

Operations review Joint Ventures & Associates

In 2008, Joint Ventures & Associates performed strongly, in particular Southwest Cheese in the USA, which is a world-class cheese and whey-based nutritional ingredients manufacturer. Overall, Glanbia's share of profit after tax and interest pre exceptional increased by €6.3 million to €7.3 million for the year.

In 2008 there was a significant improvement in the performance of the Group's Joint Ventures & Associates, most notably Southwest Cheese which had an excellent year. Glanbia Cheese in the UK achieved margin growth despite a challenging market in 2008. However, Nutricima in Nigeria had a difficult year as it was not possible to pass on the full extent of the significant increases in raw material commodity prices. As a result, Nutricima's profits and margins were behind 2007.

Glanbia's share of revenue of Joint Ventures & Associates grew 4.9% to €370.3 million (2007: €353.0 million). Operating margin increased 290 basis points to 4.6% (2007: 1.7%). Glanbia's share of profit after tax and interest pre exceptional improved considerably, increasing to €7.3 million (2007: €1.0 million).

Southwest Cheese

Southwest Cheese is located in Clovis, New Mexico, USA, and is one of the largest natural cheese and high-protein whey processing plants in the world. The business is in its third year of operation and produced 136,000 tonnes of American-style cheddar cheese and other American-style varieties of cheese in 2008, equivalent to 7.5% of the US market. It is a 50:50 joint venture between Glanbia and The Greater Southwest Agency. Glanbia markets all of the products produced. Southwest Cheese employs over 270 people.

2008 Performance

2008 was an excellent year for Southwest Cheese and the business delivered a strong recovery in results for the year, compared with 2007. Output increased as planned to reach full capacity.

Demand was favourable and operational excellence continued with strong day-to-day management at the facility.

A highlight of 2008 was achieving a World Cheese Championship gold medal in the first year of entering the competition. A gold medal was also awarded at the US Cheese Championship in March 2009.

2009 Outlook

The outlook for Southwest Cheese is good. The people, plant and processes have proven capabilities with the markets for American-style cheddar cheese and high-protein whey product continuing to grow. Milk production is robust in the New Mexico and West Texas regions and this positions the business for continued growth. A planned 50% expansion in production capacity is currently being finalised.



Revenue

up 4.9%

€370.3m

08 €370.3m
07 €353.0m

Profit after interest and tax pre exceptional

up €6.3m

€7.3m

08 €7.3m
07 €1.0m

Glanbia has three principle International joint ventures - Southwest Cheese in the USA, Glanbia Cheese in the UK and Nutricima in Nigeria - and a number of smaller Irish based joint ventures & associates.



Nunu, one of Nutricima's leading brands of milk-based powder for the developing Nigerian market.

Glanbia Cheese

The Group has a 51% interest in Glanbia Cheese which is a joint venture with Leprino Foods, USA. The business produces mozzarella cheese for the European pizza market in shredded, ribbon and string formats and is Europe's No.1 supplier of mozzarella cheese to the foodservice and retail pizza sector. Glanbia Cheese employs 350 people at three sites, which includes two cheese processing facilities in the UK.

2008 Performance

Glanbia Cheese's performance in 2008 showed a marked improvement over 2007, as the business fully recovered the milk cost inflation experienced in the second half of 2007. However, the external operating environment disimproved in the second half of 2008 as a result of the weakness in the global economy and its detrimental knock-on effect both on consumer confidence and demand. Despite the difficult market conditions Glanbia Cheese delivered margin growth in 2008.

2009 Outlook

Glanbia Cheese is well positioned to deal with the significant challenges anticipated in 2009. A combination of efficiency benefits and an improved sales mix underpins volume growth, which is supported by increased consumption trends in quick foodservice markets.

Nutricima

Nutricima is a 50:50 joint venture with PZ Cussons plc in Nigeria. This business has developed a branded product portfolio to serve all market segments including liquid, condensed and powdered milk-based products. Nigeria is a large and developing market, catering for a population estimated at 151 million people, with a fast growing urban middle class. Local oil production and a relatively stable political environment has supported strong GDP growth. Nutricima employs 260 people at its evaporated milk manufacturing and powder packing facility near Lagos.

2008 Performance

2008 was a challenging year as the business continued to experience the impact of significant increases in raw material commodity prices, which could not be fully passed on in the marketplace. Good operational progress continued to be made with the capacity expansion project for reconstituted evaporated milk now complete and the factory producing 'ready-to-drink' products is on target to be commissioned in the first half of 2009.

2009 Outlook

Nutricima is expected to make good progress in 2009, with improvements in its brand portfolio, market positions and increased top line growth forecast. Raw material commodity prices have reduced significantly and this is expected to improve margins.