

Glanbia plc

1. Basis of preparation

The Group's date of transition to IFRS is 4 January 2004. The Group's financial statements for the year ended 31 December 2005 will be prepared in accordance with IFRS and the comparatives for those periods will be restated to reflect IFRS, except where otherwise required or permitted by IFRS 1 First Time Adoption of International Financial Reporting Standards.

IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for its first IFRS financial statements. As a general principle, IFRS 1 requires the standards effective at the reporting date to be applied retrospectively. However, retrospective application is prohibited in some areas, particularly where retrospective application would require judgements by management about past conditions after the outcome of the particular transaction is already known. A number of optional exemptions from full retrospective application of IFRS's are granted where the cost of compliance is deemed to exceed the benefits to users of the financial statements.

The financial information in this document has been prepared in accordance with IFRS's, which the Group expects to be effective at 31 December 2005. The standards currently in issue are subject to ongoing review and endorsement by the EU, while the application of the standards continue to be subject to interpretation by the International Financial Reporting Interpretations Committee ("IFRIC"). The EU has yet to approve the amendment to IAS 19, which the group has implemented. In addition, the EU has endorsed a revised version of IAS 39 rather than the version published by the International Accounting Standards Board.

Further standards may be issued that could be applicable for financial years beginning on or after 2 January 2005, or are applicable to later periods, but with the option for companies to adopt for earlier periods. As a result, additional adjustments could therefore be required to the 2004 financial information prior to its inclusion as comparative figures in the 2005 final financial statements.

A separate document has been issued at the same time as this Interim Report detailing the impact of IFRS on Glanbia's financial statements for the 26 weeks ended 3 July 2004 and the year ended 1 January 2005. That restatement document provides reconciliations of the IFRS comparatives used within these financial statements to the results reported under the previous accounting standards ("Irish GAAP").

The consolidated financial statements have been prepared under the historical cost convention as modified from 2005 by the revaluation of available-for-sale securities, and financial assets and financial liabilities (including derivative instruments) at fair value through the income statement.

2. Segment reporting

	Half year ended 2 July 2005 €'000	Half year ended 3 July 2004 €'000	Year ended 1 January 2005 €'000
Turnover by business class:			
Consumer Foods	242,523	223,042	451,124
Food Ingredients	541,321	513,542	1,075,153
Agribusiness	142,283	143,828	227,368
	<hr/>	<hr/>	<hr/>
	926,127	880,412	1,753,645
Pre-exceptional operating profit by business class:			
Consumer Foods	8,481	10,728	27,906
Food Ingredients	22,094	21,316	46,440
Agribusiness	7,753	9,346	11,911
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	38,328	41,390	86,257

3. Exceptional items

		Half year ended 2 July 2005 €'000	Half year ended 3 July 2004 €'000	Year ended 1 January 2005 €'000
Foreign currency retranslation	(i)	3,907	(325)	(798)
Loss on sale of operation	(ii)			(81)
Profit on sale of fixed assets	(iii)			929
Profit on termination of operations	(iv)			2,445
Restructuring cost	(v)	(6,338)		400
		<u>(2,431)</u>	<u>(325)</u>	<u>2,895</u>

- (i) The foreign currency retranslation gain arises on the repayment of loans between fellow subsidiaries. Under IFRS, loans between fellow subsidiaries do not qualify as part of the net investment and therefore any gains or losses on these loans are to be recognised in the Income Statement.
- (ii) The loss on sale of operation in 2004 refers to additional costs relating to prior period disposals.
- (iii) The 2004 profit on sale of fixed assets arises from the sale of a site in the Consumer Foods business.
- (iv) The profit on termination of operations arises from the sale by the Group of its UK Fresh Meats and UK Consumer Meats plants at Droangan, Gainsborough and Milton Keynes during 2004.
- (v) The restructuring cost in 2005 relates to rationalisation costs in the Consumer Foods division in Ireland. In 2004 the restructuring credit arises from the release of provisions no longer required.

4. Group interest

		Half year ended 2 July 2005 €'000	Half year ended 3 July 2004 €'000	Year ended 1 January 2005 €'000
Group interest - pre exceptional item				
Loans and overdrafts	Repayable within five years	(4,944)	(1,760)	(4,211)
	Repayable after five years	-	(2,241)	(3,779)
Senior notes		-	(929)	(917)
Finance leases		(34)	(110)	(90)
Interest receivable	(i)	2,042	872	3,033
Net finance income re pension scheme		102	95	241
Subordinated debt costs		<u>(4,891)</u>	<u>-</u>	<u>-</u>
Net Interest pre exceptional item		(7,725)	(4,073)	(5,723)
Financing cost of preferred securities and preference shares		-	(5,602)	(10,387)
Total financing costs - pre exceptionals (ii)		<u>(7,725)</u>	<u>(9,675)</u>	<u>(16,110)</u>
Group interest - exceptional				
Cancellation of preferred securities	(iii)	<u>(5,304)</u>	<u>-</u>	<u>-</u>

- (i) Interest receivable mainly consists of interest on a Stg£35m subordinated secured loan note granted by The Cheese Company Holdings Limited in 2004, representing part proceeds on the sale by the Group of a 75% interest in its UK hard cheese business.
- (ii) The comparative numbers for the half year ended 3 July 2004 and year ended 1 January 2005 have been restated on an IFRS basis, with the exception of IAS 32 and IAS 39, which were implemented from 1 January 2005. As a result, interest on preferred securities and preference shares is shown as an interest charge in the half year ended 2 July 2005, and as Non-equity minority interest in the 2004 comparative numbers. On a comparable basis the total financing costs, pre exceptional item, for the half year ended 2 July 2005 was €7.7m compared to €9.7m at 3 July 2004.
- (iii) On 15 June the Group prepaid the US\$100m 7.99% cumulative preferred securities, giving rise to a cost of €5.3m, which has been disclosed as an exceptional item.

5. Taxation

A tax benefit arising from the disposal of certain US operations in prior years which previously had not been recognised in the financial statements, has now been finalised, and separately disclosed as an exceptional item.

6. Discontinued operations

	Half year ended 2 July 2005 €'000	Half year ended 3 July 2004 €'000	Year ended 1 January 2005 €'000
Profit / (loss) on disposal of discontinued operation	-	429	(1,601)

The discontinued operation represents the Group's disposal of 75% of its interest in the UK hard cheese business on 7 April 2004.

7. Earnings per ordinary share

	Half year ended 2 July 2005 €'000	Half year ended 3 July 2004 €'000	Year ended 1 January 2005 €'000
Profit after taxation and minority interest	26,200	26,218	61,119
Weighted average number of ordinary shares in issue (Million)	290.912	290.477	290.617
Earnings per share (cent)	9.01	9.03	21.03
Adjustments:			
Exceptional items	0.09	(0.04)	(0.44)
Adjusted earnings per share	9.10	8.99	20.59
Diluted earnings per share	8.95	8.97	20.92

8. Group borrowings

	Half year ended 2 July 2005 €'000	Half year ended 3 July 2004 €'000	Year ended 1 January 2005 €'000
Borrowings due within one year	324	527	3,509
Borrowings due after one year	316,724	211,388	198,682
Less:			
Cash and bank balances	(30,438)	(38,364)	(51,625)
	286,610	173,551	150,566

Note:

The comparative numbers as at 3 July 2004 and 1 January 2005 have been restated on an IFRS basis, with the exception of IAS 32 and IAS 39 which were implemented from 2 January 2005. This impacts the comparison of Group net financing which on a comparable basis was €286.6m at 2 July 2005, €292.8m at 3 July 2004 and €260.9m at 1 January 2005.

9. Fair value and currency translation reserves

	Fair value reserve €'000	Currency translation reserve €'000	Total €'000
Balance 1 January 2005	-	43	43
Implementation of IAS 32 and IAS 39	3,017	-	3,017
Increase in fair value of financial assets	264	-	264
Reduction in fair value of financial derivatives	(533)	-	(533)
Translation difference on foreign currency net investments	-	(9,494)	(9,494)
Transfer from goodwill reserve	-	1,335	1,335
	<u>2,748</u>	<u>(8,116)</u>	<u>(5,368)</u>

10. Revenue reserves

	Retained profits €'000	Goodwill reserve €'000	Total €'000
Balance 1 January 2005	(4,836)	(92,961)	(97,797)
Implementation of IAS 32 and IAS 39	(5,609)	-	(5,609)
Profit retained for period	26,200	-	26,200
Actuarial loss on defined benefit pension schemes	(25,020)	-	(25,020)
Dividend paid	(8,989)	-	(8,989)
Transfer to currency translation reserve	-	(1,335)	(1,335)
	<u>(18,254)</u>	<u>(94,296)</u>	<u>(112,550)</u>

11. Dividends

On 31 August 2005, the directors approved the payment of an interim dividend for 2005 of 2.27 cent per share (2004 interim dividend 2.16 cent per share).

12. Other

The figures for the half-years ended 2 July 2005 and 3 July 2004 are unaudited. The figures for the full year ended 1 January 2005 represent an abbreviated version of the Group's financial statements for the year, which received an unqualified audit report.