

2006 INTERIM STATEMENT

Results for the six months ended 1 July 2006

Income Statement

In the first half of 2006, revenue decreased €3.3 million to €922.8 million (H1 2005: €926.1 million). The downturn in performance in the Food Ingredients division, particularly the Irish operations, led to a decrease in overall operating profit and margins. Operating profit pre exceptional declined €1.9 million to €36.4 million (H1 2005: €38.3 million) and the operating margin pre exceptional was down 20 basis points to 3.9% (H1 2005: 4.1%). There were no exceptional items in the first half of 2006 (H1 2005: €4.2 million).

Net financing costs pre exceptional were down €1.2 million to €6.5 million (H1 2005: €7.7 million) as the Group continues to benefit from the refinancing initiatives undertaken in 2005.

The Group's share of results of joint ventures and associates amounted to €283,000 (H1 2005: €38,000) with further improvements in performance in Glanbia Cheese, the Group's UK joint venture with Leprino Foods.

Profit before tax pre exceptional at €30.2 million was similar to the same period last year (H1 2005: €30.6 million). Taxation pre exceptional amounted to €3.2 million in the first half of this year compared with €3.9 million for the same period last year. Profit after tax for the period pre exceptional at €26.9 million was also comparable to the first half of 2005 (H1 2005: €26.7 million).

Earnings per share amounted to 9.12 cent (H1 2005: 7.66 cent per share) and adjusted earnings per share amounted to 9.12 cent (H1 2005: 9.10 cent per share).

Balance sheet and cash flow

Group net debt increased seasonally by €85.5 million in the first half to €301.2 million. Net cash generated from operating activities, pre movements in working capital, was €34.2 million (H1 2005: €29.0 million). Working capital increased relative to the 2005 year end reflecting the seasonality of the underlying businesses. Net cash used in investing activities amounted to €25.9 million (H1 2005: €36.1 million). Group net debt increased by €14.6 million relative to the position at H1 2005.

Dividends

The Board is recommending an interim dividend of 2.38 cent per share (H1 2005: 2.27 cent per share), representing an increase of 5%. Dividends will be paid on 4 October 2006 to shareholders on the register as at 15 September 2006, the record date. Irish dividend withholding tax will be deducted at the standard rate, where appropriate.

Operations review

The Group has operations in Ireland, Europe and the USA, with international joint ventures in the UK, USA and Nigeria. Glanbia has three divisions – Agribusiness and Property, Consumer Foods and Food Ingredients and Nutritionals.

AGRIBUSINESS AND PROPERTY

This division has two business units. Agribusiness is the key linkage with the Group's Irish farmer supply base. The Property business unit has responsibility for the maximisation of value from the Group's property portfolio. In the first half, revenue for Agribusiness and Property was up €23.3 million to €165.6 million (H1 2005: €142.3 million). Operating profit pre exceptional was up €7.9 million to €15.9 million (H1 2005: €8.0 million) driven mainly by strong property disposals in the first half. Operating margins, excluding property, were 5.8% (H1 2005: 5.2%).

Agribusiness had a solid first half in what continues to be a competitive environment, as farmer purchasing patterns are impacted by EU reforms. This performance reflects the benefits of recent rationalisation initiatives combined with a new branch format, ongoing technology and systems upgrades and a wider customer offering. The outlook for Agribusiness in the second half is expected to be satisfactory, in line with the normal seasonal trading pattern for this business.

The role of the Property business unit, newly formed in 2005, is to develop and maximise the value of the Group's property assets. A significant number of locations for potential sale or development have been identified and this business is building up a pipeline of transactions for completion over the medium term. In the first half of 2006 most of the planned transactions for the year were completed, delivering a strong result for the six months. Only a limited number of small transactions are forecast to be completed in the second half of the year.

CONSUMER FOODS

This division incorporates liquid milk, chilled foods and pig meat. It delivered a steady performance overall in the first half, with a better performance from liquid milk and chilled foods offset by a decline in the performance of the pigmeat operations. Revenue for Consumer Foods increased €9.8 million to €252.3 million (H1 2005: €242.5 million). Operating profit increased to €8.5 million (H1 2005: €8.2 million) and operating margin at 3.4% was in line with H1 2005.

Liquid milk and chilled foods: This business had a reasonable performance in the first half. The liquid milk operations benefited from the integration of the CMP brands which were acquired in the first half of 2005. The Group invested heavily in rationalisation, marketing and new product development in chilled foods in 2005 to improve both competitiveness and market share and these initiatives aided performance in the first half. The trading environment however remains highly competitive in line with the retail sector in Ireland. The outlook for liquid milk and chilled foods in the second half is for a solid performance with continued investment planned to support our brand positions.

Pig meat: Overall performance declined as a result of market weakness in certain segments. Some recovery is anticipated in this business in the second half as markets are expected to improve in addition to the normal seasonal performance uplift.

FOOD INGREDIENTS AND NUTRITIONALS

This division has three business units. These are Food Ingredients Ireland which produces cheese, butter, dairy spreads and whey protein ingredients, Food Ingredients USA which produces cheese and whey and Glanbia Nutritionals. Glanbia Nutritionals is developing as a leading provider of science-based nutritional food solutions and products including a wide range of speciality ingredients for use in ready-to-drink and powdered beverages, nutritional bars, dairy products, snacks, and confectionary applications. In the first half, revenue from this division declined €36.4 million to €504.9 million (H1 2005: €541.3 million). Operating profit declined €10.0 million to €12.1 million (H1 2005: €22.1 million) and the operating margin declined to 2.4% (H1 2005: 4.1%), mainly reflecting the sharp downturn in the performance of the Irish Food Ingredients operations.

Ireland: The present EU dairy reform is in year three of a four year MTR programme that reduces industry supports. In the first half of 2006 the combined effects of lower world dairy markets and reduced EU dairy supports significantly reduced product selling prices and a time lag in adjusting milk prices resulted in lower margins. Recent milk price reductions combined with improved cost competitiveness are expected to result in a second half performance that is in line with the second half of 2005.

USA: Production volumes increased further in the first half of 2006 but the benefit of this was more than offset by the impact of lower market prices for cheese in the USA. An improvement in cheese markets with continuing volume growth will underpin a good second half performance for Food Ingredients USA.

Nutritionals: This business delivered good revenue growth, mainly in new product development and acquired businesses, both of which performed well. In the first half the Group continued to invest heavily in people and skills development. A good performance is expected in this business in the second half.

INTERNATIONAL JOINT VENTURES

Glanbia's strategy is to build international relevance in cheese, nutritional ingredients and selected consumer foods and this incorporates a number of strategically significant joint ventures producing cheese, whey and milk products. These investments performed as planned in the first half of the year with the performance of Nutricima in Nigeria and Southwest Cheese in the USA reflecting the early stages of development of these businesses.

UK: Glanbia Cheese, a joint venture with Leprino Foods, produces mozzarella cheese for the European market. This business continues to steadily improve profitability and margins and is expected to perform well for the full year.

Nigeria: Nutricima is a joint venture with PZ Cussons plc which manufactures and markets branded dairy based consumer products for the Nigerian market. This business is performing to expectations with strong revenue growth and further expansion is planned.

USA: The commissioning of Southwest Cheese (SWC), the Group's joint venture with our main partners Dairy Farmers of America and Select Milk Producers Inc., is substantially complete and the ongoing scale up of production is progressing to plan.

Outlook

Since June, there has been little change in the trading environment in Ireland. Operating costs remain a key ongoing focus for management, although previous rationalisation initiatives support an improved performance from Irish operations in the second half. In the USA, better cheese markets and continuing volume growth underpins the delivery of a good result for the year overall. International joint ventures are progressing well, with further progress at Glanbia Cheese in the UK and the continued scale up of operations at Southwest Cheese in the USA and Nutricima in Nigeria. As trading currently stands, we expect to meet market expectations for the full year and we remain on track to achieve double digit growth in 2007.

The announcement today of the acquisition of Seltzer Companies, Inc. is an important step in the delivery of Glanbia's strategic plan and gives the Group a strong platform to develop our Nutritionals business. It also advances the international development of the Group into key global growth markets."