the future development of the Group.

The Group Key Performance Indicators (KPIs), which are detailed on pages 18 and 19, underpin the selection of performance criteria used within the incentive arrangements. We have provided specifics in summary form on the individual elements of the remuneration packages for Executive Directors including personal objectives on subsequent pages.

Summary Executive Directors' Remuneration Policy

The following table summarises the key elements of the Directors' Remuneration Policy for the Group's Executive Directors. The operational elements are subject to annual adjustment. The content is consistent with the policy presented to shareholders at the 2018 AGM. There are some formatting and language refinements to give better clarity.

Element	Objective	Description, Performance Measures and Maximum Value
Base salary (fixed) **Annual fixed pay**	Provide competitive base pay which reflects market value of role, job size, responsibility and individual skills and experience.	Set by reference to the relevant market median of Europe and US based on an external independent evaluation of the role against appropriate peer companies. Reviewed annually by the Remuneration Committee. Any reviews, unless reflecting a change in role, usually take effect from the commencement of the relevant financial year. Individual performance, with targets and assessment determined annually.
Pension (fixed) **Retirement Benefit**	Provide competitive, affordable and sustainable retirement benefits.	Determined as a percentage of base salary.
Other Benefits (fixed)	Provide competitive benefits which recognise market value of role, job size and responsibility.	Determined in consideration of the level of responsibilities and local market practice. Other benefits include company car or equivalent, benefit in lieu of personal future service pension benefit, medical/life assurance, tax equalisation payments and relocation or other business related allowances where appropriate.
Short-Term Performance Related Incentive (variable)	Incentivise Executive Directors to achieve specific performance goals which are linked to the Group's business plans and personal performance objectives during a one-year period. Ensure greater linkage of remuneration to performance. Ensure greater linkage to long-term sustainability and alignment to Group Risk Management Policy. Alignment with shareholders and/or share value growth.	The Annual Incentive scheme rewards achievement of specific short-term annual performance metrics. Group Executive Directors can earn 75% of base salary at target performance and up to 150% for maximum performance. Based on growth in annual Group adjusted EPS on a constant currency basis, Group Operating Cash flow and individual performance objectives (Organisation Effectiveness, Strategic Growth Plan, Driving Innovation Capability). All performance metrics and calibration of targets are determined by the Remuneration Committee annually. The proportion of the Annual Incentive earned in excess of 75% of base salary is deferred and once the appropriate taxation and social security deductions have been made, invested in shares in the Company and delivered to the Executive Directors two years following this investment. Deferred incentives are subject to malus and clawback (for a period of two years following this investment) to the extent determined by the Remuneration Committee as outlined in Note 1 on page 89.

Element	Objective	Description, Performance Measures and Maximum Value
Shareholding Requirement Minimum share ownership requirements to be built up over a five-year period.	Ensure a greater alignment with shareholders' interests.	Executive Directors are expected to build a shareholding through the vesting of shares under the Group's schemes. The Group Managing Director is required to build and maintain a shareholding of 250% of base salary over a maximum of five years. Other Executive Directors are required to build up and maintain a shareholding of 150% of base salary over a maximum of five years. Existing shareholdings and shares acquired in the market are also taken into account, and although share ownership guidelines are not contractually binding, the Remuneration Committee retains the discretion to withhold future grants under the 2018 LTIP if Executive Directors do not comply with the guidelines.
Long-Term Performance Related Incentive (variable) Long Term Incentive Plan under which shares are granted in the form of a provisional allocation of shares for which no exercise price is payable	To align the interests of Executive Directors and shareholders through a long-term share-based incentive linked to share ownership and holding requirements. To focus on greater alignment with shareholders, long-term retention and reward for sustainable performance.	Long-Term Incentive individual annual share award level ordinarily cannot exceed 250% of base salary, dependent on the level of job responsibilities and with reference to companies of similar size and complexity in Europe and US. This may vary where necessitated by the recruitment or retention of key Executives as determined by the Remuneration Committee. • Group Managing Director, maximum award level of 250%. • Group Finance Director, maximum award level of 200%. The Remuneration Committee annually reviews and determines the financial metrics. The 2020 share award is to be determined by reference to the following performance metrics: • 40% Group adjusted EPS; • 40% Group ROCE; • 20% relative TSR against the STOXX Europe 600 Food and Beverage Index. For all performance metrics, 25% vests at threshold performance and 100% vests at maximum with straight line vesting in between these levels. The extent of vesting shall be dependent on the level of achievement, measured over a three-year period, of the relevant performance conditions. The Remuneration Committee has the discretion to change the performance criteria (including the measures, their weighting and calibration) where deemed appropriate for new Long-Term Incentive awards to ensure they continue to reflect the strategic priorities of the business. Any changes to these performance conditions will be disclosed in the Remuneration Committee Report which will be subject to a general shareholder non-binding advisory vote. Quality of earnings review/underpin will continue to be exercised at the discretion of the Remuneration Committee. A share award shall not vest unless the Remuneration Committee is satisfied that the Group's underlying financial performance has shown a sustained improvement in the period since the date of grant. Executive Directors will be required to hold shares received pursuant to the vesting of LTIP share awards for a minimum period of two years post vesting. LTIP share awards are subject to malus and clawback (during the two-year holding period following vesting), to the extent determined by the Remuneration Committee as outlined in Note 1 below.

Note 1: Malus and clawback – The Committee may, at any time within two years of an LTIP share award or Annual Deferred Incentive vesting, determine that malus and clawback shall apply if the Committee determines that there was a material misstatement of the financial statements of the Company upon which the performance targets were assessed or an erroneous calculation was made in assessing the extent to which performance targets were met. Additionally, the Committee can determine at any time within two years of an LTIP share award or Annual Deferred Incentive vesting that malus and clawback will apply if an award holder is found guilty, or pleads guilty, to a crime which causes reputational damage; or an award holder is guilty of serious misconduct or gross negligence which causes loss or reputational damage.

Remuneration Committee Report continued

Executive Director employment conditions

The Remuneration Committee adopts a transparent framework when making Board appointments of either external or internal candidates.

Recruitment policy

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

Element	Description
Base salary (fixed)	Base salary levels will be set in consideration of the skills, experience and expected contribution to the new role, the current salaries of other Executive Directors in the Group and current market levels for the role.
Pension (fixed)	Will be considered in light of relevant market practice for the role, the retirement arrangements of the wider workforce and consideration by the Remuneration Committee of the new recruit's package as a whole.
Other Benefits (fixed)	Will be considered in light of relevant market practice for the role and the provisions in place for other Executive Directors.
Short-Term Performance Related Incentive (variable)	The maximum level of short-term variable remuneration which may be granted to a new recruit is 150% (total maximum variable remuneration is 400%, annual and long term variable). This excludes any buyout share awards that might arise. The Remuneration Committee will consider whether it is appropriate for the new recruit to participate in the same Annual Incentive plan applicable to the current Executive Directors. If this is considered appropriate, the same financial measures, weighting, payout scale and target and maximum incentive opportunity (as a percentage of base salary) which apply to the existing Executive Directors will generally apply to the new recruit.
Long-Term Performance Related Incentive (variable)	The maximum level of long-term variable remuneration which may be granted to a new recruit is 250% (total maximum variable remuneration is 400%, annual and long-term variable). This excludes any buyout share awards that might arise. The award of long-term incentives will depend on the timing of the appointment and where this fits into the typical annual grant cycles.

In exceptional circumstances or where the Remuneration Committee determines that it is necessary for the recruitment or retention of key executives, the Remuneration Committee reserves the right to offer additional cash and/or share-based payments. Such payments may take into account remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attached to that remuneration. The Remuneration Committee may also grant share awards on hiring an external candidate to buy out awards which will be forfeited on leaving the previous employer.

The Remuneration Committee's approach to this matter is to carry out a detailed review of the awards which the individual will lose and calculate the estimated value of them. In doing so, the Remuneration Committee will consider the vesting period; the award exercise period if applicable; whether the awards are cash or share-based; performance related or not; the former employer's recent performance and pay out levels and any other factors the Remuneration Committee considers appropriate. If a buyout share award is to be made, the structure and level will be carefully designed and will generally reflect and replicate the previous awards as accurately as possible. The award will be made subject to appropriate clawback provisions in the event that the individual resigns or their employment is terminated within a certain time frame.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any ongoing remuneration obligations existing prior to appointment (which are inconsistent with the policy as disclosed herein) may continue, provided they are disclosed to the Remuneration Committee. The Remuneration Committee reserves the right to offer additional cash and/or share-based payments on an internal promotion when it considers this to be in the best interests of the Group and its shareholders.

Executive Director Service Agreements

The Group Managing Director, Siobhán Talbot, and the Group Finance Director, Mark Garvey, have three year service agreements effective from 1 January 2019. The service agreements for the Group Managing Director and the Group Finance Director, in line with market practice, include a standard 12 month notice obligation from either side. The service agreements are capable of being terminated by either party on not more than 12 months' notice, provided however that no notice obligation for the executives shall be for a period longer than 6 months after the end of the initial three year contract period, if not renewed. The Group retains the sole right to terminate with pay in lieu of 12 months' notice, or part thereof, at any time.

Employment contracts for Executive Directors do not provide for any compensation for loss of office beyond payments in lieu of notice and therefore, except as may otherwise be required by Irish law, the amount payable under the contract upon termination is limited to a maximum of 12 months remuneration. If so required the Group reserves the right to make necessary payments in settlement of a Director's statutory employment rights.

Background to the 2019 Service and Severance Agreements

The following additional information is presented in response to the feedback received during post AGM discussions with institutional shareholders where some requested that additional details provided in these discussions be included in the Remuneration Report.

The review of contractual arrangements with the Group Managing Director and the Group Finance Director commenced in mid-December 2018, following the completion of the acquisition of SlimFast. The Committee's focus for the review was to provide enhanced continuity and stability to the Glanbia Group in terms of leadership and protection of the business during a period of significant change and business evolution.

To ensure both these contractual arrangements and the effectiveness of the non-solicitation and non-compete provisions remained appropriate in the context of Irish Law, the Committee introduced separate 12 month restrictive covenant Agreements in 2019. These separate provisions were seen by the Board as essential to provide additional, critical protection for the Group when the Executive Directors leave service. Under Irish law, it is difficult to enforce non-compete agreements and providing payment for the non-compete obligations ensures as far as possible the enforceability of the obligations. Such agreements which are separate and in addition to the contract of service and notice period are therefore both necessary as a matter of law and aligned to market practice in Ireland.

The post termination restrictive covenant agreement exists solely to provide a high level of protection to the Company from competitors by compelling the executives not to compete in any way with the Glanbia Group, directly or indirectly, or engage with its customers, suppliers and employees for an additional period of 12 months post termination of employment.

The Committee understands shareholders' concerns around executive remuneration, including that on termination of employment, payments to Executive Directors should not exceed 12 months remuneration, and wholly supports the principles of paying no more than is necessary for securing the best interests of the Group for shareholders as well as not rewarding failure. The Committee will ensure that careful consideration is given to the remuneration payable on any termination of employment including whether an Executive Director is required to work his or her notice period to minimise the total cost of severance.

Exit pay policy

The Group's exit pay policy for the variable pay of Executive Directors is as follows;

- STIP awards – STIP awards will vest pro-rata to reflect the performance period which was worked and the performance outcomes achieved, in accordance with plan rules with the Remuneration Committee applying its discretion to allow all or part of STIP award to vest.

- LTIP awards – In the event an Executive Director leaves before an award vests for reasons of death, redundancy, injury, ill health or disability retirement with the agreement of the Remuneration Committee or any other reason approved by the Remuneration Committee, the awards of the Executive Director will lapse except that the Remuneration Committee will have the discretion to allow all or some of the Executive Director's awards to vest subject to pro-rate for time and to the extent to which the performance conditions of the award are met (save in the case of death or if the circumstances are sufficiently exceptional as determined by the Remuneration Committee where the Remuneration Committee may allow some or all awards to vest). The Remuneration Committee may at any time prior to vesting, in its absolute discretion, revoke any determination to permit awards to vest where an Executive Director breaches a protective covenant.

  In the event of a takeover, merger, scheme of arrangement or other similar event involving a change of control of the Company or a demerger of a substantial part of the Group, or a special dividend, or which has the effect of materially changing the Group's business, or an Executive Director's employment with the Group terminates by reason of a transfer of his/her employment to an entity outside the Group or other similar event that affects the Group's shares to a material extent, share awards under the 2018 LTIP will vest early, subject to normal restrictions on sale and the pro-rating of the share awards to reflect the reduced period of time between the commencement of the performance period and the early vesting. The Remuneration Committee can decide not to apply restrictions on sale or pro-rate a share award if it regards it as inappropriate to do so in the particular circumstances.

- Other payments, such as legal or other professional fees, relocation or outplacement costs, may be paid if it is considered appropriate and is at the absolute discretion of the Remuneration Committee.

Policy on external Board appointments

The long-standing policy of allowing Executive Directors to hold external Non-Executive Directorships with the prior approval of the Remuneration Committee will continue. The Remuneration Committee considers that external directorships provide the Group's Executive Directors with valuable experience that is of benefit to Glanbia. The Remuneration Committee believes that it is reasonable for the individual Executive Director to retain any fees received from such appointments given the additional personal responsibility that this entails. Siobhán Talbot is a Non-Executive Director of CRH plc effective from 1 December 2018, for which Siobhán received an annual fee in 2019 of €135,000. Siobhán Talbot also holds a position on the IBEC board, for which she does not receive any fee. The Group Finance Director has no external directorships and no other fees earned.

Consideration of employment conditions elsewhere in the Group

The Remuneration Committee considers all employees across the Group when establishing and implementing policy for Executive Directors. Senior and high-performing individuals within the organisation are invited to participate in both annual and long-term incentive arrangements. Similar to the Executive Directors, incentives are calibrated to provide appropriate rewards only on the achievement of superior performance. In addition, senior executives below Board level may be eligible to participate in restricted stock awards as part of the annual LTIP grant, as a retention measure.

The Remuneration Committee has not previously consulted directly with employees when formulating Executive Director pay policy. However, it does solicit and take into account information provided by the Group Human Resources function and the independent external advice from its Remuneration Advisers. The Remuneration Committee will consider, as part of the policy review to be carried out during 2020, the best approach to address the requirements of the UK Corporate Governance Code in respect of engaging with employees to explain the alignment of the Executive Directors' Remuneration Policy to the wider workforce.

Remuneration Committee Report continued

Remuneration Below Executive Directors

The Group's remuneration principles and policy underpin remuneration practice across the Group. Below the level of the Executive Directors, similar principles and policy framework, as outlined in the preceding pages, cascade as far as possible, taking account of seniority and relevant local market practice.

The table below outlines the reward elements which apply to employees across the Group depending on their level of seniority and market location.

Element	Description
Base salary (fixed)	Set by reference to role responsibilities relative to the relevant local market based on external independent market data against appropriate peer companies. Reviewed annually in consideration of personal performance with any change of pay approved by a member of the Group Operating Executive (and by the Remuneration Committee for senior executives falling under its remit).
Pension (fixed)	Employees participate in retirement benefits applicable to their local market and in line with relevant scheme rules and Company practice.
Other Benefits (fixed)	Employees participate in other benefits applicable to their local market and in line with relevant rules and Company practice. Examples may include car benefit, illness benefit, medical insurance, relocation expenses/payments.
Short-Term Performance Related Incentive (variable)	The Annual Incentive potential is based on appropriate and specific Group or Business Unit measures, as determined by the Remuneration Committee. For designated senior executives, deferral of the proportion of the Annual Incentive earned in excess of 75% of base salary which, once the appropriate taxation and social security deductions have been made, will be invested in shares in the Company and delivered two years following investment.
Long-Term Performance Related Incentive (variable)	The Long-Term Incentive plan is focused on key Group financial metrics and TSR. Additionally, where relevant, appropriate specific Business Unit measures, as determined by the Remuneration Committee, emphasise long-term Business Unit achievement. The Remuneration Committee may also award a portion of the LTIP award as restricted stock, focusing on individual performance over the performance period. A one year holding period applies below Executive Directors.

Non-Executive Directors Remuneration

The Directors' Remuneration Policy for the Group Chairman and Non-Executive Directors is summarised below.

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

Non-Executive Director fees

The remuneration for each of the Non-Executive Directors is outlined below and remains unchanged since 1 January 2018.

Role	**2020** **€**	2019 €
Group Chairman	**112,500**	112,500
Vice-Chairmen	**60,000**	60,000
Senior Independent Director/Committee Chairman	**95,000**	95,000
Non-Executive Director	**85,000**	85,000
Society-nominated Non-Executive Director	**42,500**	42,500

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

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

Section B: Directors' Remuneration Implementation Report

Executive Directors' Remuneration Elements 2019

The Remuneration elements and 2019 delivery for the Executive Directors is summarised in the table below.

Fixed Pay	Annual Incentive	Long-term Incentive
Base salary **Pension**	Up to 150% of base salary for maximum performance	Group CEO, 250% Other Executive Directors, 200% (% of base salary)
Other benefits	Measured by Adjusted EPS, Group OCF, Personal Objectives and where relevant Business Segment EBITA	Measured by Adjusted EPS, Group ROCE, TSR and where relevant Business Segment EBITA and Business Segment ROCE
Base salary increase effective 1 January 2019	Annual Incentive payments for FY 2019	Long-term Incentive 2017 vesting

Executive Director Remuneration Payments 2019

Further details of actual 2019 payments are set out in the subsequent table and later in this report.

		Fixed Pay			Annual Incentives	
Executive Directors	Full Year	Base salary €'000	Pension contribution [2] €'000	Other Benefits [3] €'000	Annual Incentive (payable in cash) [4] €'000	Annual Incentive (deferred shares) [5] €'000
S Talbot	2019	1,050	-	344	-	-
	2018	860	-	283	645	553
M Garvey	2019	581	145	35	-	256
	2018	506	126	33	379	325
H McGuire[1]	2019	166	-	56	-	-
	2018	513	-	212	384	269
B Phelan[1]	2019	145	-	51	93	-
	2018	447	-	156	335	255

Details of Directors' 2008 LTIP share awards granted in 2017 expected to vest in respect of performance to 4 January 2020 are set out on pages 98 to 100.

Further explanatory notes relating to each remuneration element follow.

1. Brian Phelan and Hugh McGuire's remuneration for 2019 reflects their period of qualifying services to 24 April 2019 as Executive Directors.
2. Mark Garvey participates in the Glanbia defined contribution plan with a contribution of 25%.
3. Other benefits include company car or equivalent, medical/life assurance and taxable cash in lieu of pension payments of 26.5% of salary to both Siobhán Talbot and Brian Phelan and 25% of salary to Hugh McGuire.
4. This reflects the proportion of the Annual Incentive payable in cash to Brian Phelan in respect of qualifying service to 24 April 2019. The 2019 annual incentive payment will be paid in 2020.
5. The proportion of the gross Annual Incentive 2019 payable in cash to Mark Garvey will be deferred into Company shares. Mark Garvey will be required to retain the deferred shares for two years, following appropriate taxation and social security deductions, to recognise an ongoing link to long-term Group performance.

Remuneration Committee Report continued

Fixed Pay 2019

Base salary 2019

As detailed in last year's Remuneration Report, the Group Managing Director and Group Finance Director respective base salaries increased to €1,050,000 and €581,000 effective from 1 January 2019 as outlined in the 2018 Remuneration Report and explained in more detail below.

As part of the review of their employment terms in 2018, the Committee reviewed base salaries with the objective of setting pay at a level that reflected the size and complexity of the Group (allowing for the growth in recent years by acquisition in particular the SlimFast acquisition and also through organic growth and the substantial joint ventures operated by the Group). It also took account of the increased role of the Group Finance Director who now has responsibility for the Group Corporate Development function, leadership of which previously had been carried out by a dedicated full time role on the Glanbia Operating Executive Team.

The Committee understands shareholder concerns regarding increases in remuneration and particularly fixed pay and normally expects any increases to be set in the context of the increases awarded to the wider workforce. In relation to the increases awarded for 2019, the Committee took into account investors' general expectations in relation to increases in fixed remuneration at the same time as considering the provision of a fair and competitive level of remuneration for the individuals in light of the evolution of the individual's roles, responsibilities, experience and the increased complexities of the business as well as doing what it considered was necessary to ensure the continuing service of the Executive Directors who operate in a competitive international sector. The Committee considered whether to make the increases in phases but decided on balance it was preferable to provide the Executive Directors with the certainty of a one-off correctional adjustment. In determining the salary increases the Committee noted that 80% of the Executive Directors' package is variable pay and therefore performance based.

The Committee also notes concerns raised by some investors about benchmarking. The Committee uses market data in remuneration design as one of a number of reference points to sense check remuneration proposals and this was the approach when determining the salary increases for 2019. When looking at market data the Committee considers the Irish, UK and US market which reflect the competitive and international market in which the Group and Executive Directors operate as well as the breadth and scale of Glanbia international operations.

The Committee has consistently used these benchmark reference groups as set out in the shareholder approved remuneration policy and have not had any queries raised previously by shareholders in relation to this. Going forward the Committee expects any future Executive Director salary increases to be in line with the average workforce increase.

The base salaries of the CEO Glanbia Performance Nutrition and CEO Glanbia Nutritionals increased in line with the standard 2.5% increase in Ireland, where they are both based, to €525,313 and €458,177 respectively, effective 1 January 2019.

The base salary increase for the broader employee population for 2019 was in a range of 2.5% to 7%.

Pension 2019

Mark Garvey participates in a defined contribution retirement plan, to which contributions are made at an agreed rate of 25%.

A newly appointed Director will have their pension set in line with the wider workforce.

Other benefits 2019

Other benefits include employment-related benefits such as the use of a company car or equivalent, benefit in lieu of personal future service pension benefit, medical/life assurance, tax equalisation payments and relocation or other business-related allowances where appropriate. All benefits are subject to normal deductions per the relevant regulations.

Siobhán Talbot and Brian Phelan are members of the Glanbia defined benefit schemes, however they are no longer accruing personal pension benefits under these schemes, effective 1 January 2012 and 4 January 2015 respectively. As a result of the cap on pension benefits introduced in the Irish Finance Act 2006, and subsequently amended in December 2010 and in December 2013, the Remuneration Committee reviewed the pension arrangements for Executive Directors and agreed to offer Siobhán Talbot and Brian Phelan the option to receive a taxable payment (26.5% of base salary) in lieu of the personal future service pension benefit. As agreed by the Remuneration Committee, Hugh McGuire received a taxable non-pensionable allowance of 25% of base salary in lieu of a pension contribution to the Glanbia defined contribution retirement plan.

Annual Incentive 2019

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

It also ensures that all senior management in the Group are aligned to the same annual goals in the best interests of the Group and the shareholders. In light of overall Group financial performance in 2019 the Remuneration Committee agreed to implement the Operating Executive proposal to reduce certain 2019 annual bonus awards from the amount otherwise determined on a formulaic basis. Furthermore, the Group Managing Director and the CEO of Glanbia Performance Nutrition voluntarily waived any bonus entitlement payable in 2020. For the Group Finance Director the amount payable based on non-financial performance was reduced to take account of the Group's financial performance during 2019. This resulted in the bonus being reduced from 36.5% to 29.3% of maximum. Also, the entire bonus will be payable in deferred shares (using the Company's approach to bonus deferral included in the Remuneration Policy for bonuses normally earned in excess of 75% of salary). The CEO of Glanbia Nutritionals was paid a bonus in line with his performance, against the targets set at the start of the year, to reflect the good performance delivered in the Glanbia Nutritionals business.

The table below outlines the 2019 Annual Incentive design and respective weightings for each Executive Director. It also details the 2019 performance assessment %, actual bonus to be paid following the Committee's use of discretion and the full year 2019 actual incentive payable as a percentage of maximum opportunity.

	Annual Incentive Weighting							
Executive Directors	Adjusted EPS	Group OCF[1]	Personal objectives	Business segment EBITA	Total	Annual Incentive opportunity as % of salary	**2019 performance assessment as a % of maximum opportunity**	**2019 Actual Incentive payable as a % of maximum opportunity**
S Talbot	56%	24%	20%	–	100%	0%-150%	**33.4%**	**0%**
M Garvey	56%	24%	20%	–	100%	0%-150%	**36.5%**	**29.3%**
H McGuire	40%	20%	20%	20%	100%	0%-150%	**13.1%**	**0%**
B Phelan	40%	20%	20%	20%	100%	0%-150%	**42.8%**	**42.8%**

1. Group OCF is measured using Operating Cash Conversion defined as OCF divided by pre-exceptional earnings before interest, tax, depreciation and amortisation (EBITDA). This cash measure aligns with the Group's working capital management programme as introduced at Capital Markets Day in May 2018.

For the financial year to 4 January 2020, each Executive Director could earn up to 150% of base salary for maximum performance measured against growth in adjusted EPS on a constant currency basis, Operating Cash Flow (OCF) on an Operating Cash Conversion basis, individual performance objectives and where relevant business segment EBITA for Executive Directors with Business Unit responsibility. The mix of weightings for all objectives at target reflected 15% of base salary for personal objectives and 60% of base salary for business objectives (EPS, OCF and business segment EBITA where relevant), doubling at maximum performance to 30% of base salary for personal objectives and 120% of base salary for business objectives. Both personal and business objectives are specific and measurable, determined and communicated at the start of the financial year. The mix and weighting of objectives recognises each Executive Director's contribution to the Group.

Personal objectives are aligned with the Group strategy reflecting personal contribution to the achievement of both medium and long-term strategic objectives all relating to: organisational leadership, organisational effectiveness (including growth & innovation), the execution of the strategic growth plan and driving innovation capability. Progress on personal objectives for each of the Executive Directors is detailed in the 2019 Annual Incentive outcomes.

Key Business Objectives 2019

The table below sets out actual performance relative to target for the Group measures and a summary of performance against target for the commercially sensitive GN and GPN targets.

Performance Assessment in 2019	Performance range	Actual	% of maximum vesting	Below Threshold (zero vesting)	Threshold to Target (pro-rata vesting)	Target (100% vesting)	Target to Maximum (pro-rata vesting)	Maximum (200% vesting)
Adjusted EPS Growth[1]	3% to 9%	-7.7%	0%	✓				
Group OCF (%)[2]	75% to 90%	86.1%	80.5%				✓	
GN EBITA (and relevant Joint Ventures)			50%			✓		
GPN EBITA			0%	✓				

1. Adjusted EPS growth is measured on a constant currency basis to reflect the underlying performance of the Group. For 2019 the Executive Directors targeted constant currency adjusted EPS growth of 5% with a maximum incentive achievable at 9%. The 2019 performance outcome was below threshold for the year.
2. OCF is measured as Operating Cash Conversion and is defined as OCF divided by pre-exceptional earnings before interest, tax, depreciation and amortisation (EBITDA). Cash conversion is a measure of the Group's ability to convert trading profits into cash and is an important metric in the Group's working capital management programme. For 2019 the Executive Directors' target Group Operating Cash Conversion was 80% with a maximum incentive achievable at 90%. The 2019 outcome was 86.1%.

Remuneration Committee Report continued

Key Personal Objectives 2019

Personal objectives are aligned with the Group strategy reflecting the Executive Director's personal contribution to organisational effectiveness, the execution of the strategic growth plan and driving innovation capability. The Group Managing Director set the personal performance objectives for each of the other Executive Directors, with the Group Managing Director's personal objectives set by the Chairman in conjunction with the Remuneration Committee. All personal objectives were then agreed with the Remuneration Committee who monitored their progress throughout the year.

Group Managing Director, Siobhán Talbot

Personal Objectives at Maximum: *30%*
Overall Performance Assessment: *21%*
Personal Objectives Bonus Payout*: *0%*

Measure/Objective	Weighting %	Performance Assessment	Achievement %
Focus on culture, talent pipelines and succession readiness to ensure required capabilities, skills and depth to execute Group growth plans.	*5%*	Full Operating People Review and key talent development initiatives progressed in 2019. Enhanced workforce planning in 2019 is supporting required skill sets for growth.	*4%*
Review and optimise group operating model, cost base and portfolio to underpin strategy and performance.	*7%*	Key portfolio assessments completed. Significant evaluation of operating model effectiveness underway.	*5%*
Focus on corporate development and delivery of accretive strategic acquisitions to optimise market positions.	*5%*	Solid pipeline in place. Acquisition and integration of SlimFast and Watson progressing well.	*4%*
With BU CEOs focus on execution of strategic plan to achieve targeted development in identified platforms and segments.	*10%*	Strong progress in Glanbia Nutritionals portfolio and evolution of Glanbia Performance Nutrition capabilities in sports nutrition, lifestyle and D2C progressing. Key challenges in Glanbia Performance Nutrition sports nutrition in international regions being addressed.	*5%*
Mitigate risks to strategy including Brexit.	*3%*	Hard Brexit readiness plan delivered.	*3%*

Group Finance Director, Mark Garvey

Personal Objectives at Maximum: *30%*
Overall Performance Assessment: *26%*
Personal Objectives Bonus Payout^: *15%*

Measure/Objective	Weighting %	Performance Assessment	Achievement %
Sustain focus on operating cash flows and working capital management.	*5%*	Strong cross business delivery of improved cash and working capital management.	*5%*
Sustain corporate development focus, portfolio management and EPS-accretive M&A.	*15%*	Watson acquisition delivered and integration of both SlimFast and Watson on track. Wider corporate development projects completed (business confidential).	*12%*
Drive group-wide cost optimisation initiatives.	*4%*	Identified opportunities are on track with emphasis on procurement initiatives.	*3%*
Focus on delivery and effectiveness of finance, corporate development and Glanbia Business Services functions.	*6%*	Successful roll-out of key IT projects and integration of improved global IT infrastructure. Functional team development is on track.	*6%*

CEO Glanbia Performance Nutrition, Hugh McGuire

Personal Objectives at Maximum: *30%*

Overall Performance Assessment: *19%*

Personal Objectives Bonus Payout*: *0%*

Measure/Objective	Weighting %	Performance Assessment	Achievement %
Deliver brand performance targets across revenue, innovation and channel management, particularly in North America.	*12%*	Like-for-like branded revenue growth targets not achieved, good overall progress on innovation targets and NA channel management.	*7%*
Continue to evolve the commercial strategy and operating model for lifestyle brands in NA and UK.	*7%*	Very strong SlimFast performance in 2019 and excellent integration into Glanbia in 2019. Good progress on relaunch of think! brand.	*7%*
Focus on organisation design and talent strategy, international strategic review and build of D2C strategy and technical platform.	*7%*	Good progress in D2C and NA operating model evolution. Actions to address significant challenges in some international markets commenced in H2 2019. International strategy work is continuing into 2020.	*5%*
Evolve portfolio through selective M&A.	*4%*	Deprioritised in 2019 to focus on operational priorities.	*0%*

CEO Glanbia Nutritionals, Brian Phelan

Personal Objectives at Maximum: *30%*

Overall Performance Assessment: *25%*

Personal Objectives Bonus Payout: *25%*

Measure/Objective	Weighting %	Performance Assessment	Achievement %
Deliver targeted volume growth in Nutritional Solutions and JV PAT delivery.	*8%*	Delivery to budget in 2019.	*7%*
Develop and execute M&A strategy in GN.	*8%*	Watson acquisition completed and integration is progressing well. Strategic investments in MWC and Glanbia Cheese joint ventures on target.	*6%*
Execute operational, product and portfolio objectives for 2019 (business confidential).	*10%*	Strong delivery across key dairy and non-dairy platforms.	*9%*
Build GN organisational capabilities in line with strategy.	*4%*	Good expansion and development of leadership team in 2019 including the appointment of Glanbia Nutritionals COO and CFO.	*3%*

* The Group Managing Director and the CEO of Glanbia Performance Nutrition voluntarily waived any short-term bonus payment for 2019.

^ Payout of personal objectives for the Group Finance Director was reduced by the Remuneration Committee in consideration of full year financial performance in 2019.

Remuneration Committee Report continued

Long-Term Incentive Awards 2017

The 2008 LTIP share awards granted on 23 February 2017 had a three-year performance period (2017 to 2019) which ended on 4 January 2020. Under the 2008 LTIP, the 2017 share awards incorporated business segment performance conditions as well as Group performance conditions, with the mix and weighting of performance conditions depending on the Executive Director's responsibilities in the Group. Both the Group and business segment performance conditions for the 2017 share awards are measured in respect of performance in the three-year period and independently verified by external advisers on behalf of the Remuneration Committee.

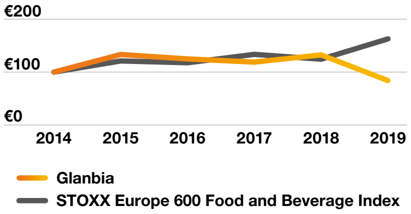
The Remuneration Committee's Policy on corporate activity in relation to the 2015-2017 performance period was that in the event of a material acquisition or disposal which was unforeseen at the time of setting LTIP metrics, the calibration of the performance conditions for the Group and Business Unit may be adjusted by the Committee for the impact of the acquisition or disposal during the performance period. The principles for such review are that the impact of any transaction on the LTIP should not influence decision making to the detriment of the long-term strategy of the business; that the true underlying performance of the business is factored into any LTIP performance achievement; and that there is a balanced perception of appropriate reward levels and value creation by LTIP participants and shareholders over the long-term. The outcome of the amendments is to ensure that the targets are no easier or harder to achieve allowing for the unanticipated events that took place in the performance period. Acquisitions which were not foreseen at the time of setting LTIP 2017 targets and therefore require adjustment on determining vesting include SlimFast in 2018 and Watson on 28 February 2019. The Committee's policy is also that performance conditions should be tested on a constant currency basis to more accurately reflect underlying earnings performance and remove any distortionary effect of currency volatility. These factors are as previously set out in last year's Remuneration Report and similarly applied to the 2016 LTIP awards. These factors reinforce the emphasis on achievements through actual underlying performance.

For the Group Managing Director and Group Finance Director the 2017 LTIP performance conditions were; growth in annual adjusted EPS, Group ROCE and the Group's relative TSR measured against a peer group of the STOXX Europe 600 Food & Beverage Index. The CEO of Glanbia Nutritionals and CEO of Glanbia Performance Nutrition are also incentivised through these Group performance conditions as well as business segment ROCE and business segment EBITA. The table below outlines the relative weighting of the 2017 share award performance conditions for each of the Executive Directors.

	2008 Long-Term Incentive Plan 2017 share award				
Executive Directors	Adjusted EPS growth (constant currency)	Group ROCE	TSR ranking In the comparator group	Business segment ROCE	Business segment EBITA
S Talbot	40%	40%	20%	-	-
M Garvey	40%	40%	20%	-	-
H McGuire	30%	25%	15%	10%	20%
B Phelan	30%	25%	15%	10%	20%

TSR Performance

The graph illustrates the TSR performance of the Group over the past five years showing the change in value of €100 invested in Group's shares from 2 January 2015 to 4 January 2020 (dates aligning with opening and closing financial periods).



2008 LTIP – 2017 share award vesting

The following table outlines the relevant threshold, maximum and actual vesting outcome for the 2008 LTIP scheme 2017 share award, for the three-year performance period 2017-2019.

Performance Condition	Threshold (25% vesting)	Maximum (100% vesting)	Actual
Group EPS	Three-year adjusted EPS growth equal to 5% CAGR[1]	Three-year adjusted EPS growth equal to or greater than 12% CAGR[1]	**Three-year adjusted EPS growth equal to -0.55% CAGR** **Vesting 0%**
Group ROCE	Three-year simple ROCE average equal to 11.95%[2]	Three-year simple ROCE average equal to 13.95%[2]	**Three-year simple ROCE average 12.46%** **Vesting 44.1%**
Group TSR	Ranked at the median of the STOXX Europe 600 Food & Beverage Index	Ranked in the top quartile of the STOXX Europe 600 Food & Beverage Index	**Ranked below median** **Vesting 0%**
Glanbia Performance Nutrition ROCE	Three-year simple ROCE average equal to the defined target %[3]	Three-year simple ROCE average equal to the defined maximum %[3]	**Vesting 0%**
Glanbia Nutritionals ROCE	Three-year simple ROCE average equal to the defined target %[3]	Three-year simple ROCE average equal to the defined target %[3]	**Vesting 52.5%**
Glanbia Performance Nutrition EBITA	Growth over Base EBITA average equal to the defined target %[3]	Growth over Base EBITA average equal to the defined maximum %[3]	**Vesting 0%**
Glanbia Nutritionals EBITA	Growth over Base EBITA equal to the defined target %[3]	Growth over Base EBITA average equal to the defined maximum %[3]	**Vesting 0%**

1. Group EPS is adjusted for acquisitions unforeseen at the time of target setting and constant currency. Resulting in a vesting outcome of 0%.
2. Group ROCE adjustment from 12% to 14% to account for acquisitions unforeseen at the time of target setting.
3. Commercially sensitive information.

2008 LTIP – 2017 share award vesting

It is expected that share awards granted to Executive Directors in 2017, under the 2008 LTIP scheme, for the three-year performance period 2017-2019, vest no earlier than 23 February 2020 (3 years from the date of grant) as follows:

Executive Directors	Total Number of shares awarded	Number of shares awarded expected to vest in 2020	Percentage outcome %	Value at grant of the shares vesting (A)	Change in value over vesting period of share vesting (B)	Total vesting value (A+B) [1]
S Talbot	112,451	19,837	17.7%	€357,661	-€156,117	€201,544
M Garvey	52,911	9,334	17.7%	€168,292	-€73,459	€94,833
H McGuire	55,463	6,115	11.0%	€110,253	-€48,125	€62,128
B Phelan	46,777	7,614	16.3%	€137,280	-€59,922	€77,358

1. This reflects the value of long term incentive share awards expected to vest in 2020 with a three year performance period ended in 2019. The total vesting values have been estimated using the official closing price of a Glanbia plc share on 3 January 2020 (being the last day of trading on Euronext Dublin to the financial year end of 4 January 2020) of €10.16. The value at grant of the shares vesting was €18.05 being the median between the high and low of a Glanbia plc share on 23 February 2017 the day of grant. The value used to determine the quantum of the 2017 award was €18.03 being the median between the high and low of a Glanbia plc share on the day prior to grant; this is the value at grant shown above.

Remuneration Committee Report continued

Methodology

The Remuneration Committee has agreed to the following adjustments for the purposes of determining the vesting of LTIP 2017:

- Acquisitions which were not foreseen at the time of setting LTIP 2017 targets are adjusted for on determining vesting. Relevant acquisitions include SlimFast in 2018 and Watson in February 2019. This adjustment impacts Group EPS, Group ROCE and relevant business segment EBITA and ROCE, by restating the threshold and maximum to maintain the performance metric range during the three year performance period. The adjustments ensured that the targets, allowing for the corporate activity were, in the opinion of the Committee, no more or less demanding than the targets originally set.
- The EPS and business segment EBITA performance condition is measured using constant currency to more accurately reflect underlying earnings performance and remove any distortionary effect of currency volatility.

Group EPS

The Group's Compound Annual Growth Rate (CAGR) of adjusted EPS over the three-year performance period was a key LTIP metric for each Executive Director's 2017 share award, representing 40% weighting for the Group Managing Director and Group Finance Director and a 30% weighting for business segment Executive Directors. Adjusted EPS is calculated as the profit attributable to the equity holders of the Group before exceptional items and intangible asset amortisation (excluding software amortisation) net of related tax, divided by the weighted average number of ordinary shares in issue during the year.

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

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

2016	80.40c
2019	88.10c

For the purpose of LTIP 2017 these reported adjusted EPS numbers are adjusted for acquisitions unforeseen at the time of target setting and constant currency, in line with the methodology set out above.

Group ROCE

Group ROCE over the three-year performance period represented a 40% weighting for the Group Managing Director and Group Finance Director and a 25% weighting for business segment Executive Directors for the 2017 share award. Group ROCE is defined as the Group's earnings before interest, and amortisation (net of related tax) plus the Group's share of the results of equity accounted investees after interest and tax divided by capital employed. Capital employed comprises the sum of the Group total assets plus cumulative intangible asset amortisation less current liabilities less deferred tax liabilities excluding all financial liabilities, retirement benefit assets and cash. It is calculated by taking the average of the relevant opening and closing balance sheet amounts. The impact of acquisitions on the 2017 Group ROCE performance condition adjusts the threshold and maximum by 0.05%.

Group TSR

The Group's TSR ranking relative to an agreed peer group of STOXX Europe 600 Food & Beverage Index represents the change in the capital value of a listed/quoted company over a period, plus dividends reinvested, expressed as a plus or minus percentage of the opening value. Investors regard TSR as an important indication of both earnings and capital growth relative to other major companies in the same sector as well as ensuring that share awards only vest if there has been a clear improvement in the Group's relative performance over the relevant period. Therefore TSR is a key metric to incentivise long-term sustainable business performance.

This metric attracts a 20% weighting for the Group Managing Director and Group Finance Director and a 15% weighting for business segment Executive Directors.

Business segment ROCE

Business segment Executive Directors have a 10% weighting associated with business segment ROCE over the three-year performance period for the 2017 share award. Business segment ROCE is calculated as business segment earnings before interest, tax and amortisation divided by capital employed. Capital employed is calculated as the sum of the business segment's total assets plus cumulative intangible asset amortisation less current liabilities excluding all borrowings, cash and tax balances, and goodwill related to deferred tax recognised on acquisition. The impact of acquisitions on the 2017 Glanbia Performance Nutrition and Glanbia Nutritionals ROCE performance conditions adjusts the threshold and maximum.

Business segment EBITA

Business segment EBITA is calculated as business segment compounded growth over Base EBITA for the three-year performance period. This metric attracts a 20% weighting for business segment Executive Directors.

The EBITA outturn is adjusted for the impact of acquisitions on the 2017 Glanbia Performance Nutrition and Glanbia Nutritionals performance conditions.

Long-Term Incentive Awards 2016

The 2016 Long-Term Incentive Award vested in 2019 as detailed below. Performance against targets was reported in the 2018 Remuneration Report.

	LTIP Award 2016					
Executive Directors	Total number of shares awarded	Number of shares awarded vested in 2019	Percentage outcome %	Value at grant of the shares vesting (A)	Change in value over vesting period of share vesting (B)	Total vesting value (A+B)[1]
S Talbot	103,790	60,334	58.1%	€1,111,654	€12,972	€1,124,626
M Garvey	44,280	25,741	58.1%	€474,278	€5,534	€479,812
H McGuire	54,040	26,368	48.8%	€485,830	€5,669	€491,500
B Phelan	43,180	18,551	43.0%	€341,802	€3,988	€345,791

1. This reflects the value of long-term incentive share awards vested in 2019 with a three year performance period ended in 2018. These have been valued at the market value of the shares on the date of vesting €18.64 per share (official opening price). The value at grant of the shares vesting was €18.47 being the median between the high and low of a Glanbia plc share on 25 February 2016 the day of grant. The value used to determine the quantum of the 2016 award was €18.425 being the median between the high and low of a Glanbia plc share on the day prior to grant; this is the value at grant shown above.

Long-Term Incentive Awards 2018 and 2019

2018 LTIP awards and 2019 LTIP awards were made to the Executive Directors on 26 April 2018 and 21 March 2019 respectively. Both awards are subject to the achievement of Group TSR, Group EPS and ROCE performance conditions (Group and Business Segment), as set out below, measured over the relevant three year performance period. 2018 LTIP awards will vest no earlier than 26 April 2021 with 2019 LTIP awards vesting no earlier than 21 March 2022. Any vested shares are subject to a two-year holding period from date of vesting.

The performance conditions and weightings for all outstanding share awards under LTIP 2018 are set out in the following table.

	2018 Performance Metrics			**2019 Performance Metrics**		
	Financial Period 2018 – 2020			Financial Period 2019 – 2021		
Performance Condition	Vesting 0%	Vesting 25% (Threshold)*	Vesting 100% (Maximum)*	Vesting 0%	Vesting 25% (Threshold)*	Vesting 100% (Maximum)*
Group EPS Three-year adjusted EPS	< 4% CAGR	= 4% CAGR	≥ 9% CAGR	< 4% CAGR	= 4% CAGR	≥ 9% CAGR
Group ROCE	< 10%	= 10%	≥ 13%	< 9%	= 9%	≥ 12%
Group TSR Ranking in STOXX Europe 600 Food and Beverage Index	Below the median	At median	In the top quartile	Below the median	At median	In the top quartile
GPN & GN ROCE**	Below target	At target	At Maximum	Below target	At target	At Maximum
GPN & GN EBITA** Growth over Base EBITA relative to the defined % per annum compounded	< defined %	= defined %	≥ defined %	< defined %	= defined %	≥ defined %

* Straight line vesting between threshold performance and maximum performance.
** Commercially sensitive information.

Achievement against performance conditions is determined on a constant currency basis to more accurately reflect underlying earnings performance and remove any distortionary effect of currency volatility. For 2018 LTIP awards onwards, performance targets are set with future acquisitions in mind and are therefore reflective of the expected impact acquisitions may have on key performance conditions. This approach acknowledges the strategic importance of acquisitions to the Group's long-term performance and strategy as set out in the Group's ambitions on Capital Markets Day in 2018.

ROCE targets for 2019 LTIP awards

A number of shareholders consulted during 2019 raised some concerns about the reduction in the ROCE performance targets for the 2019 share awards from 10%-13% to 9%-12%. The change in ROCE range was to ensure that the targets were similarly challenging to the ROCE targets set in prior years allowing for the impact of the SlimFast acquisition. The Committee's policy is to review the target range each year having regard to both internal and external expectations for the Group's performance and then set an appropriately demanding performance range around those expectations. This review for the 2019 awards concluded that the change made was appropriate in this context. The Committee intends to continue to keep the performance under review each year prior to making future awards.

Remuneration Committee Report continued

Long-Term Incentive Awards 2018 and 2019 – weightings

The weightings for all outstanding share awards (2018 and 2019) are set out in the table below.

	2018 Weightings		2019 Weightings	
Performance Condition	Group Managing Director and Group Finance Director	Business segment Executive Directors	Group Managing Director and Group Finance Director	Business segment Executive Directors
Group EPS	40%	30%	40%	30%
Group ROCE	40%	25%	40%	25%
Group TSR	20%	15%	20%	15%
GPN & GN ROCE	-	10%	-	10%
GPN & GN EBITA	-	20%	-	20%

Directors' shareholdings

As at 4 January 2020 the Executive Directors' share ownership against the guidelines was as follows:

Executive Directors	Shares held as at 4 January 2020	% of base salary based on market value as at 4 January 2020[1]	Shareholding guidance
S Talbot	297,192	288%	250%
M Garvey	92,255	161%	150%

1. The market values have been estimated using the official closing price of a Glanbia plc share on 3 January 2020 (being the last day of trading on the Euronext Dublin to the financial year end of 4 January 2020) of €10.16.

Dilution

Share awards granted under the 2008 LTIP, 2019 LTIP and the Annual Deferred Incentive are satisfied through the funding of employee benefit trusts which acquire shares in the market. The Company's employee benefit trusts held 820,302 shares at 4 January 2020.

The exercise of share options under the 2002 LTIP (which expired in 2012) is satisfied by the allotment of newly issued shares. At 4 January 2020 the total number of shares which could be allotted under this scheme was 40,000 shares which represent significantly less than one percent of the issued share capital of the Company.

Implementation of policy in 2020

The base salaries of the Group Managing Director and Group Finance Director will not be increased in 2020. Annual Incentive opportunity for the Group Managing Director and Group Finance Director in 2020 will remain unchanged. Annual Incentive will continue to be based on EPS, Group Operating Cash flow and individual performance objectives. In response to shareholders feedback the Committee reviewed the use of EPS in both the Annual and Long-term Incentive Plan and whether there is an alternative measure of profit that might be used in the Annual Incentive. The Committee concluded that EPS be retained for 2020 for both the Annual and Long-term Incentive. EPS in the Annual Incentive measures EPS over one year only and in the Long-term Incentive over a three year period and management is therefore being rewarded for short term profit and separately for critically long-term sustainable profit over a three year period. In addition, EPS includes profit derived from our significant joint ventures which is not captured by alternative measures of profit. The Committee will review the measures for the Annual Incentive as part of the policy review in 2020.

In light of the Group's focus on returning to growth, the approach to target setting in the 2020 annual bonus has been revised in respect of the EPS and EBITA metric. The Committee has introduced a bonus modifier whereby if the Group EPS target is not met, the total bonus pool available will be reduced across the Group. This applies to Executive Directors and all employees eligible to participate in the Group bonus plan. The Committee has also reduced the proportion of bonus payable between threshold and target performance to emphasise the importance of delivering on our growth plans. This approach recognises the 2019 outcomes as well as internal and external expectations for 2020 performance.

Acknowledging the decline in the 2019 share price, a reduction in the size of 2020 LTIP awards will be made to Executive Directors as are expressed as a multiple of salary. The revised award levels to operate in 2020 will be 200% of salary (from 250% of salary) for the Group Managing Director and 160% of salary (from 200% of salary) for the Group Finance Director. In determining an appropriate level of scale back, consideration was given to the grant price for the 2019 awards and the average share price during both the 2018 and 2019 financial years. The quantum of the 2019 awards was determined at a near historic high share price of €18.01 and so the Committee concluded that the level of scale back should be based on a longer-term view of the Company's share price. The average share prices in place during 2019 and 2018 were €13.93 and €14.82 respectively and, as a result, the Committee considered that a 20% reduction to headline awards appropriately took into account the fall in the underlying share price having had regard to the other remuneration decisions taken for both 2019 and 2020.

Vesting criteria for 2020 LTIP share awards for the Group Managing Director and Group Finance Director will continue to be based on Group adjusted EPS, Group ROCE and relative TSR. The Committee has reviewed the TSR performance metric and peer group during 2019 and it will continue to be used for the 2020 LTIP awards. Further consideration will be given during 2020 to whether any changes should be made for the new policy period.

The range of financial targets set for the LTIP are set out below and are the same performance ranges as set for the 2019 awards. In the context of the challenging nature of 2019, and market outlook for 2020, this is considered an effective toughening of the performance requirements versus those set in prior years and consistent with the Committee's focus on incentivising a return to long-term profitable growth.

	2020 Performance Metrics		
Performance Condition & Weighting	Vesting 0%	Vesting 25% (Threshold)	Vesting 100% (Maximum)
Group EPS – 40% Three-year adjusted EPS	< 4% CAGR	= 4% CAGR	≥ 9% CAGR
Group ROCE – 40%	< 9%	= 9%	≥ 12%
Group TSR – 20% Ranking in STOXX Europe 600 Food and Beverage Index	Below the median	At median	In the top quartile

All pension and other benefits will remain unchanged for 2020 with pension provision being considered as part of the overall Directors' Remuneration Policy review during 2020. A new Executive Director will receive pension in line with that of the wider workforce.

Directors' remuneration and interests in shares in Glanbia plc
Tables A to G on the following pages give details of the Directors' remuneration and interests in shares in Glanbia plc held by Directors and the Group Secretary and their connected persons as at 4 January 2020. There have been no changes in the interests listed in Tables B to G between 4 January 2020 and 25 February 2020.

The market price of the ordinary shares as at 3 January 2020 (the last day of trading on Euronext Dublin before the financial year end of 4 January 2020) was €10.16 and the range during the year was €9.64 to €19.05. The average price for the year was €13.93.

Remuneration Committee Report continued

Table A: 2019 Directors' Remuneration

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

	Date of Directorship appointment/retirement	Salary €'000	Fees €'000	Pension contribution[2] €'000	Other benefits[3] €'000	Annual Incentive (payable in cash)[4] €'000	Annual Incentive (deferred shares)[5] €'000	2019 Total €'000	2018 Total €'000
Executive Directors									
S Talbot		1,050	–	–	344	–	–	1,394	2,341
M Garvey		581	–	145	35	–	256	1,017	1,369
H McGuire	To 24 April 2019[1]	166	–	–	56	–	–	222	1,378
B Phelan	To 24 April 2019[1]	145	–	–	51	93	–	289	1,193
2019		**1,942**	**–**	**145**	**486**	**93**	**256**	**2,922**	
2018		2,326	–	126	684	1,743	1,402		6,281
Non-Executive Directors									
Mn Keane		–	113	–	–	–	–	113	90
J Murphy		–	60	–	–	–	–	60	60
P Murphy			60	–	–	–	–	60	53
P Ahern	Ret. 1 June 2018 and Reapp 21 June 2018	–	43	–	–	–	–	43	40
H Corbally	Ret. 21 June 2018		0	–	–	–	–	0	49
P Coveney		–	85	–	–	–	–	85	85
J Daly	App. 1 May 2019		57	–	–	–	–	57	0
J Doheny	Ret. 2 June 2017 and Reapp 1 June 2018	–	43	–	–	–	–	43	25
D Gaynor		–	95	–	–	–	–	95	95
V Gorman		–	43	–	–	–	–	43	43
T Grant	Ret. 9 May 2016, Reapp 2 June 2017 and Ret. 1 June 2018	–	0	–	–	–	–	0	18
P Haran	Ret. 1 May 2019	–	32	–	–	–	–	32	95
B Hayes		–	43	–	–	–	–	43	43
Ml Keane	Ret. 25 April 2018	–	0	–	–	–	–	0	13
R Laube	App. 1 May 2019	–	57	–	–	–	–	57	0
M Minnick	App. 1 May 2019		57					57	0
D O'Connor		–	95	–	–	–	–	95	95
E Power		–	43	–	–	–	–	43	43
2019		**–**	**926**	**–**	**–**	**–**	**–**	**926**	
2018		–	847	–	–	–	–		847
Total 2019		**1,942**	**926**	**145**	**486**	**93**	**256**	**3,848**	
Total 2018		2,326	847	126	684	1,743	1,402		7,128

1. Brian Phelan and Hugh McGuire did not put themselves forward for re-election at the 2019 AGM (24 April 2019) in order to facilitate the re-organisation and the broadening of the external perspective of the Board. Their remuneration for 2019 reflects their period of qualifying services to 24 April 2019 as Executive Directors.
2. Mark Garvey participates in the Glanbia defined contribution plan with a contribution of 25%.
3. Other benefits include company car or equivalent, medical/life assurance and taxable cash in lieu of pension payments of 26.5% of salary to both Siobhán Talbot and Brian Phelan and 25% of salary to Hugh McGuire.
4. This reflects the proportion of the Annual Incentive payable in cash to Brian Phelan in respect of qualifying service to 24 April 2019. The 2019 annual incentive payment will be paid in 2020.
5. The proportion of the gross Annual Incentive 2019 payable in cash to Mark Garvey will be deferred into Company shares. Mark Garvey will be required to retain the deferred shares for two years, following appropriate taxation and social security deductions, to recognise an ongoing link to long-term Group performance.

Details of Directors' long-term awards expected to vest in respect of performance to 4 January 2020 are set out on pages 98 to 100.

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

	Transfer value of increase in accrued pension €'000	Annual pension accrued in 2019 in excess of inflation €'000	Total annual accrued pension at 4 January 2020 €'000
S Talbot	–	–	159
B Phelan	–	–	103
2019	**–**	**–**	**262**
2018	–	–	262

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

	As at 4 January 2020 Ordinary Shares	As at 30 December 2018 Ordinary Shares*
Directors		
Mn Keane	**33,742**	25,742
J Murphy	**7,283**	7,283
P Murphy	**11,506**	11,506
S Talbot[1]	**297,192**	275,068
P Ahern	**14,091**	10,091
P Coveney	**3,900**	3,900
J Daly[2]	**5,000**	–
J Doheny	**16,159**	16,159
M Garvey[1]	**92,255**	63,421
D Gaynor	**10,000**	10,000
V Gorman	**6,033**	5,033
B Hayes	**34,846**	32,346
R Laube[2]	**–**	–
M Minnick[2]	**–**	–
D O'Connor	**7,680**	7,680
E Power	**58,693**	58,693
Secretary		
M Horan	**39,755**	39,313

* or at date of original appointment to the Board.

1. Executive Director.
2. Appointed 1 May 2019.

Note: The ordinary shares held in trust for the Directors and Secretary disclosed in Table C on page 106 are included in the total number of ordinary shares held by the Directors and Secretary above.

None of the Directors have used the above shares as security.

Remuneration Committee Report continued

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

	2008 LTIP[2]	2008 LTIP[3]	2017 Annual Deferred Incentive[4]	2018 Annual Deferred Incentive[5]	Total[1]
Executive Directors					
S Talbot	44,937	32,259	9,893	17,124	104,213
M Garvey	19,174	13,763	5,818	10,071	48,826
Secretary					
M Horan	8,876	11,837	3,275	5,442	29,430

1. The above ordinary shares are held on trust for the Directors and Secretary by the Glanbia plc Section 128D Employee Benefit Trust and are included in the total number of ordinary shares held by the Directors and Secretary disclosed in Table B on page 105.
2. Subject to restriction on sale until 25 May 2020.
3. Subject to restriction on sale until 11 March 2021.
4. Subject to restriction on sale until 29 March 2020.
5. Subject to restriction on sale until 28 March 2021.

Table D: Summary of Directors' and Secretary's interests in Glanbia plc 2018 and 2008 LTIP

	As at 4 January 2020	As at 30 December 2018	As at 4 January 2020	As at 30 December 2018
	2018 LTIP Share awards	2018 LTIP Share awards	2008 LTIP Share awards	2008 LTIP Share awards
Directors				
S Talbot	300,757	155,005	112,451	216,241
M Garvey	137,455	72,935	52,911	97,191
Secretary				
M Horan	63,228	35,341	23,702	44,062

Table E: Directors' and Secretary's interests in 2018 LTIP

	Date of Grant	30-Dec-18	Granted during the year	Vested during the year	Lapsed during the year	4-Jan-20	Market price at date of award €	Earliest date for vesting	Expiry date	Notes
Directors										
S Talbot										
	26-Apr-18	155,005	–	–	–	155,005	13.86	26-Apr-21	26-Apr-23	1
	21-Mar-19	–	145,752	–	–	145,752	17.73	21-Mar-22	21-Mar-24	2
Total:		**155,005**	**145,752**	**–**	**–**	**300,757**				
M Garvey										
	26-Apr-18	72,935	–	–	–	72,935	13.86	26-Apr-21	26-Apr-23	1
	21-Mar-19	–	64,520	–	–	64,520	17.73	21-Mar-22	21-Mar-24	2
Total:		**72,935**	**64,520**	**–**	**–**	**137,455**				
Secretary										
M Horan										
	26-Apr-18	35,341	–	–	–	35,341	13.86	26-Apr-21	26-Apr-23	1
	21-Mar-19	–	27,887	–	–	27,887	17.73	21-Mar-22	21-Mar-24	2
Total:		**35,341**	**27,887**	**–**	**–**	**63,228**				

1. The performance period in respect of the 2018 LTIP awards made in 2018 is the three financial years ending 2020.
2. The performance period in respect of the 2018 LTIP awards made in 2019 is the three financial years ending 2021.

The performance conditions attached to the awards are detailed in the section entitled 'Long-Term Incentive Awards 2018 and 2019' on pages 101 to 102.

Table F: Directors' and Secretary's interests in 2008 LTIP

	Date of Grant	30-Dec-18	Granted during the year	Vested during the year	Lapsed during the year	4-Jan-20	Market price at date of award €	Earliest date for vesting	Expiry date	Notes
Directors										
S Talbot										
	25-Feb-16	103,790	–	60,334	43,456	–	18.47	25-Feb-19	25-Feb-20	1,2,3
	23-Feb-17	112,451	–	–	–	112,451	18.05	23-Feb-20	23-Feb-21	4
Total:		**216,241**	**–**	**60,334**	**43,456**	**112,451**				
M Garvey										
	25-Feb-16	44,280	–	25,741	18,539	–	18.47	25-Feb-19	25-Feb-20	1,2,3
	23-Feb-17	52,911	–	–	–	52,911	18.05	23-Feb-20	23-Feb-21	4
Total:		**97,191**	**–**	**25,741**	**18,539**	**52,911**				
Secretary										
M Horan										
	25-Feb-16	20,360	–	11,837	8,523	–	18.47	25-Feb-19	25-Feb-20	1,2,3
	23-Feb-17	23,702	–	–	–	23,702	18.05	23-Feb-20	23-Feb-21	4
Total:		**44,062**	**–**	**11,837**	**8,523**	**23,702**				

1. Share awards granted on 25 February 2016 were subject to performance conditions measured over the three financial years ended 29 December 2018. The awards vested on 11 March 2019 and the percentage of the awards vested are shown on page 101.
2. Directors were permitted to sell sufficient shares to satisfy any tax or social security deductions arising on the acquisition of the shares. The balance of the shares is restricted from sale for two years and are held on trust for them by the trustee of the Glanbia plc Section 128D Employee Benefit Trust.
3. The total number of shares subject to restriction are included in the total number of ordinary shares disclosed in Table B on Page 105.
4. Share awards granted on 23 February 2017 were subject to performance conditions measured over the three financial years ended 4 January 2020. The outcome of these performance conditions and the number of share awards expected to vest to Executive Directors during 2020 are set out on pages 98 to 100. The vested share award, net of relevant taxation and social security deductions, will be restricted from sale for two years and be held on trust for them by the trustee of the Glanbia plc section 128D Employee Benefit Trust.

Remuneration Committee Report continued

Table G: Directors' and Secretary's Annual Deferred Incentive

	Value of Annual Incentive converted into shares €[1]	Date of conversion/ acquisition of shares	Acquisition price per share at date of conversion	Number of shares acquired
Directors				
S Talbot				
2017 Annual Deferred Incentive	€263,000	29-Mar-18	€14.22	18,468
2018 Annual Deferred Incentive	€553,000	28-Mar-19	€17.285	31,966
M Garvey				
2017 Annual Deferred Incentive	€154,000	29-Mar-18	€14.22	10,862
2018 Annual Deferred Incentive	€325,000	28-Mar-19	€17.285	18,801
Secretary				
M Horan				
2017 Annual Deferred Incentive	€87,000	29-Mar-18	€14.22	6,114
2018 Annual Deferred Incentive	€176,000	28-Mar-19	€17.285	10,160

1. Numbers are rounded to the nearest thousand.
2. Directors were permitted to sell sufficient shares to satisfy any tax or social security deductions arising on the acquisition of the shares. The balance of the shares are restricted from sale for two years and are held on trust for them by the trustee of the Glanbia plc Section 128D Employee Benefit Trust.
3. The total number of shares subject to restriction are included in the total number of ordinary shares disclosed in Table B on Page 105.

Table H: Value of awards expected to vest in 2020 and awards vested in 2019

	Number of shares awarded expected to vest in 2020	Percentage outcome %	Estimated Market Value €[1]	Number of shares vested in 2019	Percentage outcome %	Estimated Market Value €[2]
Executive Directors						
S Talbot	19,837	17.7%	201,544	60,334	58.1%	1,124,626
M Garvey	9,334	17.7%	94,833	25,741	58.1%	479,812
H McGuire	6,115	11.0%	62,128	26,368	48.8%	491,500
B Phelan	7,614	16.3%	77,358	18,551	43.0%	345,791

1. This reflects the value of long term incentive share awards expected to vest in 2020 with a three year performance period ended in 2019. These have not been adjusted for Brian Phelan and Hugh McGuire to reflect their qualifying services to 24 April 2019. The market values have been estimated using the official closing price of a Glanbia plc share on 3 January 2020 (being the last day of trading on Euronext Dublin before year end 4 January 2020) of €10.16 per share.

2. This reflects the value of long term incentive share awards vested in 2019 with a three year performance period ended in 2018. These have been valued at the market value of the shares on the date of vesting €18.64 per share (official opening price).

Other Statutory Information

Principal activities, strategy and business model

Glanbia plc is a global nutrition group, headquartered in Ireland, with operations in 34 countries worldwide.

The Group's business model and strategy are summarised in the Strategic Report on pages 11 to 17.

The Group Chairman's statement on pages 6 and 7, the Group Managing Director's review on pages 8 to 10, the Operations review on pages 20 to 35 and the Group Finance Director's review on pages 36 to 41 contain a review of the development and performance of the Group's business during the year, of the state of affairs of the business at 4 January 2020, of recent events and of likely future developments. Information in respect of events since the year end is included in these sections and in Note 36 to the Financial Statements.

As set out in the Group Income Statement on page 125, the Group reported a profit for the period of €180.2 million after exceptionals. Comprehensive reviews of the financial and operating performance of the Group during 2019 are set out in the Group Finance Director's review on pages 36 to 41 and in the Operations review on pages 20 to 35. Key Performance Indicators are set out on pages 18 and 19. The treasury policy and the financial risk management objectives of the Group are set out in detail in Note 29 to the Financial Statements. Our approach to our people and sustainability is discussed on pages 42 to 51.

Non-Financial Reporting Statement

The Group aims to comply with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, SI No. 360 of 2017 (as amended). The table on page 51 is designed to help stakeholders navigate to the relevant sections in this Annual Report to understand the Group's approach to these non-financial risks. Many of our policies can be viewed on www.glanbia.com.

Process for appointment/retirement of Directors

In addition to the Companies Acts, the constitution of the Company contains provisions regarding the appointment and retirement of Directors. At each Annual General Meeting (AGM) the constitution provides that each Director who has been in office at the conclusion of each of the three preceding AGMs, and who has not been appointed or re-appointed at either of the two most recently held of those three meetings, shall retire from office; however in accordance with the UK Corporate Governance Code, all of the Directors are subject to annual re-election. Each of the Directors, with the exception of Richard Laube (who retires effective 28 February 2020), Jer Doheny and Eamon Power (who are not putting themselves forward for re-election at the AGM), will retire at the 2020 AGM and, being eligible, offer themselves for re-appointment. The constitution of the Company also allows the election and re-election of Independent Directors to be conducted in accordance with the election provisions for Independent Non-Executive Directors in the Euronext Dublin Listing Rules and the United Kingdom Listing Authority (UKLA) Listing Rules.

No person, other than a Director retiring by rotation, shall be appointed a Director at any general meeting unless he/she is recommended by the Directors or, not less than seven nor more than 42 days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment. If a Director is also a director of Glanbia Co-operative Society Limited (the 'Society'), the constitution of the Company provides that his or her appointment as a Director shall terminate automatically in the event of his or her ceasing to be a director of the Society.

The constitution of the Company also contains provisions regarding the automatic retirement of a Director in certain other limited circumstances.

Annual General Meeting

The Company's 2020 AGM will be held on 22 April 2020. Full details of the 2020 AGM, together with explanations of the resolutions to be proposed, will be contained in the Notice of the 2020 AGM. The record date for the 2020 AGM is 5.00 pm on 20 April 2020.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and the Group and may exercise all powers of the Company subject to applicable legislation and regulation and the constitution of the Company. At the 2019 AGM, the Directors were given the power to issue new shares up to a nominal amount of €3,237,258.96. This power will expire on the earlier of the close of business on the date of the 2020 AGM or 23 July 2020. Accordingly, a resolution will be proposed at the 2020 AGM to renew the Company's authority to issue new shares.

At the 2019 AGM, the Directors were also given the power to:

(i) dis-apply the strict statutory pre-emption provisions in the event of a rights issue or other pre-emptive issue or in any other issue up to an aggregate amount equal to 5% of the nominal value of the Company's issued share capital. This 5% limit includes any treasury shares re-issued by the Company while this authority remains operable; and

(ii) dis-apply the strict statutory pre-emption provisions for an additional 5% for specific transactions. The resolution gave the Directors an additional power to allot shares on a non-pre-emptive basis and for cash up to a further 5% of the issued share capital in connection with an acquisition or a specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding six month period and is disclosed in the announcement of the issue. The 5% limit includes any treasury shares reissued by the Company while this authority remains operable.

These powers will expire on the date of the 2020 AGM or 23 July 2020, whichever is earlier. Accordingly, resolutions will be proposed at the 2020 AGM to renew these authorities.

It is the Directors' intention to follow the provisions of the Pre-emption Group Statement of Principles regarding cumulative usage of authorities within a rolling three-year period. These principles provide that companies should consult shareholders prior to issuing, other than to existing shareholders, shares for cash representing in excess of 7.5% of a company's issued share capital in any rolling three-year period.

Other Statutory Information continued

Powers of the Directors continued

A special resolution will also be proposed at the AGM to authorise the Directors of the Company, or any of its subsidiaries, to purchase up to 10% of the Company's ordinary shares in issue at the date of the AGM. If approved, the minimum price which may be paid for shares purchased by the Company shall not be less than the nominal value of the ordinary shares and the maximum price will be 105% of the average of the closing prices of the ordinary shares taken from the Euronext Dublin Daily Official List in Dublin and the average of the closing prices of the shares taken from the Official List of the London Stock Exchange for the five business days prior to the day the purchase is made. A special resolution will also be proposed for the purpose of renewing the authority to set the maximum and minimum prices at which treasury shares (effectively shares purchased and not cancelled) may be reissued off-market by the Company. If granted, both of these authorities will expire on the earlier of the date of the AGM in 2021 or 21 July 2021.

Research and development

The Group is fully committed to ongoing technological innovation in all sectors of its business, providing integrated customer-focused product development by leveraging our global technology capabilities and expertise. Expenditure on research and development amounted to €12.7 million in 2019 (2018: €11.2 million) as disclosed in Note 5 to the Financial Statements.

Dividends

An interim dividend of 10.68 cent per share was paid on 4 October 2019 (an aggregate of €31.5 million) to shareholders on the share register at the close of business on 23 August 2019. The Directors propose a final dividend of 15.94 cent per share (an aggregate of €47.1 million) bringing the total dividend in respect of 2019 to 26.62 cent per share (an aggregate of €78.6 million). Subject to shareholder approval, the final dividend will be paid on 24 April 2020 to shareholders on the share register on 13 March 2020. The foregoing amounts paid are net of dividends waived by the Group's Employee Trusts.

Total dividends paid during 2019 amounted to an aggregate of €74.3 million (being a final dividend of 14.49 cent per share paid on 26 April 2019 (an aggregate of €42.8 million) and an interim dividend of 10.68 cent per share paid on 4 October 2019 (an aggregate of €31.5 million)). The foregoing amounts paid are net of dividends waived by the Group's Employee Trusts.

Following approval by shareholders at the AGM in 2010, all dividend payments will be made by direct credit transfer into a nominated bank or financial institution. If a shareholder has not provided his/her account details prior to the payment of the dividend, a shareholder will be sent the normal tax voucher advising a shareholder of the amount of his/her dividend and that the amount is being held because his/her direct credit transfer instructions had not been received in time.

A shareholder's dividends will not accrue interest while they are held. Payment will be transferred to a shareholder's account as soon as possible on receipt of his/her direct credit transfer instructions. Additionally, if a shareholder's registered address is in the UK and a shareholder has not previously provided the Company with a mandate form for a euro account, a shareholder's dividend will default to a sterling payment. All other shareholder's dividends will default to a euro payment.

Political donations

The Electoral Act, 1997 as amended requires companies to disclose all political donations over €200 in aggregate made during the financial year. The Directors, on enquiry, have satisfied themselves that no payment or other donations in excess of this amount have been made by the Group.

Issued share capital

At 4 January 2020 the authorised share capital of the Company was 350,000,000 ordinary shares of €0.06 each and the issued share capital was 296,045,684 (2018: 296,045,684) ordinary shares of €0.06 each, of which 31.5% was held by the Society. All the Company's shares are fully paid up and quoted on Euronext Dublin and the London Stock Exchange. The Company did not allot any shares during the year.

Details of the Company's share capital and shares under option or share award at 4 January 2020 are given in Notes 22 and 23, respectively, to the Financial Statements.

Rights and obligations of ordinary shares

On a show of hands at a general meeting, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote. On a poll, every shareholder present in person or by proxy, shall have one vote for every ordinary share held. In accordance with the provisions of the constitution of the Company, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes. On a return of capital on a winding up, holders of ordinary shares are entitled to participate.

Restrictions on transfer of shares/votes

With the exception of restrictions on transfer of shares under the Group's share schemes, while the shares are subject to the schemes, there are no restrictions on the voting rights attaching to the Company's ordinary shares (except as outlined below) or the transfer of securities in the Company.

Certain restrictions on transfers of shares may from time to time be imposed by the Group's share dealing rules and/or the Market Abuse Regulation (EU) No 596/2014. Directors and certain employees are required to seek the Company's approval to deal in its shares. Additionally, members of the Group Operating Executive are required to hold a proportion of the value of their base salary in shares. These shares may not normally be transferred during their period of office. Where participants, in a Group share scheme operated by the Group, are the beneficial owners of shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participants.

Article 2 of the constitution of the Company provides that any ordinary shares acquired by any person who is/was an employee of the Group or any associate or joint venture (provided he is neither a Director of the Company nor a director of the Society) shall be non-voting shares if such acquisition would, if not for this restriction on voting rights, cause such person to be deemed to have acquired indirect control of the Company or to have to make an offer under Rule 9 of the Irish Takeover Panel Act 1997, Takeover Rules 2013.

Under the constitution of the Company, the Directors have the power to impose restrictions on the exercise of rights attaching to share(s) where the holder of the share(s) fails to disclose the identity of any person who may have an interest in those shares. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

Exercise of rights of shares in employee share schemes

As detailed in Note 23 to the Financial Statements at 4 January 2020, 820,302 ordinary shares were held in employee benefit trusts for the purpose of the Company's employee share schemes.

The Group's employee benefit trusts have waived dividends due to them in respect of unallocated shares save a nominal amount.

The Trustees of the Group's employee trusts do not seek to exercise voting rights on shares held in the employee trusts other than on the direction of the underlying beneficiaries. No voting rights are exercised in relation to shares unallocated to individual beneficiaries.

Rights under the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009

Shareholder(s) have the right to ask questions related to items on the agenda of a general meeting and to receive answers, subject to certain qualifications. Shareholder(s) holding 3% of the issued share capital of the Company, representing at least 3% of its total voting rights, have the right to put items on the agenda and to table draft resolutions at AGMs. The request must be received by the Company at least 42 days before the relevant meeting. Further details of shareholders' rights under the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009 will be contained in the Notice of the 2020 AGM.

Restrictions on voting deadlines

The notice of any general meeting shall specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at the general meeting. The number of proxy votes for, against or withheld in respect of each resolution is published on the Group's website after the meeting.

Constitution of the Company

The Company's constitution details the rights attaching to the shares; the method by which the Company may purchase or reissue its shares, the provisions which apply to the holding of shares and voting at general meetings and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. A copy of the Company's constitution can be obtained from the Group's website: www.glanbia.com.

Unless expressly specified to the contrary in the constitution of the Company, the Company's constitution may be amended by special resolution of the Company's shareholders.

Change of control provisions

The Group has certain debt facilities which may require repayment in the event that a change in control occurs with respect to the Group.

There are also a number of agreements that take effect, alter or terminate upon a change of control of the Group, which include the Group's Glanbia Cheese Joint Venture with Leprino Foods Company and the shareholders agreement with the Society in respect of Glanbia Ireland Designated Activity Company. If a third party were to acquire control of the Group, Leprino Foods Company could elect to terminate its Joint Venture with the Group and, if this were to occur, the Group could then be required to sell its shareholding in the Joint Venture to Leprino Foods Company at a price equal to its fair value. In the same circumstances, the Society could within one year exercise the call option described on page 112.

The Board is satisfied that no change of control has occurred in respect of these agreements.

In addition, the Company's employee share plans contain change of control provisions which can allow for the acceleration of the exercisability of share options and the vesting of share awards in the event of a change of control.

Substantial interests

The Company has been advised of the following notifiable interests in its ordinary share capital:

Shareholder	No of ordinary shares as at 4-Jan-2020	% of issued share capital as at 4-Jan-2020	No of ordinary shares as at 25-Feb-2020	% of issued share capital as at 25-Feb-2020
Glanbia Co-operative Society Limited	93,276,241	31.5%	93,276,241	31.5%
The Capital Group Companies, Inc./Capital Research and Mgt. Company*	16,643,357	5.6%	14,500,963	4.9%
Mawer Investment Management Limited	14,852,659	5.0%	14,852,659	5.0%
Black Creek Investment Management Inc.**	11,874,803	4.0%	11,874,803	4.0%

* The Capital Group Companies, Inc. ('CGC') is the parent company of Capital Research and Management Company ('CRMC') and Capital Bank & Trust Company ('CB&T'). CRMC is a US based investment management company that serves as investment manager to the American Funds family of mutual funds, other pooled investment vehicles, as well as individual and institutional clients. CRMC and its investment manager affiliates manage equity assets for various investment companies through three divisions, Capital Research Global Investors, Capital International Investors and Capital World Investors. CRMC is the parent company of Capital Group International, Inc. ('CGII'), which in turn is the parent company of four investment management companies ("CGII management companies"): Capital International, Inc., Capital International Limited, Capital International Sàrl and Capital International K.K. CGII management companies and CB&T primarily serve as investment managers to institutional and high net worth clients. CB&T is a US based investment management company that is a registered investment adviser and an affiliated federally chartered bank. Neither CGC nor any of its affiliates own shares of Glanbia plc for its own account. Rather, the shares reported are owned by accounts under the discretionary investment management of one or more of the investment management companies described above.
As at 4 January 2020, Growth Fund of America ('GFA') a mutual fund registered in the United States under the Investment Company Act of 1940, was the legal owner of 10,918,860 shares (3.6882% of the outstanding shares), (less than 3% as at 25 February 2020). GFA has granted proxy voting authority to its investment adviser CRMC.

** Black Creek Investment Management Inc. ('Black Creek') is an investment management company. The shares are beneficially owned by 21 separate funds and clients which Black Creek advises regarding their investment portfolios. Shares held directly are by funds for which Black Creek also acts as investment fund manager. None of the funds or clients by itself reaches or exceeds the 3% threshold. The funds and clients give a proxy to Black Creek who can exercise the voting rights for the shares in its own discretion.

Other Statutory Information continued

Contracts of significance for the purpose of LR 6.8.1, Euronext Dublin Listing Rules/LR 9.8.4 R, UKLA Listing Rules

The Company has entered into an amended and restated Relationship Agreement with the Society, as also described in the Circular sent to shareholders on 28 April 2017 and the key provisions of which are also contained on pages 71 and 81.

The Company has also entered into a shareholders' agreement dated 2 July 2017 with the Society in respect of Glanbia Ireland Designated Activity Company (GI). The key terms of the shareholders' agreement are as set out below.

The board of directors of GI

The board of directors of GI will comprise of 14 directors appointed by the Society, six directors appointed by Glanbia plc (the 'PLC Appointees') and up to three executive directors. The PLC Appointees are appointed from the Executive Directors of Glanbia plc, the Independent (of the Society) Non-Executive Directors of Glanbia plc and such other persons as may be approved by the Nomination and Governance Committee of the Board of Glanbia plc. Each of the PLC Appointees has 1.5 votes at any meeting of the board of directors of GI. All of the other directors of GI have one vote each. The chairman of the board of GI shall not be entitled to a casting vote. The chairman of GI shall be appointed by the Society so long as it holds more than 50% of the entire issued share capital of GI.

Consent of Glanbia plc and the Society

The prior written consent of Glanbia plc and the Society will be required for certain matters relating to GI, including:

- changes to the business being carried on by GI;
- agreeing the annual budget and the three-year rolling business plan;
- Value Added Projects (as defined below);
- approval and changes to the related dividend policy;
- altering the distribution policy or any material decision which is likely to result in GI failing to meet its minimum profitability level specified in the business plan;
- incurring any capital expenditure in excess of that provided for in the budget;
- acquisitions and disposals with a consideration in excess of €4 million;
- entering into any contract or transaction except in the ordinary course of the business of GI and on an arm's length basis with a value in excess of €2 million; and
- incurring any new debt facilities in excess of €4 million which are not included in the business plan or which does not arise in the ordinary course of trading.

Future capital contributions to GI

Future capital contributions will be considered by the shareholders of GI on a case by case basis (without any binding commitment).

Profit and distribution policies of GI

Profit retention

A minimum profit policy that sets an expectation for the profitability of GI by reference to a minimum profit after tax equivalent to not less than 3.2% of net revenue of the business of GI (the 'Minimum Net Profit'). Net revenue for this purpose will be adjusted for revenue arising from Value Added Projects (as defined below) in respect of which there is to be a separate profit retention policy (see below).

In any year where the Minimum Net Profit will be exceeded, the first €5 million of incremental net profit in excess of the Minimum Net Profit will be set aside as a Volatility Fund in the business to support milk suppliers, grain suppliers, suppliers of other farm outputs and customers purchasing agricultural inputs, to be paid out at the discretion of the GI board (the terms of distribution of each Volatility Fund and the time limit on payout will be determined by the board of GI before the close of the audit of the financial statements for GI for the year in which the Volatility Fund was created).

Value Added Projects – target profit policy

A separate target profit policy will apply to Value Added Projects. Projects undertaken as Value Added Projects shall be subject to a target profit after tax which shall be agreed by the board of GI on a project-by-project basis for each financial year based upon the investment business case of each such Value Added Project. For such projects, 30% of the profit after tax for each Value Added Project shall be retained by GI and 70% shall be distributed to GI's shareholders pro rata.

Dividend policy of GI

Subject to compliance with its applicable banking covenants and the availability of sufficient distributable reserves, GI will operate an annual dividend payout comprised of the aggregate of 70% of the profit after tax attributable to Value Added Projects as described above, and 50% of profit after tax attributable to the remaining business activities.

Call option

Under the shareholders' agreement dated 2 July 2017, the Society will continue to have a call option (the 'Call Option') to acquire Glanbia plc's 40% interest in GI. The Call Option will be exercisable for a one year period commencing on completion of a change of control event in relation to Glanbia plc. A reduction of the Society's representation on the Glanbia plc Board or its shareholding in Glanbia plc below 30% shall not constitute a change of control for the purposes of the Call Option (unless there is an associated acquisition by an unaffiliated third party of a controlling interest in Glanbia plc). The price payable by the Society on completion of the Call Option shall be an amount equal to 40% of the fair value of GI as between a willing buyer and willing seller (and no discount in respect of Glanbia plc being a minority shareholder in GI will apply). The fair value of GI shall be agreed by Glanbia plc and the Society or, in the absence of agreement, the fair value shall be the midpoint between the valuations as determined for the fair value by two suitably qualified independent valuers.

If following the exercise of the Call Option by the Society, GI and/or Glanbia Foods Ireland Limited continues to be a participating employer in the Glanbia defined benefit pension schemes and Glanbia plc continues to be the principal employer, the Society will guarantee to Glanbia plc the due performance of the obligations of these companies under the schemes for so long as each individual company remains as a participating employer.

For a period of three years from completion (i.e. 1 July 2020), Glanbia plc shall not, directly or indirectly, without the Society's prior written consent, transfer or dispose of any interest in GI, or enter into any agreement, arrangement or understanding (whether legally binding or not) or do or omit to do any act as a result of which any third party may acquire such interest. This restriction shall not apply to transfers by Glanbia plc to subsidiaries of Glanbia plc provided that the transferee does not cease to be a subsidiary of Glanbia plc.

Effect of termination of the GI Joint Venture
If Glanbia plc ceases to have any shareholding in GI:

- GI and, if applicable, each of its subsidiaries will change its name to a new name which does not include the name 'Glanbia' and Glanbia will pay to GI 50% of the vouched reasonable costs of such rebranding up to a maximum liability for Glanbia plc of €1,500,000 (i.e. 50% of €3 million); and
- the Society will propose (and recommend to its members for approval) a resolution at the next AGM of the Society following the date on which Glanbia plc ceases to have any shareholding in GI to change its corporate name to a name which does not include the name 'Glanbia'. The Society will not be required to convene a general meeting of members solely to consider a proposed change of name. The Society will not use the 'Glanbia' name for any trading or business purpose.

Information required to be disclosed by LR 6.1.77, Euronext Dublin Listing Rules/LR 9.8.4 R, UKLA Listing Rules

For the purposes of LR 6.1.77/LR 9.8.4 R, the information required to be disclosed by LR 6.1.77/LR 9.8.4 R can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised and related tax relief	Financial Statements, Note 11
(2)	Publication of unaudited financial information	Not applicable
(3)	Small related party transactions	Not applicable
(4)	Details of long-term incentive schemes	Remuneration Committee Report
(5)	Waiver of emoluments by a director	Remuneration Committee Report
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Other Statutory Information
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Other Statutory Information
(13)	Shareholder waivers of future dividends	Other Statutory Information
(14)	Agreement with controlling shareholders and independence provisions/undertakings	Page 71

All the information cross-referenced above is hereby incorporated by reference into this Directors' Report.

Subsidiary and associated undertakings/branches outside the State

A list of the principal subsidiary and associated undertakings and their activities including details of any branches of the Group outside the State is included in Note 37 to the Financial Statements.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group and Company Financial Statements in accordance with applicable law and regulations. Irish company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and elected to prepare the Company Financial Statements in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014. Under Irish law the Directors shall not approve the Group and Company Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position, of the Group and Company respectively, as at the end of the financial year and of the profit or loss of the Group for the financial year and otherwise comply with the Companies Act 2014.

In preparing these Group and Company Financial Statements the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRS as adopted by the European Union and ensure the Financial Statements contain the information required by the Companies Act 2014 and as regards the Company Financial Statements as applied in accordance with the provision of the Companies Act 2014; and
- prepare the Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also required by the Transparency Directive (Directive 2004/109/EC) Regulations 2007, the Central Bank (Investment Market Conduct) Rules 2019, the Companies Act 2014 and the Listing Rules issued by Euronext Dublin to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance and the Directors are required to include a management report containing, amongst other things, a fair review of the development and performance of the Group's business and of its position and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records that are sufficient to:
- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy;
- enable the Directors to ensure that the Group and Company Financial Statements and the Directors' Report comply with the Companies Act 2014, and as regards the Group Financial Statements Article 4 of the IAS Regulation; and
- enable the Group and Company Financial Statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of certain corporate and financial information included on the Group's website (www.glanbia.com). Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 62 to 64 ('Current Directors') confirms that he/she considers that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position, performance, business model and strategy of the Company and the undertakings included in the consolidation taken as whole. Each of the Current Directors also confirms that to the best of each person's knowledge and belief:
- the Group Financial Statements prepared in accordance with IFRS as adopted by the European Union and the Company Financial Statements prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provision of the Companies Act 2014 give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as whole, together with a description of the principal risks and uncertainties that they face.

The Directors' Report for the purpose of the Transparency Directive (Directive 2004/109/EC) Regulations 2007, the Central Bank (Investment Market Conduct) Rules 2019, the Companies Act 2014 and the Listing Rules issued by Euronext Dublin consists of pages 1 to 114.

Directors' Report

On behalf of the Board

Martin Keane   Siobhán Talbot   Mark Garvey

Martin Keane   **Siobhán Talbot**   **Mark Garvey**
Directors
25 February 2020

Financial Statements

Independent auditor's report to the members of Glanbia plc

Report on the audit of the financial statements

Opinion on the financial statements of Glanbia plc (the 'Company')

In our opinion the Group and Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 4 January 2020 and of the profit of the Group for the financial period then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014, and as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements we have audited comprise:

The Group financial statements:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group balance sheet;
- the Group statement of changes in equity;
- the Group statement of cash flows;
- and the related notes 1 to 37, including a summary of significant accounting policies as set out in Note 2.

The Company financial statements:

- the Company balance sheet;
- the Company statement of changes in equity;
- and the related notes 1 to 10, including a summary of significant accounting policies as set out in Note 1 of the Company financial statements.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Companies Act 2014, International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and interpretations as approved by the International Accounting Standards Board (IASB) ("the relevant financial reporting framework").

The relevant financial reporting framework that has been applied in the preparation of the Company financial statements is the Companies Act 2014 and FRS 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council ("the relevant financial reporting framework")

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: Event driven: • Exceptional items Recurring: • Provisions for uncertain tax positions; • Impairment of goodwill and other intangible assets; and • Revenue recognition.
Materiality	The materiality for the Group that we used in the current year was €12.9m which was determined on the basis of adjusted profit before tax and exceptional items. The materiality for the Company that we used in the current year was set at €5.2m which was determined based on net assets.
Scoping	We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide internal financial controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in 40 components. 10 of these were subject to a full audit, whilst the remaining 30 were subject to audits of specified balances where the extent of our testing was based on our assessment of the associated risks of material misstatement and of the materiality of the component's operations to the Group. Analytical review procedures were performed by the Group engagement team on all other components within the Group.
Significant changes in our approach	Key audit matters: We have removed "Acquisition accounting and the valuation of intangibles on acquisition" as a key audit matter in the current financial period. The key audit matter was included in the prior year due to the acquisition of SlimFast by the Glanbia Performance Nutrition division. In the current year the Group made one acquisition, Watson, which is not as significant. In the current year we have included a key audit matter in relation to "Exceptional Items" due to the level of judgement involved in the classification of a number of expense items as exceptional.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which ISAs (Ireland) require us to report to you whether we have anything material to report, add or draw attention to:

- the Directors' confirmation in the Annual Report on page 54 that they have carried out a robust assessment of the principal risks facing the Group and the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 56 to 59 to the Annual Report that describe those principal risks and explain how they are being managed or mitigated;
- the Directors' statement on page 55 in the Annual Report and on page 196 in the financial statements about whether the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 6.1.82(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation on page 55 in the Annual Report as to how they have assessed the prospects of the Group and Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Glanbia plc continued

Provisions for uncertain tax positions

Key audit matter description	The Group operates across numerous multinational jurisdictions, the most significant of which are Ireland and the USA, and are subject to periodic challenge by local tax authorities on a range of tax matters during the normal course of business including transfer pricing, group financing arrangements and transaction related tax matters. The Directors apply significant judgement in assessing current and deferred tax risks and exposures in relation to the interpretation of local and international tax laws, rates and treaties relating to worldwide provisions for uncertain tax positions. As a result there is a risk that tax authorities could have different interpretations to those of the Directors resulting in potential misstatement of tax provisions. Refer also to page 78 (Audit Committee Report), Page 137 (Income taxes accounting policy), Note 3 (Critical accounting judgements and estimates) and notes 12 and 26 to the financial statements.
How the scope of our audit responded to the key audit matter	To obtain evidence over the appropriateness of the Directors' assumptions in determining provisions for uncertain tax positions, we obtained an understanding of the Group's tax strategy, tax operating models and any changes to the Group's tax structures arising from global changes in tax legislation. We evaluated the design and determined the implementation of the relevant controls in respect of the tax computation process and tax risk management process. We also reviewed the Directors' assessment of related tax risks and exposures across the Group. We engaged our Irish and International tax specialists as part of our audit team, including US tax specialists to analyse and challenge the appropriateness of the assumptions made by the Directors in determining adjustments to current and deferred tax provisions. We challenged and evaluated Directors' assumptions and estimates, including external advice obtained, in respect of tax risks and related provisions. We focused particularly on the Directors' judgements made in relation to transfer pricing models, interpretations of relevant tax laws, group financing arrangements and the Directors' assessment of likely outcomes for uncertain tax positions in key jurisdictions where the Group has significant trading operations. We inspected relevant correspondence between the Group and relevant tax authorities. We evaluated the completeness and accuracy of current and deferred tax disclosures for compliance with the relevant financial reporting framework.
Key observations	We have no observations that impact on our audit in respect of the amounts and disclosures related to the uncertain taxation provisions.

Impairment of goodwill and other intangible assets

Key audit matter description	The Group's goodwill and intangible assets of €1,258m, which is held across fifteen individual Cash Generating Units (CGUs), represents approximately 37% of the Group's total assets at year end. The Performance Nutrition business accounts for 85% of total goodwill and intangible assets as it has been the most acquisitive segment of the Group over recent years. Judgement is required in identifying indicators of impairment and estimation is required in determining the recoverable amount of the Group's CGUs. There is a risk that incorrect inputs or inappropriate assumptions could be included in the Group's impairment assessment model leading to an impairment charge that has not been included in the Group's financial statements. This risk was pinpointed to 10 CGUs with a particular focus on the think! CGU, where the Directors noted in their sensitivity analysis that a reasonably possible change in a key assumption used in their impairment assessment could result in an impairment charge, and in the BSN CGU, where we noted a significant reduction in the headroom between the carrying amount and the recoverable amount for this CGU since the prior year. The recoverable amount used in the impairment assessment is determined based on value in use calculations which rely on Directors' assumptions and estimates of future trading performance. The key assumptions utilised by the Directors in the impairment reviews are discount rates and growth rates. Refer also to page 78 (Audit Committee Report), page 132 (Intangible assets accounting policy), Note 3 (Critical accounting judgements and estimates) and Note 16 to the financial statements.
How the scope of our audit responded to the key audit matter	We, in conjunction with our valuation specialists, evaluated the methodology applied by the Directors in preparing the value in use calculations and the judgements applied in determining the CGUs. In addition, we evaluated the design and determined the implementation of relevant controls in respect of the impairment review process and the budgeting process upon which the Group's discounted cash flow model is based. We performed a retrospective review of assumptions used in prior year value in use calculations and compared these to actual outturn. We challenged the underlying key assumptions within the Group's impairment model by developing an independent view of the Group discount rate where we benchmarked the rates used by the Directors against market data and comparable organisations. We challenged cash flow projections by comparing them to historic growth rates and Group strategic plans. We challenged the Group's forecasts with reference to recent performance and trend analysis including comparing recent historic performance to budgets for CGUs where revenue growth has significantly fallen behind plans or where sensitivity analysis in respect of key assumptions in the Group's impairment model indicates a potential impairment. Where we noted any significant reduction in headroom for a CGU since the prior year, we gained an understanding of the reasons giving rise to the reduction and performed additional procedures to substantiate these reasons. We held discussions with the business unit controllers to understand the changes being implemented at the site level to ensure the targets set in the strategic plans are met. We assessed and challenged the reasonableness of related assumptions used in determining terminal values. We evaluated the completeness and accuracy of the disclosures in relation to goodwill and intangible assets for compliance with the relevant financial reporting framework.
Key observations	While we note that actions are required by the Group to achieve the forecasts outlined in the Group's strategic plans over the short and medium term, we concluded that the assumptions in the impairment models, specifically in the value in use calculations, are within an acceptable range.

Independent auditor's report to the members of Glanbia plc continued

Revenue recognition

Key audit matter description	The Group sells products to customers under a variety of contractual terms. When assessing the potential risk of fraud in relation to revenue recognition, we considered the nature of the automated and manual transactions recorded across the Group. All revenue across the Group is recorded automatically at point of dispatch. Management record manual adjustments to revenue to ensure revenue is accounted for in line with the underlying contractual terms with customers. We have therefore pinpointed the significant risk across the Group to manual adjustments to revenue. Furthermore, within the Glanbia Performance Nutrition division, revenue is recognised net of discounts, rebates and other promotional arrangements where they apply to sales contracts. Significant judgement is required to determine the level of accruals required to settle these arrangements with customers post year end, which impacts the amount of revenue recognised in the period. There is a risk that year end accruals relating to selling arrangements, and therefore revenue could be misstated either intentionally to achieve performance targets, or as a result of error. As described in Note 2 (Summary of significant accounting policies) the Group adopted IFRS 15 'Revenue from Contracts with Customers' effective from 30 December 2018. In transitioning to IFRS 15, the Group assessed how revenue from the sale of goods manufactured by its joint venture Southwest Cheese Company, LLC is accounted for and whether it was more appropriate to account for revenue on an agency or net basis, versus principal or gross basis. As a result of this assessment the Directors concluded that the revenue should be recorded on a gross basis as the Group controls the promised goods before transferring them to the customers. The application of the standard is reliant upon a number of key estimates primarily on the interpretation of control of goods. Refer also to page 78 (Audit Committee Report), and page 137 (Revenue recognition accounting policy).
How the scope of our audit responded to the key audit matter	We obtained an understanding of the various selling contracts and arrangements in place with customers across all divisions of the Group, and of the internal controls and IT systems in place over the revenue processes to determine if revenue was appropriately recognised to reflect the terms of contracts with customers and to ensure that the appropriate cut-off procedures are applied and revenue at year end is not misstated. We evaluated the design and determined the implementation of relevant controls in respect of revenue recognition. Where possible, operating effectiveness testing was performed and controls were relied upon. We recalculated year end accruals based on underlying contracts with customers and assessed whether there was any evidence of management bias in key judgements made by management. We also performed year end cut-off procedures and reviewed goods in transit at the year end date to ensure transactions were recorded in the correct period. As revenue is recognised automatically on despatch within SAP, we selected a sample of manual journal entries posted to revenue to ensure amounts were recorded in line with underlying contracts for a selection of invoices and customers. We also tested higher risk transactions including agency arrangements by assessing if these transactions were appropriately accounted for in accordance with the relevant accounting standards. In addition, we selected a sample of post year end credit notes and rebate payments to identify any invalid sales transactions recorded in the period. In relation to the transition to IFRS 15, we obtained and documented our understanding of the process the Directors undertook to identify the impacts of the new standard and to develop the accounting policy papers including the consideration of the key judgment outlined above. We challenged the key judgements in assessing when control passed to customers to determine whether the company was the agent or principal to ensure revenue was recorded in line with the requirements of IFRS 15. Where appropriate, we reviewed the detailed assessment against the contracted arrangements and the underlying requirements of the accounting standard. We evaluated the completeness and accuracy of the disclosures in relation to the transition to IFRS 15 and whether they were appropriate.
Key observations	We have no observations that impact on our audit in respect of the amounts and disclosures related to revenue recognised.

Exceptional items

Key audit matter description	As described in Note 2 (Summary of significant accounting polices) and Note 6 (Exceptional items) the Group, in accordance with its stated accounting policy, classified a number of significant items of expense totalling €39.1m as exceptional items. These exceptional items relate to organisational redesign costs, asset impairments, acquisition integration costs and Brexit related costs. Earnings before interest, tax and amortisation (EBITA) is disclosed throughout the annual report on a pre-exceptional basis and is one of the Group's key performance indicators. The classification of items as exceptional is inherently judgemental. As a result there is a risk that items are not consistently classified as exceptional items in line with the Group's accounting policy, or are not adequately disclosed. Refer also to page 78 (Audit Committee Report), and page 139 (Exceptional Items accounting policy).
How the scope of our audit responded to the key audit matter	We documented our understanding of the process the Directors undertook to identify and present exceptional items within the Annual Report. We challenged the nature and classification of transactions as exceptional items in accordance with the Group's accounting policy, whilst also challenging whether the accounting policy for exceptional items is appropriate and is consistent with previous periods. We reviewed the presentation of and disclosures in the Group's financial statements against requirements under the relevant financial reporting framework.
Key observations	We have no observations that impact on our audit in respect of the amounts and disclosures related to exceptional items.

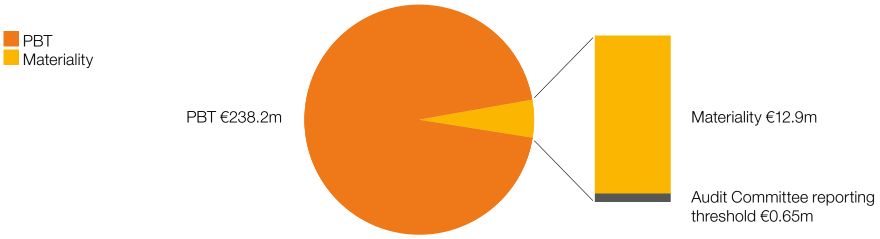
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Independent auditor's report to the members of Glanbia plc continued

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be €12.9m, which is approximately 5.4% of adjusted profit before tax and exceptional items. We have considered the adjusted profit before tax and exceptional items to be the appropriate benchmark for determining materiality because it is the most important measure for users of the Group's financial statements. The materiality for the Company was set at €5.2m which was determined on the basis of net assets. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliability of the control environment.



We agreed with the Audit Committee that we would report to them all audit differences in excess of €0.65m as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

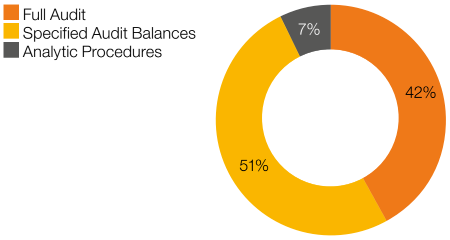
An overview of the scope of our audit

We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide internal financial controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in 40 components. 10 of these were subject to a full audit, whilst the remaining 30 were subject to audits of specified balances where the extent of our testing was based on our assessment of the associated risks of material misstatement and of the materiality of the component's operations to the Group. Analytical review procedures were performed by the Group engagement team on all other components within the Group.

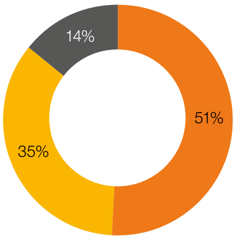
These components were selected based on the level of coverage achieved and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for all components was executed at levels of materiality applicable to each individual unit which were lower than Group materiality and ranged from €2.5m to €9m.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.

External Revenue % Tested



Net Assets % Tested



The Group audit team attended planning meetings at a number of significant component locations, including Ireland and the USA, during the year and participated in audit meetings with other significant components and a number of non significant components.

In addition to our planning meetings, we sent detailed instructions to our component audit teams, included them in our team briefings, discussed their risk assessment, attended client planning and closing meetings, and reviewed their audit working papers.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex containing provisions specified for review by the auditor in accordance with Listing Rule 6.1.85 and Listing Rule 6.1.86 do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code or the Irish Corporate Governance Annex in accordance with Listing Rule 6.1.87.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report to the members of Glanbia plc continued

This report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:
- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The Company balance sheet is in agreement with the accounting records.
- In our opinion the information given in those parts of the Directors' report as specified for our review is consistent with the financial statements and has been prepared in accordance with the Companies Act 2014.

Corporate Governance Statement

We report, in relation to information given in the Corporate Governance Statement on pages 60 to 73 that:
- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 of the Companies Act 2014 is consistent with the Company's statutory financial statements in respect of the financial period concerned and such information has been prepared in accordance with the Companies Act 2014. Based on our knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information;
- In our opinion, based on the work undertaken during the course of the audit, the Corporate Governance Statement contains the information required by Regulation 6(2) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended); and
- In our opinion, based on the work undertaken during the course of the audit, the information required pursuant to section 1373(2)(a), (b), (e) and (f) of the Companies Act 2014 is contained in the Corporate Governance Statement.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in those parts of the Directors' report that have been specified for our review.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) for the financial period ended 4 January 2020. We have nothing to report in this regard.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

The Listing Rules of the Euronext Dublin require us to review six specified elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee. We have nothing to report in this regard.

Other matters, which we are required to address

Glanbia plc appointed us on 27 April 2016 to audit the financial statements for the financial period ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the periods ending 31 December 2016, 30 December 2017, 29 December 2018 and 4 January 2020.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the Company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Kevin Sheehan
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland

25 February 2020

Group Income Statement
for the financial year ended 4 January 2020

	Notes	2019 Pre-exceptional €'m	2019 Exceptional €'m (note 6)	2019 Total €'m	2018 (restated) Pre-exceptional €'m	2018 (restated) Exceptional €'m (note 6)	2018 (restated) Total €'m
Revenue	5	**3,875.7**	**–**	**3,875.7**	3,170.5	–	3,170.5
Earnings before interest, tax and amortisation (EBITA)	5	**276.8**	**(37.1)**	**239.7**	284.9	–	284.9
Intangible asset amortisation and impairment	16	**(60.9)**	**(2.0)**	**(62.9)**	(45.9)	–	(45.9)
Operating profit	5	**215.9**	**(39.1)**	**176.8**	239.0	–	239.0
Finance income	11	**6.2**	**–**	**6.2**	3.9	–	3.9
Finance costs	11	**(32.5)**	**–**	**(32.5)**	(21.4)	–	(21.4)
Share of results of equity accounted investees	17	**48.6**	**–**	**48.6**	45.3	–	45.3
Profit before taxation		**238.2**	**(39.1)**	**199.1**	266.8	–	266.8
Income taxes	12	**(23.4)**	**4.5**	**(18.9)**	(32.8)	–	(32.8)
Profit attributable to the equity holders of the Company		**214.8**	**(34.6)**	**180.2**	234.0	–	234.0
Earnings Per Share attributable to the equity holders of the Company							
Basic Earnings Per Share (cent)	13			**61.04**			79.28
Diluted Earnings Per Share (cent)	13			**60.92**			79.04

Group Statement of Comprehensive Income
for the financial year ended 4 January 2020

	Notes	2019 €'m	2018 €'m
Profit for the year		**180.2**	234.0
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to the Group income statement:			
Remeasurements on defined benefit plans, net of deferred tax		**(14.1)**	(0.3)
Share of other comprehensive income of equity accounted investees, net of deferred tax	17	**(8.3)**	(2.0)
Revaluation of equity investments at FVOCI*, net of deferred tax	23	**(0.1)**	–
Items that may be reclassified subsequently to the Group income statement:			
Currency translation differences	23	**46.7**	58.6
Currency translation difference arising on net investment hedge	23	**(2.4)**	(3.9)
Disposal of AFS** financial assets, net of deferred tax	23	**–**	(3.5)
Loss on cash flow hedges, net of deferred tax	23(d)	**(2.0)**	–
Share of other comprehensive income of equity accounted investees, net of deferred tax	17	**(10.0)**	(4.2)
Other comprehensive income for the year, net of tax		**9.8**	44.7
Total comprehensive income for the year attributable to equity holders of the Company		**190.0**	278.7

* Fair value through other comprehensive income ('FVOCI')
** Available for sale ('AFS')

Group Balance Sheet
as at 4 January 2020

	Notes	4 January 2020 €'m	(restated) 29 December 2018 €'m	(restated) 31 December 2017 €'m
ASSETS				
Non-current assets				
Property, plant and equipment	15	**474.1**	453.0	442.2
Intangible assets	16	**1,344.6**	1,304.0	959.8
Equity accounted investees	17	**373.2**	334.5	266.9
Other financial assets	18	**3.4**	–	–
Available for sale financial assets	18	**–**	3.7	11.1
Loans to equity accounted investees	35	**28.8**	29.8	–
Deferred tax assets	26	**1.9**	2.1	1.6
Retirement benefit assets	9	**2.1**	1.1	1.7
		2,228.1	2,128.2	1,683.3
Current assets				
Current tax assets		**23.7**	9.6	11.3
Inventories	20	**447.5**	384.6	321.6
Trade and other receivables	19	**432.3**	411.6	351.1
Derivative financial instruments	29	**0.3**	1.5	2.2
Cash and cash equivalents (excluding bank overdrafts)	21	**269.0**	224.6	162.2
		1,172.8	1,031.9	848.4
Total assets		**3,400.9**	3,160.1	2,531.7
EQUITY				
Issued capital and reserves attributable to equity holders of the Company				
Share capital and share premium	22	**105.4**	105.4	105.4
Other reserves	23	**269.1**	240.9	190.0
Retained earnings	24	**1,327.4**	1,242.8	1,086.3
Total equity		**1,701.9**	1,589.1	1,381.7
LIABILITIES				
Non-current liabilities				
Financial liabilities	25	**514.2**	752.4	499.6
Deferred tax liabilities	26	**168.6**	160.3	125.6
Retirement benefit obligations	9	**48.4**	39.6	43.6
Provisions	27	**–**	24.9	24.0
Capital grants		**–**	–	0.1
Other payables	28	**12.5**	13.0	10.1
		743.7	990.2	703.0
Current liabilities				
Trade and other payables	28	**512.5**	468.4	356.6
Current tax liabilities		**67.7**	59.7	52.0
Financial liabilities	25	**369.1**	48.9	30.3
Derivative financial instruments	29	**2.4**	0.5	0.3
Provisions	27	**3.6**	3.3	7.8
		955.3	580.8	447.0
Total liabilities		**1,699.0**	1,571.0	1,150.0
Total equity and liabilities		**3,400.9**	3,160.1	2,531.7

On behalf of the Board

Martin Keane Siobhán Talbot Mark Garvey

Martin Keane **Siobhán Talbot** **Mark Garvey**
Directors

Group Statement of Changes in Equity
for the financial year ended 4 January 2020

	Attributable to equity holders of the Company			
	Share capital and share premium €'m (note 22)	Other reserves €'m (note 23)	Retained earnings €'m (note 24)	Total €'m
Balance at 30 December 2018	**105.4**	**240.9**	**1,242.8**	**1,589.1**
Profit for the year	**–**	**–**	**180.2**	**180.2**
Other comprehensive income/(expense)	**–**	**32.2**	**(22.4)**	**9.8**
Total comprehensive income for the year	**–**	**32.2**	**157.8**	**190.0**
Transactions with equity holders of the Company				
Contributions and distributions				
Dividends	**–**	**–**	**(74.3)**	**(74.3)**
Purchase of own shares	**–**	**(7.6)**	**–**	**(7.6)**
Cost of share-based payments	**–**	**4.6**	**–**	**4.6**
Transfer on exercise, vesting or expiry of share-based payments	**–**	**(1.0)**	**1.0**	**–**
Deferred tax on share-based payments	**–**	**–**	**0.1**	**0.1**
Balance at 4 January 2020	**105.4**	**269.1**	**1,327.4**	**1,701.9**
Balance at 31 December 2017	105.4	190.0	1,086.3	1,381.7
Profit for the year	–	–	234.0	234.0
Other comprehensive income/(expense)	–	47.0	(2.3)	44.7
Total comprehensive income for the year	–	47.0	231.7	278.7
Transactions with equity holders of the Company				
Contributions and distributions				
Dividends	–	–	(76.0)	(76.0)
Purchase of own shares	–	(4.3)	–	(4.3)
Cost of share-based payments	–	8.8	–	8.8
Transfer on exercise, vesting or expiry of share-based payments	–	(0.6)	0.6	–
Deferred tax on share-based payments	–	–	0.2	0.2
Balance at 29 December 2018	105.4	240.9	1,242.8	1,589.1

Group Statement of Cash Flows
for the financial year ended 4 January 2020

	Notes	2019 €'m	2018 €'m
Cash flows from operating activities			
Cash generated from operating activities	32	**285.9**	316.5
Interest received		**3.7**	4.8
Interest paid		**(32.5)**	(21.0)
Tax paid		**(44.6)**	(25.2)
Net cash inflow from operating activities		**212.5**	275.1
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired		**(58.3)**	(313.0)
Purchase of property, plant and equipment		**(42.7)**	(32.0)
Purchase of intangible assets	16	**(33.6)**	(30.6)
Interest paid in relation to property, plant and equipment	11	**(0.7)**	(0.8)
Dividends received from equity accounted investees	17/35	**35.3**	31.6
Loans advanced to equity accounted investees	35	**–**	(17.0)
Repayment of loans advanced to equity accounted investees	35	**1.0**	–
Investment in equity accounted investees		**(48.4)**	(41.9)
Proceeds from disposal/redemption of FVOCI financial assets (2018: AFS financial assets)	18	**0.5**	7.9
Payments for FVOCI financial assets (2018: AFS financial assets)	18	**(0.4)**	(0.3)
Proceeds from sale of property, plant and equipment		**0.2**	1.3
Net cash outflow from investing activities		**(147.1)**	(394.8)
Cash flows from financing activities			
Purchase of own shares	23	**(7.6)**	(4.3)
Drawdown of borrowings		**606.2**	370.7
Repayment of borrowings		**(599.9)**	(130.5)
Finance lease payments		**–**	(0.3)
Dividends paid to Company shareholders	14	**(74.3)**	(76.0)
Net cash (outflow)/inflow from financing activities		**(75.6)**	159.6
Net (decrease)/increase in cash and cash equivalents		**(10.2)**	39.9
Cash and cash equivalents at the beginning of the year		**175.7**	132.1
Cash acquired on acquisition		**(4.2)**	–
Effects of exchange rate changes on cash and cash equivalents		**3.4**	3.7
Cash and cash equivalents at the end of the year	21	**164.7**	175.7

Notes to the Financial Statements
for the financial year ended 4 January 2020

1. General information

Glanbia plc (the 'Company') and its subsidiaries (together the 'Group') is a leading global nutrition group with its main operations in Europe, US and Asia Pacific. See note 4.

The Company is a public limited company incorporated and domiciled in Ireland, the number under which it is registered is 129933. The address of its registered office is Glanbia House, Kilkenny, Ireland, R95 E866. Glanbia Co-operative Society Limited, (the 'Society'), together with its subsidiaries, holds 31.5% of the issued share capital of the Company. The Board of Directors for the year ended 4 January 2020 is comprised of 16 members, of which up to 8, including the Chairman who has the casting vote, are nominated by the Society. In accordance with IFRS 10 'Consolidated Financial Statements', the Society controls the Group and is the ultimate parent of the Group. In 2020 in accordance with the Relationship Agreement, the number of directors nominated by the Society will reduce to seven in a board comprising of 15 members. Thereafter the Society will no longer control the Group.

The Company's shares are quoted on Euronext Dublin and London Stock Exchange. The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 February 2020.

2. Summary of significant accounting policies

The Group adopted new accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year ended 4 January 2020. As a result of adopting IFRS 15 'Revenue from Contracts with Customers', the prior year Group income statement, balance sheet and certain notes were restated. Refer to the section 'Adoption of new and amended standards and interpretations' herein for details of the restatement and adoption of other new and amended accounting standards and interpretations.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented by the Group and equity accounted investees unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and those parts of the Companies Act 2014, applicable to companies reporting under IFRS. IFRS as adopted by the European Union (EU) comprise standards and interpretations approved by the International Accounting Standards Board (IASB). The consolidated financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention as modified by use of fair values for certain other financial assets and derivative financial instruments.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates. See note 3.

Amounts are stated in euro millions (€'m) unless otherwise stated. These financial statements are prepared for the 53-week period ended 4 January 2020. Comparatives are for the 52-week period ended 29 December 2018. The balance sheets for 2019 and 2018 have been drawn up as at 4 January 2020 and 29 December 2018 respectively.

Going concern

After making enquiries, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by it (its subsidiaries). Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Inter-company assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Equity accounted investees – joint ventures

The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost. The Group's share of joint ventures post acquisition profits or losses after tax are recognised in the 'Share of results of equity accounted investees' in the Group income statement. The Group's share of joint ventures post acquisition movement in reserves is recognised in the Group statement of other comprehensive income.

The cumulative post acquisition movements are adjusted against the carrying amount of the investment less any impairment in value. Where indicators of impairment arise, the carrying amount of the joint venture is tested for impairment by comparing its recoverable amount against its carrying value.

Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are similarly eliminated to the extent that they do not provide evidence of impairment of a transferred asset.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the joint venture.

When the Group ceases to have joint control, any retained interest in the entity is re-measured to its fair value at the date when joint control or significant influence is lost with the change in carrying amount recognised in the income statement. The Group also reclassifies any movements previously recognised in other comprehensive income to the income statement.

Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The acquisition date is defined as the date the Group gained control of the entity. The cost of the acquisition is measured at the aggregate of the fair value of the consideration given.

Upon acquisition, the Group assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date except for deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively. The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

Goodwill represents the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquired entity over the net identifiable assets acquired. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets acquired and liabilities assumed is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in the income statement.

Acquisition related costs are expensed as incurred in the income statement.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries and joint ventures are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or net investment hedges.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Currency translation differences on monetary assets and liabilities are taken to the income statement, except when deferred in equity in the currency translation reserve as (i) qualifying cash flow hedges or (ii) exchange gains or losses on long-term intra-group loans and on net investment hedges.

Subsidiaries and joint ventures

The income statement and balance sheet of subsidiaries and joint ventures that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities at each reporting date are translated at the closing rate at the reporting date of the balance sheet;
- income and expenses in the income statement and statement of comprehensive income are translated at average exchange rates for the year when they are a reasonable approximation of the cumulative effect of the rates on transaction dates; and
- all resulting exchange differences are recognised in other comprehensive income.

Resulting exchange differences are taken to a separate currency reserve within equity. When a foreign entity is disposed of outside the Group, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

The principal exchange rates used for the translation of results and balance sheets into euro are as follows:

	Average		Year end	
Euro 1=	**2019**	2018	**2019**	2018
US dollar	**1.1196**	1.1812	**1.1147**	1.1454
Pound sterling	**0.8772**	0.8847	**0.8512**	0.9027

Business combinations

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are denominated in the functional currency of the foreign entity, recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

Property, plant and equipment

Cost

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs, for example the costs of major renovation, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is de-recognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

Borrowing costs directly attributable to the construction of property, plant and equipment which take a substantial period of time to get ready for its intended use are capitalised as part of the cost of the assets.

Depreciation

Depreciation is calculated on the straight-line method to write off the cost (less residual value) of each asset over its estimated useful life at the following rates:

	%
Land	Nil
Buildings	2.5 – 5
Plant and equipment	4 – 33
Motor vehicles	20 – 25

Land is not depreciated. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Impairment

Carrying amounts of items of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value over the remaining useful life.

Intangible assets

Goodwill

Goodwill is initially recognised at cost being the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included within intangible assets. Goodwill associated with the acquisition of joint ventures is not recognised separately and included within the interest in joint ventures under the equity method of accounting.

Following initial recognition goodwill is carried at cost less accumulated impairment losses, if applicable. Goodwill impairments are not reversed. Goodwill is not amortised but is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. The annual goodwill impairment tests are undertaken at a consistent time in each annual period.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

In accordance with IFRS 1 'First time Adoption of International Financial Reporting Standards', goodwill written off to reserves prior to date of transition to IFRS remains written off. In respect of goodwill capitalised and amortised at transition date, its carrying value at date of transition to IFRS remains unchanged.

Research and development costs

Research expenditure is recognised as an expense in the income statement as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility and costs can be measured reliably. Development costs are amortised using the straight-line method over their estimated useful lives. The useful life is typically 3 years.

Brands, customer relationships, recipes, know-how and other intangibles

Brands, customer relationships, recipes, know-how and other intangibles acquired as part of a business combination are stated at their fair value at the date control is achieved.

Indefinite life brands are carried at cost less accumulated impairment losses, if applicable. Indefinite life brands are not amortised on an annual basis but are tested annually for impairment. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. The classification of the brands as indefinite is assessed annually.

Definite life brands, customer relationships, recipes, know-how and other intangibles are amortised using the straight-line method over their useful life as follows:

	Years
Brands	3 – 40
Customer relationships	5 – 15
Recipes, know-how and other intangibles	2 – 15

The useful life used to amortise definite life brands, customer relationships, recipes, know-how and other intangibles relates to the future performance of the assets acquired and management's judgement of the period over which the economic benefit will be derived from the assets.

The carrying values of definite life brands, customer relationships, recipes, know-how and other intangibles are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or circumstances indicate that the carrying values may not be recoverable.

Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses.

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing computer software programmes for internal use, if they meet the recognition criteria of IAS 38 'Intangible Assets'.

Computer software costs recognised as assets are amortised using the straight-line method over their estimated useful lives, which is normally between five and 10 years.

Impairment of intangible assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units (CGUs)). An impairment is recognised in the income statement for the amount by which the carrying value of the CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is determined as the discounted future cash flows of the CGU.

Equity instruments

The Group classifies and measures its equity instruments at fair value. Changes in their fair value are recognised in the income statement unless management has elected to present fair value gains and losses in OCI on an investment by investment basis. When an election is made for an investment, there is no subsequent reclassification of fair value gains and losses related to the investment to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established.

Trade and other receivables, loans to equity accounted investees and financial assets at amortised cost

Trade and other receivables, loans to equity accounted investees and financial assets at amortised cost are classified and measured at amortised cost as they are held to collect contractual cash flows which comprise solely payments of principal and interest, where applicable. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less loss allowance.

They are classified as non-current assets except for those maturing within 12 months of the reporting date.

The Group recognises an allowance for expected credit losses (ECLs) for financial assets not held at fair value through profit or loss. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a lifetime expected loss allowance is recognised, irrespective of the timing of the default.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A loss allowance for receivables is estimated based on expected credit losses. To measure expected credit losses, historical loss rates are calculated based on historical credit loss experience. The loss allowance based on historical loss rates is adjusted where appropriate to reflect current information and forward-looking information on macroeconomic factors, including the trading environment of countries in which the Group sells its goods, which affect the ability of the debtors to settle the receivables.

Receivables are written off when there is no reasonable expectation of recovery such as a debtor failing to engage in a repayment plan with the Group.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost which approximates to fair value given the short-term nature of these liabilities. These amounts represent liabilities for goods and services provided to the Group prior to, or at the end of the financial year which are unpaid.

The amounts are unsecured and are usually paid within 30–90 days of recognition depending on the terms negotiated with suppliers. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. For the purposes of the Group statement of cash flows, cash and cash equivalents consists of cash and cash equivalents net of bank overdrafts as bank overdrafts are repayable on demand and they form an integral part of cash management.

Financial liabilities

Financial liabilities are recognised initially at fair value and are subsequently stated at amortised cost. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterpart.

Derivative financial instruments

Derivatives are initially recorded at fair value and subsequently remeasured at their fair value at the reporting date. Derivative contracts are recognised on the trade date, other than ‘regular way’ contracts for which settlement date accounting is applied.

The fair value of any foreign currency contracts or any commodities contract is estimated by discounting the difference between the contractual forward price and the current forward price, using the market interest rate at the measurement date, for a time period equal to the residual maturity of the contract. The fair value of any interest rate swap is estimated by discounting future cash flows under the swap, using the market interest rates, at the measurement date, for time periods equal to the residual maturity of the contracted cash flows.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised in the income statement. The Group adopts the hedge accounting model in IFRS 9.

The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or an unrecognised firm commitment (fair value hedge); or (ii) hedges of a particular risk associated with the cash flows of recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and half yearly, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The recycled gain or loss relating to the effective portion of interest rate swaps hedging variable interest rates on borrowings is recognised in the income statement within 'finance costs'. The recycled gain or loss relating to the effective portion of foreign exchange contracts is recognised in the income statement.

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedge

Net investment hedges are foreign currency borrowings used to finance or provide a hedge against Group equity investments in non-euro denominated operations to the extent that they are neither planned nor expected to be repaid in the foreseeable future or are expected to provide an effective hedge of the net investment. When long-term intra-group loans are repaid the related cumulative currency translation recognised in the currency reserve is not reclassified to the income statement unless the entity is disposed of.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Cost is determined by the first-in, first-out (FIFO) method or by weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal capacity). Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges which relate to purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Allowance is made, where necessary, for aged, slow moving, obsolete and defective inventories.

Provisions, contingent liabilities and contingent assets

Provisions are recognised on the balance sheet when the Group has a constructive or legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured using management's best estimate of the present value of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognised as an interest expense.

Provisions arising on business combinations are only recognised to the extent that they have qualified for recognition in the financial statements of the acquiree prior to acquisition.

A contingent liability is not recognised but is disclosed where the existence of the obligation will only be confirmed by future events or where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

Employee benefits

Pension obligations

The Group operates various pension plans. The plans are funded through payments to trustee-administered funds. The Group has both defined contribution and defined benefit plans.

Defined contribution pension

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense in the income statement when they are due.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

Defined benefit pension obligation

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The fair value of plan assets is based on market price information and in the case of quoted securities in active markets it is the published bid price.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Remeasurements are not reclassified to the income statement in subsequent periods.

A curtailment arises when the Group significantly reduces the number of employees or employee entitlements covered by a plan. A past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when benefits are withdrawn or changed so that the present value of the defined benefit obligation decreases).

A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan (other than a payment of benefits to, or on behalf of, employees in accordance with the terms of the plan and included in the actuarial assumptions). The gain or loss on a settlement is the difference between:
(a) the present value of the defined benefit obligation being settled, as determined on the date of settlement; and
(b) the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement.

The deferred tax impact of pension plan obligations is disclosed separately within deferred tax assets.

Share-based payments

The Group operates a number of equity settled share-based compensation plans which include share option and share award schemes which are open to Executive Directors and certain senior managers.

The charge to the income statement in respect of share-based payments is based on the fair value of the equity instruments granted and is spread over the performance period.

Options under the 2002 Long-term incentive plan

The fair value of the instruments awarded were calculated using the binomial model. The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised. The market vesting condition is Total Shareholder Return (TSR) and the awards contain both market and non-market vesting conditions.

Awards under the Annual incentive deferred into shares scheme (AIDIS)

The fair value of shares awarded is determined in line with the Group's Annual Incentive Scheme rules and equates with the cash value of the portion of the annual incentive that will be settled by way of shares. The expense is recognised immediately in the income statement with a corresponding entry to equity.

Awards under the 2008 and 2018 Long-term incentive plan (2008 LTIP and 2018 LTIP)

The fair value of the awards is calculated using a Monte Carlo simulation technique. The awards contain both market and non-market vesting conditions. The market vesting condition is TSR and, accordingly, the fair value assigned to the related equity instruments is adjusted so as to reflect the anticipated likelihood at the grant date of achieving the market-based vesting condition. There are no revisions to the fair value at subsequent reporting dates for changes in TSR estimates.

Awards under the 2019 Restricted share plan (2019 RSP)

The fair value of the awards is calculated using the discounted cash flow method. The awards typically contain only non-market vesting and service conditions.

In respect of 2008 LTIP, 2018 LTIP and 2019 RSP, non-market vesting and service conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity. The non-market based charge to the income statement is reversed where awards do not vest because non-market performance conditions have not been met or where, subject to the rules of the scheme, an employee in receipt of share awards leaves service before the end of the vesting period.

When the awards are exercised, the Company reissues shares from own shares and the fair value of the awards exercised is reclassified from the share-based payment reserve to retained earnings.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax is calculated on the basis of tax laws enacted or substantively enacted at the Group balance sheet date in countries where the Group operates and generates taxable income, taking into account adjustments relating to prior years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks and the tax uncertainties have been measured using a probability weighted expected value approach. Further detail on estimates and judgements are set out in note 3.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax is provided on a non-discounted basis, using the balance sheet liability method, providing for temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill not having full tax basis.

The carrying amount of a deferred tax asset or liability may change for reasons other than a change in the temporary difference itself. Such changes might arise as a result of a change in tax rates or laws, a reassessment of the recoverability of a deferred tax asset or a change in the expected manner of recovery of an asset or the expected manner of a settlement of a liability. The impact of these changes is recognised in the income statement or in other comprehensive income depending on where the original deferred tax balance was recognised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share capital

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Own shares

Where the Employee Share Trust and/or the Employee Share Scheme Trust (on behalf of the Company) purchases the Company's equity share capital, under the 2008 and 2018 Long-term incentive plan, the 2019 Restricted share plan and the Annual incentive deferred into shares scheme, the consideration paid is deducted from distributable reserves and classified as own shares until they are re-issued. Where such shares are re-issued, they are re-issued on a first-in, first-out basis and the proceeds on re-issue of own shares are transferred from own shares to retained earnings.

Revenue recognition

The Group manufactures and sells performance nutrition and lifestyle nutrition products, cheese and dairy, and non-dairy nutritional and functional ingredients. In general, there is one performance obligation relating to the sale of products in a contract with a customer. Performance obligations are met at the point in time when control of the products has transferred to the customer, which is dependent on the contractual terms with each customer. In most cases, control transfers to the customer when the products are dispatched or delivered to the customer. Delivery occurs when the products have been delivered to the specific location. The Group is deemed to be a principal in an arrangement when it controls the promised goods before transferring them to a customer, and accordingly recognises revenue on a gross basis.

Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience using the most likely method. Judgement is exercised by management in the determination of quantum and likelihood of rebates and discounts based on experience and historical trading patterns. Rebates and discounts are recorded in the same period as the original revenue.

Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing. Thus, the Group does not adjust any of the transaction prices for the time value of money as a practical expedient as the Group does not expect to have any contracts where the period between the transfer of the promised products to the customer and payment by the customer exceeds one year.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

Segment reporting

As outlined in note 4, the Group reports across the following three reporting segments: Glanbia Performance Nutrition, Glanbia Nutritionals and Glanbia Ireland. The segments reflect the Group's organisation structure and the nature of the information reported to the Chief Operating Decision Maker (CODM) who is identified as the Group Operating Executive.

In identifying the Group's operating segments, management considered the following principal factors:
- the Group's organisational structure, namely Glanbia Performance Nutrition, Glanbia Nutritionals and joint ventures
- how financial information is reported to the CODM
- existence of managers responsible for the components
- the nature of the component business activities; refer to note 4 for details
- the degree of similarity of products and services, and production processes

Finance income, finance costs and income taxes are not allocated to segments, as this type of activity is driven by central treasury and taxation functions which manage the cash and tax position of the Group. Unallocated assets and liabilities primarily include tax, cash and cash equivalents, other financial assets, financial liabilities and derivatives. Inter-segment revenue is determined on an arm's-length basis. Where a material dependency or concentration on an individual customer would warrant disclosure, this is disclosed in note 4.

Dividends

Dividends on ordinary shares to the Company's shareholders are recognised as a liability of the Company when approved by the Company's shareholders. Interim dividends are recognised when paid.

Proposed dividends that are approved after the balance sheet date are not recognised as a liability but are disclosed in the dividends note.

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, net losses on hedging instruments that are recognised in the income statement, facility fees and the unwinding of discounts on provisions. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

General and specific finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other finance costs are expensed in the income statement in the period in which they are incurred.

Finance income

Finance income is recognised in the income statement as it accrues using the effective interest rate method and includes net gains on hedging instruments that are recognised in the income statement.

Earnings Per Share

Earnings Per Share (EPS) represents the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the period excluding own shares.

Adjusted EPS is calculated on the net profit attributable to the owners of the Company before exceptional items and intangible asset amortisation (excluding software amortisation), net of related tax, divided by the weighted average number of ordinary shares in issue during the period excluding own shares. Full details on the calculation and reconciliation to IFRS reported numbers are included in the Glossary section.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Leases

Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are operating leases. A determination is also made as to whether the substance of an arrangement could equate to a finance lease.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance cost. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term. The corresponding rental obligation, net of finance charges is included in financial liabilities and split between current and non-current, as appropriate.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits.

Income statement format

Exceptional items

The Group has adopted an income statement format that seeks to highlight significant items within the Group results for the year. Such items may include impairment of assets, including material adjustments arising from the re-assessment of asset lives, adjustments to contingent consideration, material acquisition integration costs, restructuring costs, profit or loss on disposal or termination of operations, material acquisition costs, litigation settlements, legislative changes, gains or losses on defined benefit pension plan restructuring and profit or loss on disposal of investments. Judgement is used by the Group in assessing the particular items which by virtue of their scale and nature should be disclosed in the income statement and notes as exceptional items.

Earnings before interest, tax and amortisation

The Group believes that Earnings before interest, tax and amortisation (EBITA) is a relevant performance measure and has therefore disclosed this amount in the Group income statement. EBITA is stated before considering the share of results of equity accounted investees.

Adoption of new and amended standards and interpretations

The Group has adopted the following standards, interpretations and amendments to existing standards during the financial year:

IFRS 9 'Financial Instruments'

IFRS 9 is the standard which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The standard addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has adopted IFRS 9 from 30 December 2018. Comparatives for 2018 have not been restated. The impact of adopting IFRS 9 was not material for the Group financial statements and there was no adjustment to retained earnings at 30 December 2018 on application of the standard.

Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it removes the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income, or fair value through profit or loss. The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows. Results of the assessment of the classification of financial assets are as follows:

Financial asset category	Classification and measurement under IAS 39	Results of IFRS 9 classification assessment	Classification and measurement under IFRS 9
Cash and cash equivalents Trade and other receivables Loans to equity accounted investees	Loans and receivables at fair value (initial recognition) followed by amortised cost (subsequent measurement)	Business model test: hold to collect contractual cash flows Cash flow characteristics: solely payments of principal and interest	Financial assets at fair value (initial recognition) followed by amortised cost (subsequent measurement)
Other financial assets	Available for sale assets at fair value (initial recognition and subsequent measurement) with subsequent changes in fair value recognised in other comprehensive income ('OCI'). When an asset is derecognised or impaired, cumulative gain or loss in OCI is reclassified from equity to the income statement	Business model test: hold to collect contractual cash flows Cash flow characteristics: solely payments of principal and interest	Financial assets at fair value (initial recognition) followed by amortised cost (subsequent measurement) *Pertains to the financial asset – Ornua Co-operative Limited (note 18)*
		Election is made to present fair value changes in OCI and not recycle any gains or losses arising on its de-recognition to the income statement	Financial assets at fair value (initial recognition and subsequent measurement) followed by subsequent changes in fair value recognised in equity permanently *Pertains to equity instruments*

Other than what is disclosed in the preceding table there are no changes to the measurement and classification of remaining financial assets and liabilities determined in accordance with IAS 39 and IFRS 9. There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

Impairment

IFRS 9 has introduced a new impairment model which requires the recognition of impairment allowance based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It is applied to the Group's financial assets within the scope of IFRS 9, contract assets under IFRS 15, lease receivables and certain financial guarantees held for its subsidiaries. For trade receivables, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. Trade receivables are written off when there is no reasonable expectation of recovery. The change in impairment methodology from implementing IFRS 9 did not have a material impact on the Group's financial statements.

Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, there is no impact to the Group's results.

IFRS 15 'Revenue from Contracts with Customers'

The Group adopted the full retrospective approach, and has restated the prior year Group income statement and balance sheet and disclosed the opening balance sheet at 31 December 2017. The Group has assessed the impact of implementing IFRS 15 and, with the exception of the matter set out below, has not identified any material impact resulting from transition to the new standard.

Following a review of all material contracts with customers, the Group has concluded that the change from the risk and reward model under IAS 18 to the control model under IFRS 15 led to the Group's relationship within the Glanbia Nutritionals segment with its joint venture, Southwest Cheese Company, LLC to transition from an agent relationship to that of a principal as the Group controls the promised goods before transferring them to the customers. The legal position of the relationship with the joint venture remains the same. The transition to IFRS 15 results in a gross up of revenue and costs as follows:

For the financial year ended 29 December 2018	Notes	Previously reported €'m	Adjustment €'m	Restated under IFRS 15 €'m
Revenue	5	2,386.3	784.2	3,170.5
Cost of goods sold	5	(1,706.2)	(767.1)	(2,473.3)
Gross profit	5	680.1	17.1	697.2
Selling and distribution expenses	5	(234.9)	(17.1)	(252.0)
Administration expenses	5	(160.3)	–	(160.3)
EBITA	5	284.9	–	284.9

Although there is no change to EBITA, as a result of the increase in revenue, there is a dilution to the EBITA margin of the Glanbia Nutritionals segment and the Group. For the 2019 financial year, revenue and costs relating to this arrangement are shown gross in the Group income statement. There is no change to basic or diluted EPS.

The transition to IFRS 15 described above also results in a gross up of outstanding trade receivables and amounts due to equity accounted investees which are recorded in the line items on the balance sheet "Trade and other receivables – current" and "Trade and other payables – current" respectively:

Balance sheet as at 29 December 2018	Notes	Previously reported €'m	Adjustment €'m	Restated under IFRS 15 €'m
Trade and other receivables – current	19	350.2	61.4	411.6
Trade and other payables – current	28	(407.0)	(61.4)	(468.4)
Balance sheet as at 31 December 2017				
Trade and other receivables – current		302.4	48.7	351.1
Trade and other payables – current		(307.9)	(48.7)	(356.6)

Early adoption of Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Benchmark Reform'

The Group has chosen to early apply the amendments to IFRS 9/IAS 39 for the financial year ended 4 January 2020, which are mandatory for annual reporting periods beginning on or after 1 January 2020. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms. The amendments are relevant to the Group given that it has EURIBOR floating rate debt which it cash flow hedges using EURIBOR interest rate swaps. Early adoption of the amendments allows the Group to continue hedge accounting and retain the cumulative gain or loss in the cash flow hedge reserve relating to the interest rate swaps designated as cash flow hedges even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

Other IFRS changes

The following changes to IFRS became effective for the Group during the financial year but did not result in material changes to the Group's consolidated financial statements:

- Amendments to IFRS 2 'Classification and Measurement of Share-based payment Transactions'
- Annual Improvements to IFRSs 2014–2016 Cycle
- Amendments to IAS 40 'Transfers of Investment Property'
- IFRIC Interpretation 22 'Foreign Currency Translation and Advance Consideration'
- Amendments to IFRS 4 'Insurance Contracts'

New and amended standards and interpretations that are not yet effective

The Group has not applied certain new standards, amendments to existing standards and interpretations that have been issued but are not yet effective. The most significant of which are as follows:

IFRS 16 'Leases'

This standard will be effective for and will be adopted by the Group for the 2020 financial year beginning 5 January 2020 as the 2019 financial year is for the 53-week period ended 4 January 2020. The Group's evaluation of the effect of adoption of IFRS 16 is in its final stages and the findings are detailed as follows.

The Group expects that the adoption of IFRS 16 will have a material impact on the financial statements, significantly increasing the Group's recognised assets and liabilities. The Group commenced a comprehensive project to assess the impact of IFRS 16 during 2018 which is still ongoing. This project includes an accounting assessment of the impact of the implementation of new processes and procedures, including new lease accounting software, to ensure leases are accounted for in line with the new standard from the commencement of our 2020 financial year.

The Group expects to adopt the modified retrospective approach to transition permitted by the standard in which the cumulative effect of initially applying the standard is recognised in opening retained earnings at 5 January 2020. In applying IFRS 16 for the first time, the Group intends to avail of practical expedients/exemptions including:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- accounting for operating leases with a remaining lease term of within 12 months of 5 January 2020 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- not reassessing whether a contract is, or contains a lease at the date of initial application
- not making any adjustments on transition for leases for which the underlying asset is of low value

The Group's assessment of the impact of adopting IFRS 16 is in the process of being finalised. The actual adjustment can differ to the estimated impact provided below due to changes in underlying assumptions. Based on the work performed to date, the expected impact of IFRS 16 on the 2020 financial year is as follows:

- lease liabilities and right-of-use assets on 5 January 2020: increase of approximately €127.5 million and €105.8 million respectively
- return on capital employed on 5 January 2020: decrease of approximately 0.4%
- finance costs: increase of approximately €2.7 million
- operating profit: increase of approximately €2.4 million
- adjusted earnings used to calculate Adjusted EPS: increase of approximately €0.3 million

IFRS 16 will have no impact on the Group's net cash flows but the lease repayment outflows will be disclosed as financing cash outflow, instead of operating cash outflow. Net debt is a non-IFRS measure and does not comprise of lease liabilities determined in accordance with IFRS 16 which is consistent with net debt as defined within financing covenants. Covenants are accordingly not affected on transition to IFRS 16.

There were no significant judgements or estimates made in applying IFRS 16 that would have a material impact on the Group. However, it is noted that estimation is involved in determining incremental borrowing rate (IBR) which is used to measure lease liabilities. The Group estimates the IBR based on the currency and country/region in which a lease is based, the lease duration, and the credit quality of the lessee.

IFRIC 23 'Uncertainty over Income Tax Treatments' (EU effective date: on or after 1 January 2019)

The interpretation will be effective for and will be adopted by the Group for the 2020 financial year beginning 5 January 2020. The interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 'Income taxes'. The Group is finalising its evaluation of the impact of this interpretation on the financial statements. The Group does not expect the adoption of this interpretation to have a material impact on the financial statements, as the Group already applies the principles of IFRIC 23 in determining its uncertain tax provisions.

Amendments to IFRS 3 'Business Combinations' (IASB effective date: on or after 1 January 2020 – not yet endorsed)

The amendments clarify the definition of a business to help entities determine whether an acquired set of activities and assets is a business or not. The Group is currently evaluating the impact of the amendments on future periods.

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material impact on the Group or they are not currently relevant for the Group.

Notes to the Financial Statements continued

3. Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant judgements and estimates made in the preparation of these financial statements are set out below.

Judgements

Exceptional items

The Group considers that items of income or expense which are significant by virtue of their scale and nature should be disclosed separately if the Group financial statements are to fairly present the financial performance and financial position of the Group. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Group believes would give rise to exceptional items for separate disclosure are outlined in the accounting policy on exceptional items in note 2. Exceptional items are included on the income statement line item to which they relate. In addition, for clarity, separate disclosure is made of all items in one column on the face of the Group income statement.

Interests in joint ventures

The Group holds 51% of the share capital of Glanbia Cheese Limited but this entity is considered to be a joint venture as the Group does not have control of the company as it has equal representation on the Board of Directors, along with its joint venture partner Leprino Foods Company who directs the relevant activities of the business. The Group controls 50% of the voting rights and is entitled to appoint 50% of the total number of Directors to the Board.

The Group holds 40% of the ordinary share capital of Glanbia Ireland DAC. However this entity is considered to be a joint venture of the Group as the business plan, which directs the relevant activities of the business, requires the unanimous approval of both the Group and Glanbia Co-operative Society Limited which holds the remaining 60% shareholding.

Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to estimates are recognised prospectively.

Retirement benefit obligations

The Group operates a number of defined benefit pension plans both in Ireland and the UK. The rates of contributions payable, the pension cost and the Group's total obligation in respect of defined benefit plans is calculated and determined by independent qualified actuaries and updated at least annually. Refer to note 9 for the amounts associated with the Irish and UK plans.

The size of the obligation and cost of the benefits are sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions including price inflation, benefit and salary increases together with the discount rate used. As a result of the UK referendum on EU membership, and the ongoing Brexit negotiations, the Group's UK defined benefit pension plan assumptions are subject to increased volatility and risk. The Group disclose the UK defined benefit pension plan details separately from the Irish plans to identify the impact of a change in UK assumptions on the Group's defined benefit pension plans.

The discount rate is a highly sensitive input to the calculation of scheme liabilities. Sensitivity analysis has been completed to assess the impact of a change in the discount rate used. Refer to note 9 for the sensitivity analysis.

Impairment reviews of goodwill and indefinite life intangibles

The Group tests annually whether goodwill and indefinite life intangibles have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units (CGUs) have been determined based on value in use calculations. These calculations require the use of estimates.

Goodwill and intangible assets in respect of Glanbia Performance Nutrition and Glanbia Nutritionals are tested for impairment using projected cash flows over a three year period. In cases where management have strategic plans beyond three years these numbers are also used in the projections. Discount rates are based on the Group weighted average cost of capital adjusted for company risk factors and specific country risk. A terminal value assuming 2% growth into perpetuity is also applied. Sensitivity on the cashflows is also prepared based on a reduction in projected EBITDA growth of 10%, a terminal value assuming zero growth or an increase in the discount factor used by 1%. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. The classification of intangible assets as indefinite is reviewed annually.

Additional information in relation to impairment reviews is disclosed in note 16.

Income taxes

The Group is subject to income tax in numerous jurisdictions. Significant estimation is required in determining the worldwide provision for income taxes. There are many transactions during the ordinary course of business for which the ultimate tax determination is uncertain and the applicable tax legislation is open to differing interpretations. The Group takes external professional advice to help minimise this risk. It recognises liabilities for anticipated tax authority reviews based on estimates of whether additional taxes will be due, having regard to all information available on the tax matter. The Group engages with local tax experts to support the judgements made where there is significant uncertainty about the position taken. In determining any liability for amounts expected to be paid to tax authorities, the Group has regard to the tax status of the entities involved, the external professional advice received, the status of negotiations and correspondence with the relevant tax authorities, assessments of a probability weighted expected value, past practices of the tax authorities and any precedents in the relevant jurisdiction. Where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised. The Group estimates the most probable amount of future taxable profits using assumptions consistent with those employed in impairment calculations and taking into consideration applicable tax legislation in the relevant jurisdiction.

Provisions

The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 27.

Notes to the Financial Statements continued

4. Segment information

In accordance with IFRS 8 ‘Operating Segments’, the Group, including its joint ventures, has identified three reportable segments as follows:

Glanbia Performance Nutrition

Glanbia Performance Nutrition manufactures and sells sports nutrition and lifestyle nutrition products through a variety of channels including specialty retail, e-Commerce, Food/Drug/Mass/Club (FDMC), and gyms in a variety of formats, including powders, Ready-to-Eat (bars and snacking foods) and Ready-to-Drink beverages.

Glanbia Nutritionals

Glanbia Nutritionals manufactures and sells cheese, dairy and non-dairy nutritional and functional ingredients, and vitamin and mineral premixes targeting the increased market focus on health and nutrition (refer to note 2 on IFRS 15 transition).

Glanbia Ireland

Glanbia Ireland is the largest milk processor in Ireland producing a range of value added dairy ingredients and consumer products. Glanbia Ireland is also a large scale seller of animal nutrition and fertilizer as well as having a chain of agricultural retail outlets in Ireland. Glanbia Ireland is an equity accounted investee and the amounts stated represent the Group’s share (note 17).

Other segments and unallocated

All other segments and unallocated include both the results of other equity accounted investees who manufacture and sell cheese and dairy ingredients and unallocated corporate costs. These investees did not meet the quantitative thresholds for reportable segments in 2019 or 2018.

These segments align with the Group’s internal financial reporting system and the way in which the Chief Operating Decision Maker (‘CODM’) assesses performance and allocates the Group’s resources. Each segment is reviewed in its totality by the CODM. The CODM assesses the trading performance of operating segments based on a measure of earnings before interest, tax, amortisation and exceptional items (EBITA). Given that net finance costs and income tax are managed on a centralised basis, these items are not allocated between operating segments for the purposes of the information presented to the CODM and are accordingly omitted from the detailed segmental analysis below.

Amounts stated for equity accounted investees represents the Group’s share.

Pre-exceptional segment results are as follows:

2019	Glanbia Performance Nutrition €’m	Glanbia Nutritionals €’m	Glanbia Ireland €’m	Total reportable segments €’m	All other segments and unallocated €’m	Total Group €’m
Total gross segment revenue	**1,363.8**	**2,547.8**	**–**	**3,911.6**	**–**	**3,911.6**
Inter-segment revenue	**–**	**(35.9)**	**–**	**(35.9)**	**–**	**(35.9)**
Revenue	**1,363.8**	**2,511.9**	**–**	**3,875.7**	**–**	**3,875.7**
Total Group earnings before interest, tax, amortisation and exceptional items	**146.4**	**130.4**	**–**	**276.8**	**–**	**276.8**
Share of results of equity accounted investees	**–**	**–**	**22.2**	**22.2**	**26.4**	**48.6**
2018 (restated)						
Total gross segment revenue	1,179.6	2,026.9	–	3,206.5	–	3,206.5
Inter-segment revenue	–	(36.0)	–	(36.0)	–	(36.0)
Revenue	1,179.6	1,990.9	–	3,170.5	–	3,170.5
Total Group earnings before interest, tax, amortisation and exceptional items	173.1	111.8	–	284.9	–	284.9
Share of results of equity accounted investees	–	–	22.0	22.0	23.3	45.3

Included in external revenue are related party sales between Glanbia Nutritionals and Glanbia Ireland of €0.4 million (2018 restated: €0.6 million) and between Glanbia Performance Nutrition and Glanbia Ireland of nil (2018: €0.9 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.

Revenue of approximately €405.6 million (2018 restated: €273.3 million) and €705.4 million (2018 restated: €567.3 million) is derived from two external customers respectively within the Glanbia Nutritionals segment.

Segment earnings before interest, tax, amortisation and exceptional items are reconciled to reported profit before tax and profit after tax in the Group income statement.

Other pre-exceptional segment information is as follows:

2019	Notes	**Glanbia Performance Nutrition €'m**	**Glanbia Nutritionals €'m**	**Glanbia Ireland €'m**	**Total reportable segments €'m**	**All other segments and unallocated €'m**	**Total Group €'m**
Depreciation and impairment of PPE		**17.5**	**30.6**	**–**	**48.1**	**–**	**48.1**
Amortisation and impairment of intangibles		**44.3**	**16.6**	**–**	**60.9**	**–**	**60.9**
Capital expenditure – additions		**23.6**	**47.1**	**–**	**70.7**	**4.6**	**75.3**
Capital expenditure – business combinations		**1.2**	**51.5**	**–**	**52.7**	**–**	**52.7**
2018							
Depreciation and impairment of PPE	15	16.1	26.9	–	43.0	–	43.0
Amortisation and impairment of intangibles	16	34.9	11.0	–	45.9	–	45.9
Capital expenditure – additions		28.2	34.3	–	62.5	5.3	67.8
Capital expenditure – business combinations		321.0	–	–	321.0	–	321.0

The segment assets and liabilities are as follows:

2019	**Glanbia Performance Nutrition €'m**	**Glanbia Nutritionals €'m**	**Glanbia Ireland €'m**	**Total reportable segments €'m**	**All other segments and unallocated €'m**	**Total Group €'m**
Segment assets	**1,709.1**	**977.6**	**227.0**	**2,913.7**	**487.2**	**3,400.9**
Segment liabilities	**350.8**	**331.8**	**–**	**682.6**	**1,016.4**	**1,699.0**
2018 (restated)						
Segment assets	1,728.6	798.9	225.4	2,752.9	407.2	3,160.1
Segment liabilities	367.8	255.3	–	623.1	947.9	1,571.0

Notes to the Financial Statements continued

4. Segment information continued

Geographical information

Revenue

Revenue from external customers is allocated to geographical areas based on the place of delivery or collection of the products sold as agreed with customers as opposed to the end use market where the product may be consumed.

	2019			2018 (restated)		
	Glanbia Performance Nutrition €'m	**Glanbia Nutritionals €'m**	**Total €'m**	Glanbia Performance Nutrition €'m	Glanbia Nutritionals €'m	Total €'m
North America						
US	**941.0**	**2,185.4**	**3,126.4**	702.3	1,731.0	2,433.3
Canada	**15.9**	**58.2**	**74.1**	7.3	42.2	49.5
Mexico	**3.7**	**32.4**	**36.1**	4.3	26.1	30.4
Europe						
Ireland (country of domicile)	**3.0**	**2.3**	**5.3**	1.4	2.1	3.5
UK	**92.3**	**15.4**	**107.7**	68.7	9.9	78.6
Netherlands	**55.5**	**29.0**	**84.5**	47.9	24.8	72.7
Germany	**11.3**	**19.4**	**30.7**	10.1	19.5	29.6
Rest of Europe	**80.6**	**29.6**	**110.2**	121.3	26.1	147.4
International						
China	**20.1**	**51.1**	**71.2**	12.8	43.6	56.4
Australia	**27.3**	**7.3**	**34.6**	27.2	6.7	33.9
Rest of World	**113.1**	**81.8**	**194.9**	176.3	58.9	235.2
Total	**1,363.8**	**2,511.9**	**3,875.7**	1,179.6	1,990.9	3,170.5

There are numerous countries in "Rest of World" including UAE, India and Brazil.

Non-current assets

The total of non-current assets, other than financial instruments, deferred tax assets, and retirement benefit assets attributable to the country of domicile and all foreign countries of operation for which non-current assets exceed 10% of total Group non-current assets are set out below.

	2019 €'m	2018 €'m
Ireland (country of domicile)	**892.3**	816.0
US	**1,127.4**	1,080.4
Others	**172.2**	224.8
	2,191.9	2,121.2

Disaggregation of revenue

Revenue is disaggregated based on the primary geographical markets in which the Group operates (see table above within Geographical Information). Revenue has also been disaggregated based on the Group's internal reporting structures and by the timing of revenue recognition as set out in the tables below.

	2019			2018 (restated)		
	Glanbia Performance Nutrition €'m	**Glanbia Nutritionals €'m**	**Total €'m**	Glanbia Performance Nutrition €'m	Glanbia Nutritionals €'m	Total €'m
North America Performance Nutrition	**538.3**	**–**	**538.3**	553.2	–	553.2
North America Lifestyle	**392.0**	**–**	**392.0**	162.2	–	162.2
International	**358.7**	**–**	**358.7**	395.1	–	395.1
Direct-to-Consumer	**74.8**	**–**	**74.8**	69.1	–	69.1
Nutritional Solutions	**–**	**744.9**	**744.9**	–	577.0	577.0
US Cheese	**–**	**1,767.0**	**1,767.0**	–	1,413.9	1,413.9
Total	**1,363.8**	**2,511.9**	**3,875.7**	1,179.6	1,990.9	3,170.5
Products transferred at point in time	**1,363.8**	**2,511.9**	**3,875.7**	1,179.6	1,990.9	3,170.5
Products transferred over time	**–**	**–**	**–**	–	–	–
Total	**1,363.8**	**2,511.9**	**3,875.7**	1,179.6	1,990.9	3,170.5

5. Operating profit

		2019			2018 (restated)		
	Notes	**Pre-exceptional €'m**	**Exceptional (note 6) €'m**	**Total €'m**	Pre-exceptional €'m	Exceptional (note 6) €'m	Total €'m
Revenue		**3,875.7**	**–**	**3,875.7**	3,170.5	–	3,170.5
Cost of goods sold		**(3,095.8)**	**(19.1)**	**(3,114.9)**	(2,473.3)	–	(2,473.3)
Gross profit		**779.9**	**(19.1)**	**760.8**	697.2	–	697.2
Selling and distribution expenses		**(340.4)**	**–**	**(340.4)**	(252.0)	–	(252.0)
Administration expenses		**(162.7)**	**(18.0)**	**(180.7)**	(160.3)	–	(160.3)
Earnings before interest, tax and amortisation (EBITA)		**276.8**	**(37.1)**	**239.7**	284.9	–	284.9
Intangible asset amortisation and impairment	16	**(60.9)**	**(2.0)**	**(62.9)**	(45.9)	–	(45.9)
Operating profit		**215.9**	**(39.1)**	**176.8**	239.0	–	239.0

Operating profit is stated after (charging)/crediting:

		2019			2018 (restated)		
	Notes	**Pre-exceptional €'m**	**Exceptional (note 6) €'m**	**Total €'m**	Pre-exceptional €'m	Exceptional (note 6) €'m	Total €'m
Cost of inventories recognised as an expense in Cost of Goods Sold	20	**(2,748.2)**	**(19.1)**	**(2,767.3)**	(2,184.6)	–	(2,184.6)
Depreciation of property, plant and equipment	15	**(48.1)**	**–**	**(48.1)**	(43.0)	–	(43.0)
Impairment of property, plant and equipment	15	**–**	**(0.4)**	**(0.4)**	–	–	–
Operating lease rentals		**(24.0)**	**–**	**(24.0)**	(21.0)	–	(21.0)
Amortisation of intangible assets	16	**(60.9)**	**–**	**(60.9)**	(45.9)	–	(45.9)
Impairment of intangible assets	16	**–**	**(2.0)**	**(2.0)**	–	–	–
Amortisation of capital grants received		**–**	**–**	**–**	0.1	–	0.1
Employee benefit expense	7	**(343.9)**	**(4.3)**	**(348.2)**	(300.4)	–	(300.4)
Auditor's remuneration		**(1.5)**	**–**	**(1.5)**	(1.3)	–	(1.3)
Research and development costs		**(12.7)**	**–**	**(12.7)**	(11.2)	–	(11.2)
Net foreign exchange loss		**(1.5)**	**–**	**(1.5)**	(2.5)	–	(2.5)
(Loss)/gain on disposal of property, plant and equipment	32	**(0.2)**	**–**	**(0.2)**	0.3	–	0.3
Net impairment losses on financial assets		**(1.9)**	**–**	**(1.9)**	(0.7)	–	(0.7)

The following table discloses the fees paid or payable to Deloitte Ireland LLP, the Group auditor, and to other statutory audit firms in the Deloitte network:

	Statutory auditor		Other statutory auditor network firms	
	2019 €'m	2018 €'m	**2019 €'m**	2018 €'m
Statutory audit of Group companies	**0.7**	0.6	**0.8**	0.7
Other assurance services	**–**	–	**–**	–
Tax advisory services	**–**	–	**–**	–
Other non-audit services	**–**	–	**–**	–
	0.7	0.6	**0.8**	0.7

In addition to the above, Deloitte Ireland LLP and Deloitte network member firms received fees of €0.3 million (2018: €0.2 million) in respect of the audit of the Group's equity accounted investees.

Notes to the Financial Statements continued

6. Exceptional items

The nature of the total exceptional operating loss is as follows:

	Notes	2019 €'m
Organisational redesign costs	(a)	12.7
Asset impairments	(b)	17.3
Acquisition integration costs	(c)	6.8
Brexit related costs	(d)	2.3
Total exceptional charge before taxation		**39.1**
Exceptional tax credit	12	(4.5)
Total exceptional charge after taxation		**34.6**

During 2019 there were cash outflows of €12.0 million in respect of exceptional charges recognised in FY 2019. During 2018 there were cash outflows of €2.6 million in respect of exceptional charges incurred prior to FY 2018. There were no exceptional items in 2018.

(a) Organisational redesign costs relate primarily to a fundamental reorganisation of the Glanbia Performance Nutrition segment, including the creation of distinct North America Performance Nutrition, North America Lifestyle, International and Direct-to-Consumer businesses. Costs incurred to-date are professional consultancy of €7.9 million and redundancy and employment related costs including recruitment costs and costs of relocating people to new markets and geographies to support the organisation change of €4.8 million. This restructuring programme will continue into 2020.

(b) Asset impairments comprise the write down of inventory to net realisable value of €14.9 million, related development assets of €2.0 million and some fixed assets of €0.4 million in the GPN business. The impairment of inventory arises from i) sales volume declines in certain non-US markets resulting in surplus inventories of €5.6 million, ii) unsuccessful innovation SKUs in the US Food/Drug/Mass/Club (FDMC) channels of €5.7 million, iii) the cost of discontinuing a significant number of other North American SKUs of €2.6 million in order to reduce SKU complexity and simplify the supply chain; and iv) other inventory impairments of €1.0 million. Overall these inventory impairments will result in a significant simplification within the GPN business resulting in approximately 1,200 SKUs (35% of total) being discontinued. This level of inventory impairment is substantially in excess of past experience in the GPN business and none of the SKUs rationalised will be manufactured or contracted for going forward. Based on the past 12 months sales, the revenue related to the discontinued SKUs is approximately 5% of total GPN revenues, the vast majority of which is expected to be retained through sales of alternative GPN SKUs.

(c) Acquisition integration costs comprise costs relating to the integration and restructuring of acquired businesses and the transaction costs incurred in completing the current year acquisition. The charge comprised professional fees of €2.5 million, employee benefit costs of €1.2 million and inventory impairments of €3.1 million following a post acquisition assessment of the product portfolio of the acquired businesses.

(d) Brexit related costs have been incurred in preparing the organisation for the departure of the United Kingdom from the European Union. Costs incurred include professional fees and increased storage and production costs as the Group sought to mitigate the potential risks related to Brexit during 2019.

7. Employment

The aggregate payroll costs of employees (including Executive Directors) in the Group were:

	Notes	**2019** **€'m**	2018 €'m
Wages and salaries		**298.2**	256.5
Social security costs		**25.2**	23.5
Pension costs – defined contribution plans	9	**11.5**	9.4
Pension costs – defined benefit plans	9	**1.2**	4.7
Other compensation costs			
– Cost of share-based payments	10	**4.6**	8.8
– Company car allowance		**1.5**	1.3
– Private health insurance		**20.9**	16.4
		363.1	320.6

Included within the aggregate payroll costs is exceptional items of €4.3 million (2018: nil) which include redundancy costs of €2.4 million (2018: nil). Capitalised labour costs of €14.9 million (2018: €20.2 million) are included within the aggregate payroll costs while the remaining post-exceptional cost of €348.2 million (2018: €300.4 million) are recognised as an expense (note 5).

The average number of employees, excluding the Group's equity accounted investees, is analysed into the following reportable segments:

	2019	2018
Glanbia Performance Nutrition	**2,115**	2,118
Glanbia Nutritionals	**2,427**	2,039
	4,542	4,157

8. Directors' remuneration

The Directors' remuneration information is shown on tables A to H on pages 104 to 108 in the Remuneration Committee Report.

Notes to the Financial Statements continued

9. Retirement benefit obligations

Defined contribution plans

The Group has a number of defined contribution pension plans in operation.

The following amounts have been recognised in the Group income statement in relation to the defined contribution pension plan expense:

	Notes	2019 €'m	2018 €'m
Defined contribution pension plan expense	7	**11.5**	9.4

Defined benefit pension plans

The Group operates two defined benefit pension plans in the Republic of Ireland and two defined benefit pension plans in the United Kingdom (UK).

The defined benefit pension plans in Ireland and the UK are administered by Boards of Trustees through separate trustee controlled funds. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations. Each of the Group's plans operate under their respective regulatory frameworks and minimum funding requirements. The UK plans comprise solely of pensioners and deferred pensioners.

The defined benefit pension plans provide retirement and death benefits for the Group's employees. The majority of the defined benefit pension plans are career average pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their average salary over their period of employment.

The contributions paid to the defined benefit pension plans are in accordance with the schedule of contributions agreed between the Group and the Trustees of the relevant plans as recommended in the actuarial valuation reports or in subsequent actuarial advice. The contributions are partly funded by the employees, where they are required to contribute a fixed percentage of pensionable salary, and partly by the Group. The latest actuarial valuation reports for these plans, which are not available for public inspection, are dated between 5 April 2017 and 1 January 2019.

During the year changes to certain assumptions underlying the past service cost were agreed with the Trustees resulting in a credit to past service cost of €1.2 million. In relation to the year ended 29 December 2018, the High Court of Justice of England and Wales issued a judgement in the case of Lloyds Banking Group Pension Group Pension Trustees Limited v Lloyds Bank plc (and others) regarding the rights of members to equality in defined benefit pension schemes on 26 October 2018. The judgement concluded that schemes are under a duty to equalise benefits for all members, regardless of gender, in relation to guaranteed minimum pension benefits. The Group engaged its actuaries to determine an appropriate estimate for the year ended 29 December 2018 and 4 January 2020 which resulted in an increase to the defined benefit obligations on the balance sheet and a past service cost was recognised amounting to €2.1 million in the Group income statement for the year ended 29 December 2018. The computations are complex and it is expected it will take a number of years to finalise the full impact. The directors do not believe the result will be materially different to the 2018 estimate. Any subsequent changes will result in an increase or decrease to the obligation and will be recorded through other comprehensive income.

Recognition in the Group balance sheet:

	2019 €'m	2018 €'m
Non-current assets		
Surplus on defined benefit pension plan	**2.1**	1.1
Non-current liabilities		
Deficit on defined benefit pension plan	**(48.4)**	(39.6)
Net defined benefit pension plan liability	**(46.3)**	(38.5)

The amounts recognised in the balance sheet and the movements in the net defined benefit obligations over the year are as follows:

	Present value of obligation			Fair value of plan assets			Total net defined liability
2019	**ROI €'m**	**UK €'m**	**Total €'m**	**ROI €'m**	**UK €'m**	**Total €'m**	**€'m**
At the beginning of the year	**(127.3)**	**(97.5)**	**(224.8)**	**105.9**	**80.4**	**186.3**	**(38.5)**
Current service cost	**(1.7)**	**–**	**(1.7)**	**–**	**–**	**–**	**(1.7)**
Past service cost	**–**	**1.2**	**1.2**	**–**	**–**	**–**	**1.2**
Interest (expense)/income	**(2.3)**	**(2.5)**	**(4.8)**	**1.9**	**2.2**	**4.1**	**(0.7)**
Total amount recognised in profit or loss	**(4.0)**	**(1.3)**	**(5.3)**	**1.9**	**2.2**	**4.1**	**(1.2)**
Remeasurements							
– Return of plan assets in excess of interest income	**–**	**–**	**–**	**10.2**	**1.1**	**11.3**	**11.3**
– Actuarial loss arising from experience adjustments	**(0.7)**	**–**	**(0.7)**	**–**	**–**	**–**	**(0.7)**
– Actuarial loss arising from changes in demographic assumptions	**–**	**(0.6)**	**(0.6)**	**–**	**–**	**–**	**(0.6)**
– Actuarial loss arising from changes in financial assumptions	**(14.2)**	**(10.4)**	**(24.6)**	**–**	**–**	**–**	**(24.6)**
Total amount recognised in other comprehensive income	**(14.9)**	**(11.0)**	**(25.9)**	**10.2**	**1.1**	**11.3**	**(14.6)**
Exchange differences	**–**	**(5.8)**	**(5.8)**	**–**	**5.0**	**5.0**	**(0.8)**
Contributions paid by the employer	**–**	**–**	**–**	**2.0**	**6.8**	**8.8**	**8.8**
Contributions paid by the employee	**(0.3)**	**–**	**(0.3)**	**0.3**	**–**	**0.3**	**–**
Benefits paid	**4.0**	**4.6**	**8.6**	**(4.0)**	**(4.6)**	**(8.6)**	**–**
At the end of the year	**(142.5)**	**(111.0)**	**(253.5)**	**116.3**	**90.9**	**207.2**	**(46.3)**

	Present value of obligation			Fair value of plan assets			Total net defined liability
2018	ROI €'m	UK €'m	Total €'m	ROI €'m	UK €'m	Total €'m	€'m
At the beginning of the year	(122.7)	(104.9)	(227.6)	103.3	82.4	185.7	(41.9)
Current service cost	(1.8)	–	(1.8)	–	–	–	(1.8)
Past service cost	–	(2.1)	(2.1)	–	–	–	(2.1)
Interest (expense)/income	(2.3)	(2.4)	(4.7)	1.9	2.0	3.9	(0.8)
Total amount recognised in profit or loss	(4.1)	(4.5)	(8.6)	1.9	2.0	3.9	(4.7)
Remeasurements							
– Return of plan assets in excess of interest income	–	–	–	2.1	(4.6)	(2.5)	(2.5)
– Actuarial (loss)/gain arising from experience adjustments	(1.0)	2.0	1.0	–	–	–	1.0
– Actuarial gain arising from changes in demographic assumptions	–	1.9	1.9	–	–	–	1.9
– Actuarial (loss)/gain arising from changes in financial assumptions	(3.1)	2.2	(0.9)	–	–	–	(0.9)
Total amount recognised in other comprehensive income	(4.1)	6.1	2.0	2.1	(4.6)	(2.5)	(0.5)
Exchange differences	–	1.8	1.8	–	(1.5)	(1.5)	0.3
Contributions paid by the employer	–	–	–	2.2	6.1	8.3	8.3
Contributions paid by the employee	(0.4)	–	(0.4)	0.4	–	0.4	–
Benefits paid	4.0	4.0	8.0	(4.0)	(4.0)	(8.0)	–
At the end of the year	(127.3)	(97.5)	(224.8)	105.9	80.4	186.3	(38.5)

The net liability disclosed above relates to funded plans.

Notes to the Financial Statements continued

9. Retirement benefit obligations continued

The fair value of plan assets at the end of the reporting period are as follows:

	2019				2018			
	Quoted €'m	Unquoted €'m	Total €'m	%	Quoted €'m	Unquoted €'m	Total €'m	%
Equities								
– Consumer	2.6	-	2.6	1	2.7	–	2.7	1
– Financials	4.5	-	4.5	2	3.9	–	3.9	2
– Information technology	4.1	-	4.1	2	2.9	–	2.9	2
– Other	12.4	-	12.4	6	10.2	–	10.2	5
Corporate bonds								
– Investment grade	8.8	-	8.8	4	12.4	–	12.4	7
– Non-investment grade	1.0	-	1.0	1	1.3	–	1.3	1
Government bonds and gilts	48.1	-	48.1	23	29.6	–	29.6	16
Property	-	2.4	2.4	1	0.1	1.2	1.3	–
Cash	1.3	9.7	11.0	6	0.4	14.0	14.4	8
Investment funds	-	101.6	101.6	49	–	91.4	91.4	49
Other	-	10.7	10.7	5	0.3	15.9	16.2	9
	82.8	124.4	207.2	100%	63.8	122.5	186.3	100

The plan assets at the end of the reporting period do not include any equities held in the Group, nor does the Group use or occupy any of the plan assets.

Principal risks in the defined benefit pension plans

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

(a) Investment risk

The pension plans hold investments in asset classes such as equities, which have volatile market values. While these assets are expected to provide higher returns than other asset classes over the long-term, the short-term volatility could cause an increase in the deficit at any particular point in time. When assets return less than the discount rate, this will lead to an increase in the net defined benefit obligation. The Trustees conduct investment reviews to take advice on asset allocation, taking into account asset valuations, liability durations, funding measurements and an achievement of an appropriate return on assets.

(b) Interest rate risk

The pension liabilities are assessed using market yields on high-quality corporate bonds to discount the liabilities. As the pension plans hold other assets such as equities, the value of the assets and liabilities may not move in the same way. A change in the defined benefit obligation as a result of changes in the discount rate leads to volatility in the Group balance sheet, Group income statement and Group statement of comprehensive income. It also impacts the funding requirements for the plans.

(c) Inflation risk

A significant proportion of the benefits under the plans are linked to inflation, be it consumer price inflation or retail price inflation, which in most cases are subject to a cap on annual increases. Although there are caps in force on inflation increases and the plans' assets are expected to provide a good hedge against inflation over the long-term, higher inflation will lead to higher liabilities.

(d) Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

Principal assumptions used in the defined benefit pension plans

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019 ROI	**2019 UK**	2018 ROI	2018 UK
Discount rate	**1.00%**	**1.85%**	1.80%	2.65%
Inflation rate	**1.10%-1.20%**	**2.05%-2.95%**	1.30%-1.40%	2.20%-3.20%
Future salary increases*	**2.20%**	**0.00%**	2.40%	0.00%
Future pension increases	**0.00%**	**2.15%-2.80%**	0.00%	2.25%-2.95%
Mortality rates (years)				
– Male – reaching 65 years of age in 20 years' time	**23.8**	**22.0**	23.8	21.8
– Female – reaching 65 years of age in 20 years' time	**25.9**	**24.2**	25.9	24.1
– Male – currently aged 65 years old	**21.4**	**20.9**	21.4	20.7
– Female – currently aged 65 years old	**23.9**	**22.9**	23.9	22.9

* The ROI defined benefit pension plans are on a career average structure therefore this assumption does not have a material impact. The UK defined benefit pension plans comprise solely pensioners and deferred pensioners.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Sensitivity analysis for principal assumptions used to measure plan liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension plans. The following table analyses, for the Group's pension plans, the estimated impact on the plan liabilities resulting from changes to key actuarial assumptions, with all other assumptions remaining constant.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated. The impact on the plan liabilities has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised on the Group balance sheet.

There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

		ROI plans		**UK plans**	
Assumption	**Change in assumption**	**Increase €'m**	**Decrease €'m**	**Increase €'m**	**Decrease €'m**
2019					
Discount rate	0.25% movement	**(6.0)**	**6.4**	**(4.2)**	**4.5**
Inflation rate	0.25% movement	**1.8**	**(1.8)**	**3.7**	**(3.6)**
Mortality rate	1 year movement	**4.7**	**(4.6)**	**5.1**	**(5.1)**
Future salary increases*					
Future pension increases**					
2018					
Discount rate	0.25% movement	(5.2)	5.5	(3.6)	3.8
Inflation rate	0.25% movement	1.5	(1.5)	2.8	(2.9)
Mortality rate	1 year movement	3.8	(3.8)	4.0	(4.0)
Future salary increases*					
Future pension increases**					

* The majority of the defined benefit plans are career average plans. As a result, future salary increases will not have a material impact on the plan liabilities.
** There are no future pension increases agreed in the material defined benefit pension plans.

	2019 ROI plans	**2019 UK plans**	2018 ROI plans	2018 UK plans
Expected contributions to the defined benefit plans for the coming year (€'m)	**2.2**	**7.0**	2.3	6.0
Weighted average duration of the defined benefit plans	**17 years**	**15 years**	17 years	15 years

Notes to the Financial Statements continued

10. Share-based payment expense

The Group operates various equity settled share-based payment arrangements which are described in this note. Further details of the plans are available in the Remuneration Committee Report on pages 84 to 108.

The total cost recognised in the Group income statement is analysed as follows:

	Notes	**2019** **€'m**	2018 €'m
The 2008 Long-term incentive plan (2008 LTIP)		**0.3**	4.9
The 2018 Long-term incentive plan (2018 LTIP)		**2.4**	1.9
The 2019 Restricted Share Plan (2019 RSP)		**1.6**	–
The annual incentive deferred into shares scheme (AIDIS)		**0.3**	2.0
	7/32	**4.6**	8.8

Refer to note 23 for the movement in the share-based payment reserve recognised in the Group balance sheet.

2008 LTIP and 2018 LTIP

The 2008 LTIP was introduced in 2008 following approval by the shareholders, under which share awards are granted to Executive Directors and certain senior managers in the form of a provisional allocation of shares for which no exercise price is payable. The 2008 LTIP expired on 4 March 2018 and was replaced by the 2018 LTIP. No further awards were made under the 2008 LTIP after 4 March 2018.

Awards granted under the 2008 LTIP and 2018 LTIP are scheduled to vest to the extent that there is sustained improvement in the underlying financial performance over a three-year period and that the service condition is fulfilled as determined by the Remuneration Committee. Awards lapse/expire by the fourth anniversary of the date of a grant. The maximum annual award level is 250% of base salary. Vesting is determined on a straight line basis between threshold and maximum. There is a requirement to hold shares received pursuant to the vesting of LTIP awards for a minimum period of one year post-vesting (two years for members of the Group Operating Executive).

The extent of vesting for awards outstanding is determined based on a combination of performance metrics comprised of Group adjusted Earnings Per Share (EPS), relative Total Shareholder Return performance (TSR) against the STOXX Europe 600 Food & Beverage index, Group Return on Capital Employed (ROCE), business segment EBITA and ROCE where applicable, a service condition and in certain circumstances a personal objective.

2019 RSP

This scheme was introduced in 2019 to provide share awards to certain employees. The maximum award level is 250% of base salary. The extent of vesting for awards outstanding is generally determined based on a service condition and personal objectives.

AIDIS

This scheme is an annual performance related incentive scheme for Executive Directors and other senior management. The fair value of the annual incentive deferred into shares scheme was calculated as €0.3 million in 2019 (2018: €2.0 million) and equates to the cash value of the portion of the annual incentive that will be settled by way of shares. The number of shares received is determined by the share price on the date of allocation. The incentive will be invested in shares in the Company and delivered to the Executive Directors and senior management two years following this investment.

2002 LTIP

This plan closed to further grants in 2012, the last share options were granted in 2011. Under the 2002 LTIP, options could not be exercised before the expiration of three years from the date of grant and could only be exercised if a pre-determined performance criterion for the Group had been achieved. The performance criterion required an increase in the adjusted Earnings per Share (EPS) of the Group of at least the Consumer Price Index plus 5% over a three-year period. When the options are exercised, the Company issues new shares and the fair value of the awards exercised is reclassified from the share-based payment reserve to retained earnings. The fair value of the share options was calculated using the Binomial Model.

In accordance with the terms of the 2002 LTIP, certain executives to whom options were granted in 2004 were eligible to receive share awards related to the number of ordinary shares which they held on the second anniversary of the exercise of the option up to a maximum of 1,450 ordinary shares. There are no share awards outstanding as at the end of the year (2018: nil).

There is no movement in the number of options outstanding under 2002 LTIP for the year ended 4 January 2020 and 29 December 2018. The number of share options outstanding and exercisable as at 4 January 2020 and 29 December 2018 is 40,000. They have a weighted average exercise price of €4.38 per share and expire in 2021.

Movement in the number of awards of the 2018 LTIP, 2008 LTIP and 2019 RSP, and the weighted average fair value of grants during the years ended 4 January 2020 and 29 December 2018 are as follows:

	2018 LTIP		2008 LTIP		2019 RSP	
	2019 Number	2018 Number	**2019 Number**	2018 Number	**2019 Number**	2018 Number
At the beginning of the year	**1,002,386**	–	**1,349,801**	2,203,668	**–**	–
Granted	**925,522**	1,063,248	**–**	–	**222,116**	–
Vested	**–**	–	**(304,444)**	(480,995)	**(56,457)**	–
Lapsed	**(95,280)**	(60,862)	**(352,754)**	(372,872)	**(6,000)**	–
At the end of the year	**1,832,628**	1,002,386	**692,603**	1,349,801	**159,659**	–
Weighted average fair value of awards granted	**€15.94**	€12.45	**–**	–	**€14.41**	–

The assumptions used in the valuation of the awards granted under 2018 LTIP and 2019 RSP during the years ended 4 January 2020 and 29 December 2018 included:

	2018 LTIP – 2019 awards	2018 LTIP – 2018 awards	**2019 RSP – 2019 awards**
Model used	**Monte Carlo**	Monte Carlo	**Discounted cash flow**
Year of earliest vesting date	**2022**	2021	**2019-2022**
Share price at date of award	**€17.73**	€13.86	**€9.91-€17.01**
Risk-free interest rate	**(0.63%)**	(0.35%)	**–**
Expected volatility*	**25.7%**	24.40%	**–**
Expected dividend yield	**1.56%**	1.38%	**1.55%-1.69%**
Fair value – TSR component	**€8.68**	€6.49	**–**
Fair value – non-market performance component	**€16.92**	€13.29	**–**

* Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the award.

11. Finance income and costs

	Notes	**2019 €'m**	2018 €'m
Finance income			
Interest income on loans at amortised cost to related parties	35	**1.3**	0.4
Interest income on deposits		**4.7**	3.1
Net interest income on cross currency swaps		**0.2**	0.4
Total finance income	32	**6.2**	3.9
Finance costs			
Bank borrowing costs		**(24.0)**	(12.2)
Facility fees including cost amortisation		**(1.1)**	(2.0)
Finance cost of private placement debt		**(7.4)**	(7.2)
Total finance costs	32	**(32.5)**	(21.4)
Net finance costs		**(26.3)**	(17.5)

Net finance costs do not include bank borrowing costs of €0.7 million (2018: €0.8 million) attributable to the acquisition, construction or production of a qualifying asset, which have been capitalised, as disclosed in note 15. Interest is capitalised at the Group's average interest rate for the period of 3.4% (2018: 4.3%). Where relevant, tax deduction for capitalised interest was taken in accordance with Sec 81(3), TCA 1997. Tax relief in relation to capitalised interest is nil (2018: nil).

Notes to the Financial Statements continued

12. Income taxes

	Notes	2019 €'m	2018 €'m
Current tax			
Irish current tax charge		**3.2**	15.7
Adjustments in respect of prior years		**0.9**	(0.9)
Irish current tax for the year		**4.1**	14.8
Foreign current tax		**16.0**	17.9
Adjustments in respect of prior years		**(0.9)**	1.0
Foreign current tax for the year		**15.1**	18.9
Total current tax		**19.2**	33.7
Deferred tax			
Deferred tax – current year		**(1.2)**	(0.7)
Adjustments in respect of prior years		**0.9**	(0.2)
Total deferred tax	26	**(0.3)**	(0.9)
Tax charge	32	**18.9**	32.8

The tax credit on exceptional items included in the above amounts is as follows:

	Notes	2019 €'m	2018 €'m
Current tax credit on exceptional items		**(4.4)**	–
Deferred tax credit on exceptional items		**(0.1)**	–
Total tax credit on exceptional items for the year	6	**(4.5)**	–

The net tax credit on exceptional items in 2019 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:

	2019 €'m	2018 €'m
Profit before tax	**199.1**	266.8
Income tax calculated at Irish rate of 12.5% (2018: 12.5%)	**24.9**	33.3
Earnings at higher Irish rates	**0.2**	0.4
Difference due to overseas tax rates (capital and trading)	**4.0**	3.3
Adjustment to tax charge in respect of previous periods	**0.9**	(0.1)
Tax on share of results of equity accounted investees included in profit before tax	**(6.2)**	(5.7)
Other reconciling differences	**(4.9)**	1.6
Total tax charge	**18.9**	32.8

Details of deferred tax charged or credited directly to other comprehensive income during the year are outlined in note 26.

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 and further clarification on certain application matters in relation to the Tax Cuts and Jobs Act enacted in December 2017 in the US. 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 which is considered to be the best predictor of the final outcome.

13. Earnings Per Share

Basic

Basic Earnings Per Share is calculated by dividing the net profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as own shares (note 23). The weighted average number of ordinary shares in issue used in the calculation of Basic Earnings Per Share is 295,215,046 (2018: 295,159,530).

	2019	2018
Profit after tax attributable to equity holders of the Company (€'m)	**180.2**	234.0
Basic Earnings Per Share (cent)	**61.04**	79.28

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. The number of share options represents the number expected to be exercised.

	2019	2018
Weighted average number of ordinary shares in issue	**295,215,046**	295,159,530
Shares deemed to be issued for no consideration in respect of:		
– Share awards	**543,676**	858,826
– Share options	**27,441**	28,182
Weighted average number of shares used in the calculation of Diluted Earnings Per Share	**295,786,163**	296,046,538
Diluted Earnings Per Share (cent)	**60.92**	79.04

14. Dividends

The dividends paid and recommended on ordinary share capital are as follows:

	Notes	**2019** **€'m**	2018 €'m
Equity dividends to shareholders			
Final – paid 14.49c per ordinary share (2018: 16.09c)		**42.9**	47.6
Interim – paid 10.68c per ordinary share (2018: 9.71c)		**31.6**	28.7
Total		**74.5**	76.3
Reconciliation to Group statement of cash flows and statement of changes in equity			
Dividends to shareholders		**74.5**	76.3
Waived dividends in relation to own shares		**(0.2)**	(0.3)
Total dividends paid to equity holders of the Company	24	**74.3**	76.0
Equity dividends recommended			
Final 2019 – proposed 15.94c per ordinary share (2018: 14.49c)	36	**47.2**	42.9

Notes to the Financial Statements continued

15. Property, plant and equipment

	Notes	Land and buildings €'m	Plant and equipment €'m	Motor vehicles €'m	Total €'m
Year ended 4 January 2020					
Opening carrying amount		**186.9**	**265.2**	**0.9**	**453.0**
Exchange differences		**4.3**	**7.4**	**–**	**11.7**
Acquisitions	34	**11.5**	**5.1**	**–**	**16.6**
Additions		**9.3**	**32.3**	**0.1**	**41.7**
Impairment	5/6	**–**	**(0.4)**	**–**	**(0.4)**
Disposal of assets		**–**	**(0.4)**	**–**	**(0.4)**
Depreciation charge	5/32	**(10.8)**	**(37.0)**	**(0.3)**	**(48.1)**
Closing carrying amount		**201.2**	**272.2**	**0.7**	**474.1**
At 4 January 2020					
Cost		**290.5**	**594.7**	**3.1**	**888.3**
Accumulated depreciation and impairment		**(89.3)**	**(322.5)**	**(2.4)**	**(414.2)**
Carrying amount		**201.2**	**272.2**	**0.7**	**474.1**
Year ended 29 December 2018					
Opening carrying amount		182.1	259.3	0.8	442.2
Exchange differences		6.9	10.5	–	17.4
Acquisitions		0.3	0.1	–	0.4
Additions		7.5	29.3	0.4	37.2
Disposal of assets		(0.6)	(0.6)	–	(1.2)
Depreciation charge	4/5/32	(9.3)	(33.4)	(0.3)	(43.0)
Closing carrying amount		186.9	265.2	0.9	453.0
At 29 December 2018					
Cost		257.6	542.6	3.1	803.3
Accumulated depreciation and impairment		(70.7)	(277.4)	(2.2)	(350.3)
Carrying amount		186.9	265.2	0.9	453.0

Included in the closing cost at 4 January 2020 is an amount of €14.7 million (2018: €15.5 million) incurred in respect of assets under construction. Included in the cost of additions for 2019 is €0.3 million (2018: €1.2 million) incurred in respect of staff costs capitalised into assets. Included in the cost of additions for 2019 is €0.7 million (2018: €0.8 million) incurred in respect of borrowing cost capitalised into assets.

Assets held under finance leases

At 4 January 2020, tangible fixed assets held under finance leases amounted to nil (2018: €0.1 million). Depreciation on assets held under finance leases was nil (2018: €0.3 million).

16. Intangible assets

	Notes	Goodwill €'m	Brands and other intangibles €'m	Software costs €'m	Development costs €'m	Total €'m
Year ended 4 January 2020						
Opening carrying amount		**549.8**	**680.1**	**53.9**	**20.2**	**1,304.0**
Exchange differences		**14.2**	**18.1**	**0.9**	**0.6**	**33.8**
Acquisitions		**10.3***	**25.5***	**0.3**	**–**	**36.1**
Additions		**–**	**0.5**	**18.8**	**14.3**	**33.6**
Impairment	5/6	**–**	**–**	**–**	**(2.0)**	**(2.0)**
Amortisation	5/32	**–**	**(40.1)**	**(9.5)**	**(11.3)**	**(60.9)**
Closing carrying amount		**574.3**	**684.1**	**64.4**	**21.8**	**1,344.6**
At 4 January 2020						
Cost		**574.3**	**915.6**	**112.9**	**101.9**	**1,704.7**
Accumulated amortisation and impairment		**–**	**(231.5)**	**(48.5)**	**(80.1)**	**(360.1)**
Carrying amount		**574.3**	**684.1**	**64.4**	**21.8**	**1,344.6**
Year ended 29 December 2018						
Opening carrying amount		396.2	503.9	43.4	16.3	959.8
Exchange differences		16.1	21.2	0.9	0.7	38.9
Acquisitions		137.5**	183.0	0.1	–	320.6
Additions		–	1.0	16.3	13.3	30.6
Amortisation	4/5/32	–	(29.0)	(6.8)	(10.1)	(45.9)
Closing carrying amount		549.8	680.1	53.9	20.2	1,304.0
At 29 December 2018						
Cost		549.8	871.6	96.1	87.8	1,605.3
Accumulated amortisation and impairment		–	(191.5)	(42.2)	(67.6)	(301.3)
Carrying amount		549.8	680.1	53.9	20.2	1,304.0

* Goodwill acquired in 2019 comprised €11.8 million of goodwill arising on the Watson acquisition less a €1.5 million revision to goodwill on the acquisition of SlimFast. Brands and other intangibles acquired comprised of €22.8 million of brands and other intangibles arising on the Watson acquisition plus a €2.7 million revision to customer relationships on the acquisition of SlimFast.

** Goodwill acquired in 2018 comprised €137.0 million of goodwill arising on the SlimFast acquisition plus a €0.5 million revision to goodwill on the acquisition of Body & Fit.

The average remaining amortisation period for software costs is 5.6 years (2018: 5.8 years) and development costs is 2.1 years (2018: 2.2 years).

Approximately €8.8 million (2018: €12.6 million) of software additions during the year were internally generated which included €7.5 million (2018: €12.1 million) of staff costs capitalised. Approximately €14.2 million of development cost additions during the year (2018: €12.6 million) were internally generated which included €7.1 million (2018: €6.9 million) of staff costs capitalised.

Notes to the Financial Statements continued

16. Intangible assets continued

Brands and other intangibles

	Brands €'m	Customer relationships €'m	Recipes, Know-how and other €'m	Total €'m
Year ended 4 January 2020				
Opening carrying amount	**463.4**	**214.7**	**2.0**	**680.1**
Exchange differences	**12.3**	**5.9**	**(0.1)**	**18.1**
Acquisitions	**1.1**	**15.6***	**8.8**	**25.5**
Additions	**0.5**	**–**	**–**	**0.5**
Amortisation	**(12.7)**	**(26.3)**	**(1.1)**	**(40.1)**
Closing carrying amount	**464.6**	**209.9**	**9.6**	**684.1**
At 4 January 2020				
Cost	**519.2**	**386.1**	**10.3**	**915.6**
Accumulated amortisation and impairment	**(54.6)**	**(176.2)**	**(0.7)**	**(231.5)**
Carrying amount	**464.6**	**209.9**	**9.6**	**684.1**
Year ended 29 December 2018				
Opening carrying amount	335.2	166.4	2.3	503.9
Exchange differences	14.3	6.8	0.1	21.2
Acquisitions	120.7	62.3	–	183.0
Additions	1.0	–	–	1.0
Amortisation	(7.8)	(20.8)	(0.4)	(29.0)
Closing carrying amount	463.4	214.7	2.0	680.1
At 29 December 2018				
Cost	507.8	360.3	3.5	871.6
Accumulated amortisation and impairment	(44.4)	(145.6)	(1.5)	(191.5)
Carrying amount	463.4	214.7	2.0	680.1

* Customer relationships acquired comprised of €12.9 million of customer relationships arising on the Watson acquisition plus a €2.7 million revision relating to the SlimFast acquisition.

Individually material intangible assets with definite useful lives

	Carrying amount 2019 €'m	Average remaining amortisation period 2019 Years	Carrying amount 2018 €'m	Average remaining amortisation period 2018 Years
Brands				
Glanbia Performance Nutrition – BSN	**44.4**	**31**	44.6	32
Glanbia Performance Nutrition – Isopure	**56.4**	**35**	56.5	36
Glanbia Performance Nutrition – think!	**69.3**	**36**	69.3	37
Glanbia Performance Nutrition – Amazing Grass	**34.0**	**37**	34.0	38
Glanbia Performance Nutrition – Body & Fit	**11.3**	**37**	11.6	38
Glanbia Performance Nutrition – SlimFast North America	**99.6**	**39**	99.7	40
Glanbia Performance Nutrition – SlimFast UK	**20.4**	**39**	20.4	40
Customer relationships				
Glanbia Performance Nutrition – Optimum Nutrition	**19.3**	**3**	23.7	4
Glanbia Performance Nutrition – BSN	**16.1**	**6**	18.8	7
Glanbia Performance Nutrition – Isopure	**18.0**	**8**	19.8	9
Glanbia Performance Nutrition – think!	**47.5**	**9**	51.6	10
Glanbia Performance Nutrition – Amazing Grass	**29.5**	**12**	31.1	13
Glanbia Performance Nutrition – SlimFast North America	**44.5**	**14**	44.5	15
Glanbia Performance Nutrition – SlimFast UK	**16.9**	**14**	17.2	15

Management reviewed the amortisation period and amortisation method for the intangible assets with definite useful lives at the reporting date. Management noted no difference in the expected useful life of the brands and customer relationship assets from the original estimates and noted no change in the expected pattern of consumption of the future economic benefits of the assets.

Individually material indefinite life intangible assets

	Carrying amount 2019 €'m	**Useful life 2019 Years**	Carrying amount 2018 €'m	Useful life 2018 Years
Brands				
Glanbia Performance Nutrition – Optimum Nutrition	**110.1**	**Indefinite**	107.1	Indefinite

During 2018 the Group acquired a patent in respect of the Optimum Nutrition brand for a cost of €1.0 million. As this is directly related to the Optimum Nutrition Brand which has an indefinite useful life, it was capitalised as part of the Optimum Nutrition indefinite life intangible asset. The remaining movement in the carrying amount of the asset is in relation to exchange differences arising on translation at year end.

As at the reporting date management reviewed the events and circumstances supporting the indefinite useful life assessment. The brand is long established, continues to have a strong market presence with high customer recognition and there are no material legal, contractual or other factors that limit its useful life. In addition, the likelihood that market based factors could truncate the brand's life is relatively remote because of the size, diversification and market share of the brand. It was determined that this asset will continue to contribute indefinitely to the cash flows of the Group.

Impairment tests for goodwill and indefinite life intangibles
Goodwill and indefinite life intangibles acquired in business combinations are allocated to the Group's cash generating units (CGUs) that are expected to benefit from the business acquisition, rather than where the assets are owned. The CGUs represent the lowest level within the Group at which the associated goodwill and indefinite life intangibles are monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8 'Operating Segments'. CGUs are kept under review to ensure that they reflect changing interdependencies of cash inflows within the Group and how management monitors operations.

A summary of the carrying value of goodwill and indefinite life intangibles together with the number of CGUs is analysed between the operating segments in the Group as follows:

	2019			2018		
	Goodwill €'m	**Indefinite life intangibles €'m**	**Number of CGUs**	Goodwill €'m	Indefinite life intangibles €'m	Number of CGUs
Glanbia Performance Nutrition	**457.2**	**110.1**	**10**	447.4	107.1	9
Glanbia Nutritionals	**117.1**	**–**	**5**	102.4	–	4
	574.3	**110.1**	**15**	549.8	107.1	13

In accordance with IAS 36 'Impairment of Assets', the CGUs to which significant amounts of goodwill and indefinite life intangibles have been allocated and the associated discount rates used for impairment testing are set out below:

	2019			2018		
	Goodwill €'m	**Indefinite life intangibles €'m**	**Discount rate**	Goodwill €'m	Indefinite life intangibles €'m	Discount rate
Glanbia Performance Nutrition – Optimum Nutrition	**77.4**	**110.1**	**7.55%**	76.3	107.1	8.80%
Glanbia Performance Nutrition – Isopure	**56.9**	**–**	**7.58%**	55.4	–	9.35%
Glanbia Performance Nutrition – think!	**83.5**	**–**	**7.12%**	81.3	–	8.22%
Glanbia Performance Nutrition – Amazing Grass	**38.1**	**–**	**7.12%**	37.1	–	8.22%
Glanbia Performance Nutrition – Body & Fit	**28.5**	**–**	**6.95%**	28.5	–	8.63%
Glanbia Performance Nutrition – SlimFast North America	**112.6**	**–**	**7.12%**	110.9	–	8.43%
Glanbia Performance Nutrition – SlimFast UK	**26.3**	**–**	**7.49%**	25.7	–	8.43%
Glanbia Nutritionals – Premix and non-dairy bioactives – Americas	**72.2**	**–**	**7.12%**	70.2	–	8.22%
Other CGUs without individually significant goodwill	**78.8**	**–**	**7.12%-7.89%**	64.4	–	6.17%-9.50%
	574.3	**110.1**		549.8	107.1	

Notes to the Financial Statements continued

16. Intangible assets continued

Key assumptions

The recoverable amount of goodwill and indefinite life intangibles allocated to a CGU is determined based on a value in use computation. The key assumptions for calculating value in use of the CGUs are discount rates, growth rates and cash flows. They are described as follows:

Discount rates

Refer to the preceding table for the pre-tax discount rates that are applied to the cash flow projections in the value in use computations. The pre-tax discount rates are based on the Group's weighted average cost of capital, calculated using the Capital Asset Pricing Model adjusted for the Group's specific beta coefficient together with a country risk premium to take account of the countries from where the CGU derives its cash flows.

Growth rates

A terminal value of 2% growth into perpetuity was used to extrapolate cash flows beyond the budget and strategic plan period. This growth rate does not exceed the long-term average growth rate for the industries in which each CGU operates. The application of the terminal value has taken account of the Group's position, playing in large and growing markets which centre around nutrition and healthy lifestyles.

Cash flows

The cash flow projections are based on three years of cash flows being, the 2020 budget formally approved by, and the strategic plan for 2021 and 2022 as presented to, the Board of Directors. In cases where management have strategic plans beyond 2022 these numbers are also used in the projections. Due to management's plan as part of the Direct-to-Consumer business model to reinvest the profits of the business for a number of years to drive revenue growth and build the brand for potential expansion into other markets, the cash flows of the CGU relating to Body & Fit are forecast over a period of seven years. In respect of think! lifestyle business the strategy presented to the Board covered a five year period from 2020 to 2024 and these cash flows have been used in the impairment calculations.

In preparing the 2020 budget and strategic plan, management considered the Group's history of earnings, past experience and cash flow generation. Management also considered external sources of information pertaining to estimated growth of the relevant market, customer and consumer behaviours, competitor activity and developing trends in the industry in which the CGU operates in. Business sustaining capital expenditure and working capital requirements are estimated by assigning values to the investment required to support the estimated future profitability taking into account historic investment patterns and past experience. The cash flow projections exclude the impact of future development and acquisition activity.

No impairments relating to goodwill, brands and other intangibles, and software costs arose in either 2019 or 2018.

Sensitivity analysis

The key assumptions underlying the impairment reviews are set out above. Sensitivity analysis has been conducted in respect of each of the CGUs using the following sensitivity assumptions: 1% increase in the discount rate; 10% decrease in EBITDA growth; and nil terminal value growth.

From our sensitivity analysis, we have identified one CGU, the think! lifestyle business, where a reasonably possible change in the pre-tax discount rate or the terminal value growth rate could result in an impairment charge. The recoverable amount of this CGU exceeds its carrying amount by €55.5 million. The change required to the relevant assumptions that would result in the carrying amount to equal its recoverable amount is as follows: 2019 pre-tax discount rate of 7.12% increase by 123bps or terminal value growth of 2% decrease by 173bps.

17. Equity accounted investees

The Group's interests in equity accounted investees at the end of the reporting period is as follows:

	Notes	**2019** **€'m**	2018 €'m
MWC-Southwest Holdings LLC	(a)	**110.7**	83.4
Glanbia Cheese Limited	(b)	**40.1**	34.8
Glanbia Cheese EU Limited	(c)	**24.2**	19.7
Glanbia Ireland DAC	(d)	**198.2**	196.6
Interests in joint ventures		**373.2**	334.5

The joint ventures have share capital, consisting solely of ordinary shares, membership interests or membership units and preference shares.

(a) In 2018, MWC-Southwest Holdings LLC (formerly known as Spartan-Southwest Holdings LLC) was established to hold 100% of the ownership interest in Southwest Cheese Company, LLC (Southwest Cheese) and MWC (Michigan) LLC (formerly known as Spartan-Michigan LLC) (MWC). Consequently, the Group owns 50% of MWC-Southwest Holdings LLC and its two subsidiaries (Southwest/Midwest Group). Southwest Cheese is a large scale manufacturer of premium quality block cheese and whey protein ingredients for consumer foods markets internationally. MWC will also be a large scale manufacturer of premium quality block cheese and whey protein ingredients for consumer foods markets internationally. The plant is currently under construction in Michigan, US and is expected to be commissioned in 2021.

(b) Glanbia Cheese Limited is a leading European mozzarella producer. Its customers include most of the leading pizza and pasta chains, food service operators, industrial food manufacturers, wholesalers and retailers across Europe and internationally. The two plants (Magheralin and Llangefni) are strategically located in productive agricultural heartland which helps to ensure a secure and consistent supply of high-quality milk. The Group holds 51% of the share capital of Glanbia Cheese Limited but this entity is considered to be a joint venture as the Group does not have control of the company as it has equal representation on the Board of Directors, along with its joint venture partner Leprino Foods Company who directs the relevant activities of the business. The Group controls 50% of the voting rights and is entitled to appoint 50% of the total number of Directors to the Board.

(c) Glanbia Cheese EU Limited was established in 2018 and is a joint venture with Leprino Foods Company with each party owning 50% of the share capital of the company. The Group controls 50% of the voting rights and is entitled to appoint 50% of the total number of Directors to the Board. When operating, the company will be a producer of mozzarella cheese with a plant situated in Portlaoise, Ireland. It is expected to be commissioned in 2020.

(d) Glanbia Ireland DAC is the largest dairy and agribusiness in Ireland. It owns leading consumer and agri brands such as Avonmore, GAIN Animal Nutrition, Kilmeaden Cheese, Premier Milk, mymilkman.ie and Wexford Cheese. The Group holds 40% of the ordinary share capital of Glanbia Ireland DAC. However this entity is considered to be a joint venture of the Group as the business plan, which directs the relevant activities of the business, requires the unanimous approval of both the Group and Glanbia Co-operative Society Limited (the Society) (60% shareholding).

Refer to note 37 for further details of the joint ventures.

The movement in the equity accounted investees recognised in the Group balance sheet is as follows:

	Notes	**2019** **€'m**	2018 €'m
At the beginning of the year		**334.5**	266.9
Investment in joint ventures		**36.6**	53.9
Share of profit after tax (post exceptional)	32	**48.6**	45.3
Share of other comprehensive income			
– Remeasurements on defined benefit plan, net of deferred tax	24	**(8.3)**	(2.0)
– Fair value movement on cash flow hedges, net of deferred tax	23(d)	**(10.0)**	(4.2)
Dividends received	35	**(35.3)**	(31.6)
Income tax movement		**2.7**	3.6
Exchange differences		**4.4**	2.6
At the end of the year		**373.2**	334.5

Notes to the Financial Statements continued

17. Equity accounted investees continued

Summarised financial information for equity accounted investees

Set out below is the summarised financial information for the Group's equity accounted investees, which are accounted for using the equity method. The information below reflects the amounts presented in the financial statements of the equity accounted investees reconciled to the carrying value of the Group's interest in equity accounted investees.

2019	Notes	Glanbia Ireland DAC* €'m	Glanbia Cheese Limited €'m	Glanbia Cheese EU Limited €'m	Southwest/ Midwest Group €'m
Summarised balance sheet (100%):					
Non-current assets		711.8	41.3	72.6	563.8
Current assets					
Cash and cash equivalents		47.9	46.5	8.3	11.4
Other current assets		421.3	44.5	2.0	140.3
		469.2	91.0	10.3	151.7
Non-current liabilities					
Financial liabilities		(274.0)	–	–	(312.2)
Other non-current liabilities		(176.7)	(6.0)	(24.3)	(17.2)
		(450.7)	(6.0)	(24.3)	(329.4)
Current liabilities					
Bank overdrafts and loans		(61.5)	–	–	–
Other current liabilities		(247.0)	(52.4)	(10.3)	(164.7)
		(308.5)	(52.4)	(10.3)	(164.7)
Net assets (100%)		421.8	73.9	48.3	221.4
Net assets attributable to equity holders of the Company		410.0	73.9	48.3	221.4
Reconciliation to carrying amount:					
Group's equity interest		40%	51%	50%	50%
Group's share of net assets		164.0	37.7	24.2	110.7
Adjustment in respect of unrealised profit on sales to the Group		(2.5)	–	–	–
Fair value adjustments on investment in Glanbia Ireland DAC		36.7	–	–	–
Dividend income receivable		–	2.4	–	–
Carrying amount		198.2	40.1	24.2	110.7
Summarised income statement (100%):					
Revenue		1,961.8	341.7	–	1,034.2
Depreciation		(30.4)	(5.0)	–	(19.0)
Amortisation		(2.7)	(0.2)	–	(0.1)
Interest (expense)/income		(11.9)	0.2	–	(11.2)
Tax		(9.4)	(7.1)	0.1	(8.2)
Profit after tax		62.8	26.6	(1.1)	21.7
Other comprehensive income		(22.5)	(1.0)	–	(17.6)
Total comprehensive income		40.3	25.6	(1.1)	4.1
Profit after tax attributable to equity holders of the Company		61.7	26.6	(1.1)	21.7
Total comprehensive income attributable to equity holders of the Company		39.3	25.6	(1.1)	4.1
Reconciliation to the Group's share of total comprehensive income:					
Group's share of total comprehensive income		15.7	13.1	(0.6)	2.1
Adjustment in respect of unrealised profit on sales to the Group		(1.3)	–	–	–
Amortisation of intangible assets recognised on the fair value adjustments		(1.1)	–	–	–
Dividends receivable by the Group		–	2.4	–	–
Group's share of total comprehensive income		13.3	15.5	(0.6)	2.1
Dividends received by Group	35	11.6	12.5	–	11.2

* The difference between the net assets and the net assets attributable to equity holders of the Company is the portion of net assets attributable to non-controlling interests.

2018	Notes	Glanbia Ireland DAC* €'m	Glanbia Cheese Limited €'m	Glanbia Cheese EU Limited €'m	Southwest/ Midwest Group** €'m
Summarised balance sheet (100%):					
Non-current assets		669.4	40.7	29.5	376.6
Current assets					
Cash and cash equivalents		57.4	24.2	2.1	18.5
Other current assets		494.4	47.7	12.1	108.3
		551.8	71.9	14.2	126.8
Non-current liabilities					
Financial liabilities		(368.5)	–	–	(256.7)
Other non-current liabilities		(136.1)	(9.9)	(1.9)	–
		(504.6)	(9.9)	(1.9)	(256.7)
Current liabilities					
Bank overdrafts and loans		–	–	–	(1.6)
Other current liabilities		(305.1)	(38.7)	(2.4)	(78.4)
		(305.1)	(38.7)	(2.4)	(80.0)
Net assets (100%)		411.5	64.0	39.4	166.7
Net assets attributable to equity holders of the Company		400.1	64.0	39.4	166.7
Reconciliation to carrying amount:					
Group's equity interest		40%	51%	50%	50%
Group's share of net assets		160.0	32.6	19.7	83.4
Adjustment in respect of unrealised profit on sales to the Group		(1.2)	–	–	–
Fair value adjustments on investment in Glanbia Ireland DAC		37.8	–	–	–
Dividend income receivable		–	2.2	–	–
Carrying amount		196.6	34.8	19.7	83.4
Summarised income statement (100%):					
Revenue		1,809.9	311.0	–	802.4
Depreciation		(27.6)	(4.7)	–	(14.7)
Interest expense		(10.8)	0.1	–	(9.5)
Tax		(9.2)	(5.9)	0.1	(7.1)
Profit after tax		57.5	22.0	(0.6)	20.2
Other comprehensive income		(10.2)	(0.9)	–	(3.5)
Total comprehensive income		47.3	21.1	(0.6)	16.7
Profit after tax attributable to equity holders of the Company		56.3	22.0	(0.6)	20.2
Total comprehensive income attributable to equity holders of the Company		46.2	21.1	(0.6)	16.7
Reconciliation to the Group's share of total comprehensive income:					
Group's share of total comprehensive income		18.5	10.8	(0.3)	8.4
Adjustment in respect of unrealised profit on sales to the Group		0.5	–	–	–
Amortisation of intangible assets recognised on the fair value adjustments		(1.0)	–	–	–
Dividends receivable by the Group		–	2.2	–	–
Group's share of total comprehensive income		18.0	13.0	(0.3)	8.4
Dividends received by Group	35	8.6	12.4	–	10.6

* The difference between the net assets and the net assets attributable to equity holders of the Company is the portion of net assets attributable to non-controlling interests.

** The information relating to the income statement and statement of comprehensive income relates primarily to Southwest Cheese Company, LLC for the period before it became a subsidiary of MWC-Southwest Holdings LLC (formerly known as Spartan-Southwest Holdings LLC) on 19 December 2018. The information relating to the balance sheet is that of Southwest/Midwest Group as at 29 December 2018.

Commitments and contingent liabilities in respect of equity accounted investees

The Group has committed to invest a further €10.0 million cash contributions in Glanbia Cheese EU Limited (2018: €15.0 million comprising of €5.0 million in share capital and €10.0 million in cash contributions). The Group has also committed to invest $7.5 million in MWC-Southwest Holdings LLC in 2020 (2018: $42.5 million).

Notes to the Financial Statements continued

18. Other financial assets

Other financial assets comprise the following:

	Notes	2019 €'m	2018* €'m
Financial assets at amortised cost			
Ornua Co-operative Limited**	29(b)/29(f)	**0.7**	1.1
Equity instruments designated at FVOCI			
The BDO Development Capital Fund		**2.1**	2.0
Others		**0.6**	0.6
		3.4	3.7

* These unlisted investments were classified as available for sale (AFS) in 2018. Refer to note 2 for details of the transition to IFRS 9.
** This is a loan note receivable from Ornua Co-operative Limited.

Other financial assets are classified as non-current assets, unless they are expected to be realised within 12 months of the reporting date or unless they will need to be sold to raise operating capital.

The movement in other financial assets is as follows:

	2019 €'m	2018 €'m
At the beginning of the year	**3.7**	11.1
Disposals/redemption	**(0.5)**	(7.9)
Fair value adjustment	**(0.2)**	0.2
Additions	**0.4**	0.3
At the end of the year	**3.4**	3.7

During 2018, there were disposals of AFS financial assets amounting to €7.9 million with proceeds of €7.9 million. The accumulated fair value adjustments in relation to these investments amounting to €5.3 million and deferred tax of €1.8 million were transferred from the AFS financial asset reserve to the income statement (note 23). The disposals included shares in IPL Plastics plc (formerly One 51 plc) as part of a share buyback programme in advance of their IPO.

19. Trade and other receivables

Current assets	Notes	2019 €'m	(restated) 2018 €'m
Trade receivables		**389.6**	372.3
Less loss allowance		**(6.6)**	(4.7)
Trade receivables – net		**383.0**	367.6
Receivables from equity accounted investees	35(c)	**8.0**	13.2
Receivables from other related parties	35(c)	**0.2**	0.2
Loans to equity accounted investees	35	**0.1**	0.1
Value added tax		**3.7**	2.2
Prepayments		**16.6**	18.4
Other receivables		**20.7**	9.9
		432.3	411.6

See note 33 for analysis of the movement in trade and other receivables. Information in relation to the Group's credit risk and fair value estimation process is included in note 29.

The currency profile of trade and other receivables is as follows:

	Euro €'m	US dollar €'m	Pound sterling €'m	Australian dollar €'m	Various €'m	Total €'m
At 4 January 2020	**43.8**	**334.9**	**30.6**	**3.1**	**19.9**	**432.3**
At 29 December 2018 (restated)	43.7	320.4	29.6	4.2	13.7	411.6

20. Inventories

	2019 €'m	2018 €'m
Raw materials	**136.6**	127.5
Work in progress	**8.0**	6.8
Finished goods	**266.5**	212.3
Consumables	**36.4**	38.0
	447.5	384.6

Recognition in the Group income statement:

	Notes	2019 €'m	(restated) 2018 €'m
Cost of inventories recognised as an expense in Cost of Goods Sold	5	**2,767.3**	2,184.6
Write down of inventory to net realisable value during the year		**26.1**	4.7
Previous write downs of inventories reversed during the year*		**(2.8)**	(5.0)
		23.3	(0.3)

* Previous write downs have been reversed as a result of increased sales prices in certain markets.

Included in write downs of inventory is an exceptional charge of €18.0 million (see note 6 for further details).

21. Cash and cash equivalents

	Notes	2019 €'m	2018 €'m
Cash at bank and in hand		**260.1**	216.4
Short term bank deposits		**8.9**	8.2
Cash and cash equivalents in the Group balance sheet	29(c)	**269.0**	224.6
Bank overdrafts used for cash management purposes	25	**(104.3)**	(48.9)
Cash and cash equivalents in the Group statement of cash flows	25	**164.7**	175.7

22. Share capital and share premium

	Number of shares (thousands)	Ordinary shares €'m	Share premium €'m	Total €'m
At 29 December 2018 and 4 January 2020	**296,046**	**17.8**	**87.6**	**105.4**

The total authorised number of ordinary shares is 350 million shares (2018: 350 million shares) with a par value of €0.06 per share (2018: €0.06 per share). All issued shares are fully paid, carry one vote per share and a right to dividends. The rights and obligations of the ordinary shares and the restrictions on the transfer of shares and voting rights are provided in Other Statutory Information.

During the year ended 4 January 2020 there were no 2002 LTIP share options exercised (2018: nil). Details of share options and awards granted under the Long-term and Annual Incentive Schemes are provided in note 10 and in the Remuneration Committee Report on pages 84 to 108.

Notes to the Financial Statements continued

23. Other reserves

	Capital reserve €'m note (a)	Merger reserve €'m note (b)	Currency reserve €'m note (c)	Hedging reserve €'m note (d)	FVOCI reserve* €'m note (e)	Own shares €'m note (f)	Share-based payment reserve €'m note (g)	Total €'m
Balance at 30 December 2018	**2.8**	**113.1**	**126.4**	**(1.0)**	**(0.1)**	**(14.4)**	**14.1**	**240.9**
Currency translation differences	**–**	**–**	**46.7**	**–**	**–**	**–**	**–**	**46.7**
Net investment hedge	**–**	**–**	**(2.4)**	**–**	**–**	**–**	**–**	**(2.4)**
Revaluation – gross	**–**	**–**	**–**	**(16.9)**	**(0.2)**	**–**	**–**	**(17.1)**
Reclassification to profit or loss – gross	**–**	**–**	**–**	**1.3**	**–**	**–**	**–**	**1.3**
Deferred tax	**–**	**–**	**–**	**3.6**	**0.1**	**–**	**–**	**3.7**
Net change in OCI	**–**	**–**	**44.3**	**(12.0)**	**(0.1)**	**–**	**–**	**32.2**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(7.6)**	**–**	**(7.6)**
Cost of share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**4.6**	**4.6**
Transfer on exercise, vesting or expiry of share-based payments	**–**	**–**	**–**	**–**	**–**	**8.0**	**(9.0)**	**(1.0)**
Balance at 4 January 2020	**2.8**	**113.1**	**170.7**	**(13.0)**	**(0.2)**	**(14.0)**	**9.7**	**269.1**
Balance at 31 December 2017	2.8	113.1	71.7	3.2	3.4	(19.1)	14.9	190.0
Currency translation differences	–	–	58.6	–	–	–	–	58.6
Net investment hedge	–	–	(3.9)	–	–	–	–	(3.9)
Revaluation – gross	–	–	–	(5.5)	–	–	–	(5.5)
Reclassification to profit or loss – gross	–	–	–	0.3	(5.3)	–	–	(5.0)
Deferred tax	–	–	–	1.0	1.8	–	–	2.8
Net change in OCI	–	–	54.7	(4.2)	(3.5)	–	–	47.0
Purchase of own shares	–	–	–	–	–	(4.3)	–	(4.3)
Cost of share-based payments	–	–	–	–	–	–	8.8	8.8
Transfer on exercise, vesting or expiry of share-based payments	–	–	–	–	–	9.0	(9.6)	(0.6)
Balance at 29 December 2018	2.8	113.1	126.4	(1.0)	(0.1)	(14.4)	14.1	240.9

*AFS financial asset reserve at and before 29 December 2018.

(a) Capital reserve

The capital reserve comprises of a capital redemption reserve and a capital reserve which arose on the re-nominalisation of the Company's share capital on conversion to the euro.

(b) Merger reserve

The merger reserve arose on the merger of Waterford Foods plc now named Waterford Foods DAC and Avonmore Foods plc now named Glanbia plc in 1997. The merger reserve adjustment represents the difference between the nominal value of the issued share capital of Waterford Foods DAC and the fair value of the shares issued by Glanbia plc.

	€'m
Share premium representing excess of fair value over nominal value of ordinary shares issued in connection with the merger of Avonmore Foods plc and Waterford Foods plc	355.3
Merger reserve adjustment	(327.2)
Share premium and other reserves relating to nominal value of shares in Waterford Foods plc	85.0
At the beginning and end of the current and prior year	113.1

(c) Currency reserve

The currency reserve reflects the foreign exchange gains and losses arising from the translation of the net investment in foreign operations and on borrowings designated as hedges of the net investment which are taken to equity. The movement in US dollar foreign exchange rates from 1.1454 as at 29 December 2018 to 1.1147 as at 4 January 2020 is the primary driver of the movement in the currency reserve in the year. When an entity is sold the accumulated foreign currency gains and losses are recycled to the income statement.

(d) Hedging reserve

The hedging reserve reflects the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Amounts accumulated in the hedging reserve are recycled to the income statement in the periods when the hedged item affects income or expense. The hedging reserve also reflects the Group's share of the effective portion of changes in the fair value of derivatives that are entered into by the Group's equity accounted investees (note 29(a)).

The movements on the hedging reserve for the years ended 4 January 2020 and 29 December 2018 are as follows:

	Equity accounted investees €'m	Group €'m	Total hedging reserve €'m
Balance at 30 December 2018	**(0.9)**	**(0.1)**	**(1.0)**
Revaluation – gross			
– Foreign exchange contracts – loss in year (currency risk)	**(0.7)**	**–**	**(0.7)**
– Commodity futures – loss in year (commodity price risk)	**(0.1)**	**–**	**(0.1)**
– Interest rate swaps – loss in year (interest rate risk)	**(14.1)**	**(2.0)**	**(16.1)**
Recognised in OCI	**(14.9)**	**(2.0)**	**(16.9)**
Reclassification to profit or loss – gross			
– Foreign exchange contracts – loss/(gain) in year (currency risk)	**1.3**	**(0.3)**	**1.0**
– Commodity futures – loss in year (commodity price risk)	**0.3**	**–**	**0.3**
Reclassified from OCI to profit or loss	**1.6**	**(0.3)**	**1.3**
Deferred tax	**3.3**	**0.3**	**3.6**
Net change in OCI	**(10.0)**	**(2.0)**	**(12.0)**
Balance at 4 January 2020	**(10.9)**	**(2.1)**	**(13.0)**
Balance at 31 December 2017	3.3	(0.1)	3.2
Revaluation – gross			
– Foreign exchange contracts – loss in year (currency risk)	(0.6)	(0.4)	(1.0)
– Commodity futures – loss in year (commodity price risk)	(1.1)	(0.1)	(1.2)
– Interest rate swaps – loss in year (interest rate risk)	(3.3)	–	(3.3)
Recognised in OCI	(5.0)	(0.5)	(5.5)
Reclassification to profit or loss – gross			
– Foreign exchange contracts – loss in year (currency risk)	0.2	0.4	0.6
– Commodity futures – gain in year (commodity price risk)	(0.4)	–	(0.4)
– Interest rate swaps – loss in year (interest rate risk)	0.1	–	0.1
Reclassified from OCI to profit or loss	(0.1)	0.4	0.3
Deferred tax	0.9	0.1	1.0
Net change in OCI	(4.2)	–	(4.2)
Balance at 29 December 2018	(0.9)	(0.1)	(1.0)

(e) FVOCI reserve

Unrealised gains and losses arising from changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognised in the FVOCI reserve. On derecognition of such an equity instrument, the accumulated balances of an instrument associated with it will be reclassified to retained earnings.

At and before 29 December 2018, this account is available for sale (AFS) financial asset reserve. Unrealised gains and losses arising from changes in the fair value of AFS financial assets are recognised in the AFS financial asset reserve. When such AFS financial assets are sold or impaired, the accumulated fair value adjustments are recycled to profit or loss.

Notes to the Financial Statements continued

23. Other reserves continued

(f) Own shares

The own shares reserve reflects the ordinary shares of Glanbia plc which are held in trust.

An Employee Share Trust was established in May 2002 to operate initially in connection with the Company's Saving Related Share Option Scheme and subsequently for the vesting of shares under the 2008 LTIP, 2018 LTIP and 2019 RSP (note 10). The Trustee of the Employee Share Trust is Computershare Trustees (Jersey) Limited, a Jersey based trustee services company. The dividend rights in respect of these shares have been waived, save 0.001 cent per share. An Employee Share Scheme Trust was established in April 2013 to operate in connection with the Company's AIDIS. The Trustee of the Employee Share Scheme Trust is Glanbia Management Services Limited. The dividend rights in respect of shares which have not vested have been waived.

The movement in own shares for the years ended 4 January 2020 and 29 December 2018 is as follows:

	2019			2018		
	Value €'m	**Nominal value €'m**	**Number of Shares**	Value €'m	Nominal value €'m	Number of Shares
At the beginning of the year	**14.4**	**0.1**	**871,335**	19.1	0.2	1,127,066
Purchased	**7.6**	**–**	**425,082**	4.3	–	291,362
Allocated	**(8.0)**	**–**	**(476,115)**	(9.0)	(0.1)	(547,093)
At the end of the year	**14.0**	**0.1**	**820,302**	14.4	0.1	871,335

The shares acquired during the year and those held in trust are allocated to employees under the various share-based payment schemes. This represented an insignificant amount of the total share capital at the beginning and end of the year. Shares purchased are deemed to be own shares in accordance with IAS 32 'Financial Instruments'. The own shares at 4 January 2020 restrict distributable profits by €14.0 million (2018: €14.4 million) and had a market value of €8.5 million (2018: €14.3 million).

(g) Share-based payment reserve

The share-based payment reserve reflects the equity settled share-based payment plans in operation by the Group (note 10).

24. Retained earnings

	Notes	**2019 €'m**	2018 €'m
At the beginning of the year		**1,242.8**	1,086.3
Profit for the period		**180.2**	234.0
Other comprehensive income/(expense)			
– Remeasurement on defined benefit plans	9	**(14.6)**	(0.5)
– Deferred tax on remeasurements on defined benefit plans	26	**0.5**	0.2
– Share of remeasurements on defined benefit plans from equity accounted investees, net of deferred tax	17	**(8.3)**	(2.0)
Net change in OCI		**(22.4)**	(2.3)
Dividends	14	**(74.3)**	(76.0)
Transfer on exercise, vesting or expiry of share-based payments		**1.0**	0.6
Deferred tax on share-based payments	26	**0.1**	0.2
At the end of the year		**1,327.4**	1,242.8

25. Financial liabilities

	Notes	**2019 €'m**	2018 €'m
Non-current			
Bank borrowings		**374.3**	616.2
Private placement debt		**139.9**	136.2
	29(b)	**514.2**	752.4
Current			
Bank borrowings		**264.8**	–
Bank overdrafts	21	**104.3**	48.9
		369.1	48.9
Total financial liabilities	29(c)	**883.3**	801.3

At the year-end, the Group had multi-currency committed term facilities of €1.2 billion (2018: €1.1 billion) of which €353.4 million (2018: €358.0 million) were undrawn.

The maturity profile of financial liabilities and undrawn committed facilities is as follows:

	2019		2018	
	Loans and borrowings €'m	**Undrawn committed facilities €'m**	Loans and borrowings €'m	Undrawn committed facilities €'m
12 months or less	**369.1**	**53.8**	48.9	–
Between 1 and 2 years	**139.9**	**–**	306.4	–
Between 2 and 5 years	**374.3**	**299.6**	136.2	–
More than 5 years	**–**	**–**	309.8	358.0
	883.3	**353.4**	801.3	358.0

The weighted average maturity of committed facilities is 2.8 years (2018: 3.8 years). Undrawn uncommitted facilities expiring within one year are €12.4 million (2018: €97.8 million).

The currency profile of financial liabilities is as follows:

	Euro €'m	**US dollar €'m**	**Pound sterling €'m**	**Australian dollar €'m**	**Other €'m**	**Total €'m**
At 4 January 2020	**265.4**	**602.0**	**6.8**	**3.6**	**5.5**	**883.3**
At 29 December 2018	158.7	617.3	17.4	3.5	4.4	801.3

Principal currencies in "other" include New Zealand dollar and Indian Rupee.

Bank borrowings
The Group has committed unsecured bank facilities maturing in 2020 and 2024. They are borrowed at fixed and floating interest rates. At 4 January 2020, €151.6 million of bank borrowings denominated in USD are at fixed nominal interest rate of 3.30% (2018: €147.5 million at 3.30%). The remaining bank borrowings are subject to interest rate changes, taking into account of contractual repricing dates. Nominal interest rates of these borrowings range primarily from 0.39% – 8.80% (2018: 0.33% – 3.67%). The floating interest rates are set at commercial rates based on a margin over EURIBOR, US dollar LIBOR and Australian dollar interest rates for periods of up to six months.

Private placement debt
The private placement debt committed facility matures in 2021, bears interest at a fixed 5.40% nominal interest rate and is denominated in USD. At 4 January 2020, the Group had undrawn uncommitted private placement facilities of nil (2018: €87.3 million).

Bank overdrafts
Bank overdraft interest rates are variable and mostly range from 0.55% – 12.5% (2018: 0.67% – 2.75%). At 4 January 2020, the Group had undrawn uncommitted bank overdraft facilities of €10.9 million (2018: €10.5 million).

Debt issue costs
Included within the carrying value of borrowings are deferred debt issue costs of €0.1 million (2018: €0.4 million), all of which were recognised in finance costs in the Group income statement using the effective interest rate method over the remaining life of the borrowings.

Guarantees
Financial liabilities are secured by cross-guarantees from Glanbia plc and certain principal subsidiaries. The Group has complied with the financial covenants of its borrowing facilities during 2019 and 2018 (note 29(c)).

Net debt is a non-IFRS measure which we provide to investors as we believe they find it useful. Net debt comprises the following:

	Notes	**2019 €'m**	2018 €'m
Private placement debt		**139.9**	136.2
Bank borrowings		**151.6**	147.5
Not subject to interest rate changes*		**291.5**	283.7
Bank borrowings		**487.5**	468.7
Cash and cash equivalents net of bank overdrafts	21	**(164.7)**	(175.7)
Subject to interest rate changes*		**322.8**	293.0
		614.3	576.7

* Taking into account of contractual repricing dates at the reporting date.

Notes to the Financial Statements continued

25. Financial liabilities continued

The movement in net debt is as follows:

	Notes	Cash and short-term bank deposits €'m (note 21)	Overdrafts €'m (note 21)	Liabilities from financing activities: Finance leases €'m	Liabilities from financing activities: Bank borrowings €'m	Liabilities from financing activities: Private placement debt €'m	Total €'m
At 30 December 2018		**(224.6)**	**48.9**	**–**	**616.2**	**136.2**	**576.7**
Cash flows		**(36.2)**	**46.4**	**–**	**6.3**	**–**	**16.5**
Acquisitions	34	**(4.6)**	**8.8**	**–**	**6.4**	**–**	**10.6**
Exchange differences		**(3.6)**	**0.2**	**–**	**10.2**	**3.7**	**10.5**
At 4 January 2020		**(269.0)**	**104.3**	**–**	**639.1**	**139.9**	**614.3**
At 31 December 2017		(162.2)	30.1	0.3	369.4	130.1	367.7
Cash flows		(30.4)	15.3	(0.3)	240.2	–	224.8
Acquisitions		(28.7)	3.9	–	–	–	(24.8)
Exchange differences		(3.3)	(0.4)	–	6.6	6.1	9.0
At 29 December 2018		(224.6)	48.9	–	616.2	136.2	576.7

26. Deferred taxes

Recognition in the Group balance sheet:

	2019 Deferred tax assets €'m	2019 Deferred tax liabilities €'m	2019 Net €'m	2018 Deferred tax assets €'m	2018 Deferred tax liabilities €'m	2018 Net €'m
Deferred tax assets/(liabilities) before set off	**27.6**	**(194.3)**	**(166.7)**	29.3	(187.5)	(158.2)
Set off of deferred tax	**(25.7)**	**25.7**	**–**	(27.2)	27.2	–
Deferred tax assets/(liabilities) after set off	**1.9**	**(168.6)**	**(166.7)**	2.1	(160.3)	(158.2)

The movement in the net deferred tax liability recognised in the Group balance sheet is as follows:

	Notes	2019 €'m	2018 €'m
At the beginning of the year		**(158.2)**	(124.0)
Income statement credit	12	**0.3**	0.9
Deferred tax credit to other comprehensive income			
– on remeasurement of defined benefit plans	24	**0.5**	0.2
– on disposal of AFS financial assets		**–**	1.8
– on fair value movements		**0.4**	0.1
Deferred tax credit/(charge) to equity			
– on share-based payments	24	**0.1**	0.2
– on acquisition of subsidiaries	34	**(0.5)**	(32.4)
Reclassification (note 27)		**(5.6)**	–
Exchange differences		**(3.7)**	(5.0)
At the end of the year		**(166.7)**	(158.2)

The movement in deferred tax assets during the year is as follows:

	Retirement benefit obligations €'m	Other employee obligations €'m	Tax losses €'m	Other €'m	Total €'m
At 30 December 2018	**5.0**	**9.3**	**2.8**	**12.2**	**29.3**
Credit/(charge) to income statement	**0.4**	**(1.5)**	**(0.4)**	**(1.5)**	**(3.0)**
Credit to other comprehensive income	**0.5**	**–**	**–**	**–**	**0.5**
Credit to equity	**–**	**0.1**	**–**	**–**	**0.1**
Exchange differences	**0.1**	**0.2**	**0.1**	**0.3**	**0.7**
At 4 January 2020	**6.0**	**8.1**	**2.5**	**11.0**	**27.6**
At 31 December 2017	4.9	8.0	1.0	10.7	24.6
(Charge)/credit to income statement	(0.2)	0.5	(1.2)	(0.3)	(1.2)
Credit to other comprehensive income	0.2	–	–	–	0.2
Credit to equity	–	0.2	–	–	0.2
Acquisition of subsidiaries and intellectual properties	–	0.4	3.0	1.1	4.5
Exchange differences	0.1	0.2	–	0.7	1.0
At 29 December 2018	5.0	9.3	2.8	12.2	29.3

The movement in deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation €'m	Fair value gain €'m	Development costs and other intangibles €'m	Other €'m	Total €'m
At 30 December 2018	**(62.6)**	**–**	**(99.2)**	**(25.7)**	**(187.5)**
(Charge)/credit to income statement	**(1.8)**	**–**	**10.9**	**(5.8)**	**3.3**
Credit to other comprehensive income	**–**	**0.4**	**–**	**–**	**0.4**
Acquisition of subsidiaries and intellectual properties	**–**	**–**	**(1.4)**	**0.9**	**(0.5)**
Reclassification	**–**	**–**	**–**	**(5.6)**	**(5.6)**
Exchange differences	**(1.6)**	**–**	**(2.6)**	**(0.2)**	**(4.4)**
At 4 January 2020	**(66.0)**	**0.4**	**(92.3)**	**(36.4)**	**(194.3)**
At 31 December 2017	(57.9)	(1.8)	(69.1)	(19.8)	(148.6)
(Charge)/credit to income statement	(2.0)	–	9.6	(5.5)	2.1
Credit to other comprehensive income	–	1.9	–	–	1.9
Acquisition of subsidiaries and intellectual properties	(0.1)	–	(36.5)	(0.3)	(36.9)
Exchange differences	(2.6)	(0.1)	(3.2)	(0.1)	(6.0)
At 29 December 2018	(62.6)	–	(99.2)	(25.7)	(187.5)

A deferred tax asset has been recognised on the basis that the realisation of the related tax benefit through future taxable profits is probable. This includes deferred tax assets which are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

At the balance sheet date, the Group has unused tax losses of €77.1 million (2018: €83.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of €2.5 million (2018: €3.8 million) of such losses. No deferred tax asset has been recognised in respect of the remaining €74.6 million (2018: €79.2 million) as it is not considered probable that there will be future taxable profits available. All tax losses may be carried forward indefinitely (€0.3 million in 2018 was due to expire within the next two years). Also included in unrecognised tax losses are €46.6 million (2018: €45.9 million) of capital losses.

No deferred tax liability has been recognised on temporary differences of €41.8 million (2018: €34.4 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in equity accounted investees are insignificant.

Notes to the Financial Statements continued

27. Provisions

	Restructuring €'m note (a)	Legal claims €'m note (b)	Property and lease commitments €'m note (c)	Operational €'m note (d)	Regulatory and related provisions €'m note (e)	Total €'m
At 30 December 2018 – non-current	–	–	2.8	–	22.1	24.9
At 30 December 2018 – current	0.1	1.7	–	0.8	0.7	3.3
Reclassification	–	–	–	–	(22.8)	(22.8)
Amount provided for in the year	0.8	–	–	–	–	0.8
Utilised in the year	–	(1.7)	(0.1)	–	–	(1.8)
Unused amounts reversed in the year	–	–	(0.6)	(0.3)	–	(0.9)
Exchange differences	–	–	–	0.1	–	0.1
At 4 January 2020 – current	0.9	–	2.1	0.6	–	3.6

(a) The restructuring provision relates mainly to a redundancy provision arising from the ongoing strategic review within the Glanbia Performance Nutrition segment. The provision at 4 January 2020 is expected to be settled within the next 12 months.

(b) The legal claims provision represented legal claims brought against the Group. All legal claims were settled during the year.

(c) The property and lease commitments provision relates to property remediation works and is based on the estimated cost of re-instating a property to its original condition. Due to the nature of the remediation works there is some uncertainty around the amount and timing of payments.

(d) The operational provision represents provisions relating to certain insurance claims and other items. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.

(e) The regulatory and related provision at 30 December 2018 represented provisions relating to the interest and penalties element of uncertain tax positions and the UK pension provision. Reclassifications have taken place in the year moving regulatory and related provisions to tax balances and accrued expenses to better reflect the nature of the items.

28. Trade and other payables

	Notes	2019 €'m	(restated) 2018 €'m
Current			
Trade payables		**257.9**	223.5
Amounts due to equity accounted investees	35(c)	**91.6**	84.0
Amounts due to other related parties	35(c)	**0.1**	0.1
Social security costs		**4.5**	4.3
Accrued expenses		**158.4**	156.5
		512.5	468.4
Non-current			
Other payables		**12.5**	13.0
Total		**525.0**	481.4

See note 33 for analysis of the movement in trade and other payables. See note 29 for information on the Group's fair value estimation process.

Other payables relate primarily to lease incentives on non-cancellable operating leases and are amortised on a straight line basis over the lease term.

29. Derivative financial instruments and financial risk management

(a) Derivative financial instruments

	Notes	**2019 Assets €'m**	**2019 Liabilities €'m**	2018 Assets €'m	2018 Liabilities €'m
Cross currency swaps – fair value through income statement		**0.3**	**–**	–	(0.2)
Foreign exchange contracts – cash flow hedges (currency risk)		**–**	**(0.4)**	0.1	–
Interest rate swaps – cash flow hedges (interest rate risk)		**–**	**(2.0)**	–	–
Commodity futures – cash flow hedges (commodity price risk)		**–**	**–**	0.2	(0.3)
Commodity futures – fair value hedges (commodity price risk)		**–**	**–**	1.2	–
Total		**0.3**	**(2.4)**	1.5	(0.5)
Non-current		**–**	**(2.0)**	–	–
Current		**0.3**	**(0.4)**	1.5	(0.5)
	29(e)/29(f)	**0.3**	**(2.4)**	1.5	(0.5)

Derivatives recognised at fair value through income statement

Included in cross currency swaps is a pound sterling euro cross currency swap with a notional amount of £60.0 million (2018: £36.0 million) and €70.2 million (2018: €40.1 million). The translation gain included in the Group income statement in respect of this swap is €0.3 million (2018: €0.2 million loss).

Hedge accounting

The Group enters into hedge relationships when there is an economic relationship between the hedged item and the hedging instrument. When the critical terms of the hedged item and hedging instrument are closely aligned for the prospective assessment of effectiveness, a qualitative assessment is performed. In instances where changes occur to the hedged item which result in the critical terms being no longer closely aligned, the Group uses the hypothetical derivative method to assess the ineffectiveness. A hedge ratio of one to one is established as the quantities of the hedged item and the hedging instrument used to hedge that hedged item are the same. Potential sources of ineffectiveness may include the timing and amounts of cash flows, and changes in credit risk of the hedging instruments or hedged items.

Derivative assets and liabilities designated as cash flow hedges

Foreign exchange contracts

The Group may use foreign exchange contracts to hedge its future cash flow risk from movements in foreign exchange rates on foreign denominated sales or purchases. Such contracts are generally designated as cash flow hedges. Weighted average hedged rate of foreign exchange contracts (including forward points) as at 4 January 2020 is EUR 1:US dollar 1.0925 (2018: EUR 1:US dollar 1.1454).

The notional principal amounts of the outstanding foreign exchange contracts as at 4 January 2020 were €18.2 million (2018: €5.3 million). All outstanding foreign exchange contracts will mature and be released to the Group income statement within 12 months of the reporting date (2018: within 12 months of the reporting date).

Commodity futures

The Group may use commodity futures to hedge its future cash flow risk from movement in gas prices. The notional principal amount of the outstanding futures designated as cash flow hedges is nil (2018: €1.5 million and 542,900 million BTU). Weighted average hedged rate of commodity futures is nil (2018: €2.94 per million BTU). All outstanding commodity futures at 29 December 2018 matured and were released to the Group income statement in 2019.

Interest rate swaps

The Group may use floating to fixed interest rate swaps to hedge against its future cash flow risk from its exposure to variable rates on its long-term borrowings with floating rates. The notional principal amounts of the outstanding EURIBOR linked interest rate swaps designated as cash flow hedges affected by interest rate benchmark reform as at 4 January 2020 were €120.0 million (2018: nil). Weighted average hedged rate of interest rate swaps as at 4 January 2020 is 0.20%. All outstanding interest rate swaps mature in 2023.

Notes to the Financial Statements continued

29. Derivative financial instruments and financial risk management continued

Amounts recognised in the Group income statement and the Group statement of comprehensive income:

Losses recognised in other comprehensive income	Notes	**2019 €'m**	2018 €'m
Foreign exchange contracts	23(d)	**–**	(0.4)
Commodity futures	23(d)	**–**	(0.1)
Interest rate swaps	23(d)	**(2.0)**	–
		(2.0)	(0.5)

(Gain)/loss transferred from cash flow hedge reserve to the Group income statement			
Foreign exchange contracts	23(d)	**(0.3)**	0.4

The transferred amounts relating to foreign exchange contracts are recorded in the line item "Administration expenses" in the income statement. No material ineffectiveness has been recognised in respect of the cash flow hedges in 2019 (2018: nil). If ineffectiveness had been recognised, it would have been recorded in "Administration expenses" in the income statement.

Refer to note 23(d) for the balances in the cash flow hedge reserve. The maturity profile of the cash flows of the derivative financial instruments is included in note 29(d).

Derivative financial instruments entered into by equity accounted investees

The Group's equity accounted investees enter into interest rate swaps, commodity futures (gas, oil, butter, whey and skim milk powder) and foreign exchange contracts. The Group's share of the movement in the derivative financial instruments designated as cash flow hedges is recognised in other comprehensive income and against the carrying value of the interest in equity accounted investees.

The movement recognised in other comprehensive income on interest rate swaps (note 23(d)) represents the Group's share of the movement in the interest rate swaps entered into by equity accounted investees. All movements are recognised against the carrying value of the interest in equity accounted investees until repayment of the related bank borrowings.

Net investment hedge

A portion of the Group's US dollar denominated borrowings (see note 25) with a nominal amount of US$98.5 million (2018: US$98.5 million) is designated as a hedge of a portion of the net investment in the Group's US dollar net assets amounting to US$98.5 million (2018: US$98.5 million). Therefore, hedge ratio is 1:1.

	Notes	**2019 €'m**	2018 €'m
Carrying value of net investment hedge		**88.4**	86.0
Loss recognised in other comprehensive income	23	**(2.4)**	(3.9)

The borrowings of US$98.5 million is translated at year end exchange rate of EUR 1:US dollar 1.1147 (2018: EUR 1:US dollar 1.1454) to arrive at carrying amount of €88.4 million (2018: €86.0 million). €12.0 million (2018: €9.6 million) of the currency reserve relates to the net investment hedge (see note 23). There was no ineffectiveness recognised in the Group income statement during the year (2018: nil). If ineffectiveness had been recognised, it would have been recorded in "Administration expenses" in the income statement.

Derivative assets and liabilities designated as fair value hedges

Commodity futures

The Group entered into fixed price purchase and sale contracts for milk and cheese respectively and uses commodity futures to hedge this exposure The notional principal amounts of the outstanding commodity (milk and cheese) futures, designated as fair value hedges as at 4 January 2020 was nil (2018: €42.2 million and 29.1 million lbs of cheese). Weighted average hedged rate is nil (2018: €1.45 per lb of cheese).

(b) Fair value and fair value estimation

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table the Group deemed that the carrying amounts of financial instruments measured at amortised cost in the Group financial statements approximate their fair value due to their short term nature:

	Notes	**Carrying amount 2019 €'m**	**Fair value 2019 €'m**	Carrying amount 2018 €'m	Fair value 2018 €'m
Non-current financial liabilities	25	**(514.2)**	**(523.6)**	(752.4)	(751.1)
Non-current loans due from equity accounted investees	35	**(28.8)**	**(28.8)**	(29.8)	(29.8)
Non-current financial asset measured at amortised cost – Ornua Co-Operative Ltd*	18	**0.7**	**0.7**	1.1	1.1

Fair value is estimated by discounting future contractual cash flows using current market interest rates from observable interest rates at the end of the reporting period that are available to the Group for similar financial instruments (classified as level 2 in the fair value hierarchy).

Group's fair valuation process

The Group's finance department includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including Level 3 fair values. The valuation team reports directly to the Group Finance Director who in turn reports to the Audit Committee. Discussions of valuation processes and results are held between the Group Finance Director and the Audit Committee. Changes in Level 2 and Level 3 fair values are analysed at each reporting date. As part of this discussion, the valuation team presents a report that explains the reasons for fair value movements.

In accordance with IFRS 13 'Fair Value Measurements', the Group has disclosed the fair value of instruments by the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value of financial instruments carried at fair value

The following table shows the fair values of financial instruments measured at fair value:

	Notes	Fair value hierarchy	**2019 €'m**	2018 €'m
Cross currency swaps – fair value through income statement	(a)	Level 2	**0.3**	(0.2)
Foreign exchange contracts – cash flow hedges	(b)	Level 2	**(0.4)**	0.1
Interest rate swaps – cash flow hedges	(c)	Level 2	**(2.0)**	–
Commodity futures assets – cash flow hedges	(d)	Level 2	**–**	0.2
Commodity futures liabilities – cash flow hedges	(d)	Level 2	**–**	(0.3)
Commodity futures assets – fair value hedges	(d)	Level 2	**–**	1.2
Equity instrument designated at FVOCI – The BDO Development Capital Fund*	(e)	Level 2	**2.1**	2.0

(a) Fair value is determined by reference to the current foreign exchange rates at the end of the reporting period.

(b) Fair value is estimated by discounting the difference between the contractual forward exchange rates and the current forward exchange rates (from observable forward exchange rates at the end of the reporting period). The effect of discounting was insignificant in 2019 and 2018.

(c) Fair value is estimated by discounting the difference between the contractual interest rate swap rates and the current interest rate swap rates (from observable interest rate swap rates at the end of the reporting period). The effects of discounting was insignificant in 2019 and 2018.

(d) Fair value is estimated by discounting the difference between the contractual forward commodity prices and the current forward commodity prices (from observable commodity forward prices at the end of the reporting period). The effect of discounting was insignificant in 2019 and 2018.

(e) The investment in the BDO Development Capital Fund (note 18) is fair valued by reference to the latest quarterly report available to the limited partners.

There were no transfers in either direction between Level 1 and Level 2 in 2019 and 2018. The Group did not hold any Level 3 financial assets or liabilities at 4 January 2020 or 29 December 2018.

*Classified as available for sale in 2018

Notes to the Financial Statements continued

29. Derivative financial instruments and financial risk management continued

(c) Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern while maximising the returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital. Total capital is calculated based on equity as shown in the balance sheet and net debt as follows:

	Notes	2019 €'m	2018 €'m
Total equity per the Group balance sheet		**1,701.9**	1,589.1
Total financial liabilities	25	**883.3**	801.3
Cash and cash equivalents	21	**(269.0)**	(224.6)
Total capital		**2,316.2**	2,165.8

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to increase or reduce debt or buy back shares. Any material adjustments to the capital structure are approved by the Board of Directors. From time to time, the Group purchases its own shares on the market. These shares are primarily intended to be used for issuing shares under the Group's long-term and short-term incentive plans. Buy decisions are made on a specific transaction basis by the Employee Benefit Trusts. The Board will seek approval for a share buyback programme at the annual General Meeting on the 22 April 2020.

The Group's key financing arrangements are: adjusted EBIT: net finance cost and net debt: adjusted EBITDA ratios, as defined within covenants.

At 4 January 2020 the Group's adjusted EBIT: net finance cost was 9.3 times (2018: 14.8 times) which is within the Group's financing covenants. Adjusted EBIT: net finance cost is calculated as pre-exceptional earnings before interest and tax plus dividends received from equity accounted investees divided by net finance cost. Net finance cost comprises finance costs less finance income per the Group income statement plus capitalised borrowing costs.

At 4 January 2020, the Group's net debt: adjusted EBITDA ratio was 1.71 times (2018: 1.55 times), which is deemed by management to be prudent and within the Group's financing covenants. Net debt: adjusted EBITDA is calculated as net debt at the end of the year divided by adjusted EBITDA. Net debt is calculated as total financial liabilities excluding debt issue costs less cash and cash equivalents. Adjusted EBITDA is calculated as pre-exceptional EBITDA for the wholly owned businesses plus dividends received from equity accounted investees, and, in the event of an acquisition in the year, includes pro-forma EBITDA as though the acquisition date had been at the beginning of the year.

The Group's capital position and information on the capital monitoring ratios are included in the monthly report issued to the Board of Directors. The Group has no externally imposed capital requirements. No changes were made in the objectives, policies or processes for capital management during 2019 and 2018.

(d) Financial risk management

The conduct of its ordinary business operations necessitates the Group holding financial instruments. The Group has exposure to the following risks arising from financial instruments: market risk comprising of currency risk, interest rate risk, price risk, liquidity risk and cash flow risk, and credit risk.

The Group does not enter into any financial instruments that give rise to a speculative position. The Group finances its operations by a mixture of retained profits, medium-term committed borrowings and undrawn uncommitted borrowings. The Group borrows in the major global debt markets in a range of currencies at both fixed and floating rates of interest, using derivatives where appropriate to generate the desired effective currency profile and interest rate basis. Risk management, other than credit risk management, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's business units. The Board of Directors provides written principles for overall risk management, as well as, written policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

There has been no significant change during the financial year or since the end of the year to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

Currency risk

Although the Group is based in Ireland with the euro as the functional currency of Glanbia plc, it has significant geographic investment and operating exposures outside the eurozone, primarily in the US. As a result, currency movements, particularly movements in the euro/US dollar exchange rate, can significantly affect the Group's euro balance sheet and income statement. Group Treasury monitors and manages these currency exposures on a continuous basis, using approved hedging strategies and appropriate currency derivative instruments.

Sensitivity analysis

The following table demonstrates the sensitivity of profit before tax and total equity to movements in the euro/US dollar exchange rate with all other variables held constant.

+/-5% change in euro/US dollar exchange rate	**2019 €'m**	2018 €'m
Impact on profit before tax*	**-/+9.0**	-/+6.2
Impact on total equity**	**-/+63.1**	-/+55.2

* The impact on profit before tax is based on changing the euro/US dollar exchange rate used in calculating profit before tax for the period.

** The impact on total equity is calculated by changing the euro/US dollar exchange rate used in measuring the closing balance sheet.

The Group is exposed to transactional foreign currency risk that arises from sales or purchases by an operating unit in currencies other than the operating unit's functional currency. Group companies are required to manage their foreign exchange risk against their functional currency and spot and forward exchange contracts are primarily used to hedge foreign exchange risk exposure on foreign currency denominated sales and purchases.

The notional principal amounts of the outstanding foreign exchange contracts as at 4 January 2020 were €18.2 million (2018: €5.3 million), which substantially covers the operating units currency exposure.

Refer to note 29(a) for further details of the foreign exchange contracts.

Interest rate risk

The Group's objective is to minimise the impact of interest rate volatility on interest costs. This is achieved by determining a long-term strategy against a number of policy guidelines, which focus on (i) the amount of floating rate indebtedness anticipated over such a period and (ii) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability. The Group borrows at both fixed and floating rates of interest and can use interest rate swaps to manage the Group's resulting exposure to interest rate fluctuations.

The Group's main interest rate risk arises from long-term borrowings with floating rates, due to the borrowings being periodically contractually repriced within 12 months from the reporting date. These borrowings expose the Group to cash flow interest rate risk.

Group policy is to maintain no more than one third of its projected debt exposure on a floating rate basis over any succeeding 12 month period with further minimum guidelines over succeeding 24 and 36 month periods. The Group, on a continuous basis, monitors the level of fixed rate cover dependent on prevailing fixed market rates, projected debt and market informed interest rate outlook. Occasionally, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the effect of converting borrowings from floating rates to fixed rates. Under these interest rate swaps, the Group agrees with other parties to exchange at specified intervals, the difference between fixed interest rate amounts and floating interest rate amounts calculated by reference to the agreed notional amounts.

The exposure of the Group's borrowings subject to interest rate changes taking into account of contractual repricing dates at the end of the reporting period is €487.5 million (2018: €468.7 million) (note 25). The Group fix a portion of the floating rate bank borrowings for 6 month periods in line with Group policies. See note 29(a) for the floating to fixed interest rate swaps entered into by the Group to hedge against this exposure. The Group does not hedge 100% of its floating rate loans, therefore the amount hedged is a proportion of the outstanding loans up to the notional amount of the swaps.

The Group enters into interest rate swaps that have similar critical terms as the hedged item. As all critical terms matched during the year, there is an economic relationship between the interest rate swaps (hedging instruments) and floating rate borrowings (hedged items).

Sensitivity analysis

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The following table demonstrates the sensitivity of profit before tax and total equity if market interest rates had been 1% higher or lower with all other variables held constant:

+/-1% change in market interest rates	**2019 €'m**	2018 €'m
Impact on profit before tax	**-/+2.0**	-/+1.2
Impact on total equity	**-/+1.8**	-/+1.0

Notes to the Financial Statements continued

29. Derivative financial instruments and financial risk management continued

Price risk

Equity price risk

The Group's objective is to minimise the price risk the Group is exposed to because of equity instruments held by the Group (note 18). These equity instruments are classified on the Group balance sheet as FVOCI (2018: available for sale financial assets). To manage its price risk arising from these equity securities, the Group does not maintain a significant balance with any one equity. Diversification of the portfolio must be done in accordance with the limits set by the Group. The impact of a 5% increase or decrease in equity indices across the eurozone countries would not have any material impact on Group profit before tax or total equity.

Commodity price risk

Commodity price risk in the Group arises primarily from price fluctuations of commodities. The Group's objective is to minimise commodity price risk through entering into commodity future contracts and the use of appropriate hedging strategies. The Group enters into forward purchase and forward sale agreements in the normal course of business. Certain of these contracts are deemed to be 'own use' as they were entered into in accordance with the Group's expected purchase, sale or usage requirements. The impact of a 5% increase or decrease in commodity prices (milk, cheese and gas) would not have any material impact on Group profit before tax or total equity.

Liquidity and cash flow risk

The Group's objective is to ensure that the Group does not encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

In order to preserve the continuity of funding, the Group's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business, during the succeeding 12 month period. Refer to note 25 for details of the Group's committed facilities.

When appropriate, surplus funds in the Group are transferred to Group Treasury through different methods including the repayment of borrowings, deposits and dividends. These are then lent to Group companies, contributed as equity to fund Group operations, used to repay external debt or invested externally. The Group does not use off-balance sheet special purpose entities as a source of liquidity or for other financing purposes.

The Group uses cash flow forecasts to constantly monitor the funding requirements of the Group. Compliance with the Group's financial covenants is monitored continually based on statutory and management accounts and financial projections. All covenants have been complied with in 2019 and 2018.

There is no significant concentration of liquidity risk.

Further analysis of the Group's debt covenants is included in the Group Finance Director's Review. For further details regarding the Group's borrowing facilities see note 25.

The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities for which the contractual maturities are essential for an understanding of the timing of the cash flows, into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year €'m	Between 1 and 2 years €'m	Between 2 and 5 years €'m	More than 5 years €'m	Total €'m
At 4 January 2020					
Non-derivative financial liabilities					
Financial liabilities	**397.1**	**157.9**	**403.6**	**–**	**958.6**
Trade payables and amounts due to equity accounted investees	**349.5**	**–**	**–**	**–**	**349.5**
	746.6	**157.9**	**403.6**	**–**	**1,308.1**
Less future finance costs	**(28.0)**	**(18.0)**	**(29.3)**	**–**	**(75.3)**
	718.6	**139.9**	**374.3**	**–**	**1,232.8**
Derivative financial liabilities	**0.4**	**–**	**2.0**	**–**	**2.4**
At 29 December 2018					
Non-derivative financial liabilities					
Financial liabilities	75.8	331.4	164.2	309.9	881.3
Trade payables and amounts due to equity accounted investees (restated)	307.5	–	–	–	307.5
	383.3	331.4	164.2	309.9	1,188.8
Less future finance costs	(26.9)	(25.0)	(28.0)	(0.1)	(80.0)
	356.4	306.4	136.2	309.8	1,108.8
Derivative financial liabilities	0.2	–	–	–	0.2

Credit risk

The Group's objective is to minimise credit risk which is managed on a Group basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial transaction fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables and committed transactions, and loans to equity accounted investees. Other financial assets (note 18) are not material. Loss allowance of ECL is accordingly not material.

Receivables are written off when there is no reasonable expectation of recovery such as debtor failing to engage in a repayment plan with a company. Subsequent recoveries of amounts written off are recognised in the Group income statement. The Group does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

Cash and cash equivalents

In the international movement and placement of funds and execution of financial transactions, the risk of counterparty default is managed by the Group's policies requiring exposure to independently rated parties with long-term credit ratings of at least A3 (Moody's) or A– (Standard & Poor's). In the movement and placement of funds and execution of financial transactions in Ireland, the Group's policies accept exposure to independently rated parties with long-term credit ratings of at least Baa3 (Moody's) or BBB– (Standard & Poor's). The Group's cash and cash equivalents (note 21) at 4 January 2020 and 29 December 2018 were held within financial institutions which complied with Group policy. Accordingly, the Group considers its cash and cash equivalents to be of low credit risk and does not expect any expected credit loss in relation to them.

Trade receivables

The Group's credit risk management policy requires that, where possible, all debt is insured with an external credit insurance underwriter. No goods may be dispatched to a customer on credit until the application for credit has been authorised. The Group's authorisation review includes external credit agency reports, the trading and financial history and position of the customer, the business case, the country in which the customer operates and any other available information. The utilisation of credit limits is actively managed and reviewed formally on an annual basis. Where the extension of credit is not appropriate, payment in advance is required. No goods are dispatched on credit until the credit controller has authorised the application confirming all necessary procedures have been complied with. Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date.

Goods are sold primarily subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. Where required, the Group holds appropriate security or liens in respect of trade and other receivables. The Group does not hold any significant security or liens at the end of the year.

See note 19 for the carrying amount of the Group's trade and other receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, historical loss rates of operating units are calculated based on their recent historical credit loss experience and applied to the operating units trade receivables at the reporting date. The loss allowance is estimated based on historical loss rules and adjusted where appropriate to reflect current information and forward-looking information on macroeconomic factors, including the trading environment in countries in which the Group sells its goods, which affect the ability of the debtors to settle the receivables.

The movement in the expected credit loss allowance for trade receivables is as follows:

	2019 **€'m**	2018 €'m
At the beginning of the year	**4.7**	4.0
Exchange differences	**0.1**	0.1
Increase in loss allowance recognised during the year	**5.1**	3.6
Receivables written off during the year as uncollectible	**(2.3)**	(0.9)
Unused amounts reversed	**(1.0)**	(2.1)
At the end of the year	**6.6**	4.7

The net movement in the loss allowance has been included within the Group income statement.

Notes to the Financial Statements continued

29. Derivative financial instruments and financial risk management continued

Trade receivables amounted to €389.6 million at 4 January 2020 (note 19) (2018: €372.3 million). Receivable balances that are neither past due nor impaired amounted to €342.0 million (2018: €337.8 million). Past due information is reported to key management personnel for credit risk management purposes. At 4 January 2020, trade receivables of €47.6 million (2018: €34.5 million) were past due and analysed as follows:

	2019 **€'m**	2018 €'m
Past due		
Less than 30 days	**24.7**	21.9
1 to 3 months	**11.2**	8.9
4 to 6 months	**4.3**	0.4
Over 6 months	**7.4**	3.3
	47.6	34.5
Less expected credit loss allowance	**(6.6)**	(4.7)
Total	**41.0**	29.8

Loans to equity accounted investees

The Group advanced interest bearing loans to its joint ventures for the purposes of funding capital expenditure. See note 35 for details of the loans. The loans receivable are considered to have low credit risk as there is a low risk of default and the joint ventures are expected to meet their contractual cash flow obligations in the near term. The Group considers information such as cash flow forecasts of the joint ventures to determine whether they have the ability to repay the intercompany loans. Management does not expect significant adverse changes in economic and business conditions which would reduce the ability of the joint ventures to repay the intercompany loans. Consequently, the Group has determined that the loans are of low credit risk.

Where a loan is considered not to have low credit risk at the reporting date and to assess whether there is a significant increase in credit risk of the loan since initial recognition, the Group considers information such as actual or expected significant adverse changes in economic or business conditions that are expected to cause a significant change in a joint venture's ability to meet its obligations, and significant increases in credit risk on other financial instruments of the joint venture. A loan would be considered to be in default if a joint venture did not make contractual repayments within 90 days after they fell due unless evidenced otherwise. Evidence that an intercompany loan is credit-impaired would include information such as significant financial difficulty of the joint venture, or the probability that the joint venture will enter bankruptcy.

In calculating the expected credit loss rates, the Group considers historical loss rate on its loans advanced to the joint ventures, internal credit rating of the joint ventures based on experience of Group Treasury and recent pricing provided by external credit providers and adjusts for forward-looking macroeconomic data. There were no historical losses for loans advanced to the joint ventures and internal credit rating of the joint ventures is considered to be about investment grade. Expected credit loss allowance is accordingly not material.

(e) Offsetting financial assets and financial liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. In relation to certain deposits the Group is required to maintain cash on deposit in respect of certain borrowings. The Group and the lender intend to net settle or realise the asset and settle the liability simultaneously. The Group has a current legally enforceable right to offset recognised amounts which is not conditional on the occurrence of a future event. As a result, the Group's borrowings have been presented net of these deposits as the requirements for offsetting have been met.

The following tables set out the carrying amounts of recognised financial instruments that are subject to the above agreements:

Financial assets	Notes	**Gross amounts of recognised financial assets €'m**	**Gross amounts of recognised financial liabilities set off in the balance sheet €'m**	**Net amounts of financial assets presented in the balance sheet €'m**
At 4 January 2020				
Derivative financial assets	29(a)	**0.3**	**–**	**0.3**
Cash and cash equivalents		**381.1**	**(112.1)**	**269.0**
At 29 December 2018				
Derivative financial assets	29(a)	1.5	–	1.5
Cash and cash equivalents		333.7	(109.1)	224.6

Financial liabilities		**Gross amounts of recognised financial liabilities €'m**	**Gross amounts of recognised financial assets set off in the balance sheet €'m**	**Net amounts of financial liabilities presented in the balance sheet €'m**
At 4 January 2020				
Derivative financial liabilities	29(a)	**(2.4)**	**–**	**(2.4)**
Bank overdrafts and borrowings		**(995.4)**	**112.1**	**(883.3)**
At 29 December 2018				
Derivative financial liabilities	29(a)	(0.5)	–	(0.5)
Bank overdrafts and borrowings		(910.4)	109.1	(801.3)

(f) Carrying amounts of financial instruments

	Notes	**2019 €'m**	(restated) 2018 €'m
Financial assets measured at amortised cost			
Trade receivables and receivables from related parties		**391.3**	381.0
Loans to equity accounted investees	35	**28.8**	29.8
Ornua Co-operative Limited	18	**0.7**	1.1
		420.8	411.9
Financial liabilities measured at amortised cost			
Financial liabilities	25	**(883.3)**	(801.3)
Trade payables and amounts due to related parties		**(349.6)**	(307.6)
		(1,232.9)	(1,108.9)
Equity instruments designated at FVOCI		**2.7**	2.6
Financial assets measured at FVTPL – derivatives	29(a)	**0.3**	1.5
Financial liabilities measured at FVTPL – derivatives	29(a)	**(2.4)**	(0.5)

Notes to the Financial Statements continued

30. Contingent liabilities

Bank guarantees amounting to €4.7 million (2018: €3.5 million) are outstanding at 4 January 2020. The Group does not expect any material loss to arise from these guarantees.

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business and a case on the settlement of value added tax. It is not anticipated that any material liability will arise from these contingent liabilities other than those provided for.

Any Irish registered wholly-owned subsidiary of the Company may avail of the exemption from filing its statutory financial statements for the year ended 4 January 2020 as permitted by section 357 of the Companies Act 2014 and if an Irish registered wholly-owned subsidiary of the Company elects to avail of this exemption, there will be in force an irrevocable guarantee from the Company in respect of all commitments entered into by such wholly-owned subsidiary, including amounts shown as liabilities (within the meaning of section 357 (1) (b) of the Companies Act 2014) in such wholly-owned subsidiary's statutory financial statements for the year ended 4 January 2020.

Within the scope of benefitting from the exemption related to the filing of the statutory financial statements for the financial year ended 31 December 2019 of Glanbia Foods B.V. (see note 37), the Company has guaranteed the liabilities ensuing from legal acts performed by this subsidiary from 1 January 2019 in accordance with and to the extent as set out in section 2:403.1(f) of the Dutch Civil Code. Therefore Glanbia Foods B.V. is exempt from the obligation to publish its statutory financial statements and its obligations to file statutory financial statements has been fulfilled by means of the publication of the declaration of consent and the declaration of liability.

Within the scope of benefitting from the exemption related to the filing of the statutory financial statements for the financial year ended 31 December 2019 of the three Luxembourg subsidiaries (see note 37), the Company has guaranteed the liabilities of these subsidiaries in respect of any losses or liabilities (as provided by Article 70 (c) of the Luxembourg Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings) for the financial year ended on 31 December 2019. These subsidiaries avail of the exemption from filing of their statutory financial statements, as permitted by Article 70 of the Luxembourg Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings.

The Group recognises a defined benefit liability and incurs administration and certain other costs in relation to its UK pension schemes for businesses disposed of in prior years, as outlined in note 9. The Company has guaranteed the payment of a proportion of employer contributions in respect of these UK pension plans. The amount of the potential liability under the UK pension guarantee is reducing annually by the contributions paid into these plans.

31. Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the Group financial statements is as follows:

	2019 €'m	2018 €'m
Property, plant and equipment	**8.3**	4.8

Operating lease commitments – where the Group is the lessee

The Group leases various assets. Generally, operating leases contain no purchase option.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows at the reporting date:

	2019 €'m	2018 €'m
Not later than 1 year	**22.7**	19.5
Later than 1 year and not later than 5 years	**59.5**	50.4
Later than 5 years	**46.6**	41.8
	128.8	111.7

Commitments in relation to joint ventures are disclosed in note 17.

32. Cash generated from operating activities

	Notes	2019 €'m	2018 €'m
Profit after taxation		**180.2**	234.0
Income taxes	12	**18.9**	32.8
Net write down/(write back) of inventories (pre-exceptional)		**5.3**	(0.3)
Non-cash movement in allowance for impairment of receivables		**1.8**	1.5
Non-cash element of exceptional charge before taxation		**27.1**	–
Non-cash movement in provisions		**(0.9)**	(1.1)
Non-cash movement on cross currency swaps and fair value hedges		**0.8**	1.0
Share of results of equity accounted investees	17	**(48.6)**	(45.3)
Depreciation of tangible assets	15	**48.1**	43.0
Amortisation of intangible assets	16	**60.9**	45.9
Cost of share-based payments	10	**4.6**	8.8
Difference between pension charge and cash contributions		**(7.6)**	(3.7)
Loss/(gain) on disposal of property, plant and equipment	5	**0.2**	(0.3)
Finance income	11	**(6.2)**	(3.9)
Finance expense	11	**32.5**	21.4
Amortisation of government grants received		**–**	(0.1)
Net loss on disposal of investments		**–**	0.2
Recycle of AFS reserve to the Group income statement on disposal of investment	23	**–**	(5.3)
Operating cash flows before movement in working capital		**317.1**	328.6
Increase in inventories	33	**(61.4)**	(18.4)
Decrease/(increase) in short-term receivables	33	**1.4**	(27.7)
Increase in short-term liabilities	33	**31.3**	39.0
Decrease in provisions	33	**(2.5)**	(5.0)
Cash generated from operating activities		**285.9**	316.5

33. Movement in working capital

2019	Notes	**Inventories €'m (note 20)**	**Trade and other receivables €'m (note 19)**	**Trade and other payables €'m (note 28)**	**Provisions €'m (note 27)**	**Total €'m**
At 30 December 2018		**384.6**	**411.6**	**(481.4)**	**(28.2)**	**286.6**
Exchange differences		**9.5**	**10.8**	**(10.7)**	**(0.1)**	**9.5**
Arising on acquisition		**15.3**	**10.5**	**(9.1)**	**–**	**16.7**
Reclassification		**–**	**–**	**(0.7)**	**22.8**	**22.1**
Loans/amounts payable to equity accounted investees, interest accruals, capital creditors and other non-operating items		**(23.3)**	**0.8**	**8.2**	**(0.6)**	**(14.9)**
Increase/(decrease) in working capital	32	**61.4**	**(1.4)**	**(31.3)**	**2.5**	**31.2**
At 4 January 2020		**447.5**	**432.3**	**(525.0)**	**(3.6)**	**351.2**

2018 (restated)						
At 31 December 2017		321.6	302.4	(318.0)	(31.8)	274.2
Exchange differences		12.3	10.6	(14.5)	(0.1)	8.3
Arising on acquisition		32.0	24.8	(31.9)	–	24.9
Loans/amounts payable to equity accounted investees, interest accruals, capital creditors and other non-operating items		0.3	46.1	(78.0)	(1.3)	(32.9)
Increase/(decrease) in working capital	32	18.4	27.7	(39.0)	5.0	12.1
At 29 December 2018		384.6	411.6	(481.4)	(28.2)	286.6

Notes to the Financial Statements continued

34. Business Combinations

Acquisitions in 2019

On 28 February 2019, the Group acquired 100% of the equity of Watson LLC and Polymer Films LLC (collectively known as 'Watson'). Watson is a US based non-dairy ingredient solutions business, which will be a complementary acquisition for the Group and has been included in the Glanbia Nutritionals segment. The goodwill relates to the acquired workforce, the expectation that the business will give rise to synergies across the Glanbia Nutritionals segment, will generate future sales beyond the existing customer base, as well as the opportunity to expand the business into new markets, where there are no existing customers, and leverage the recipes and know-how across the Glanbia Nutritionals segment. Goodwill of €6.5 million is not deductible for tax purposes.

Details of the net assets acquired and goodwill arising from the acquisition are as follows:

	Total €'m
Purchase consideration – cash paid	61.3
Less: Fair value of assets acquired	(49.5)
Goodwill	**11.8**

The fair value of assets and liabilities arising from the acquisition are as follows:

	Notes	Total €'m
Property, plant and equipment	15	16.6
Software		0.3
Intangible assets – recipes and know-how		8.8
Intangible assets – customer relationships		12.9
Intangible assets – brands		1.1
Inventories		15.3
Trade and other receivables		13.7
Trade and other payables		(8.1)
Cash and cash equivalents (excluding bank overdraft)	25	4.6
Bank overdraft	25	(8.8)
Bank loans	25	(6.4)
Deferred tax liability	26	(0.5)
Fair value of net assets acquired		**49.5**

The fair value of Watson's trade and other receivables at the acquisition date amounted to €13.7 million. The gross contractual amount for trade receivables due is €13.5 million, of which €0.3 million is expected to be uncollectable.

Combined impact of acquisitions

The revenue and profit before taxation and exceptional items of the Group, including the impact of acquisitions completed during the financial year ended 4 January 2020, were as follows:

	2019 Acquisitions €'m	Group excluding acquisitions €'m	Consolidated group including acquisitions €'m
Revenue	76.0	3,799.7	3,875.7
Profit before taxation	4.3	233.9	238.2

The revenue and profit before taxation and exceptional items of the Group for the financial year ended 4 January 2020 determined in accordance with IFRS 3 as though the acquisition date for all business combinations effected during the year had been at the beginning of the year would be as follows:

	2019 Acquisitions €'m	Group excluding acquisitions €'m	Pro-forma consolidated group €'m
Revenue	91.2	3,799.7	3,890.9
Profit before taxation	3.2	233.9	237.1

Acquisitions in 2018

The Group acquired KSF Holdings LLP and HNS Intermediate Corporation who collectively own SlimFast and their brands ('SlimFast') in 2018 for which the fair value of assets and liabilities were determined provisionally. Following the finalisation of the fair value of assets and liabilities during the measurement period, goodwill decreased by €1.5 million. This was as a result of an increase in the fair value of customer relationships intangible assets of €2.7 million and a decrease in the fair value of working capital of €1.2 million.

35. Related party transactions

Related parties of the Group include Glanbia Co-operative Society Limited (the Group's ultimate parent), subsidiary undertakings, equity accounted investees, key management personnel and connected parties. A listing of the principal subsidiaries and equity accounted investees is provided in note 37.

Transactions with Glanbia Co-operative Society Limited

Glanbia Co-operative Society Limited (the Society), together with its subsidiaries, holds 31.5% of the issued share capital of the Company. The Board of Directors for the year ended 4 January 2020 is comprised of 16 members, of which up to 8, including the Chairman who has the casting vote, are nominated by the Society. In accordance with IFRS 10 'Consolidated Financial Statements', the Society controls the Group and is the ultimate parent of the Group. In 2020 in accordance with the Relationship Agreement, the number of directors nominated by the Society will reduce to seven in a board comprising of 15 members. Thereafter the Society will no longer control the Group. During 2019, dividends of €23.5 million (2018: €24.1 million) were paid to the Society and its wholly owned subsidiaries based on their shareholding in Glanbia plc. Dividends of €0.1 million (2018: €0.1 million) were received during the period from the Society by a subsidiary society of the Group. The Group provides a range of management and administrative services to the Society and is headquartered in a premises owned by the Society.

Transactions with equity accounted investees

The Group trades in the normal course of business with its equity accounted investees. Refer to note 35(a) to (c) for the transactions carried out with them and the balances relating to them at year end. The Group provides management and administrative services to its equity accounted investees, which are settled in cash. Dividends received by the Group from its equity accounted investees are as follows:

Entity	Nature of investment	Notes	**2019** **€'m**	2018 €'m
Southwest Cheese Company, LLC	Joint venture	17	**11.2**	10.6
Glanbia Cheese Limited	Joint venture	17	**12.5**	12.4
Glanbia Ireland DAC	Joint venture	17	**11.6**	8.6
		17	**35.3**	31.6

Dividends receivable from Glanbia Cheese Limited (joint venture) of €2.4 million (2018: €2.2 million) were recognised by the Group.

Loans to equity accounted investees

	Notes	**2019** **€'m**	2018 €'m
Loans to equity accounted investees			
At the beginning of the year		**29.8**	12.8
Loan repayments received		**(1.0)**	–
Loans advanced during the year		**–**	17.0
At the end of the year	29(b)/29(f)	**28.8**	29.8
Interest on loans to equity accounted investees			
At the beginning of the year		**0.1**	0.3
Interest charged	11	**1.3**	0.4
Interest received		**(1.3)**	(0.6)
At the end of the year	19	**0.1**	0.1
Total loans and interest at the end of the year		**28.9**	29.9

During 2018 the Group advanced a loan of €16.0 million at arm's length to Glanbia Ireland DAC, a joint venture of the Group, which is repayable on 4 August 2021 and a loan of €1.0 million at arm's length to Glanbia Cheese EU Limited, a joint venture of the Group, which was repaid during 2019. On 21 January 2016 a subordinated loan of €12.8 million was advanced to Glanbia Ireland DAC, a joint venture of the Group, which is repayable on 4 August 2021.

Notes to the Financial Statements continued

35. Related party transactions continued

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2019 **€'m**	(restated) 2018 €'m
Sales of goods:		
– joint ventures	**0.4**	1.2
Sales of services:		
– Glanbia Co-operative Society Limited	**2.4**	2.5
– joint ventures	**38.9**	33.2
Sale of property and other assets:		
– joint ventures	**–**	0.3

Sales to related parties were carried out under normal commercial terms and conditions.

(b) Purchases of goods and services

	2019 **€'m**	(restated) 2018 €'m
Purchases of goods:		
– joint ventures	**1,077.9**	826.1
Purchases of services:		
– Glanbia Co-operative Society Limited	**0.3**	0.3
– joint ventures	**0.7**	0.3

Purchases from related parties were carried out under normal commercial terms and conditions.

(c) Year end balances (excluding loans)

	Notes	**2019** **€'m**	(restated) 2018 €'m
Receivables from related parties:			
– Glanbia Co-operative Society Limited	19	**0.2**	0.2
– joint ventures	19	**8.0**	13.2
Payables to related parties:			
– Glanbia Co-operative Society Limited	28	**0.1**	0.1
– joint ventures	28	**91.6**	84.0

The outstanding balances included in receivables and payables at the balance sheet date in respect of transactions with related parties are unsecured, interest free and settlement arises in cash. No guarantees have been given or received. All outstanding balances are deemed to be fully recoverable by the Group.

(d) Contributions to retirement benefit plans

Information in relation to the Group's contributions to retirement benefit plans is disclosed in note 9.

(e) Key management compensation

IAS 24 'Related Party Disclosures' requires the disclosure of compensation paid to the Group's key management.

The Board of Directors and Glanbia Operating Executive are deemed to be key management personnel as they are responsible for planning, directing and controlling the activities of the Group.

Key management compensation includes the compensation of the Board of Directors (Executive and Non-Executive) and members of the Glanbia Operating Executive, including the Group Secretary. Dividends totalling €0.3 million (2018: €0.3 million) were received by key management personnel during the year, based on their personal shareholdings in Glanbia plc.

In addition to their salaries and short term benefits, the Group contributes to post retirement benefit plans on behalf of key management personnel and these personnel also participate in the Group's various share-based payment arrangements (notes 9 and 10). No loans were made to key management during the year (2018: nil).

	2019 **€'m**	2018 €'m
Salaries and other short-term employee benefits	**5.3**	6.5
Post-employment benefits	**1.0**	0.9
Share-based payments	**0.6**	6.2
Non-Executive Directors fees	**0.9**	0.8
	7.8	14.4

Retirement benefits of €0.4 million (2018: €0.4 million) were accrued in the year to four members of key management (2018: four) under a post retirement defined benefit plan. Total retirement benefits accrued to key management under the post retirement defined benefit plan are €7.6 million (2018: €6.5 million).

The Group through Employee Benefit Trusts reacquired Company shares from key management personnel; the total number reacquired was 81,172 ordinary shares at an average price of €17.59 per share.

Details of the Directors' compensation including salary, fees, various share-based payment arrangements and other benefits, together with their interest in Glanbia plc is disclosed in the Remuneration Committee Report on pages 84 to 108.

36. Events after the reporting period

See note 14 for the final dividend, recommended by the Directors. Subject to shareholder approval, this dividend will be paid on 24 April 2020 to shareholders on the register of members on 13 March 2020, the record date.

Notes to the Financial Statements continued

37. Principal subsidiaries and equity accounted investees

The information outlined below relates only to the principal undertakings in the Group as at 4 January 2020 and as at 29 December 2018. The Group has availed of the exemption under section 316 of the Companies Act 2014. The information required under section 314 of the Companies Act 2014 including a full listing of subsidiaries and joint venture undertakings will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

All beneficial interests are in ordinary shares, membership interests or membership units.

(a) Subsidiaries

Incorporated and operating in	Registered office	Principal activity	Beneficial % interest
Ireland			
Alanfield Society Limited	1	Holding society	100
Avonmore Proteins Designated Activity Company[5]	1	Financing	100
Avonmore Skim Milk Products Limited[5]	1	Financing	100
Glanbia Cheesip Limited[1]	1	Research and development	100
Glanbia Estates Limited	1	Property and land dealing	100
Glanbia Commercial Limited[5]	1	Financing	100
Glanbia Commsa Limited[5]	1	Financing	100
Glanbia Commus Limited[5]	1	Financing	100
Glanbia Finance Designated Activity Company[5]	1	Financing	100
Glanbia Finance International Designated Activity Company	1	Financing	100
Glanbia Financial Services Unlimited Company	1	Financing	100
Glanbia Investipr Designated Activity Company[3]	1	Holding and managing receivables	100
Glanbia Investment Holding Limited	1	Holding company	100
Glanbia Management Services Limited	1	Business services	100
Glanbia Nutritionals (Blending) Limited[5]	1	Financing	100
Glanbia Nutritionals (Ireland) Limited	1	Nutritional ingredients and performance nutrition	100
Glanbia Property Holding Designated Activity Company	1	Holding company	100
Glanbia Property Rentals Designated Activity Company[5]	1	Property lessor	100
Glanbia Support Services Limited	1	Business services	100
Glassonby Unlimited Company	1	Financing	100
ON Optimum Nutrition Limited[5]	1	Financing	100
Waterford Foods Designated Activity Company	1	Holding company	100
United States of America			
Aseptic Solutions USA Ventures, LLC	2	Nutritional ingredients	100
Glanbia Business Services, Inc.	2	Business services	100
Glanbia (Delaware), Inc.	2	Holding company	100
Glanbia Foods, Inc.	3	Cheese and nutritional ingredients	100
Glanbia, Inc.	2	Holding company	100
Glanbia Nutritionals (NA), Inc.	2	Nutritional ingredients	100
Glanbia Nutritionals, Inc.	2	Nutritional ingredients	100
Glanbia Nutritionals Services, LLC	2	Management services	100
Glanbia Performance Nutrition (Manufacturing), Inc.	2	Performance nutrition	100
Glanbia Performance Nutrition (NA), Inc.	4	Performance nutrition	100
GPN Commercial, LLC	2	Performance nutrition	100
GPN Slimfast Commercial, LLC	2	Weight management solutions	100
Grass Advantage, LLC	5	Performance nutrition	100
Hyper Network Solutions of Florida, LLC	4	Mineral and vitamin supplements	100
KSF Acquisition Corporation	2	Weight management solutions	100
Lifeagen Biosciences of Florida, Inc.	4	Mineral and vitamin supplements	100
Watson LLC[4]	6	Non-dairy ingredient solutions	100

Incorporated and operating in	Registered office	Principal activity	Beneficial % interest
Britain and Northern Ireland			
Glanbia Holdings Limited	7	Financing	100
Glanbia Investments (UK) Limited	7	Holding company	100
Glanbia Milk Limited	7	Management services	100
Glanbia Performance Nutrition (UK) Limited	7	Performance nutrition	100
Glanbia Performance Nutrition (UK Sales Division) Limited	7	Performance nutrition	100
Glanbia (UK) Limited	7	Holding company	100
KSF Acquisition UK Limited	7	Weight management solutions	100
Waterford Foods International Limited	7	Holding company	100
Australia			
Glanbia Performance Nutrition Pty Limited	8	Performance nutrition	100
Brazil			
Glanbia Marketing de Produtos de Nutrição e Performance do Brasil Ltda[3]	9	Performance nutrition	100
Canada			
Glanbia Nutritionals (Canada) Inc.[3]	10	Nutritional ingredients	100
Glanbia Performance Nutrition Canada Inc.[3]	10	Performance nutrition	100
China			
Glanbia Nutritionals (Suzhou) Co. Limited[3]	11	Nutritional ingredients	100
Glanbia Performance Nutrition Trading (Shanghai) Co., Ltd.[3]	12	Performance nutrition	100
Glanbia (Shanghai) International Trading Co., Limited[3]	13	Nutritional ingredients	100
Denmark			
Nutramino Holding ApS[3]	14	Holding company	100
Nutramino Int. ApS[3]	14	Performance nutrition	100
France			
Glanbia Performance Nutrition France SAS[3]	15	Performance nutrition	100
Germany			
Body & Fit Nutrition GmbH[3]	16	Performance nutrition	100
Glanbia Nutritionals Deutschland GmbH[3]	17	Nutritional ingredients	100
Glanbia Performance Nutrition GmbH[3]	18	Performance nutrition	100
India			
Glanbia India Private Limited[2]	19	Nutritional ingredients	100
Glanbia Performance Nutrition (India) Private Limited[2]	20	Performance nutrition	100
Japan			
Glanbia Japan K.K.[3]	21	Nutritional ingredients	100
Korea (Republic of)			
Glanbia Performance Nutrition Korea, LLC[3]	22	Performance nutrition	100
Luxembourg			
Glanbia Luxembourg SA[3]	23	Financing	100
Glanbia Luxfin SA[3]	23	Financing	100
Glanbia Luxinvest SA[3]	23	Financing	100

Notes to the Financial Statements continued

37. Principal subsidiaries and equity accounted investees continued

Incorporated and operating in	Registered office	Principal activity	Beneficial % interest
Mexico			
Glanbia, S.A. de C.V.[3]	24	Nutritional ingredients	100
Netherlands			
B&F Vastgoed B.V.[3]	25	Holding company	100
Body & Fit Sportsnutrition B.V.[3]	25	Performance nutrition	100
Glanbia Foods B.V.[3]	26	Holding company	100
New Zealand			
Glanbia Performance Nutrition (New Zealand) Limited[3]	27	Performance nutrition	100
Norway			
Nutramino NO AS[3]	28	Performance nutrition	100
Philippines			
Glanbia Performance Nutrition Philippines, Inc.[3]	29	Performance nutrition	100
Portugal			
Glanbia Nutritionals (Portugal), Sociedade Unipessoal Lda.[3]	30	Performance nutrition	100
Russian Federation			
LLC Glanbia[3]	31	Nutritional ingredients	100
Singapore			
Glanbia Nutritionals Singapore Pte Limited[3]	32	Nutritional ingredients	100
Glanbia Performance Nutrition Singapore Pte. Ltd	33	Performance nutrition	100
South Africa			
Glanbia (Pty) Limited[3]	34	Nutritional ingredients	100
Sweden			
Nutramino AB[3]	35	Performance nutrition	100
Turkey			
Glanbia Besin Ürünleri Pazarlama ve Ticaret Limited Şirketi[3]	36	Performance nutrition	100
United Arab Emirates			
Glanbia Performance Nutrition DMCC[3]	37	Performance nutrition	100
Uruguay			
Glanbia (Uruguay Exports) SA[3]	38	Nutritional ingredients	100

1. Glanbia Cheesip Limited has a branch at 1 rue Hildegard von Bingen L–1282 Luxembourg. The company and its branch have a statutory year end fixed at 31 December each year to comply with statutory requirements.
2. The statutory year end of this subsidiary is 31 March, which coincides with the tax year in India.
3. The statutory year end of these subsidiaries is fixed at 31 December each year to comply with statutory requirements.
4. Acquired in 2019.
5. The statutory year end of these subsidiaries is 23 December to facilitate changes to intragroup financing arrangements in 2020.

The Group has no significant restrictions in relation to its ability to access or use the assets and settle the liabilities of its subsidiaries.

(b) Joint ventures

Incorporated and operating in	Date to which results are included	Registered office	Principal activity[1]	Beneficial % interest
Ireland				
Glanbia Cheese EU Limited	4/01/2020	1	Cheese products	50
Glanbia Ireland Designated Activity Company	4/01/2020	1	Milk products, consumer goods and agri trading	40
United States of America				
MWC-Southwest Holdings LLC (formerly known as Spartan-Southwest Holdings LLC)	4/01/2020	2	Holding company of two cheese and nutritional ingredients companies	50
Britain and Northern Ireland				
Glanbia Cheese Limited	4/01/2020	39	Cheese products	51

1. Refer to note 17 for further details.

The Group's interests in joint ventures are subject to certain restrictions, however these are not material.

Registered office
1 Glanbia House, Kilkenny, Ireland, R95 E866
2 3411 Silverside Road Tatnall Building 104, Wilmington, New Castle County, DE 19810
3 950 W Bannock Street 1100, Boise, ID83702, Ada County
4 11380 Prosperity Farms Rd 221E, Palm Beach Gardens FL 33410
5 251 Little Falls Drive, Wilmington, New Castle County, DE 19808
6 Kiernan Herner LLP, 105 Danbury Road, Suite 203, Ridgefield, CT 06877
7 One Victoria Square, Birmingham, B1 1BD
8 Level 10, 68 Pitt Street, Sydney NSW 2000
9 Alameda Gabriel Monteiro da Silva, No. 2892, Jardim America, na Cidade de Sao Paulo, São Paulo
10 1700-242 Hargrave Street, Winnipeg MB, R3C 0V1
11 No. 128 Fangzong Street SIP, Suzhou, Jiangsu Province, PRC 215025, China
12 Room 101, Building D, the Bund SOHO, Zhongshan East 2nd Road 88, Shanghai, 200001
13 Room 228, 2/F, Building 1, No. 239, Gang'ao Road, Shanghai New Free Trade Zone, China
14 Landgreven 3, 1. tv., 1301, København K
15 8, Avenue Hoche, 75008, Paris
16 Hohenstaufenring 62, 50674, Köln
17 Gewerbestrasse 3, 78359 Orsingen – Nenzingen
18 Mainzer Landstraße 41, 60329, Frankfurt am Main
19 Ground Floor, No. 12/47, 7th Cross, Swimming Pool Extension, Malleshwaram, Bangalore KA, 560003
20 Allied House, Nelson Mandela Marg Pocket 10, Sector B, Vasant Kunj, New Delhi, DL110070
21 Level 18 Yebisu Garden Place, Tower 4–20–3, Ebisu Shibuya-ku, Tokyo
22 1319, 13th floor, 311 Gangnam-daero, Seocho-gu, Seoul
23 15, Boulevard Friedrich Wilhelm Raiffeisen, L-2411, Luxembourg
24 Av. Prolongación Paseo de la Reforma No. 115–1006, Col. Paseo de las Lomas, C.P. 01330
25 Mars 10, 8448CP, Heerenveen
26 Atrium Building 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam
27 C/–Martelli Mckegg, Level 20, PwC Tower, 188 Quay Street, Auckland, 1010
28 Fillpstad brygge 1, 0252, Oslo
29 146 Yakal Street, San Antonio Village, Makati City 1203
30 Miraflores, Torre de Mansanto, Rua Afonso Praça, 30–7o e 8o piso, 1495–061 Miraflores
31 6 Vernadskogo prospect, Office 614, 119311, Moscow
32 Helios, 03-03/04, 11 Biopolis Way, Singapore, 138667
33 300 Beach Road, 35-06/07, The Concourse, 199555
34 Stand 893, 7 Forbes Street, Midstream Estate – Windsor Gate, Brakfontein Road, Guateng, South Africa, 2192
35 Ostermalinstorg.1, 4 tr, 114 42, Stockholm
36 Kocatepe Mah., Lamartin Cad. No:5, Ofis Lamartine Kat:6, Taksim, Beyoglu, Istanbul, 34437
37 Unit No. 3406, Liwa Heights 1, Plot No: JLT – PH2-W3A, Jumeirah Lake Towers, Dubai
38 Copacabana Street, Block 26 – S 12, Médanos de Solymar City, Canelones
39 4 Royal Mews, Gadbrook Park, Rudheath, Northwich, Cheshire, CW9 7VD

Company Balance Sheet
as at 4 January 2020

	Notes	4 January 2020 €'m	29 December 2018 €'m
ASSETS			
Non-current assets			
Investment in joint venture	2	**95.4**	95.4
Investment in subsidiaries	3	**660.5**	489.4
Other financial assets (2018: Available for sale financial assets)	4	**2.8**	3.1
Deferred tax assets		**0.4**	0.4
		759.1	588.3
Current assets			
Trade and other receivables	5	**6.9**	347.2
Cash at bank and in hand		**8.2**	7.9
		15.1	355.1
Total assets		**774.2**	943.4
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital and share premium	6	**460.7**	460.7
Other reserves		**(0.3)**	3.8
Retained earnings		**102.8**	170.8
Total equity		**563.2**	635.3
LIABILITIES			
Non-current liabilities			
Bank borrowings		**105.0**	41.0
Current liabilities			
Bank overdraft		**22.7**	–
Provisions		**0.6**	0.6
Trade and other payables	7	**82.7**	266.5
		106.0	267.1
Total liabilities		**211.0**	308.1
Total equity and liabilities		**774.2**	943.4

As permitted by section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its separate profit and loss account in these financial statements and from filing it with the Registrar of Companies. The profit for the year dealt with in the financial statements of the Company amounts to €5.3 million (2018: €34.1 million).

On behalf of the Board

Martin Keane Siobhán Talbot Mark Garvey

Martin Keane **Siobhán Talbot** **Mark Garvey**
Directors

Company Statement of Changes in Equity
for the financial year ended 4 January 2020

		Other reserves					
	Share capital and share premium €'m (note 6)	Capital reserve €'m	Own shares €'m	Share-based payment reserve €'m	FVOCI* reserve €'m	Retained earnings €'m	Total Equity €'m
Balance at 30 December 2018	**460.7**	**4.2**	**(14.4)**	**14.1**	**(0.1)**	**170.8**	**635.3**
Profit for the year	–	–	–	–	–	5.3	5.3
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	5.3	5.3
Transactions with owners, recorded directly in equity							
Fair value movement	–	–	–	–	(0.2)	–	(0.2)
Deferred tax on fair value movement	–	–	–	–	0.1	–	0.1
Dividends	–	–	–	–	–	(74.3)	(74.3)
Cost of share–based payments	–	–	–	4.6	–	–	4.6
Transfer on exercise, vesting or expiry of share–based payments	–	–	8.0	(9.0)	–	1.0	–
Purchase of own shares	–	–	(7.6)	–	–	–	(7.6)
Total contributions by and distributions to owners	–	–	0.4	(4.4)	(0.1)	(73.3)	(77.4)
Balance at 4 January 2020	**460.7**	**4.2**	**(14.0)**	**9.7**	**(0.2)**	**102.8**	**563.2**
Balance at 31 December 2017	460.7	4.2	(19.1)	14.9	3.4	212.1	676.2
Profit for the year	–	–	–	–	–	34.1	34.1
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	34.1	34.1
Transactions with owners, recorded directly in equity							
Transfer to income statement:							
Available for sale disposals	–	–	–	–	(5.3)	–	(5.3)
Deferred tax on disposals of available for sale	–	–	–	–	1.8	–	1.8
Dividends	–	–	–	–	–	(76.0)	(76.0)
Cost of share–based payments	–	–	–	8.8	–	–	8.8
Transfer on exercise, vesting or expiry of share–based payments	–	–	9.0	(9.6)	–	0.6	–
Purchase of own shares	–	–	(4.3)	–	–	–	(4.3)
Total contributions by and distributions to owners	–	–	4.7	(0.8)	(3.5)	(75.4)	(75.0)
Balance at 29 December 2018	460.7	4.2	(14.4)	14.1	(0.1)	170.8	635.3

*Fair value through other comprehensive income ('FVOCI') (2018: Available for sale financial asset reserve)

See note 23 of the Group financial statements for a description of the accounts in other reserves.

Notes to the Company Financial Statements
for the financial year ended 4 January 2020

1. Accounting policies

Basis of preparation

Glanbia plc (the 'Company') is a public limited company incorporated and domiciled in Ireland, the number under which it is registered is 129933. The address of its registered office is Glanbia House, Kilkenny, Ireland, R95 E866.

These financial statements are prepared for the 53-week period ended 4 January 2020. Comparatives are for the 52-week period ended 29 December 2018. The balance sheets for 2019 and 2018 have been drawn up as at 4 January 2020 and 29 December 2018 respectively. The Company financial statements were approved and authorised for issue by the Board of Directors on 25 February 2020.

The Company meets the definition of a qualifying entity under Financial Reporting Standard ('FRS') 100 issued by the Financial Reporting Council ('FRC'). Accordingly, in the year ended 4 January 2020 the Company transitioned from reporting under International Financial Reporting Standards adopted by the European Union ('IFRS') to FRS 101 'Reduced Disclosure Framework' as issued by the FRC. This transition is not considered to have had a material effect on the financial statements.

The financial statements are prepared on a going concern basis under the historical cost basis in accordance with the Companies Act 2014 and FRS 101. The Company has taken advantage of the following disclosure exemptions under FRS 101:
- a Cash Flow Statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of the Company and its subsidiaries include the equivalent disclosures, the Company has also availed of the following disclosure exemptions under FRS 101:
- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- paragraphs 91 to 99 of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements have been prepared in euro and presented in millions.

The Company adopted IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers' during the year ended 4 January 2020 with no material impact to the financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The Company is in a net current liabilities position at 4 January 2020. The Company and its subsidiaries (the Group) is profit-making and cash generative, having made a profit after tax of €180.2 million and generated cash from operating activities of €212.5 million in 2019. The Company made a profit of €5.3 million in 2019. The Group expect to continue to be profitable and cash generative for at least 12 months from the date of approval of these financial statements based on approved budgets and strategic plans. The Company has control over its subsidiaries, it can therefore direct its subsidiary entities to distribute or make available funds to the parent company to ensure that the Company can repay its creditors as they fall due. The Directors have a reasonable expectation that these funds will be available within the Group based on current budgets and strategic plans. Accordingly, the financial statements of the Company for the financial year ended 4 January 2020 have been prepared on a going concern basis.

Investment in joint venture and subsidiaries

Investments in joint venture and subsidiaries are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. When the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. In the opinion of the Directors the shares in the joint venture and subsidiaries are worth at least the amounts at which they are stated in the balance sheet.

Other financial assets

The Company classifies and initially measures its equity instruments at fair value and are subsequently adjusted to fair value at each reporting date. If the market for a financial asset is not active or unquoted, the Group establishes fair value using valuation techniques. The investment in BDO Development Capital Fund is fair valued by reference to the latest quarterly report available to the limited partners. Changes in their fair value are recognised in the profit and loss account unless management has elected to present changes in fair value through other comprehensive income ('FVOCI') on an investment by investment basis. When an election is made for an investment, there is no subsequent reclassification of fair value gains and losses related to the investment to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established.

Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Trade and other receivables and payables

Receivables and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less any allowance for expected credit loss for receivables. These are classified as non-current except for those maturing within 12 months of the reporting date or repayable on demand.

Impairment
An allowance for expected credit loss is made when the Company will be unable to recover receivable balances in full. Balances are written off when the probability of recovery is assessed as being remote. The loss allowance of expected credit loss for amounts owed by subsidiary undertakings is not material at year end.

Cash at bank and in hand
Cash includes cash, in any currency, in hand or deposited with financial institutions repayable without penalty on notice of not more than 24 hours.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Own shares
Where the Employee Share Trust and/or the Employee Share Scheme Trust (on behalf of the Company) purchases the Company's equity share capital, under the 2008 and 2018 Long-term incentive plan, the 2019 Restricted share plan, and the Annual Incentive Deferred into Shares Scheme, the consideration paid is deducted from distributable reserves and classified as own shares until they are re-issued. Where such shares are re-issued, they are re-issued on a first-in, first-out basis and the proceeds from re-issue of own shares are transferred from own shares to retained earnings.

Dividends
Dividends on ordinary shares to the Company's shareholders are recognised as a liability of the Company when approved by the Company's shareholders. Interim dividends are recognised when paid. Proposed dividends that are approved after the balance sheet date are not recognised as a liability but are disclosed in note 14 of the Group financial statements.

Foreign currency translation
The functional and presentation currency of the Company is euro. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account.

Dividend income
Dividend income is recognised in the income statement on the date the entity's right to receive payment is established.

Share-based payments
The Company operates equity settled share-based payment arrangements. The arrangements include both share option and share award schemes open to both Executive Directors and certain senior management. The Company also operates an annual incentive scheme whereby a portion of the annual incentive will be settled by way of shares, and a long term incentive plan and a restricted share plan whereby share awards in the Company are granted to Executive Directors and senior management. The Company recharges the costs of these plans to its subsidiaries and the balances are settled in cash.

Taxation
The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is calculated on the basis of tax laws enacted or substantively enacted at the Company balance sheet date in countries where the Company operates and generates taxable income, taking into account adjustments relating to prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax is provided on a non-discounted basis, using the balance sheet liability method, providing for temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill not having full tax basis. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Critical accounting judgements and estimates
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant judgement made in the preparation of these financial statements is set out below.

Interests in joint venture
The Company holds 40% of the ordinary share capital of Glanbia Ireland DAC. However this entity is considered to be a joint venture of the Company as the business plan, which directs the relevant activities of the business, requires the unanimous approval of both the Company and Glanbia Co-operative Society Limited (60% shareholding).

Notes to the Company Financial Statements continued

2. Investment in joint venture

	2019 €'m	2018 €'m
At the beginning and end of the year	**95.4**	95.4

The Company's investment in a joint venture relates to Glanbia Ireland DAC.

3. Investment in subsidiaries

	2019 €'m	2018 €'m
At the beginning of the year	**489.4**	467.4
Additions	**436.1**	22.0
Impairment	**(189.3)**	–
Disposals	**(75.7)**	–
At the end of the year	**660.5**	489.4

Details of the Company's principal subsidiaries are set out in note 37 of the Group financial statements.

4. Other financial assets

	2019 €'m	2018 €'m
At the beginning of the year	**3.1**	10.8
Additions	**0.3**	–
Disposals/redemption	**(0.4)**	(7.9)
Fair value adjustment	**(0.2)**	0.2
At the end of the year	**2.8**	3.1

Other financial assets comprised equity instrument at FVOCI (The BDO Development Capital Fund) of €2.1 million (2018: €2.0 million) and financial asset at amortised cost (comprised a loan note receivable from Ornua Co-operative Limited) of €0.7 million (2018: €1.1 million). See note 29(b) of the Group financial statements for related fair value disclosures. They were classified as available for sale financial assets in the prior year.

5. Trade and other receivables

	2019 €'m	2018 €'m
Amounts owed by subsidiaries*	**6.8**	346.8
Prepayments	**0.1**	0.4
	6.9	347.2

6. Share capital and share premium

At 4 January 2020 and 29 December 2018, share capital and share premium were €17.8 million and €442.9 million respectively. The difference between the Company and Group share premium is due to the merger of Waterford Foods plc now named Waterford Foods DAC and Avonmore Foods plc now named Glanbia plc in 1997. See note 23(b) of the Group financial statements for further details.

7. Trade and other payables

	2019 €'m	2018 €'m
Amounts owed to subsidiaries*	**68.7**	253.7
Amounts owed to Glanbia Co-operative Society Limited	**0.1**	0.1
Accruals	**13.9**	12.7
	82.7	266.5

*The decrease in amounts owed by/to subsidiaries was primarily due to settlement of balances in the year.

8. Contingent liabilities

The Group recognises a defined benefit liability and incurs administration and certain other costs in relation to its UK pension schemes for businesses disposed of in prior years, as outlined in note 9 of the Group financial statements. The Company has guaranteed the payment of a proportion of employer contributions in respect of these UK pension plans. The amount of the potential liability under the UK pension guarantee is reducing annually by the contributions paid into these plans.

Any Irish registered wholly-owned subsidiary of the Company may avail of the exemption from filing its statutory financial statements for the year ended 4 January 2020 as permitted by section 357 of the Companies Act 2014 and if an Irish registered wholly-owned subsidiary of the Company elects to avail of this exemption, there will be in force an irrevocable guarantee from the Company in respect of all commitments entered into by such wholly-owned subsidiary, including amounts shown as liabilities (within the meaning of section 357 (1) (b) of the Companies Act 2014) in such wholly-owned subsidiary's statutory financial statements for the year ended 4 January 2020.

Within the scope of benefitting from the exemption related to the filing of the statutory financial statements for the financial year ended 31 December 2019 of Glanbia Foods B.V. (see note 37 of the Group financial statements), the Company has guaranteed the liabilities ensuing from legal acts performed by this subsidiary from 1 January 2019 in accordance with and to the extent as set out in section 2:403.1(f) of the Dutch Civil Code. Therefore Glanbia Foods B.V. is exempt from the obligation to publish its statutory financial statements and its obligations to file statutory financial statements has been fulfilled by means of the publication of the declaration of consent and the declaration of liability.

Within the scope of benefitting from the exemption related to the filing of the statutory financial statements for the financial year ended 31 December 2019 of the three Luxembourg subsidiaries (see note 37 of the Group financial statements), the Company has guaranteed the liabilities of these subsidiaries in respect of any losses or liabilities (as provided by Article 70 (c) of the Luxembourg Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings) for the financial year ended on 31 December 2019. These subsidiaries avail of the exemption from filing of their statutory financial statements, as permitted by Article 70 of the Luxembourg Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings.

The Group's financial liabilities are secured by cross-guarantees by the Company and certain principal subsidiaries. Expected credit loss allowance in relation to these guarantees is not material.

9. Related party transactions

During 2019, dividends of €23.5 million (2018: €24.1 million) were paid to Glanbia Co-operative Society Limited (the Society) and its wholly owned subsidiaries based on their shareholding in the Company. Non-Executive Directors fees of €0.5 million (2018: €0.5 million) were recharged from the Company to the Society during 2019. See note 7 for outstanding balances due to the Society at the reporting date. During 2018, there was a sale of property and other assets from the Company to Glanbia Ireland DAC for €0.3 million.

10. Statutory information

The following table discloses the fees paid or payable to Deloitte Ireland LLP:

	2019 €'m	2018 €'m
Statutory audit*	**–**	–
Other assurance services	**0.7**	0.6
Tax advisory services	**–**	–
Other non-audit services	**–**	–
	0.7	0.6

* The audit fee for the Company is €37,500 (2018: €35,700) and is payable to Deloitte Ireland LLP, the statutory auditor.

Directors' remuneration is disclosed in the Remuneration Committee Report on pages 84 to 108 and in note 35(e) of the Group financial statements.

Glossary
Key Performance Indicators and non-IFRS performance measures

NOT COVERED BY INDEPENDENT AUDITOR'S 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. Total Group
G 3. Revenue
G 4. EBITA
G 5. EBITA margin %
G 6. EBITDA
G 7. Constant Currency Basic and Adjusted Earnings Per Share (EPS)
G 8. Financing Key Performance Indicators
G 9. Volume and pricing increase/(decrease)
G 10. Like-for-like revenue increase/(decrease)
G 11. Innovation rate
G 12. Effective tax rate
G 13. Average interest rate
G 14. Operating cash conversion
G 15. Operating cash flow and free cash flow
G 16. Return on capital employed (ROCE)
G 17. Total shareholder return (TSR)
G 18. Dividend payout ratio
G 19. Compound annual growth rate (CAGR)
G 20. Exceptional Items

These principal non-IFRS performance measures are defined below with a reconciliation of these measures to IFRS measures where applicable.

In the prior year the Group disclosed two non-IFRS performance measures which are not included in the current year. These were G6 (IFRS 15) and G8 (Pro-forma Adjusted Earnings Per Share). G6 (IFRS 15) is no longer disclosed as IFRS 15 has now been adopted by the group (see note 2). G8 (Pro-forma Adjusted Earnings Per Share) is no longer disclosed as the disposal of Dairy Ireland and related assets occurred in 2017 and is not disclosed in the comparative numbers.

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 2019 and 2018 are set out below:

Euro 1 =	**2019**	2018
US dollar	**1.1196**	1.1812
Pound sterling	**0.8772**	0.8847

All non–IFRS performance measures have been presented on a constant currency basis, where relevant, within this glossary.

G 2. Total Group

The Group has a number of strategically important equity accounted investees (Joint Ventures) 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 equity accounted investees.

G 3. 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 3.1 Total Group revenue:

	Reference to the Financial Statements/Glossary	2019 €'m	2018 Restated €'m	2018 Retranslated €'m	Constant currency growth %
US Cheese		**1,767.0**	1,413.9	1,491.7	18.5%
Nutritional Solutions		**744.9**	577.0	603.7	23.4%
Glanbia Nutritionals	Note 4	**2,511.9**	1,990.9	2,095.4	19.9%
Glanbia Performance Nutrition	Note 4	**1,363.8**	1,179.6	1,228.7	11.0%
Wholly-owned		**3,875.7**	3,170.5	3,324.1	16.6%
Equity Accounted investees (Pre IFRS 15 Consolidation Adjustment)	G 3.2	**1,476.1**	1,283.8	1,307.3	12.9%
IFRS 15 Consolidation Adjustment*	G 3.2	**(539.3)**	(415.1)	(437.2)	23.4%
Equity accounted investees (Post IFRS 15 Consolidation Adjustment)	G 3.2	**936.8**	868.7	870.1	7.7%
Total Group revenue		**4,812.5**	4,039.2	4,194.2	14.7%

G 3.2 Group's share of revenue of equity accounted investees:

2019	Reference to the Financial Statements/ Glossary	**Glanbia Ireland DAC €'m**	**Southwest/MWC Group €'m**	**Glanbia Cheese Limited €'m**	**IFRS 15 Consolidation Adjustment***	**Total €'m**
Equity accounted investees revenue (100%)	Note 17	**1,961.8**	**1,034.2**	**341.7**	**(1,089.8)**	**2,247.9**
% of ownership interest		**40%**	**50%**	**51%**	**40-50%**	
Group's share of revenue of equity accounted investees		**784.7**	**517.1**	**174.3**	**(539.3)**	**936.8**
2018						
Equity accounted investees revenue (100%)	Note 17	1,809.9	802.4	311.0	(837.0)	**2,086.3**
% of ownership interest		40%	50%	51%	40%-50%	
Group's share of revenue of equity accounted investees		724.0	401.2	158.6	(415.1)	**868.7**

* The IFRS 15 Consolidation Adjustment primarily relates to the gross up of Southwest Cheese revenue due to the transition to IFRS 15. The prior year comparative has been restated to reflect this on a like-for-like basis.

G 4. EBITA

EBITA is defined as earnings before interest, tax and amortisation. EBITA references throughout the annual report are on a pre-exceptional basis unless otherwise indicated. 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. Refer to note 5 to the financial statements for the reconciliation of continuing operations EBITA.

G 4.1 Total Group EBITA:

	Reference to the Financial Statements/Glossary	2019 €'m	2018 Reported €'m	2018 Retranslated €'m	Constant currency growth %
Nutritional Solutions		**30.4**	23.2	24.6	23.6%
US Cheese		**100.0**	88.6	93.4	7.1%
Glanbia Nutritionals	Note 4	**130.4**	111.8	118.0	10.5%
Glanbia Performance Nutrition	Note 4	**146.4**	173.1	182.2	-19.6%
Wholly-owned		**276.8**	284.9	300.2	-7.8%
Equity accounted investees	G 4.2	**73.6**	65.8	67.1	9.7%
Total Group EBITA		**350.4**	350.7	367.3	-4.6%

Glossary continued
Key Performance Indicators and non-IFRS performance measures continued

G 4. EBITA continued

G 4.2 Reconciliation of the Group's share of equity accounted investees EBITA to the share of results of equity accounted investees on a constant currency basis is as follows:

	2019 €'m	2018 €'m
EBITA of equity accounted investees	**73.6**	65.8
Adjustment in respect of unrealised profit on sales to the Group	**(1.3)**	0.6
Amortisation	**(2.4)**	(2.5)
Finance costs	**(10.3)**	(9.0)
Income tax	**(11.2)**	(10.1)
Share of results of equity accounted investees	**0.6**	1.0
Non-controlling interest	**(0.4)**	(0.5)
Share of results of equity accounted investees per the Group income statement – pre-exceptional	**48.6**	45.3
Impact of retranslating 2018	**-**	0.6
Share of results of equity accounted investees on a constant currency basis – pre-exceptional	**48.6**	45.9
Constant currency change		5.9%

G 5. EBITA margin %

EBITA margin % is defined as EBITA as a percentage of revenue. Wholly-owned EBITA Margin % is defined as Wholly-owned EBITA as a percentage of Wholly-owned Revenue. Refer to G3.1 and G4.1 for reconciliations of Total Group revenue and Total Group EBITA respectively. EBITA references throughout the annual report are on a pre-exceptional basis unless otherwise indicated.

G 6. EBITDA

EBITDA is defined as earnings before interest, tax, depreciation (net of grant amortisation) and amortisation. EBITDA references throughout the annual report are on a pre-exceptional basis unless otherwise indicated.

	Reference to the Financial Statements/ Glossary	**2019 €'m**	2018 €'m
Earnings before interest, tax and amortisation (pre-exceptional EBITA)	G 4.1	**276.8**	284.9
Depreciation	Note 5	**48.1**	43.0
Grant amortisation	Note 5	**-**	(0.1)
Earnings before interest, tax, depreciation and amortisation (pre-exceptional EBITDA)		**324.9**	327.8

G 7. Constant Currency Basic and Adjusted Earnings Per Share (EPS)

G 7.1 Constant Currency Basic Earnings Per Share (EPS)

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 (note 23.)

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 Reported €'m	2018 Retranslated €'m
Profit attributable to equity holders of the Company	Group income statement	**180.2**	234.0	245.5
Weighted average number of ordinary shares in issue (thousands)	Note 13	**295,215**	295,159	295,159
Basic Earnings Per Share (cent)	**Note 13**	**61.04**	79.28	83.18
Constant Currency Change		**-26.6%**		

G 7.2 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 and impairment (excluding software 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 (net of related tax) 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 and in Glanbia's Long–term Incentive Plan.

G 7. Constant Currency Basic and Adjusted Earnings Per Share (EPS) continued

G 7.2 Adjusted Earnings Per Share (EPS) continued

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 Reported €'m	2018 Retranslated €'m
Profit attributable to equity holders of the Company – pre-exceptional	Group income statement	**214.8**	234.0	245.5
Amortisation and impairment of intangible assets (excluding software amortisation) net of related tax of €8.1 million (2018: €6.1 million)		**45.3**	34.6	36.3
Adjusted net income		**260.1**	268.6	281.8
Weighted average number of ordinary shares in issue (thousands)	Note 13	**295,215**	295,159	295,159
Adjusted Earnings Per Share (cent)		**88.10**	91.01	95.49
Constant currency change		**-7.7%**		

G 8. Financing Key Performance Indicators

The following are the financing key performance indicators defined as per the Group's financing agreements.

G 8.1 Net debt: adjusted EBITDA

Net debt: adjusted EBITDA is calculated as net debt at the end of the period divided by adjusted EBITDA. Net debt is calculated as total financial liabilities less cash and cash equivalents. Adjusted EBITDA is calculated in accordance with lenders' facility agreements definition which adjust pre-exceptional EBITDA for items such as dividends received from equity accounted investees and acquisitions or disposals. Adjusted EBITDA is a rolling 12 month measure.

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Net debt	Note 25	**614.3**	576.7
EBITDA	G 6	**324.9**	327.8
Adjustments in line with lenders' facility agreements		**35.0**	45.2
Adjusted EBITDA		**359.9**	373.0
Net debt: adjusted EBITDA		**1.71**	1.55

G 8.2 Adjusted EBIT: Adjusted net finance cost

Adjusted EBIT: net finance cost is calculated as pre-exceptional earnings before interest and tax plus dividends received from equity accounted investees divided by net finance cost. Adjusted net finance cost comprises finance costs less finance income per the Group income statement plus capitalised borrowing costs. Adjusted EBIT and net finance cost are rolling 12 month measures.

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Operating profit – (pre-exceptional)	Group income statement	**215.9**	239.0
Dividends received from equity accounted investees	Group statement of cash flows	**35.3**	31.6
Adjusted EBIT		**251.2**	270.6
Adjusted net finance costs	Note 11	**27.0**	18.3
Adjusted EBIT: Adjusted net finance cost		**9.3**	14.8

Glossary continued

Key Performance Indicators and non-IFRS performance measures continued

G 9. Volume and pricing increase/(decrease)

Volume increase/(decrease) represents the impact of sales volumes within the revenue movement year-on-year, excluding volume from acquisitions, on a constant currency basis.

Pricing increase/(decrease) represents the impact of sales pricing (including trade spend) within revenue movement year-on-year, excluding acquisitions, on a constant currency basis.

G 9.1 Reconciliation of volume and pricing increase/(decrease) to constant currency revenue growth:

	Reference to the Financial Statements/ Glossary	Volume increase/ (decrease)	Price increase/ (decrease)	Acquisitions/ (disposals)	Revenue increase/ (decrease)
US Cheese	G 3.1	4.9%	13.6%	-%	18.5%
Nutritional Solutions	G 3.1	7.0%	3.8%	12.6%	23.4%
Glanbia Nutritionals	G 3.1	5.5%	10.8%	3.6%	19.9%
Glanbia Performance Nutrition	G 3.1	-9.0%	-0.6%	20.6%	11.0%
2019 increase % – wholly-owned revenue	G 3.1	**0.1%**	**6.6%**	**9.9%**	**16.6%**
2019 increase/(decrease) % – equity accounted investees revenue (Pre IFRS15 Consolidation Adjustment)	G 3.1	**9.6%**	**3.3%**	**-%**	**12.9%**

G 10. Like-for-like revenue increase/(decrease)

G 10.1 Glanbia Performance Nutrition like-for-like branded revenue

This represents the sales increase/(decrease) year-on-year on branded sales, excluding acquisitions, on a constant currency basis. Like-for-like branded revenue increase/(decrease) is one of the Glanbia Performance Nutrition segment's Key Performance Indicators. Like-for-like branded revenue increase/(decrease) is one of the performance conditions in Glanbia's Annual Incentive Plan for Glanbia Performance Nutrition Senior Management.

G 10.2 Glanbia Nutritionals like-for-like revenue

This represents the sales increase/(decrease) year-on-year, excluding acquisitions, on a constant currency basis.

G 11. Innovation rate

This represents net revenue from products launched in the previous three years. Innovation rate is one of the Glanbia Performance Nutrition segment's Key Performance Indicators. Innovation rate is one of the performance conditions in Glanbia's Annual Incentive Plan for Glanbia Performance Nutrition Senior Management.

G 12. Effective tax rate

The effective tax rate is defined as the pre-exceptional income tax charge divided by the profit before tax less share of results of equity accounted investees.

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Profit before tax	Group income statement	**238.2**	266.8
Less share of results of equity accounted investees	Group income statement	**(48.6)**	(45.3)
		189.6	221.5
Income tax (pre-exceptional)	Group income statement	**23.4**	32.8
Effective tax rate		**12.3%**	14.8%

G 13. Average interest rate

The average interest rate is defined as the annualised net finance costs (pre-capitalised borrowing costs) divided by the average net debt during the reporting period.

G 14. Operating cash conversion

Operating cash conversion is defined as Operating Cash Flow (OCF) divided by pre-exceptional EBITDA. Cash conversion is a measure of the Group's ability to convert trading profits into cash and is an important metric in the Group's working capital management programme.

G 15. Operating cash flow and free cash flow

Operating cash flow is defined as pre-exceptional EBITDA of the wholly-owned businesses net of business sustaining capital expenditure and working capital movements, excluding exceptional cash flows.

Operating cash flow is one of the Group's Key Performance Indicators. Operating cash flow is one of the performance conditions in Glanbia's Annual Incentive Plan.

Free cash flow is calculated as the net cash flow in the year before the following items: strategic capital expenditure, acquisition spend, proceeds received on disposals, loans/investments to equity accounted investees, equity dividends paid, exceptional costs paid and currency translation movements.

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Earnings before interest, tax, depreciation and amortisation (pre-exceptional EBITDA)	G 6	**324.9**	327.8
Movement in working capital (pre-exceptional)	G 15.3	**(24.9)**	(9.7)
Business sustaining capital expenditure	G 15.5	**(20.1)**	(16.4)
Operating cash flow	G 15.1	**279.9**	301.7
Net interest and tax paid	G 15.4	**(74.1)**	(42.2)
Dividends from equity accounted investees	Group statement of cash flows	**35.3**	31.6
Other (outflows)/inflows	G 15.6	**(9.6)**	4.3
Free cash flow		**231.5**	295.4
Strategic capital expenditure	G 15.5	**(56.2)**	(46.2)
Dividends paid to Company Shareholders	Group statement of cash flows	**(74.3)**	(76.0)
Loans/Investment in Equity accounted investees	Group statement of cash flows	**(47.4)**	(58.9)
Exceptional costs paid	G 15.2	**(12.0)**	(2.6)
Acquisitions	Group statement of cash flows	**(58.3)**	(313.0)
Proceeds from the sale of PPE	Group statement of cash flows	**0.2**	1.3
Net cash flow		**(16.5)**	(200.0)
Exchange translation	Note 25	**(10.5)**	(9.0)
Debt Acquired on Acquisition	Note 25/Note 34	**(10.6)**	–
Net debt movement		**(37.6)**	(209.0)
Opening net debt	Note 25	**(576.7)**	(367.7)
Closing net debt	Note 25	**(614.3)**	(576.7)

G 15.1 Reconciliation of operating cash flow to the Group statement of cash flows in the Financial Statements:

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Cash generated from operating activities	Note 32	**285.9**	316.5
Add back exceptional cash flow in the year	G 15.2	**12.0**	2.6
Less business sustaining capital expenditure	G 15.5	**(20.1)**	(16.4)
Non–cash items not adjusted in computing operating cash flow:			
Cost of share based payments	Note 32	**(4.6)**	(8.8)
Difference between pension charge and cash contributions	Note 32	**7.6**	3.7
(Loss)/Gain on disposal of property, plant and equipment	Note 32	**(0.2)**	0.3
Recycle of AFS reserve to the Group income statement on disposal of investment	Note 32	**-**	5.3
Net loss on disposal of investments	Note 32	**-**	(0.2)
Amounts payable to the Southwest/MWC Group joint venture partners		**(0.7)**	(1.3)
Operating cash flow	G 15	**279.9**	301.7

G 15.2 Exceptional cash flow in the year:

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Pre–tax exceptional charge for year	Note 6	**(39.1)**	–
Non–cash element of exceptional charge	Note 32	**27.1**	–
Current year exceptional items paid in the year		**(12.0)**	–
Prior year exceptional items paid in the year	Note 6	**-**	(2.6)
Total exceptional cash outflow in the year	Note 6	**(12.0)**	(2.6)

Glossary continued
Key Performance Indicators and non-IFRS performance measures continued

G 15. Operating cash flow and free cash flow continued

G 15.3 Movement in working capital:

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Movement in working capital (pre-exceptional)	G 15	**(24.9)**	(9.7)
Net write back of inventories	Note 32	**(5.3)**	0.3
Non-cash movement in allowance for impairment of receivables	Note 32	**(1.8)**	(1.5)
Prior year exceptional items paid in the year	G 15.2	**-**	(2.6)
Non-cash movement in provisions	Note 32	**0.9**	1.1
Non-cash movement on cross currency swaps and fair value hedges	Note 32	**(0.8)**	(1.0)
Amounts payable to the Southwest/MWC Group joint venture partners		**0.7**	1.3
Movement in net working capital	Note 33	**(31.2)**	(12.1)

G 15.4 Net interest and tax paid:

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Interest received	Group statement of cash flows	**3.7**	4.8
Interest paid	Group statement of cash flows	**(32.5)**	(21.0)
Tax paid	Group statement of cash flows	**(44.6)**	(25.2)
Interest paid in relation to property, plant and equipment	Group statement of cash flows	**(0.7)**	(0.8)
Net interest and tax paid		**(74.1)**	(42.2)

G 15.5 Capital expenditure:

	Reference to the Financial Statements/Glossary	**2019 €'m**	2018 €'m
Business sustaining capital expenditure	G 15	**20.1**	16.4
Strategic capital expenditure	G 15	**56.2**	46.2
Total capital expenditure		**76.3**	62.6
Purchase of property, plant and equipment	Group statement of cash flows	**42.7**	32.0
Purchase of intangible assets	Group statement of cash flows	**33.6**	30.6
Total capital expenditure per the Group statement of cash flows		**76.3**	62.6

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.

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 15.6 Other (outflows)/inflows:

	Reference to the Financial Statements/Glossary	2019 €'m	2018 €'m
Cost of share based payments	Note 32	**4.6**	8.8
Difference between pension charge and cash contributions	Note 32	**(7.6)**	(3.7)
Loss/(gain) on disposal of property, plant and equipment	Note 32	**0.2**	(0.3)
Disposals/redemption of available for sale financial assets	Group statement of cash flows	**0.5**	7.9
Additions to available for sale financial assets	Group statement of cash flows	**(0.4)**	(0.3)
Purchase of own shares	Group statement of cash flows	**(7.6)**	(4.3)
Recycle of AFS reserve to the Group income statement on disposal of investment	Note 32	**-**	(5.3)
Amounts payable to joint venture partners		**0.7**	1.3
Net loss on disposal of investments	Note 32	**-**	0.2
Total other (outflows)/inflows	G 15	**(9.6)**	4.3

G 16. Return on capital employed (ROCE)

ROCE is defined as the Group's earnings before interest, and amortisation (net of related tax) plus the Group's share of the results of Equity accounted investees after interest and tax divided by capital employed. Capital employed comprises the sum of the Group's total assets plus cumulative intangible asset amortisation and impairment less current liabilities less deferred tax liabilities excluding all financial liabilities, retirement benefit assets and cash. It is calculated by taking the average of the relevant opening and closing balance sheet amounts.

In years where the Group makes significant acquisitions or disposals, the ROCE calculation is adjusted appropriately, to ensure the acquisition or disposal are equally time apportioned in the numerator and the denominator.

ROCE is one of the Group's Key Performance Indicators (see pages 18 to 19). ROCE is one of the performance conditions in Glanbia's Long Term Incentive Plan. See Remuneration Committee Report on pages 84 to 108 for more information.

	Reference to the Financial Statements/Glossary	2019 €'m	2018 €'m
Operating profit – pre-exceptional	Group income statement	**215.9**	239.0
Tax on operating profit		**(26.6)**	(35.4)
Amortisation and impairment of intangible assets net of related tax of €9.6m (2018: €7.2m)		**51.3**	38.7
Share of results of equity accounted investees	Group income statement	**48.6**	45.3
Return		**289.2**	287.6
Total assets	Group balance sheet	**3,400.9**	3,160.1
Current liabilities	Group balance sheet	**(955.3)**	(580.8)
Deferred tax liabilities	Group balance sheet	**(168.6)**	(160.3)
Less cash and cash equivalents	Group balance sheet	**(269.0)**	(224.6)
Less current financial liabilities	Group balance sheet	**369.1**	48.9
Less retirement benefit assets	Group balance sheet	**(2.1)**	(1.1)
Plus accumulated amortisation	Note 16	**360.1**	301.3
Capital employed before acquisition adjustment		**2,735.1**	2,543.5
Adjustment for acquisitions	G 16.1	**49.4**	(242.8)
Capital employed		**2,784.5**	2,300.7
Average capital employed		**2,664.0**	2,184.6
Return on capital employed		**10.9%**	13.2%

G 16.1. Adjustment for acquisitions

This adjustment is required to ensure the capital employed of the acquisitions (Watson (2019) & (SlimFast (2018)) are appropriately time apportioned in the denominator.

G 17. Total Shareholder Return (TSR)

TSR represents the change in the capital value of a listed quoted company over a period, plus dividends reinvested, expressed as a plus or minus percentage of the opening value.

TSR is one of the Group's Key Performance Indicators (see pages 18 to 19). TSR is one of the performance conditions in Glanbia's Long Term Incentive Plan. See Remuneration Committee Report on pages 84 to 108 for more information.

Glossary continued

Key Performance Indicators and non-IFRS performance measures continued

G 18. Dividend Payout Ratio

Dividend payout ratio is defined as the annual dividend per ordinary share divided by the Adjusted Earnings Per Share.

	Reference to the Financial Statements/Glossary	**2019 € cent**	2018 € cent
Adjusted Earnings Per Share	G 7.2	**88.10**	91.01
Dividend recommended/paid per ordinary share	Note 14	**26.62**	24.20
Dividend payout %		**30.2%**	26.6%

G 19. Compound Annual Growth Rate (CAGR)

The compound annual growth rate is the annual growth rate over a period of years. It is calculated on the basis that each year's growth is compounded.

G 20. Exceptional Items

The Group considers that items of income or expense which are material by virtue of their scale and nature should be disclosed separately if the Group financial statements are to fairly present the financial performance and financial position of the Group. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Group believes would give rise to exceptional items for separate disclosure are outlined in the accounting policy on exceptional items in note 2. Exceptional items are included on the income statement line item to which they relate. In addition, for clarity, separate disclosure is made of all items in one column on the face of the Group income statement. Refer to note 6 for an analysis of exceptional items recognised in 2019.

Shareholder Information

Stock exchange listings

The Company’s shares are listed on the main market of the Euronext Dublin Stock Exchange as well as having a premium listing on the main market of the London Stock Exchange.

Managing your shareholding

Computershare Investor Services (Ireland) Limited (‘Computershare’) maintains the Company’s register of members. Should a shareholder have any queries in respect of their shareholding, they should contact Computershare directly using the contact details provided below:

Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82, Ireland.

Contact details:

Telephone number 01 247 5349 (within Ireland), +353 1 247 5349 (outside Ireland), or by logging on to: www.investorcentre.com/ie/contactus.

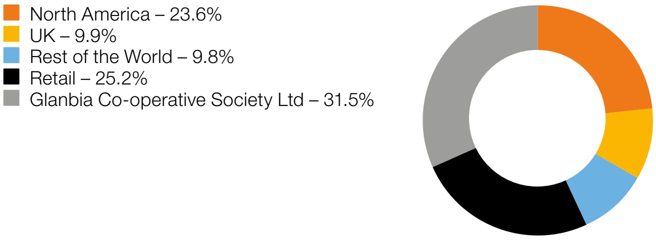
	2019	2018
Share price data	**€**	€
Share price as at financial year end	**10.16**	16.35
Market capitalisation	**3,008m**	4,840m
Share price movements during the year:		
– high	**19.05**	17.19
– low	**9.64**	13.39

The current share price of Glanbia plc ordinary shares can be accessed at: www.glanbia.com/prices-delayed.

Shareholder analysis

Geographic Location*	Number of shares held	% of total
North America	69,761,228	23.6
UK	29,193,954	9.9
Rest of world	29,145,550	9.8
Retail	74,668,711	25.2
Glanbia Co-operative Society Ltd	93,276,241	31.5

*This represents a best estimate of the number of shares held by geographic locations at 4 January 2020.



Share capital

The authorised share capital of the Company at 4 January 2020 was 350,000,000 ordinary shares at €0.06 each. The issued share capital at 4 January 2020 was 296,045,684 ordinary shares of €0.06 each.

Shareholder Information continued

Substantial shareholdings

The table below details the significant holding (3% or more) in the Company's ordinary share capital that have been notified to the Company at 4 January 2020 and 25 February 2020.

Shareholder	No. of ordinary shares as at 04 January 2020	% of issued share capital as at 04 January 2020
Glanbia Co-operative Society Limited	93,276,241	31.5
The Capital Group Companies, Inc/Capital Research and Mgt. Company*	16,643,357	5.6
Mawer Investment Management Limited	14,852,659	5.0
Black Creek Investment Management Inc.**	11,874,803	4.0

Shareholder	No. of ordinary shares as at 25 February 2020	% of issued share capital as at 25 February 2020
Glanbia Co-operative Society Limited	93,276,241	31.5
The Capital Group Companies, Inc/Capital Research and Mgt. Company*	14,500,963	4.9
Mawer Investment Management Limited	14,852,659	5.0
Black Creek Investment Management Inc. **	11,874,803	4.0

* The Capital Group Companies, Inc. ('CGC') is the parent company of Capital Research and Management Company ('CRMC') and Capital Bank & Trust Company ('CB&T'). CRMC is a US based investment management company that serves as investment manager to the American Funds family of mutual funds, other pooled investment vehicles, as well as individual and institutional clients. CRMC and its investment manager affiliates manage equity assets for various investment companies through three divisions, Capital Research Global Investors, Capital International Investors and Capital World Investors. CRMC is the parent company of Capital Group International, Inc. ('CGII'), which in turn is the parent company of four investment management companies ("CGII management companies"): Capital International, Inc., Capital International Limited, Capital International Sàrl and Capital International K.K. CGII management companies and CB&T primarily serve as investment managers to institutional and high net worth clients. CB&T is a US based investment management company that is a registered investment adviser and an affiliated federally chartered bank.

Neither CGC nor any of its affiliates own shares of Glanbia plc for its own account. Rather, the shares reported are owned by accounts under the discretionary investment management of one or more of the investment management companies described above.

As at 4 January 2020, Growth Fund of America ('GFA') a mutual fund registered in the United States under the Investment Company Act of 1940, was the legal owner of 10,918,860 shares (3.6882% of the outstanding shares), (less than 3% as at 25 February 2020). GFA has granted proxy voting authority to its investment adviser CRMC.

** Black Creek Investment Management Inc. ('Black Creek') is an investment management company. The shares are beneficially owned by 21 separate funds and clients which Black Creek advises regarding their investment portfolios. Shares held directly are by funds for which Black Creek also acts as investment fund manager. None of the funds or clients by itself reaches or exceeds the 3% threshold. The funds and clients give a proxy to Black Creek who can exercise the voting rights for the shares in its own discretion.

Employee share schemes

The Company operates a number of employee share schemes. At 4 January 2020 820,302 ordinary shares were held in employee benefit trusts for the purpose of the Group's employee share schemes. While any shares in the Company are held by the Trustees, the Trustees shall refrain from exercising any voting rights which may attach to the shares save that if the beneficial interest in any share has been vested in any beneficiary the Trustees shall seek and comply with any direction from such beneficiary as to the exercise of voting rights attaching to such shares.

Dividend payments direct to your bank account

An interim dividend of 10.68 cent per share was paid in respect of ordinary shares on 4 October 2019.

Subject to shareholders' approval, a final dividend of 15.94 cent per share will be paid in respect of ordinary shares on 24 April 2020 to shareholders on the register of members on 13 March 2020. If a shareholder's registered address is in the UK and a shareholder has not previously provided the Company with a mandate form for an Irish euro account, the payment will be in GBP. All other payments will be in euro.

Dividend Withholding Tax (DWT) is deductible from dividends paid by an Irish resident company unless the shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company's Registrar, Computershare. DWT applies to dividends paid by way of cash and is deducted at 25%. Non-resident shareholders and certain Irish companies, trusts, pension schemes, investment undertakings and charities may be entitled to claim exemption from DWT and are thereby required to send the relevant form to Computershare. Copies of this form may be obtained from Computershare.

In order to continue to improve the security of dividend payments to shareholders and reduce costs, the Company proposes to pay future dividend payments on its ordinary shares only by credit transfer into a nominated bank or building society account.

Shareholders will continue to receive tax vouchers in respect of dividend payments. The Company takes data security issues very seriously. Bank account details supplied to the Company and its Registrar will be used only for dividend distribution and the information will not be used for any other purpose or supplied to any third party.

Shareholders may visit: www.glanbia.com/shareholder-centre for up-to-date investor information. Electronic copies of current and past annual and half-yearly reports can be downloaded from the website. Current and historic share prices, news, updates and presentations may also be obtained. Shareholders may also register to receive future shareholder communications electronically.

Electronic communications

The Transparency (Directive 2004/109/EC) Regulations 2007 recognises the growing importance of electronic communications. The Group, therefore, provides documentation and communications to all shareholders via our website unless a shareholder has specifically elected to receive a hard copy.

Using electronic communications enables fast receipt of documents, helps the environment by significantly reducing the amount of paper used to communicate with shareholders and reduces associated printing, mailing and distribution costs.

Shareholders can also vote online for the next Annual General Meeting ("AGM"). This is a quick and easy option, using the proxy voting service provided by Computershare. Shareholders may use this facility by visiting: www.eproxyappointment.com.

Financial calendar

Announcement of 2019 Full Year Results	26 February 2020
Ex-dividend date	12 March 2020
Record date for dividend	13 March 2020
Date for receipt of proxy forms	20 April 2020
Record date for AGM	20 April 2020
AGM	22 April 2020
Dividend payment date	24 April 2020

AGM

The AGM will be held on 22 April 2020. The notice of meeting, together with details of the business to be conducted at the meeting will be available 20 business days before the meeting on: www.glanbia.com/agm.

The voting results for the 2020 AGM, including proxy votes and votes withheld will be available on our website shortly after the meeting at the following address: www.glanbia.com/agm.

Conditions for participating in a meeting

Every shareholder, irrespective of how many Glanbia plc shares they hold, has the right to attend, speak, ask questions and vote at the AGM. Completion of a proxy form will not affect a shareholder's right to attend, speak, ask questions and vote at the meeting in person.

The quorum for a general meeting of the Company is constituted by three persons entitled to vote upon the business of the meeting, each being a shareholder or a proxy or corporate representative for a shareholder.

The right to participate in the AGM is subject to the registration of the shares prior to the date of the meeting (the record date). For the 2020 AGM the record date is 5:00 pm on 20 April 2020 (or in the case of an adjournment 5:00 pm, on the day prior to the day before the time fixed for the adjourned meeting).

Appointment of proxy

Where a shareholder is unable to attend the AGM in person, a proxy (or proxies) may be appointed to attend, speak, ask questions and vote on their behalf. For this purpose a form of proxy is posted to all shareholders. Copies of these documents may be requested by telephoning the Company's Registrar on 01 247 5349 (within Ireland), +353 1 247 5349 (outside Ireland), or by logging on to www.investorcentre.com/ie/contactus or by writing to the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland, R95 E866.

Alternatively, a shareholder may appoint a proxy electronically, by visiting: www.eproxyappointment.com and submitting their proxy details. They will be asked to enter the Control Number, the Shareholder Reference Number ("SRN") and PIN and agree to certain terms and conditions. The Control Number, the SRN and the PIN can be found on the top of the form of proxy.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST manual.

How to exercise shareholders rights

Shareholders have several ways to exercise their right to vote:

- by attending the AGM in person;
- by appointing the Chairman or another person as a proxy to vote on their behalf;
- by visiting www.eproxyappointment.com and submitting their proxy details; or
- by appointing a proxy via the CREST system.

The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires at least 75% of the votes cast to be in favour of the resolution.

Shareholder Information continued

Tabling agenda items

A shareholder, or a group of shareholders acting together, who hold at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of the AGM. In order to exercise this right, written details of the item to be included on the 2020 AGM agenda together with a written explanation why the item is to be included on the agenda and evidence of the shareholding must be received by the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland, R95 E866 or by email to ir@glanbia.ie/info@glanbia.ie no later than 12 March 2020 (i.e. 42 days before the AGM).

An item cannot be included on the AGM agenda unless it is accompanied by the written explanation and received at either of these addresses by this deadline.

Tabling draft resolutions

A shareholder, or a group of shareholders acting together, who hold at least 3% of the issued share capital of the Company, has the right to table a draft resolution for inclusion on the agenda of the 2020 AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must be received no later than 12 March 2020 (i.e. 42 days before the AGM) by post to the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland, R95 E866 or by email to ir@glanbia.ie/info@glanbia.ie. A resolution cannot be included on the 2020 AGM agenda unless it is received at either of these addresses by this deadline. Furthermore, shareholders are reminded that there are provisions in company law which impose other conditions on the right of shareholders to propose resolutions at the general meeting of a company.

How to ask a question before or at the meeting

The AGM is an opportunity for shareholders to put a question to the Chairman during the question and answer session. Before the 2020 AGM, a shareholder may also submit a question in writing by sending a letter and evidence of shareholding at least four business days before the 2020 AGM (i.e. 17 April 2020) to the Group Secretary, Glanbia plc, Glanbia House, Kilkenny, Ireland, R95 E866 or by email to ir@glanbia.ie/info@glanbia.ie.

Dividend rights

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of shareholders, but no dividend shall exceed the amount recommended by the Directors. The Directors may also declare and pay interim dividends if it appears to them that the interim dividends are justified by the profits of the Company available for distribution.

Distribution on winding up

If the Company shall be wound up and the assets available for distribution among shareholders shall be insufficient to repay the whole of the paid up or credited as paid up share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by shareholders in proportion to the capital paid up or credited as paid up at the commencement of the winding up on the shares held by them respectively. Further if, in a winding up, the assets available for distribution among shareholders shall be more than sufficient to repay the whole of the share capital paid up or credited as paid up at the commencement of the winding up, the excess shall be distributed among shareholders in proportion to the capital at the commencement of the winding up paid up or credited as paid up on the said shares held by them respectively.

Contacts

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