

2005

Interim Results



A world of dairy
foods and nutritional
ingredients

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International Financial Reporting Standards (IFRS)

- Interim results are prepared under IFRS.
- IFRS restatement had no significant impact on earnings.
- IFRS restatement resulted in pension deficit being shown on the Balance Sheet.
- All comparisons are based on a restatement of 2004 financial statements.
- A detailed IFRS restatement document is available at www.glanbia.com.
- IFRS does not affect the operations or cash flows of the Group.

Operational Performance

- H1 earnings broadly in line with H1 2004
- Challenging environment in Agribusiness and Chilled Foods affects results
- Agribusiness impacted by effect of the implementation of MTR
- Consumer Foods reflects poor performance in Chilled Foods segment
 - Liquid Milk satisfactory in competitive market place
 - Chilled Foods tough; competitive challenges and rationalisation initiatives
 - Pigmeat improved; recovery slower than anticipated
- Solid performance in Food Ingredients
 - Food Ingredients Ireland satisfactory; ongoing structural change in dairy markets
 - Food Ingredients USA good; strong market, increased output
 - Nutritionals steady progress; solid organic growth, Kortus ahead of expectations
- Nigeria and New Mexico progressing well

Financial Performance (continuing operations)

€'000	H1 2005 Pre exceptional	H1 2004 Pre exceptional
Turnover up €45.7 million	926,127	880,412
Operating profit down €3.1 million	38,328	41,390
Total financing costs ⁽¹⁾ down €2.0 million	7,725	9,675
Profit before tax ⁽²⁾ , on a comparable basis ⁽³⁾ down €0.8 million	30,641	31,466
Taxation	(3,947)	(5,037)
Profit after tax, on a comparable basis ⁽³⁾	26,694	26,429
Operating margin	4.1%	4.7%
Earnings per share	9.01c	9.03c
Adjusted earnings per share	9.10c	8.99c
Interim dividend up 5%	2.27c	2.16c

(1) Due to the timing of the implementation of the relevant IFRS standards, interest on preferred securities and preference shares is shown in the income statement as part of group interest in H1 2005 and as non equity minority interest in H1 2004.

(2) Including share of profit of joint ventures and associates (H1 2005: €38,000 profit and H1 2004: €249,000 loss)

(3) After total financing costs (group interest plus non-equity minority interest) of €7.7m in H1 2005 and €9.7m in H1 2004

Financial Performance (continuing operations)

Exceptional (€'000)	H1 2005	H1 2004
Operating profit <ul style="list-style-type: none"> Includes €6.3m rationalisation costs at Consumer Foods, offset by a foreign exchange credit of €3.9m arising from the implementation of IFRS. 	(2,431)	(325)
Group interest <ul style="list-style-type: none"> Cancellation cost of \$100m preferred securities, which were prepaid in June 2005 as part of an overall refinancing of the Group. 	(5,304)	-
Taxation – credit relating to prior business disposal	7,454	-
Profit after Tax	(281)	(325)

Balance Sheet and Cash Flow

- Total financing on a comparable basis increased €25.7m to €286.6m
 - Investment in development initiatives (CMP, Nigeria, etc.)
- Further initiatives to reduce ongoing investment in seasonal working capital
- Group refinancing
 - Early repayment of \$100m preferred securities, cost €5.3m
 - Renewed facilities of >€400m to July 2010
 - More favourable interest rate and debt mix
- IFRS Impact on Balance Sheet
 - Pension deficit net of tax - €139.4 million at 2 July 2005.

Agribusiness

- Farm purchasing power impacted by MTR
- Volumes reduced, pricing pressure
- Difficult first half, as expected
- Key linkage to farmer supply base
- Cash generative business
- Focus on continued sustainability
- Significant change in farming
- Group expects further pressures
- Additional cost reduction/rationalisation

	H1 2005	H1 2004
Turnover	€142.3m	€143.8m
Operating Profit	€7.8m	€9.3m
Operating Margin	5.4%	6.5%

Principal activities



Feed milling/marketing
 Fertilizers
 Milk Assembly
 Grain Trading
 Farm Inputs

Consumer Foods

- H1 reflects challenges in Chilled Foods
- Liquid Milk satisfactory but competitive
- Pigmeat improved but slower than expected
- Inch rationalisation; one-off cost
- New agreements and work practices
- More sustainable competitive business
- FDP innovation pipeline growing
- H2 marketing and cost efficiency benefits
- Expect improved performance

	H1 2005	H1 2004
Turnover	€242.5m	€223.0m
Operating Profit	€8.5m	€10.7m
Operating Margin	3.5%	4.8%

Principal activities



Liquid milk, chilled foods with leading household brands

Pig processing for local and international markets

Food Ingredients

- Solid performance
- Ireland satisfactory, some margin pressure
- USA good, strong market and output
- Nutritionals steady, further organic growth
- Kortus sales ahead of expectations
- Major HR investment to drive Nutritionals
- Further changes in Ireland from MTR
- USA market positive, strong milk production
- FY expected to show ongoing effects of MTR

	H1 2005	H1 2004
Turnover	€541.3m	€513.5m
Operating Profit	€22.1m	€21.3m
Operating Margin	4.1%	4.2%

Principal activities



Leading dairy-based ingredients supplier
Europe's largest integrated processing facility



Major cheese supplier with 3 plants in
"Magic Valley", Idaho

Formulation of whey proteins for Nutritionals

Development

- **Competitiveness**
 - Addition of CMP liquid milk, cream and juice brands
 - Rationalisation initiatives at Inch and closure of two Dublin distribution depots
 - Contract manufacturing on milk processing
- **Organic growth**
 - Nutritionals and new chilled food product launches
 - Opening of Group Innovation Centre, Phase II planned for H2
- **Acquisitions**
 - Kortus successfully integrated and sales ahead of expectations (Nutritionals)
- **Joint Ventures**
 - Nigeria JV: packing plant commissioned, Phase II (manufacturing) to begin commissioning Q4
 - New Mexico JV: on course to begin commissioning in October
 - European JV: agreement to manufacture and market dairy spreads and butterfat products

2005 Market Commentary

Principle businesses

Nutritionals

- Central to growth strategy; major HR investment
- Grow mainly via capacity expansion, R&D, JV routes
- Continuous evaluation of acquisition pipeline

Food Ingredients USA

- Market demand indications positive
- Milk production expected to be strong
- Further capacity increases

Food Ingredients Ireland

- Scale/efficiency to respond to shifting markets
- Initiatives to improve operational efficiency
- Ongoing management of MTR change implications

Agribusiness

- Challenging market with MTR effects
- Further efficiency improvements
- Ongoing response to changes in farming

Consumer Foods: Liquid Milk/Chilled Foods

- Competitive trading environment
- New and extended product ranges
- Further integration of supply chain processes

Consumer Foods: Fresh Pork

- Improved market conditions
- Benefits from processing consolidation
- Efficient operations and modern plant

Ongoing Initiatives

Business Objectives

- Manage impact of EU sector reform to underpin long term sustainable businesses
- Focus on continuous improvement in operational and cost efficiency
- Accelerate product and process innovation
- Build on leading consumer market positions and brand portfolio

Strategic Objectives

- Focus on developing in selected consumer food markets
- Drive scale position in cheese on an international basis
- Build global food ingredients business
- Develop “world-class” Nutritionals solutions capabilities

2005 Outlook

“The trading environment in Ireland is expected to remain challenging for the remainder of this year. We have taken strong proactive measures on costs, productivity and market positioning and the benefits of these initiatives will flow through during the next year. Given the current difficult trading environment we expect earnings for 2005 to be broadly in line with 2004. Glanbia continues to make solid underlying strategic and operational progress and we are confident of the Group’s future prospects.”

*John Moloney
Group Managing Director
31 August 2005*



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Supplementary Information

About Us

Vision

“To be the most relevant player in international cheese, nutrition and selected consumer food markets.”

- International Consumer Foods, Food Ingredients and Nutritionals Group
- Headquartered in Kilkenny, Ireland
- Operations in Ireland, UK, Germany, USA and Nigeria; 4,000 employees
- 2004⁽¹⁾ Group turnover €1.75 billion; operating profit €86.3 million
- Listed Irish and London Stock Exchanges (Symbol: GLB)
- Market capitalisation c. €800 million

(1) Restated under IFRS, pre exceptional

Balance Sheet	H1 2005 € million	H1 2004 € million
Property, plant and equipment	322.1	295.8
Investments	94.5	58.5
Intangible assets	44.8	22.2
Non-current receivables	55.9	52.2
Working capital	62.7	121.2
Non-current liabilities	(53.9)	(54.1)
Retirement benefit obligations (net of tax)	(139.4)	(80.7)
	386.7	415.1
Net financing	(286.6)	(292.8)
Shareholders' equity	100.1	122.3

Cash Flow	H1 2005 € million	H1 2004 € million
Inflows		
Profit before tax pre exceptional	30.6	31.5
Depreciation and amortisation	13.8	17.1
Disposals	-	90.6
Working capital	(0.1)	(90.4)
Tax	0.3	(1.1)
	44.6	47.7
Outflows		
Cash exceptional costs	(5.3)	-
Capital expenditure	(21.8)	(24.0)
Capital expenditure – investment	(15.1)	(24.3)
Equity dividends	(9.0)	(8.5)
Other	(12.9)	(1.3)
	(64.1)	(58.1)
Net cash outflow	(19.5)	(10.4)
Currency translation	(6.2)	(12.8)
Financing increase	(25.7)	(23.2)

A WORLD OF DAIRY FOODS AND NUTRITIONAL INGREDIENTS

USA

- No. 1 Barrel cheese
- No. 1 Whey protein isolate
- No. 3 Lactose
- No. 4 American cheddar cheese

IRELAND

- No. 1 Dairy processor
- No. 1 Liquid milk and cream brand
- No. 1 Cheese and butter processor
- Market leader in yoghurt and yoghurt drinks
- No. 1 Pigmeat processor

EUROPE

- No. 1 Pizza cheese supplier
- No. 1 Supplier of key customised nutrient premixes

GLOBAL

- Leading supplier of advanced technology whey proteins and fractions

Nutritionals

- Demand driven - by consumers and manufacturers
- Requirement for products with added health benefits
- Must have evidenced based nutritional properties
- Built on research, science and innovation
- Global customer base and positioning possible
- Market with strong growth potential

Nutritionals* – the Glanbia opportunity

- Controlled source of high quality raw material (whey)
- Expertise and competence in production
- Quantity to deliver scale and efficiency
- Customer based product innovation programmes
- Strategy in place to build complimentary capabilities



* part of Food Ingredients Division

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For further information on the Group

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