

News Release

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2004 Results for the year ended January 1, 2005

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2004 RESULTS

2 March 2005

GOOD PROGRESS AND IMPROVED PERFORMANCE RESTRUCTURING COMPLETED AND GROUP REORGANISED FOR GROWTH

Glanbia plc, an international Consumer Foods, Food Ingredients and Nutritionals Group, announces its 2004 Results for the year ended January 1, 2005.

COMMENTING TODAY JOHN MOLONEY, GROUP MANAGING DIRECTOR, SAID:

“Overall the Group performed satisfactorily in 2004 delivering results in line with expectations, notwithstanding the challenging trading environment in Ireland, particularly the difficult pigmeat sector. We are pleased with the progress made on the development and implementation of the Group’s strategy and the completion of the Group restructuring programme.

For 2005 our focus will be on the completion of the major strategic dairy processing investments in New Mexico and Nigeria, development initiatives which build scale and diversity and driving cost efficiencies that enhance performance. The trading outlook across the Group has some challenges, particularly in the context of managing the impact of EU dairy sector reform. However with our strong market positions and evolving Nutritionals business, the Group is well positioned for growth.”

SUMMARY RESULTS

Financial Highlights

- Turnover ⁽¹⁾ up 10% to €1.83 billion (2003: €1.66 billion).
- Operating profit ⁽²⁾ down by 5.6% to €83.5 million (2003: €88.5 million), impacted by the sharp downturn in the Fresh Pork business.
- Profit before tax and exceptional items up 1% to €77.7 million (2003: €77.1 million).
- Operating margin 4.6% (2003: 4.5%).
- Adjusted earnings per share ⁽³⁾ up 4.4% to 20.10 cent per share (2003: 19.26 cent).
- Earnings per share 20.41 cent (2003: loss per share 12.01 cent).
- Total dividend for the year up 5% to 5.25 cent per share (2003: 5.0 cent).
- Total financing costs reduced substantially to €16.4 million ⁽⁴⁾ (2003: €26.0 million).

⁽¹⁾ Continuing operations

⁽²⁾ Continuing operations, pre exceptional items. Total exceptional items: gain of €1.2 million (2003: charge of €92.0 million)

⁽³⁾ Pre exceptional items and amortisation of goodwill.

⁽⁴⁾ Includes net interest of €5.96 million and €10.39 million for preferred securities (non-equity minority interest).

Operational Highlights

- A satisfactory performance with results in line with expectations.
- Restructuring completed and Group organised around key areas for strategic development.
- Demanding trading conditions in liquid milk and chilled foods businesses.
- Difficult year for the pigmeat sector but positive signs of a recovery towards year end.
- Strong growth in Food Ingredients, led by positive US markets and increased US capacity.
- Strategic investments in New Mexico and Nigeria to be commissioned in 2005.
- Group Innovation Centre opened and first Nutritionals acquisition in Europe completed.

RESULTS

In 2004 the Group completed a programme of planned restructuring, which culminated during the year with the sale of Glanbia Foods Ltd and the related Glanbia Milk operations. The Group has retained a 25% interest in a new cheese entity, The Cheese Company Holdings Limited.

	1 January 2005	3 January 2004	Change
Group turnover <small>Continuing operations</small>	€1,828.7 m	€1,659.2 m	Up 10%
Operating profit <small>Continuing operations, pre exceptional items</small>	€83.5 m	€88.5 m	Down 5.6%
Profit before tax <small>Pre exceptional items</small>	€77.7 m	€77.1 m	Up 1%
Exceptional items	€1.2 m	€(92.0) m	Restructuring completed
Profit before tax <small>Post exceptional items</small>	€78.9 m	€(14.9)m	
Adjusted earning per share <small>Pre exceptional items and amortisation of goodwill</small>	20.10 c	19.26 c	Up 4.4%
Dividend per share	5.25 c	5.00 c	Up 5%
Net debt	€150.6 m	€153.8 m	
Financing cover <small>Net interest and preferred securities/Operating profit</small>	5.2 times	3.5 times	

Turnover for continuing operations increased by 10% to €1,828.7 million (2003: €1,659.2 million). Total Group turnover declined 10% to €1,846.0 million (2003: €2,041.1 million) as a result of the planned restructuring of the Group's UK operations. The Group share of the turnover of joint ventures increased 9.2% to €75.0 million (2003: €68.7 million).

Operating profit before exceptional items from continuing operations declined 5.6% to €83.5 million (2003: €88.5 million), mainly as a result of the poor performance of the Fresh Pork business, which was impacted by difficulties in the Irish pigmeat sector during the year. Operating profit, pre exceptionals and including share of joint venture and associates, declined by 8.8% to €84.6 million (2003: €92.8 million).

Profit before tax increased to €78.9 million as against a loss before tax in 2003 of €14.9 million. The pre tax loss in 2003 reflects the €92.0 million exceptional charges in that year, as a consequence of the planned Group restructuring, compared with a gain in 2004 of €1.2 million principally on the sale of assets.

Adjusted earnings per share amounted to 20.10c up 4.4% (2003: 19.26c), while earnings per share amounted to 20.41c compared with a loss per share of 12.01c in 2003. The dividend for the year, including the proposed final dividend, amounted to 5.25c per share (2003: 5.00c), representing an annual increase of 5%.

Net debt decreased €3.2 million to €150.6 million (2003: €153.8 million), notwithstanding €126.3 million in capital expenditure and development initiatives in 2004. The overall improvement in the Group's debt reflects the proceeds of the disposal of Glanbia Foods Ltd (the UK hard cheese operation) and solid cash flow from operations.

The interest charge declined to €6.0 million (2003: €15.0 million). This includes an interest credit of €2.5 million in respect of a Stg£35.0 million loan note from The Cheese Company Holdings Limited. The interest charge declined due to a changing mix of debt and a more favourable interest rate environment.

The Group has a non-equity minority interest charge of €10.4 million relating to preferred securities (2003: €11.0 million).

The total financing charge for the Group declined €9.6 million to €16.4 million (2003: €26.0 million). Financing cover was 5.2 times in 2004, compared with 3.5 times in 2003.

DIVIDENDS

The Board is recommending a final dividend of 3.09c per share, compared with a 2.94c per share final dividend in 2003. This brings the total dividend for the year to 5.25c per share (2003: 5.0c per share), representing a 5% increase. Dividends will be paid on Monday, 23 May 2005 to shareholders on the register as at Friday, 22 April 2005, the record date. Irish dividend withholding tax will be deducted at the standard rate where appropriate.

DEVELOPMENT INITIATIVES 2004

In 2004, as part of the overall capital expenditure programme, the Group spent €68.3 million on a number of development initiatives aligned with the Group's development strategy, which is centred on high growth areas in Consumer Foods, Food Ingredients and Nutritionals. This included investment in Southwest Cheese Company LLC (New Mexico), Nigeria, Germany and organic expansion of our Idaho facilities.

Organic Growth

- Three new plant extensions were commissioned in 2004 at the Group's USA facilities. Production at the Gooding cheese facility expanded by 25% to meet the growing demand for cheddar cheese primarily from the food service and retail sectors. Two expansion projects at the Richfield whey plant increased production of current nutritional brands as well as new product development, reflecting the growing nutritional marketplace demand.
- In 2004 Consumer Foods Ireland reorganised its management structure merging its two consumer facing businesses - liquid milk and chilled foods. This business also expanded its customer support functions with investments in people, realigned structures and change processes, supported by new management information systems.
- There were a number of successful new products launched in 2004. In addition to a range of chocolate and strawberry flavoured milks Consumer Foods Ireland introduced two new soup ranges "Avonmore Connoisseur" and "Avonmore Kidz". A range of fresh meat sauces was also launched under the Avonmore brand in the latter half of the year. This new product momentum will continue into 2005 with the development of new products and product extensions planned.

Acquisitions

- Glanbia acquired a German based nutrient delivery systems business, Kortus Food Ingredients Services GmbH ("Kortus") for €14.5 million. Kortus specialises in the production, research and development of customised nutrient systems for customers in the Infant Formula, Clinical Nutrition and Dietetics markets. This business gives Glanbia a platform for growth in those sectors as well as access to a strong sales presence in Germany and Austria.

Joint Ventures

- The new US\$190 million production facility in New Mexico, the Southwest Cheese Company LLC joint venture with Dairy Farmers of America Inc. and Select Milk Producers Inc. is on target to begin commissioning in October 2005. In addition to over 110,000 tonnes of cheese the plant will also produce 7,500 tonnes of high quality value-added whey proteins, all of which will be available for the development of the Group's Nutritionals business.
- The 50:50 joint venture with PZ Cussons plc to build a new US\$25 million facility in Nigeria is set to begin commissioning in April 2005. This creates opportunities for a new route to market for Food Ingredients Ireland.
- Glanbia concluded a 50:50 joint venture agreement with Nashs Mineral Waters (Marketing) Limited for a cash consideration of €1.3 million.

2005 TO DATE

Since year-end Glanbia and Dairygold Co-operative Society Limited announced that, subject to approval of the Irish Competition Authority, Glanbia will operate the CMP liquid milk, cream and juice brand. In addition Glanbia and Dairygold also reached agreement in principle to enter into a contract manufacturing arrangement to maximise utilisation of their respective milk processing facilities. The agreements with Dairygold demonstrate the continuing internal drive for production and cost efficiencies in response to the effects of the Mid Term Review (MTR) of the Common Agricultural Policy (CAP) on the market landscape.

OPERATIONS REVIEW

Glanbia is now organised into cohesive business units structured around developing the Group's strategic focus on Consumer Foods, Food Ingredients and Nutritionals.

Agribusiness

As anticipated, 2004 was a challenging year for the Agribusiness division and overall turnover declined by 3.0% to €227.4 million (2003: €234.5 million). Operating profit declined 15.1% to €12.1 million (2003: €14.2 million) reflecting the combined effects of poor grain markets and the influence of changing demand patterns and pricing in an evolving farming sector. Operating margin reduced to 5.3% (2003: 6.1%). During 2004 the division continued its efficiency and cost management programme and the number of retail branch outlets was reduced by 12 to 70 branches. With its evolving structure and more efficient cost base Agribusiness is well positioned to provide a full product offering to customers.

Consumer Foods

Overall the Consumer Foods Division had a challenging year. Turnover at €543.5 million (2003: €900.4 million) was down reflecting the completion of the planned UK restructuring programme. Operating profit declined to €27.8 million (2003: €44.8 million) reflecting the impact of the UK restructuring programme and a sharp decline in the performance of the Fresh Pork business. Operating margin improved to 5.1% (2003: 5.0%).

Liquid Milk and Chilled Foods

Against the background of a competitive grocery trade and food retail market in Ireland, the liquid milk and chilled foods businesses performed reasonably well, although both turnover and profitability reduced in 2004. The liquid milk business was impacted by increased milk imports from Northern Ireland.

During 2004 a substantial investment was made integrating the supply chain processes of liquid milk and chilled foods and while there is further work planned in this area this new structure is beginning to yield benefits. With a common set of customers and distribution channels, further opportunities in terms of sales, distribution, customer service and product innovation will be developed in 2005.

Consumer Foods continued to consolidate its position in 2004 with Ireland's leading dairy food and beverage brands - comprising Avonmore, Premier, Yoplait, Snowcream and Kilmeaden. The ongoing development and extension of the product range for taste, nutrition, variety and convenience was a critical factor in maintaining this leading market position.

Fresh Pork

Profitability in Glanbia Meats declined sharply in 2004 due to a weak pork market and very competitive market supply dynamics. The pigmeat industry is cyclical and this has been compounded in recent years by overcapacity relative to the available supply of pigs. During 2004 the industry consolidated with a reduction in the number of processors and as anticipated, trading conditions improved late in the year with some margin recovery and growing international demand. The Group expects an improved performance from Glanbia Meats in 2005. Glanbia, with its modern plant and efficient operations is well positioned to benefit in this stronger industry and operating environment.

UK Mozzarella Cheese Joint Venture

While the overall market for mozzarella cheese grew, trading conditions remained highly competitive as dairy processors reposition their product portfolios in the wake of the implementation of MTR in EU dairy markets. This gave rise to aggressive price competition during the year. As a leading supplier of innovative products, volumes at Glanbia Cheese grew, however profits were depressed by the poor pricing environment. This market environment is expected to improve somewhat in 2005. The strength of the Glanbia Cheese market position, quality product and unique technology places this business in a good position to benefit as these developments unfold.

Food Ingredients

This division delivered a good result, driven by a strong contribution from the Group's US cheese operations and a satisfactory performance from the Irish business. Turnover increased 18.6% to €1,075.2 million (2003: €906.2 million). Operating profit grew 32.6% to €44.8 million (2003: €33.8 million) and operating margin grew 44 basis points to 4.2% (2003: 3.7%). There was a small positive contribution from the Nutritionals business.

Food Ingredients USA

Solid volume growth, good demand for whey, improved market pricing for cheese and increased capacity at the Idaho facilities resulted in a strong performance overall from the US business. Turnover and profits increased substantially with an improvement in margins.

As part of an ongoing programme of investment – total €18.6 million – an increase in capacity at the Idaho facilities for cheese and whey products was completed during 2004. A further phase of investment to add new plant for the production of protein isolates, which is a core product in the Nutritionals business, was also commenced in 2004 and has recently been commissioned. Milk production in Idaho is expected to be strong in 2005 and market demand indications are positive.

Food Ingredients Ireland

Food Ingredients Ireland had a satisfactory year against a backdrop of solid market demand. The combined benefits of rationalisation, an enhanced product mix from innovation and increased capacity utilisation contributed to the performance of the business.

Market demand was better than anticipated and this underpinned a stable product and raw material pricing structure during the year. However with the implementation of MTR, this situation is not expected to persist and a rebalancing of the pricing structure in the sector is expected in the shorter term. Food Ingredients Ireland as a large manufacturing operation will continue to examine opportunities to minimise the impact of inflationary cost increases. The recently announced agreement with Dairygold Co-operative is a logical development in this regard.

Nutritionals

Glanbia Nutritionals made progress in 2004, achieving good sales growth supported by the additional capacity in specialised whey protein isolate products in Idaho. The business also developed and launched advanced, differentiated and branded ingredients, targeted at a range of nutritional requirements such as weight management, immune enhancement and performance. These products were developed in partnership with customers at the Idaho Centre of Excellence in the USA and the Group's Innovation Centre in Ireland. All the products have received a positive response.

Investment was made during the year in resourcing and organising the Nutritionals development programme and an acquisition of Kortus for €14.5 million was made in Germany during the year.

Glanbia's expertise and leading global position in the fractionation and utilisation of whey proteins is the strategic rationale for this evolving business, and the Group's strategy is to become a key global provider of nutritional ingredients and nutritional solutions in this high growth market, through a range of initiatives in capacity expansion, research and development, and acquisition and joint ventures in both dairy and non dairy sectors.

FINANCE REVIEW

Before exceptional items and goodwill amortisation, adjusted earnings per share increased 4.4% to 20.10 cent (2003: 19.26 cent). Earnings per share were 20.41 cent (2003: loss per share 12.01 cent), reflecting the completion of the planned restructuring of the Group. The average number of shares in issue during the year was 290.6 million (2003: 290.3 million).

Net cash inflow from operating activities amounted to €83.4 million for the year. Capital investment was €126.3 million and proceeds of disposals €84.7 million. The Balance Sheet is materially changed, principally arising from the disposal of Glanbia Foods Limited during the year. Capital employed has increased from €298 million to €337.9 million.

Net borrowings as at 1 January 2005 amounted to €150.6 million, compared with €153.8 million as at 3 January, 2004. Non-equity minority interests amounted to €110.38 million compared with €115.76 million the previous year, the difference arises on currency translation only.

Total financing (net borrowings and non equity minority interests) gives a Financing/EBITDA ratio of 2.29 times (2003: 2.07 times).

International Financial Reporting Standards

It will become mandatory for all EU listed companies to report their consolidated financial statements under International Financial Reporting Standards (IFRS) from 2005 onwards. This will apply to the Group for its June 2005 Interim Results and Glanbia has established a programme to ensure full compliance with IFRS. The main impact on the Group's financial statements is expected to be the implementation of IAS 19 'Employers Benefits' and the recognition on the Balance Sheet of pension fund deficits.

BOARD CHANGES

The Chairman, Mr Tom Corcoran, will retire from the Board of Glanbia plc in June 2005 and the Board will select and appoint a successor at that time.

2005 OUTLOOK

"For 2005 our focus will be on the completion of the major strategic dairy processing investments in New Mexico and Nigeria, development initiatives which build scale and diversity and driving cost efficiencies that enhance performance. The trading outlook across the Group has some challenges, particularly in the context of managing the impact of EU dairy sector reform. However with our strong market positions and evolving Nutritionals business, the Group is well positioned for growth."

ANNUAL REPORT AND ANNUAL GENERAL MEETING

The 2004 Annual Report for the Group will be published in April. The Annual General Meeting will take place in the Newpark Hotel, Kilkenny on 17 May 2005.

Ends

Note to Editors:

ABOUT GLANBIA

The business units of Glanbia plc are structured around developing the Group's strategic focus on the Consumer Foods, Food Ingredients and Nutritionals markets. There are three operational divisions of Glanbia:

- Agribusiness Division – the key linkage between Glanbia and its Irish raw materials supply base of 5,700 farmer suppliers. This business is engaged primarily in feed milling, milk assembly and the marketing of a range of farm inputs, including fertilisers, feed and grain through a retail branch network.
- Consumer Foods – includes liquid milk, chilled foods and pork processing as well as the UK mozzarella cheese joint venture.
- In Ireland Glanbia is the leading supplier of branded and value-added liquid milk, fresh dairy, cheeses, soups and spreads in the retail market. Glanbia Meats is the leading Irish fresh pork and bacon processor selling to Irish and International markets.
- Food Ingredients – comprising the US and Irish dairy ingredients operations and the Group's developing Nutritionals business. Glanbia processes a range of milk, cheese and whey protein ingredients at facilities in Ireland and the US for sale on international markets. Glanbia Nutritionals supplies the global nutrition industry with a range of solutions designed to address specific health and wellness benefits.

Glanbia plc
Consolidated Profit and Loss Account
for the Year ended 01 January 2005

	Notes	Pre- exceptional 2004 €'000	Exceptional 2004 €'000	Total 2004 €'000	Pre- exceptional 2003 €'000	Exceptional 2003 €'000	Total 2003 €'000
Turnover							
Continuing operations		1,828,661	-	1,828,661	1,659,153	-	1,659,153
Discontinued operations		92,400	-	92,400	450,607	-	450,607
Less share of turnover of joint venture		(75,016)	-	(75,016)	(68,687)	-	(68,687)
Group turnover	1	<u>1,846,045</u>	-	<u>1,846,045</u>	<u>2,041,073</u>	-	<u>2,041,073</u>
Cost of Sales		<u>(1,612,927)</u>	-	<u>(1,612,927)</u>	<u>(1,773,537)</u>	-	<u>(1,773,537)</u>
Gross profit		<u>233,118</u>	-	<u>233,118</u>	<u>267,536</u>	-	<u>267,536</u>
Distribution costs		(82,171)	-	(82,171)	(94,697)	-	(94,697)
Administrative expenses	2	<u>(66,525)</u>	400	<u>(66,125)</u>	<u>(80,970)</u>	(16,451)	<u>(97,421)</u>
Operating profit							
Continuing operations		83,503	400	83,903	88,472	(16,451)	72,021
Discontinued operations		919	-	919	3,397	-	3,397
Group operating profit		<u>84,422</u>	<u>400</u>	<u>84,822</u>	<u>91,869</u>	<u>(16,451)</u>	<u>75,418</u>
Share of operating profit of joint ventures & associates		201	-	201	916	-	916
Operating profit including joint ventures & associates	1	<u>84,623</u>	<u>400</u>	<u>85,023</u>	<u>92,785</u>	<u>(16,451)</u>	<u>76,334</u>
Loss on sale of operation	3	-	(2,601)	(2,601)	-	(28,190)	(28,190)
Provision for loss on sale of operation	4	-	-	-	-	(49,146)	(49,146)
Profit on sale of fixed assets	5	-	929	929	-	11,594	11,594
Profit / (loss) on termination of operations	6	-	2,445	2,445	-	(9,827)	(9,827)
Group interest		(5,964)	-	(5,964)	(15,023)	-	(15,023)
Share of interest of joint ventures and associates		(917)	-	(917)	(627)	-	(627)
Profit / (loss) before taxation		<u>77,742</u>	<u>1,173</u>	<u>78,915</u>	<u>77,135</u>	<u>(92,020)</u>	<u>(14,885)</u>
Taxation		<u>(8,805)</u>	-	<u>(8,805)</u>	<u>(10,272)</u>	1,546	<u>(8,726)</u>
Profit / (loss) after taxation		<u>68,937</u>	<u>1,173</u>	<u>70,110</u>	<u>66,863</u>	<u>(90,474)</u>	<u>(23,611)</u>
Equity minority interest				(413)			(251)
Non-equity minority interest				<u>(10,387)</u>			<u>(11,005)</u>
Profit / (loss) for the year				<u>59,310</u>			<u>(34,867)</u>
Dividends	7			<u>(15,268)</u>			<u>(14,515)</u>
Profit retained / (loss) absorbed for the year				<u>44,042</u>			<u>(49,382)</u>
Earnings per share	8			20.41	c		(12.01) c
Adjusted earnings per share	8			20.10	c		19.26 c

Glanbia plc
Consolidated Balance Sheet
as at 1 January 2005

	2004 €'000	2003 €'000
Assets employed		
Fixed assets		
Tangible assets	321,780	363,641
Intangible assets	16,652	2,466
Financial assets		
Investments in joint ventures:		
Share of gross assets	86,632	40,542
Share of gross liabilities	<u>(36,805)</u>	<u>(27,598)</u>
	49,827	12,944
Investments in associates	9,908	9,607
Other investments	<u>29,869</u>	<u>13,035</u>
	89,604	35,586
	<u>428,036</u>	<u>401,693</u>
Current assets		
Stocks	133,419	202,736
Debtors	230,792	214,136
Cash and bank balances	<u>51,625</u>	<u>59,775</u>
	415,836	476,647
Creditors - Amounts falling due within one year	<u>250,871</u>	<u>352,446</u>
Net current assets	<u>164,965</u>	<u>124,201</u>
Total assets less current liabilities	<u>593,001</u>	<u>525,894</u>
Less:		
Non-current liabilities		
Creditors - Amounts falling due after more than one year	210,362	183,682
Provision for liabilities and charges		
Deferred taxation	29,493	27,559
Capital grants	<u>15,276</u>	<u>16,611</u>
	<u>337,870</u>	<u>298,042</u>
Capital and reserves		
Called up equity share capital	17,559	17,551
Share premium account	80,212	80,005
Merger reserve	113,148	113,148
Revenue reserves	9,907	(34,088)
Own shares	<u>(2,563)</u>	<u>(3,235)</u>
Capital reserves	3,138	3,231
Equity shareholders' funds	<u>221,401</u>	<u>176,612</u>
Equity minority interests	6,085	5,671
Non-equity minority interests	<u>110,384</u>	<u>115,759</u>
	<u>337,870</u>	<u>298,042</u>

The financial statements were approved by the Board of Directors on 1 March 2005 and signed on its behalf by TP Corcoran, JJ Moloney and GJ Meagher, directors.

Glanbia plc
Consolidated Cash Flow Statement
For the Year Ended 1 January 2005

	2004 €'000	2004 €'000	2003 €'000	2003 €'000
Group operating profit		84,422		91,869
Reorganisation and merger costs		-		(338)
Profit on disposal of fixed assets		(920)		(415)
Depreciation		29,320		38,125
Capital grants released		(1,228)		(1,443)
Increase in stocks		(10,498)		(35,004)
Increase in debtors		(1,807)		(2,333)
(Decrease) / increase in creditors		(16,118)		3,749
Goodwill amortisation		273		297
Net cash inflow from operating activities		83,444		94,507
Returns on investments and servicing of finance				
Interest received	573		277	
Interest paid	(11,349)		(16,676)	
Finance lease interest	(90)		(149)	
Dividends paid to equity minority interest	-		(1,463)	
Dividends paid to non equity minority interest	(9,674)	(20,540)	(10,295)	(28,306)
Taxation		(4,955)		(9,816)
Capital expenditure and financial investment				
Purchase of fixed assets	(60,946)		(41,741)	
Disposal of fixed assets	1,409		2,629	
Purchase of investments	(55,211)	(114,748)	(2,410)	(41,522)
Acquisitions and disposals				
Purchase of subsidiary undertakings	(10,157)		-	
Disposal of subsidiary undertakings	76,781		795	
Termination of operation	6,496		(1,851)	
Fire insurance proceeds (net of redundancy and other costs)	-	73,120	7,332	6,276
Equity dividends paid		(14,813)		(14,080)
Cash inflow before management of liquid resources and finances		1,508		7,059
Financing				
Decrease in term loans	(8,513)		(34,478)	
Decrease in finance leases	(613)		(987)	
Minority interest redemption	-		(100)	
Share capital issued	215		-	
Capital grants received	3	(8,908)	5	(35,560)
Decrease in cash in year		(7,400)		(28,501)
Reconciliation of net cash flow to movement in net debt				
Decrease in cash in year		(7,400)		(28,501)
Decrease in debt and finance leasing		9,126		35,465
Change in net debt resulting from cash flows		1,726		6,964
Translation difference		1,505		15,547
Movement in net debt in year		3,231		22,511
Net debt at 3 January 2004		(153,797)		(176,308)
Net debt at 1 January 2005		(150,566)		(153,797)

Glanbia plc
Notes to the Financial Statements

1. Segmental analysis

	2004	2003
Analysis by class of business	€'000	€'000
Turnover		
Consumer Foods	543,524	900,411
Food Ingredients	1,075,153	906,210
Agribusiness	227,368	234,452
	<u>1,846,045</u>	<u>2,041,073</u>
Operating profit	2004	2003
(Pre-exceptional operating profit including share of profits of joint venture and associates)	€'000	€'000
Consumer Foods	27,755	44,773
Food Ingredients	44,770	33,765
Agribusiness	12,098	14,247
	<u>84,623</u>	<u>92,785</u>

2. Exceptional items

	2004	2003
	€'000	€'000
Redundancy credit/(cost) arising from fire at Roosky plant (note 5)	230	(9,505)
Restructuring credit/(cost) associated with EU Commissions Mid Term Review of the Common Agricultural Policy	170	(6,946)
	<u>400</u>	<u>(16,451)</u>

The credit in 2004 arises from the release of redundancy provisions no longer required.

3. Loss on sale of operation

The loss arises primarily from the sale by the Group of a 75% interest in its UK hard cheese business in April 2004 (see note 4). The Group also incurred additional costs relating to prior period disposals.

	UK		
	Hard Cheese	Others	Total
	€'000	€'000	€'000
Loss on disposal of asset	<u>(2,520)</u>	<u>(81)</u>	<u>(2,601)</u>

The loss on sale in 2003 arose mainly from the Group's sale of its UK Fresh Meats operation at West Bromwich. The Group also disposed of a pig farm during 2003 and recognised an additional loss representing increased pension obligations to former employees of the UK Dairies operation which was disposed of in a prior period.

Glanbia plc
Notes to the Financial Statements

4. Provision for loss on sale of operation

The 2003 provision arose from the sale by the Group in April 2004 of a 75% interest in its UK hard cheese business.

	2004	2003
	€'000	€'000
Loss on disposal of asset after year end	-	(18,629)
Write back of goodwill on asset disposed after year end	-	(30,517)
	<u>-</u>	<u>(49,146)</u>

5. Profit on sale of fixed assets

The 2004 profit arises from the sale of a site in the Consumer Foods business.

	2004	2003
	€'000	€'000
Profit on disposal of tangible assets	<u>929</u>	<u>11,594</u>

The profit in 2003 arose from the excess of insurance proceeds received over the net book value of assets destroyed by fire at the pigmeat processing plant in Roosky, Ireland on 8 May 2002.

6. Profit / (loss) on termination of operations

The gain arises from the sale by the Group of its UK Fresh Meats and UK Consumer Meats plants at Drongan, Gainsborough and Milton Keynes during 2004, following the sale of its UK Fresh Meats business in 2003 and the closure of its UK Consumer Meats business in 2002.

	2004	2003
	€'000	€'000
Profit / (loss) arising on termination of operations	2,445	(8,578)
Goodwill written off on termination	-	(1,249)
	<u>2,445</u>	<u>(9,827)</u>

The loss in 2003 relates to the closure of the Group's UK Fresh Meats operations at Drongan and Gainsborough, and an adjustment to the loss arising from the closure of the Group's UK Consumer Meats operation in June 2002.

7. Dividends

	2004	2003
Interim dividend paid per share (cent)	2.16	2.06
Final dividend proposed per share (cent)	<u>3.09</u>	<u>2.94</u>
	<u>5.25</u>	<u>5.00</u>
Total dividend (€'000)	<u>(15,268)</u>	<u>(14,515)</u>

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8. Earnings per share

	2004 €'000	2003 €'000
Profit / (loss) after taxation and minority interest	<u>59,310</u>	<u>(34,867)</u>
Weighted average number of ordinary shares in issue (million)	<u>290.617</u>	<u>290.303</u>
Earnings per share	<u>20.41c</u>	<u>(12.01c)</u>
Adjustments:		
Goodwill amortisation	0.10c	0.10c
Exceptional items	(0.14c)	5.13c
Loss on sale of operations	0.89c	9.71c
Provision for loss on sale of operations	-	16.93c
Profit on sale of fixed assets	(0.32c)	(3.99c)
(Gain) / loss on termination of operations	<u>(0.84c)</u>	<u>3.39c</u>
Adjusted Earnings per Share	<u>20.10c</u>	<u>19.26c</u>

9. Debtors

Included in Debtors of €230.8 million is a subordinated secured loan of €51.9 million granted by The Cheese Company Holdings Limited in 2004, representing part proceeds arising on the sale by the Group of a 75% interest in its UK hard cheese business. The loan note yields interest at 1.75% above LIBOR. The principle and compounded interest is repayable over 40 quarterly instalments from 1 April 2008 to 1 January 2018.

10. Group borrowings

	2004 €'000	2003 €'000
Borrowings due within one year	3,509	43,221
Borrowings due after one year	198,682	170,351
Less:		
Cash and bank balances	<u>(51,625)</u>	<u>(59,775)</u>
Net borrowings	<u>150,566</u>	<u>153,797</u>

11. Accounting policies

These accounts have been prepared under the historical cost convention using the same accounting policies as detailed in the 2003 annual financial statements, with the exception of a new accounting policy being adopted in respect of Own Shares as required under Urgent Issues Task Force Abstract 38 'Accounting for ESOP Trusts' issued in December 2003. This new policy reclassified Own Shares held of €2.6 million from Other Investments to Equity Shareholders' Funds and has no impact on the Group's consolidated profit and loss account.

12. Basis of preparation and reporting currency

The financial information set out in this document does not constitute full statutory accounts for the year ended 1 January 2005 (referred to as 2004 accounts) or 31 January 2004 (referred to as 2003 accounts) but is derived from same. The 2004 and 2003 accounts have been audited and received unqualified audit reports. The 2004 financial statements were approved by the Board of Directors on 1 March 2005.