

## Chairman's statement

Glanbia achieved a good performance in 2008 despite deteriorating market conditions, in particular the decline in the second half of the year of global dairy markets.

Liam Herlihy



In 2008, adjusted earnings per share grew 18.5%, following a 26.6% increase in 2007.

### Another year of growth

2008 was a good year for the Group and follows a strong performance in 2007. Profit before tax pre exceptional increased 20.8% to €120.3 million (2007: €99.5 million) and adjusted earnings per share grew 18.5% to 35.86 cents per share (2007: 30.25 cents per share).

Revenue from the International division increased 6.1% to €1,489.2 million (2007: €1,403.2 million), primarily reflecting good organic growth in Food Ingredients USA and Nutritionals. Revenue in the Ireland division declined 7.5% to €743.0 million (2007: €803.4 million). The exit from the Irish Pigmeat business in March 2008 reduced revenue

by €168.0 million in the year. Revenue growth was achieved in both Consumer Foods and Agribusiness. The Group's share of revenue from Joint Ventures & Associates increased 4.9% from €353.0 million to €370.3 million, driven by an excellent performance from Southwest Cheese, USA.

The Group's operating margin pre exceptional, excluding Joint Ventures & Associates, increased 80 basis points to 6.0% in 2008 (2007: 5.2%). Operating margins for the International division reduced by 60 basis points to 5.5% (2007: 6.1%). Margin expansion in Food Ingredients USA and Nutritionals was offset by significant margin pressures in Food Ingredients Ireland, as the decline

in global dairy prices resulted in an imbalance between market returns and milk input costs throughout 2008. Margins in Ireland increased 310 basis points to 6.9% (2007: 3.8%), benefiting from improvements in Consumer Foods and Agribusiness and the exit during the year from the Pigmeat business. Margins in Joint Ventures & Associates increased significantly during the year chiefly as a result of margin correction in Southwest Cheese.

Full details of the Group's divisional performances are contained in the Group Managing Director's review, the operations review and the finance review, which follow.

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#### Dividend

The Board is recommending a final dividend of 3.76 cents per share, compared with a 3.58 cents per share final dividend in 2007. This brings the total for the year to 6.51 cents per share (2007: 6.08 cents per share) representing a 7.1% increase. Subject to shareholder approval, dividends will be paid on Wednesday 20 May 2009 to shareholders on the register as at Friday 24 April 2009. Irish dividend withholding tax will be deducted at the standard rate where appropriate.

#### Strong corporate governance

The Board and management are committed to achieving the highest standards of corporate governance and being ethical in the conduct of all aspects of the business. For the period under review the Board is fully satisfied that appropriate systems of internal control are in place throughout the Group. A detailed Directors' statement of corporate governance is set out on pages 45 to 52 of this report.

#### Board changes

Michael Walsh retired from the Board and the Chairmanship of Glanbia, following the Group's Annual General Meeting (AGM) on 14 May 2008. Michael had served as a Director since 1989, as Vice-Chairman since 1996 and as a Chairman since 2005. His tenure, particularly in the period since 1996, has been a remarkable and exciting time for the Group reflecting a decade of progress and the successful implementation of Glanbia's growth strategy. Michael will remain as a member of the Group's US Advisory Board for a period of three years.

I am delighted with the honour of being elected Chairman of the Board in succession to Michael who chaired the Group with distinction.

In May 2008 a number of changes were made to the Board. John Fitzgerald, who has served on the Glanbia Board since 2004 was elected Vice-Chairman. Anthony O'Connor and Robert Prendergast, both dairy farmers and Directors of Glanbia Co-operative Society Limited, were appointed as Directors. Eamon Power retired as a Director having served nine years.

In March 2009, the Group announced the retirement of Geoff Meagher on 30 June 2009 from his executive roles as Deputy Group Managing Director and Group Finance Director and from the Board. Geoff has given exceptional service and commitment to Glanbia since he joined what was the Avonmore Group in 1975. He has been an integral part of the growth and internationalisation of the Group and a great pleasure to work with. Glanbia will be maintaining a consultancy relationship with Geoff to avail of his extensive experience.

Siobhan Talbot, who was Deputy Group Finance Director since 2005, has been appointed Group Finance Director Designate with immediate effect and will succeed Geoff and join the Board on 1 July 2009. Siobhan, a Chartered Accountant, has been with the Group since 1992.

On behalf of the Board I would like to welcome the new members and acknowledge with sincere thanks, the commitment and contribution departing members made to Glanbia. We wish them all well in the future.

#### Management and staff

I would like to personally thank John Moloney, Group Managing Director and all our employees for their dedication and commitment during the year.

#### Effective risk management

The Group's management of risk is key to achieving our strategic, financial and operational objectives. While risk is the ultimate responsibility of the Board, throughout Glanbia there are risk mitigation and management procedures and policies in place. The Group's risk falls into four principal categories – strategic, financial, operational and external. In light of the current environment, there are short term risks to the delivery of Glanbia's strategic objectives. The driver of these risks is the unprecedented and sustained nature of the global economic downturn and as a consequence volatility in global dairy markets. While there are some natural hedges in the business such as the geographic split in earnings, with the USA likely to respond faster to stimulus, there are some very significant challenges as we head into 2009. Risk and risk management is comprehensively dealt with on pages 36 and 37 of this report.

#### Conclusion

Detailed views on the outlook for 2009 are set out in the Group Managing Director's review and operations reviews on page 10 to 25.

Trading conditions became progressively more challenging in the second half of 2008 and into 2009. Global dairy markets have reached very low levels and in light of the current global economic uncertainty are likely to remain volatile for the rest of this year. However, the Group is well invested, financially strong and has a diversified earnings base with good organic growth opportunities. These should enable the Group to deliver further progress in 2009.



Liam Herlihy  
Chairman