

GLANBIA FIRST HALF EARNINGS BROADLY IN LINE WITH 2004

STRATEGIC INITIATIVES PROGRESSING WELL

31 August 2005 - Glanbia plc, an international Consumer Foods, Food Ingredients and Nutritionals Group, announces its interim results for the half-year ended 2 July 2005. These interim results are prepared under International Financial Reporting Standards (IFRS), which the Group expects to be effective at 31 December 2005 and all comparisons are based on a restatement of 2004 financial information. The impact on the key financial data for the year 2004 is summarised on page 15 of these results and a detailed IFRS restatement document was released simultaneously, and is available on the Group's website at www.glanbia.com.

Interim Results Analysis ⁽¹⁾

Profit after tax at the half year was broadly similar to the first half of 2004. A good performance in the US Food Ingredients business and satisfactory progress in other areas of operation was offset by a difficult first half in the Agribusiness division and the chilled foods segment of the Consumer Foods division, where challenging market conditions and further rationalisation to improve competitiveness affected results. Strategic investments in Nigeria and New Mexico are on schedule and to plan, and the evolving Nutritionals business delivered solid organic growth.

	2 July 2005 Pre exceptional €'000	Exceptional €'000	2 July 2005 Total €'000	3 July 2004 ⁽²⁾ Pre exceptional €'000
Turnover up €45.7m	926,127		926,127	880,412
Operating profit pre exceptional down €3.1m	38,328	(2,431)	35,897	41,390
<ul style="list-style-type: none"> Exceptional includes €6.3 million rationalisation costs at the Consumer Foods division, offset by a foreign exchange credit of €3.9 million, arising from the implementation of IFRS. 				
Total financing costs pre exceptional down €2.0m ⁽³⁾				
Group interest	(7,725)	(5,304)	(13,029)	(4,073)
Non-equity minority interest				(5,602)
<ul style="list-style-type: none"> Total financing costs pre exceptional down €2.0m to €7.7m in H1 2005, compared with €9.7m in H1 2004. Exceptional is the cancellation cost of \$100m preferred securities, which were prepaid in June 2005 as part of an overall refinancing of the Group. 				
Profit before tax ⁽⁴⁾ pre exceptional, on a comparable basis ⁽⁵⁾ down €0.8m	30,641	(7,735)	22,906	31,466
Taxation	(3,947)	7,454	3,507	(5,037)
<ul style="list-style-type: none"> Exceptional is a tax credit relating to a prior business disposal. 				
Profit after tax ⁽⁵⁾ on a comparable basis	26,694	(281)	26,413	26,429

⁽¹⁾ Continuing operations.

⁽²⁾ Profit after tax and exceptional on a comparable basis for the period ended 3 July 2004 amounted to €26.5 million.

⁽³⁾ 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.

⁽⁴⁾ Including share of profit of joint ventures and associates (H1 2005: €38,000 profit and H1 2004: €249,000 loss).

⁽⁵⁾ After total financing costs (group interest plus non-equity minority interest) of €7.7m in H1 2005 and €9.7m in H1 2004.

Interim Results Analysis ⁽¹⁾ continued	2 July 2005	3 July 2004
Operating margin pre exceptional	4.1%	4.7%
<ul style="list-style-type: none"> Margin erosion is primarily as a consequence of the decline in operating margin in Agribusiness and the chilled foods segment of the Consumer Foods division. 		
Earnings per share	9.01c	9.03c
Adjusted earnings per share	9.10c	8.99c
Interim dividend up 5%	2.27c	2.16c

John Moloney, Group Managing Director, said today:

"The Group's performance at the half year was broadly in line with the first half of 2004. A good performance in the US cheese business and satisfactory progress in other areas of operation were offset by a difficult first half in the Agribusiness division and the chilled foods segment of the Consumer Foods division. This arose from the ongoing effects of the implementation of MTR on farming and the dairy sector, a competitive market environment in Ireland and additional rationalisation to improve cost effectiveness and productivity.

The strategic developments in Nigeria, New Mexico and Europe, and the evolving Nutritionals business, are all progressing well.

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. "

31 August 2005

ABOUT GLANBIA

Glanbia plc has operations in Ireland, Europe, the US and Nigeria. Business units 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. In Ireland Glanbia is the leading supplier of branded and value-added liquid milk, mineral water, 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.

2005 INTERIM STATEMENT

Results for the six months ended 2 July, 2005

Income Statement

In the first half, turnover grew €45.7 million to €926.1 million (H1 2004: €880.4 million). Operating profit pre exceptional was down €3.1 million to €38.3 million (H1 2004: €41.4 million), as a result of the challenges experienced by the Irish Agribusiness and chilled foods segment of the Consumer Foods division, which impacted overall performance. The operating margin declined 60 basis points to 4.1% (H1 2004: 4.7%) due to the margin decline suffered in these businesses.

At the operating profit level an exceptional charge of €2.4 million is made up primarily of €6.3 million rationalisation costs to enhance efficiency in Ireland, which was offset by a non-cash credit of €3.9 million pertaining to foreign currency retranslation under IFRS. Of the €6.3 million rationalisation costs, €4.9 million relates to an agreement, reached in May, with employees at the fresh dairy products facility in Inch, which involves voluntary redundancies and new work practices and the remaining €1.4 million relates to the closure of two liquid milk distribution depots in Dublin.

The Group's share of joint ventures and associates amounted to €38,000 profit for the first half of 2005, compared with a loss of €249,000 in the first half of 2004. This reflects an improvement in Glanbia Cheese, the joint venture in the UK with Leprino Foods.

Total financing costs, which includes Group interest and non-equity minority interest for preferred securities and preference shares, reduced by €2.0 million to €7.7 million (H1 2004: €9.7 million), as the Group continues to benefit from a changing mix of debt and a lower interest rate environment. Due to the timing of the implementation of IAS 32 and 39, 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.

The exceptional of €5.3 million in Group interest for the first half of 2005 is the cancellation cost of the early payment of US\$100 million preferred securities, which were prepaid on 15 June 2005. This prepayment forms part of the Group's refinancing, which was undertaken in the first half in the context of the current favourable interest rate environment. The Group has renewed financing facilities of over €400 million to July 2010 with core banking relationships.

Profit before tax pre exceptional, and including share of joint ventures and associates, on a comparable basis was down €0.9 million to €30.6 million (H1 2004: €31.5 million). The comparable basis is after total financing costs, which are outlined above.

Taxation amounted to a credit of €3.5 million. This is as a consequence of an exceptional credit of €7.5 million, which is a tax credit relating to a prior disposal of assets in the US.

Profit after tax pre exceptional, on a comparable basis, was up marginally by €0.3 million to €26.7 million (H1 2004: €26.4 million). Profit after tax was broadly in line with 2004 at €26.4 million (H1 2004: €26.5 million).

Balance Sheet and Cash Flow

Total financing on a comparable basis increased €25.7 million to €286.6 million compared to €260.9 million at the end of 2004 and declined €6.2 million when compared to €292.8 million at the half year 2004. This first half increase relates primarily to further investment by the Group in development initiatives such as the agreement with Dairygold Co-operative Society Limited to take on the CMP brand portfolio and investment in the Nigerian joint venture with PZ Cussons plc. In addition, the Group has put in place initiatives to reduce its ongoing investment in seasonal working capital.

Dividends

The Board is recommending an Interim dividend of 2.27 cent per share (H1 2004: 2.16 cent per share), representing an increase of 5%. Dividends will be paid on 5 October 2005 to shareholders on the register as at 9 September 2005, the record date. Irish dividend withholding tax will be deducted at the standard rate, where appropriate.

Operations Review

Glanbia is organised into three operating divisions – Agribusiness, Consumer Foods and Food Ingredients, which includes the evolving Nutritionals business.

AGRIBUSINESS

The Agribusiness division had a difficult first half. As expected the effects of the implementation by the EU of the Mid Term Review (MTR) of the Common Agricultural Policy impacted farm purchasing power. Whilst overall turnover was similar at €142.3 million (H1 2004: €143.8 million), reduced volumes and a competitive pricing environment resulted in a decline in performance and margin erosion. Operating profit declined €1.6 million to €7.7 million (H1 2004: €9.3 million) and the operating margin was down 110 basis points to 5.4% (H1 2004: 6.5%).

Agribusiness is the key linkage with the Group's farmer supply base. Farming is going through a period of significant change and as a result the Group currently anticipates further performance pressure in this division. Additional cost reduction initiatives, which form part of an ongoing rationalisation programme for this division, are planned in the second half to continue to minimise the impacts of this changing market environment.

CONSUMER FOODS

Turnover was up €19.5 million to €242.5 million (H1 2004: 223.0 million). Operating profit pre exceptional declined €2.2 million to €8.5 million (H1 2004: €10.7), whilst the operating margin was down 130 basis points to 3.5% (H1 2004: 4.8%). The decline in profitability was substantially driven by the significant market pressures and competitive challenges faced by the chilled foods segment of this division during the first half. The performance of the chilled foods business in the second half of the year is expected to show an improvement on the first half, benefiting from stronger marketing and cost efficiencies.

Liquid Milk and Chilled Foods

The liquid milk segment of the Consumer Foods business performed satisfactorily in a competitive environment, with increasing imports from Northern Ireland and the growth of own brand milk in food retailing. An exceptional rationalisation cost of €1.4 million was incurred in this segment of the Consumer Foods division as two distribution depots in Dublin were closed. In February 2005 Glanbia concluded an agreement with Dairygold Co-operative Society Limited to take on the CMP liquid milk, cream and juice brands for a consideration of €10 million. This business operates primarily in Cork City and County in the South of Ireland and its successful integration has extended the national coverage of the Avonmore brand and will help to strengthen the Group's position further in the beverage market.

The chilled foods segment of the Consumer Foods division had a tough first half in competitive markets. Performance was further impacted by rationalisation initiatives and additional marketing spend during the period. The process of realigning the high cost base at the Inch manufacturing facility commenced in the first half. A new site agreement was reached, at an exceptional cost of €4.9 million, which will significantly increase the competitiveness and productivity of this business. There was also an increase in marketing spend on promoting key brands and new products in the first half. The Group expects the full market and performance benefits of these initiatives to be delivered during the next year.

Fresh Pork

Glanbia Meats improved its performance in the first half, after the severe downturn experienced in the pigmeat industry in 2004, however markets recovered more slowly than expected. This business has a good market position and efficient plants and will continue to benefit as the market environment improves.

FOOD INGREDIENTS

The Food Ingredients division achieved a solid performance with an improvement in turnover of €27.8 million to €541.3 million (H1 2004: €513.5 million) and operating profit increased €0.8 million to €22.1 million (H1 2004: €21.3 million). The operating margin at 4.1% was similar to the 2004 level, as margin pressure in the Food Ingredients business in Ireland was offset by a good performance from the US and steady organic growth in the Nutritionals business.

Food Ingredients Ireland

Food Ingredients Ireland delivered a satisfactory result against a backdrop of substantial and ongoing change in dairy markets. These changes arise from the implementation of a reduction in EU dairy market supports, resulting from MTR, and are expected to further impact performance in the second half of the year. The focus for this business continues to be the effective management of the impact of these changes whilst maintaining profitability through productivity gains, product mix and cost efficiencies. A number of initiatives were completed in the first half including contract manufacturing agreements on milk processing and an agreement on a new joint venture to manufacture and market dairy spreads and butterfat products.

Food Ingredients USA

Food Ingredients USA had a good first half benefiting from strong market demand, increased output and high capacity utilisation. Increased capacity for cheese, whey and protein isolates were all commissioned at the Idaho facilities in the last year. Market demand remains positive and milk production is expected to be strong for the remainder of the year.

Nutritionals

The evolving Nutritionals business made steady progress. Further organic growth was achieved in the first half and Kortus Food Ingredient Services GmbH – a German based nutrient delivery systems business acquired in the second half of last year – performed well, with sales ahead of expectations. In addition the Group continued to invest in enhancing the human resource capability to drive forward the development of this business. This is part of a programme of investment including research and technology to build the product pipeline, customer relationships and market relevance.

Development Strategy

Glanbia's development strategy is to build international relevance in cheese, nutritional ingredients and selected consumer foods. In the first half good progress was made including:

- The commissioning in June of the new US\$25 million facility in Nigeria. This joint venture with PZ Cussons plc currently packs fat filled milk powder which is sourced in Ireland, in consumer formats for the local market. Early sales and market developments are very encouraging and a further manufacturing plant for condensed milk will begin commissioning shortly.
- The construction of the new US\$190 million cheese and whey products facility in New Mexico is also on track to begin commissioning in October 2005. This is a joint venture with Dairy Farmers of America and Select Milk Producers Inc. which, when completed, will make Glanbia the number one producer of American cheese.
- The successful integration of the Kortus nutritionals business in Germany, acquired in December 2004 was completed and this acquisition is performing ahead of expectations.
- The newly opened Group Innovation Centre in Kilkenny, Ireland, is operating well and a Phase II expansion, adding additional personnel and lab facilities is scheduled for completion in October.

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 the Board and management are confident of the Group's future prospects.