Glanbia plc Annual Report 2011

About us

Glanbia plc is an integrated global nutritionals and large scale global dairy business. Our operations are based in Ireland, mainland Europe, the USA, Africa and Asia. We have market leading positions in cheese, performance nutrition, dairy ingredients, whey proteins and micronutrients. Our products are exported to or sold in over 130 countries worldwide. We are organised into three principal business divisions and employ over 4,500 people in 14 countries. Our shares are listed on the Irish and London Stock Exchanges (Symbol: GLB).

Total Group Revenue

€3.2 billion

Total Group EBITA

€204.7 million

Employees

4,500+

Operations

14 countries

Exports

130+ countries

About this report

Throughout this report we have included portraits of people who represent key aspects of our business. These include our farmer suppliers, processing plant personnel, scientists from our research and development teams, customers who buy and consume our products and other Glanbia employees; all of whom contribute to the success of the Group.

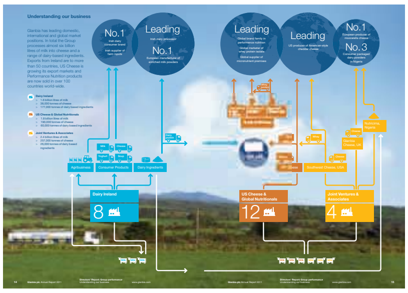
We have also included a more detailed view of our business model to demonstrate the integrated nature of Glanbia. Our strategy is built on a global dairy base combined with a specialist global nutritional business. This means we play to our core strengths as a business with deep roots and understanding of the dairy sector.

Overview

Group performance

Divisional performance

Governance



P14 **Understanding our business**

P34 **Our global footprint**

Financial statements

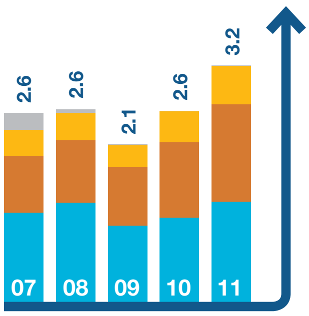
Other information

www.glanbia.com

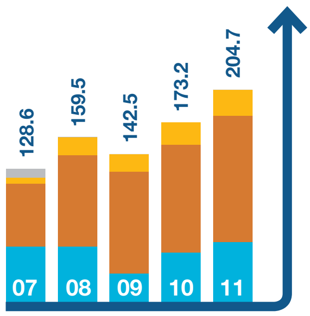
Pages two to 77 make up the Directors' Report in accordance with the Companies Acts, 1963 to 2009.

2011 performance

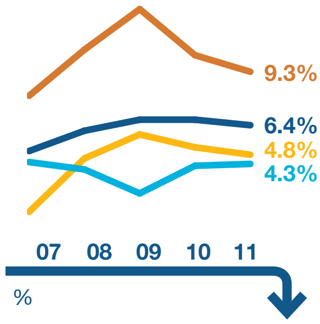
The increase in total Group revenue and EBITA in 2011 is attributable to strong underlying organic volume growth, the impact of 2011 acquisitions, primarily Bio-Engineered Supplements and Nutrition (BSN®) and higher global dairy prices. These results underpinned excellent growth in adjusted earnings per share and a 10% dividend increase for the full year.



€ billion



€ million



%

Total Group[1] revenue

2011: €3.2 billion; up 23.7%

Total Group revenue, including share of Joint Ventures & Associates, grew by 23.7% to €3.2 billion (2010: €2.6 billion).

Revenue in US Cheese & Global Nutritionals was up by 28.9% to €1.32 billion (2010: €1.02 billion).

Revenue in Dairy Ireland grew by 18.9% to €1.35 billion (2010: €1.14 billion).

Our share of revenue in Joint Ventures & Associates grew by 25.8% to €524.2 million (2010: €416.6 million).

Other Business is a very small segment representing less than 0.3% of total Group.

Total Group EBITA[2] pre exceptional

2011: €204.7 million; up 18.2%

Total Group EBITA, including share of Joint Ventures & Associates, increased by 18.2% to €204.7 million (2010: €173.2 million).

US Cheese & Global Nutritionals delivered year-on-year EBITA growth of 16.9% to €122.2 million (2010: €104.5 million) driven by the performance of Global Nutritionals.

Dairy Ireland EBITA grew by 20.9% to €57.9 million (2010: €47.9 million), as a difficult trading environment for Consumer Products was offset by the positive impact of higher global dairy markets in Dairy Ingredients.

Joint Ventures & Associates EBITA grew by 16.7% to €25.2 million (2010: €21.6 million), driven by the performance of Glanbia Cheese, UK.

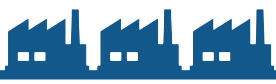
Total Group EBITA margin pre exceptional

2011: 6.4%; down 30 bps

Total Group EBITA margin fell by 30 basis points to 6.4% (2010: 6.7%). This margin decline arose within US Cheese & Global Nutritionals where EBITA margins decreased from 10.2% to 9.3% in 2011. This was mainly as a result of input cost pressures in Performance Nutrition.

Dairy Ireland EBITA margin at 4.3%, increased by 10 basis points (2010: 4.2%), reflecting the net effect of positive global dairy markets in the year and ongoing cost reduction initiatives.

The EBITA margin of Joint Ventures & Associates declined by 40 basis points to 4.8% (2010: 5.2%), primarily due to lower margins in Southwest Cheese as a consequence of higher milk cost.

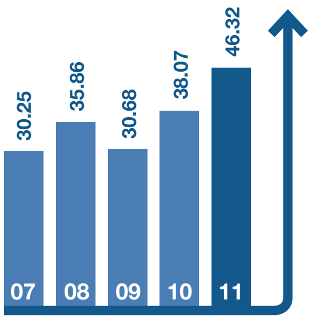


16.5% compound average growth in total Group EBITA pre exceptional over five years.

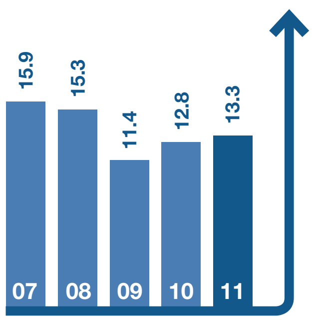
190 bps

increase in total Group EBITA margin over a five year period

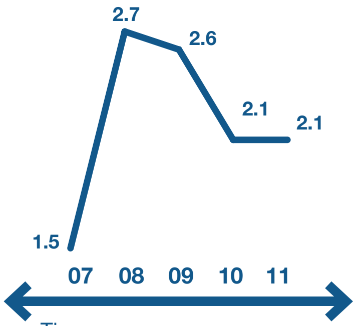
- Dairy Ireland
- US Cheese & Global Nutritionals
- Joint Ventures & Associates
- Other Business
- Total Group



Cents per share



%



Times

Adjusted earnings per share

2011: 46.32 cent; up 21.7%

Adjusted earnings per share (EPS) increased 21.7% to 46.32 cents per share (2010: 38.07 cents per share) driven mainly by improved Group operating profit and share of profit after interest and tax from Joint Ventures & Associates. Adjusted EPS is calculated as the profit for the year attributable to the equity holders of the Parent before exceptional items and amortisation of intangible assets (net of tax).

Return on capital employed

2011: 13.3%; up 50 bps

The overall return on capital employed has improved by 50 basis points to 13.3% (2010: 12.8%). The improvement was driven by the strong growth in operating performance of the Group allied with the prudent deployment and good utilisation of capital across the Group. The return is defined as a post tax measure of the return earned by the Group on capital invested, including Joint Ventures & Associates.

Net debt: adjusted EBITDA(3)

2011: 2.1 times; no change

Group net debt increased by €72.2 million in the year to €480.3 million (2010: €408.1 million). Strong EBITDA performance of €212.2 million was reinvested to deliver the Group's growth strategy. The Group remained focused on cash management in 2011 and delivered a robust year-end net debt: adjusted EBITDA financing ratio of 2.1 times (2010: 2.1 times), well within the Group's banking covenant of 3.3 times.

(1) Total Group includes share of Joint Ventures & Associates

(2) EBITA is earnings before interest, taxation and amortisation

(3) EBITDA is earnings before interest, taxation, depreciation and amortisation

10%

increase in dividend per share in 2011

Divisional performance

The strongest performing division in 2011 was US Cheese & Global Nutritionals which contributed 41% of total Group revenue and 60% of total Group EBITA for the year.

Total Group revenue
including Joint Ventures & Associates

42%
Dairy Ireland

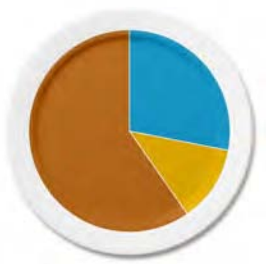
41%
US Cheese & Global Nutritionals

17%
Joint Ventures & Associates

Total €3.2 billion

In 2011, Dairy Ireland represented 42% of total Group revenue. In five years, revenue in US Cheese & Global Nutritionals has grown from 24% to its current contribution of 41% of total Group revenue. Joint Ventures & Associates delivered 17% of total Group revenue, mainly from Glanbia's three strategic international joint ventures.

Total Group EBITA
including Joint Ventures & Associates



28%
Dairy Ireland

60%
US Cheese & Global Nutritionals

12%
Joint Ventures & Associates

Total €204.7 million

In 2011, US Cheese & Global Nutritionals generated 60% of total Group EBITA. Global Nutritionals is now the largest business in Glanbia by both revenue and EBITA which is a significant strategic transformation since 2005. Dairy Ireland delivered 28% of total Group EBITA and Joint Ventures & Associates contributed 12%.

Innovation

Performance Nutrition's three year innovation pipeline accounts for more than 20% of its 2011 revenue.

Anytime aminos with energy

Pre-training performance and energy

All-in-one formula for building lean muscle

Dairy Ireland

2011 EBITA

€57.9m

Dairy Ireland comprises three business units. Agribusiness produces and supplies inputs to farmers who produce the key raw material, milk, for both Dairy Ingredients and Consumer Products. Dairy Ireland has well invested facilities serving local and global markets.

€1.35 billion revenue
4.3% EBITA margin
1,702 employees
8 manufacturing/processing facilities

More information

www.glanbia.com
www.glanbiaagribusiness.ie
www.countrylife.ie

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US Cheese & Global Nutritionals

2011 EBITA

€122.2m

US Cheese is one of the leading producers of American-style cheddar cheese in the USA, from its large-scale manufacturing facilities in Idaho. Global Nutritionals operates from facilities in the USA, Canada, Europe and Asia and incorporates the Group's three nutritional businesses – Ingredient Technologies, Customised Premix Solutions and Performance Nutrition.

€1.32 billion revenue
9.3% EBITA margin
1,858 employees
12 manufacturing/processing facilities

More information

www.glanbiafoods.com
www.glanbianutritionals.com
www.bsnonline.net
www.optimumnutrition.com

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Joint Ventures & Associates

2011 EBITA

€25.2m

Glanbia has three principal international joint ventures – Southwest Cheese in the USA, Glanbia Cheese in the UK and Nutricima in Nigeria – as well as a number of smaller Irish-based joint ventures and associates.

€524.2 million revenue
4.8% EBITA margin
1,012 employees
4 manufacturing/processing facilities

More information

www.glanbiacheese.co.uk
www.southwestcheese.com

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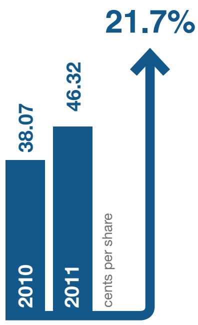
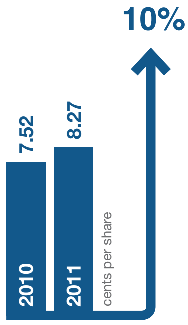
Group Chairman's statement



Adjusted earnings per share



Total dividend per share

Dear Shareholder,

The Group had a very strong year in 2011. Reported revenue, which excludes Joint Ventures & Associates, increased by 23.3% to €2.7 billion (2010: €2.2 billion).

Reported EBITA grew 18.4% to €179.5 million (2010: €151.6 million). Reported EBITA margin declined 30 basis points to 6.7% (2010: 7.0%). This resulted from margin pressures in our Performance Nutrition business, because of significantly higher whey input prices.

Reported adjusted earnings per share increased 21.7% to 46.32 cents per share (2010: 38.07 cents per share). This performance was driven by higher global dairy markets and strong organic revenue growth particularly in the Global Nutritionals business.

Glanbia has an 11 year record of steady dividend increases and the Group continues its progressive dividend policy in 2011 with a 10% increase in total dividend for the year (2010: 10%).

The Board is recommending a final dividend of 4.94 cents per share (2010 final dividend 4.49 cents per share). This brings the total dividend for the year to 8.27 cents per share (2010: 7.52 cents per share). Subject to approval at the Annual General Meeting (AGM) dividends will be paid on 11 May 2012 to shareholders on the register of members as at 30 March 2012. Irish withholding tax will be deducted at the standard rate where appropriate.

The Group will hold its AGM on Wednesday, 9 May 2012 in the Newpark Hotel, Kilkenny. Glanbia will issue an Interim Management Statement in accordance with the reporting requirements of the EU Transparency Directive, in conjunction with the AGM. I look forward to welcoming shareholders on the day.

The performance of Glanbia during 2011, particularly in relation to developing new markets, cost management, product innovation and strategic customer relationships, demonstrated once again a very strong level of operational excellence.

The quality of our people is a core strength for Glanbia and we invested further this year in US Cheese & Global Nutritionals. US Cheese has built up commercial and sales resources to continue developing export markets for American-style cheddar cheese. Global Nutritionals continued to recruit key sales and business development people and strengthened its management teams across the business to ensure delivery of its organic growth strategy.

Asia Pacific is also a region that has seen significant development, driven by increasing demand for nutritional and dairy products.

I would like to thank our Group Managing Director John Moloney and all our people for their contribution and commitment to the continued success of the Group.

Part of the Board's remit is to approve and oversee major investments by the Group. In January 2011, Glanbia acquired Bio-Engineered Supplements and Nutrition (BSN®) for $144 million.

"The Group delivered a very strong performance in 2011 and this is reflected in record financial results for the year. This builds on an excellent performance by Glanbia in 2010 and positions the Group very well for the future."

US Cheese awards

US Cheese and Southwest Cheese continued their great tradition of winning at the World Cheese Championship Contest this year, which had a record 2,313 entries in 2012.

US Cheese and Southwest Cheese won a total of nine awards, including a clean sweep in pepper flavoured cheese. This was the third consecutive year of winning gold for peppered flavoured cheese and the seventh year out of the past nine years. This is an excellent achievement and a clear demonstration of product quality and consistency.

Operations in Twin Falls were also awarded gold in the medium cheddar category, bronze in mild cheddar, bandaged sharp cheddar and Monterey Jack. A silver medal was awarded for their entry in the dessert cheese category, which was Monterey Jack with walnuts. Southwest Cheese won a bronze medal for Colby Jack cheese, cut from a 640lb block.

One of the Board's objectives for the year was to satisfy itself on the successful integration of this business into our Performance Nutrition portfolio. Good progress was made during the year and BSN® is performing well and in line with expectations.

There were a number of Board changes during the year. Victor Quinlan retired as a Non-Executive Director and Vice-Chairman of the Board. Henry Corbally was elected Vice-Chairman of the Board. Edward Fitzpatrick, James Gilsenan and Anthony O'Connor also retired this year as Non-Executive Directors and William Carroll, David Farrell, Patrick Murphy and Eamon Power were appointed to the Board. All appointments and retirements to the Board were made on 26 May 2011. I would like to welcome our new Board members and offer retiring members best wishes for the future and to thank them for their contribution.

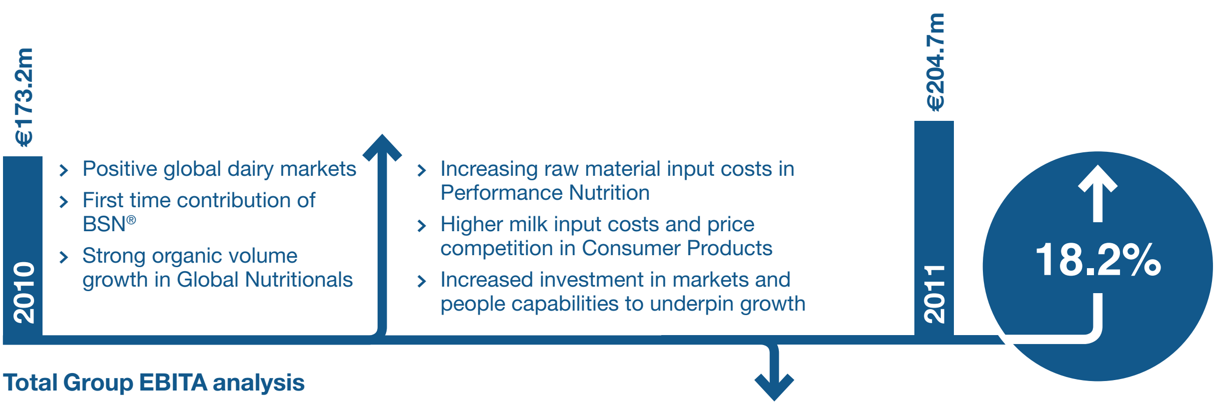
During the year the Board approved a revised executive remuneration policy for the period 2012 to 2014, details of which are set out in the Remuneration Committee report starting on page 53.

The Directors attach great importance to Glanbia's reputation and the need for clear and transparent communication with our shareholders and wider stakeholder groups.

During the year Glanbia executives and senior management held investor meetings in eight cities in Europe and North America. The Group also participated in five investor and industry conferences. In addition, Glanbia conducted an investor perception survey and this has given us good insight into how we can enhance our investor communications further. In 2012, Glanbia has a full programme of investor relations activity planned including the re-launch of the corporate website this year.

Glanbia has had two very strong years in terms of both financial and operational performance. While the outlook for global dairy markets is positive overall, there is significant macroeconomic and fiscal uncertainty. As a result, we are somewhat cautious in our outlook for growth in 2012 However, Glanbia is very well positioned overall and we look forward with confidence.

Liam Herlihy
Group Chairman



Total Group EBITA analysis

Group Managing Director's review

Glanbia achieved excellent results in 2011 delivering 26.7% growth in adjusted earnings per share, on a constant currency basis (21.7% on a reported basis).

The acquisition and successful integration of BSN® into Performance Nutrition complemented strong organic revenue growth in our three nutritionals businesses. These businesses continue to outpace market growth rates, driven by strong market positions and science based, customer focused innovation.

US Cheese's performance benefited from strong operational execution. Positive global dairy markets underpinned a solid performance by Dairy Ireland particularly given the significant challenges in the Consumer Products business, as a result of a very difficult Irish food retailing environment. The Group's key strategic joint ventures also delivered a good result.

2011 performance highlights

> Total Group revenue, including Joint Ventures & Associates, exceeded €3 billion for the first time rising 23.7% to €3.2 billion;

> Total Group earnings before interest, tax and amortisation (EBITA) grew 18.2% to €204.7 million;

> Total Group EBITA margin declined 30 basis points to 6.4%, which was a solid outcome given the scale and pace of input cost pressures in Performance Nutrition throughout most of 2011;

> Strong organic growth across the business was complemented by the acquisition of BSN®, acquired in January 2011 for $144 million. This has expanded our presence and product range in key nutritional market segments in Performance Nutrition;

> During the year, we developed our internal risk management framework further to create clear risk priorities and mitigation plans for each business unit. This positions real ownership of the risk management processes with frontline management in each business unit;

> Food safety is a key priority for the Group and this is monitored through a cross-business unit audit approach based on Hazard Analysis and Critical Control Point (HACCP) principles;

"The Group's focus on driving growth in nutritionals combined with deep dairy market expertise and strong execution capability, positions us well for the future."

- Operational excellence is an intrinsic feature of how we run our business and we advanced this further in 2011 with the 'Glanbia Performance System', which seeks to optimise the effectiveness and efficiency of all our operations. These processes, developed centrally, were initially implemented in the US Cheese business and are already delivering real financial benefits and facilitating problem solving; and
- Working with a number of parties we are building a new sustainability model for our Irish dairy operations. This has the potential to deliver competitive advantage and to align the business as a key supply partner for leading customers. Glanbia is also a member of the US Dairy Sustainability Committee and our US Cheese and Ingredient Technologies businesses will issue their first Sustainability Report this year.

Group strategy
Glanbia has invested significant resources to develop and enhance its US Cheese & Global Nutritionals division. Our key strategic investments and acquisitions in these areas have performed very well and underpin our strategic objective of delivering sustainable, profitable earnings growth. Disciplined strategic execution has developed market positions in important markets such as:

- Leading US American-style cheddar cheese producer;
- Global marketer of whey protein isolate;
- Leading brand family in Performance Nutrition; and
- Global supplier of micronutrient premixes.

Our strategy is consistent and clear. It is set out on page 13 of this review which includes the key focus areas for the business in 2012. Our business models are outlined on pages 14 and 15 and show the integrated nature of the Group, with firm foundations and a long history in the dairy industry.

The quality of our people is a core strength. We have further enhanced our capabilities again this year in key markets, including in Asia Pacific and Latin America where a billion new consumers are emerging in these developing economies.

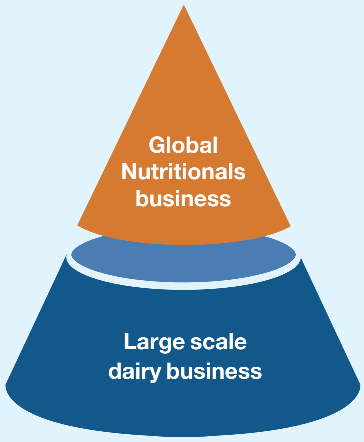
Our strategic objectives are to deliver attractive and growing returns to shareholders, excellent solutions and service to our customers, value adding routes to market for our milk suppliers and rewarding careers to our employees.

Total Shareholder Return (TSR)
In 2011, Glanbia delivered TSR of 27.8% and outperformed the ISEQ, the FTSE 300 Index and the FTSE 300 Food Producers Index. In a period of five years the Group has delivered TSR of 72%.

Global dairy markets
2011 was a positive year for global dairy markets. Despite a significant increase in global milk production, overall demand proved to be resilient, resulting in a modest market correction in the second half. Many of the 2011 demand characteristics, including demand from developing economies, are expected to prevail in 2012.

There is strong growth currently in global milk production. The risk to forecast 2012 market dynamics is the significant concern around a global economic downturn and the impact this could have at the consumer level.

An integrated business



2011 marked a decade of transformation for Glanbia. This journey has been mapped out with a strategic focus on nutritionals and cheese, as well as an unrelenting focus on growth customers in growth markets.

Our strategy is built on a global dairy base and a specialist nutrition business, using advanced dairy and other ingredients. This means we play to our core strengths as an organisation with deep roots in the dairy sector.

Our nutritional focus spans sports, fitness and healthy aging. Glanbia's product innovation targets health & wellness, convenience for busy lifestyles and healthy snacking. These 'lifestyle products' have a strong emotional bond for consumers and demand is resilient as a result.

Global Nutritionals' brand and product portfolio

Performance Nutrition includes three main brands. Optimum Nutrition are specialists in protein powders; ABB are high performance sports beverage experts; and BSN® are leaders in pre-workout energy products and have a strong position in blended protein products.

Customised Premix Solutions specialise in creating micronutrient premixes utilising a wide range of specialty ingredients for applications which are tailor-made to customer specifications.

Ingredient Technologies provides customers with:

> Functional Ingredients designed to improve customers' product formulations, including clean labels, lower costs, better texture, longer shelf life and enhanced processing capability.

> Whey Proteins, a superior, natural way to build muscle through efficient delivery of essential and branch chain amino acids. Easily added to food products and easily absorbed, whey proteins promote overall health & wellness while being essential building blocks for muscle development.

> Bar Solutions are derived from whey proteins, modified whey protein isolates, milk proteins and whey/soya protein blends. They are designed to fortify nutritional content while improving functionality in nutrition bars and high-protein bars.

> Amino Acids, Vitamins & Specialty Ingredients is an extensive range of individual ingredients that can be utilised in sports performance solutions.

> Milk Proteins are derived from the freshest, ultra-filtered skimmed milk and provide the same ratio of micellar casein and whey protein found naturally in milk, but in a process-stable, superior-flavoured, easy-to-use powder format.

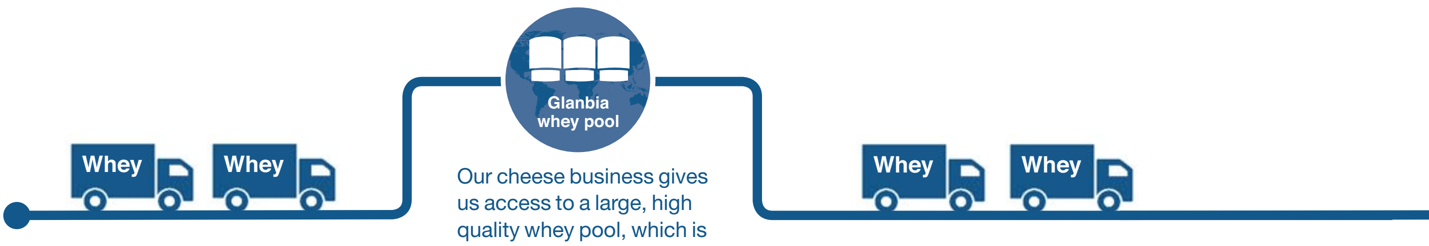
> Flax Seeds have powerful antioxidant benefits and an abundance of essential Omega-3 fatty acids. MeadowPure® is a patented seed selection and cleaning process exclusive to Glanbia. The result is a superior flaxseed that delivers the full nutritional value of flaxseed where it's intended - in the food products that reach consumers.

The current view on global dairy market performance is that prices will soften further in the first half of 2012, relative to the second half of 2011, with increased milk and dairy product availability. The second half of 2012 is forecast to be moderately weaker again. Critical markets such as China, Russia and South East Asia are expected to remain solid throughout 2012, limiting market volatility.

US Cheese markets

In 2011, US cheese prices were strong for most of the year, due to a combination of market factors. US milk production increased 1.8% for the year and 3.7% in Idaho. However, higher prices from competing dairy products reduced milk volumes processed into cheese, thereby increasing prices. Retail cheese sales were down overall, mainly as a result of consumer resistance to retail price increases. This was more than offset by relatively strong demand from the foodservice sector and very strong export sales of American-style cheddar cheese, which increased over 30% in 2011.

In 2012, US cheese prices have reduced year to date with the market currently driven by supply factors as milk production exceeds expectations.



Our cheese business gives us access to a large, high quality whey pool, which is a cornerstone of our Global Nutritionals' business.

While retail demand is sluggish, demand from foodservice, industrial and exports continues to be robust.

Global Nutritionals' markets

2011 was a significant year for whey proteins as strong demand and tight supply led to unprecedentedly high whey pricing. Demand was fuelled by strong growth in key nutritional markets, which continued to accelerate throughout the year. Market growth estimates for 2011 key global nutritional segments which are key to Glanbia included; 15% growth in the nutritional bar market, 7% growth in sports nutrition and 18% growth in nutritional beverages. Sports nutrition is the largest market segment and the latest research into this market confirms that growth is driven by an awareness of the benefits of these products by a growing population of nutrition-aware consumers with a desire to live healthy lifestyles. In 2011, the market for customised premix solutions continued to be strong driven by double digit growth in demand from the energy drinks sector and product fortification requirements in infant formula, breakfast cereals, supplements and nutritional bars. Favourable market demand conditions in key nutritional segments are expected to continue in 2012. However with tight supply in key raw materials, effective management of the buy/sell equation, particularly in Performance Nutrition, will be important in the face of further potential price inflation in raw material inputs.

Dairy Ireland markets

The performance of global dairy markets, outlined on page 9, is the key market dynamic that impacts Dairy Ingredients, as substantially all of its output is exported. The trading environment for Dairy Ingredients was therefore positive in 2011 with some weakness anticipated for 2012. The trading environment for the Consumer Products business is dictated by both the domestic Irish economy and the indirect impact of global dairy markets on input costs. 2011 was another difficult year for the food retail market in Ireland as consumer sentiment was weak and fell sharply towards year-end. Higher global dairy markets during the year resulted in increased milk costs for Consumer Products and while some modest price increases were implemented, margins were still lower year-on-year. The Irish economic and fiscal backdrop offers little respite at present to consumers. As a result these market conditions are expected to persist in 2012.

Customer collaboration

One of our strategic priorities is to build a science-based innovation portfolio. Our research & development (R&D) activities focus on:

> leveraging the latest academic research;

> pre-commercialisation of new products or processes;

> re-engineering of current processes for greater efficiency or effectiveness; and

> commercialisation of new ingredients and products.

Consumer and customer insights remain fundamental to the growth and development of our business. These are supplemented by key innovation centres in Ireland and the USA, as well as in-market resources across Europe, the USA, Latin America, Asia Pacific and the Middle East. We collaborate directly with customers in the development process, helping us to build a robust pipeline of product development options that are aligned with market-driven needs.

5 years

We have successfully developed our Global Nutritionals business in the last five years through organic growth and acquisition.

23%

of total Group revenue is represented by Global Nutritionals

2015 abolition of EU milk quotas

Glanbia is Ireland's largest dairy company. We collect approximately 1.6 billion litres of milk from over 4,800 farmer suppliers. This represents 30% of Ireland's milk pool, which we process into a wide range of dairy ingredients. Most of this product is destined for sale internationally and we export to more than 50 countries globally.

We are in the process of reviewing the implications of the potential expansion of our supply base post the abolition of EU milk quotas in 2015.

Glanbia plc, in common with its largest shareholder, Glanbia Co-operative Society Limited, recognises that Ireland has a range of competitive characteristics that facilitates growth in milk supply post 2015.

The longer-term outlook for global dairy markets is also positive, driven by rising income levels in developing economies.

Both parties and their advisors are working to evaluate possible options for expansion of dairy processing in Ireland. A conclusion on the best way forward for all stakeholders is expected to be reached in the second quarter of 2012.

Any investment opportunities arising would be considered by Glanbia plc in a portfolio context to ensure that Group resources are directed to business segments so as to maximise overall Group performance.

Organic expansion plans

We have a number of projects underway across the Group to either expand or enhance our operations:

> Expansion of higher whey protein product output in Dairy Ingredients in 2012;
> New plant for Customised Premix Solutions in Germany, which will be commissioned in 2012; and
> New US Cheese innovation and customer collaboration centre in Idaho, which is due to open in early 2013.

2012 principal risks

Our performance is influenced by global economic growth, global dairy and US cheese markets and consumer confidence in the markets in which we operate. Economic uncertainty or excessive volatility in global dairy pricing would represent a material change to the Group's trading environment.

In 2012, the principal risks affecting the Group's performance are:

> An uncertain global economic outlook;
> Sustainability of the demand/supply balance in global dairy markets;
> Buy/sell balance in US Cheese and Performance Nutrition; and
> Consumer confidence in Ireland.

2012 outlook

We expect the operating environment in 2012 to be more challenging than in recent years. Current global economic uncertainty has the potential to impact global dairy markets and fragile consumer confidence. The Group's focus on driving growth in nutritionals, combined with deep dairy market expertise and strong execution capability, position us well for the future. Our guidance for 2012 is for 5 to 7% growth in adjusted earnings per share, on a constant currency basis.

John Moloney
Group Managing Director

Ingredient Technologies

The innovation pipeline within Ingredient Technologies has been particularly strong during 2011.

Ingredient Technologies commercialised a range of functional solutions for the yoghurt market, including OptiSol™ 1010 for yoghurt and OptiSol™ 1020 for Greek-style yoghurt. The two OptiSol products offer yoghurt manufacturers a superior stabilisation protein system which improves texture and consistency and provides a protein boost. These functional solutions help producers satisfy the growing consumer demand for natural and clean labels in fresh dairy products. The Greek-style yoghurt market grew 130% in North America in 2011.

Ingredient Technologies continue to develop new solutions for the growing nutritional bar markets with unique protein systems that offer different functional and nutritional benefits. This market is estimated to be growing at 15% per annum. New OptiSol™ 2000, featuring SugarTrim technology, allows bar and cereal manufacturers to reduce sugar levels by up to 50% while increasing protein levels and offering the consumer a more nutritious product.

Our strategy

Our strategic goals are to diversify earnings, improve operating margin and deliver earnings growth. On this journey we built strong organisational capability in world-class manufacturing, science-based innovation in product and solutions development and acquisitions delivery. We also established new scale businesses with leading market positions in high growth sectors.

Vision

To be the leading global nutritional solutions and cheese group

Our strategy

> Drive Global Nutritionals forward
> Focus on both organic and acquisition growth
> Allocate resources to the areas of greatest growth potential
> Leverage the Group's two business models and strategic joint ventures

Our strategic priorities

1. Align to key growth customers and markets
2. Focus on science-based innovation
3. Balance risk and capital management
4. Deliver operational excellence

2012 Business focus

Dairy Ireland

> Clarity on the strategic approach to the potential opportunity post the abolition in 2015 of the current EU milk quota regime
> Achieve further strategic cost reductions in Consumer Products
> Deliver whey expansion in Dairy Ingredients

US Cheese & Global Nutritionals

> Deliver nutritionals acquisition
> Successfully complete planned facilities expansion in Customised Premix Solutions
> Review milk procurement strategy in US Cheese
> Achieve organic growth targets for Global Nutritionals
> Manage buy/sell balance and whey supply in Performance Nutrition

Group

> Review bank debt facilities

Key performance indicators (KPIs)

> Revenue
> EBITA
> EBITA margin
> Adjusted earnings per share
> Net debt: adjusted EBITDA
> Return on capital employed

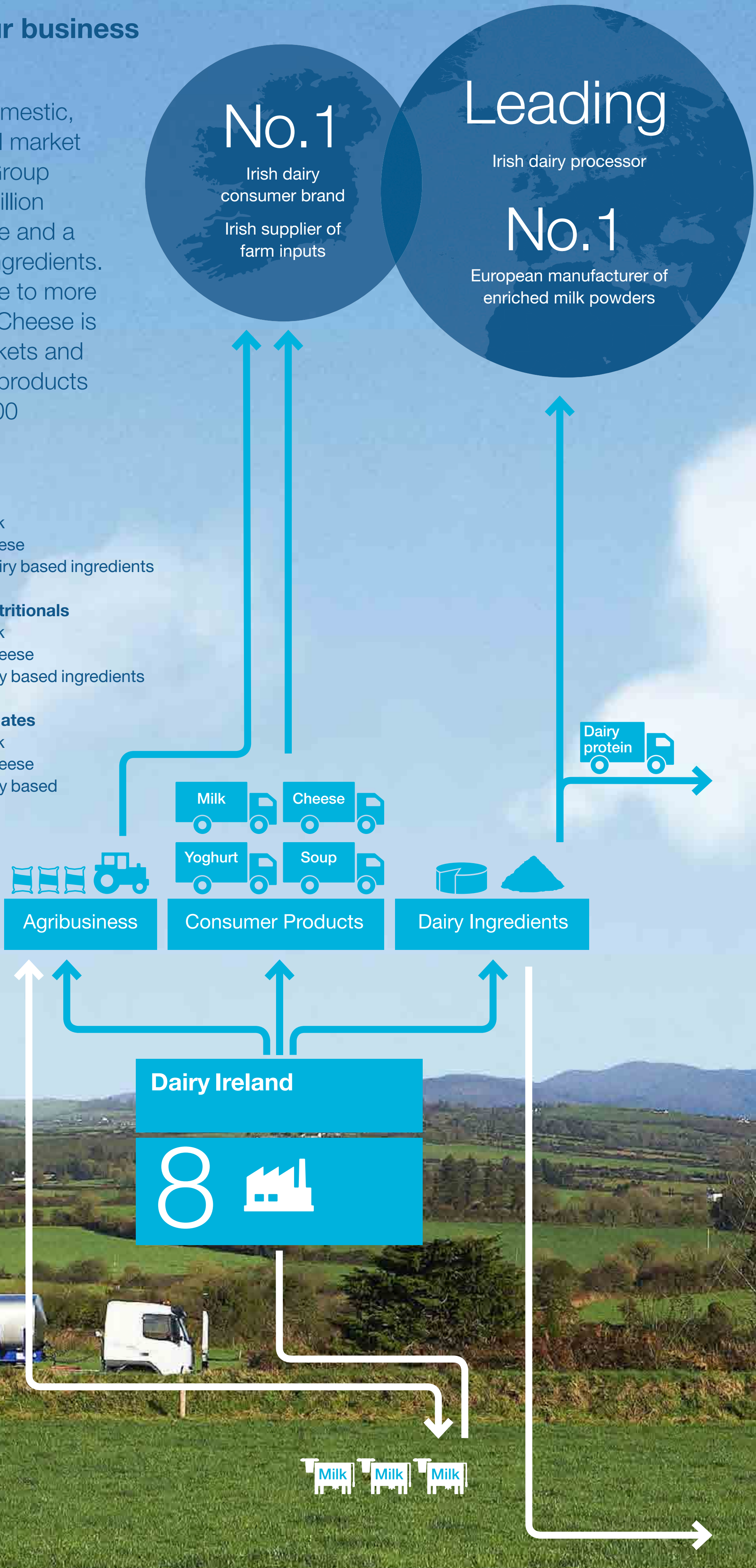
Understanding our business

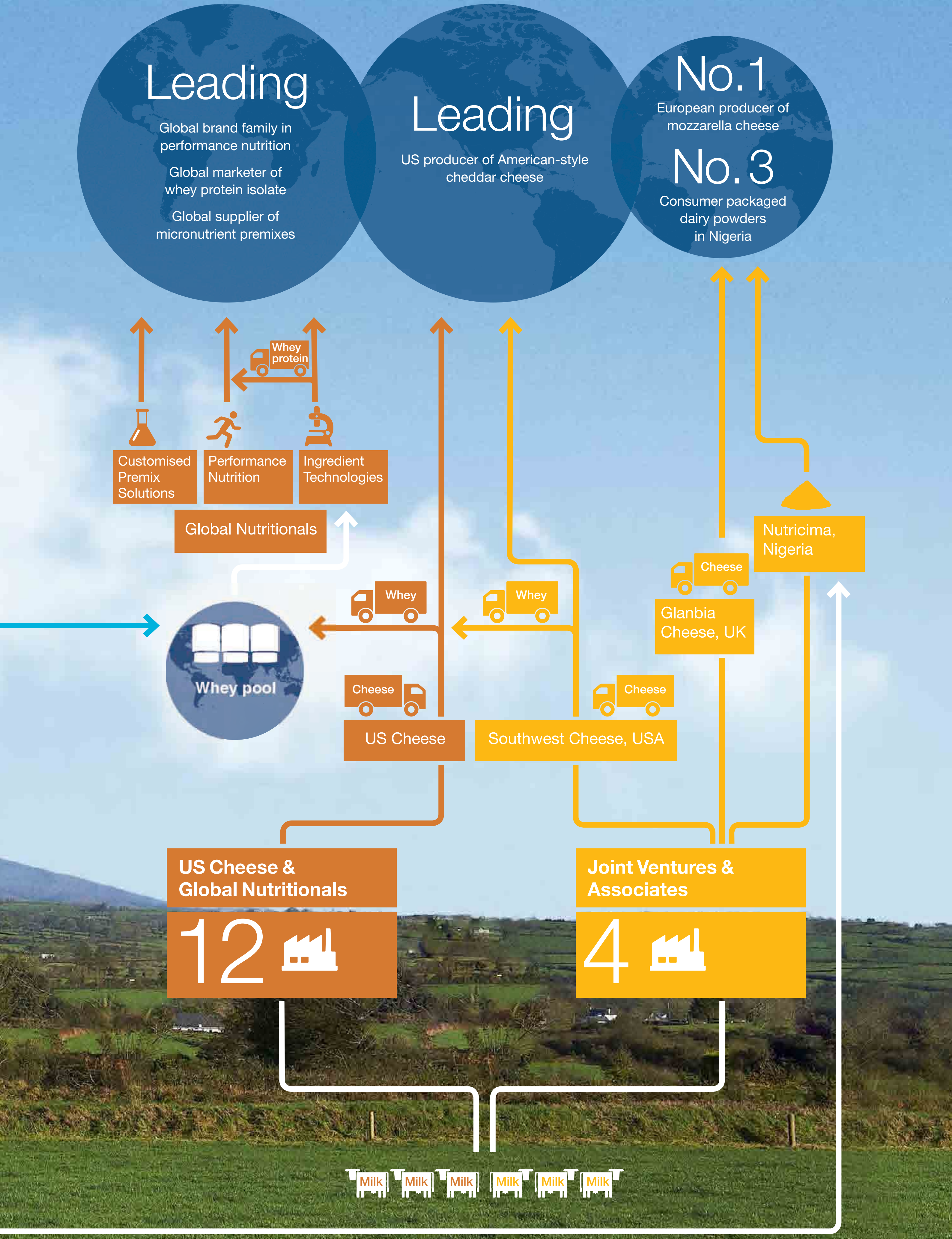
Glanbia has leading domestic, international and global market positions. In total the Group processes almost six billion litres of milk into cheese and a range of dairy-based ingredients. Exports from Ireland are to more than 50 countries, US Cheese is growing its export markets and Performance Nutrition products are now sold in over 100 countries world-wide.

Dairy Ireland
- 1.6 billion litres of milk
- 38,000 tonnes of cheese
- 177,000 tonnes of dairy based ingredients

US Cheese & Global Nutritionals
- 1.8 billion litres of milk
- 190,000 tonnes of cheese
- 60,000 tonnes of dairy based ingredients

Joint Ventures & Associates
- 2.4 billion litres of milk
- 257,000 tonnes of cheese
- 26,000 tonnes of dairy based ingredients




Leading
Global brand family in performance nutrition
Global marketer of whey protein isolate
Global supplier of micronutrient premixes
Leading
US producer of American-style cheddar cheese
No. 1
European producer of mozzarella cheese
No. 3
Consumer packaged dairy powders in Nigeria
Whey protein
Customised Premix Solutions
Performance Nutrition
Ingredient Technologies
Global Nutritionals
Nutricima, Nigeria
Cheese
Glanbia Cheese, UK
Whey
Whey
Whey pool
Cheese
Cheese
US Cheese
Southwest Cheese, USA
US Cheese & Global Nutritionals
12
Joint Ventures & Associates
4
Milk
Milk
Milk
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Milk

Glanbia delivered a very good performance with respect to its key performance indicators in 2011. This follows a strong performance in 2010. All KPIs delivered good momentum with the exception of margins, where a 30 basis points reduction in reported EBITA margin resulted from a time lag between rising input costs and price increases implemented in Performance Nutrition within the US Cheese & Global Nutritionals division.

The Group's financial flexibility was enhanced by a 33.6% increase in free cash flow to €87.5 million (2010: €65.5 million). 2011 year-end net debt: adjusted EBITDA, which is monitored for financing covenants, was 2.1 times (2010: 2.1 times). This was ahead of target and was achieved after adverse currency movements and significant development capital and acquisition spend of €133.8 million in the year.

Return on capital employed grew 50 basis points to 13.3% (2010: 12.8%).

Revenue
Reported Group revenue grew by 23.3% to €2.7 billion (2010: €2.2 billion) reflecting continued strong organic growth primarily in Global Nutritionals and the impact of higher global dairy and US Cheese market prices. Total Group revenue, including our share of Joint Ventures & Associates, grew by 23.7% to €3.2 billion (2010: €2.6 billion).

EBITA & EBITA margin
Reported Group EBITA grew strongly by 18.4% to €179.5 million (2010: €151.6 million). The result includes the first time contribution of BSN®, acquired in January 2011, which is performing in line with expectations. While Group EBITA margin declined by 30 basis points in the year, this was a very solid performance given the scale of the input cost pressures within the Performance Nutrition business.

Joint Ventures and Associates
The Group's share of results of Joint Ventures & Associates was up 41.6% (€4.2 million) to €14.3 million (2010: €10.1 million). The improved result reflected strong profitable growth across our key strategic joint ventures.

Net financing costs
Net financing costs increased by €5.8 million to €27.9 million (2010: €22.1 million) mainly due to the drawdown of a $325 million private debt placement of 10 year senior loan notes during the year. These notes are unsecured, ranking pari passu with existing senior debt and have a fixed coupon rate of 5.4%.

"Glanbia delivered another year of strong profitable growth within a robust financial and risk framework."

2011 results

As reported – pre exceptional	2011	2010	Change
Revenue(1)	€2,671.2m	€2,166.7m	+ 23.3%
EBITA	€179.5m	€151.6m	+ 18.4%
EBITA margin	6.7%	7.0%	- 30 bps
Operating profit	€161.0m	€136.5m	+ 17.9%
Operating margin	6.0%	6.3%	- 30bps
Net finance cost	(€27.9m)	(€22.1m)	- €5.8m
Share of results of Joint Ventures & Associates(1)	€14.3m	€10.1m	+ 41.6%
Income taxes	(€27.0m)	(€25.5m)	- €1.5m
Profit for the year	€120.4m	€99.0m	+ 21.6%
Adjusted earnings per share(2)	46.32c	38.07c	+ 21.7%
Exceptional items - pre tax	(€8.7m)	€10.2m	- €18.9m
Dividend per share in respect of the full year	8.27c	7.52c	+ 10%
On a constant currency basis – pre exceptional	**2011**	**2010**	**Change**
Revenue(1)	€2,734.7m	€2,166.7m	+ 26.2%
EBITA	€186.1m	€151.6m	+ 22.8%
Adjusted earnings per share(2)	48.22c	38.07c	+ 26.7%

(1) Total Group revenue, including Glanbia's share of the revenue of Joint Ventures & Associates, was €3.2 billion for the year, €3.3 billion on a constant currency basis for the year (2010: €2.6 billion). Share of results of Joint Ventures & Associates is an after interest and tax amount.
(2) Adjusted earnings per share is calculated as the profit for the year attributable to the owners of the Group before exceptional items and amortisation of intangible assets (net of tax).

The Group's average interest rate for the full year 2011 was 5.0% (2010: 4.2%). Glanbia operates a policy of fixing a significant amount of its interest exposure with approximately 75% of projected 2012 debt currently contracted at fixed rates for 2012.

Taxation
The 2011 tax charge pre exceptional increased by 5.9%, €1.5 million, to €27.0 million (2010: €25.5 million) which represents an effective rate, excluding Joint Ventures & Associates, of 20.3% (2010: 22.3%). The decrease in the effective rate is driven by the change in mix and geographic locations in which profits are earned.

Exceptional items
Rationalisation costs of €8.7m include redundancies related to the integration of the liquid milk business acquired from Kerry Group plc and were incurred in the first half by the Consumer Products business within Dairy Ireland.

Basic earnings per share
Basic earnings per share (EPS) increased by 3.7% to 38.22 cents per share (2010: 36.86 cents per share), as a net negative movement in exceptional items year-on-year was offset by an increase in pre exceptional Group profit after tax.

Adjusted earnings per share
Adjusted earnings per share is calculated as the profit for the year attributable to the equity holders of the Parent before exceptional items and amortisation of intangible assets (net of tax). Adjusted EPS increased 21.7% to 46.32 cents per share (2010: 38.07 cents per share) driven mainly by improved operating profit and share of profit after tax from Joint Ventures &

2011 Segmental analysis

As reported – pre exceptional	2011			2010		
	Revenue €m	EBITA[(1)] €m	EBITA margin	Revenue €m	EBITA[(1)] €m	EBITA margin
US Cheese & Global Nutritionals	1,316.9	122.2	9.3%	1,021.9	104.5	10.2%
Dairy Ireland	1,353.3	57.9	4.3%	1,138.6	47.9	4.2%
Other Business	1.0	(0.6)	(60.0%)	6.2	(0.8)	(12.9%)
Group as reported[(2)]	**2,671.2**	**179.5**	**6.7%**	**2,166.7**	**151.6**	**7.0%**
JVs & Associates	524.2	25.2	4.8%	416.6	21.6	5.2%
Total Group including JVs & Associates	**3,195.4**	**204.7**	**6.4%**	**2,583.3**	**173.2**	**6.7%**

On a constant currency basis – pre exceptional	2011		
	Revenue €m	EBITA[(1)] €m	EBITA margin
US Cheese & Global Nutritionals	1,380.4	128.8	9.3%
Dairy Ireland	1,353.3	57.9	4.3%
Other Business	1.0	(0.6)	(60.0%)
Group as reported[(2)]	**2,734.7**	**186.1**	**6.8%**
JVs & Associates	541.0	26.0	4.8%
Total Group including JVs & Associates	**3,275.7**	**212.1**	**6.5%**

(1) Given the nature of Group acquisitions in recent years, EBITA is an accurate reflection of underlying cash generative operating performance.
(2) Reported results exclude Joint Ventures & Associates. Share of results of Joint Ventures & Associates in the income statement is an after interest and tax amount.

Associates, offset by an increased net finance charge. A detailed calculation of adjusted EPS is shown in note 12 of the financial statements on page 114.

Dividend per share

The Board is recommending a final dividend of 4.94 cents per share (2010: final dividend 4.49 cents per share). This represents an increase of 10% in the year and brings the total dividend for the year to 8.27 cents per share (2010: 7.52 cents per share).

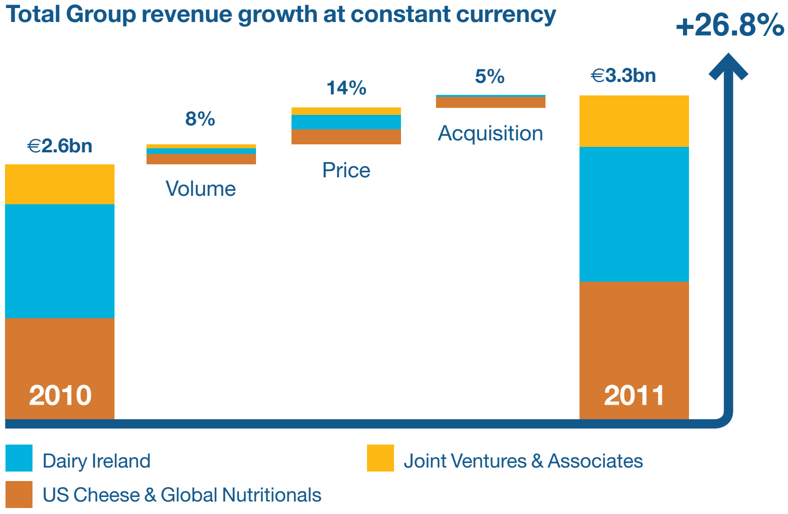
Constant Currency

Glanbia's financial results are exposed to movements in the euro/US dollar currency exchange rate and the impact this has on the translation into euro of the significant portion of the Group's profits that are US dollar denominated. To reflect the underlying performance of the business Glanbia uses constant currency as a basis for discussing financial results and providing earnings guidance. In 2011 US dollar denominated profits represented approximately 65% of the Group's earnings before interest, taxation and amortisation (EBITA).

Segmental analysis

Total Group revenue, including share of Joint Ventures & Associates, on a constant currency basis, grew by 26.8% to €3.3 billion (2010: €2.6 billion). The growth in total revenue is attributable to strong underlying organic volume growth of 8%, the impact of acquisitions, primarily Bio-Engineered Supplements and Nutrition (BSN®) of 5% and higher pricing and an enhanced product mix of 14%.

Total Group revenue growth at constant currency



Key financial covenants

	Covenant	2011	2010	2009
Net debt(1): adjusted EBITDA(2) (times)	3.3	2.1	2.1	2.6
Adjusted EBIT(3): net finance costs (times)	3.5	6.3	6.7	5.4

(1) Including €63.5 million cumulative redeemable preference shares.
(2) Adjusted EBITDA reflects Group EBITDA plus dividends from Joint Ventures & Associates.
(3) Adjusted EBIT reflects Group EBIT plus dividends from Joint Ventures & Associates.

Financing KPIs

	2011	2010
EBITDA	€212.2m	€182.8m
Free cash flow	€87.5m	€65.5m
Net debt	€480.3m	€408.1m
Net debt: adjusted EBITDA(1)	2.1 times	2.1 times
Return on capital employed(2)	13.3%	12.8%

(1) Adjusted EBITDA reflects Group EBITDA plus dividends from Joint Ventures & Associates.
(2) Return on capital employed is calculated as Group EBITA, plus the Group's share of results of Joint Ventures & Associates after interest and tax, over capital employed. Capital employed is calculated as the Group's non-current assets plus working capital.

Revenue in US Cheese & Global Nutritionals increased to €1.38 billion (2010: €1.02 billion). Revenue in Dairy Ireland grew 18.9% to €1.35 billion (2010: €1.14 billion). Revenue in Joint Ventures & Associates grew to €541.0 million (2010: €416.6 million).

Total Group EBITA, including share of Joint Ventures & Associates, on a constant currency basis, increased 22.5% to €212.1 million (2010: €173.2 million). This improvement in performance reflects strong organic volume growth across all global nutritional sectors and the first time contribution of BSN®.

US Cheese & Global Nutritionals delivered strong year-on-year EBITA growth of 23.3% to €128.8 million (2010: €104.5 million) driven by the performance of Global Nutritionals. Dairy Ireland EBITA also grew by 20.9% to €57.9 million (2010: €47.9 million), as difficult markets and input cost conditions for the Consumer Products business were countered by the positive impact of higher global dairy markets in the Dairy Ingredients business.

As anticipated, total Group EBITA margin fell 20 basis points to 6.5% (2010: 6.7%), on a constant currency basis. This reduction in margin arose within US Cheese & Global Nutritionals where EBITA margins declined from 10.2% to 9.3% in 2011. This margin decline was primarily in the Performance Nutrition business in Global Nutritionals.

Dairy Ireland EBITA margin at 4.3% increased 10 basis points (2010: 4.2%), reflecting the positive net effect of volume growth and relatively strong global dairy markets in the year. The EBITA margin of Joint Ventures & Associates declined by 40 basis points to 4.8%, primarily due to a decline in margins in Southwest Cheese as a consequence of the impact of relative market pricing of certain dairy products on milk cost during the year.

Financing KPIs

Group net debt increased by €72.2 million in the year to €480.3 million (2010: €408.1 million). Strong EBITDA performance of €212.2 million was reinvested to deliver the Group's growth strategy. The principal cash outflows for the Group included €133.8m on acquisitions and strategic capital expenditure, business sustaining capital expenditure of €27.3m, interest and taxes of €39.3m and equity dividends of €22.9m.

The Group remained focused on cash management in 2011 and delivered a robust year end net debt: adjusted EBITDA financing ratio of 2.1 times (2010: 2.1 times). This is well within the Group's banking covenant of 3.3 times.

In 2011, adjusted EBIT to net financing cost cover weakened somewhat to 6.3 times (2010: 6.7 times), reflecting the increased cost of the private debt senior loan notes in the year.

Group financing facilities

The Group currently has three sources of debt finance; 10 year senior loan notes issued as a private debt placement in 2011, senior bank debt with nine banks under bilateral arrangements with common terms and conditions and cumulative redeemable preference shares. Committed debt facilities total €987.7 million encompassing the $325 million private debt placement (€251.2 million), €673.0 million from nine banks and €63.5 million cumulative redeemable preference shares. The tenure of these facilities ranges from €163.0 million renewable in July 2012, €510.0 million renewable in July 2013, €63.5 million maturing in July 2014 and €251.2 million maturing in June 2021. The Group will be reviewing the overall group financing in 2012 as part of the normal bank debt renewal process.

Return on capital employed

The return on capital employed has improved by 50 basis point to 13.3% (2010: 12.8%); defined as a post tax measure of the return earned on capital invested including Joint Ventures & Associates. The 2011 improvement was driven by the strong growth in operating performance of the Group allied with the prudent deployment and strong utilisation of capital in the business.

Financial risk management
The conduct of Glanbia's ordinary business operations necessitates the holding and issuing of financial instruments and derivative financial instruments by the Group. The main risks, arising from issuing, holding and managing these financial instruments, typically include liquidity risk, interest rate risk and currency risk. The Group does not trade in financial instruments. The Group's treasury policies and guidelines are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to manage the Group's financial risks. These policies were reviewed in 2011 by the Group Audit Committee and the Board.

Summary cash flow

	2011 €m	2010 €m	Change €m
EBITDA pre exceptional	212.2	182.8	29.4
Working capital movement	(39.0)	(53.6)	14.6
Net interest and tax paid	(39.3)	(34.5)	(4.8)
Business sustaining capital expenditure	(27.3)	(17.3)	(10.0)
Other outflows	(19.1)	(11.9)	(7.2)
Free cash flow	**87.5**	**65.5**	**22.0**
Dividends from joint ventures	14.8	11.2	3.6
Loans repaid by joint ventures	-	23.3	(23.3)
Strategic acquisition/capital expenditure	(133.8)	(16.2)	(117.6)
Restructuring costs	(10.0)	(9.8)	(0.2)
Equity dividends	(22.9)	(20.5)	(2.4)
Cash flow pre currency exchange/ fair value adjustments	**(64.4)**	**53.5**	**(117.9)**
Currency exchange/fair value adjustments	(7.8)	(19.0)	11.2
Net (increase)/decrease in debt during the year	**(72.2)**	**34.5**	**(106.7)**
Net debt at the beginning of the year	(408.1)	(442.6)	34.5
Net debt at the end of the year	**(480.3)**	**(408.1)**	**(72.2)**

Movement in the liability for retirement benefit obligations

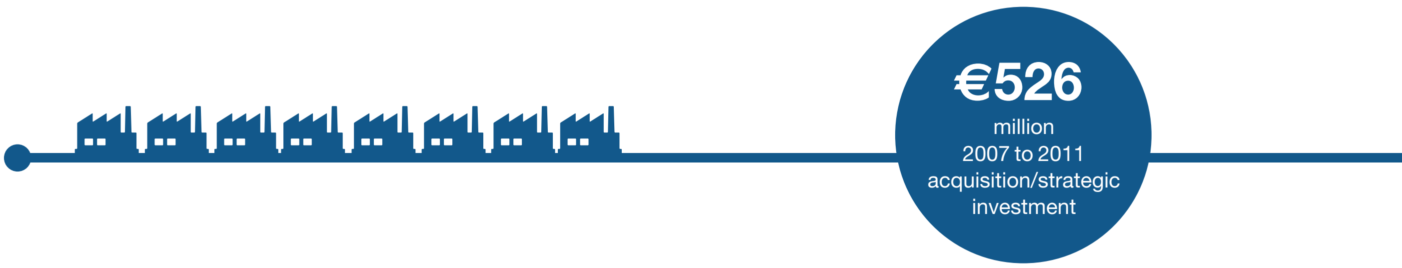
	2011 €m	2010 €m
At the beginning of the year	**(48.6)**	**(85.8)**
Exchange differences	(0.5)	(1.0)
Total expense	(3.2)	(7.1)
Curtailment gains and negative past service costs	-	10.2
Actuarial (loss)/gain	(17.0)	13.4
Employer contributions	20.9	21.7
At the end of the year	**(48.4)**	**(48.6)**

Summary cash flow
The Group generated strong free cash flow during the year of €87.5 million (2010: €65.5 million) an increase of €22.0 million year-on-year. Free cash flow is stated after charging working capital movements and business sustaining capital expenditure, but before dividends received from joint ventures, loans repaid by or advanced to joint ventures, strategic capital expenditure, restructuring costs, and equity dividends.

Higher EBITDA in 2011 of €212.2 million (2010: €182.8 million) was offset by year-on-year investment in working capital, increased business sustaining capital expenditure and interest outflows. The working capital outflow in the year primarily reflects the reduction of a debt purchase agreement which was in place with a financial institution since 2005.

Dividends received from joint ventures during 2011 were €14.8 million, an increase from the prior year of €3.6 million (2010: €11.2 million) and reflects a cash return to the Group from both Southwest Cheese and Glanbia Cheese.

Pension
At 31 December 2011 the Group's net pension liability under IAS 19 'Employee Benefits', before deferred tax, decreased by €0.2 million to €48.4 million (2010: €48.6 million). The marginal reduction in the Group's deficit reflected the negative movement in actuarial assumptions (€17.0 million), caused primarily by a lower than expected return on invested assets and increased mortality assumptions used, offset by the employer contributions of €17.7 million (net of service cost). The fair value of the assets of the pension schemes at 31 December 2011 was €400.0 million (2010: €389.3 million) and the value of the scheme liabilities was €448.4 million (2010: €437.9 million).



Shareholder analysis
December 2011

- Glanbia Co-operative Society **54.4%**
- Retail **21.6%**
- UK* **12.7%**
- Ireland* **2.8%**
- Europe* **4.3%**
- North America* **4.2%**

*Institutional/other

The Board agrees and regularly reviews the Group's treasury policies and guidelines. More detailed information on financial risk is contained in note 3.1 'Financial risk factors' in the notes to the financial statements and in the risk management section of this report.

P98 Financial statements note 3.1

P22 Risk management

Further information on divisional performance

P36 Dairy Ireland

P38 US Cheese & Global Nutritionals

P40 Joint Ventures & Associates

Investor Relations

In 2011, senior management of the Group participated in a series of investor meetings in Ireland, the UK, Europe, North America and Canada and attended capital market conferences.

During the year the Group commissioned an investor perception study to appraise the Group's performance, across a range of parameters. The results and findings from this study are currently being reviewed and will form part of the Group's investor relations programme for 2012 and beyond.

Glanbia's largest shareholder, Glanbia Co-operative Society Limited, which owns 54.4% of the Group, forms a significant part of the Group's investor relations programme with a series of meetings carried out with the Council of the Society by Group senior management during 2011.

In 2011, the share price increased 26% from the start of 2011 (€3.68), to the finish (€4.63), with a share price high of €5.02 during June 2011. Total Shareholder Return (TSR) for the year was 27.8%. The share price outperformed the Irish Stock Exchange index by 24.9%, the FTSE E300 Index by 40.7%, the S&P 500 Index by 21.6% and the FTSE E300 Food Producers Index by 20.3%.

Financial Strategy

The Group has significantly restructured and re-orientated its business strategy in recent years. As the Group has been in strategy delivery mode, the financial goals have remained consistent, that is; to diversify earnings, improve operating margin and deliver sustained earnings growth through rigorous cost management and prudent deployment of capital to the highest returning investment opportunities. The Group operates to an internal hurdle rate for return on investment decisions of 12% post tax, by year three and monitors investment spend against this metric.

2012 Outlook

The Group anticipates that global economic growth for 2012 will remain challenged, with some softening anticipated in global dairy markets. While the business overall is well positioned to continue its growth momentum, such economic uncertainty means that we are cautious on 2012 trading performance. We currently anticipate 5-7% growth in adjusted earnings per share for 2012, on a constant currency basis.

Siobhán Talbot

Siobhán Talbot
Group Finance Director

The focus on nutrition, together with a more informed and interested consumer in aspects of health, wellness and diet, is a key global trend.

2.1
times net debt: adjusted EBITDA in 2011

Risk management

Our approach to risk management

The Board determines the nature and extent of the risks the Group is willing to take in achieving its strategic objectives. In Glanbia, there is an ongoing process in place for identifying, assessing, managing, monitoring and reporting on risk. This process has been in place for the year under review and up to and including the date of approval of the 2011 Annual Report.

Risks can materialise and impact the delivery of Group objectives, the achievement of sustainable shareholder value and compliance with the requirements of good corporate governance. The Group's approach to risk management is aimed at the early identification of key risks and a detailed consideration of the existing level of mitigation and required management actions.

While the Board has overall responsibility for ensuring that risk is effectively managed across the Group, it has delegated the responsibility for reviewing the design and implementation of the Group's system of internal control and risk management procedures to the Audit Committee.

Risk identification and assessment

The Board has adopted a quarterly risk identification and assessment programme. This approach was first introduced in 2010 and has been further developed and refined in 2011 through the work of the Audit Committee. Summary presentations to both the Board and the Audit Committee include an analysis of the key financial, operational and regulatory risks faced by the Group in terms of impact (assessed over the following 12 months within defined monetary terms) and likelihood of occurrence (assessed over a three-year period in line with the Group strategic plan and based on defined probabilities of occurrence).

Risk identification and assessment includes the development of risk graphs to provide representation of individual risks with reference to their size or impact to the Group and their likelihood of occurrence.

Risk management responsibilities

How Glanbia Manages Risk

Board - Risk governance
Responsible for strategic decision-making and risk oversight. Sets risk appetite and tolerance.

Audit Committee - Risk infrastructure
Responsible for reviewing the design and implementation of risk management systems.

BU Management - Risk ownership
Responsible for risk identification, measurement, monitoring and reporting.

Group Operating Executive - Risk management
Responsible for maintaining effective risk management policies and programmes.

Organisational and business risks are also identified and assessed; however the likelihood and impact of occurrence are often harder to define as many of these risks are deemed to be outside the direct control but not the influence of management and the Board. Examples of such risks include an animal disease outbreak such as foot-and-mouth impacting milk supply or a significant adjustment to the current climate change agenda impacting our large-scale processing operations.

Separate risk graphs are prepared to reflect the inherent position (before taking account of any related internal controls) and the residual position (post internal controls). The focus of the Board is on ensuring that the residual risk position is within their risk appetite, while management and the Audit Committee are entrusted with ensuring that appropriate measures are in place to validate the strength of internal controls.

Risk monitoring and reporting within the Group

Following detailed risk review exercises, each business unit management team and functional head completes the Group risk register template. This is a standard format, where identified risks are documented showing the nature of the risk identified, the risk classification, the inherent risk impact and likelihood, the mitigation measures (if applicable), the residual risk and the related management action plans. Each risk is allocated an owner who has authority and responsibility for assessing and managing it.

An overall Group-level risk register is prepared and presented to the Board on a quarterly basis together with a summary of the key movements in the trend of risks identified and the related mitigation and management action plans. The Group Operating Executive, the Audit Committee and the Board, in that order, all review the Group risk profile and the key changes on a quarterly basis. During 2011, the Audit Committee reviewed the effectiveness of the Group's risk identification, assessment, management, monitoring and reporting processes and is satisfied that they are appropriate for the Group's requirements.

Commencing in 2011, business unit presentations to the Board included a detailed review of the key risks facing each business and the related mitigation measures, in line with the Group assessment criteria. The Audit Committee continued its programme of evaluating key areas of Group risk through a further series of presentations on matters such as food safety and quality, information technology and financial control. Both approaches will be continued and further enhanced in 2012 to ensure that risk management in Glanbia continues to evolve to take account of the changing environment and continues to support the delivery of the Group's objectives and the achievement of sustainable growth. The enhancements will include adjusting the current process to assess the speed at which risk materialises and how easily the organisation can recover from a significant risk crystallising.

Principal risks and uncertainties

The performance of the Group is influenced by global economic growth, global dairy and US cheese markets, and consumer confidence in the markets in which it operates. Risk identification processes take into account the Group's strategic priorities and 2012 business focus areas outlined on page 13 together with a number of broader business environment risks.

A summary of the key risks identified, potential impacts and mitigating actions are set out below.

Strategic priorities

1. Align to key growth customers and markets

Risk description	Potential impact	Mitigation
Certain key customers represent a significant portion of Group revenue and operating profits. The loss of all or part of one or more of these customers represents a concentration risk to the business.	Reduced profitability and cash flow.	The Group believes that it currently enjoys good relationships with major customers and continues to manage and develop these relationships by focusing on superior customer service, product innovation, quality assurance and cost competitiveness. In order to better serve its key customers and to provide a platform for future growth the Group has continued to expand its global footprint through the acquisition of BSN® in January 2011 and the development of a number of key capital projects including an expansion of the whey facility at Dairy Ingredients Ireland and an expansion of the Customised Premix Solutions facility in Germany.

2. Focus on science-based innovation

Risk description	Potential impact	Mitigation
Increasing competition, product innovations, technical advances and changing market trends provide a constant challenge to the future success of the Group and its ability to successfully adapt.	Potential adverse effects on the Group's financial performance.	Glanbia's main innovation centre is located in Ireland with a further innovation and customer collaboration centre in the USA. Research and development expenditure is focused on value added and customer-specific solutions in sectors where Glanbia has significant technical and market knowledge. To enhance its existing skills, a new innovation centre focused on the development of cheese applications/functionality is planned for Twin Falls, Idaho in 2012/2013.

3. Balance risk and capital management

Risk description	Potential impact	Mitigation
A failure by the Board to manage risk or make correct capital allocation decisions may impact the Group's objective of maximising shareholder return.	Lost opportunities to maximise shareholder value.	The 2012-2014 strategy plan was approved by the Board and an ongoing process is in place for the Group Operating Executive and the Board to review strategic opportunities. The Group has a comprehensive programme for the identification and management of risk. The Group manages capital by operating within defined return-on-investment metrics and debt ratios as outlined in the Group Finance Director's Review. All significant investment and divestment decisions are approved by the Board consistent with the Group's capital strategy which is based on achieving a range of financial criteria including return on capital invested. The Board will continue to focus on investments that are in line with the Group strategy and capable of maximising overall Group performance.

4. Deliver operational excellence

Risk description	Potential impact	Mitigation
A breach of existing environmental laws and regulations or the introduction of new, more onerous, legislation.	Reputational damage and regulatory penalties including restrictions on operations, damages or fines. Increased cost of compliance with modified or new legislation.	The Group is committed to compliance with regulations. We continue to invest in energy efficiency advancements, carbon reduction and emission programmes and recycling. This commitment is demonstrated through successes such as Glanbia Dairy Ingredients, Virginia, becoming the first Irish dairy business to receive the prestigious 'Carbon Trust Standard' award, a globally recognised certification for organisations that have measured, managed and reduced their carbon footprint, and demonstrated commitment to making further reductions year-on-year.
Contamination of products and/or raw materials or A breach of food safety legislation or the introduction of more stringent regulations.	Product recall costs, lost revenues and reduced growth prospects. Reputational damage and regulatory penalties including restrictions on operations, damages or fines. Additional labelling requirements.	The Group conforms to international and local food safety, quality and environmental regulations and employs best practice across all its production facilities to maintain the highest standards. The Group maintains product liability insurance.
Loss of capacity at a major site or a breach of health and safety regulations.	Reputational damage and possible regulatory penalties. Inability to service customer requirements. Reduced profitability and cash flow.	All business operations have business continuity plans in place including identification of alternative production locations where relevant. The Group monitors overall safety and loss prevention performance through the Glanbia Risk Management System (GRMS) to assist operational management responsible for site risk. An independent risk manager conducts the GRMS reviews, the results of which are presented to and considered by the Audit Committee on an annual basis. A comprehensive insurance programme is in place for all significant insurable risks and major catastrophes. The Irish business units completed detailed simulation testing in relation to business continuity planning during 2011 and plans are in place to roll out this testing to the remainder of the Group during 2012.
A significant increase in energy costs impacting the Group's large-scale processing operations.	Adverse impact on cash flow and earnings.	Energy efficiency programmes are operated across all sites. When required the Group will enter into fixed-price arrangements to cover certain future energy requirements.

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www.glanbia.com/corp-gov

2012 Business focus

1. Clarity on strategic approach to potential opportunity post the abolition in 2015 of the current EU milk quota regime

Risk description	Potential impact	Mitigation
A failure by the Board to select the optimal investment option to maximise shareholder return.	Lost opportunities to maximise shareholder value.	Glanbia is in the process of reviewing the implications of the potential expansion of its supply base post the abolition of EU milk quotas in 2015. As part of this process the Group is working to evaluate potential options for expansion of dairy processing in Ireland. Any investment opportunities arising would be considered by Glanbia plc in a portfolio context to ensure that Group resources are directed to business segments so as to maximise overall Group performance.

2. Achieve further strategic cost reductions in Consumer Products

Risk description	Potential impact	Mitigation
Cost reductions not delivered in line with expectations.	Adverse impact on earnings.	Monthly reviews take place with the Consumer Products business unit to track actual performance against planned assumptions and strategic objectives, during which any required corrective actions are identified.

3. Successfully complete planned facilities expansion in Customised Premix Solutions and deliver whey expansion in Dairy Ingredients

Risk description	Potential impact	Mitigation
Risk of sub-optimal production capacity utilisation.	Inability to service new and existing customer requirements. Operational efficiencies impacted.	All key development projects are well planned in advance of execution by dedicated and experienced teams with regular Group reporting requirements to ensure projects are delivered on time and on budget. All business units have business continuity plans in place in the event of unexpected issues arising.

4. Deliver nutritionals acquisition

Risk description	Potential impact	Mitigation
Risk of being unable to realise the Group's growth potential.	Intended business benefits not realised impacting profitability and growth. Integration efforts may result in an excessive management time requirement.	The Group implements regular reporting against targets outlined in the acquisition business case with a determination made on the corrective actions as required. The Group management team has significant post-acquisition integration experience. Acquired entity management teams are typically strengthened by the transfer of experienced Glanbia managers.

5. Review milk procurement strategy in US Cheese

Risk description	Potential impact	Mitigation
Risk of not achieving an appropriate balance between sustainable milk supply and cost.	Inability to deliver earnings.	Management are currently reviewing the milk procurement strategy for the business to ensure it remains competitive for the future in the interests of our milk suppliers and Glanbia alike.

6. Achieve organic growth targets for Global Nutritionals

Risk description	Potential impact	Mitigation
A deterioration in market conditions or business unit performance impacting results.	Reduced profitability and cash flow.	Monthly reviews with all business units tracking actual performance against budget and forecast and determining corrective actions as required. Business unit senior management teams and the Board regularly assess key market trends and implications for Group performance and business unit strategic objectives on an ongoing basis.
Recruitment and retention - the Group is dependent upon the quality, ability and commitment of key personnel in order to sustain, develop and grow the business.	Growth targets may be put at risk by failing to attract and retain high quality management and staff.	The Group mitigates risk exposure through sustained succession management, strong recruitment processes, long-term incentives and retention initiatives. As outlined in their report, during 2011 the Remuneration Committee implemented a number of specific changes to the remuneration plan to reduce key management retention risk. The Group also operates management development programmes to ensure there is a continuous pipeline of talent to support the ongoing growth and development of the business.

7. Manage buy/sell balance and whey supply in Performance Nutrition

Risk description	Potential impact	Mitigation
The failure to fully recover higher whey input costs in the market place or one of our major ingredient suppliers being unable to fulfil product demand requirements.	Adverse impact on earnings. Inability to service new and existing customer requirements. Operational efficiencies impacted.	Raw material pricing pressures and the Group's ability to recover increased costs in the market place are regularly assessed by management. A broad supplier base is maintained, management continuously seeks out and assesses additional sources of supply for key raw materials. Regular quality control assessments, including supplier site audits, are conducted to ensure raw material of the required standard is consistently procured.

8. Review bank debt facilities

Risk description	Potential impact	Mitigation
Refinancing of Group debt facilities is key to underpinning the liquidity requirements of the Group.	Lack of liquidity to sustain and grow the Group.	The Group has strong ongoing relationships with debt providers. New financing arrangements are typically negotiated at least twelve months prior to expiration. The Group, as part of its overall financing review in 2011, extended the sources of debt facilities at its disposal by completing a $325 million private debt placement of 10-year senior loan notes. Tight management of debt and interest rate exposures with significant headroom maintained against current covenants.

Business Environment Risks

1. Economic uncertainity or excessive volatility in global dairy pricing

Risk description	Potential impact	Mitigation
A deterioration in global economic or market conditions resulting in a decline in consumer confidence.	Negative impact on profitability and cash flow.	The Group maintains a balanced spread of businesses and continues to diversify its earnings base in order to reduce volatility in financial performance.
Volatile global dairy commodity markets.	Inability to deliver higher quality and less volatile earnings.	Globally the Group has employed a number of risk management tools to limit volatility but its ability to pass pricing volatility in dairy commodities back to its Irish milk suppliers can be constrained by competitive conditions and the pricing methods employed. As the Group maintains a portfolio of businesses there are some natural hedges to global dairy markets within that portfolio.

Our responsibilities

Glanbia's corporate social responsibility includes appropriate business conduct and accountability, fairness and respect for employees and business partners, achieving a strong environmental, health and safety performance and local community involvement. Our goal is to build a sustainable business that contributes to the communities where we operate.

This responsibility is reflected in the standards and attitudes that have been embedded in the way we conduct our business and customer relationships.

During 2011 our corporate responsibility programme continued to focus on managing the environmental, people and community issues which are most material to our business, and most important to our stakeholders, in a way which is aligned to and supports our overall business strategy.

Significant progress was made in terms of further reducing waste and energy consumption, developing the skills of our staff and in continuing to promote our brands through charitable partnerships.

Muireann Kelliher /
Group Strategy Development Director / Glanbia plc /
County Kilkenny, Ireland

"I joined Glanbia six years ago from McKinsey & Company to further develop the Group's strategic planning processes. I travel extensively with my job to support each business unit in developing their strategic plans which form the base for the Group's overall three year strategic plan."

Find out more

P13 Our strategy

P14 Understanding our business

In 2011, 25 high potential managers from across Glanbia's global community attended the Glanbia Management Development Programme. This programme is designed to develop leadership and strategic capability in high potential managers. Participants are also challenged with business critical projects providing the opportunity to put their newly learned skills to the test in cross functional teams.

Our People Strategy

The Group actively fosters a dynamic and results oriented corporate culture by continuing to make Succession Management the way of working throughout the organisation. We encourage our people at all levels of the organisation to "make a difference" through clear accountability and the delivery of performance and innovation with high energy and personal integrity. Our Succession Management process ensures that those employees who perform well will be rewarded and provided with exciting opportunities for career development in Glanbia's expanding global business.

The clear identification of employee performance and of potential future leaders through the succession management process is a Key Performance Indicator (KPI) for Human Resources (HR). The Group is committed to providing continued development to these future leaders through defined development initiatives.

Graduate programme

Glanbia continues to attract and recruit talent to sustain the future development of the organisation. Our Graduate programme has been a key element for many years in recruiting top talent to support the operations, commercial and innovation functions throughout the Group. Many of these graduates are now developing successful careers across the global organisation.

Employee communication

A key HR imperative is to have strong clear communication throughout the organisation. Regular team briefs continued in 2011 to provide all employees with relevant Group messages and updates on local business specific issues.

Additionally, a two day management conference was held in 2011 for the senior management teams of all global business units and Group functions. This was an excellent opportunity to outline the Group strategy, clarify the roles and responsibilities of each business unit in that context and to fully integrate this key senior management group.

Management Conference Excellence Awards

Achievement Awards were presented during the 2011 Glanbia Management Conference to celebrate success within the Group.

Presentations were made to:

> Global Nutritionals and Group Business Services - for a complex, collaborative IT project between the Glanbia Nutritionals team at Customised Premix Solutions, California and Group Business Services.

> Consumer Products - for supply chain management under extreme, adverse weather conditions during the winter of 2010/2011.

> Southwest Cheese - for the capacity expansion project, an example of "on time and on budget delivery."

4,572

The average number of people employed with Glanbia in 2011

The Consumer Products team responsible for achieving GRMS accreditation for supply chain function in 2011. GRMS is the 'Glanbia Risk Management System' which governs the health and safety standards and procedures required to operate safely.

Global HR system

We continue to develop our Global HR system to underpin our performance and reward policies and to deliver a highly professional performance and succession management process. In 2012 we move to a new development phase of key metrics measurement to further empower managers with the information required for efficient people management.

Operational HR

Glanbia employed an average of 4,572 people in 2011, including Joint Ventures & Associates.

Employee numbers in US Cheese and Global Nutritionals increased by 289 in 2011. This was largely due to the acquisition of BSN®. In addition, Global Nutritionals continued to recruit key sales and business development people across its global business to strengthen and reorganise management teams to enable the future delivery of our growth strategy.

Dairy Ireland employee numbers were largely unchanged reflecting the completion of the 2009-2011 rationalisation programme when 358 employees left the business.

We continue to examine our Dairy Ireland cost base to ensure we optimise our competitiveness in a challenging Irish economic environment, while also being adequately resourced to take advantage of the business opportunities arising from the current positive global dairy outlook.

Pension scheme

During 2011, the strategic review of the Group's defined benefit pension scheme arrangements in Ireland was finalised. Changes were necessary as a consequence of significant funding deficits experienced by these schemes. As a result, funding proposals were agreed with the Pensions Board for the Group's main pension schemes. This resulted in members' benefits being reduced in conjunction with significantly increased Group contributions to the schemes and it is anticipated that the changes will place the defined benefit pension schemes on a firmer platform for the future.

Irish pay agreement

In 2012, Glanbia enters the final year of a 51 month pay agreement with our Irish based employees. The Group will review, with employee representatives, future compensation policy in the light of the evolving Irish economic and commercial climate and our competitive cost position.

Health and safety

Glanbia continues to extend and deepen the investment in health and safety (H&S) in all our operational sites. We measure our effectiveness through independent third party H&S audits as part of the Glanbia Risk Management System (GRMS). H&S and legislative compliance is a cornerstone of the GRMS and are embodied in 11 sections of the audit programme including risk assessment, planned inspections, occupational health, training, personal protective equipment, communications and recruitment.

Among many initiatives in 2011, one novel innovation was the roll out of 'Behavioural Based Safety' at our cheese production facilities in Idaho. This is a process whereby an employee conducts a workplace safety review on an aspect of a colleague's role resulting in improved safety recommendations, where required.

Another key initiative was in the Consumer Products business where supply chain has been incorporated into the GRMS audit framework.

In 2011, 25 high potential managers from across Glanbia's global community embarked on the first stage of the custom designed programme, 'Glanbia Management Development Programme.'

The presentation of the Carbon Trust Standard Award to Dairy Ingredients' Virginia facility.

Environmental highlights
With a global presence in key food markets and manufacturing operations in seven countries, Glanbia is committed to improving the environmental performance across the Group each year.

Dairy Ireland

Glanbia continues to maintain a successful environmental and energy management system with all major processing sites accredited to ISO 14001 and EN 16001 standards. Both management systems are driving significant reductions in CO_2 (carbon dioxide) emissions and simultaneously decreasing fossil fuel consumption and associated business costs.

Dairy Ingredients

During 2011 Dairy Ingredients continued its strong track record in environmental management at its two key processing facilities in Ballyragget, County Kilkenny and Virginia, County Cavan.

A specific programme has been running since 2008 which delivered benefits including energy efficiency per tonne of product, which has improved by 8% in comparison to 2008. Carbon emissions were down by 7% per tonne of product produced in comparison to 2008. 42% of site waste was eliminated in 2011 versus 2008, with a further 12% diverted from landfill. Chemical use in water treatment reduced by 36% per litre of milk processed in comparison to 2008. During the year Dairy Ingredients also launched a new programme to further enhance on farm sustainability. Read the case study on page 37.

Consumer Products

In 2011, Consumer Products made further progress in its environmental programme with energy and carbon reductions, as well as a number of new packaging and supply chain initiatives.

From 2005 to 2011 Consumer Products reduced consumption of thermal energy by almost 40% and electrical energy by 16%. CO_2 emissions were reduced by 20% as a direct consequence of energy management systems employed during the same period.

Consumer Products introduced regular resource surveys and continuous packaging evaluation to improve the impact on the environment. As a result packaging weight reductions of 7% were achieved in 2011.

Carbon Trust Standard Award

In December 2011, Dairy Ingredient's Virginia facility became the first Irish dairy business to be awarded the Carbon Trust Standard Award – a globally recognised certification for organisations that have measured, managed and reduced their carbon footprint, and committed to making further reductions year-on-year. It follows a concerted effort by management and staff in the Virginia facility that resulted in an 8.5% reduction in carbon emissions relative to plant output over the last three years.

Michael Gifford, Head of Operations at Carbon Trust Certification congratulated Glanbia and said "The Carbon Trust Standard enables Glanbia to demonstrate its commitment to reducing its impact on the environment, lowering its costs and meeting supplier demand for lower carbon products."

With the support of packaging suppliers, we became the first dairy business in Europe to use milk cartons produced solely from sustainable forests, as independently verified by the Forest Stewardship Council. To complement this initiative Consumer Products supports educational sustainability programmes for school children that create awareness of environmental issues.

Consumer Products also reduced carbon emissions in 2011. The business invested in a system to monitor the daily carbon footprint of lorry drivers and allow each driver to actively manage their own carbon emissions. Intelligent fuel management and route optimisation programmes were also introduced into the supply chain, which reduced carbon emissions by 33,000 kgs and engine running time by 6,500 hours.

The reduction and elimination of ozone depleting gases is an ongoing programme within Consumer Products. The business recycles 65% of its waste and in conjunction with suppliers is developing re-use and recycle loops which will enable a further 5% improvement in the recycling rates.

Agribusiness

Agribusiness is the leading supplier of farm inputs in Ireland. Our mills have a strong focus on low-energy production processes and have co-located grain drying operations on the mill sites to reduce feed ingredient transport costs.

Gain Dairy Feeds incorporated novel nutrition technologies to increase feed efficiency and reduce on-farm emissions of methane and nitrous oxide. The Gain Feed Programme is a comprehensive suite of farm services including forage evaluation, pasture management and diet balancing which is available to agribusiness customers to support economic and environmental sustainability of livestock and grain production. Gain Feeds also utilised readily available forms of minerals to reduce mineral excretion in slurry.

US Cheese

Our US Cheese operations continued to make successful strides in environmental performance, both in effluent quality and non-renewable energy demands in 2011.

As a result of a focus on more efficient utilisation, a 4.9% decrease in water consumption was achieved in 2011. A decrease of 7% was realised in natural gas usage in the same period with a reduction of 5.64% in usage of electrical energy. The reduction in energy usage contributed greatly to a reduction in our greenhouse gas generation in US Cheese. The amount of greenhouse gases (carbon dioxide, nitrous oxide and methane) decreased by 4.4% during the year.

Also, continued efforts were made to better utilise renewable sources in 2011. Biogas, a renewable energy formed as a consequence of waste water treatment, continues to supplant natural gas usage for heating input. In 2011, a 4.4% increase in biogas usage was recorded by comparison with 2010.

Southwest Cheese

In 2011, through sustainability improvement projects Southwest Cheese decreased water consumption by 25.5% while also expanding capacity by 40%. Water is a precious resource in a desert location and the Southwest Cheese focus is on making water usage as efficient as possible.

US Cheese's greenhouse gases decreased by 4.4% or 4,441 metric tonnes in 2011.

65%
of Consumer Products waste recycled in 2011

Barretstown is a charity which offers life-enhancing programmes for seriously ill children and support for carers and parents.

Intensified monitoring and reporting in water quality led to a significant waste water reduction with the plant decreasing its effluent emissions by 11.6%.

Southwest Cheese decreased energy usage by 5.8% in 2011. Efforts are ongoing to fully optimise the plant's biogas energy resource.

Local Community Initiatives

With its origins in the Irish co-operative movement, Glanbia has a proud history and tradition of supporting local communities. During 2011, the Group demonstrated an ongoing commitment to volunteerism and corporate giving. Glanbia's community initiatives were strongly supported by employees and customers in 2011 making a tangible difference to local communities and assisting many worthy causes.

Ireland

2011 was the third year of Glanbia's relationship with Barretstown, a charity which helps children with serious illnesses such as cancer, to regain their confidence and self-esteem through therapeutic recreation.

Within Glanbia employee 'champions' volunteer each year to raise internal awareness and support fundraising. In 2011, the champions continued to demonstrate significant commitment and through two key fundraising events they engaged the support of many colleagues and friends throughout Ireland to raise over €60,000 for Barretstown. This brought the total raised by Glanbia in the last three years to over €1 million.

A sponsored cycle, the 'Tour de Kilkenny' and an organised climb of Ireland's highest mountain, Carrauntoohil, involved over 730 participants in 2011. Numerous other smaller events were also organised by the various champions to raise further donations for the charity.

The Avonmore brand association continued to generate increased awareness for Barretstown, in particular through the brand's nationwide TV weather sponsorship. In recognition of the benefits of this partnership, Glanbia's three-year relationship with Barretstown has been extended for an extra year.

Sponsorship

Many Glanbia business units support local communities through sponsorships. As a dairy based company, with a wide range of nutritional products, Glanbia's involvement with sports represents an ideal synergy in the promotion of a healthy lifestyle. This association with sports is evident in many of the Group's business units such as the sponsorships by the Avonmore brand of the Munster school's rugby, as well as a number of other performance nutrition sponsorships.

Glanbia's corporate sponsorship of the Kilkenny senior hurling team has been in place for over a decade and is reflective of the link between the Gaelic Athletic Association and Glanbia through employees, milk suppliers and customers. 2011 was our second year of a three-year agreement with the Kilkenny senior hurling team who became the All-Ireland hurling champions for a record 33rd time in 2011.

€1 million

In the last three years Glanbia has raised over €1 million for the Barretstown Charity in Ireland.

The presentation of the Idaho Governor's Brightest Star Award, 'Corporation Volunteer of the year' to US Cheese.

Optimum Nutrition is a proud partner of professional rugby teams Leinster and Ulster. A host of individual athletes in diverse sports such as triathlon, rock climbing and BMX Racing are also sponsored by the brand. BSN® is the 'Official Nutritional Supplement Provider' of the Ultimate Fighting Championship®, the premier Mixed Martial Arts organisation in the world.

USA

In November, US Cheese was named 'Corporation Volunteer of the Year' by the Governor of Idaho, C.L. Otter for "exemplary volunteer service to the state of Idaho and fostering an ethic of service in others."

As part of the community engagement programme in Idaho, US Cheese receives suggestions from both the local community and employees for community sponsorships. In 2011, US Cheese worked with a number of local voluntary organisations in the Gooding, Twin Falls and Richfield areas.

These organisations include a Gooding community garden project which produces nutritious food for those in need within the local community and offers employment and education opportunities for a range of young people, including those with special needs.

During the year US Cheese raised $137,000 through the 'Charity Challenge Golf Tournament,' the largest annual charity event in the Magic Valley, Idaho.

'Habitat for Humanity' an international voluntary organisation which solves housing issues through a self-help model was granted the largest donation of $105,000, with the remaining amount spread between four other organisations. This brings to over $2 million the amount raised by US Cheese for local charities over the last 20 years.

In December, BSN® held the third annual employee appreciation day and charity fundraiser in support of St Jude Children's Research Hospital in Florida. BSN® employees and vendors raised over $156,000 for the children of St Jude, surpassing the donation of $131,000 they made in 2010.

Numerous fundraising events have also taken place amongst our staff across the US.

Climbing for Barrettstown

In August 2011, in poor conditions, a 67-strong team climbed Ireland's highest peak to raise funds for Barretstown. The team responded to the challenge of driving rain and gale force winds with the climb and descent taking six hours to complete.

In September, Glanbia's collaboration with Barretstown Camp was recognised by the Chambers of Commerce of Ireland when the Group was presented with the 'Good Neighbour Award for Large Indigenous Companies' at the Chambers Corporate Social Responsibility Awards in Dublin.

Geraldine Somerville, Consumer Products 'Champion' Citywest, Brian Phelan, Group HR and Operations Development Director and Dee Ahearn, CEO Barretstown, at the presentation of the 'Good Neighbour' award, in September 2011.

Glanbia Foods, Inc, was named 'Corporation Volunteer of the Year' by Idaho Governor C.L. Otter

Our global footprint

We have a strong global presence in key food markets and sectors around the world. The Group has manufacturing operations in seven countries, sales and technical support locations in 14 countries and our products are sold to over 130 countries worldwide.

- Manufacturing & processing and sales/technical locations
- Dairy Ireland
- US Cheese & Global Nutritionals
- Joint Ventures & Associates
- Glanbia plc head office
- Glanbia Innovation Centre
- Sales and technical support locations
- Export and product distribution locations

Ireland

> Glanbia plc head office
> 8 manufacturing/processing facilities
> 4 sales and technical support locations
> 52 Agribusiness branches
> 1 innovation centre
> 50+ export/distribution markets
> 1,835 employees

North America

> 10 manufacturing/processing facilities
> 6 sales and technical support locations
> 1 innovation and customer collaboration centre
> 120+ export/distribution markets
> 1,812 employees

Asia Pacific

> 1 manufacturing/processing facility
> 5 sales and technical support locations
> 9 export/distribution markets
> 55 employees

Europe

> 4 manufacturing/processing facilities
> 5 sales and technical support locations
> 30+ export/distribution markets
> 511 employees

South America

> 1 sales and technical support location

Africa

> 1 manufacturing/processing facility
> 1 sales and technical support location
> 1 export/distribution market
> 359 employees

5.8 billion
litres of milk

485,000
tonnes of cheese

263,000
tonnes of dairy-based ingredients

- Dairy Ireland
- US Cheese & Global Nutritionals
- Joint Ventures & Associates

Results Overview

In 2011 Dairy Ireland revenue grew 18.9% to €1.35 billion (2010: €1.14 billion). The revenue growth is attributable to underlying organic volume growth of 4%, higher pricing and an enhanced product mix of 13% and an acquisition of 2%. Operating profit pre exceptional increased 23.2% to €53.6 million (2010: €43.5 million) and the operating margin pre exceptional increased 20 basis points to 4.0% (2010: 3.8%). EBITA pre exceptional increased 20.9% to €57.9 million (2010: €47.9 million).

Joe Brien / Casein Manager / Dairy Ingredients / Ballyragget, County Kilkenny, Ireland

"Our aim is to meet and exceed the expectations of our casein customers. This demands the highest levels of process efficiency while maintaining superior quality standards. I am proud to lead and empower our team to optimise performance using the best technologies, skills and techniques to drive continuous improvement for our business."

Dairy Ingredients: 2011 performance and 2012 outlook

In 2011, global dairy markets remained largely positive despite significant geopolitical and macroeconomic events during the year.

This underpinned solid results from Dairy Ingredients. Volumes and prices were higher and the business also benefited from strong operational and cost management, combined with maximising market reach in emerging markets. Revenue and EBITA grew and EBITA margins also improved somewhat, despite significantly higher milk costs.

During the year, Dairy Ingredients introduced a number of programmes to assist farmer suppliers to prepare in advance for output growth from 2015. These included a farm sustainability programme, a herd health programme, a milk seasonality scheme and farm finance training programme.

In addition, Dairy Ingredients, working closely with suppliers and strategic customers, introduced an innovative index-linked milk price scheme for 8% of the milk volumes which assists in the management of dairy market volatility by providing market assurance to both suppliers and customers over a three year period. It is planned that the scheme will be further extended in 2012.

Ongoing capital investment in automation and the adoption of lean manufacturing principles underpinned a rigorous focus on cost reduction and operational performance during the year.

Dairy Ingredients' plant in Virginia, Cavan became the first Irish dairy business to receive the prestigious 'Carbon Trust Award'. This is a globally recognised certification for organisations that have managed and reduced their carbon footprint and demonstrated a strong commitment to making further reductions year-on-year.

In 2011, a €21.2 million investment in the whey processing facilities in Ballyragget was approved which, when commissioned in 2012, will increase the volume of higher protein whey products produced.

Overall while recognising that some weakness is anticipated in dairy markets in 2012, the performance of Dairy Ingredients is expected to be broadly in line with 2011.

Consumer Products: 2011 performance and 2012 outlook

Consumer Products had another difficult year in 2011. Irish macroeconomic circumstances have created unprecedented pressure on suppliers to the Irish food retail and foodservice sectors.

Within retail, private label grew market share in all categories as consumers continued to focus on cost and managing their food budgets very tightly. Consumer sentiment is fragile at best as the outlook remains uncertain for European fiscal and monetary developments.

Within the food category price promotions are now a permanent market fixture. Higher prices in global dairy markets impacted raw material input costs with only modest price increases passed onto the consumer.

Volumes were up in fresh dairy products and natural cheese and on a like for like sales basis, milk was broadly in line year-on-year, albeit mix was adverse.

Rationalisation costs of €8.7 million included redundancies related to the integration of the liquid milk business acquired from Kerry Group plc and were incurred in the first half.

While revenue increased in 2011, largely driven by a small liquid milk acquisition during the year, EBITA and EBITA margins declined.

No significant change in the market environment is expected in 2012 and the business is expected to deliver a broadly similar performance to 2011.

Agribusiness: 2011 performance and 2012 outlook

Agribusiness had a good year in 2011 overall. Volumes were marginally down but strong cost focus, favourable production mix and management of key buy/sell equations helped to deliver growth in EBITA. EBITA margins were broadly similar to 2010. The performance of global dairy markets in 2012 is expected to underpin farm input demand at similar levels to 2011 but the management of milk quota limits the prospects of volume growth. Overall, a solid performance is expected from Agribusiness in 2012.

Dairy Ireland results

	2011	2010	Change
Revenue	€1,353.3m	€1,138.6m	+ 18.9%
EBITA	€57.9m	€47.9m	+ 20.9%
EBITA margin	4.3%	4.2%	+ 10 bps
Operating profit	€53.6m	€43.5m	+ 23.2%
Operating margin	4.0%	3.8%	+ 20 bps
EBITDA	€77.4m	€66.9m	+ 15.7%

Results are stated pre exceptional items

A new sustainability model for Irish dairy operations

Since 2005, Dairy Ingredients has operated an accredited farm audit process for milk suppliers. In June 2011, Dairy Ingredients launched a new Sustainability Programme to further enhance on-farm sustainability. This programme is operated in association with Bord Bia, the Irish Food Board, and has been jointly developed with key global Dairy Ingredients' customers. It is designed to create an infrastructure at farm level which will underpin an internationally recognised sustainability accreditation and is being rolled out to Dairy Ingredients' 4,800 farmer suppliers in 2012.

Results overview*

In 2011, US Cheese & Global Nutritionals revenue increased 35.1% to €1.38 billion (2010: €1.02 billion). The strong growth in revenue is attributable to strong underlying organic volume growth of 10%, higher pricing and an enhanced product mix of 14%, and the positive contribution of BSN® of 11%. Operating profit pre exceptional increased 21.3% to €113.8 million (2010: €93.8 million). EBITA pre exceptional increased 23.3% to €128.8 million (2010: €104.5 million). Operating and EBITA margins pre exceptional decreased by 100 and 90 basis points respectively.

Eric Bastian / Vice President / Glanbia Nutritionals Research / Twin Falls, Idaho

"I lead an R&D team that is commercially focused on new products for performance nutrition, high-protein bars and beverages, fresh-dairy, and processed-food markets. We pride ourselves on being aligned with our customers and in 2011 launched several commercially-successful products."

US Cheese: 2011 performance and 2012 outlook

While the US cheese market was volatile, average prices were higher in 2010 and importantly; the business has increasingly sought to reduce this market related risk through the adoption of a range of risk management tools.

Production volumes were down marginally in the year as volumes were aligned with both sales demand and milk supply. Competition for milk was a feature of the year and led to some input cost pressures. These were offset by strong operational management, including the implementation of a two year programme on lean manufacturing developed centrally, called the Glanbia Performance System 'GPS'. US Cheese implemented this programme, which will be rolled out across all key Group manufacturing sites.

Export sales were strong in the year and significant investment was made in building internal resources to maximise this business opportunity over the longer-term.

US Cheese continues to invest in enhancing its product capabilities and an $11m investment in a cheese innovation centre is planned for 2012. This is to facilitate closer collaboration with customers in developing new products and formats.

*on a constant currency basis

The trading environment for US Cheese in 2012 has some challenges. Higher US milk production is expected to result in a lower average US cheese market price in 2012. While retail demand was impacted by high prices in 2011, overall demand remains resilient in the foodservice, industrial and export sectors. In response to the current competitive environment for both milk suppliers and US cheese processors, Glanbia is in the process of reviewing its milk procurement strategy for its supply base in Idaho. Overall US Cheese is forecast to deliver a performance in 2012 broadly in line with 2011.

Global Nutritionals: 2011 performance and 2012 outlook
Global Nutritionals had a strong year in 2011 and is now the largest business in the Group both by revenue and EBITA, which is a significant strategic transformation for Glanbia in recent years.

Organic revenue growth was excellent in all three business units; Performance Nutrition, Customised Premix Solutions and Ingredient Technologies, driven by strong demand and good growth in prices and EBITA also improved in the year. However there were significant raw material price pressures which impacted EBITA margins in Performance Nutrition where significantly higher whey costs were not fully recovered in the market despite a series of price increases and margins declined as a result. This is reflected in the overall 90 basis points reduction in US Cheese & Global Nutritionals divisional EBITA margins for 2011.

On 19 January 2011, Glanbia announced the acquisition of BSN® for a total consideration of $144 million. The business was acquired on a debt free basis and was funded through Glanbia's existing banking facilities. BSN® is a leading developer, provider and distributor of nutritional products and enhances and extends Performance Nutrition's product portfolio.

During the year there has been significant investment in organisation and product development including the re-launch of BSN®'s flagship brand, N.O.-XPLODE 2.0 for pre-training performance and energy. The integration of BSN® is progressing well and the business performed in line with expectations in 2011.

Market growth in all Glanbia's core nutritional sectors gathered pace in 2011 and the prospects are good for 2012.

These are underpinned by long-term positive structural market growth drivers including healthy living and healthy aging. While raw material availability and cost is expected to remain challenging for Performance Nutrition in the short term, this market dynamic is expected to ease as new supply sources become available in the latter part of 2012.

There is a clear focus in Global Nutritionals on developing new products, both nutritional and functional; building a systematic approach to innovation and enhancing organisation and operational capacity. During 2011, all three nutritional businesses developed their international presence and each continues to build scale and global platforms that are customer centric. Overall Global Nutritionals is expected to perform well again in 2012.

US Cheese & Global Nutritionals results

	Constant Currency			Reported	
	2011	**2010**	**Change**	**2011**	**Change**
Revenue	€1,380.4m	€1,021.9m	+ 35.1%	€1,316.9m	+ 28.9%
EBITA	€128.8m	€104.5m	+ 23.3%	€122.2m	+ 16.9%
EBITA margin	9.3%	10.2%	- 90 bps	9.3%	- 90 bps
Operating profit	€113.8m	€93.8m	+ 21.3%	€108.0m	+ 15.1%
Operating margin	8.2%	9.2%	- 100 bps	8.2%	- 100 bps
EBITDA	€142.7m	€116.7m	+ 22.3%	€135.4m	+ 16.0%

Results are stated pre exceptional items

Results overview

Glanbia has three principal international joint ventures.

Southwest Cheese operates one of the largest natural American-style cheddar cheese and high protein whey processing facilities in the USA. Production capacity in this business expanded by 40% in 2010. Southwest Cheese is strategically aligned with the Group's wholly-owned US Cheese business.

Glanbia Cheese in the UK is a leading supplier of mozzarella cheese for the European pizza market.

Nutricima is developing a portfolio of branded dairy based products for the Nigerian market.

Cody Vander Dusen /
Milk Supplier / Rajen Dairies /
Clovis, New Mexico

"Since 2005, Rajen Dairies has been supplying milk to Southwest Cheese via Select Milk Producers, Inc. Currently Rajen Dairies is milking about 10,000 cows at three different facilities to ensure a steady supply. The partnership with Southwest Cheese has been great and Rajen Dairies is proud to be part of its success."

Summary overview on a constant currency basis
Joint Ventures & Associates had a good year. Revenue and profits improved as a result of higher volumes and market price increases in US cheese and European mozzarella markets. Nutricima, in Nigeria, also delivered an improved performance and revenue grew year-on-year. Glanbia's share of revenue grew 29.9% to €541.0 million (2010: €416.6 million).

Glanbia's share of operating profit increased 20.4% to €26.0 million (2010: €21.6 million), mainly as a result of the performance of Glanbia Cheese and an improved performance in Nutricima.

Operating margins declined 40 basis points year-on-year to 4.8%, primarily due to lower margins in Southwest Cheese as a consequence of higher milk cost.

Southwest Cheese: 2011 performance and 2012 outlook
Southwest Cheese had a solid year in 2011. Revenue increased, reflecting the 2010 capacity expansion. Since commissioning, Southwest Cheese has focused on perfecting the 640lb block of cheese, using a unique process which is valued by our customers. The business also delivered a strong operational performance in whey, with excellent quality and product portfolio innovation.

Operating profit was broadly in line with 2011 and the operating margin declined as outlined above. In 2012 Southwest Cheese's performance is expected to be similar to 2011.

Glanbia Cheese: 2011 performance and 2012 outlook
Glanbia Cheese had a good year in 2011. Revenue, operating profit and operating margin improved year-on-year. The business benefited from good mozzarella demand, continued operational enhancements and strong customer relationships with leading foodservice pizza companies and frozen pizza manufacturers. While volumes are expected to be strong in 2012, margin challenges are expected. As a result this business is expected to deliver a somewhat lower performance in 2012.

Nutricima: 2011 performance and 2012 outlook
Nutricima delivered an improved performance in 2011. Revenue, operating profit and operating margin increased. A step change in volume growth was underpinned by enhanced sales capability and distribution. Nutricima is expected to continue to improve its performance in 2012, although operating profit and operating margin growth will be constrained by planned investment in brand building and promotion.

Joint Ventures & Associates results

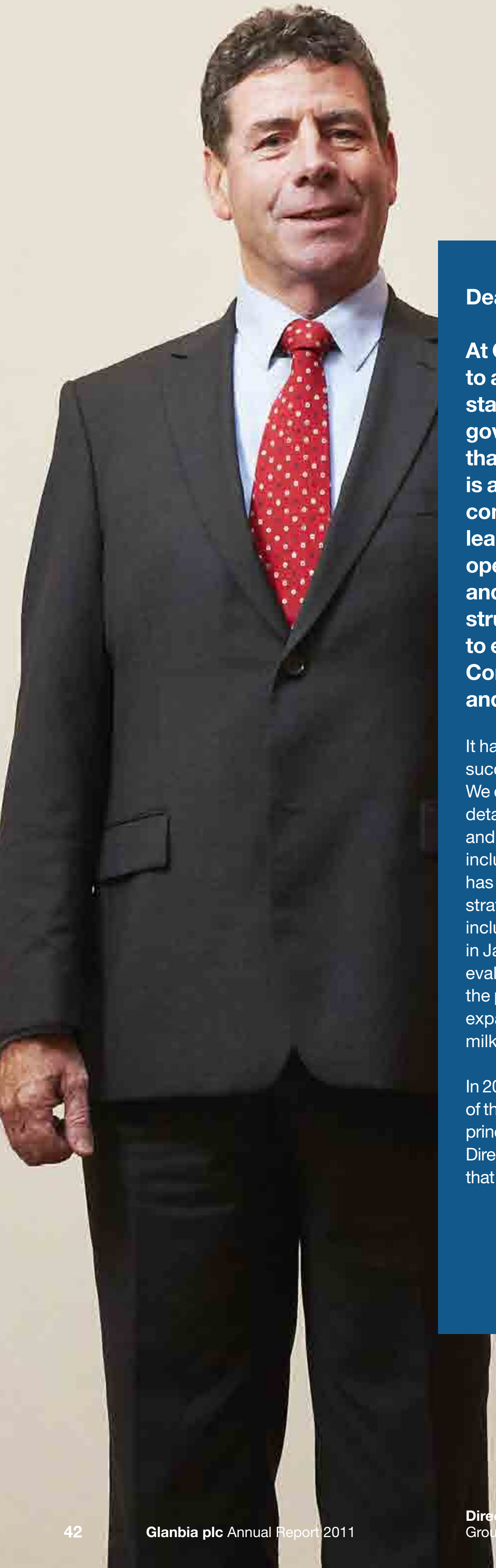
	Constant Currency			Reported	
	2011	2010	Change	2011	Change
Revenue[1]	€541.0m	€416.6m	+ 29.9%	€524.2m	+ 25.8%
EBITA	€26.0m	€21.6m	+ 20.4%	€25.2m	+ 16.7%
EBITA margin	4.8%	5.2%	- 40 bps	4.8%	- 40 bps
Operating profit	€26.0m	€21.6m	+ 20.4%	€25.2m	+ 16.7%
Operating margin	4.8%	5.2%	- 40 bps	4.8%	- 40 bps
EBITDA	€33.6m	€27.8m	+ 20.9%	€32.6m	+ 17.3%

(1) Not included in Group revenue.

Reconciliation of operating profit to share of results per the income statement

	Reported		
	2011 €m	2010 €m	Change €m
Operating profit	**25.2**	**21.6**	**+ 3.6**
Finance costs	(4.7)	(4.7)	-
Income taxes	(6.2)	(6.8)	+ 0.6
Share of results of Joint Ventures & Associates	**14.3**	**10.1**	**+ 4.2**

Group Chairman's introduction to corporate governance



Dear Shareholder,

At Glanbia we are committed to achieving the highest standards of corporate governance and believe that effective governance is achieved through a combination of strong leadership, collaboration, openness, transparency and robust governance structures which we continue to enhance in line with the UK Corporate Governance Code and the ISE Annex.

It has been another busy and successful year for the Board. We continued our programme of detailed reviews across the Irish and international businesses which included on site US visits. The Board has been significantly engaged at a strategic level during the year which included the decision to acquire BSN® in January 2011 and the ongoing evaluation of the implications of the potential for Irish milk output expansion which can occur when EU milk quotas are eliminated in 2015.

In 2011, I conducted an evaluation of the performance of the Board, its principal Committees and individual Directors. This evaluation concluded that the adoption in 2010 of the new organisational framework set out opposite had enhanced the Board's effectiveness. A key area identified for action is the further development of succession planning processes including the issue of diversity which the Board has adopted plans to consider during 2012. In addition, the Board intends to engage an external party in a review of its effectiveness during 2012.

Additionally during the year we completed a thorough analysis of our remuneration policy. The key changes are set out in the Remuneration Committee Report on page 53 and include proposed amendments to the 2008 Long Term Incentive Plan which will be put to shareholders at the 2012 Annual General Meeting for approval together with the 2011 Remuneration Committee Report for the purposes of an advisory non-binding vote.

The 2012 Annual General Meeting will be held on 9 May 2012 and I look forward to meeting those shareholders who are able to attend and answering any questions they may have on these governance reports and other matters covered by the resolutions to be put to the meeting.

Liam Herlihy
Group Chairman

Governance and Risk Framework

Board of Directors

- **Non-Executive Chairman**
- **Two Non-Executive Vice-Chairmen**
- **Eleven Directors nominated by Glanbia Co-operative Society Limited**
- **Four Non-Executive Directors including the Senior Independent Director**
- **Three Executive Directors including the Group Managing Director**

Board Committees

Audit Committee
Key activities include review of financial statements and Auditors' independence, internal control and risk management systems, and the effectiveness of the Internal Audit function.

Nomination Committee
Key activities include making recommendations on the appointment of the Group Chairman, Vice-Chairmen and Non-Executive Directors, planning for the orderly succession of Directors and review of the independence and time commitment of Non-Executive Directors.

Remuneration Committee
Key activities include review of Executive Directors and other senior executives' salaries and benefits, approval of annual incentive targets and long term incentive plan awards.

Senior Management

Group Operating Executive
Key activities include monitoring performance and making strategic recommendations to the Board. This forum is also the Group Risk Committee.

Risk Management
The Board has ultimate responsibility for risk, which includes the Group's risk governance structure and maintaining appropriate internal controls. The Audit Committee has responsibility for reviewing the effectiveness of the Group's internal control and risk management systems.

Group Management Committee
The Group Management Committee brings together business unit CEOs and the Group Operating Executive and has responsibility for delivery of Glanbia's annual business plans and strategy.

Group Senior Leadership Team
This team brings together the Group Operating Executive, Group Management Committee members, senior business unit teams and Group functional heads. The focus is to drive shared understanding of Glanbia's goals and objectives and the role of each business unit in delivering the annual business plan and strategy and to build on Group wide capabilities, initiatives and collaboration opportunities.

Find out more

- P8 Group Managing Director's review
- P14 Understanding our business
- P16 Group Finance Director's review
- P22 Risk management
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Group Board of Directors and Senior Management

Group Chairman and Vice-Chairmen

Pictured left to right: Liam Herlihy, Henry Corbally and Martin Keane

Liam Herlihy

Group Chairman

Liam Herlihy (aged 60), Group Chairman was appointed to the Board on 11 September 1997 and has served 14 full years on the Board. He was nominated for appointment by Glanbia Co-operative Society Limited. Liam farms at Headborough, Knockanore, Tallow, Co. Waterford and has completed the Institute of Directors Development Programme (2006) and holds a certificate of merit in Corporate Governance from University College Dublin ('UCD'). He is a director of the Irish Dairy Board Co-operative Limited and is a former director of Irish Co-operative Organisation Society Limited.

Chair: Nomination Committee
Member: Audit Committee/
Remuneration Committee.

Henry Corbally

Vice-Chairman

Henry Corbally (aged 57), Vice-Chairman was appointed to the Board on 9 June 1999 and has served 12 full years on the Board. He was nominated for appointment by Glanbia Co-operative Society Limited. Henry farms at Kilmainhamwood, Kells, Co. Meath and holds a certificate of Merit in Corporate Governance from University College Cork ('UCC'). He is a former vice-chairman of the National Dairy Council.

Member: Audit Committee/
Remuneration Committee.

Martin Keane

Vice-Chairman

Martin Keane (aged 56), Vice-Chairman was appointed to the Board on 24 May 2006 and has served five full years on the Board. He was nominated for appointment by Glanbia Co-operative Society Limited. Martin farms at Errill, Portlaoise, Co. Laois and has completed the ICOS Co-operative Leadership Programme. Martin is a director of Irish Co-operative Organisation Society Limited. He is a former director of Co-operative Animal Health Limited.

Member: Audit Committee/
Remuneration Committee.

Key matters reserved to the Board

> Group strategy and business plans, including responsibility for the overall leadership of the Group.

> Approval of the Group's strategic plan, oversight of the Group's operations and review of performance in the light of our strategy, objectives, business plans and budgets, and ensuring that any necessary corrective action is taken.

> Acquisitions, disposals and other transactions outside delegated limits.

> Financial reporting and controls, including approval of the half-yearly report, interim management statements and preliminary announcement of the final results, approval of the annual report and financial statements, approval of any significant changes in accounting policies or practices, and ensuring maintenance of appropriate internal control and risk management systems.

> Capital expenditure, including the annual approval of the capital expenditure budgets and any material changes to them in line with the Group wide policy on capital expenditure.

> Dividend policy, including the annual review of our dividend policy and declaration of the interim dividend and recommendation of the final dividend.

> Shareholder documentation, including approval of resolutions and corresponding documentation to be put to shareholders and approval of all press releases concerning matters decided by the Board.

> Key business policies, including approval of the remuneration and treasury policies.

Non-Executive Directors

Pictured left to right: Paul Haran, William Murphy, Jerry Liston and John Callaghan

Paul Haran
Non-Executive Director

Paul Haran (aged 54), was appointed to the Board on 9 June 2005 and has served six full years on the Board. Paul is a director of a number of Irish companies including the Mater Private Hospital, the UCD Michael Smurfit Graduate School of Business, the Institute of Public Administration and the Irish Insurance Federation. He also chairs Edward Dillon & Co. and the Qualifications Authority of Ireland. Paul is a former director of Bank of Ireland and the Road Safety Authority. Paul retired at the end of 2004 as Secretary General of the Department of Enterprise, Trade and Employment after a public sector career of almost 30 years. He graduated from Trinity College Dublin with a B.Sc. in Computer Science and also has an M.Sc. in Public Sector Analysis and an Honorary Doctorate of Law, all from Trinity College Dublin.

Member: Audit Committee / Nomination Committee/ Remuneration Committee.

William Murphy
Non-Executive Director

William Murphy (aged 66), was appointed to the Board on 1 June 1989 and has served 22 full years on the Board. He served as Deputy Managing Director from 2001 to 2005 having joined the Group in 1977 and held a number of senior management positions. Prior to joining the Group he worked with the Irish Forestry Department, Cargill International and the Irish Farming Association. He is a director of Aryzta plc and chairman of the National University of Ireland Maynooth Outreach Programme. He is also a director of a number of unlisted companies. He graduated from UCD with a B.Comm. in 1972.

Jerry Liston
Non-Executive Director

Jerry Liston (aged 71), was appointed to the Board on 10 June 2002 and has served nine full years on the Board. He is a former Chief Executive of United Drug plc (1974 to 2000). He commenced his career with PJ Carrolls where he was responsible for brand management, following which he joined Warner Lambert Pharmaceuticals and became General Manager Ireland until his appointment as Chief Executive of United Drug plc in 1974. He is also past executive chairman of the Michael Smurfit Graduate School of Business (2000 to 2005) and past chairman of the Irish Management Institute, Balcas Timber Limited, BWG Group Limited and the Irish Aviation Authority. He graduated from UCD with a B.A. (Economics) in 1961, studied Law at King's Inn in 1962 and was called to the Irish Bar. Following two years study at UCD, Jerry was awarded an MBA in 1968.

Chair: Remuneration Committee
Member: Audit Committee/ Nomination Committee.

John Callaghan
Senior Independent Director

John Callaghan (aged 69), was appointed to the Board on 13 January 1998 and has served 14 full years on the Board. He is a director of a number of Irish companies including Rabobank Ireland plc, Topaz Energy Group and ACC Bank plc. Former positions he has held include Managing Partner of KPMG (Ireland) (1983 to 1991), Chief Executive and director of Fyffes plc (1991 to 1993), non-executive director Esat Telecommunications Limited (1994 to 2000) and non-executive director/chairman of First Active plc (1993 to 2004). He is a fellow of the Institute of Chartered Accountants, a fellow of the Institute of Bankers, an associate member of the Institute of Taxation and a former president of the Institute of Directors.

Chair: Audit Committee
Member: Nomination Committee/ Remuneration Committee.

Directors nominated by Glanbia Co-operative Society Limited

Glanbia plc was formed in 1997 as a result of the merger of Avonmore Foods plc and Waterford Foods plc. As part of the merger, Glanbia Co-operative Society Limited retains a majority shareholding in Glanbia plc and nominates from its Board of Directors, which is elected on a three-year basis, 14 Non-Executive Directors for appointment to the Board of Glanbia plc. All of the Directors nominated for appointment by Glanbia Co-operative Society Limited are full time farmers who have significant expertise of the dairy and agricultural industry.

William Carroll (aged 46), was appointed to the Board on 26 May 2011 and has served less than one full year on the Board.

Brendan Hayes[1] (aged 51), was appointed to the Board on 29 June 2010 and has served one full year on the Board.

Patrick Murphy (aged 53), was appointed to the Board on 26 May 2011 and has served less than one full year on the Board.

David Farrell (aged 62), was appointed to the Board on 26 May 2011 and has served less than one full year on the Board.

Eamon Power (aged 57), was re-appointed to the Board on 26 May 2011 and has served less than one full year on the Board in the current term. He previously served nine years on the Board.

Michael Keane (aged 59), was re-appointed to the Board on 29 June 2010 and has served one full year on the Board in the current term. He previously served two full years on the Board.

James Gannon (aged 61), was appointed to the Board on 27 May 2009 and has served two full years on the Board.

Matthew Merrick[2] (aged 60), was appointed to the Board on 9 June 2005 and has served six full years on the Board. He is also a member of the Audit Committee since 26 July 2011.

Robert Prendergast[1] (aged 50), was appointed to the Board on 28 May 2008 and has served three full years on the Board.

Patrick Gleeson[2] (aged 50), was appointed to the Board on 24 May 2006 and has served five full years on the Board. He is also a member of the Audit Committee since 26 July 2011.

John Murphy[1] (aged 49), was appointed to the Board on 29 June 2010 and has served one full year on the Board.

1 Completed the UCC Diploma in Corporate Direction.

2 Completed the UCD Diploma in Corporate Governance.

Group Operating Executive

Pictured left to right: Brian Phelan, Siobhán Talbot, Michael Horan, John Moloney and Kevin Toland

Brian Phelan
Group Human Resources/ Operations Development Director

Brian Phelan (aged 45), is Group Human Resources /Operations Development Director. Brian was appointed to his Human Resources role in 2004 and his role was expanded in May 2007 to include Operations Development and in July 2009 to include the Group Purchasing and Group Business Service areas. Prior to this he was CFO of the Consumer Foods Division. He has also worked in Glanbia Ingredients in Ireland and the USA. Prior to joining the Group in 1993 he worked with KPMG. He graduated from UCC with a B.Comm. in 1989 and he is also a fellow of the Institute of Chartered Accountants in Ireland.

Siobhán Talbot
Group Finance Director

Siobhán Talbot (aged 48), was appointed to the Board on 1 July 2009 and has served two full years on the Board. Siobhán was appointed Deputy Group Finance Director in June 2005 and held the position of Group Finance Director Designate from March 2009. She was formerly Group Secretary and also held a number of senior finance positions since she joined the Group in 1992. Prior to joining the Group, she worked with PricewaterhouseCoopers in Dublin and Sydney, Australia. Siobhán graduated from UCD with a B.Comm. in 1984 and obtained a postgraduate Diploma in Professional Accounting in 1985. She is also a fellow of the Institute of Chartered Accountants in Ireland.

Michael Horan
Group Secretary

Michael Horan (aged 47), was appointed Group Secretary on 9 June 2005, having previously held the position of Group Financial Controller since June 2002. He joined the Glanbia Group in 1998 as Financial Controller of the Fresh Pork business in Ireland. Michael previously worked with Almarai Company Limited in Saudi Arabia and BDO Simpson Xavier. He graduated from National University of Ireland, Galway (NUIG) with a B.Comm. in 1985. He is also a fellow of the Institute of Chartered Accountants in Ireland.

John Moloney
Group Managing Director

John Moloney (aged 57), is Group Managing Director since 2001, having been appointed to the Board on 11 September 1997. He has served 14 full years on the Board. He joined the Group in 1987 and has held a number of senior management positions including Chief Executive of Food Ingredients and Agribusiness. He was appointed Deputy Group Managing Director in 2000 and subsequently assumed the responsibilities of Group Managing Director in 2001. Prior to joining the Group, he worked with the Department of Agriculture, Food and Forestry and in the meat industry in Ireland. John is a director of The Irish Dairy Board Co-operative Limited, DCC plc and a Council Member of the Irish Business and Employers Confederation. He graduated from UCD with a B. Ag.Sc. in 1978 and was awarded an MBA in 1988 from NUIG. During 2011, he was awarded an honorary Doctor of Science degree from UCD.

Kevin Toland
CEO and President of Glanbia USA & Global Nutritionals

Kevin Toland (aged 46), was appointed to the Board on 10 January 2003 and has served nine full years on the Board. He is CEO and President of Glanbia USA & Global Nutritionals, having previously held the positions of Group Development Director and Chief Executive of the Consumer Foods Division. Prior to joining the Group in 1999, he held a number of senior management positions with Coca-Cola Bottlers in Russia and with Grand Metropolitan plc in Ireland and Central Europe. He is a fellow of the Institute of Chartered Management Accountants in Ireland.

Business Unit Chief Executives

Jim Bergin
CEO Dairy Ingredients Ireland

Jim Bergin (B. Comm., M.Sc. Mngt. Practice) (aged 49), is Chief Executive of Dairy Ingredients Ireland. He joined the Group in 1984 and has held a number of senior positions including Chief Financial Officer Agribusiness and subsequently Group Business Process Director. He joined the Dairy Ingredients Ireland business as Operations Manager in May 2003 and was appointed Chief Executive in March 2005.

Raimund C. Hoenes
CEO Customised Premix Solutions

Raimund Hoenes (Ph.D., M.Sc.) (aged 45), is Chief Executive of Glanbia Nutritionals Customised Premix Solutions. He joined the Group in 2008 and was appointed Chief Executive of Glanbia Nutritionals Customised Premix Solutions in 2009. He previously worked in a variety of senior roles in the ingredients sector in several countries.

Jeff Williams
CEO and President US Cheese

Jeff Williams (B.A., MBA) (aged 55), is President and Chief Executive of US Cheese and has management responsibilities for the Group's Joint Venture Southwest Cheese. He joined the Group in 1989 and has held many positions in the US Cheese business including Chief Operations Officer and Executive Vice President. Jeff was appointed President and Chief Executive of US Cheese in 2005. He previously worked for six years in the banking industry.

Colm Eustace
CEO Agribusiness

Colm Eustace (B. Ag. Sc., C. Dip. AF., MBA) (aged 50), is Chief Executive of Agribusiness since 2000. He joined the Group in 1985 and has held a number of senior positions since 1997 within Agribusiness. He is a director of Co-operative Animal Health Limited.

Hugh McGuire
CEO Performance Nutrition

Hugh McGuire (M.Sc., Dip. Finance) (aged 41), is Chief Executive of Glanbia Performance Nutrition. He joined the Group in 2003 and was appointed as Chief Executive of Performance Nutrition in 2008. He previously worked for McKinsey & Company as a consultant across a range of industry sectors. Prior to this he worked in the consumer products industry with Nestlé and Leaf.

Colin Gordon
CEO Consumer Products

Colin Gordon (BBS, MBS, FMII) (aged 50), is Chief Executive of Consumer Products since his appointment to the Group in 2006. He previously worked with C&C Group plc where he held a number of senior positions, including Managing Director of C&C (Ireland) Limited. Colin is currently a member of the Consumer Foods Board of Bord Bia and chairman of the Consumer Foods Council of the Irish Business and Employers Confederation.

Jerry O'Dea
CEO and President
Ingredient Technologies

Jerry O'Dea (B. Sc. Dy., MBA) (age 52), is President and Chief Executive of Glanbia Nutritionals Ingredient Technologies. He joined the Group in 1981 and has held a number of senior positions including General Manager of Glanbia Ingredients USA and President of Glanbia Nutritionals. He was appointed Chief Executive of Glanbia Nutritionals Ingredient Technologies in 2008.

Find out more

P36 **Divisional performance:** Dairy Ireland

P38 **Divisional performance:** US Cheese & Global Nutritionals

P40 **Divisional performance:** Joint Ventures & Associates

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www.glanbia.com/report

Audit Committee report

John Callaghan
Committee Chairman
and Senior
Independent Director

Dear Shareholder,

I am pleased to present the Audit Committee report for 2011. The Audit Committee which met four times during 2011 welcomed two new members, Patrick Gleeson and Matthew Merrick.

During 2011, the Committee has deepened its focus on risk management. The Committee undertook a review of risk reporting processes across the Group and is satisfied that reporting processes are consistently applied and well embedded in each business unit. This gives surety on the standard of information being supplied to the Board and senior management on the risks that Glanbia faces and undertakes, and how these risks are managed and mitigated. In addition, the Committee continued with its programme of evaluating key areas of risk through an ongoing series of senior management presentations.

The Group's treasury management policies were reviewed by the Board in conjunction with the Committee in December 2011 to ensure they appropriately reflect the Group's financial risk exposures, in uniquely turbulent financial market circumstances.

On behalf of the Audit Committee I can confirm that the information that the Committee has received has been balanced, appropriate, timely and has enabled the Committee to provide effective oversight of the Group's key financial reporting processes and systems of internal controls and risk management.

John Callaghan
Audit Committee Chairman

Governance

The Committee was in place throughout 2011.

John Callaghan is the current Chairman of the Committee. He is a fellow of the Institute of Chartered Accountants in Ireland and is former Managing Partner of KPMG (Dublin).

The Committee comprises eight Non-Executive Directors, of which three members constitute a quorum. Membership of the Committee is reviewed by the Chairman of the Committee and the Group Chairman and they recommend new appointments to the Nomination Committee for onward recommendation to the Board. The Group Secretary acts as secretary to the Committee.

The Committee may obtain at the Company's expense independent professional advice on any matters covered by its terms of reference.

The Auditors and the Group Head of Internal Audit have direct access to the Chairman of the Committee and the Group Chairman.

Relationship with the Auditors

A formal Auditor Relationship and Independence Policy is maintained on the provision of non-audit services which recognises that certain work of a non-audit nature is best undertaken by the Auditors. This policy prohibits the provision (by the Auditors) of services such as financial information systems design and implementation, internal audit services or legal services. The Auditors may provide audit and certain audit related services provided that any individual audit related service to be undertaken by the Auditors to a value in excess of €100,000 does not impair their independence and is approved in advance by the Chairman of the Committee.

Fees paid to the Auditors for audit related and non-audit related services are analysed in note 6 to the financial statements. The main non-audit related services provided by the Auditors during the year were in respect of due diligence work for potential acquisitions and tax advice. The Auditors were considered to be best placed to provide these services and the Committee reviewed the steps to ensure that the non-audit services would not impair their independence.

Members

- John Callaghan (FCA, FIB) (Committee Chairman)
- Liam Herlihy (Group Chairman)
- Martin Keane (Vice-Chairman)
- Henry Corbally (Vice-Chairman)
- Patrick Gleeson
- Paul Haran (B.Sc., M.Sc.)
- Jerry Liston (B.A., MBA)
- Matthew Merrick

Key responsibilities

> Monitor and review the effectiveness of the financial reporting processes and systems of internal control and risk management.

> Monitor the role and effectiveness of the Internal Audit function.

> Monitor management's responses to the findings and recommendations of Internal Audit reports.

> Monitor the statutory audit of the annual and consolidated financial statements, review the application of accounting policies and address any significant financial reporting issues arising.

> Review and approve the annual and half-yearly reports.

> Consider and make recommendations to the Board on the appointment of the external auditors (the 'Auditors').

> Assess the effectiveness of the audit process.

> Review the relationship with and the independence of the Auditors.

The full terms of reference of the Audit Committee can be found on the Group's website www.glanbia.com or can be obtained from the Group Secretary.

As part of its responsibilities, the Committee reviews the independence of the Auditors (who as part of the process have confirmed their independence in wriiting) and the amount and nature of non-audit work they perform on an annual basis.

Activities

The principal activities undertaken by the Committee in the period under review are set out below.

Risk management

> Review of the risk reporting processes.

> Evaluation of the key areas of risk for the Group and the steps taken to mitigate such risks through a series of risk presentations from senior management.

> Oversight of the annual Glanbia Risk Management System which confirmed the continued existence of an operational risk awareness culture throughout the Group.

> A full and half-year assessment of the Board's performance against regulatory requirements and best practice guidance was completed, following which the Committee reported to the Board expressing its level of satisfaction with the Group's internal control and risk management systems.

Internal controls

> The Committee received and considered reports during the year from the Auditors, in order to assess the quality and effectiveness of the internal control system. These included reports on any key matters arising from the statutory audit in relation to the financial reporting process and the Group's Internal Audit function on the work undertaken in reviewing and auditing the control environment.

> The Committee assessed the effectiveness of the Group's internal controls in accordance with the Turnbull Guidance and reviewed the related disclosures in the annual report.

> Internal controls were assessed in detail as part of the biannual Control Self-Assessment process.

> The Committee reviewed and updated the Group Treasury policies.

> The Committee formally reviewed the arrangements by which staff of the Group may raise concerns (in confidence) about possible improprieties in matters of financial reporting or other matters and ensured that arrangements are in place for the proportionate and independent investigation and follow-up action required in relation to such matters.

Going concern

The Committee reviewed the effectiveness of the process undertaken by the Directors to evaluate going concern, including the analysis supporting the going concern statement and disclosures in the financial statements, and were satisfied that a robust assessment had been made, further detail in respect of which is given on page 76.

Financial reporting

The Committee monitored the statutory audit of the annual and consolidated financial statements and:

> reviewed the financial statements and, as part of this process, the significant financial reporting estimates contained within them; and

> reviewed the financial statements in the 2010 annual report and the 2011 half-yearly report, and received a report from the Auditors on the financial statements.

Internal Audit

The Committee:

> approved the Internal Audit programme for 2011 based on a Group risk profile assessment across the key financial, operational and regulatory risks;

> reviewed the output from the Internal Audit programme during the year and considered progress against the programme; and

> reviewed the effectiveness of the Group's Internal Audit function.

Auditors

The Committee:

> agreed the approach and scope of the audit work to be undertaken by the Auditors;

> reviewed the Group's processes for disclosing information to the Auditors;

> reviewed the effectiveness and independence of the Auditors. Based on the results of this review the Committee proposed to the Board that it recommend that the shareholders support the re-appointment of the Auditors at the 2012 Annual General Meeting; and

> agreed the Auditors' fees in respect of the 2011 audit work.

2011 Committee meeting attendance

Attendance at scheduled Committee meetings during the year ended 31 December 2011

Member	Appointed	Number of full years on the Committee	2011 meeting attendance
J Callaghan	13 Jan 1998	14	5/5
L Herlihy	8 June 2001	10	5/5
Mn Keane	29 June 2010	1	5/5
H Corbally	7 July 2005	6	5/5
V Quinlan	9 June 2005*	5	2/2
P Gleeson	26 July 2011	Less than 1 year	2/2
P Haran	9 June 2005	6	5/5
J Liston	10 June 2002	9	5/5
M Merrick	26 July 2011	Less than 1 year	2/2

* Retired 26 May 2011

Review of Committee performance

The Board and Committee assessed its performance, covering terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Committee is satisfied that it is functioning effectively and it has met its terms of reference.

On behalf of the Audit Committee

John Callaghan
Audit Committee Chairman

Nomination Committee report

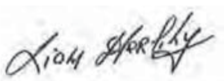
Liam Herlihy
Nomination Committee Chairman and Group Chairman

Dear Shareholder,

I am pleased to present the Nomination Committee Report for 2011.

The current composition and size of the Board is driven by the historic custom and practice of Glanbia Co-operative Society Limited, which owns 54.4% of the Company, to nominate from its Board of Directors 14 of the 18 Non-Executive Directors for appointment to the Board of the Company. Much of the work of the Committee in 2011 involved implementation of various changes recommended by Glanbia Co-operative Society Limited.

I am aware of the large debate generally arising from the Davies Report about diversity in the board room with particular reference to gender diversity. In 2012, the Committee is planning to review the composition of the Non-Executive Directors and will look at succession planning to evaluate the right balance of independence, skills, knowledge and gender required for our next phase of growth, recognising the challenge in the fact that Glanbia Co-operative Society Limited nominates 14 of our 18 Non-Executive Directors.



Liam Herlihy
Nomination Committee Chairman

Governance

The Committee was in place throughout 2011. Liam Herlihy, the Group Chairman, has been Chairman of the Committee since 2008.

The Committee comprises four Non-Executive Directors, of which two members constitute a quorum. The Group Secretary acts as Secretary to the Committee.

When dealing with any matters concerning his membership of the Board, the Group Chairman will absent himself from meetings of the Committee as required and such meetings will accordingly be chaired by the Senior Independent Director, John Callaghan.

Activities

The principal activities undertaken by the Committee in 2011 are set out below.

Re-appointment of Directors

The Committee recommended to the Board that all the Directors of the Board be put forward for re-appointment by the shareholders of the Company at the 2012 Annual General Meeting.

Review of Non-Executive Directors' independence in accordance with the guidance in the UK Corporate Governance Code and the ISE Annex (the 'Codes').

The Committee reviewed the independence of Non-Executive Directors in accordance with the guidance in the Codes. The guidance in the Codes suggests a number of factors could be relevant to the determination of a Non-Executive Director's independence including: representing a significant shareholder, former service as an executive and extended service to the Board. However, the Codes also make it clear that a director may be considered independent notwithstanding the presence of one or more of these factors. This reflects the Board's view that independence is determined by a director's character and judgement.

The Committee concluded that, throughout the reporting period, all Non-Executive Directors demonstrated the essential characteristics of independence and brought independent challenge and deliberations to the Board through their character, objectivity and integrity. This conclusion was presented to and agreed with the Board.

Members

- Liam Herlihy (Committee Chairman)
- John Callaghan (FCA,FIB)
- Paul Haran (B.Sc., M.Sc.)
- Jerry Liston (B.A., MBA)

Key responsibilities

> Making recommendations to the Board on the appointment and re-appointment of Directors.

> Planning for the orderly succession of new Directors to the Board.

> Keeping under review the leadership needs of the Group both Executive and Non-Executive, with a view to ensuring the continued ability of the Group to compete effectively in the market place.

> Recommending to the Board the membership and chairmanship of the Audit and Remuneration Committees.

> Keeping the extent of Directors' other interests under review to ensure that the effectiveness of the Board is not compromised.

The full terms of reference of the Nomination Committee can be found on the Group's website www.glanbia.com or can be obtained from the Group Secretary.

The Committee acknowledged that:

> John Callaghan had served on the Board for 14 full years;

> Jerry Liston had served on the Board for nine full years;

> William Murphy, who retired as Deputy Group Managing Director in September 2005, remains on the Board as a Non-Executive Director; and

> 14 of the Non-Executive Directors are nominated by the Board of Glanbia Co-operative Society Limited, for appointment to the Board of the Company, of which both Liam Herlihy and Henry Corbally had served as Directors for nine years or more.

Appointment of Directors of the Company

During 2011, the Committee recommended the appointment of four new Non-Executive Directors, William Carroll, David Farrell, Patrick Murphy and Eamon Power to the Board. The Committee noted their nominations by Glanbia Co-operative Society Limited, the experience and suitability of the nominees and recommended their appointment to the Board of the Company which was subsequently approved by the Board.

Appointment of Henry Corbally as Vice-Chairman of the Company

The Committee recommended the appointment of Henry Corbally as Vice-Chairman of the Company to the Board. The Committee noted his nomination by Glanbia Co-operative Society Limited, the experience of Mr. Corbally and his suitability for the role of Vice-Chairman of the Company and recommended his appointment as Vice-Chairman of the Board of the Company which was subsequently approved by the Board.

Board and Committee membership

During the year the Committee recommended to the Board that Henry Corbally be appointed to the Remuneration Committee following the retirement of Victor Quinlan. The Committee also recommended that Patrick Gleeson and Matthew Merrick be appointed to the Audit Committee. These changes were implemented during the year by the Board.

Review of the time required from a Non-Executive Director

The Committee assessed the time dedicated to the Company by each Non-Executive Director. This review also considered the extent of the Non-Executive Directors' other interests to ensure that the effectiveness of the Board is not compromised by such interests.

The Board and Committee are satisfied that the Group Chairman and each of the Non-Executive Directors commit sufficient time to the fulfilment of their duties as Group Chairman and Directors of the Company respectively.

The Group Chairman held a number of other directorships during the year including Irish Dairy Board Co-operative Society Limited and Irish Co-operative Organisation Society Limited (from which he resigned during the year) and farms at Headborough, Knockanore, Tallow, Co. Waterford, but the Committee and the Board considers that these did not interfere with the discharge of his duties to the Group.

Review of Committee performance

The Board and Committee assessed its performance, covering terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Committee is satisfied that it is functioning effectively and it has met its terms of reference.

The Committee did not use an external search consultancy or open advertising for the appointment of the new Non-Executive Directors as they were nominated by the Board of Glanbia Co-operative Society Limited for appointment to the Board.

On behalf of the Nomination Committee

Liam Herlihy
Chairman

2011 Committee meeting attendance

Attendance at scheduled Committeee meetings during the year ended 31 December 2011

Director	Appointed	Number of full years on the Committee	2011 meeting attendance
L Herlihy	5 June 2008	3	2/3
J Callaghan	8 June 2001	10	3/3
P Haran	9 June 2005	6	3/3
J Liston	10 June 2002	9	3/3

Remuneration Committee report

Jerry Liston
Remuneration Committee Chairman

Dear Shareholder,

I am pleased to present the Remuneration Committee Report for the year ended 31 December 2011. The report details the remuneration principles, policy and actual remuneration of the Group's Executive Directors for that period.

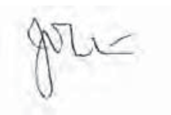
The report also details the proposed changes to executive remuneration policy, which was reviewed by the Remuneration Committee in 2011 and which will be effective from 2012 to 2014 inclusive. The revised executive remuneration policy was approved by the Board in November 2011. The key objectives of the 2012–2014 policy are to ensure that Glanbia's remuneration policy represents:

> an executive reward system designed to drive superior performance and sustainable, growth for the Group;

> best practice in executive reward; and

> latest governance practice.

An advisory non-binding resolution to approve this report and an ordinary resolution to approve an amended 2008 LTIP will be put to the Annual General Meeting ('AGM') on 9 May 2012.



Jerry Liston
Remuneration Committee Chairman

Composition of the Remuneration Committee and attendance at meetings

The Remuneration Committee comprises six Non-Executive Directors, of which three members constitute a quorum. The Remuneration Committee met eight times during 2011.

The Group Managing Director and the Group Human Resources/Operations Development Director attend Committee meetings by invitation only. They absent themselves when their remuneration is discussed and no Director is involved in considering their own remuneration. The Group Secretary acts as secretary to the Remuneration Committee.

Advice and assistance to the Remuneration Committee

The Remuneration Committee received independent external advice from Towers Watson Remuneration Consultants, particularly in the formulation and design of the executive remuneration policy 2012-2014, market trends and competitive positioning of remuneration packages, as required. Towers Watson is a member of the Remuneration Consultants Group and adheres to the Voluntary Code of Conduct in relation to executive remuneration consulting.

Legal advice to the Remuneration Committee has been provided by Arthur Cox, who also provided other legal services to the Group during the year.

The Remuneration Committee also received assistance and advice on remuneration policy, when required, during the year from the Group Human Resources/Operations Development Director, Brian Phelan.

Members

- Jerry Liston (B.A., MBA) (Committee Chairman)
- Liam Herlihy (Group Chairman)
- Martin Keane (Vice-Chairman)
- Henry Corbally (Vice-Chairman)
- John Callaghan (FCA, FIB)
- Paul Haran (B.Sc., M.Sc.)

Key responsibilities

> Determine and agree with the Board the framework or broad policy for remuneration of the Non-Executive Directors, the Executive Directors and other senior executives as required.

> Determine, within the agreed policy, individual total compensation packages for the Non-Executive Directors, the Executive Directors and other senior executives as required.

> Recommend to the Board any employee share-based incentive schemes, award levels and vesting and any performance conditions to be used for such schemes.

> Consider and approve Executive Directors' and other senior executives total compensation arrangements annually.

The full terms of reference of the Remuneration Committee can be found on the Company's website www.glanbia.com or can be obtained from the Group Secretary.

Executive remuneration principles and policy

Remuneration policy is based on attracting, retaining and motivating executives to ensure that they perform in the best interests of the Group and its shareholders by growing and developing the business. Performance-related elements of remuneration are designed to form an appropriate portion of the overall remuneration package of Executive Directors. These link remuneration to Group performance and individual performance, whilst aligning the interests of Executive Directors with those of shareholders.

This framework is applied, as far as possible, to all senior executives, in addition to Executive Directors, to create a consistent global approach to driving sustainable performance and to provide a competitive benefits package.

The principles and policy are also applied, as far as possible, across the Group below senior executive level, taking account of seniority and local market practice. It is our aim to ensure that our remuneration arrangements are fully aligned with our approach to risk management.

Remuneration policy and design 2012 - 2014

Executive remuneration policy and design is reviewed by the Remuneration Committee on a three year basis and accordingly was reviewed in 2011, with the advice of Towers Watson Remuneration Consultants.

Key elements of remuneration for Executive Directors for 2011

Element	Description	Purpose	Policy and design for 2011
Base Salary (fixed)	Annual fixed pay.	Recognise market value of role and reflect individual skills and experience.	Set by reference to the relevant local market median based on an external independent evaluation of the role.
Annual Incentive (variable)	Annual payment only earned if agreed target performance is achieved.	Incentivise Executive Directors to achieve specific short term business and personal performance objectives during a one year period.	Incentivise Executive Directors to achieve specific performance goals which are linked to the Group's business plans. Range of incentive potential of 0% to 100% of Base Salary based on growth in annual adjusted Earnings Per Share ('EPS') and achievement of personal objectives.
Long Term Incentives (variable)	Award shares in the Company if target performance is achieved over a three year period.	Focus on long-term performance. Promote stability and retention. Balance longer term risk/reward. Aligns Executive Directors' interests with those of shareholders and incentivises them to pursue superior results over a three year period within the limits of the Group's risk appetite.	Incentivise Executive Directors to deliver superior earnings growth and total shareholder returns. Align the interests of Executive Directors to shareholders interests. Maximum individual annual award level of 115% of Base Salary, other than in exceptional circumstances. Vesting level determined by reference to relative Total Shareholder Return ('TSR') and annual adjusted EPS performance - each representing 50% of maximum vesting level.

Summary of aspects of the remuneration policy that the 2011 review sought to address and outcomes

Remuneration policy aspect	Outcome
Greater linkage of Executive Directors' remuneration to performance.	Potential levels of Annual and Long Term Incentives increased. Superior performance required to receive material increases in variable pay element.
Linkage to long term sustainability and alignment to Group risk management policy.	Achieved by: > deferral of portion of Annual Incentive which is converted into shares; > requirement to hold shares received pursuant to the Long Term Incentive; and > proposed shareholding requirement levels.
Stronger Long Term Incentives and introduction of an additional performance measure in the amended 2008 LTIP.	Achieved with the addition of an appropriate Group investment measure, as determined by the Remuneration Committtee, and less relative TSR and EPS dependence.
Flexibility and discretion in plans.	Remuneration Committee flexibility for change and review of performance criteria where deemed appropriate.
Alignment with shareholders/ share value growth.	Significant proportion of Annual Incentive linked to share awards and share ownership requirements.
Reflect latest governance.	Achieved by: > Share ownership guidelines; and > Claw back potential on Annual Incentive deferral to reflect best practice.

Key review findings and agreed policy and design changes for Executive Directors for 2012-2014

Description	Policy changes	Design changes
Base Salary (fixed)	No proposed policy changes.	No proposed design changes.
Variable elements of pay > Annual Incentive (variable) > Long Term Incentives (variable)	Definition of 'market' to be determined by reference to a mixture of Irish companies of a similar size/complexity and UK companies in the food industry. Total direct compensation (Base Salary plus Annual Incentive and Long Term Incentive) positioned above the median of the 'market' to encourage stretching performance and value creation.	Range of Annual Incentive potential of 0% to 150% of Base Salary (previous maximum 100%) based on growth in annual adjusted EPS and an appropriate cash management measure as determined by the Remuneration Committee annually.
	Greater proportion of overall total direct compensation based on long term sustainable results and greater linkage to more key performance indicators through the addition of appropriate cash and investment return measures.	Long Term Incentive individual annual award level of a maximum of 150% of Base Salary (previous maximum 115%) determined by reference to relative TSR, EPS and an appropriate Group investment measure, with each of these performance conditions representing one-third of maximum vesting level, unless otherwise determined by the Remuneration Committee. The appropriate Group investment measure for 2012 is Return on Capital Employed as set out on page 57.
	Deferral of a proportion of Annual Incentive.	Deferral of the proportion of the Annual Incentive earned in excess of 75% of Base Salary which is then converted into shares and delivered to the Executive Directors two years following deferral.
Share ownership Minimum share ownership requirements to ensure a greater alignment of shareholders' interests through own shareholding	Recommended minimum Executive Director shareholding levels.	Requirement to hold shares received pursuant to the vesting of LTIP awards for a minimum period of one year post-vesting (previously no requirement to hold). Share ownership guidelines introduced to encourage ownership of shares to be built up over a maximum period of five years. Recommended levels: Group Managing Director - 200% of Base Salary. Other Executive Directors - 100% of Base Salary.

Key review findings and agreed policy and design changes for other senior executives for 2012-2014

Description	Policy changes	Design changes
Total direct compensation	The above framework will apply to all senior executives in addition to the Executive Directors, to create a consistent global approach to reward and to provide a competitive benefits package. The exceptions set out opposite should be noted.	**Annual Incentive** For business unit CEOs, the Annual Incentive potential will also be based on appropriate and specific business unit measures, as determined by the Remuneration Committee. **Long Term Incentives** In exceptional cases and in relation to specific local needs (USA) the maximum share award under the 2008 LTIP scheme may be up to 200% of Base Salary. For business unit CEOs, the Long Term Incentive level will be determined by reference to relative TSR, EPS and an appropriate business unit measure, with each of these performance conditions representing one-third of maximum vesting level, unless otherwise determined by the Remuneration Committee. **Deferral and share ownership** For business unit CEOs, deferral of the proportion of the Annual Incentive earned in excess of 50% of Base Salary which is then converted into shares and delivered to the executive two years following deferral. For business unit CEOs, the share ownership recommended level is 75% of Base Salary to be built up over a maximum period of five years.

Executive remuneration features

Base Salary

Base salaries of the Executive Directors are determined by the Remuneration Committee, taking into account the performance, skills and experience of the individual in conjunction with the market value of the role. The Group benchmarks base salaries in comparison to the relevant market, as appropriate to the individual.

Annual Incentive plan

Summary

The Group operates a performance-related incentive scheme for Executive Directors and other senior executives. Payments under the scheme for Executive Directors depend on the achievement of pre-determined Group financial targets and an assessment of individual performance against pre-agreed objectives. The Committee believes that this method of assessment is transparent, rigorous and balanced, and provides an appropriate and objective assessment of annual performance.

The Annual Incentive payable to Executive Directors for achieving target performance is 50% of Base Salary. The maximum Annual Incentive payable to Executive Directors for achieving outperformance is 100% of Base Salary.

Performance targets

The Group's financial targets of each Executive Director's Annual Incentive were derived from the approved annual business plan and are based on growth in annual adjusted EPS.

In addition to the above (once the financial targets have been met) each Executive Director has individual performance targets which must also be met to obtain the maximum incentive level. The personal objectives are specific and measurable.

Annual Incentive payments

At its meeting on 22 February 2012, the Remuneration Committee reviewed the 2011 performance of the Group. In light of the achievement of financial targets and individual objectives, the Remuneration Committee agreed in respect of the year ended 31 December 2011 the level of Annual Incentives due to Executive Directors as shown below.

Following the remuneration policy review, for 2012 the maximum potential Annual Incentive payable to Executive Directors will 150% of Base Salary and an appropriate cash management measure will be added as an additional element of the Annual Incentive performance scheme.

Annual Incentive payable for 2011

Executive Director	Annual Incentive	% of Base Salary
J Moloney	€509,000	100%
K Toland	€370,000	88%
S Talbot	€316,000	100%

The Executive Directors achieved full bonus potential in 2010 and received no bonus in 2009.

A summary of Executive Director remuneration for 2011 is detailed on pages 64 to 65.

Deferral of Annual Incentive

Following the 2011 remuneration policy review, it is proposed that any incentive earned in excess of 75% of Base Salary by Executive Directors will be subject to a mandatory deferral for the first time in 2012. The deferred proportion of Annual Incentive will be converted into shares and transferred to the Executive Director two years following deferral.

Deferred incentives may be subject to clawback, to the extent deemed appropriate by the Remuneration Committee, in the event of a material misstatement of the published Group accounts (to which the deferred incentive relates) which requires them to be restated.

Long Term Incentive Plans (LTIPs)

Summary

The principal long term incentive plan for Executive Directors is the 2008 Long Term Incentive plan (2008 LTIP), which has received shareholder approval. Subject to the approval of shareholders, future LTIP awards will be granted to Executive Directors, and other senior executives, under the amended and restated 2008 Long Term Incentive Plan (Amended 2008 LTIP). At the 2012 AGM, amendments to the 2008 LTIP will be proposed as detailed on page 57.

The combination of the Annual Incentive Plan and the LTIPs provide an appropriate balance between short-term reward and long-term share-based reward in accordance with recommended best practice.

2008 LTIP

Each year since its adoption, conditional awards of shares are made under the 2008 LTIP.

Key features:

> the vesting of awards is subject to the satisfaction of three-year performance conditions;

> shares may not vest for at least three years after the grant of the award;

> the maximum annual award is 115% of Base Salary other than in exceptional circumstances;

> the extent to which awards vest is determined by reference to relative TSR and EPS - each representing 50% of maximum vesting level;

> shares under award do not attract dividends prior to vesting; and

> awards will vest early in the event of a takeover, merger, scheme of arrangement or other similar event involving a change of control of the Company or a demerger of a substantial part of the Group or a special dividend which has the effect of materially changing the Group's business or other similar event that affects the Company's shares to a material extent, subject to the pro-rating of the awards to

reflect the reduced period of time between the commencement of the performance period and the early vesting, although the Remuneration Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

An award shall not vest unless the Remuneration Committee is satisfied that the Group's underlying financial performance has shown a sustained improvement in the period since the date of grant. The extent of vesting shall be determined by the TSR and EPS performance conditions.

The TSR and EPS performance conditions are designed to ensure that an appropriate proportion of Executive Directors' total incentive package is delivered through longer-term performance. To the extent that any performance condition is not met, the relevant part of the award will lapse.

EPS performance condition

The rationale for the EPS performance condition is that investors consider EPS to be a key indicator of long-term financial performance and value creation of a public limited company.

100% of the EPS element (50% of overall share award) is capable of vesting as determined by the rate of growth in the EPS as compared to the Consumer Price Index (CPI) over the three-year performance period.

The EPS element of the awards vest on the following basis:

Three-year adjusted EPS growth	Vesting level
Less than CPI + 5%	Nil
CPI + 5% compounded	50%
Between CPI + 5% compounded and CPI + 10% compounded	Pro rata vesting on a straight line basis between 50% and 100%
CPI + 10% compounded	100%

EPS is calculated as the profit for the year attributable to the equity holders of the Parent before exceptional items and amortisation of intangible assets, net of tax.

TSR performance condition

The rationale for using a TSR performance condition is that major investors regard TSR as an important indication of both earnings and capital growth relative to other major companies in the same sector and to ensure that awards only vest if there has been a clear improvement in the Group's relative performance over the relevant period.

100% of the TSR condition (50% of overall share award) is capable of vesting as determined by the Group's TSR ranking relative to an agreed comparator group of companies.

The TSR element of the awards vest on the following basis:

TSR ranking in the comparator group	Vesting level
Ranked below the top half	Nil
Rank half-way	30%
Ranked between half-way and the top quartile	Pro rata vesting on a straight line basis between 30% and 100%
Ranked in the top quartile	100%

TSR represents the change in capital value of a listed/quoted company over a period, plus dividends, expressed as a plus or minus percentage of the opening value.

Vesting/lapse during 2011 under the 2008 LTIP

In relation to the awards granted in 2008 which were based on TSR and EPS performance in the three year period to 1 January 2011, the Remuneration Committee assessed the performance criteria and approved the final vesting levels of the awards having reviewed the performance metrics. Accordingly, none of the TSR element vested and 88% of the EPS element vested, equating to 44% of the overall award.

Proposed Amendments to 2008 LTIP

Subject to shareholder approval, future LTIP awards will be granted to Executive Directors (and other senior executives) under the amended 2008 LTIP.

Following the remuneration policy review in 2011 as set out on pages 54 and 55, the key changes outlined below have been approved by the Board and for which shareholder approval will be sought at the 2012 AGM. The Remuneration Committee also sought the views of the Irish Association of Investment Managers who are satisfied that the proposed amendments are appropriate.

Key changes:

> the maximum annual award will be 150% of Base Salary, in exceptional cases and in relation to specific local needs (USA) this maximum will be up to 200% of Base Salary;

> the requirement for Executive Directors to hold shares received pursuant to the vesting of LTIP awards for a minimum period of one year post-vesting.

> the extent to which awards vest will be determined by reference to relative TSR and EPS (on the same basis as the approved 2008 LTIP) plus an appropriate Group investment measure for Executive Directors or an appropriate business unit measure for business unit CEOs as determined by the Remuneration Committee. The proposed investment measure vesting criteria for Executive Director awards for 2012 is set out below:

Investment measure - Return on Capital Employed ('ROCE')	Vesting level
Less than 12.5%	Nil
Between 12.5% and 13.5%	Pro rata vesting on a straight line basis between 0% and 100%
Greater than or equal to 13.5%	100%

- each of the EPS, TSR and investment measure elements, will represent one-third of the maximum vesting level, unless otherwise determined by the Remuneration Committee; and
- the Remuneration Committee shall have the discretion to change the performance criteria where deemed appropriate. Any changes to these performance conditions will be disclosed in the Remuneration Committee Report which will be subject to a general shareholder non-binding advisory vote.

Return on capital employed is calculated as Group Earnings before Interest, Taxation and Amortisation ('EBITA') plus the Group's share of results of Joint Ventures & Associates after interest and tax, over capital employed. Capital employed is calculated as the Group's non-current assets plus working capital.

2002 Long Term Incentive Plan.

Options over 270,000 shares were granted in 2011 under the 2002 Long Term Incentive Plan. No share options under this scheme have been granted to Executive Directors since the adoption of the 2008 LTIP. The 2002 Long Term Incentive Plan will expire in May 2012.

Exercisability of options under the 2002 Long Term Incentive Plan

In relation to the 2009 grant which was based on EPS performance in the three year period 2009-2011, the Remuneration Committee will assess the performance criteria of the 2002 Long Term Incentive Plan during 2012.

Pension

All Executive Directors are members of a Glanbia defined benefit pension scheme.

Summary of Pay Mix

A significant proportion of the Executive Directors' total remuneration package is variable. The variable element of Executive Director pay has increased following the 2011 remuneration policy review. The balance between fixed (Base Salary) and variable (Annual and Long Term Incentives) elements of remuneration varies depending on performance. The charts below show the current mix between fixed and variable pay for Executive Directors and the proposed mix for 2012 following the recent remuneration policy review:

Current

Fixed pay **47%**
Variable pay **53%**

Proposed

Fixed pay **39%**
Variable pay **61%**

Share usage for LTIPs and dilution

Both the 2008 LTIP and 2002 Long Term Incentive Plan place a limit on the number of new shares that may be issued under the Plans so as to ensure that the minimum shareholding of Glanbia Co-operative Society Limited in the Company cannot be diluted below 54% of the fully diluted issued share capital.

The Company intends to use existing shares to satisfy future share vesting under the 2008 LTIP and an employee benefit trust was established to manage the purchase of these shares. At 31 December 2011, 740,576 ordinary shares were held by the employee benefit trust.

The Company currently intends to issue new shares to satisfy future exercise of share options granted under the 2002 Long Term Incentive Plan. The table below sets out the dilutive effect on the share capital if all outstanding options granted under the 2002 Long Term Incentive Plan capable of being exercised were exercised:

Total issued share capital:	294,532,684
Outstanding share options under 2002 Long Term Incentive Plan capable of being exercised	1,233,000
Outstanding share awards under 2002 Long Term Incentive Plan	32,900
Enlarged issued share capital	295,798,584

Shareholding guidelines

The new share ownership guidelines are designed to help maintain long-term commitment and business understanding, offering the opportunity to benefit from any growth in shareholder value - thereby aligning Executive Directors' interests with those of shareholders.

With effect from 2012, the Group Managing Director is encouraged to build up a holding in shares in the Company at least equal in value to 200% of Base Salary, with ownership built up over a maximum period of five years. The guideline for other Executive Directors is 100% of Base Salary and, for other senior executives, 75% of Base Salary - built up over the same maximum period.

As at 31 December 2011, the Executive Directors' share ownership is disclosed in Table A on page 60.

Executive Directors' service contracts

No Executive Director has a service contract with a notice period in excess of 12 months or with provisions for pre-determined compensation on termination which exceeds 12 months salary and benefits-in-kind.

There have been no payments made during the year in relation to compensation for loss of office.

Policy on external board appointments

The long-standing policy of allowing Executive Directors to hold external Non-Executive directorships with the prior approval of the Remuneration Committee will continue. The Remuneration Committee considers that external directorships provide the Group's Executive Directors with valuable experience that is of benefit to Glanbia. It is also considered appropriate for Glanbia to contribute to the pool of Non-Executive expertise available for the benefit of the wider business community. The Remuneration Committee believes that it is reasonable for the individual Executive Director to retain any fees received from such appointments given the additional personal responsibility that this entails. Such fees retained by Executive Directors in 2011 were as follows: John Moloney: The Irish Dairy Board Co-operative Limited: €17,500 and DCC plc: €68,000.

The Group Chairman and Non-Executive Directors

Liam Herlihy was appointed Group Chairman on 28 May 2008. His appointment is subject to annual re-appointment by the shareholders at the AGM of the Company. His appointment as Group Chairman will automatically terminate if he ceases to be a Director of the Company or a Director of Glanbia Co-operative Society Limited.

The Chairman's fee is set by the Remuneration Committee and is €88,000 per annum. This fee reflects the level of commitment and responsibility of the role.

The Non-Executive Directors do not have service contracts, but have letters of appointment detailing the basis of their appointment. The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM of the Company.

The Non-Executive Directors do not have periods of notice and the Group has no obligation to pay compensation when their appointment terminates. They are subject to annual re-election at the AGM of the Company.

Non-Executive Directors' fees are set by the Remuneration Committee and the details are outlined on page 64.

Details of the dates of appointment of each Non-Executive Director who served during the year are provided on page 68.

Review of Committee performance

The Board and Committee assessed its performance, covering terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Committee is satisfied that it is functioning effectively and it has met its terms of reference.

C. Information subject to audit

The information in Tables A, B and C are covered by the Independent auditors' report on pages 80 and 81. The Tables give details of the Directors' remuneration and interests in shares in Glanbia plc and Glanbia Co-operative Society Limited held by Directors, Secretary and their connected persons for those individuals who were Directors and Secretary of the Company as at 31 December 2011. There have been no changes in the interests of the Directors and Secretary listed in the Tables between 1 January 2012 and 28 February 2012. The market price of the ordinary shares as at 31 December 2011 was €4.63 and the range during the year was €3.55 to €5.02. The average price for the year was €4.42.

2011 Committee meeting attendance

Attendance at scheduled Committee meetings during the year ended 31 December 2011

Member	Appointed	Number of full Years on the Committee	Meeting attendance
J Liston	10 June 2002	9	8/8
L Herlihy	8 June 2001	10	8/8
Mn Keane	29 June 2010	1	8/8
H Corbally	26 July 2011	Less than 1 year	4/4
V Quinlan	9 June 2005*	5	2/2
J Callaghan	13 Jan 1998	14	8/8
P Haran	9 June 2005	6	8/8

* Retired 26 May 2011

Table A: Directors and Secretary's interests in Glanbia plc

		As at 31 December 2011				As at 2 January 2011*			
		Ordinary shares	2008 LTIP Awards	2002 LTIP Options	2002 LTIP Awards	Ordinary shares	2008 LTIP Awards	2002 LTIP Options	2002 LTIP Awards
Directors									
L Herlihy		91,804	-	-	-	91,804	-	-	-
H Corbally		9,995	-	-	-	7,495	-	-	-
Mn Keane		20,000	-	-	-	20,000	-	-	-
J Moloney	1	137,460	492,000	220,000	9,900	104,593	484,000	510,000	38,900
J Callaghan		65,000	-	-	-	35,000	-	-	-
W Carroll	2	-	-	-	-	-	-	-	-
D Farrell	2	-	-	-	-	-	-	-	-
J Gannon		12,552	-	-	-	12,552	-	-	-
P Gleeson		24,923	-	-	-	24,923	-	-	-
P Haran		7,462	-	-	-	7,462	-	-	-
B Hayes		28,420	-	-	-	18,920	-	-	-
Ml Keane		22,104	-	-	-	22,104	-	-	-
J Liston		25,000	-	-	-	15,000	-	-	-
M Merrick		3,600	-	-	-	3,600	-	-	-
J Murphy		4,000	-	-	-	4,000	-	-	-
P Murphy	2	21,692	-	-	-	21,692	-	-	-
W Murphy		230,827	-	-	-	230,827	-	-	-
E Power	2	37,550	-	-	-	37,550	-	-	-
R Prendergast		4,007	-	-	-	4,007	-	-	-
S Talbot	1	39,029	272,500	75,000	7,900	29,693	221,000	75,000	7,900
K Toland	1	53,914	381,000	148,000	-	23,243	337,000	312,000	16,400
Secretary									
M Horan		15,153	136,000	-	-	10,093	110,000	-	-

[1] Executive Director
[2] Appointed 26 May 2011
* Or at date of appointment if later

Table A (1): Directors and Secretary's interests in Glanbia Co-operative Society Limited

		As at 31 December 2011		As at 2 January 2011*	
		"A" Ordinary Shares of €1.00	"C" Shares of €0.01	"A" Ordinary Shares of €1.00	"C" Shares of €0.01
Directors					
L Herlihy		91,425	39,750,658	91,425	48,176,819
H Corbally		5,912	1,107,616	5,912	1,040,133
Mn Keane		6,626	3,118,390	6,626	84,564
J Moloney	1	-	4,985,000	-	4,952,304
W Carroll	2	17,626	-	17,626	-
D Farrell	2	5,646	662,000	3,446	630,000
J Gannon		10,974	-	10,974	142,905
B Hayes		12,996	2,900,000	9,996	1,500,000
Ml Keane		20,157	3,300,000	20,157	1,875,940
M Merrick		6,309	187,464	6,309	387,464
J Murphy		16,334	-	14,834	-
P Murphy	2	13,698	12,143,890	13,698	7,959,921
W Murphy		-	1,942,703	-	1,714,149
E Power	2	27,320	40,357,336	27,320	31,547,368
R Prendergast		6,683	-	6,683	-
S Talbot	1	-	11,192,766	-	9,145,071
Secretary					
M Horan		-	574,000	-	1,000,000

[1] Executive Director
[2] Appointed 26 May 2011
* Or at date of appointment if later

Table B: Share Options and LTIP Awards – John Moloney

2002 LTIP Options	2-Jan-11	Granted during the year	Exercised during the year	Lapsed during the year	31-Dec-11	Exercise price €	Date of grant	Date of exercise or lapse	Market price on exercise €	Earliest date exercisable from	Expiry date	Note
2002^{EPS}	290,000	-	290,000	-	-	1.55	29-Aug-02	12-Sep-11	€4.80	30-Aug-05	12-Sep-11	1, 2
2002^{EPS}	150,000	-	-	-	150,000	2.725	9-Dec-04	-	-	10-Dec-07	8-Dec-14	1, 3
2002^{EPS}	70,000	-	-	-	70,000	4.03	30-Aug-07	-	-	31-Aug-10	29-Aug-17	1
Total:	**510,000**	**-**	**290,000**	**-**	**220,000**							

2008 LTIP Awards	2-Jan-11	Granted during the year	Vested during the year	Lapsed during the year	31-Dec-11	Market price at date of award €	Date of award	Date of vesting or lapse	Market price at vesting €	Earliest Date for vesting	Expiry Date	Performance Period	Note
2008^{TSR}	71,000	-	-	71,000	-	4.45	28-Aug-08	30-Aug-11	4.11	28-Aug-11	30-Aug-11	2008-2010	4
2008^{EPS}	71,000	-	63,176	7,824	-	4.45	28-Aug-08	30-Aug-11	4.11	28-Aug-11	30-Aug-11	2008-2010	5
2008^{TSR}	71,000	-	-	-	71,000	2.72	9-Jun-09	-	-	9-Jun-12	9-Jun-13	2009-2011	6
2008^{EPS}	71,000	-	-	-	71,000	2.72	9-Jun-09	-	-	9-Jun-12	9-Jun-13	2009-2011	6
2008^{TSR}	100,000	-	-	-	100,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	6
2008^{EPS}	100,000	-	-	-	100,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	6
2008^{TSR}	-	75,000	-	-	75,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	6
2008^{EPS}	-	75,000	-	-	75,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	6
Total:	**484,000**	**150,000**	**63,176**	**78,824**	**492,000**								

Note: Performance conditions for the options and awards set out above are detailed below.

1 Subject to a performance condition that has been met.
2 A share award of 10% of the 290,000 shares lapsed on the sale of the shares.
3 Eligible for a share award of 6.6% the ordinary shares he continues to hold following the second anniversary of the exercise of the option.
4 The award lapsed in 2011 having not met the performance condition.
5 Subject to a performance condition that has been met in part.
6 Subject to a performance condition that is yet to be tested.

Table B(1): Share Options and LTIP Awards – Siobhan Talbot

2002 LTIP Options	2-Jan-11	Granted during the year	Exercised during the year	Lapsed during the year	31-Dec-11	Exercise price €	Date of grant	Date of exercise or lapse	Market price on exercise €	Earliest date exercisable from	Expiry date	Note
2002^{EPS}	75,000	-	-	-	75,000	2.725	9-Dec-04	-	-	10-Dec-07	8-Dec-14	1, 2
Total:	**75,000**	**-**	**-**	**-**	**75,000**							

2008 LTIP Awards	2-Jan-11	Granted during the year	Vested during the year	Lapsed during the year	31-Dec-11	Market price at date of award €	Date of award	Date of vesting or lapse	Market price at vesting €	Earliest Date for vesting	Expiry Date	Performance Period	Note
2008^{TSR}	22,500	-	-	22,500	-	4.45	28-Aug-08	30-Aug-11	4.11	28-Aug-11	30-Aug-11	2008-2010	3
2008^{EPS}	22,500	-	17,946	4,554	-	4.45	28-Aug-08	30-Aug-11	4.11	28-Aug-11	30-Aug-11	2008-2010	4
2008^{TSR}	28,000	-	-	-	28,000	2.72	9-Jun-09	-	-	9-Jun-12	9-Jun-13	2009-2011	5
2008^{EPS}	28,000	-	-	-	28,000	2.72	9-Jun-09	-	-	9-Jun-12	9-Jun-13	2009-2011	5
2008^{TSR}	60,000	-	-	-	60,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	5
2008^{EPS}	60,000	-	-	-	60,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	5
2008^{TSR}	-	48,250	-	-	48,250	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	5
2008^{EPS}	-	48,250	-	-	48,250	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	5
Total:	**221,000**	**96,500**	**17,946**	**27,054**	**272,500**								

Siobhan Talbot is also eligible for a share award of 10% of the 4,000 ordinary shares (400) allotted to her on 28 August 2008.

Note: Performance conditions for the options and awards set out above are detailed below.

1 Subject to a performance condition that has been met.
2 Eligible for a share award of 10% the ordinary shares she continues to hold following the second anniversary of the exercise of the option.
3 The award lapsed in 2011 having not met the performance condition.
4 Subject to a performance condition that has been met in part.
5 Subject to a performance condition that is yet to be tested.

Table B(2): Share Options and LTIP Awards – Kevin Toland

2002 LTIP Options	2-Jan-11	Granted during the year	Exercised during the year	Lapsed during the year	31-Dec-11	Exercise price €	Date of grant	Date of exercise or lapse	Market price on exercise €	Earliest date exercisable from	Expiry date	Note
2002[EPS]	164,000	-	164,000	-	0.00	1.55	29-Aug-02	9-Sep-11	4.67	30-Aug-05	9-Sep-11	1, 2
2002[EPS]	100,000	-	-	-	100,000	2.725	9-Dec-04	-	-	10-Dec-07	8-Dec-14	1
2002[EPS]	48,000	-	-	-	48,000	4.03	30-Aug-07	-	-	31-Aug-10	29-Aug-17	1
Total:	**312,000**	**-**	**164,000**	**-**	**148,000**							

2008 LTIP Awards	2-Jan-11	Granted during the year	Vested during the year	Lapsed during the year	31-Dec-11	Market price at date of award €	Date of award	Date of vesting or lapse	Market price at vesting €	Earliest Date for vesting	Expiry Date	Performance Period	Note
2008[TSR]	48,000	-	-	48,000	-	4.45	28-Aug-08	30-Aug-11	4.11	28-Aug-11	30-Aug-11	2008-2010	3
2008[EPS]	48,000	-	42,710	5,290	-	4.45	28-Aug-08	30-Aug-11	4.11	28-Aug-11	30-Aug-11	2008-2010	4
2008[TSR]	48,000	-	-	-	48,000	2.72	9-Jun-09	-	-	9-Jun-12	9-Jun-13	2009-2011	5
2008[EPS]	48,000	-	-	-	48,000	2.72	9-Jun-09	-	-	9-Jun-12	9-Jun-13	2009-2011	5
2008[TSR]	72,500	-	-	-	72,500	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	5
2008[EPS]	72,500	-	-	-	72,500	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	5
2008[TSR]	-	70,000	-	-	70,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	5
2008[EPS]	-	70,000	-	-	70,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	5
Total:	**337,000**	**140,000**	**42,710**	**53,290**	**381,000**								

Note: Performance conditions for the options and awards set out above are detailed below.

1 Subject to a performance condition that has been met.
2 A share award of 10% of the 164,000 shares lapsed on the sale of the shares.
3 The award lapsed in 2011 having not met the performance condition.
4 Subject to a performance condition that has been met in part.
5 Subject to a performance condition that is yet to be tested.

Table B(3): LTIP Awards – Michael Horan

2008 LTIP Awards	2-Jan-11	Granted during the year	Vested during the year	Lapsed during the year	31-Dec-11	Market price at date of award €	Date of award	Date of vesting or lapse	Market price at vesting €	Earliest Date for vesting	Expiry Date	Performance Period	Note
2008[TSR]	12,000	-	-	12,000	-	4.45	28-Aug-08	30-Aug-11	4.11	28-Aug-11	30-Aug-11	2008-2010	1
2008[EPS]	12,000	-	9,727	2,273	-	4.45	28-Aug-08	30-Aug-11	4.11	28-Aug-11	30-Aug-11	2008-2010	2
2008[TSR]	12,000	-	-	-	12,000	2.72	9-Jun-09	-	-	9-Jun-12	9-Jun-13	2009-2011	3
2008[EPS]	12,000	-	-	-	12,000	2.72	9-Jun-09	-	-	9-Jun-12	9-Jun-13	2009-2011	3
2008[TSR]	31,000	-	-	-	31,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	3
2008[EPS]	31,000	-	-	-	31,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	3
2008[TSR]	-	25,000	-	-	25,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	3
2008[EPS]	-	25,000	-	-	25,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	3
Total:	**110,000**	**50,000**	**9,727**	**14,273**	**136,000**								

Note: Performance conditions for the options and awards set out above are detailed below.

1 The award lapsed in 2011 having not met the performance condition.
2 Subject to a performance condition that has been met in part.
3 Subject to a performance condition that is yet to be tested.

Table C: Directors remuneration

	Salary €'000	Fees €'000	Annual Incentive €'000	Pension contribution €'000	Other benefits €'000	2011 Total €'000	2010 Total €'000
Executive Directors							
J Moloney	509	-	509	144	32	1,194	1,159
K Toland	419	-	370	129	7	925	907
S Talbot	316	-	316	105	20	757	652
2011	1,244	-	1,195	378	59	2,876	
2010	1,047	-	1,336	227	108		2,718
Non-Executive Directors							
L Herlihy	-	88	-	-	-	88	79
H Corbally (note (a))	-	33	-	-	-	33	18
Mn Keane (note (b))	-	42	-	-	-	42	28
J Callaghan	-	70	-	-	-	70	63
W Carroll (note (c))	-	15	-	-	-	15	-
N Dunphy (note (d))	-	-	-	-	-	-	9
D Farrell (note (c))	-	15	-	-	-	15	-
J Fitzgerald (note (f))	-	-	-	-	-	-	19
E Fitzpatrick (note (e))	-	8	-	-	-	8	18
J Gannon	-	23	-	-	-	23	18
J Gilsenan (note (e))	-	8	-	-	-	8	18
P Gleeson	-	23	-	-	-	23	18
P Haran	-	62	-	-	-	62	56
B Hayes (note (g))	-	23	-	-	-	23	9
C Hill (note (d))	-	-	-	-	-	-	9
Ml Keane (note (g))	-	23	-	-	-	23	9
J Liston	-	70	-	-	-	70	63
M Merrick	-	23	-	-	-	23	18
J Murphy (note (g))	-	23	-	-	-	23	9
P Murphy (note (c))	-	15	-	-	-	15	-
W Murphy	-	62	-	-	-	62	56
A O'Connor (note (e))	-	8	-	-	-	8	18
E Power (note (c))	-	15	-	-	-	15	-
R Prendergast	-	23	-	-	-	23	18
V Quinlan (note (h))	-	17	-	-	-	17	38
2011	-	689	-	-	-	689	
2010	-	591	-	-	-		591
Total 2011	1,244	689	1,195	378	59	3,565	
Total 2010	1,047	591	1,336	227	108		3,309

(a) Mr H Corbally was appointed Vice-Chairman on 26 May 2011.
(b) Mr Mn Keane was appointed Vice-Chairman on 29 June 2010.
(c) Messrs W Carroll, D Farrell, P Murphy and E Power were appointed Directors on 26 May 2011.
(d) Messrs N Dunphy and C Hill resigned as Directors on 29 June 2010.
(e) Messrs E Fitzpatrick, J Gilsenan and A O'Connor resigned as Directors on 26 May 2011.
(f) Mr J Fitzgerald resigned as a Vice-Chairman and Director on 29 June 2010.
(g) Messrs B Hayes, Ml Keane and J Murphy were appointed Directors on 29 June 2010.
(h) Mr V Quinlan resigned as a Vice-Chairman and Director on 26 May 2011.

All emoluments and compensation paid to the Directors during the year are shown above. Where the individual was appointed during the year the amount shown is for the period from appointment.

Other benefits include the provision of a car (or car allowance), suitable medical insurance and insured life benefits.

Table C: Directors remuneration (continued)

The pension benefits of each of the Executive Directors during the year were as follows:

	Transfer value of increase in accrued pension €' 000	Annual pension accrued in 2011 in excess of inflation €' 000	Total annual accrued pension at 31 December 2011 €' 000
J Moloney	62	7	317
K Toland	68	9	131
S Talbot	313	31	132
2011	443	47	580
2010	163	24	573

On behalf of the
Remuneration Committee

Jerry Liston
Remuneration Committee Chairman

Applying the Principles of the UK Corporate Governance Code

It is our view that, except in relation to the representation of Glanbia Co-operative Society Limited on the Board, the Company has been compliant throughout the year with the provisions of the 2010 UK Corporate Governance Code and the Irish Corporate Governance Annex. There is no current expectation that this will change in the foreseeable future.

The following report details how the Board has applied the principles set down in the UK Corporate Governance Code (which is referred to in the Listing Rules, applicable to Irish and UK listed companies and which is publicly available on the Financial Reporting Council's website http://www.frc.org.uk/corporate/ukcgcode.cfm) (the 'UK Code') and the Irish Corporate Governance Annex published in December 2010 by the Irish Stock Exchange and which is publicly available on the Financial Reporting Council's website http://www.ise.ie/ISE_Regulation/Consultation-Papers/Historic_Consultation_Papers/Corporate_Governance_Annex/) (the 'Irish Corporate Governance Annex') (collectively the 'Codes').

The Board accepts that the Codes represent an authoritative statement of best practice and as such it has reviewed its practices relative to them.

The Board also acknowledges that frequently it is the case that laws, regulations and policies do not provide guidance on all types of behaviour. As a result, we have a code of conduct for everybody in Glanbia. The Glanbia Code of Conduct is intended as a code of best practice and provides a broad range of guidance about the standards of integrity and business conduct expected. Our Code of Conduct is not intended to be a substitute for our responsibility and accountability to exercise good judgement and obtain guidance on proper business conduct. Glanbia employees are encouraged and expected to seek additional guidance and support from others when in doubt.

Leadership

Our Board

Our Board consists of the Group Chairman (Liam Herlihy), two Vice-Chairmen (Martin Keane and Henry Corbally); 15 other Non-Executive Directors (including John Callaghan, the Senior Independent Director) and three Executive Directors (John Moloney, the Group Managing Director, Siobhán Talbot, the Group Finance Director and Kevin Toland, the CEO and President Glanbia USA & Global Nutritionals). 14 of the Non-Executive Directors are nominated by our majority shareholder, Glanbia Co-operative Society Limited, further detail in respect of which is given on pages 44 to 47.

Our Directors come from a diversity of backgrounds, ranging from public service, accountancy and banking to industry (dairy, pharmaceutical, drinks and fruit), more particular details of which are set out on pages 44 to 47. We involve all Directors in formulating our strategic business plan (which is the route map which guides us to meet our objectives and provides a vital framework within which the Group operates) and in all key decision-making. Directors' roles and responsibilities are clarified from the outset and continually updated to reflect the evolving business and changing dynamics. We encourage training and personal development, and as part of the annual evaluation process, the Group Chairman discusses individual training and development requirements for each Director. Additionally, the Senior Independent Director is available to all fellow Non-Executive Directors, either individually or collectively, to discuss any matters of concern in a forum that does not include Executive Directors or the management of the Company.

Succession planning is used by the Board to ensure that the Board has the right balance of individuals to be able to effectively discharge its responsibilities. We feel it is important to get the right balance of independence, skills, knowledge, experience and diversity. We are aware of these challenges, in particular in recognising the challenge in the fact that Glanbia Co-operative Society Limited nominates 14 of our 18 Non-Executive Directors.

Division of Responsibilities

The Group Chairman is responsible for the efficient and effective working of the Board and his particular responsibilities include:

- Leading the Board;
- Providing accurate, timely and clear information to the Board;
- Promoting the highest standards of corporate governance;
- Facilitating active engagement and challenge by the Board;
- Acting as Chairman of Nomination Committee;
- Conducting the annual evaluation of the Directors; and
- Acting as a sounding board for the Group Managing Director.

The Group Managing Director is responsible for all aspects of the operation and management of the Group and his particular responsibilities include:

- Leading corporate strategic decision making and developing strategy for approval;
- Leading the business
- Ensuring Group policies and procedures are followed;
- Ensuring business complies with relevant legislation and regulation; and
- Overseeing investor relations.

Our governance structure

The Group's governance structure is based on the leadership principles in the Codes.

The core activities of the Board and its Committees are documented and planned on an annual basis and this forms the basic structure within which the Board operates. Biographical details of the Directors and the members of the Audit, Nomination and Remuneration Committees are set out on pages 44 to 47.

While the Board is ultimately responsible for the success of the Group, given the size and complexity of its operations the day-to-day operations of the Group is managed on a delegated basis by the Group Managing Director and the senior executives working with him, as set out on pages 47 to 48.

The Board appoints the Group Managing Director and monitors his performance in leading the Group. The Group Managing Director is responsible for all aspects of the operation and management of the Group and its business. Specifically, he is responsible for developing (for the Board's approval) appropriate values and standards to guide all activities undertaken by the Group and also for making recommendations on appropriate delegation of responsibilities.

The Board and its Committees monitor the application of values, standards and processes. This includes an agreed annual calendar of the main business to be considered at each Board meeting. At each scheduled Board meeting, the Group Managing Director, the CEO and President of Glanbia USA & Global Nutritionals and the Group Finance Director provide operational and financial updates. Depending on the nature of the proposal to be considered, other senior executives are invited to make presentations or participate in Board discussions to ensure that Board decisions are supported by a full analysis of each proposal.

The Board held 10 scheduled meetings in 2011 and one two-day planning and strategy session. The two-day planning and strategy session has been developed to ensure that Non-Executive Directors can constructively challenge and help develop proposals on strategy. This includes a full consideration of the key risks and opportunities facing the Group on a rolling three year basis.

The attendance of each Director at the scheduled Board meetings and the two-day planning and strategy session is shown on page 68. The Audit, Nomination and Remuneration Committee membership and attendances for all or part of the year are shown in their respective reports.

The Senior Independent Director supports the Group Chairman on all governance issues and his particular responsibilities include:

- Acting as a sounding board for the Group Chairman;
- Acting as an intermediary for other Directors;
- Conducting the annual appraisal of the Group Chairman's performance;
- Acting as Chairman of the Audit Committee;
- Ensuring the views of the Non-Executive Directors are heard; and
- To be available to shareholders.

The Group Secretary assists the Group Chairman in promoting the highest standards of corporate governance and his particular responsibilities include:

- Acting as a sounding board for the Directors;
- Assisting the Group Chairman in ensuring Directors receive timely and clear information and are equipped for robust debate and informed decision making;
- Central source of guidance and advice on policy, procedure, governance and ethics;
- Compliance with all legal and regulatory matters;
- Providing a high quality service to shareholders; and
- Coordinating access to independent professional advice by Directors from time to time.

US Advisory Board

The US Advisory Board was established in 2005 to assist the Board in developing a greater awareness of activities and market trends in the relevant industry sectors in the USA. Liam Herlihy, the Group Chairman, is chairman of the US Advisory Board. The membership of the US Advisory Board comprises John Callaghan, Henry Corbally, Martin Keane, Matthew Merrick, Joseph McCullough and Kevin Toland. John Moloney and Siobhán Talbot also attend meetings of the US Advisory Board. Susan Davis and Peter Rogers retired towards the end of the year,

Joseph McCullough, retired, is former Chief Executive Officer of CRH Americas Products and Distribution. He joined CRH in 1979 and has held a number of senior management positions with that company.

The composition of the US Advisory Board is to be reviewed in 2012.

Effectiveness

Succession planning is used by the Board to deliver two key responsibilities: firstly to ensure that the Group is managed by executives with the necessary skills, experience and knowledge; and secondly to ensure that the Board itself has the right balance of individuals to be able to discharge its responsibilities effectively. The Nomination Committee has specific responsibilities in this area but the Board as a whole is also involved in overseeing the development of management resources with the aim of ensuring the Group has the individuals with the right skills to meet the needs of an increasingly complex and global business.

All Directors are subject to re-election at every Annual General Meeting.

All Non-Executive Directors are advised of the likely time commitments at appointment and are asked to seek approval from the Nomination Committee if they wish to take on additional external appointments. The ability of individual Directors to allocate sufficient time to the discharge of their responsibilities is considered as part of the Directors' annual evaluation process overseen by the Group Chairman. Any issues concerning the Group Chairman's time commitment are dealt with by the Nomination Committee, chaired for this purpose by the Senior Independent Director.

An induction programme is agreed for all new Directors aimed at ensuring that they are able to develop an understanding and awareness of the Group's core processes, its people and businesses. A typical induction programme is shown on page 69.

All Directors also have access to the advice and services of the Group Secretary, who is responsible for advising the Board on all governance matters. The Directors also have access to independent professional advice, if required, at the expense of the Group.

2011 Board meeting attendance

Attendance at scheduled Board meetings during the year ended 31 December 2011

Director	Appointed	Number of full years on the Board	2011 meeting attendance
L Herlihy	11 Sept 1997	14	11/11
H Corbally	9 June 1999	12	11/11
Mn Keane	24 May 2006	5	11/11
V Quinlan	8 June 2001	10[1]	4/4
J Moloney	11 Sept 1997	14	11/11
J Callaghan	13 Jan 1998	14	11/11
W Carroll	26 May 2011	Less than 1	7/7
D Farrell	26 May 2011	Less than 1	7/7
E Fitzpatrick	9 June 1999	12[1]	4/4
J Gannon	27 May 2009	2	11/11
J Gilsenan	9 June 1999	12[1]	4/4
P Gleeson	24 May 2006	5	11/11
P Haran	9 June 2005	6	11/11
B Hayes	29 June 2010	1	11/11
Ml Keane	29 June 2010	3[3]	11/11
J Liston	10 June 2002	9	11/11
M Merrick	9 June 2005	6	11/11
J Murphy	29 June 2010	1	11/11
P Murphy	26 May 2011	Less than 1	7/7
W Murphy	1 June 1989	22	11/11
A O'Connor	28 May 2008	3[1]	4/4
E Power	26 May 2011	9[2]	7/7
R Prendergast	28 May 2008	3	11/11
S Talbot	1 July 2009	2	11/11
K Toland	10 Jan 2003	9	9/11

[1] Retired 26 May 2011
[2] E Power was re-appointed to the Board in 2011 having previously served nine years on the Board
[3] Ml Keane was re-appointed to the Board in 2011 having previously served two years on the Board

The Group Chairman, with the assistance of the Group Managing Director and Group Secretary, is responsible for ensuring that Directors are supplied with information in a timely manner that it is in a form and of a quality appropriate that enables them to discharge their duties. In the normal course of business, such information is provided by the Group Managing Director in a regular report to the Board that includes information on operational matters, strategic developments, financial performance relative to the business plan, business development, corporate responsibility and investor relations.

In addition to the induction programme that all Directors undertake on joining the Board, an ongoing programme of Director development and Group awareness has been developed. For example, as part of the annual programme of Board meetings, Directors will typically visit the Group's principal operations to meet employees and gain an understanding of the Group's products and services. In 2011, the Board visited the Group's Performance Nutrition businesses in Chicago and the Customised Solutions businesses in Carlsbad, California. Also, the Board undertakes training sessions on particular matters, and last year Directors participated in an externally facilitated Board development day, designed to enhance motivation, team dynamics and reinforce Board relationships. As part of the recently completed evaluation process, the Group Chairman met with all Directors individually and agreed training and development plans as appropriate.

We have established a formal process for the annual evaluation of the performance of the Board, its principal Committees and individual Directors. The evaluation of the performance of the Board is to be externally facilitated every three years. The last external review was completed in 2009.

As part of the evaluation process, questionnaires are drawn up to provide the framework for the evaluation process. In order to ensure the robustness of the process, the

Directors tenure on Board

- Less than 3 years
- Between 3 and 6 years
- Between 6 and 9 years
- Over 9 years

Composition of the Board

- Executive Director
- Non-Executive Director
- Non-Executive Directors nominated by Glanbia Co-operative Society Limited

questionnaires are designed to be forward looking and to lead to insights for improvement. The questions are open-ended to encourage dialogue about the workings of the Board. Additionally, each member of the Board or appropriate Committee is invited to comment on the performance of peer Directors (if necessary), the collective Board and/or the appropriate Committee.

Once completed, the questionnaires are collated and reviewed by the Group Chairman, who then meets with each Director individually to discuss the performance of the Board or the appropriate Committee and individual Directors. These interviews are designed to be informal and open to encourage active participation.

Following the interviews the Group Chairman meets with the Group Secretary to analyse the findings and prepare a report to the Board identifying the central themes and recommendations for the Board to consider.

A diagramatic representation of the evaluation process is set on page 70. During 2011, our Board and/or its Committees conducted an evaluation of its own performance, its principal Committees and individual Directors, further detail in respect of which is given on page 42. The performance of the Group Chairman is included in the above process. The Group Chairman's evaluation is managed by the Senior Independent Director. As part of the Group Chairman's evaluation, the Non-Executive Directors meet separately under the chairmanship of the Senior Independent Director.

The Group Chairman wishes to confirm that, following the completion of the performance evaluation process, the members of the entire Board who are all being proposed for re-appointment continue to be effective and demonstrate commitment to their roles. The Senior Independent Director, John Callaghan, confirms that the Group Chairman, also standing for re-appointment at this year's Annual General Meeting, continues to perform effectively and demonstrates commitment to his role. Biographical details of all of the Directors are set out on pages 44 to 47.

Independence

During the year, the Nomination Committee reviewed the independence of the Non-Executive Directors in accordance with the guidance in the Codes and reported its recommendations to the Board. Further detail in relation to the review of the Directors' independence is set out in the Nomination Committee Report on pages 51 to 52.

Typical Non-Executive Director induction programme

Matters Covered
Directors' duties, corporate governance and Board procedures - the Company has a corporate manual which is issued to all Directors and is regularly updated for new legislation and procedures
Business planning and internal control processes
Strategy and planning
Metrics used to monitor business performance
Investor relations
Corporate responsibility (including ethical business conduct, and health and safety)
Internal audit
Site visits

Accountability

Through this Annual Report and, as required, through other periodic financial statements, the Board is committed to providing shareholders and other stakeholders with a clear assessment of the Company and the Group's position and prospects.

The arrangements established by the Board for the application of risk are detailed in the Risk Management Report on pages 22 to 26. The Board has delegated to the Audit Committee oversight of the management of the relationship with the Company's Auditors, further details of which can be found in the Audit Committee Report on pages 49 to 50.

Internal control and risk management

The Board has overall responsibility for the Group's system of risk management and internal control, for reviewing its effectiveness and for confirming that a process exists for the identification, evaluation and management of risk in order to ensure that the Group's strategic objectives are achieved. The Board also has responsibility for determining the Group's risk appetite. These processes have been in place throughout the year covered in this Annual Report and financial statements and up to the date of its approval. The Group's systems of risk management and internal control are regularly reviewed by the Audit Committee and the Board and accord with the Turnbull guidance which the Board has fully adopted.

While acknowledging our responsibility for the system of internal control, we are aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our Board has reviewed the effectiveness of the current systems of risk management and internal control specifically for the purpose of this statement. Details of the processes the Group has put in place to manage risk can be found on pages 22 to 26. The Board has delegated to the Audit Committee responsibility for reviewing in detail the effectiveness of the Group's internal controls. Having undertaken such reviews, the Audit Committee reports to the Board on its findings so that the Board can take a view on

Evaluation of the effectiveness of our Board

The objective of the annual evaluation is to:

- provide assurance to our shareholders and other stakeholders that we are committed to the highest standards of governance and probity, and
- gain insight into Board effectiveness to help our Board perform as well as possible and help us understand how well our Board is operating in key areas. These include:

- Board performance;
- Board processes;
- Board culture and relationships;
- Non-Executive Directors;
- Board composition;
- Overall performance including: strategy, business principles, risk management and internal control, performance and measurement, stakeholder management and Committee effectiveness
- Additional issues

this matter. In order to assist the Audit Committee and the Board in their review, the Group has developed a Control Self Assessment programme. This is subject to regular review. The Board is satisfied that the Group risk management and internal controls systems are properly reviewed and effective. Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's attention.

The Directors, through the use of appropriate procedures and systems, have also ensured that measures are in place to secure compliance with the Company and the Group's obligation to keep proper books of account. These books of account are kept at the registered office of the Company.

Share ownership and dealing
In order to maintain investor confidence in the stock markets, quoted companies have an obligation to ensure that their Directors and employees, and anyone closely associated or connected to them, do not place themselves in positions where investors might suspect them of abusing inside information. For this reason, the Company has issued rules covering share dealings by Directors and employees who regularly, or even occasionally, have access to inside information.

The main principle underlying the rules is that no one should trade in shares of the Company while in possession of inside information about the Company or the Group.

Likewise, no one should deal in the shares of the Company if it would give rise to a suspicion that they are abusing inside information. As a safeguard against any actual or potential abuse of these rules, the Company has appointed the Group Secretary and the Group Finance Director as Compliance Officers, from one of whom approval must be obtained, in advance, for any share dealings by persons to whom the rules apply. Directors' dealings must also be approved by the Group Chairman.

The interests of the Directors and Secretary and their spouses and minor children in the share capital of the Company, the holding Society and subsidiary companies and societies are set out in the Remuneration Committee Report on pages 60 to 63.

Risk Management Framework

The Board
Sets risk appetite and tolerance

Assurance/ self assessment

Audit Committee
Oversight of risk.

Internal Audit function
Audit plan and output reviewed by the Audit Committee.

Group Operating Executive reporting
Monthly performance reports and quarterly risk assessment.

Financial reporting
Ongoing procedures in place designed to ensure financial reporting reliability.

Internal management representation letter
Biannual process to assess the effectiveness of internal controls over financial reporting.

Control Self Assessment
Biannual programme to assess internal control and fraud prevention processes.

Risk management

Review and Identify
Quarterly key risk review by each business unit CEO and function head.

Evaluate
Risks analysed for impact and probability to determine the exposure.

Respond
Risk owners and action plans identified to manage key risks.

Report
Risk exposure and mitigation reviewed by the Group Management Committee and the Board.

Operational framework
The Group's risk management structures operate within a framework of defined organisation structure, mandated policies and processes and delegated authority to key personnel.

Main features of internal control and risk management systems in relation to the process for preparing consolidated accounts and financial reporting

- Board approval of the annual business and three-year strategic plans following Group and business unit strategy plan reviews.
- Monitoring of performance against the annual plan through monthly Board reports detailing actual versus budgeted results, analysis of material variances, review of key performance indicators and re-forecasting where required.
- Monthly reporting by all business units and review by Group Finance.
- Well resourced control and finance function to faciliate segregation of duties.
- Audit Committee review of the integrity of the annual report and half-yearly report. Any resulting recommendations are included in the Audit Committee Chairman's Board report.
- Board review and approval of the Group consolidated half-yearly accounts, consolidated annual accounts, interim management statements and any formal announcements.
- The use of a Group Finance management manual that clearly sets out Group accounting policies and financial control procedures.
- Centralised Taxation and Treasury functions.
- Board approved Treasury risk management policies, designed to ensure that Group foreign exchange and interest rate exposures are managed within defined parameters.
- Appropriate IT security environment.

Remuneration
The Board has delegated to the Remuneration Committee responsibility for agreeing remuneration policy and the individual remuneration of the Executive Directors and other senior executives, further details of which can be found in the Remuneration Committee Report on page 53.

Given the increased focus on executive compensation in recent years, in 2011 the Remuneration Committee (with the assistance of Towers Watson) completed a thorough analysis of our compensation practices for senior executives, the outcomes of which was approved by the Board. Further details can be found in the Remuneration Committee Report on page 53.

Relations with shareholders
The Group has a well-developed investor relations programme managed by the Group Finance Director. This includes regular contact with major shareholders including Glanbia Co-operative Society Limited to keep them informed of progress on Group performance. In order to assist in developing an understanding of the views of major shareholders, the Company commissioned a survey of investors which was undertaken by external consultants in December 2011. The results of the survey will be presented to the Board for its consideration.

The Group maintains a comprehensive investor relations website that provides, amongst other things, information on investing in Glanbia and copies of the materials used for key shareholder presentations. This can be accessed via the Company's website, www.glanbia.com.

The Company's Annual General Meeting ('AGM') provides all shareholders with the opportunity to vote on the resolutions put to them. At the AGM, the Group Managing Director provides a brief summary of the Group's activities for the previous year to the shareholders. Whenever possible, all Directors attend the AGM and shareholders are invited to ask questions during the meeting and have an opportunity to meet with the Directors following the conclusion of the formal part of the meeting. In line with the Codes, details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the meeting.

To ensure shareholders have time to consider the annual report and financial statements, and notice of the AGM and lodge their proxy votes, they are issued more than 20 working days prior to the meeting. The Group offers all shareholders the choice of submitting proxy votes either electronically or in paper format. It also offers them the option to abstain.

Other Statutory Information

Principal activities

Glanbia plc is an integrated global nutritional solutions and large scale global dairy business, headquartered in Ireland. Our operations are based in Ireland, mainland Europe, the USA, Africa and Asia. Further detail can be found in 'Our Global Footprint' on pages 34 to 35.

The Company has set out in this report a fair review of the business of the Group during the financial year ended 31 December 2011, including an analysis of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a 'Business Review').The information that fulfils the Business Review requirements can be found in the Group and Divisional Performance sections of this Report on pages 2 to 41.

Directors

The current Directors who served during the 2011 financial year are listed on pages 44 to 47. William Carroll, David Farrell, Patrick Murphy and Eamon Power were appointed to the Board on 26 May 2011 following the retirement of Edward Fitzpatrick, James Gilsenan, Anthony O'Connor and Victor Quinlan.

Retirement of Directors

In accordance with the UK Corporate Governance Code, all Directors will retire at the 2012 Annual General Meeting ('AGM') and, being eligible, offer themselves for re-appointment.

Annual General Meeting

The Company's AGM will be held on 9 May 2012. Full details of the AGM, together with explanations of the resolutions to be proposed, are contained in the Notice of Meeting available on the Group's website www.glanbia.com and, if requested, posted with this Annual Report.

In addition to the usual ordinary business to be transacted at the AGM, shareholders are being asked to:

Ordinary business

- to receive and consider the Remuneration Committee Report for the year ended 31 December 2011. This is being proposed as an advisory non-binding resolution.

Special business

- renew the Directors' authority to allot relevant securities, within the meaning of Section 20 of the Companies (Amendment) Act, 1983, up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company on the date of the AGM which is currently equal to 3.89% of the nominal value of the Company's issued share capital;
- renew the authority to disapply the strict statutory pre-emption provisions in the event of a rights issue or in any other issue up to an aggregate nominal amount equal to the nominal value of the Company's authorised but unissued share capital on the date of the AGM which is currently equal to 3.89% of the nominal value of the Company's issued share capital;
- extend the authority to purchase up to 10% of its own shares until the earlier of the close of business on 8 August 2013 or the date of the AGM of the Company in 2013;
- pass a resolution authorising the Company to reissue such shares purchased by it and not cancelled as treasury shares;
- approve a resolution to permit an Extraordinary General Meeting to be called on 14 days notice; and
- approve a resolution to authorise the amendment of the 2008 Long Term Incentive Plan, the rationale for and the principal features of which are set out in the Remuneration Committee Report on page 53.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and the Group and may exercise all powers of the Company subject to applicable legislation and regulation and the Articles of Association.

At the 2011 AGM, the Directors were given the power to issue new shares up to a nominal amount of €722,658.96. This power will expire on the earlier of the conclusion of the 2012 AGM or 10 August 2012. Accordingly, a resolution will be proposed at the 2012 AGM to renew the Company's authority to issue further new shares.

At the 2011 AGM, the Directors were also given the power to disapply the strict statutory pre-emption provisions in the event of a rights issue or in any other issue up to an aggregate nominal amount of €722,658.96. This authority too will expire on the earlier of the conclusion of the 2012 AGM or 10 August 2012 and a resolution will be proposed at the 2012 AGM to renew this additional authority.

At the 2011 AGM, the Directors were given the power to buy back a maximum number of 29,395,568 ordinary shares (equivalent to 10% of its own shares) within a price range specified in the resolution. A special resolution will be proposed at the 2012 AGM to renew the Company's authority to acquire its own shares. If approved, the minimum price which may be paid by the Company will be €0.06 per share and the maximum price will be the higher of the 5 day average closing prices and the last independent trade prior to the buy-back.

At the 2011 AGM, shareholders also authorised the maximum and minimum prices at which the Company may reissue off-market such shares as it may purchase.

This authority will expire at the earlier of the conclusion of the 2012 AGM or 10 August 2012 and a resolution will be proposed at the 2012 AGM to renew this authority.

Dividends

An interim dividend of 3.33 cent per share was paid on 14 October 2011 to shareholders on the register at the close of business on 2 September 2011.

The Directors propose a final dividend of 4.94 cent per share. Subject to shareholder approval, the final dividend will be paid on 11 May 2012 to shareholders on the share register on 30 March 2012.

Following approval of shareholders at the AGM in 2010, all dividend payments will be made by direct credit transfer into a nominated bank or financial institution. If a shareholder has not provided his/her account details prior to the payment of the dividend, a shareholder will be sent the normal tax voucher advising a shareholder of the amount of his/her dividend and that the amount is being held because his/her direct credit transfer instructions had not been received in time. A shareholder's dividends will not accrue interest while they are held. Payment will be transferred to a shareholder's account as soon as possible on receipt of his/her direct credit transfer instructions. Additionally, if a shareholder's registered address is in the UK and a shareholder has not previously provided the Company with a mandate form for an Irish euro account, a shareholder's dividend will default to a sterling payment. All other shareholders dividends will default to a euro payment.

Political donations

The Electoral Act, 1997 requires companies to disclose all political donations over €5,079 in aggregate made during the financial year. The Directors, on enquiry, have satisfied themselves that no such donations in excess of this amount have been made by the Company.

Issued share capital

At 31 December 2011 the authorised share capital of the Company was 306,000,000 ordinary shares of €0.06 each and the issued share capital was 294,532,684 (2010: 293,835,684) ordinary shares of €0.06 each, of which 54.4% was held by Glanbia Co-operative Society Limited. All the Company's shares are fully paid up and quoted on the Irish and London Stock Exchanges. During the year 697,000 ordinary shares of €0.06 each were allotted, upon the exercise of outstanding share options under the 2002 Long Term Incentive Plan.

Details of the Company's share capital and shares under option or award at 31 December 2011 are given in notes 22 and 23 to the financial statements.

Rights and obligations of ordinary shares

On a show of hands at a general meeting every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote. On a poll, every member present in person or by proxy, shall have one vote for every ordinary share held. In accordance with the provisions of the Articles of Association, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes. On a return of capital on a winding up, holders of ordinary shares are entitled to participate.

Restrictions on transfer of shares

With the exception of restrictions on transfer of shares under the Company's share schemes, while the shares are subject to the schemes, there are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company. Under the Articles of Association of the Company, the Directors have the power to impose restrictions on the exercise of rights attaching to share(s) where the holder of the share(s) fails to disclose the identity of any person who may have an interest in those shares.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

Exercise of rights of shares in employee share schemes

As detailed in note 22 to the financial statements at 31 December 2011, 740,576 ordinary shares were held in an employee benefit trust for the purpose of the Group's employee share schemes.

The Trustees of the employee trusts do not seek to exercise voting rights on shares held in the employee trusts other than on the direction of the underlying beneficiaries. No voting rights are exercised in relation to shares unallocated to individual beneficiaries.

Rights under the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009

Shareholder(s) have the right to ask questions related to items on the agenda of a general meeting and to receive answers, subject to certain qualifications.

Shareholder(s) holding 3% of the issued share capital of the Company, representing at least 3% of its total voting rights, have the right to put items on the agenda and to table draft resolutions at AGMs. The request must be received by the Company at least 42 days before the relevant meeting.

Further details of shareholders' rights under the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009 are contained in the notice of the 2012 AGM available on the Group website www.glanbia.com and, if requested, posted with this Annual Report.

Restrictions on voting deadlines

The notice of any general meeting shall specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at the general meeting. The number of proxy votes for, against or withheld in respect of each resolution are published on the Company's website after the meeting.

Substantial interests

As at 28 February 2012, the Company has been advised of the following notifiable interests in its ordinary share capital:

Shareholder	No of ordinary shares	% of issued share capital
Glanbia Co-operative Society Limited	160,277,308	54.4%
Prudential plc group of companies	11,978,374	4.06%

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles detail the rights attaching to the shares; the method by which the Company's shares may be purchased or re-issued; the provisions which apply to the holding of and voting at general meetings; and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. A copy of the Memorandum and Articles of Association can be obtained from the Company's website, www.glanbia.com.

Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Memorandum and Articles of Association may be amended by special resolution of the Company's shareholders.

Change of control provisions

The Group has certain debt facilities which may require repayment in the event that a change in control occurs with respect to the Group.

There are also a number of agreements that take effect, alter or terminate upon a change of control of the Group, which include the Group's Joint Ventures with Leprino Foods Company and PZ Cussons plc. If a third party were to acquire control of the Group, Leprino Foods Company could elect to terminate its Joint Venture with the Group and, if this were to occur, the Group could then be required to sell its shareholding in the Joint Venture to Leprino Foods Company at a price equal to its fair value. In the same circumstances PZ Cussons plc can also elect to terminate its Nutricima Joint Venture with the Group and, if this were to occur, the Group could then be required to sell to PZ Cussons plc at a nominal price certain trade marks which were originally transferred from the PZ Cussons group to the Nutricima business. The Nutricima Joint Venture company would then be wound up.

In addition, the Company's long term incentive plans contain change of control provisions which can allow for the acceleration of the exercisability of share options and the vesting of share awards in the event that a change of control occurs with respect to the Company.

Corporate social responsibility

As the Group grows and develops as a leading integrated global nutritional solutions and large scale global dairy business, so also does the Group's commitment to conducting its business in a way that is economically, socially and environmentally sustainable.

During 2011 the Group made further progress in its corporate citizenship objectives, more particular details of which are summarised in 'Our Responsibilities' on pages 27 to 33.

Research and development

The Group's key business objectives include central ownership of its worldwide intellectual property (IP) in Ireland, whether acquired IP or developed organically, to facilitate central management and control over IP development and its commercial exploitation. Accordingly, the Group's principal research and development centre is Global Nutritionals' Glanbia Innovation Centre, Kilkenny (the 'GIC') which has direct responsibility for overall Group research and development activity, including that undertaken at the Group's other substantial research and development centre at Twin Falls, Idaho where it also operates a Customer Collaboration Centre.

The Group is committed to achieving the highest standards of best practice in relation to science-based innovation and to an ongoing and extensive innovation programme to support a consumer-led business and marketing approach. The programme is directed towards the development of technically superior dairy-based food ingredients, nutritional products, cheese and high-value consumer food products, using proprietary technologies and processes.

Through its research and development facilities at the GIC and Idaho, the Group has developed and launched advanced, differentiated and branded ingredients and consumer products, bringing a range of nutritional benefits that enhance physiological wellbeing, and the texture and flavour enhancements in foods.

In Kilkenny, the research and development activity has focused on the customer-led areas of sports nutrition, beverages, protein and energy bars, food texture and functionality, weight management, healthy aging and medical nutrition (the 'developments') and dietetic products. These developments assist the Group's global business growth through the Customer Collaboration Centres at Idaho and Glanbia Deutschland. The GIC has performed a key role in connecting the Glanbia research and development community with Food for Health Ireland (FHI), a joint development programme between Enterprise Ireland, Irish dairy research universities (University of Limerick, UCC and UCD) and organisations (including Moorepark), and the Irish dairy industry. In 2011, the collaboration with FHI focused on Glanbia-produced milk and whey products that were screened for a variety of physiological functions. These programme collaborations will continue through 2012.

The work programme performed at the Customer Collaboration Centre in Twin Falls, Idaho for the GIC during 2011 included the above-mentioned developments, fresh dairy products and pet food. These development areas are being addressed through whey, flax-derived ingredients and solutions, and outsourced dairy and non-dairy proteins and ingredients. The US Customer Collaboration Centre has become a focal point for joint research with USA customers, particularly in beverage and bar applications and, mediated through the GIC, it was also able to connect to the FHI programme.

Subsidiary and associated undertakings

A list of the principal subsidiary and associated undertakings is included in note 39 to the financial statements.

Accountability and audit

Financial reporting

Directors' responsibilities for preparing the financial statements for the Company and the Group are detailed on page 77. The Auditors' Report details the respective responsibilities of Directors and Auditors.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Managing Director's Review on pages 8 to 13. The financial position of the Company and the Group, its cash flows, liquidity position and borrowing facilities are outlined in the Group Finance Director's Review on pages 16 to 21. In addition, note 3 to the financial statements includes the Company and the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company and the Group have considerable financial resources and a large number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company and the Group are well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group.

In preparing these financial statements the Directors are required to:

> Select suitable accounting policies and then apply them consistently;

> Make judgements and estimates that are reasonable and prudent;

> State that the financial statements comply with IFRSs as adopted by the European Union; and

> Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are also required by applicable law and the Listing Rules issued by the Irish Stock Exchange to prepare a Directors' Report and reports relating to Directors' Remuneration and Corporate Governance and the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009 and, as regards the Group financial statements, article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Transparency (Directive 2004/109/EC) Regulations 2007

Each of the Directors, whose names and functions are listed on pages 44 to 47 confirms that to the best of each person's knowledge and belief:

> the financial statements prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities and financial position of the Company and the Group and of the profit of the Group; and

> the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

Directors Report

On behalf of the Board

L Herlihy **J Moloney** **S Talbot**

Directors

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Financial statements

Independent auditors' report to the members of Glanbia plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Glanbia plc for the year ended 31 December 2011, which comprise the Group income statement, the Group and Parent Company statements of financial position, the Group and Parent Company statements of changes in equity, the Group and Parent Company statements of cash flows, the Group and Parent Company statements of comprehensive income and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Parent Company's members as a body in accordance with section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union. We report to you our opinion as to whether the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2009. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009 and as regards the Group financial statements Article 4 of the IAS Regulation. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Parent Company statement of financial position is in agreement with the books of account. We also report to you our opinion as to:

- whether the Parent Company has kept proper books of account;
- whether the Directors' report is consistent with the financial statements; and
- whether at the reporting date there existed a financial situation which may require the Parent Company to convene an extraordinary general meeting of the Parent Company; such a financial situation may exist if the net assets of the Parent Company, as stated in the Parent Company statement of financial position are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We are required by law to report to you our opinion as to whether the description in the statement on corporate governance of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

In addition, we review whether the statement on corporate governance reflects the Company's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review by the Listing Rules of the Irish Stock Exchange, and report if it does not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the following sections: Group performance, divisional performance and governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Parent Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts,

1963 to 2009 of the state of the Parent Company's affairs as at 31 December 2011 and cash flows for the year then ended; and

> the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Parent Company. The Parent Company statement of financial position is in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the financial statement, and the description in the statements on corporate governance of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

The net assets of the Parent Company, as stated in the Parent Company statement of financial position are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Siobhán Collier,
for and on behalf of
PricewaterhouseCoopers
Chartered Accountants and
Statutory Audit Firm
Waterford, Ireland
28 February 2012

Group income statement
for the financial year ended 31 December 2011

	Notes	Pre-exceptional 2011 €'000	Exceptional 2011 €'000 (note 7)	Total 2011 €'000	Pre-exceptional 2010 €'000	Exceptional 2010 €'000 (note 7)	Total 2010 €'000
Revenue	5	2,671,151	–	2,671,151	2,166,695	–	2,166,695
Cost of sales		(2,233,556)	(2,959)	(2,236,515)	(1,784,263)	–	(1,784,263)
Gross profit		**437,595**	**(2,959)**	**434,636**	**382,432**	**–**	**382,432**
Distribution expenses		(137,342)	(3,598)	(140,940)	(115,896)	–	(115,896)
Administration expenses		(139,227)	(2,166)	(141,393)	(130,029)	–	(130,029)
Other gains and losses		–	–	–	–	10,238	10,238
Operating profit		**161,026**	**(8,723)**	**152,303**	**136,507**	**10,238**	**146,745**
Finance income	10	3,056	–	3,056	3,290	–	3,290
Finance costs	10	(30,997)	–	(30,997)	(25,420)	–	(25,420)
Share of results of Joint Ventures & Associates		14,331	–	14,331	10,103	–	10,103
Profit before taxation		**147,416**	**(8,723)**	**138,693**	**124,480**	**10,238**	**134,718**
Income taxes	11	(26,975)	1,090	(25,885)	(25,527)	(558)	(26,085)
Profit for the year		**120,441**	**(7,633)**	**112,808**	**98,953**	**9,680**	**108,633**
Attributable to:							
Equity holders of the Parent				112,178			108,047
Non-controlling interests	25			630			586
				112,808			**108,633**
Basic earnings per share (cents)	12			**38.22**			**36.86**
Diluted earnings per share (cents)	12			**37.90**			**36.63**

On behalf of the Board
L Herlihy J Moloney S Talbot
Directors

Group statement of comprehensive income
for the financial year ended 31 December 2011

	Notes	2011 €'000	2010 €'000
Profit for the year		**112,808**	**108,633**
Other comprehensive income/(expense)			
Actuarial (loss)/gain – defined benefit schemes	28	(17,029)	13,379
Deferred tax credit/(charge) on actuarial loss/gain	27	2,615	(1,250)
Share of actuarial (loss)/gain – Joint Ventures & Associates	24	(38)	2,760
Deferred tax (charge) on actuarial loss/gain – Joint Ventures & Associates	24	(77)	(316)
Currency translation differences	22	18,538	20,169
Net investment hedge	22	230	–
Revaluation of available for sale financial assets	22	(1,484)	(5,381)
Fair value movements on cash flow hedges	22	3,563	3,936
Deferred tax on cash flow hedges and revaluation of available for sale financial assets	27	1,214	2,267
Other comprehensive income for the year, net of tax		**7,532**	**35,564**
Total comprehensive income for the year		**120,340**	**144,197**
Total comprehensive income attributable to:			
Equity holders of the Parent		119,710	143,611
Non-controlling interests	25	630	586
		120,340	**144,197**

Group statement of changes in equity
for the financial year ended 31 December 2011

	Attributable to equity holders of the Parent					
	Share capital and share premium €'000 (note 23)	**Other reserves €'000** (note 22)	**Retained earnings €'000** (note 24)	**Total €'000**	**Non-controlling interests €'000** (note 25)	**Total €'000**
Balance at 2 January 2010	**99,219**	**108,672**	**83,004**	**290,895**	**6,493**	**297,388**
Profit for the year	–	–	108,047	108,047	586	108,633
Other comprehensive income/(expense)						
Actuarial gain – defined benefit schemes	–	–	13,379	13,379	–	13,379
Deferred tax on actuarial gain	–	–	(1,250)	(1,250)	–	(1,250)
Share of actuarial gain – Joint Ventures & Associates	–	–	2,444	2,444	–	2,444
Fair value movements	–	(1,445)	–	(1,445)	–	(1,445)
Deferred tax on fair value movements	–	2,267	–	2,267	–	2,267
Currency translation differences	–	20,169	–	20,169	–	20,169
Total comprehensive income for the year	**–**	**20,991**	**122,620**	**143,611**	**586**	**144,197**
Dividends paid during the year	–	–	(20,453)	(20,453)	(187)	(20,640)
Cost of share based payments	–	2,937	–	2,937	–	2,937
Transfer on exercise, vesting or expiry of share based payments	–	(373)	373	–	–	–
Shares issued	17	–	–	17	–	17
Premium on shares issued	505	–	–	505	–	505
Balance at 1 January 2011	**99,741**	**132,227**	**185,544**	**417,512**	**6,892**	**424,404**
Profit for the year	–	–	112,178	112,178	630	112,808
Other comprehensive income/(expense)						
Actuarial loss – defined benefit schemes	–	–	(17,029)	(17,029)	–	(17,029)
Deferred tax on actuarial loss	–	–	2,615	2,615	–	2,615
Share of actuarial loss – Joint Ventures & Associates	–	–	(115)	(115)	–	(115)
Fair value movements	–	2,079	–	2,079	–	2,079
Deferred tax on fair value movements	–	1,214	–	1,214	–	1,214
Currency translation differences	–	18,538	–	18,538	–	18,538
Net investment hedge	–	230	–	230	–	230
Total comprehensive income for the year	**–**	**22,061**	**97,649**	**119,710**	**630**	**120,340**
Dividends paid during the year	–	–	(22,942)	(22,942)	(387)	(23,329)
Cost of share based payments	–	2,388	–	2,388	–	2,388
Transfer on exercise, vesting or expiry of share based payments	–	(1,057)	1,057	–	–	–
Shares issued	42	–	–	42	–	42
Premium on shares issued	1,179	–	–	1,179	–	1,179
Purchase of own shares	–	(2,075)	–	(2,075)	–	(2,075)
Balance at 31 December 2011	**100,962**	**153,544**	**261,308**	**515,814**	**7,135**	**522,949**

Goodwill previously written off amounting to €93.0 million (2010: €93.0 million) is included in opening and closing retained earnings.

Group statement of financial position
as at 31 December 2011

	Notes	2011 €'000	2010 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	394,552	369,346
Intangible assets	15	467,277	356,830
Investments in associates	16	12,178	11,757
Investments in joint ventures	17	58,484	58,945
Trade and other receivables	19	14,575	23,084
Deferred income tax assets	27	11,255	7,388
Available for sale financial assets	18	11,165	14,127
Derivative financial instruments	32	–	1,643
		969,486	**843,120**
Current assets			
Inventories	20	336,855	303,881
Trade and other receivables	19	304,301	246,831
Derivative financial instruments	32	6,161	3,912
Cash and cash equivalents	21	231,373	229,101
		878,690	**783,725**
Total assets		**1,848,176**	**1,626,845**
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital and share premium	23	100,962	99,741
Other reserves	22	153,544	132,227
Retained earnings	24	261,308	185,544
		515,814	**417,512**
Non-controlling interests	25	7,135	6,892
Total equity		**522,949**	**424,404**
LIABILITIES			
Non-current liabilities			
Borrowings	26	658,896	636,251
Derivative financial instruments	32	1,319	3,315
Deferred income tax liabilities	27	93,459	75,966
Retirement benefit obligations	28	48,425	48,560
Provisions for other liabilities and charges	29	22,120	22,392
Capital grants	30	17,161	18,609
		841,380	**805,093**
Current liabilities			
Trade and other payables	31	400,850	366,246
Current tax liabilities		6,656	2,538
Borrowings	26	52,808	972
Derivative financial instruments	32	5,657	6,487
Provisions for other liabilities and charges	29	17,876	21,105
		483,847	**397,348**
Total liabilities		**1,325,227**	**1,202,441**
Total equity and liabilities		**1,848,176**	**1,626,845**

On behalf of the Board

L Herlihy J Moloney S Talbot

Directors

Group statement of cash flows
for the financial year ended 31 December 2011

	Notes	2011 €'000	2010 €'000
Cash flows from operating activities			
Cash generated from operations	35	145,386	107,214
Interest received		3,134	3,054
Interest paid		(29,729)	(25,613)
Tax paid		(12,738)	(11,955)
Net cash inflow from operating activities		**106,053**	**72,700**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(114,252)	–
Payment of deferred consideration on acquisition of subsidiaries		(1,146)	(644)
Purchase of property, plant and equipment		(47,239)	(31,631)
Purchase of intangible assets		(1,646)	(4,333)
Dividends received from joint ventures	17	14,761	11,210
Loans repaid by joint ventures		–	23,280
Decrease in available for sale financial assets		2,283	438
Proceeds from sale of property, plant and equipment		420	1,163
Net cash outflow from investing activities		**(146,819)**	**(517)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	1,221	522
Purchase of own shares	22	(2,075)	–
Private debt placement		226,828	–
(Decrease)/increase in borrowings		(160,780)	21,823
Finance lease principal payments		(968)	(926)
Dividends paid to Company shareholders	13	(22,942)	(20,453)
Dividends paid to non-controlling interests	25	(387)	(187)
Capital grants received		564	1,432
Net cash inflow from financing activities		**41,461**	**2,211**
Net increase in cash and cash equivalents		**695**	**74,394**
Cash and cash equivalents at the beginning of the year		229,101	152,789
Effects of exchange rate changes on cash and cash equivalents		1,577	1,918
Cash and cash equivalents at the end of the year	21	**231,373**	**229,101**

Reconciliation of net cash flow to movement in net debt		**2011 €'000**	**2010 €'000**
Net increase in cash and cash equivalents		695	74,394
Cash movements from debt financing		(65,080)	(20,897)
		(64,385)	**53,497**
Fair value movement of interest rate swaps qualifying as fair value hedges		387	(2,165)
Exchange translation adjustment on net debt		(8,211)	(16,836)
Movement in net debt in the year		**(72,209)**	**34,496**
Net debt at the beginning of the year		(408,122)	(442,618)
Net debt at the end of the year		**(480,331)**	**(408,122)**
Net debt comprises:			
Borrowings	26	(711,704)	(637,223)
Cash and cash equivalents	21	231,373	229,101
		(480,331)	**(408,122)**

Company statement of financial position
as at 31 December 2011

	Notes	2011 €'000	2010 €'000
ASSETS			
Non-current assets			
Investments in associates	16	2,259	2,298
Available for sale financial assets	18	–	265
Investments in subsidiaries	18	599,325	599,325
		601,584	**601,888**
Current assets			
Trade and other receivables	19	6	109
Cash and cash equivalents	21	5,280	8,200
		5,286	**8,309**
Total assets		**606,870**	**610,197**
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital and share premium	23	456,230	455,009
Retained earnings	24	77,807	40,578
Other reserves		6,596	7,340
Total equity		**540,633**	**502,927**
LIABILITIES			
Current liabilities			
Trade and other payables	31	66,237	107,270
Total liabilities		**66,237**	**107,270**
Total equity and liabilities		**606,870**	**610,197**

As permitted by section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986 the Parent Company is availing of the exemption from presenting its separate income statement in these financial statements and from filing it with the Registrar of Companies. The profit for the year dealt with in the financial statements of the Company amounts to €59.1 million (2010: €0.7 million).

On behalf of the Board
L Herlihy J Moloney S Talbot
Directors

Company statement of changes in equity
for the financial year ended 31 December 2011

			Other reserves			
	Share capital and share premium €'000 (note 23)	Retained earnings €'000 (note 24)	Capital reserve €'000 (note 22 a)	Own shares €'000 (note 22 f)	Share based payment reserve €'000 (note 22 g)	Total €'000
Balance at 2 January 2010	**454,487**	**59,913**	**4,227**	**(1,899)**	**2,217**	**518,945**
Profit for the year	–	745	–	–	–	745
Dividends paid during the year	–	(20,453)	–	–	–	(20,453)
Cost of share based payments	–	–	–	–	2,937	2,937
Transfer on exercise, vesting or expiry of share based payments	–	373	–	283	(656)	–
Transfer of reserves between Group companies	–	–	–	–	231	231
Shares issued	17	–	–	–	–	17
Premium on shares issued	505	–	–	–	–	505
Balance at 1 January 2011	**455,009**	**40,578**	**4,227**	**(1,616)**	**4,729**	**502,927**
Profit for the year	–	59,114	–	–	–	59,114
Dividends paid during the year	–	(22,942)	–	–	–	(22,942)
Cost of share based payments	–	–	–	–	2,388	2,388
Transfer on exercise, vesting or expiry of share based payments	–	1,057	–	917	(1,974)	–
Shares issued	42	–	–	–	–	42
Premium on shares issued	1,179	–	–	–	–	1,179
Purchase of own shares	–	–	–	(2,075)	–	(2,075)
Balance at 31 December 2011	**456,230**	**77,807**	**4,227**	**(2,774)**	**5,143**	**540,633**

Company statement of comprehensive income and statement of cash flows
for the financial year ended 31 December 2011

Company statement of comprehensive income

	Notes	2011 €'000	2010 €'000
Profit for the year	24	59,114	745
Total comprehensive income for the year		**59,114**	**745**

Company statement of cash flows

	Notes	2011 €'000	2010 €'000
Cash flows from operating activities			
Cash generated from operations	35	19,811	33,192
Net cash inflow from operating activities		**19,811**	**33,192**
Cash flows from investing activities			
Decrease in available for sale financial assets		1,065	475
Acquisition of other Group companies		–	(5,986)
Net cash inflow/(outflow) from investing activities		**1,065**	**(5,511)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	1,221	522
Dividends paid to Company shareholders	13	(22,942)	(20,453)
Purchase of own shares	22	(2,075)	
Capital contribution from other Group companies		–	10,000
Net cash (outflow) from financing activities		**(23,796)**	**(9,931)**
Net (decrease)/increase in cash and cash equivalents		**(2,920)**	**17,750**
Cash and cash equivalents at the beginning of the year		8,200	(9,550)
Cash and cash equivalents at the end of the year		**5,280**	**8,200**

Notes to the financial statements
for the financial year ended 31 December 2011

1. General information
Glanbia plc (the "Company") and its subsidiaries (together the "Group") is an integrated global nutritionals and large scale global dairy business with its main operations in Ireland, mainland Europe, the USA, Africa and Asia.

The Company is a public limited company incorporated and domiciled in Ireland. The address of its registered office is Glanbia House, Kilkenny, Ireland. The Group is controlled by Glanbia Co-operative Society Limited ("the Society"), which holds 54.4% of the issued share capital of the Company and is the ultimate parent of the Group.

The Company shares are quoted on the Irish and London Stock Exchanges.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2012.

2. Summary of significant accounting polices
New accounting standards and IFRIC interpretations adopted by the Group during the year ended 31 December 2011 are dealt with in section (z) below. The adoption of these standards and interpretations had no significant impact on the results or financial position of the Group during the year.

The other principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation
These consolidated financial statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by use of fair values for available for sale financial assets and derivative financial instruments. The preparation of the financial statements in conformity with IFRS requires the use of estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

Amounts are stated in euro thousands (€'000) unless otherwise stated. These financial statements are prepared for a 52-week period ending on 31 December 2011, comparatives are for the 52-week period ended 01 January 2011. The statements of financial position for 2011 and 2010 have been drawn up as at 31 December 2011 and 1 January 2011 respectively.

Going concern
After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(b) Consolidation
The Group financial statements incorporate:

(i) The financial statements of the Company and enterprises controlled by it ("its subsidiaries"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Where necessary, the accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(ii) Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

(iii) The Group's share of the results and net assets of associated companies and joint ventures is included based on the equity method of accounting. An associate is an enterprise over which the Group has significant influence, but not control, through participation in the financial and operating policy decisions of the investee. A joint venture is an entity subject to joint control by the Group and other parties. Under the equity method of accounting, the Group's share of the post-acquisition profits and losses of associates and joint ventures is recognised in the income statement and its share of post acquisition movements in reserves is recognised directly in other comprehensive income. The cumulative post acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate or joint venture.

(c) Segment reporting

In accordance with the requirements of IFRS 8 – Segment Reporting, operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Group Operating Executive Committee.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in euro, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Currency translation differences on monetary assets and liabilities are taken to the income statement, except when deferred in equity in the currency translation reserve as (i) qualifying cash flow hedges or (ii) exchange gains or losses on long-term intra-group loans and on foreign currency borrowings used to finance or provide a hedge against Group equity investments in non-euro denominated operations to the extent that they are neither planned nor expected to be repaid in the foreseeable future or are expected to provide an effective hedge of the net investment. When long-term intra-group loans are repaid the related cumulative currency translation recognised in the currency reserve is not recycled through the income statement. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale financial asset reserve in equity.

(iii) Group companies

The income statement and statement of financial position of Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

> assets and liabilities at each reporting date are translated at the closing rate at the reporting date of the statement of financial position.

> income and expenses in the income statement are translated at average exchange rates for the year, or for the period since acquisition, if appropriate.

Resulting exchange differences are taken to a separate currency reserve within equity. When a foreign entity is sold outside the Group, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the exchange rate at the end of the reporting period. In accordance with IFRS 1, the cumulative translation differences on foreign subsidiaries was set to zero on IFRS transition date (4 January 2004).

The Group uses the direct method of consolidation for revaluation of the net investments in foreign operations where the financial statements of the foreign operation are translated directly into the functional currency of the ultimate parent.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less subsequent depreciation less any impairment loss. Historic cost includes expenditure that is directly attributable to the acquisition of the assets. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Certain items of property, plant and equipment that had been revalued prior to the date of transition to IFRS (4 January 2004) are measured on the basis of deemed cost, being the revalued amount depreciated to date of transition. Items of property, plant and equipment that were fair valued at date of transition are also measured at deemed cost, being the fair value at date of transition.

Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life at the following rates:

	%
Land	Nil
Buildings	2.5 – 5
Plant and equipment	4 – 33
Motor vehicles	20 – 25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Property, plant and equipment is tested for impairment when indicators arise. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in operating profit.

Repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill associated with the acquisition of associates is included within the investment in associates.

Goodwill is carried at cost less accumulated impairment losses, if applicable. Goodwill is tested for impairment on an annual basis. Goodwill impairments are not reversed.

In accordance with IFRS 1 - First time adoption of International Financial Reporting Standards, goodwill written off to reserves prior to date of transition to IFRS remains written off. In respect of goodwill capitalised and amortised at transition date, its carrying value at date of transition to IFRS remains unchanged. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Development costs are amortised using the straight line method over their estimated useful lives, which is normally six years.

(iii) Brands/know-how, customer relationships and other intangibles

Expenditure to acquire brands/know-how, customer relationships and other intangibles is capitalised and amortised using the straight-line method over its useful life, which is set out in note 15 - Intangible Assets. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. Indefinite life intangible assets are carried at cost less accumulated impairment losses, if applicable, and are not amortised on an annual basis.

(iv) Computer software

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing computer software programmes, if they meet the recognition criteria of IAS 38 – Intangible Assets. Computer software costs recognised as assets are written off over their estimated useful lives, which is normally between five and ten years.

(g) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the available for sale financial asset within 12 months of the reporting date. They are initially recognised at fair value plus transaction costs and are subsequently adjusted to fair value at each reporting date. Unrealised gains and losses arising from changes in the fair value of the available for sale financial assets classified as available for sale are recognised in other comprehensive income. When such available for sale assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from available for sale financial assets. The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active the Group establishes fair value using valuation techniques. Where the range of reasonable fair values is significant and the probability of various estimates cannot be reasonably assessed, the Group measures the investment at cost.

Investments in subsidiaries held by the Company are carried at cost.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(h) Leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. A determination is also made as to whether the substance of an arrangement could equate to a finance lease, considering whether fulfilment of the arrangement is dependent upon the use of a specific asset and the arrangement contains the right to use an asset. If the specified criteria are met, the arrangement is classified as a finance lease. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges is included in borrowings and split between current and non-current, as appropriate. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs of selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges which relate to purchases of raw materials.

(j) Trade and loan receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Loan receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. These are classified as non-current assets, except for those maturing within 12 months of the reporting date.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. If collectability appears unlikely compared with the original terms of the receivable, the Group will determine the appropriate provision based on the available evidence at that time. Significant financial difficulties of the trade/loan receivable, probability that the trade/loan receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying value and the estimated future cash flows. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within distribution costs. When a receivable is uncollectable, it is written off against the provision account for receivables. Subsequent recoveries of amounts previously written off are credited against distribution costs in the income statement. Where risks associated with receivables are transferred out of the Group under debt purchase agreements, such receivables are recognised in the statement of financial position to the extent of the Group's continued involvement and retained risk.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. In the statement of financial position, bank overdrafts, if applicable, are included in borrowings in current liabilities.

(l) Income taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax

Current tax is calculated on the basis of tax laws enacted or substantially enacted at the statement of financial position date in countries where the Group operates and generates taxable income, taking into account adjustments relating to prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provision, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, only when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balance on a net basis.

(m) Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The fair value of plan assets are measured at their bid value.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Past-service costs, negative or positive, are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

A curtailment arises when the Group is demonstrably committed to make a significant reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan, so that a significant element of future service by current employees will no longer qualify for benefits or will qualify for reduced benefits. A past service cost, negative or positive, arises following a change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post employment benefits. A settlement arises where the Group is relieved of responsibility for a pension obligation and eliminates significant risk relating to the obligation and the assets used to effect the settlement. Losses arising on settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Group becomes demonstrably committed to the transaction. Gains arising on a settlement or curtailment are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction. Curtailment and settlement gains and losses are dealt with in the income statement.

Payments to defined contribution schemes are charged as an expense when they fall due.

(ii) Share based payments

The Group operates a number of equity settled share based compensation plans which include executive share option schemes and share awards.

The charge to the income statement in respect of share-based payments is based on the fair value of the equity instruments granted and is spread over the vesting period of the instrument. The fair value of the instruments is calculated using the binomial model. In accordance with the transition arrangements set out in IFRS 2 – Share Based Payments, this standard has been applied in respect of share options granted after 7 November 2002 which had not vested by the date of transition to IFRS (4 January 2004).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iii) Awards under the 2007 Long Term Incentive Plan and 2008 Long Term Incentive Plan

The fair value of shares awarded under the 2007 LTIP and 2008 LTIP schemes are determined using a Monte Carlo simulation technique. The LTIP contains inter alia a Total Shareholder Return (TSR) based (and hence market-based) vesting condition and, accordingly, the fair value assigned to the related equity instruments on initial application of IFRS 2 is adjusted so as to reflect the anticipated likelihood at the grant date of achieving the market-based vesting condition.

(n) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Research and development taxation credits are recognised at their fair value in operating profit where there is reasonable assurance that the credit will be received.

(o) Revenue recognition

Revenue comprises the fair value of the consideration receivable for the sale of goods and services to external customers net of value added tax, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefit will flow to the entity and when specific criteria have been met for each of the Group's activities. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer in the ordinary course of the Group's business, which generally arises on delivery or in accordance with specific terms and conditions agreed with customers. The timing of recognition of services revenue equals the timing of when the services are rendered. Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment is established. Revenue from the sale of property is recognised when there is an unconditional and irrevocable contract for sale.

(p) Impairment of assets

(i) Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss is measured as the difference between the acquisition cost and the current fair value. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in (j) above.

(ii) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets which have a finite useful life are subject to amortisation and reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable. Goodwill is reviewed at least annually for impairment. An impairment loss is recognised to the extent that the carrying value of the assets exceeds their recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Own shares

The cost of own shares, held by an Employee Share Trust in connection with the Company's Sharesave Scheme, is deducted from equity. Ordinary shares purchased under the terms of the 2007 LTIP and 2008 LTIP schemes are accounted for as own shares and recorded as a deduction from equity.

(r) Dividends

Dividends to the Company's shareholders are recognised as a liability of the Company when approved by the Company's shareholders.

(s) Derivative financial instruments

The activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses derivative financial instruments such as foreign exchange contracts, interest rate swap contracts and currency swap contracts to hedge these exposures.

The Group accounts for financial instruments under IAS 32 (Amendment), 'Financial Instruments: Presentation', IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' and IFRS 7 – Financial Instruments Disclosures. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the reporting date.

The fair value of forward foreign currency contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using the European Central Bank interest rate at the measurement date.

The fair value of interest rate swaps is based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The fair value of commodity contracts is estimated by discounting the difference between the contracted futures price and the current forward price for the residual maturity of the contracts using the European Central Bank and US Federal Reserve interest rates.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and every six months, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 32. Movements on the hedging reserve are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The recycled gain or loss relating to the effective portion of interest rate swaps hedging variable interest rates on borrowings is recognised in the income statement within 'finance costs'. The recycled gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within revenue. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(iv) Financial guarantee contracts
Financial guarantee contracts are issued to banking institutions by the Company on behalf of certain of its subsidiaries. These subsidiaries engage in ongoing financing arrangements with these banking institutions. Under the terms of IAS 39 – Financial Instruments: Recognition and Measurement, financial guarantee contracts are required to be recognised at fair value at inception and subsequently measured as a provision under IAS 37 – Provisions, Contingent Liabilities and Contingent Assets on the company statement of financial position.

Guarantees provided by the Company over the payment of employer contributions in respect of the UK defined benefit pension schemes are treated as insurance contracts.

(t) Earnings per share
Earnings per share represents the profit in cents attributable to owners of the Company, divided by the weighted average number of ordinary shares in issue during the period.

Adjusted earnings per share is calculated on the net profit attributable to the owners of the Company, pre exceptional items and intangible asset amortisation (net of related tax). Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(u) Borrowing costs
In accordance with IAS 23 (Revised), 'Borrowing Costs', borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. Other borrowing costs are expensed.

(v) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as borrowings. The dividends on these preference shares are recognised in the income statement as a finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(w) Provisions
Provisions are recognised when the Group has a constructive or legal obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as an interest expense.

(x) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(y) Exceptional items
The Group has adopted an income statement format that seeks to highlight significant items within the Group results for the year. Such items

may include restructuring, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements, legislative changes and profit or loss on disposal of investments. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and notes as exceptional items.

(z) New accounting standards and IFRIC interpretations

The Group's assessment of the impact of these new standards and interpretations is set out below:

The following standards and interpretations, issued by the IASB and the International Financial Reporting Interpretations Committee ('IFRIC'), are effective for the Group for the first time in the year ended 31 December 2011 and have been adopted by the Group:

> Improvements to IFRS's 2010

> IAS 24 (Amendment), 'Related Party Disclosures'

> IAS 32 (Amendment), 'Classification of Rights Issues'

> IFRIC 14, 'Prepayments of a minimum funding requirement'

> IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments'

Adoption of the standards and the interpretations above had no significant impact on the results or financial position of the Group during the year ended 31 December 2011.

The following standards, amendments and interpretations have been published. The Group will apply the relevant standards from their effective dates and is currently assessing their impact on the Group's financial statements. The standards are mandatory for future accounting periods but are not yet effective and have not been early adopted by the Group.

Amendment to IFRS 7 'Disclosures-Transfer of Financial Assets', (effective for annual periods beginning on or after 1 July 2011).
The amendment is subject to EU endorsement. The amendment addressed disclosures required to help users of financial statements evaluate the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position.

Amendment to IAS 12, 'Recovery of Underlying Assets' (effective for financial periods beginning on or after 1 January 2012).
The amendment provides a practical approach for measuring deferred income tax assets when investment property is measured using the fair value model in IAS 40 - Investment Property. The amendment is subject to EU endorsement.

IFRS 9, 'Financial Instruments', (effective for financial periods beginning on or after 1 January 2015).
This standard is still subject to EU endorsement. IFRS 9 is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a single model that has only two categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing financial assets. IFRS 9 removes the requirement to separate embedded derivatives from financial asset hosts. IFRS 9 removes the cost exemption for unquoted equities.

Amendment to IAS 19, 'Employee Benefits', (effective for financial periods beginning on or after 1 January 2013).
This amendment is still subject to EU endorsement. The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and significantly increases the volume of disclosures.

Amendment to IAS 1, 'Presentation of Items of Other Comprehensive Income (OCI) (effective for financial periods beginning on or after 1 July 2011).
The amendment introduces a requirement for entities to group items of OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

IFRS 10, Consolidated Financial Statements', (effective for financial periods beginning on or after 1 January 2013).
This standard is still subject to EU endorsement. IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC 12. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single entity remains unchanged, as do the mechanics of consolidation. IAS 27 is renamed 'Separate Financial Statements' and is now a standard dealing solely with separate financial statements.

IFRS 11, 'Joint Arrangements', (effective for financial periods beginning on or after 1 January 2013).
This standard is still subject to EU endorsement. IFRS 11 eliminates the existing accounting policy choice of proportionate consolidation for jointly controlled entities. IFRS 11 makes equity accounting mandatory for participants in joint ventures. Changes in definitions also mean that the types of joint arrangements have been reduced from three to two; joint operations and joint ventures.

IFRS 12, 'Disclosure of Interest in Other Entities', (effective for financial periods beginning on or after 1 January 2013).
This standard is still subject to EU endorsement. IFRS 12 sets out the required disclosures for entities' reporting under IFRS 10 and IFRS 11. IFRS 12 requires entities to disclose information about the nature, risks and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

IFRS 13, 'Fair Value Measurement', (effective for financial periods beginning on or after 1 January 2013).
This standard is still subject to EU endorsement. IFRS 13 explains how to measure fair value and enhances fair value disclosures.

3. Financial risk management

3.1 Financial risk factors

The conduct of its ordinary business operations necessitates the Group holding and issuing financial instruments and derivative financial instruments. The main risks arising from issuing, holding and managing these financial instruments typically include currency risk, interest rate risk, price risk, liquidity & cash flow risk and credit risk. The Group approach is to centrally manage these risks against comprehensive policy guidelines, which are summarised below.
The Group does not engage in holding or issuing speculative financial instruments or derivatives thereof. The Group finances its operations by a mixture of retained profits, preference shares, medium-term committed borrowings and short-term uncommitted bank borrowings. The Group borrows in the major global debt markets in a range of currencies at both fixed and floating rates of interest, using derivatives where appropriate to generate the desired effective currency profile and interest rate basis.

Risk management, other than credit risk management, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's business units.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

(a) Currency risk

Although the Group is based in Ireland and has extensive euro operations, it has significant investment in overseas operations primarily in the USA. As a result currency movements, particularly movements in the US dollar/euro exchange rate, can significantly affect the Group's euro statement of financial position and income statement. The Group actively seeks to manage these currency exposures by financing currency assets with equivalent currency borrowings, leaving the residual net assets unhedged and accordingly exposed to foreign currency translation risk.

The Group also has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. Group companies are required to hedge foreign exchange risk exposure through Group Treasury.

Group Treasury monitors and manages these currency exposures on a continuous basis, using approved hedging strategies, (including net investment hedges) and appropriate currency derivative instruments. Group Treasury's risk management practice is to hedge up to 100% of contracted and highly probable currency cash flows (mainly export sales and purchase of inventory) over succeeding 12 month time frames.

At 31 December 2011 and 1 January 2011, if the euro had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would not have been materially impacted as a result of foreign exchange gains/losses on translation of US dollar denominated non-hedged trade receivables, cash and cash equivalents.

A weakening/strengthening of the euro against the US dollar by 5% as at 31 December 2011 would have resulted in a currency translation gain/loss of approximately €20.6 million (2010: €19.7 million), which would be recognised directly in other comprehensive income.

At 31 December 2011 and 1 January 2011, if the euro had weakened/strengthened by 5% against the UK pound with all other variables held constant, post-tax profit for the year would not have been materially impacted as a result of foreign exchange gains/losses on translation of UK pound-denominated non-hedged trade receivables, cash and cash equivalents.

A weakening/strengthening of the euro against the UK pound by 5% as at 31 December 2011 would have resulted in a currency translation gain/loss of approximately €1.8 million (2010: €1.0 million), which would be recognised directly in other comprehensive income.

(b) Interest rate risk

The Group's objective in relation to interest rate management is to minimise the impact of interest rate volatility on interest costs in order to protect reported profitability. This is achieved by determining a long-term strategy against a number of policy guidelines, which focus on (a) the amount of floating rate indebtedness anticipated over such a period and (b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability. The Group borrows at both fixed and floating rates of interest and uses interest rate swaps to manage the Group's resulting exposure to interest rate fluctuations. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain no more than one third of its projected debt exposure on a floating rate basis over any succeeding 12 month period, with further minimum guidelines over succeeding 24 and 36 month periods.

The Group, on a continuous basis, monitors the level of fixed rate cover dependent on prevailing fixed market rates, projected debt and market informed interest rate outlook.

Based on the Group's unhedged variable rate debt in all currencies throughout 2011, a 1% increase in prevailing market interest rates would have resulted in a €1.8 million loss (2010: €1.8 million loss), with no impact on other comprehensive income.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under these interest rate swaps, the Group agrees with other parties to exchange at specified intervals, the difference between fixed interest rate amounts and floating rate interest amounts calculated by reference to the agreed notional amounts.

Occasionally the Group enters into fixed to floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates.

(c) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group in listed and unlisted securities and classified on the Group statement of financial position as available for sale financial assets. Certain securities are carried at cost and therefore are not exposed to price risk.

To manage its price risk arising from investments in listed equity securities, the Group does not maintain a significant balance with any one entity. Diversification of the portfolio must be done in accordance with the limits set by the Group. The impact of a 5% increase or decrease in equity indexes across the eurozone countries would not have any impact on Group operating profit.

To manage its exposure to certain commodity markets the Group enters commodity futures contracts.

For further details regarding the Group's price risk see note 32 – derivative financial instruments.

(d) Liquidity and cash flow risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities. In order to preserve continuity of funding, the Group's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business, during the succeeding 12-month period. This means that at any time the lenders providing facilities in respect of this finance requirement are required to give at least 12-months notice of their intention to seek repayment of such facilities. At the year end, the Group had multi-currency committed term facilities of €987.7 million (2010: €734.2 million) of which €279.2 million (2010: €101.2 million) was undrawn. The weighted average maturity of these facilities was 3.4 years (2010: 2.2 years).

For further details regarding the Group's borrowing facilities see note 26 – borrowings.

(e) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum credit rating of A- are accepted. The minimum credit rating applicable to a counterparty used for derivative financial instruments is A-. Exception to this policy is currently being permitted for credit risk to relationship banks that do not meet the designated credit rating but are covered by an Irish sovereign guarantee.

The Group's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and where appropriate, credit risk is covered by credit insurance and by holding appropriate security or liens.

The Group enters into debt purchase agreements with certain financial institutions for part of its trade receivable balances. Where this is done the credit risk is transferred but in some cases limited late payment risk is retained.

For further details regarding the Group's credit risk see note 19 – trade and other receivables.

The table below analyses the Group's financial liabilities, which will be settled on a net basis into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within one year equal their carrying value balances as the impact of discounting is not significant.

Financial liabilities	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 31 December 2011					
Borrowings	52,808	343,108	62,971	251,179	710,066
Future finance costs	34,052	25,618	43,239	60,495	163,404
Derivative financial instruments	5,657	1,339	–	–	6,996
Trade and other payables[1]	223,458	–	–	–	223,458
	315,975	**370,065**	**106,210**	**311,674**	**1,103,924**
Less future finance costs	(34,052)	(25,618)	(43,239)	(60,495)	(163,404)
	281,923	**344,447**	**62,971**	**251,179**	**940,520**

Financial liabilities	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 1 January 2011					
Borrowings	972	205,853	426,423	–	633,248
Future finance costs	25,307	20,107	10,328	–	55,742
Derivative financial instruments	6,487	2,221	1,155	–	9,863
Trade and other payables[1]	186,612	–	–	–	186,612
	219,378	**228,181**	**437,906**	**–**	**885,465**
Less future finance costs	(25,307)	(20,107)	(10,328)	–	(55,742)
	194,071	**208,074**	**427,578**	**–**	**829,723**

The Company has cash at bank of €5.3 million at year end (2010: €8.2 million). The contractual undiscounted cash flows equal the balance as at 31 December 2011 and 1 January 2011.

[1] Excludes accrued expenses and social security costs.

The table below analyses the Group's foreign exchange contracts, which will be settled on a gross basis into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Foreign exchange contracts	**Less than 1 year €'000**	**Between 1 and 2 years €'000**	**Between 2 and 5 years €'000**	**More than 5 years €'000**	**Total €'000**
At 31 December 2011					
Foreign exchange contracts – cash flow hedges					
Inflow	717	–	–	–	717
Outflow	(2,028)	–	–	–	(2,028)
	(1,311)	**–**	**–**	**–**	**(1,311)**

Foreign exchange contracts	**Less than 1 year €'000**	**Between 1 and 2 years €'000**	**Between 2 and 5 years €'000**	**More than 5 years €'000**	**Total €'000**
At 1 January 2011					
Foreign exchange contracts – cash flow hedges					
Inflow	590	–	–	–	590
Outflow	(600)	–	–	–	(600)
	(10)	**–**	**–**	**–**	**(10)**

3.2 Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated based on equity as shown in the statement of financial position and net debt which amounted to €1,003.3 million (2010: €832.5 million).

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to increase or reduce debt or buy back shares.

The Group monitors debt capital on the basis of interest cover and debt to EBITDA ratios. At 31 December 2011, the Group's debt/adjusted EBITDA ratio was 2.1 times (2010: 2.1 times), which is deemed by management to be prudent and in line with industry norms. Adjusted EBITDA for the purpose of financing ratios is Group EBITDA plus dividends received from Joint Ventures & Associates.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at 31 December 2011. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at 31 December 2011.

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values due to the short-term nature of trade receivables and trade payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at current market interest rates that are available to the Group for similar financial instruments.

In accordance with IFRS 7 – 'Financial Instruments: Disclosures', the Group has disclosed the fair value of instruments by the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1);
- inputs, other than quoted prices included in level 1, that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities, which are measured at fair value at 31 December 2011 and 1 January 2011.

At 31 December 2011	Notes	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Assets					
Derivatives used for hedging	32	–	6,161	–	6,161
Available for sale financial assets – equity securities	18	152	1,490	–	1,642
Total assets		**152**	**7,651**	**–**	**7,803**
Liabilities					
Derivatives used for hedging	32	–	(6,976)	–	(6,976)
Total liabilities		**–**	**(6,976)**	**–**	**(6,976)**

At 1 January 2011	Notes	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Assets					
Derivatives used for hedging	32	–	5,555	–	5,555
Available for sale financial assets – equity securities	18	143	2,983	–	3,126
Total assets		**143**	**8,538**	**–**	**8,681**
Liabilities					
Derivatives used for hedging	32	–	(9,802)	–	(9,802)
Total liabilities		**–**	**(9,802)**	**–**	**(9,802)**

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment reviews of goodwill and indefinite life intangibles

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2 (f). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates.

The intangible assets of Customised Premix Solutions - Europe, Customised Premix Solutions - North America and Performance Nutrition - North America, including goodwill arising on acquisition of €254.4 million (2010: €229.1 million), were tested for impairment using projected cash flows over a ten year period. A reduction in projected EBITDA of 10% or an increase in the discount factor used by 1% would not result in an impairment of the assets. A rate of zero percent has been used to estimate cash flow growth between three and ten years. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. The classification of intangible assets as indefinite is reviewed annually. Additional information in relation to impairment reviews are disclosed in note 15 - intangibles assets.

(b) Income taxes

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group takes the advice of external experts to help minimise this risk.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

The decision to recognise deferred income tax assets (or not) also requires judgement as it involves an assessment of future recoverability of those assets.

(c) Post-employment benefits

The Group operates a number of post employment defined benefit plans. The rates of contributions payable, the pension cost and the Group's total obligation in respect of defined benefit plans is calculated and determined by independent qualified actuaries and updated at least annually. The Group has plan assets totalling €400.0 million (2010: €389.3 million) and plan liabilities of €448.4 million (2010: €437.9 million) giving a net pension deficit of €48.4 million (2010: €48.6 million) for the Group. The size of the obligation and cost of the benefits are sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The Group has reviewed the impact of a change in the discount rate used and concluded that based on the pension deficit at 31 December 2011, an increase in the discount rates applied of 10 basis points across the various defined benefit plans, would have the impact of decreasing the pension deficit for the Group by €7.1 million (2010: €6.7 million).

The curtailment gains and negative past service costs have been calculated by management using certain estimates and judgements, primary among these being the inflation rate, investment strategy approach and discount rate assumed, the final determination of which may be different as actual results become certain. Additional information in relation to post employment benefits is disclosed in note 28 - retirement benefit obligations.

(d) Estimating lives for depreciation of property, plant and equipment and intangible assets

Long-lived assets comprising primarily property, plant and equipment and intangible assets, represent a significant portion of total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Directors regularly review these useful lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, pattern of consumption, the physical condition and expected economic utilisation of the asset. Changes in the useful lives can have a significant impact on the depreciation and amortisation charge for the period. Details of the useful lives are included in the accounting policies 2 (e) and 2 (f) above. The impact of any change could vary significantly depending on the individual changes in assets and the classes of assets impacted. The Group has reviewed the impact of a change in useful lives on land and buildings and a one-year reduction in useful lives would result in a €0.2 million (2010: €0.2 million) reduction in operating profit.
The Group has also reviewed the impact of a change in useful lives in plant and equipment and a one year reduction in useful lives would result in a €2.2 million (2010: €2.2 million) reduction in operating profit.

The Group has reviewed the impact of a change in the amortisation period of customer relationships and a one-year reduction in the write-off period would result in a €1.0 million (2010 €0.7 million) reduction in operating profit.

The Group has reviewed the impact on indefinite life intangible assets by assigning a finite life to these assets and a 20-year useful life estimate would have a €4.6 million (2010: €4.5 million) negative impact on operating profit. Additional information in relation to property, plant and equipment and intangible assets is disclosed in notes 14 and 15.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The Group has used discounted cash flow analysis for various available for sale financial assets that are not traded in active markets. The carrying amount of available for sale financial assets would not be materially different were the discounted rate used in the discounted cash flow analysis to differ by 10% from management's estimates.

(f) Impairment of available for sale financial assets

The Group follows the guidance of IAS 39 to determine when an available for sale financial asset is impaired. This determination can require significant judgement. In making this judgement, the Group evaluates, among other things the extent to which the fair value of an investment is less than its costs; the financial health of and short term business outlook for the investee; industry factors such as industry and sector performance; and changes in technology and operational and financing cashflow. At 31 December 2011 the fair value of available for sale financial assets is greater than the original cost.

(g) Risks associated with the future of the euro currency

In December 2011, the Board considered the risks associated with the future of the euro currency across a number of dimensions such as; market locations, currency impact on earnings, assets and liabilities and financing requirements. The Board concluded that the Group is positioned to deal with any change to the euro as a currency bloc.

(h) Provisions

Provisions are recognised when the Group has constructive or legal obligations as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and when the amount has been reliably estimated. The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the reporting date, taking account of the risks and uncertainties surrounding the obligation. Actual results may differ from these estimates.

5. Segment information

In accordance with IFRS 8 - Operating Segments the Group has four segments, as follows: US Cheese & Global Nutritionals, Dairy Ireland, Joint Ventures & Associates and Other Business. These segments align with the Group's internal financial reporting system and the way in which the Chief Operating Decision Maker assesses performance and allocates the Group's resources. A segment manager is responsible for each segment and is directly accountable for the performance of that segment to the Group Operating Executive Committee which acts as the Chief Operating Decision Maker for the Group. Each segment derives its revenue as follows: US Cheese & Global Nutritionals earns its revenue from the manufacture and sale of cheese, whey protein and other nutritional solutions; Dairy Ireland earns its revenue from the manufacture and sale of a range of dairy products and farm inputs; Joint Ventures & Associates revenue arises from the manufacture and sale of cheese, whey proteins and dairy consumer products. The Other Business segment refers to all other businesses which comprise a Property business unit, a small dairy sales office in Mexico which ceased trading in June 2011 and a small dairy processing operation in Mexico which was disposed of in September 2010.

Each segment is reviewed in its totality by the Chief Operating Decision Maker.

The Group Operating Executive Committee assesses the trading performance of operating segments based on a measure of earnings before interest, tax, amortisation and exceptional items.

5.1 The segment results for the year ended 31 December 2011 are as follows:

		US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Total gross segment revenue	(a)	1,319,944	1,365,823	524,293	1,046	3,211,106
Inter-segment revenue		(3,023)	(12,639)	–	–	(15,662)
Segment external revenue		**1,316,921**	**1,353,184**	**524,293**	**1,046**	**3,195,444**
Segment earnings before interest, tax, amortisation and exceptional items	(b)	**122,194**	**57,854**	**25,226**	**(550)**	**204,724**

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €98.7 million and related party sales between US Cheese & Global Nutritionals and Joint Ventures & Associates of €12.4 million. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

5.1 (a): Segment revenue is reconciled to reported external revenue as follows:

	2011 €'000
Segment revenue	**3,211,106**
Inter-segment revenue	(15,662)
Joint Ventures & Associates revenue	(524,293)
Reported external revenue	**2,671,151**

5.1 (b): Segment earnings before interest, tax, amortisation and exceptional items are reconciled to reported profit before tax and profit after tax as follows:

	2011 €'000
Segment earnings before interest, tax, amortisation and exceptional items	**204,724**
Amortisation	(18,472)
Exceptional items – rationalisation costs	(8,723)
Joint Ventures & Associates interest and tax	(10,895)
Finance income	3,056
Finance costs	(30,997)
Reported profit before tax	**138,693**
Income taxes	(25,885)
Reported profit after tax	**112,808**

Finance income, finance costs and income taxes are not allocated to segments, as this type of activity is driven by central treasury and taxation functions which manage the cash and taxation position of the Group.

Other segment items included in the income statement for the year ended 31 December 2011 are as follows:

	US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Depreciation of property, plant and equipment	13,272	20,868	7,653	–	**41,793**
Amortisation of intangibles	14,198	4,274	–	–	**18,472**
Capital grants released to the income statement	(57)	(1,383)	(268)	–	**(1,708)**
Exceptional items – rationalisation costs	–	8,723	–	–	**8,723**

The segment assets and liabilities at 31 December 2011 and segment capital expenditure and acquisitions for the year then ended are as follows:

		US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Segment assets	(c)	931,923	571,681	85,237	14,215	**1,603,056**
Segment liabilities	(d)	268,418	266,542	–	1,190	**536,150**
Segment capital expenditure and acquisitions	(e)	140,833	30,432	4,042	–	**175,307**

5.1 (c): Segment assets are reconciled to reported assets as follows:

	2011 €'000
Segment assets	**1,603,056**
Unallocated assets	245,120
Reported assets	**1,848,176**

Unallocated assets primarily include tax, cash and cash equivalents, available for sale financial assets and derivatives.

5.1 (d): Segment liabilities are reconciled to reported liabilities as follows:

	2011 €'000
Segment liabilities	**536,150**
Unallocated liabilities	789,077
Reported liabilities	**1,325,227**

Unallocated liabilities primarily include items such as tax, borrowings and derivatives.

5.1 (e): Segment capital expenditure and acquisitions are reconciled to reported capital expenditure and acquisitions as follows:

	2011 €'000
Segment capital expenditure and acquisitions	**175,307**
Joint Ventures & Associates capital expenditure	(4,042)
Unallocated capital expenditure	215
Reported capital expenditure and acquisitions	**171,480**

5.2 The segment results for the year ended 1 January 2011 are as follows:

		US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Total gross segment revenue	(a)	1,024,653	1,154,023	416,564	6,244	2,601,484
Inter-segment revenue		(2,752)	(15,473)	–	–	(18,225)
Segment external revenue		**1,021,901**	**1,138,550**	**416,564**	**6,244**	**2,583,259**
Segment earnings before interest, tax, amortisation and exceptional items	(b)	**104,506**	**47,943**	**21,560**	**(831)**	**173,178**

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €69.2 million and related party sales between US Cheese & Global Nutritionals and Joint Ventures & Associates of €9.4 million. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

5.2 (a): Segment revenue is reconciled to reported external revenue as follows:

	2010 €'000
Segment revenue	**2,601,484**
Inter-segment revenue	(18,225)
Joint Ventures & Associates revenue	(416,564)
Reported external revenue	**2,166,695**

5.2 (b): Segment earnings before interest, tax, amortisation and exceptional items are reconciled to reported profit before tax and profit after tax as follows:

	2010 €'000
Segment earnings before interest, tax, amortisation and exceptional items	**173,178**
Amortisation	(15,111)
Exceptional items – defined benefit pension schemes	10,238
Joint Ventures & Associates interest and tax	(11,457)
Finance income	3,290
Finance costs	(25,420)
Reported profit before tax	**134,718**
Income taxes	(26,085)
Reported profit after tax	**108,633**

Finance income, finance costs and income taxes are not allocated to segments, as this type of activity is driven by central treasury and taxation functions which manage the cash and taxation position of the Group.

Other segment items included in the income statement for the year ended 1 January 2011 are as follows:

	US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Depreciation of property, plant and equipment	12,514	19,997	6,823	58	**39,392**
Amortisation of intangibles	10,711	4,400	6	–	**15,117**
Capital grants released to the income statement	(330)	(1,089)	(526)	–	**(1,945)**
Exceptional items – defined benefit pension schemes	–	(10,238)	–	–	**(10,238)**

The segment assets and liabilities at 1 January 2011 and segment capital expenditure and acquisitions for the year then ended are as follows:

		US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Segment assets	(c)	725,960	556,455	87,362	17,041	**1,386,818**
Segment liabilities	(d)	200,380	288,125	–	1,536	**490,041**
Segment capital expenditure and acquisitions	(e)	23,085	13,522	11,901	124	**48,632**

5.2 (c): Segment assets are reconciled to reported assets as follows:

	2010 €'000
Segment assets	**1,386,818**
Unallocated assets	240,027
Reported assets	**1,626,845**

Unallocated assets primarily include tax, cash and cash equivalents, available for sale financial assets and derivatives.

5.2 (d): Segment liabilities are reconciled to reported liabilities as follows:

	2010 €'000
Segment liabilities	**490,041**
Unallocated liabilities	712,400
Reported liabilities	**1,202,441**

Unallocated liabilities primarily include items such as tax, borrowings and derivatives.

5.2 (e): Segment capital expenditure and acquisitions are reconciled to reported capital expenditure and acquisitions as follows:

	2010 €'000
Segment capital expenditure and acquisitions	**48,632**
Joint Ventures & Associates capital expenditure	(11,901)
Unallocated capital expenditure	466
Reported capital expenditure and acquisitions	**37,197**

5.3 Entity wide disclosures

Revenue from external customers for each group of similar product in the US Cheese & Global Nutritionals, Dairy Ireland, Joint Ventures & Associates and Other Business segments are outlined in section 5.1 and 5.2 above.

Geographical information

Revenue by geographical destination is reviewed by the Chief Operating Decision Maker. The breakdown of revenue by geographical destination is as follows:

	2011 €'000	2010 €'000
Ireland	799,489	725,834
UK	162,028	137,874
Rest of Europe	254,991	189,308
USA	1,119,417	901,717
Other	335,226	211,962
	2,671,151	**2,166,695**

Revenue of approximately €320.0 million (2010: €249.6 million) is derived from a single external customer. The breakdown of revenue by geographical destination for 2010 has been updated to reflect the current year classification.

The total of non-current assets, other than financial instruments and deferred income tax assets, located in Ireland is €267.8 million (2010: €271.5 million) and located in other countries, mainly the USA is €690.4 million (2010: €562.6 million).

6. Operating expenses

The following items have been included in arriving at operating profit:

	Notes	2011 €'000	2010 €'000
Depreciation of property, plant and equipment			
– Owned assets	14	32,771	31,177
– Leased assets under finance leases	14	1,369	1,392
Loss on disposal of property, plant and equipment	35	363	957
Repairs and maintenance expenditure on property, plant and equipment		28,101	27,207
Exceptional items (pre tax)			
– Rationalisation costs	7	8,723	–
– Irish defined benefit pension schemes	7	–	(10,238)
Net foreign exchange (gain)/loss		(1,108)	3,430
Amortisation of intangible assets			
– Software costs	15	4,854	4,924
– Other intangible assets	15	13,618	10,187
Increase in inventories		32,974	102,304
Raw materials and consumables used		1,954,496	1,448,569
Energy costs		32,835	28,324
Sales and marketing costs		68,169	56,390
Impairment charge for bad and doubtful debts		6,173	1,357
Amortisation of capital grants	30	(1,440)	(1,419)
Operating lease rentals			
– Plant and machinery	14	4,493	8,376
– Other	14	8,618	3,345
Employee benefit expense – pre exceptional	8	201,070	190,172
Auditors' remuneration*			
– Statutory audit of Group companies		566	546
– Other assurance services		697	834
– Tax advisory services		986	930
– Other non-audit services		270	2
Research and development costs		8,397	8,037
Other expenses		111,853	103,147
Total operating expenses		**2,518,848**	**2,019,950**

	2011 €'000	2010 €'000
Reconciliation of total operating expenses to the income statement		
Cost of sales	2,236,515	1,784,263
Distribution expenses	140,940	115,896
Administration expenses	141,393	130,029
Other gains and losses	–	(10,238)
Total operating expenses	**2,518,848**	**2,019,950**

* Auditors' remuneration for the Company in respect of its statutory audit amounted to €35,000 (2010: €35,000)

7. Exceptional items

	Notes	2011 €'000	2010 €'000
Rationalisation costs	(a)	(8,723)	–
Irish defined benefit pension scheme	(b)	–	10,238
Total exceptional (charge)/credit before tax		**(8,723)**	**10,238**
Exceptional tax credit/(charge)	11	1,090	(558)
Net exceptional (charge)/credit		**(7,633)**	**9,680**

(a) An exceptional charge of €8.7 million was incurred during 2011, primarily relating to rationalisation costs in the Dairy Ireland segment.

(b) During 2010, revisions to the Group's pension arrangements for three Irish defined benefit pension schemes, consistent with the revisions made to the Group's main pension schemes, were finalised giving rise to an exceptional gain, in accordance with IAS 19 - Employee Benefits, in the year of €10.2 million. This gain relates to curtailment gains and negative past service costs of €1.7 million and €10.9 million respectively offset by a change in the estimate of the prior year curtailment of €2.4 million.

8. Employee benefit expense

	Notes	2011 €'000	2010 €'000
Wages and salaries		172,949	159,434
Termination costs		–	749
Social security costs		19,483	17,234
Cost of share based payments	22	2,388	2,937
Pension costs – defined contribution schemes	28	3,020	2,750
Pension costs – defined benefit schemes	28	3,230	7,068
		201,070	**190,172**
Exceptional item – curtailment gains and negative past service costs		–	(4,651)
Exceptional item – rationalisation costs	7	8,723	–
		209,793	**185,521**

The average number of employees, excluding the Group's Joint Ventures & Associates, in 2011 was 3,560 (2010: 3,311) and is analysed into the following categories:

	2011	2010
US Cheese & Global Nutritionals	1,858	1,570
Dairy Ireland	1,699	1,682
Other Business	3	59
	3,560	**3,311**

9. Directors' remuneration

The Directors' remuneration information is shown on pages 60 to 65 in the Governance section of this report.

10. Finance income and costs

	2011 €'000	2010 €'000
Finance income		
Interest income	2,874	3,008
Interest income on deferred consideration	182	282
Total finance income	**3,056**	**3,290**
Finance costs		
Bank borrowings repayable within five years	(14,092)	(13,001)
Interest cost on deferred consideration	(106)	(80)
UK pension provision	(113)	(121)
Finance lease costs	(188)	(256)
Interest rate swaps, transfer from equity	(4,876)	(7,613)
Interest rate swaps, fair value hedges	2,308	2,733
Fair value adjustment to borrowings attributable to interest rate risk	(2,308)	(2,733)
Finance cost of private debt placement	(7,273)	–
Finance cost of preference shares	(4,349)	(4,349)
Total finance costs	**(30,997)**	**(25,420)**
Net finance costs	**(27,941)**	**(22,130)**

Net finance costs exclude borrowing costs attributable to the acquisition, construction or production of a qualifying asset.

11. Income taxes

	Notes	2011 €'000	2010 €'000
Current tax			
Irish current tax		8,641	11,620
Adjustments in respect of prior years		(435)	(422)
Irish current tax on income for the year		**8,206**	**11,198**
Foreign current tax		6,223	2,285
Adjustments in respect of prior years		1,539	1,050
Foreign current tax on income for the year		**7,762**	**3,335**
Total current tax		**15,968**	**14,533**
Deferred tax	27	11,007	10,994
Pre exceptional tax charge		**26,975**	**25,527**
Exceptional tax (credit)/charge			
Current tax	(a)	(1,090)	–
Deferred tax	(b)	–	558
Total tax charge		**25,885**	**26,085**

(a) The rationalisation cost charged during the year resulted in an exceptional current tax credit of €1.1 million.

(b) The curtailment gains and negative past service costs recognised in the defined benefit pension schemes in 2010 resulted in an exceptional deferred tax charge of €0.6 million.

The exceptional net tax credit and charge in 2011 and 2010, relating to costs and income which have been presented as exceptional, have been separately disclosed above.

The tax on the Group's profit before tax differs from the theoretical amount that would arise applying the corporation tax rate in Ireland, as follows:

	2011 €'000	2010 €'000
Profit before tax	**138,693**	**134,718**
Income tax calculated at Irish rate of 12.5% (2010: 12.5%)	17,337	16,840
Earnings at higher/(reduced) Irish rates	836	(902)
Difference due to overseas tax rates	7,496	6,999
Adjustment to tax charge in respect of previous periods	(1,170)	(1,811)
Tax on post tax profits of Joint Ventures & Associates included in profit before tax	(1,791)	(1,263)
Expenses not deductible for tax purposes and other differences	3,177	6,222
Total tax charge	**25,885**	**26,085**

Details of deferred income tax charged or credited directly to other comprehensive income during the year are outlined in note 27.

Factors that may affect future tax charges and other disclosure requirements
The total tax charge in future periods will be affected by any changes to the applicable tax rates in force in jurisdictions in which the Group operates and other relevant changes in tax legislation, including amendments impacting on the excess of tax depreciation over accounting depreciation. The total tax charge of the Group may also be influenced by the effects of corporate development activity.

12. Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the Parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as own shares (note 22 f).

	2011	2010
Profit attributable to equity holders of the Parent (€'000)	112,178	108,047
Weighted average number of ordinary shares in issue	293,536,350	293,105,068
Basic earnings per share (cents per share)	**38.22**	**36.86**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. Share options are potential dilutive ordinary shares. In respect of share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of all share options.

	2011	2010
Weighted average number of ordinary shares in issue	293,536,350	293,105,068
Adjustments for share options	2,413,436	1,874,570
Adjusted weighted average number of ordinary shares	295,949,786	294,979,638
Diluted earnings per share (cents per share)	**37.90**	**36.63**

Adjusted

Adjusted earnings per share is calculated on the net profit attributable to equity holders of the Parent, before net exceptional items and intangible asset amortisation (net of related tax). Adjusted earnings per share is considered to be more reflective of the Group's overall underlying performance.

	2011 €'000	2010 €'000
Profit attributable to equity holders of the Parent	112,178	108,047
Amortisation of intangible assets (net of related tax)	16,163	13,222
Net exceptional items	7,633	(9,680)
Adjusted net income	135,974	111,589
Adjusted earnings per share (cents per share)	**46.32**	**38.07**
Diluted adjusted earnings per share (cents per share)	**45.94**	**37.83**

13. Dividends

The dividends paid in 2011 and 2010 were €22.9 million (7.82 cents per share) and €20.5 million (6.98 cents per share) respectively. On 14 October 2011 an interim dividend of 3.33 cents per share on the ordinary shares amounting to €9.7 million was paid to shareholders on the register of members at 2 September 2011. The Directors have recommended the payment of a final dividend of 4.94 cents per share on the ordinary shares which amounts to €14.5 million. Subject to shareholders approval, this dividend will be paid on 11 May 2012 to shareholders on the register of members at 30 March 2012, the record date. These financial statements do not reflect this final dividend.

14. Property, plant and equipment

	Notes	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Year ended 1 January 2011					
Opening net book amount		132,006	230,786	360	363,152
Exchange differences		4,105	7,103	66	11,274
Additions		4,082	25,746	215	30,043
Disposals		(417)	(1,648)	(55)	(2,120)
Reclassification	15	–	(434)	–	(434)
Depreciation charge		(5,158)	(27,052)	(359)	(32,569)
Closing net book amount		**134,618**	**234,501**	**227**	**369,346**
At 1 January 2011					
Cost		205,037	643,062	19,262	867,361
Accumulated depreciation		(70,419)	(408,561)	(19,035)	(498,015)
Net book amount		**134,618**	**234,501**	**227**	**369,346**
Year ended 31 December 2011					
Opening net book amount		134,618	234,501	227	369,346
Exchange differences		2,577	3,646	26	6,249
Acquisitions		1,211	572	28	1,811
Additions		20,110	31,343	438	51,891
Disposals		(325)	(416)	(42)	(783)
Reclassification	15	32	146	–	178
Depreciation charge		(5,264)	(28,581)	(295)	(34,140)
Closing net book amount		**152,959**	**241,211**	**382**	**394,552**
At 31 December 2011					
Cost		228,642	678,353	19,712	926,707
Accumulated depreciation		(75,683)	(437,142)	(19,330)	(532,155)
Net book amount		**152,959**	**241,211**	**382**	**394,552**

Depreciation expense of €34.1 million (2010: €32.6 million) has been charged as follows: cost of sales €29.1 million (2010: €28.7 million), distribution expenses €1.2 million (2010: €1.1 million) and administration expenses €3.8 million (2010: €2.8 million).

Included in the cost of plant and equipment is an amount of €22.3 million (2010: €4.9 million) incurred in respect of assets under construction.

The Group does not have any assets secured against borrowings and no borrowing costs were capitalised during the year (2010: nil).

Leased assets, comprising plant and equipment where the Group is a lessee under a finance lease are as follows:

	2011 €'000	2010 €'000
Cost – capitalised finance leases	41,673	41,673
Accumulated depreciation	(32,105)	(30,736)
Net book amount	**9,568**	**10,937**

Operating lease rentals amounting to €13.1 million (2010: €11.7 million) are included in the income statement.

15. Intangible assets

	Notes	Goodwill €'000 note (b)	Other intangibles €'000 note (a)	Software costs €'000	Development costs €'000	Total €'000
Year ended 1 January 2011						
Opening net book amount		142,052	170,773	21,621	7,666	342,112
Exchange differences		9,885	12,911	269	548	23,613
Additions		–	–	4,333	2,821	7,154
Reclassification	14	–	–	434	–	434
Write-off of intangibles	35	(215)	–	(200)	(957)	(1,372)
Amortisation		–	(7,538)	(4,924)	(2,649)	(15,111)
Closing net book amount		**151,722**	**176,146**	**21,533**	**7,429**	**356,830**
At 1 January 2011						
Cost		151,722	199,046	55,116	13,721	419,605
Accumulated amortisation		–	(22,900)	(33,583)	(6,292)	(62,775)
Net book amount		**151,722**	**176,146**	**21,533**	**7,429**	**356,830**
Year ended 31 December 2011						
Opening net book amount		151,722	176,146	21,533	7,429	356,830
Exchange differences		4,887	7,199	127	301	12,514
Acquisitions		21,719	90,362	9	–	112,090
Additions		–	–	1,646	4,042	5,688
Reclassification	14	–	(388)	(178)	388	(178)
Write-off of intangibles	35	–	–	(151)	(1,044)	(1,195)
Amortisation		–	(11,577)	(4,854)	(2,041)	(18,472)
Closing net book amount		**178,328**	**261,742**	**18,132**	**9,075**	**467,277**
At 31 December 2011						
Cost		178,328	296,219	56,569	17,408	548,524
Accumulated amortisation		–	(34,477)	(38,437)	(8,333)	(81,247)
Net book amount		**178,328**	**261,742**	**18,132**	**9,075**	**467,277**

Amortisation expense of €18.5 million (2010: €15.1 million) has been charged to administration expenses during the year. The average remaining amortisation period for software costs is four years and development costs is four years.

Approximately €0.9 million (2010: €3.1 million) of software additions during the year were internally generated with the remaining balance acquired from external parties. Development costs of €1.0 million (2010: €1.0 million) were written off during the year due to uncertainty that these projects will reach commercialisation.

Note 15 (a): Other intangibles

	Brands/ know-how €'000	Customer relationships €'000	Other €'000	Total other intangibles €'000
Year ended 1 January 2011				
Opening net book amount	93,220	75,112	2,441	170,773
Exchange differences	6,361	5,158	1,392	12,911
Amortisation	(644)	(6,704)	(190)	(7,538)
Closing net book amount	**98,937**	**73,566**	**3,643**	**176,146**
At 1 January 2011				
Cost	102,690	91,825	4,531	199,046
Accumulated amortisation	(3,753)	(18,259)	(888)	(22,900)
Net book amount	**98,937**	**73,566**	**3,643**	**176,146**
Year ended 31 December 2011				
Opening net book amount	98,937	73,566	3,643	176,146
Exchange differences	4,430	2,760	9	7,199
Acquisitions	53,641	36,721	–	90,362
Reclassification	–	–	(388)	(388)
Amortisation	(2,140)	(9,261)	(176)	(11,577)
Closing net book amount	**154,868**	**103,786**	**3,088**	**261,742**
At 31 December 2011				
Cost	160,761	131,306	4,152	296,219
Accumulated amortisation	(5,893)	(27,520)	(1,064)	(34,477)
Net book amount	**154,868**	**103,786**	**3,088**	**261,742**

Included in cost of brands/know-how are intangible assets of €92.2 million (2010: €89.2 million) which have indefinite lives. In arriving at the conclusion that certain brands/know-how have indefinite useful lives, it has been determined that these assets will contribute indefinitely to the cash flows of the Group. The factors that result in the durability of these brands/know-how being capitalised is that there are no material legal, regulatory, contractual or other factors that limit the useful life of these intangibles. In addition, the likelihood that market-based factors could truncate a brand's life is relatively remote because of the size, diversification and market share of the brands in question. There are no material internally generated brand-related intangibles. The remaining average amortisation period for Performance Nutrition brands/know-how is 39 years and the balance of brands/know-how is 10 years (2010: 11 years).

Included in customer relationships are individual significant intangible assets of €64.6 million (2010: €68.2 million) with a remaining amortisation period of 10 years (2010: 11 years). The remaining customer relationships are amortised over a period of 11 years (2010: 10 years). The remaining average amortisation period for all other intangibles is 10 years (2010: 11 years).

No intangible assets were acquired by way of Government grant during the financial year (2010: nil).

Note 15 (b): Impairment tests for goodwill and indefinite life intangibles

Goodwill is allocated to the Group's cash generating units (CGUs) that are expected to benefit from the business acquisition, rather than where the asset is owned. CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8, Operating Segments. A total of 12 (2010: 12) CGUs have been identified and these are allocated between the Groups main segments as follows:

	2011	2010
Cash generating units		
US Cheese and Global Nutritionals	5	5
Dairy Ireland	7	7
	12	**12**

A summary of goodwill by segment is as follows:

	Goodwill 2011 €'000	Foreign exchange €'000	Acquisition €'000	Goodwill 2010 €'000
US Cheese & Global Nutritionals				
Customised Premix Solutions - Europe	11,297	–	–	11,297
Customised Premix Solutions - North America	62,169	1,968	–	60,201
Performance Nutrition - North America	88,749	2,822	17,516	68,411
Other CGUs	5,216	97	–	5,119
	167,431	**4,887**	**17,516**	**145,028**
Dairy Ireland				
Multiple units without individual significant amounts of goodwill	10,897	–	4,203	6,694
	178,328	**4,887**	**21,719**	**151,722**

A summary of indefinite life intangibles by segment is as follows:

	Indefinite life intangibles 2011 €'000	Foreign exchange €'000	Acquisition €'000	Indefinite life intangibles 2010 €'000
US Cheese and Global Nutritionals				
Performance Nutrition - North America	**92,190**	**2,918**	**–**	**89,272**

Impairment testing methodology and results

Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis or more frequently if there are indications they might be impaired. The recoverable amount of goodwill and indefinite life intangibles allocated to a CGU is determined based on a value in use computation, which has been selected due to the impracticality of obtaining fair value less costs to sell measurements for each reporting period.

The cash flow projections are based on a three year strategic plan formally approved by the Group Operating Executive Committee and the Board of Directors. The Group expects growth between year three and ten but for the purposes of impairment testing, a rate of zero percent has been used to estimate cash flow growth between three and ten years. In addition, a conservative reducing success factor is applied against the average net cash flow, consistent with prior years. In forecasting terminal values, a multiple of between five and ten times EBITDA is generally used. No impairments arose in either 2011 or 2010. The present value of future cashflows is calculated using pre tax discount rates which is the Group's weighted average cost of capital adjusted to reflect risks associated with the CGU and are set out in the table below:

	Discount rates 2011	Discount rates 2010
US Cheese & Global Nutritionals		
Customised Premix Solutions - Europe	8.4%	5.3%
Customised Premix Solutions - North America	8.3%	5.3%
Performance Nutrition - North America	8.3%	5.3%
Other CGUs	8.3%	5.3%
Dairy Ireland		
Multiple units without individual significant amounts of goodwill	8.4%	5.7%

Key sources of estimation uncertainty

The key assumptions employed in arriving at the estimates of future cash flows factored into impairment testing are inherently subjective. Key assumptions include management's estimates of future profitability, discount rates, the duration of the discounted cashflow model, replacement capital expenditure requirements and working capital investment. These assumptions are based on managements past experience. Capital expenditure requirements and profitability are based on the Group's strategic plans and broadly assume that historic investment patterns will be maintained. Working capital requirements are forecast to increase in line with activity.

Sensitivity analysis

Sensitivity analysis has been performed in respect of 5 of the 12 CGUs. These 5 CGUs had aggregate goodwill of €167.4 million and indefinite life intangibles of €92.2 million at the date of testing. If the estimated EBITDA margin was 10% lower than managements estimates, there would have been no requirement on the Group to recognise any impairment against goodwill or indefinite life intangibles. If the estimated cashflow forecasts used in the value in use estimates were 10% lower than managements estimates or the discount rate used was 1% higher, again there would have been no requirement on the Group to recognise any impairment against goodwill or indefinite life intangibles.

16. Investments in associates

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
At the beginning of the year	**2,298**	**11,757**	**1,395**	**10,041**
Share of profit after tax	–	645	–	79
(Loss)/gain recognised through the statement of comprehensive income	–	(224)	–	1,637
Additions	–	–	903	–
Write-down of investment	(39)	–	–	–
At the end of the year	**2,259**	**12,178**	**2,298**	**11,757**

The Group's share of the results of associates, all of which are unlisted, and its share of the assets (including goodwill) and liabilities are as follows:

	Assets €'000	Liabilities €'000	Revenue €'000	Profit/ (loss) €'000	Interest held %
2010					
Co-operative Animal Health Limited[1]	8,306	(5,906)	15,732	92	50.00
South Eastern Cattle Breeding Society Limited[1]	5,187	(717)	1,821	(157)	57.00
Malting Company of Ireland Limited	4,632	(1,638)	1,902	42	33.33
South East Port Services Limited	7,178	(5,182)	1,595	321	49.00
Westgate Biological Limited	116	(299)	–	(183)	49.99
Greenfield Dairy Partners Limited	405	(325)	134	(36)	33.33
	25,824	**(14,067)**	**21,184**	**79**	

	Assets €'000	Liabilities €'000	Revenue €'000	Profit/ (loss) €'000	Interest held %
2011					
Co-operative Animal Health Limited[1]	8,396	(6,103)	15,527	157	50.00
South Eastern Cattle Breeding Society Limited[1]	5,114	(756)	2,398	(111)	57.00
Malting Company of Ireland Limited	5,242	(2,183)	2,893	27	33.33
South East Port Services Limited	7,027	(4,671)	1,647	362	49.00
Westgate Biological Limited	–	–	–	183	49.99
Greenfield Dairy Partners Limited	408	(296)	188	27	33.33
	26,187	**(14,009)**	**22,653**	**645**	

1 In accordance with Group accounting policy, Co-operative Animal Health Limited and South Eastern Cattle Breeding Society Limited are included in the Group result based on the equity method of accounting, as the Group has significant influence over the entities but not control, due to their co-operative structure.

Further details in relation to principal associates are outlined in note 39.

17. Investments in joint ventures

	2011 €'000	2010 €'000
At the beginning of the year	**58,945**	**58,276**
Share of profit after tax	13,686	10,024
Additions	–	399
(Loss)/gain recognised through the statement of comprehensive income	(777)	1,295
Deferred tax movement	1,645	(3,054)
Dividends received	(14,761)	(11,210)
Exchange differences	(254)	3,215
At the end of the year	**58,484**	**58,945**

The following amounts represent the Group's share of the assets, liabilities, revenue and profits from joint ventures:

	2011 €'000	2010 €'000
Assets		
Non-current assets	136,668	135,903
Current assets	75,204	59,588
	211,872	**195,491**
Liabilities		
Non-current liabilities	84,725	78,340
Current liabilities	68,663	58,206
	153,388	**136,546**
Net assets	**58,484**	**58,945**

	2011 €'000	2010 €'000
Revenue	501,641	395,380
Expenses	(487,955)	(385,356)
Share of profit after tax	**13,686**	**10,024**
Proportionate interest in joint ventures' commitments	**2,193**	**4,930**

A listing and description of interests in significant joint ventures is outlined in note 39.

The Group holds 51% of the share capital of Glanbia Cheese Limited but this is considered to be a joint venture as the Group does not have control of the company, as it only controls 50% of the voting rights and is only entitled to appoint 50% of the total number of directors. Therefore, the Group does not have the power to govern the financial or operating policies of the entity.

18. Available for sale financial assets

	Investments 2011 Company €'000	Available for sale financial assets 2011 Group €'000	Investments 2010 Company €'000	Available for sale financial assets 2010 Group €'000
At the beginning of the year	**599,590**	**14,127**	**453,554**	**20,397**
Disposals/redemption	(265)	(1,478)	(5,229)	(889)
Fair value movement recognised through the statement of comprehensive income	–	(1,484)	–	(5,381)
Additions	–	–	151,265	–
At the end of the year	**599,325**	**11,165**	**599,590**	**14,127**

Investments and available for sale financial assets include the following:

	Investments 2011 Company €'000	Available for sale financial assets 2011 Group €'000	Investments 2010 Company €'000	Available for sale financial assets 2010 Group €'000
Listed securities				
Equity securities – eurozone countries	1	152	1	143
Unlisted securities				
One51 plc	–	1,490	–	2,983
Irish Dairy Board Co-operative Limited	–	8,612	–	9,830
Glanbia Enterprise Fund Limited	–	–	265	265
Moorepark Technology	–	198	–	198
Other Group companies	599,324	–	599,324	–
Other available for sale financial assets	–	713	–	708
	599,325	**11,165**	**599,590**	**14,127**

There were no impairment provisions on available for sale financial assets or investments in 2011 or 2010.

The unlisted equity shares in One51 plc are currently traded on an informal ‘grey’ market. These shares are fair valued by reference to published bid prices.

Available for sale financial assets are fair valued at each reporting date. For financial assets traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

Available for sale financial assets with a carrying value of €9.5 million (2010: €11.0 million) are included at cost. These available for sale financial assets comprise the following – Irish Dairy Board, Moorepark Technology and other financial assets. The fair value of these shares cannot be reliably measured as they are not actively traded or there is not a readily available market for such instruments. The Group has no plans to dispose of these financial assets in the foreseeable future.

Available for sale financial assets are classified as non-current assets, unless they are expected to be realised within 12 months of the reporting date or unless they will need to be sold to raise operating capital. All available for sale financial assets are euro denominated.

19. Trade and other receivables

	Notes	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Trade receivables		–	287,672	–	230,794
Less provision for impairment of receivables		–	(11,219)	–	(12,802)
Trade receivables – net		–	276,453	–	217,992
Prepayments		6	11,153	22	6,344
Receivables from Joint Ventures & Associates	37	–	3,987	–	6,882
Loans to joint ventures	37	–	13,475	–	13,060
Amounts due from subsidiary companies		–	–	87	–
Value added tax		–	5,560	–	4,505
Other receivables		–	8,248	–	21,132
Total		**6**	**318,876**	**109**	**269,915**
Less non-current trade receivables:					
Other receivables		–	(1,100)	–	(6,424)
Receivables from Joint Ventures & Associates		–	–	–	(3,600)
Loans to joint ventures	37	–	(13,475)	–	(13,060)
Non-Current		**–**	**(14,575)**	**–**	**(23,084)**
Current		**6**	**304,301**	**109**	**246,831**

In 2011, under a debt purchase agreement with a financial institution, the Group has transferred credit risk and retained late payment risk on certain trade receivables, amounting to €10.8 million (2010: €32.1 million). The Group has continued to recognise an asset of €0.1 million (2010: €0.4 million), representing the extent of its continuing involvement, and an associated liability of a similar amount. The carrying value of receivables is a reasonable approximation of fair value. The net movement in the provision for impairment of receivables has been included in distribution expenses in the income statement.

As shown in note 5.3, the Group has one significant external customer. Management are satisfied that they have satisfactory credit control procedures in place in respect of this customer.

The Group's objective is to minimise credit risk by carrying out credit checks where appropriate, by the use of credit insurance in certain situations, by holding charges over assets and by active credit management. Management do not expect any significant loss from receivables that have not been provided for at year end.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Euro	6	155,411	109	126,725
US dollar	–	141,482	–	113,506
GBP sterling	–	5,867	–	5,323
Other	–	1,541	–	1,277
	6	**304,301**	**109**	**246,831**

Movement on the Group's provision for impairment of trade receivables is as follows:

	2011 €'000	2010 €'000
At the beginning of the year	**12,802**	**12,035**
Provision for receivables impairment	3,363	1,481
Receivables written off during the year as uncollectible	(4,784)	(261)
Unused amounts reversed	(162)	(453)
At the end of the year	**11,219**	**12,802**

As of 31 December 2011, trade receivables of €11.2 million (2010: €18.1 million) were impaired. Trade receivable balances are generally considered for an impairment review when falling due outside trade terms and are normally partially or wholly provided for depending on the assessment of likely recoverability of the balance. The amount of the provision was €11.2 million (2010: €12.8 million). Set out below is an analysis of trade receivables which remain outstanding outside of trade terms as at 31 December 2011:

	2011 €'000	2010 €'000
Past due:		
Up to 3 months	377	1,652
3 to 6 months	353	2,863
Over 6 months	10,489	13,597
	11,219	**18,112**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group holds charges on property and other assets of certain trade debtors, valued at €5.0 million (2010: €9.6 million).

As of 31 December 2011, trade receivables of €37.0 million (2010: €39.5 million) were past due but not impaired, as they are considered recoverable.

	2011 €'000	2010 €'000
Past due not impaired:		
Up to 3 months	23,973	36,100
3 to 6 months	13,075	2,580
Over 6 months	–	838
	37,048	**39,518**

20. Inventories

	2011 €'000	2010 €'000
Raw materials	79,028	57,142
Finished goods	239,331	230,140
Consumables	18,496	16,599
	336,855	**303,881**

Included above are inventories carried at net realisable value amounting to €51.5 million (2010: €8.1 million). The amount written off in respect of these inventories was €5.2 million (2010: €2.0 million).

21. Cash and cash equivalents

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Cash at bank and in hand	5,280	75,367	8,200	59,554
Short term bank deposits	–	156,006	–	169,547
	5,280	**231,373**	**8,200**	**229,101**

The fair value of cash and cash equivalents are not materially different to their book values. The maximum exposure to credit risk at the reporting date is the carrying value of the cash and cash equivalent balances.

22. Other reserves

	Capital reserve €'000 (note a)	Merger reserve €'000 (note b)	Currency reserve €'000 (note c)	Hedging reserve €'000 (note d)	Available for sale financial asset reserve €'000 (note e)	Own shares €'000 (note f)	Share based payment reserve €'000 (note g)	Total €'000
Balance at 2 January 2010	**2,825**	**113,148**	**380**	**(14,601)**	**6,371**	**(1,899)**	**2,448**	**108,672**
Currency translation differences	–	–	20,169	–	–	–	–	20,169
Revaluation of interest rate swaps – loss in year	–	–	–	(4,180)	–	–	–	(4,180)
Foreign exchange contracts – gain in year	–	–	–	38	–	–	–	38
Transfers to income statement:								
– Foreign exchange contracts – loss in year	–	–	–	743	–	–	–	743
Foreign commodity contracts – gain in year	–	–	–	(202)	–	–	–	(202)
– Interest rate swaps – loss in year	–	–	–	7,613	–	–	–	7,613
Revaluation of forward commodity contracts – loss in year	–	–	–	(76)	–	–	–	(76)
Revaluation of available for sale financial assets – loss in year	–	–	–	–	(5,381)	–	–	(5,381)
Deferred tax on fair value movements	–	–	–	922	1,345	–	–	2,267
Cost of share based payments	–	–	–	–	–	–	2,937	2,937
Transfer on exercise, vesting or expiry of share based payments	–	–	–	–	–	283	(656)	(373)
Balance at 1 January 2011	**2,825**	**113,148**	**20,549**	**(9,743)**	**2,335**	**(1,616)**	**4,729**	**132,227**
Currency translation differences	–	–	18,538	–	–	–	–	18,538
Net investment hedge	–	–	230	–	–	–	–	230
Revaluation of interest rate swaps – loss in year	–	–	–	(1,343)	–	–	–	(1,343)
Foreign exchange contracts – loss in year	–	–	–	(146)	–	–	–	(146)
Transfers to income statement:								
Foreign exchange contracts – gain in year	–	–	–	(38)	–	–	–	(38)
Forward commodity contracts – loss in year	–	–	–	77	–	–	–	77
Interest rate swaps – loss in year	–	–	–	4,876	–	–	–	4,876
Revaluation of forward commodity contracts – gain in year	–	–	–	137	–	–	–	137
Revaluation of available for sale financial assets – loss in year	–	–	–	–	(1,484)	–	–	(1,484)
Deferred tax on fair value movements	–	–	–	928	286	–	–	1,214
Cost of share based payments	–	–	–	–	–	–	2,388	2,388
Transfer on exercise, vesting or expiry of share based payments	–	–	–	–	–	917	(1,974)	(1,057)
Purchase of own shares	–	–	–		–	(2,075)	–	(2,075)
Balance at 31 December 2011	**2,825**	**113,148**	**39,317**	**(5,252)**	**1,137**	**(2,774)**	**5,143**	**153,544**

Note 22 (a): Capital reserve

The capital reserve comprises of a capital redemption reserve and a capital reserve which arose due to the re-nominalisation of the Company's share capital on conversion to the euro.

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
At the beginning and the end of the year	**4,227**	**2,825**	**4,227**	**2,825**

Note 22 (b): Merger reserve

	2011 €'000	2010 €'000
Share premium – representing excess of fair value over nominal value of ordinary shares issued in connection with the merger of Avonmore Foods plc and Waterford Foods plc	355,271	355,271
Merger adjustment[1]	(327,085)	(327,085)
Share premium and other reserves relating to nominal value of shares in Waterford Foods plc	84,962	84,962
	113,148	**113,148**

[1] The merger adjustment represents the difference between the nominal value of the issued share capital of Waterford Foods plc and the fair value of the shares issued by Avonmore Foods plc (now named Glanbia plc) in 1997.

Note 22 (c): Currency reserve

The currency reserve reflects the foreign exchange gains and losses that form part of the net investment in foreign operations. See note 32 - derivative financial instruments for further details. In addition, where Group companies have a functional currency different from the presentation currency, their assets and liabilities are translated at the closing rate at the reporting date, income and expenses in the income statement are translated at the average rate for the year and resulting exchange differences are taken to the currency reserve within equity.

Note 22 (d): Hedging reserve

The hedging reserve reflects the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Amounts accumulated in the hedging reserve are recycled to the income statement in the periods when the hedged item affects income or expense.

Note 22 (e): Available for sale financial asset reserve

Unrealised gains and losses arising from changes in the fair value of available for sale financial assets are recognised in the available for sale financial asset reserve. When such available for sale financial assets are sold or impaired, the accumulated fair value adjustments are recycled to the income statement.

Note 22 (f): Own shares

The amount included as own shares relates to 740,576 (2010: 485,304) ordinary shares in Glanbia plc held by an Employee Share Trust which was established in May 2002 to operate in connection with the Company's Saving Related Share Option Scheme ('Sharesave Scheme'). The trustee of the Employee Share Trust is Halifax EES Trustees International Limited; a Jersey based trustee services company.

The shares included in the Employee Share Trust at 31 December 2011 cost €2.8 million (2010: €1.6 million) and had a market value of €3.4 million (2010: €1.8 million). The dividend rights in respect of these shares have been waived, save 0.001 pence per share.

Shares purchased under the 2007 LTIP scheme and the 2008 LTIP scheme are deemed to be own shares in accordance with IAS 32 - Financial Instruments: Presentation.

Note 22 (g): Share based payment reserve

The share based payment reserve reflects charges relating to granting of both shares and options under the 2002 LTIP, 2007 LTIP and 2008 LTIP schemes.

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
At the beginning of the year	**4,729**	**4,729**	**2,217**	**2,448**
Transfer of reserves between Group companies	–	–	231	–
Transfer on exercise, vesting or expiry of share based payments	(1,974)	(1,974)	(656)	(656)
Cost of share based payments	2,388	2,388	2,937	2,937
At the end of the year	**5,143**	**5,143**	**4,729**	**4,729**

2002 Long Term Incentive Plan ('the 2002 LTIP')

Movement in the 2002 LTIP for the year ended 31 December 2011 and 1 January 2011 is as follows:

	2011 Average exercise price in € per share	2011 Number of options	2010 Average exercise price in € per share	2010 Number of options
At the beginning of the year	2.37	1,980,000	2.35	2,308,000
Granted	4.22	270,000	–	–
Exercised	(1.75)	(697,000)	(1.86)	(280,000)
Expired	–	–	(4.03)	(48,000)
At the end of the year	**2.97**	**1,553,000**	**2.37**	**1,980,000**

Expiry date in	Exercise price €	2011	2010
2012	1.55	–	577,000
2013	1.90	160,000	160,000
2014	2.47	100,000	100,000
2014	2.73	805,000	925,000
2016	2.87	50,000	50,000
2017	4.03	118,000	118,000
2019	2.29	50,000	50,000
2020	2.65	20,000	–
2021	3.68	20,000	–
2021	3.95	20,000	–
2021	4.38	90,000	–
2021	4.30	55,000	–
2021	4.70	45,000	–
2021	4.63	20,000	–
		1,553,000	**1,980,000**

Total options of 1,553,000 (2010: 1,980,000) ordinary shares were outstanding at 31 December 2011 under the 2002 Long Term Incentive Plan ('the 2002 LTIP'), at prices ranging between €1.90 and €4.70. In accordance with the terms of the 2002 LTIP, certain executives to whom options were granted in 2002 and 2004 are eligible to receive share awards related to the number of ordinary shares which they hold on the second anniversary of the exercise of the option, to a maximum of 32,900 (2010: 90,600) ordinary shares. The cost of the 2002 LTIP charged in the Group income statement was €80,613 (2010: credit of €15,761).

Under the 2002 LTIP, options cannot be exercised before the expiration of three years from the date of grant and can only be exercised if a predetermined performance criterion for the Group has been achieved. The performance criterion is that there has been an increase in the adjusted earnings per share of the Group of at least the Consumer Price Index plus 5% over a three year period.

The fair value of share options granted of €2.00 per share has been calculated using the Binomial Model. Options over 1,233,000 (2010: 1,930,000) ordinary shares were exercisable at 31 December 2011 at a weighted average price of €2.73 (2010: €2.38). The weighted average share price at the date of exercise for share options exercised was €4.65. The weighted average life for share options outstanding is four years.

2007 Long Term Incentive Plan ('the 2007 LTIP') and 2008 Long Term Incentive Plan ('the 2008 LTIP')

Arising from a review of the Group's compensation arrangements for senior managers and executive Directors, the Directors approved the introduction of the 2007 LTIP for selected senior managers and the shareholders approved the introduction of the 2008 LTIP for selected senior managers and executive Directors. Awards outstanding under the 2007 LTIP and the 2008 LTIP at 31 December 2011 amounted to nil (2010: nil) and 2,476,500 ordinary shares (2010: 2,283,000) respectively.

The performance criteria for the LTIP schemes are tied 50% to achievement of targeted EPS growth and 50% to Total Shareholder Return (TSR).

The TSR element is assessed against a group of leading peer companies and the EPS element is measured against pre-set targeted adjusted EPS growth criteria for the Group. The maximum award under the 2007 LTIP scheme was 115% of base salary per annum in the form of conditional shares and the vesting period was three years. With regard to the 2008 LTIP, an award shall not vest unless the Remuneration Committee is satisfied that the Company's underlying financial performance has shown a sustained improvement in the period since the date of grant.

Shares awarded under the Group's LTIP schemes are equity settled share based payments as defined in IFRS 2 – Share Based Payments. The IFRS requires that a recognised valuation methodology be employed to determine the fair value of shares awarded and stipulates that this methodology should be consistent with methodologies used for pricing of financial instruments. The combined expense of €2,307,328 (2008 LTIP: €2,307,328, 2007 LTIP: nil) charged in the Group income statement has been arrived at through applying a Monte Carlo simulation technique to model the combination of market and non-market based performance conditions of the plan.

The 2007 LTIP

The total expense in the Group income statement is analysed as follows:

	Share price at date of award €	Period to earliest release date	Number of shares	Fair value €	Expense in Group income statement 2011 €'000	Expense in Group income statement 2010 €'000
2007 Long Term Incentive Plan	4.03	–	169,500	3.85	–	129

Shares awarded under the 2007 LTIP are equity settled share-based payments as defined in IFRS 2-Share Based Payment. On 25 May 2010, 50% of the share options above vested and the balance has lapsed.

The fair value of the shares awarded was determined using a Monte Carlo simulation technique taking account of peer group total share return volatilities and correlations together with the following assumptions:

Risk-free interest rate	**4%**
Expected volatility	**25%**
Dividend yield	**2%**

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the option.

The 2008 LTIP

Movement in the 2008 LTIP for the year 31 December 2011 and 1 January 2011 is as follows:

	2011 Number of options	2010 Number of options
At the beginning of the year	**2,283,000**	**1,201,000**
Granted	776,500	1,082,000
Vested	(244,728)	–
Expired	(338,272)	–
At the end of the year	**2,476,500**	**2,283,000**

Expiry date in	2011	2010
2011	–	583,000
2012	618,000	618,000
2013	1,082,000	1,082,000
2014	776,500	–
At the end of the year	**2,476,500**	**2,283,000**

The total expense in the Group income statement is analysed as follows:

	Share price at date of award €	Period to earliest vesting date	Number of shares	Fair value €	Expense in Group income statement 2011 €'000	Expense in Group income statement 2010 €'000
Granted in 2008						
2008 Long Term Incentive Plan	4.45	–	583,000	3.54	25	1,332
Granted in 2009						
2008 Long Term Incentive Plan	2.72	1 years	618,000	2.22	520	659
Granted in 2010						
2008 Long Term Incentive Plan	2.82	2 years	1,082,000	2.31	833	833
Granted in 2011						
2008 Long Term Incentive Plan	4.35	3 years	776,500	3.59	929	–

Shares awarded under the 2008 LTIP are equity settled share-based payments as defined in IFRS 2 - Share Based Payment. On the 30 August 2011, 244,728 of the share options granted in 2008 vested and the balance has lapsed. The fair value of the shares awarded was determined using a Monte Carlo simulation technique taking account of peer group total share return volatilities and correlations together with the following assumptions:

	Granted in 2011	Granted in 2010	Granted in 2009	Granted in 2008
Risk-free interest rate	**2%**	1%	2%	4%
Expected volatility	**45%**	47%	35%	29%
Dividend yield	**2%**	1%	2%	1%

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the option.

23. Share capital and share premium

Company	Number of shares (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 1 January 2011	**293,836**	**17,630**	**437,379**	**455,009**
Shares issued	697	42	1,179	1,221
At 31 December 2011	**294,533**	**17,672**	**438,558**	**456,230**

Group	Number of shares (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 1 January 2011	**293,836**	**17,630**	**82,111**	**99,741**
Shares issued	697	42	1,179	1,221
At 31 December 2011	**294,533**	**17,672**	**83,290**	**100,962**

The total authorised number of ordinary shares is 306 million shares (2010: 306 million shares) with a par value of €0.06 per share (2010: €0.06 per share). All issued shares are fully paid.

24. Retained earnings

	Notes	Company retained earnings €'000	Group retained earnings €'000	Group goodwill write-off €'000	Group Total €'000
Balance at 2 January 2010		**59,913**	**175,965**	**(92,961)**	**83,004**
Profit for the year		745	108,047	–	108,047
Other comprehensive income/(expense)					
Actuarial gain – defined benefit schemes	28	–	13,379	–	13,379
Deferred tax on actuarial gain	27	–	(1,250)	–	(1,250)
Share of actuarial gain – Joint Ventures & Associates		–	2,444	–	2,444
Total comprehensive income for the year		**745**	**122,620**	**–**	**122,620**
Dividends paid during the year		(20,453)	(20,453)	–	(20,453)
Transfer on exercise, vesting or expiry of share based payments	22	373	373	–	373
Balance at 1 January 2011		**40,578**	**278,505**	**(92,961)**	**185,544**
Profit for the year		59,114	112,178	–	112,178
Other comprehensive income/(expense)					
Actuarial loss – defined benefit schemes	28	–	(17,029)	–	(17,029)
Deferred tax on actuarial loss	27	–	2,615	–	2,615
Share of actuarial loss – Joint Ventures & Associates		–	(115)	–	(115)
Total comprehensive income for the year		**59,114**	**97,649**	**–**	**97,649**
Dividends paid during the year		(22,942)	(22,942)	–	(22,942)
Transfer on exercise, vesting or expiry of share based payments	22	1,057	1,057	–	1,057
Balance at 31 December 2011		**77,807**	**354,269**	**(92,961)**	**261,308**

25. Non-controlling interests

	2011 €'000	2010 €'000
At the beginning of the year	**6,892**	**6,493**
Share of profit for the year	630	586
Dividends paid to non-controlling interests during the year	(387)	(187)
At the end of the year	**7,135**	**6,892**

26. Borrowings

	2011 Group €'000	2010 Group €'000
Current		
Bank overdrafts/borrowings	51,781	–
Finance lease liabilities	1,027	972
	52,808	**972**
Non-current		
Bank borrowings	342,034	569,545
Private debt placement	251,179	–
Cumulative redeemable preference shares	63,487	63,487
Finance lease liabilities	2,196	3,219
	658,896	**636,251**
Total borrowings	**711,704**	**637,223**

Bank borrowings are secured by cross-guarantees from Group companies.

The cumulative redeemable preference shares carry the right to such fixed cumulative annual dividend as was last determined by the Directors in July 2007. All 50 million of the €1.2697 cumulative redeemable preference shares currently carry the right to a fixed cumulative annual dividend of 8.6977 cents per share. In July 2014 all shares still in issue will be redeemed at the issue price.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

During the year, the Group completed the issuance of a USD 325 million private debt placement with a maturity date of 15 June 2021 and with a fixed coupon of 5.4%. The USD 325 million was primarily used for the repayment of short-term debt drawn under existing banking facilities.

The maturity of non-current borrowings is as follows:

	2011 €'000	2010 €'000
Between 1 and 2 years	343,108	205,853
Between 2 and 5 years	64,609	430,398
More than 5 years	251,179	–
	658,896	**636,251**

The exposure of the Group's total borrowings to interest rate changes taking account of the contractual repricing dates at the reporting date are as follows:

	2011 €'000	2010 €'000
6 months or less	203,815	379,545
Between 1 and 2 years	190,000	–
Between 2 and 5 years	66,710	257,678
More than 5 years	251,179	–
	711,704	**637,223**

The effective interest rates at the reporting date were as follows:

	EUR		USD		CAD	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Bank overdrafts	**1.80%**	1.65%	**5.25%**	5.25%	**4.00%**	4.00%
Bank borrowings	**4.05%**	3.54%	**4.39%**	1.15%	**2.03%**	2.05%

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amount 2011 €'000	Carrying amount 2010 €'000	Fair value 2011 €'000	Fair value 2010 €'000
Non-current borrowings	**658,896**	**636,251**	**699,835**	**632,008**

The carrying value of current borrowings approximates to their fair value.

The carrying amounts of the Group's total borrowings are denominated in the following currencies:

	2011 €'000	2010 €'000
Euro	368,635	445,620
US dollar	327,641	179,527
Canadian dollar	15,428	12,076
	711,704	**637,223**

The Group has the following undrawn borrowing facilities:

	2011 €'000	2010 €'000
Expiring within 1 year	128,111	16,646
Expiring beyond 1 year	167,966	101,178
	296,077	**117,824**

All of the undrawn borrowing facilities are floating rate facilities.

Finance lease liabilities – minimum lease payments:

	2011 €'000	2010 €'000
12 months or less	1,172	1,181
Between 1 and 2 years	1,172	1,181
Between 2 and 5 years	1,173	2,362
	3,517	4,724
Future finance charges on finance leases	(294)	(533)
Present value of finance lease liabilities	**3,223**	**4,191**

The present value of finance lease liabilities is as follows:

	2011 €'000	2010 €'000
12 months or less	1,027	972
Between 1 and 2 years	1,074	1,021
Between 2 and 5 years	1,122	2,198
	3,223	**4,191**

27. Deferred income taxes

The following amounts, determined after appropriate offsetting (note 2 (l)) are shown in the consolidated statement of financial position:

	2011 €'000	2010 €'000
Deferred income tax assets	(11,255)	(7,388)
Deferred income tax liabilities	93,459	75,966
Net deferred income tax liability	**82,204**	**68,578**

The gross movement on the deferred income tax account is as follows:

	Notes	2011 €'000	2010 €'000
At the beginning of the year		**68,578**	**54,315**
Income statement – pre exceptional charge	11	11,007	10,994
Income statement – exceptional charge		–	558
Deferred income tax (credit) to other comprehensive income	22	(1,214)	(2,267)
Deferred income tax (credit)/charge on actuarial loss/gain	24	(2,615)	1,250
Deferred income tax on acquisition of intellectual property	36	4,590	–
Exchange differences		1,858	3,728
At the end of the year		**82,204**	**68,578**

The movement in deferred income tax liabilities and assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities	Notes	Accelerated tax depreciation €'000	Fair value gain/ (loss) €'000	IP and deferred developm ent costs €'000	Other €'000	Total €'000
At 2 January 2010		**34,170**	**3,472**	**22,184**	**6,511**	**66,337**
Charged/(credited) to income statement		2,163	–	(1,336)	7,172	7,999
(Credited) to other comprehensive income	22	–	(2,267)	–	–	(2,267)
Exchange differences		1,822	–	1,657	418	3,897
At 1 January 2011		**38,155**	**1,205**	**22,505**	**14,101**	**75,966**
Charged/(credited) to income statement		2,690	–	(964)	4,252	5,978
(Credited) to other comprehensive income	22	–	(1,214)	–	–	(1,214)
Acquisition of intellectual property	36	–	–	4,590	–	4,590
Exchange differences		1,130	–	794	(47)	1,877
Reclassification to deferred income tax assets		–	9	–	6,253	6,262
At 31 December 2011		**41,975**	**–**	**26,925**	**24,559**	**93,459**

Deferred income tax assets	Notes	Retirement obligations €'000	Fair value loss €'000	Tax losses €'000	Other €'000	Total €'000
At 2 January 2010		**(6,087)**	**–**	**(5,935)**	**–**	**(12,022)**
Charged to income statement		1,300	–	2,253	–	3,553
Charged to other comprehensive income	24	1,250	–	–	–	1,250
Exchange differences		2	–	(171)	–	(169)
At 1 January 2011		**(3,535)**	**–**	**(3,853)**	**–**	**(7,388)**
Charged to income statement		2,582	–	2,447	–	5,029
(Credited) to other comprehensive income	24	(2,615)	–	–	–	(2,615)
Exchange differences		(1)	–	(18)	–	(19)
Reclassification from deferred income tax liabilities		–	(9)	–	(6,253)	(6,262)
At 31 December 2011		**(3,569)**	**(9)**	**(1,424)**	**(6,253)**	**(11,255)**

A deferred income tax asset has been recognised on the basis that the realisation of the related tax benefit through future taxable profits is probable.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has tax losses of €100.8 million (2010: €72.6 million) to carry forward against future taxable income on which a deferred income tax asset has not been recognised. Deferred income tax liabilities have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, associates and joint ventures.

The deferred income tax credited to other comprehensive income during the year is as follows:

	Notes	2011 €'000	2010 €'000
Available for sale financial asset reserve	22	(286)	(1,345)
Hedging reserve	22	(928)	(922)
Impact of (increase)/decrease in retirement benefit obligations due to actuarial loss/gain	24	(2,615)	1,250
		(3,829)	**(1,017)**

28. Retirement benefit obligations

Pension benefits

The Group operates a number of defined benefit and defined contribution schemes which provide retirement and death benefits for some of its employees. The schemes are funded through separate trustee controlled funds.

The contributions paid to the defined benefit schemes are in accordance with the advice of professionally qualified actuaries. The latest actuarial valuation reports for these schemes, which are not available for public inspection, are dated between 1 January 2008 and 1 January 2010. The contributions paid to the schemes in 2011 are in accordance with the contribution rates recommended in the actuarial valuation reports.

The amounts recognised in the Group statement of financial position are determined as follows:

	2011 €'000	2010 €'000
Present value of funded obligations	(448,447)	(437,911)
Fair value of plan assets	400,022	389,351
Liability in the Group statement of financial position	**(48,425)**	**(48,560)**

The amounts recognised in the Group income statement are as follows:

	Notes	2011 €'000	2010 €'000
Defined benefit pension schemes			
– Service costs – current		(4,317)	(4,803)
– Interest costs		(22,949)	(24,153)
– Expected return on plan assets		24,036	21,888
Total expense pre curtailment gains and negative past service cost	8	(3,230)	(7,068)
Exceptional item – curtailment gains and negative past service cost	7	–	10,238
Total (expense)/gain		**(3,230)**	**3,170**
Defined contribution pension schemes	8	**(3,020)**	**(2,750)**

The actual return on plan assets was a profit of €7.3 million (2010: €29.8 million).

The movement in the liability recognised in the Group statement of financial position over the year is as follows:

	2011 €'000	2010 €'000
At the beginning of the year	**(48,560)**	**(85,765)**
Exchange differences	(542)	(972)
Movements relating to disposed operations	–	(38)
Total expense pre curtailment gains and negative past service costs	(3,230)	(7,068)
Curtailment gains and negative past service costs	–	10,238
Actuarial (loss)/gain - defined benefit schemes	(17,029)	13,379
Contributions paid by employer	20,936	21,666
At the end of the year	**(48,425)**	**(48,560)**

The movement in obligations during the year is as follows:

	2011 €'000	2010 €'000
At the beginning of the year	**(437,911)**	**(435,010)**
Exchange differences	(2,291)	(2,431)
Movements relating to disposed operations	–	(38)
Current service costs	(4,317)	(4,803)
Reclassification to plan assets	4,437	–
Interest costs	(22,949)	(24,153)
Actuarial gains/(losses)		
– Experience gains	2,248	8,442
– Change in assumptions	(2,545)	(2,992)
Contributions by plan participants	(3,162)	(2,963)
Curtailment gains and negative past service costs	–	10,238
Benefits paid	18,043	15,799
At the end of the year	**(448,447)**	**(437,911)**

The movement in the fair value of plan assets over the year is as follows:

	2011 €'000	2010 €'000
At the beginning of the year	**389,351**	**349,245**
Exchange differences	1,749	1,459
Reclassification to obligations	(4,437)	–
Expected return on plan assets	24,036	21,888
Actuarial (loss)/gain	(16,732)	7,929
Contributions by plan participants	3,162	2,963
Contributions paid by employer	20,936	21,666
Benefits paid	(18,043)	(15,799)
At the end of the year	**400,022**	**389,351**

The principal actuarial assumptions used are as follows:

	2011 IRL	2011 UK	2010 IRL	2010 UK
Discount rate	5.60%	4.80%-5.00%	5.40%	5.45%–5.50%
Expected return on plan assets				
– Equities	7.50%	6.80%	7.70%	8.20%
– Corporate bonds	4.50%	4.70%	4.90%	5.45%
– Government bonds and gilts	4.30%	2.80%	4.40%	4.20%
– Cash	2.00%	2.70%	2.00%	3.70%
– Property	6.25%	6.30%	6.50%	7.70%
– Other assets	5.40%	6.30%	7.70%	n/a
Inflation rate	2.00%	2.00%-3.00%	2.00%	2.75%-3.45%
Future salary increases	3.00%	3.75%	3.00%	4.20%
Future pension increases**	0.50%	2.80%	0%-5%	3.25%

** The future pension increases on the Irish pension schemes have been calculated on a weighted average basis.

Cumulative actuarial losses:	2011 €'000	2010 €'000
Actuarial loss/(gain) for the year	17,029	(13,379)
Cumulative actuarial losses	**158,856**	**141,827**

Plan assets are comprised as follows:

	2011 €'000	2011 %	2010 €'000	2010 %
Equities	163,281	41	218,484	56
Corporate bonds	36,269	9	33,664	9
Government bonds and gilts	141,457	35	90,341	23
Property	20,799	5	20,456	5
Cash	11,711	3	26,406	7
Other	26,505	7	–	–
	400,022	**100**	**389,351**	**100**

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policies. Expected yields on fixed interest investments are based on gross redemption yields at the reporting date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Following a detailed review of the Group's schedule of contributions during the year, contributions to post-employment defined benefit pension schemes are expected to be €20.9 million in 2012.

Mortality rates

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

The mortality assumptions imply the following life expectancies in years of an active member on retiring at age 65, 20 years from now:

	2011 Irish mortality rates	2011 UK mortality rates	2010 Irish mortality rates	2010 UK mortality rates
Male	24.3	22.2	21.5	23.9
Female	27.1	24.7	24.2	27.0

The mortality assumptions imply the following life expectancies in years of an active member, aged 65, retiring now:

	2011 Irish mortality rates	2011 UK mortality rates	2010 Irish mortality rates	2010 UK mortality rates
Male	20.8	20.8	19.2	21.8
Female	23.6	23.1	21.9	24.9

Five year summary

	2011 €'000	2010 €'000	2009 €'000	2008 €'000	2007 €'000
At the end of the year					
Fair value of plan assets	400,022	389,351	349,245	301,499	382,521
Present value of funded obligations	(448,447)	(437,911)	(435,010)	(465,909)	(496,769)
Deficit	**(48,425)**	**(48,560)**	**(85,765)**	**(164,410)**	**(114,248)**
Experience adjustments on plan liabilities	**2,248**	**8,442**	**5,366**	**(3,175)**	**(7,160)**
Experience adjustments on plan assets	**(16,732)**	**7,929**	**12,314**	**(104,229)**	**(32,542)**

Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension schemes. The following table analyses, for the Group's Irish and UK pension schemes, the estimated impact on the plan liabilities resulting from changes to key actuarial assumptions, all other assumptions remaining constant.

2011

Assumption	Change in assumption	Impact on Irish plan liabilities	Impact on UK plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/increase by 3.9%	Decrease/increase by (3.9%)/4.2%
Price inflation	Increase/decrease 0.25%	Increase/decrease by 1.8%	Increase/decrease by 2.9%/(2.8%)
Mortality	Increase/decrease by one year	Increase/decrease by 2.1%	Increase/decrease by 3.2%

2010

Assumption	Change in assumption	Impact on Irish plan liabilities	Impact on UK plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/increase by 3.7%	Decrease/increase by (4.1%)/4.4%
Price inflation	Increase/decrease 0.25%	Increase/decrease by 1.6%	Increase/decrease by 3.0%/(2.9%)
Mortality	Increase/decrease by one year	Increase/decrease by 2.2%	Increase/decrease by 3.1%

29. Provisions for other liabilities and charges

	Restructuring €'000 note (a)	UK pension €'000 note (b)	Legal claims €'000 note (c)	Property & lease commitments €'000 note (d)	Operational €'000 note (e)	Total €'000
At 1 January 2011	**10,471**	**19,720**	**5,182**	**2,283**	**5,841**	**43,497**
Provided in the year	8,723	–	313	–	919	9,955
Acquisition of subsidiary	–	–	–	–	2,181	2,181
Utilised in the year	(10,025)	(1,452)	(1,914)	(594)	(2,596)	(16,581)
Exchange differences	–	602	95	16	141	854
Unwinding of discounts	–	113	–	37	(60)	90
At 31 December 2011	**9,169**	**18,983**	**3,676**	**1,742**	**6,426**	**39,996**
Non-current	–	17,308	–	1,540	3,272	22,120
Current	9,169	1,675	3,676	202	3,154	17,876
	9,169	**18,983**	**3,676**	**1,742**	**6,426**	**39,996**

(a) The restructuring provision relates to the rationalisation programme Glanbia is currently undertaking. The provision, which relates mainly to redundancy, is expected to be fully utilised during 2012. The provision provided in the year is recognised in the income statement as an exceptional item. See note 7 - exceptional items for further details.

(b) The UK pension provision relates to administration and certain costs associated with pension schemes attached to businesses disposed of in prior years. This provision is expected to be fully utilised over the next 32 years.

(c) The legal claims provision represents legal claims brought against the Group. The provision provided in the year is recognised in the income statement within administration expenses. The balance at 31 December 2011 is expected to be utilised during 2012. In the opinion of the Directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2011.

(d) The property and lease commitments provision relates to onerous leases in respect of two properties where the Group has present and future obligations to make lease payments. It is expected that €0.2 million will be utilised during 2012 and the balance will be fully utilised over the next 6 years.

(e) The operational provision represents deferred payments in respect of recent acquisitions and other operational related provisions. It is expected that €3.2 million of this provision will be utilised during 2012. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.

30. Capital grants

	2011 €'000	2010 €'000
At 1 January 2011	**18,609**	**18,582**
Receivable for the year	–	1,440
Exchange differences	(8)	6
Released to income statement	(1,440)	(1,419)
At 31 December 2011	**17,161**	**18,609**

31. Trade and other payables

	Notes	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Trade payables		5	167,362	66	128,645
Amounts due to Joint Ventures & Associates	37	–	47,228	–	30,059
Amounts due to other related parties	37	–	176	–	235
Amounts due to other Group companies		63,528	–	104,682	–
Social security costs		–	3,605	–	3,262
Accrued expenses		2,704	173,787	2,522	176,372
Other payables		–	8,692	–	27,673
		66,237	**400,850**	**107,270**	**366,246**

The carrying value of payables is a reasonable approximation of fair value.

32. Derivative financial instruments

	2011 Assets €'000	2011 Liabilities €'000	2010 Assets €'000	2010 Liabilities €'000
Non-hedging instruments	1,873	–	–	(77)
Interest rate swaps – cash flow hedges	–	(3,174)	–	(8,076)
Interest rate swaps – fair value hedges	1,638	–	3,975	–
Foreign exchange contracts – cash flow hedges	717	(2,028)	590	(600)
Commodity futures – cash flow hedges	772	(613)	267	(326)
Commodity futures – fair value hedges	1,161	(1,161)	723	(723)
Total	**6,161**	**(6,976)**	**5,555**	**(9,802)**
Less non-current portion:				
Interest rate swaps – cash flow hedges	–	(1,319)	–	(3,315)
Interest rate swaps – fair value hedges	–	–	1,643	–
Non-current	**–**	**(1,319)**	**1,643**	**(3,315)**
Current	**6,161**	**(5,657)**	**3,912**	**(6,487)**

Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts, qualifying as cash flow hedges at 31 December 2011, were €55.0 million (2010: €148.5 million).

The notional principal amounts of the outstanding interest rate swap contracts, qualifying as fair value hedges at 31 December 2011, were €100.0 million (2010: €100.0 million).

At 31 December 2011, the fixed interest rates vary from 3.79% to 4.94% (2010: 3.79% to 4.94%) and the main floating rates are set in advance by reference to inter-bank interest rates 1.83% EURIBOR (2010: 1.14% EURIBOR).

Gains and losses recognised in the hedging reserve in other comprehensive income on interest rate swap contracts at 31 December 2011 will be continuously recycled to the income statement until repayment of the bank borrowings.

Foreign exchange contracts
The notional principal amounts of the outstanding foreign exchange contracts at 31 December 2011 were €80.7 million (2010 €51.7 million).

Gains and losses recognised in the hedging reserve in other comprehensive income on foreign exchange contracts at 31 December 2011 will be released to the income statement at various dates within one year from the reporting date.

Commodity futures
The notional principal amounts of the outstanding commodity (milk, gas, oil and propane) futures, qualifying as cash flow hedges and fair value hedges at 31 December 2011 were €8.3 million and €49.1 million respectively (2010: €4.2 million and €61.4 million). Gains and losses recognised in the hedging reserve in other comprehensive income on these futures as at 31 December 2011 will be released to the income statement at various dates within one year from the reporting date.

Net investment hedge
A portion of the Group's US dollar denominated borrowing amounting to USD 98.5 million (2010: nil) is designated as a hedge of the net investment in the Group's US dollar net assets. The fair value of the borrowing was €76.1 million (2010: nil). The foreign exchange loss of €0.2 million (2010: nil) arising on translation of the borrowing into euro at 31 December 2011 is recognised in other comprehensive income.

Financial guarantee contracts
In accordance with Group accounting policy, management has reviewed the fair values associated with financial guarantee contracts, as defined within IAS 39 – Financial Instruments: Recognition and Measurement, issued in the name of Glanbia plc and has determined that their value is not significant. No adjustment has been made to the Glanbia plc company statement of financial position to reflect fair value of the financial guarantee contracts issued in its name.

33. Contingent liabilities

Company
The Company has guaranteed the liabilities of certain subsidiaries in Ireland in respect of any losses or liabilities (as defined in section 5(c) of the Companies (Amendment) Act, 1986) for the year ended 31 December 2011 and the Directors are of the opinion that no losses will arise thereon. These subsidiaries avail of the exemption from the filing of audited financial statements, as permitted by section 17 of the Companies (Amendment) Act, 1986.

The Group recognises a defined benefit liability and incurs administration and certain other costs in relation to its UK pension schemes for businesses disposed of in prior years, as outlined in note 28 and note 29. In addition, the Company has guaranteed the payment of a proportion of employer contributions in respect of these UK pension schemes. The Company considers these guarantees to be insurance contracts and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Group
Bank guarantees amounting to €3.4 million (2010: €7.1 million) are outstanding as at 31 December 2011, mainly in respect of payment of EU subsidies. The Group does not expect any material loss to arise from these guarantees.

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liability will arise from these contingent liabilities other than those provided for.

34. Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	2011 €'000	2010 €'000
Property, plant and equipment	1,210	4,980

Operating lease commitments – where the Group is the lessee

The Group leases various assets. Generally, operating leases are short-term with no purchase options. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 €'000	2010 €'000
Not later than 1 year	9,118	7,868
Later than 1 year and not later than 5 years	25,259	20,171
Later than 5 years	19,702	15,331
	54,079	**43,370**

35. Cash generated from operations

	Notes	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Profit before taxation		**59,114**	**138,693**	**745**	**134,718**
Development costs capitalised	15	–	(4,042)	–	(2,821)
Write-off of intangibles	15	–	1,195	–	1,372
Non-cash exceptional loss/(gain)	7	–	8,723	–	(10,238)
Share of results of Joint Ventures & Associates		–	(14,331)	–	(10,103)
Depreciation	14	–	34,140	–	32,569
Amortisation	15	–	18,472	–	15,111
Cost of share based payments	22	2,388	2,388	2,937	2,937
Difference between pension charge and cash contributions		–	(17,706)	–	(14,598)
Loss on disposal of property, plant and equipment	6	–	363	–	957
Interest income	10	–	(3,056)	–	(3,290)
Interest expense	10	–	30,997	–	25,420
Non-cash movement on investments		(761)	–	–	–
Amortisation of government grants received	30	–	(1,440)	–	(1,419)
Cash generated from operations before changes in working capital		**60,741**	**194,396**	**3,682**	**170,615**
Change in net working capital:					
– (Increase) in inventory		–	(19,087)	–	(97,009)
– Decrease/(increase) in short term receivables		103	(29,122)	66,449	(28,065)
– (Decrease)/increase in short term liabilities		(40,829)	11,219	(36,693)	66,048
– (Decrease) in provisions		(204)	(12,020)	(246)	(4,375)
Cash generated from operations		**19,811**	**145,386**	**33,192**	**107,214**

36. Business combinations

On 19 January 2011 the Group acquired the business and assets of a US based performance nutrition business - Bio-Engineered Supplements and Nutrition (BSN®). BSN® is a leading developer, provider and distributor of nutritional products designed for health, physique development and training.

Details of net assets acquired and goodwill arising from the acquisition are as follows:

	€'000
Purchase consideration – cash paid	103,369
Less: Fair value of assets acquired	85,853
Goodwill	**17,516**

The acquisition of BSN® significantly enhances the Group's Performance Nutrition portfolio and delivers further growth opportunities in this area. In particular, the acquisition builds on the Group's scale position in the sports nutrition sector, broadens Performance Nutrition's product portfolio into new categories and channels, and represents a further step change in international growth opportunities for Performance Nutrition. The goodwill is attributable to the profitability and development opportunities through combined R&D and the benefits associated with the extension of Glanbia's scale and specific capabilities to the acquired business.

The fair value of assets and liabilities arising from the acquisition are as follows:

	Fair value €'000
Property, plant and equipment	1,700
Intangible assets - brands/know-how	47,641
Intangible assets - customer relationships	36,721
Inventories	9,433
Trade and other receivables	7,419
Trade and other payables	(10,290)
Provisions for other liabilities and charges	(2,181)
Deferred tax liabilities	(4,590)
Fair value of assets acquired	**85,853**

The revenue included in the Group income statement from 19 January 2011 to 31 December 2011 contributed by BSN® was €105.0 million. BSN® also contributed profit before interest, tax and amortisation of €12.4 million over the same period.

On 1 April 2011, the Group also acquired the business and assets of Kerry Group plc's Limerick based liquid milk business for €10.3 million. This consisted of €6.0 million intellectual property, €0.7 million working capital and property, plant & equipment and €3.6 million goodwill.

The revenue and profit of the Group determined in accordance with IFRS for the year ended 31 December 2011 would not have been materially different than that reported above if the acquisition date for all business combinations completed during the period had been at the beginning of the year.

Acquisition related costs included in administration expenses in the Group income statement for the year ended 31 December 2011 amounted to €0.4 million (2010: €0.6 million).

No contingent liabilities were recognised on the acquisitions completed during the year. The gross contractual value and fair value of trade and other receivables at the respective dates of acquisition amounted to €7.4m. No allowance for doubtful debts is included as the full amount is expected to be recoverable.

37. Related party transactions

The Group is controlled by Glanbia Co-operative Society Limited, which holds 54.4% of the issued share capital of the Company and is the ultimate parent of the Group. The following transactions were carried out with related parties:

(a) Sales of goods and services

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Sales of goods:				
– Associates	–	3,576	–	2,498
– Joint ventures	–	95,563	–	64,077
– Key management[1]	–	1,185	–	791
	–	**100,324**	**–**	**67,366**
Sales of services:				
– Glanbia Co-operative Society Limited	–	336	–	336
– Associates	–	17	–	17
– Joint ventures	–	15,297	–	11,977
– Subsidiaries	62,124	–	16,068	–
	62,124	**15,650**	**16,068**	**12,330**

Sales to related parties were carried out under normal commercial terms and conditions.

(b) Purchases of goods and services

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Purchases of goods:				
– Associates	–	9,115	–	9,721
– Joint ventures	–	3,825	–	3,090
– Key management[1]	–	3,029	–	2,083
	–	**15,969**	**–**	**14,894**
Purchases of services:				
– Glanbia Co-operative Society Limited	–	791	–	290
– Associates	–	1,488	–	2,174
– Joint ventures	–	81	–	8
– Subsidiaries	2,305	–	2,086	–
	2,305	**2,360**	**2,086**	**2,472**

Purchases from related parties were carried out under normal commercial terms and conditions.

(c) Year-end balances arising from sales/purchases of goods/services

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Receivables from related parties:				
– Glanbia Co-operative Society Limited	–	19	–	682
– Associates	–	–	–	118
– Joint ventures	–	3,987	–	6,764
– Key management[1]	–	284	–	207
	–	**4,290**	**–**	**7,771**
Payables to related parties:				
– Glanbia Co-operative Society Limited	–	–	–	31
– Associates	–	1,581	–	1,972
– Joint ventures	–	45,647	–	28,087
– Key management[1]	–	176	–	204
– Subsidiaries	60,216	–	101,249	–
	60,216	**47,404**	**101,249**	**30,294**

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sale. The receivables are unsecured in nature and only bear interest when receivables are due more than three months after the date of sale. The payables to related parties arise mainly from purchase transactions and are due one month after the date of purchase. The payables bear no interest.

1 Purchases, sales and related year-end balances involving key management refer to trading balances with Directors who are engaged in farming activities. No loans were made to key management or associates during the year (2010: nil).

(d) Key management compensation[2]

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Salaries and other short-term employee benefits	–	3,357	–	3,671
Post-employment benefits	–	456	–	354
Share based payments	–	1,368	–	2,004
Non-executive Directors fees	684	684	591	591
	684	**5,865**	**591**	**6,620**

2 Key management compensation includes Directors (executive and non-executive) and members of the Group Operating Executive Committee, including the Group Secretary. In November 2010, the Group revised its Group leadership structure to include a Group Operating Executive and a Group Management Committee.

(e) Loans to joint ventures

	2011 Company €'000	2011 Group €'000	2010 Company €'000	2010 Group €'000
Loans receivable				
At the beginning of the year	**–**	**13,060**	**–**	**33,718**
Foreign exchange difference on opening balance	–	415	–	2,384
Loans advanced	–	–	–	3,742
Loans repaid	–	–	–	(26,784)
At the end of the year	**–**	**13,475**	**–**	**13,060**
Interest on loans receivable				
At the beginning of the year	**–**	**392**	**–**	**391**
Foreign exchange difference on opening balance	–	13	–	30
Interest charged	–	542	–	1,229
Interest received	–	(841)	–	(1,258)
At the end of the year	**–**	**106**	**–**	**392**
Total loans and interest receivable at the end of the year	**–**	**13,581**	**–**	**13,452**

The USD 10.0 million loan to Southwest Cheese Company, LLC is due on 31 July 2012. The GBP 4.8 million loan to Nutricima Limited is due on 30 April 2012. It is expected both loans will roll over on the repayment dates.

38. Events after the reporting period

There were no significant events, outside the ordinary course of business, affecting the Group since 31 December 2011.

39. Principal subsidiary and associated undertakings

(a) Subsidiaries

Incorporated and operating in	Principal place of business	Principal activities	Group interest %
Ireland			
Glanbia Foods Ireland Limited	Ballyragget, Co. Kilkenny and Citywest, Dublin 24	Dairying, liquid milk, consumer food products and general trading	100.00
Glanbia Consumer Foods Limited	Inch, Co. Wexford and Kilkenny	Fresh dairy products and soups	100.00
Glanbia Farm Fresh Dairy Products Limited	Citywest, Dublin 24	Fresh dairy products	100.00
Glanbia Ingredients (Ballyragget) Limited	Ballyragget, Co. Kilkenny	Milk products	100.00
Glanbia Ingredients (Virginia) Limited	Virginia, Co. Cavan	Milk products	100.00
Glanbia Nutritionals (Ireland) Limited	Kilkenny	Nutritional products	100.00
Glanbia Nutritionals (Europe) Limited	Kilkenny	Nutritional products	100.00
Glanbia Nutritionals (Research) Limited	Kilkenny	Research and development	100.00
Glanbia Feeds Limited	Enniscorthy, Co. Wexford and Portlaoise, Co. Laois	Manufacture of animal feed products	100.00
Glanbia Estates Limited	Kilkenny	Property and land dealing	100.00
Avonmore Proteins Limited	Kilkenny	Financing	100.00
Glanbia Financial Services	Kilkenny	Financing	100.00
Glanbia Investments (Ireland) Limited	Kilkenny	Investment company	100.00
Glassonby	Kilkenny	Holding company	100.00
Waterford Foods plc	Kilkenny	Holding company	100.00
Grassland Fertilisers (Kilkenny) Limited	Palmerstown, Co. Kilkenny	Fertilisers	73.00
D. Walsh & Sons Limited	Palmerstown, Co. Kilkenny	Grain and fertilisers	60.00
United States			
Glanbia, Inc.	Delaware	Holding company	100.00
Glanbia Foods, Inc.	Twin Falls, Idaho	Milk products	100.00
Optimum Nutrition, Inc.	Illinois, South Carolina, Florida	Sports nutrition products	100.00
Bio-Engineered Supplements and Nutrition, Inc.	Boca Raton, Florida	Sports nutrition products	100.00
Glanbia Nutritionals (NA), Inc.	Carlsbad, California	Nutrient delivery systems	100.00
Glanbia Nutritionals, Inc.	Madison, Wisconsin	Nutritional distribution	100.00
Glanbia Ingredients, Inc.	Madison, Wisconsin	Dairy products distribution	100.00
Britain and Northern Ireland			
Glanbia (UK) Limited	Victoria Square, Birmingham	Holding company	100.00
Glanbia Holdings Limited	Victoria Square, Birmingham	Holding company	100.00
Glanbia Investments (UK) Limited	Victoria Square, Birmingham	Holding company	100.00
Optimum Nutrition EMEA Limited	London, England	Sports nutrition products	100.00
Glanbia Nutritionals (UK) Limited	Middlesbrough	Sports nutrition products	100.00
Glanbia Foods (NI) Limited	Portadown, Co. Armagh	Consumer food products	100.00
Glanbia Feedstuffs Limited	Victoria Square, Birmingham	Supply of animal feeds	100.00

Incorporated and operating in	Principal place of business	Principal activities	Group Interest %
Canada			
Glanbia Nutritionals (Canada) Inc.	Angusville, Manitoba	Nutrient delivery systems	100.00
Germany			
Glanbia Nutritionals Deutschland GmbH	Orsingen-Nenzingen, Germany	Nutrient delivery systems	100.00
Netherlands			
Glanbia Foods B.V.	Moergestel, Netherlands	Holding company	100.00
Asia			
Glanbia Nutritionals (Suzhou) Company Limited	Suzhou, China	Nutrient delivery systems	100.00
GN Life Science (Shanghai) Co. Limited	Shanghai, China	Nutrient ingredients	100.00
Glanbia Nutritionals Singapore Pte Limited	Singapore	Customer Service Office	100.00

(b) Associates and joint ventures

Incorporated and operating in	Date to which results included	Principal place of business	Principal activities	Group interest %
Ireland				
Co-operative Animal Health Limited *	31–Dec–10	Tullow, Co. Carlow	Agri chemicals	50.00
South Eastern Cattle Breeding Society Limited *	31–Dec–10	Thurles, Co. Tipperary	Cattle breeding	57.00
Malting Company of Ireland Limited *	30–Sept–11	Togher, Cork	Malting	33.33
South East Port Services Limited *	31–Dec–11	Kilkenny	Port services	49.00
Greenfield Dairy Partners Limited *	31–Dec–11	Dunbell, Co. Kilkenny	Dairy production and development	33.33
Corman Miloko Ireland Limited **	31–Dec–11	Carrick-on-Suir, Co. Tipperary	Dairy spreads	45.00
Garristown Properties Limited **	31–Dec–11	Garristown, Co. Dublin	Property development	50.00
United States				
Southwest Cheese Company, LLC **	31–Dec–11	Clovis, New Mexico	Milk products	50.00
Britain and Northern Ireland				
Glanbia Cheese Limited **	31–Dec–11	Magheralin and Llangefni	Cheese products	51.00
Milk Ventures (UK) Limited **	30–Nov–11	Stockport, England	Holding company	50.00
Nigeria				
Nutricima Limited **	30–Nov–11	Nigeria	Evaporated and powdered milk	50.00

Pursuant to section 16 of the Companies Act, 1986 a full list of subsidiaries, joint venture and associated undertakings will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

* Associate
** Joint venture

Five year financial summary

Summary income statement	2011	2010	2009	2008	2007
Revenue	€2,671.2m	€2,166.7m	€1,830.3m	€2,232.2m	€2,206.6m
Operating profit pre exceptional	€161.0m	€136.5m	€111.2m	€134.1m	€115.8m
Operating margin pre exceptional	6.0%	6.3%	6.1%	6.0%	5.2%
Net financing costs	(€27.9m)	(€22.1m)	(€24.0m)	(€21.1m)	(€17.3m)
Share of results of Joint Ventures & Associates*	€14.3m	€10.1m	€10.2m	€7.3m	€1.0m
Profit before tax pre exceptional	€147.4m	€124.5m	€97.4m	€120.3m	€99.5m
Taxation pre exceptional	(€27.0m)	(€25.5m)	(€19.1m)	(€21.5m)	(€16.4m)
Profit after tax pre exceptional	€120.4m	€99.0m	€78.3m	€98.8m	€83.1m
Net exceptional items (post tax)	(€7.6m)	€9.7m	€34.9m	(€19.4m)	(€22.8m)
Basic earnings per share	38.22c	36.86c	38.46c	26.76c	20.42c
Adjusted earnings per share	46.32c	38.07c	30.68c	35.86c	30.25c
Dividend per share in respect of the full year	8.27c	7.52c	6.84c	6.51c	6.08c

* Share of results in Joint Ventures & Associates is an after interest and tax amount.

Adjusted earnings per share	2011 €'000	2010 €'000	2009 €'000	2008 €'000	2007 €'000
Profit attributable to the equity holders of the Parent	112,178	108,047	112,676	78,399	59,833
Amortisation of intangible assets (net of related tax)	16,163	13,222	12,126	7,312	5,964
Net exceptional items	7,633	(9,680)	(34,905)	19,358	22,846
Adjusted net income	**135,974**	**111,589**	**89,897**	**105,069**	**88,643**
Weighted average number of ordinary shares in issue	**293,536,350**	**293,105,068**	**292,985,630**	**293,018,610**	**293,012,540**
Adjusted earnings per share (cents per share)	**46.32**	**38.07**	**30.68**	**35.86**	**30.25**

Shareholders' information

Stock exchange listings
The Company's shares are listed on the main market of the Irish Stock Exchange as well as having a premium listing on the main market of the London Stock Exchange.

Managing your shareholding
Computershare Investor Services (Ireland) Limited ("Computershare") maintains the Company's register of members. Should a shareholder have any queries in respect of their shareholding, they should contact Computershare directly using the contact details provided below:

Computershare Investor Services (Ireland) Limited,
Heron House, Corrig Road, Sandyford Industrial Estate,
Dublin 18, Ireland.

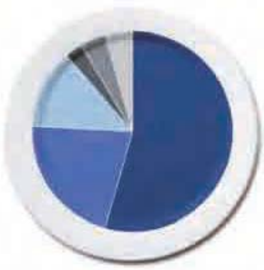
Contact details: telephone number 01 247 5349 (within Ireland), 00353 1 247 5349 (outside Ireland), or by logging on to www.investorcentre.com/ie/contactus.

Information on shares

	2011	2010
Share price data	**€**	**€**
Share price as at 31 December 2011	**4.63**	3.68
Market capitalisation	**1,362m**	1,081m
Share price movements during the year:		
– high	**5.02**	3.68
– low	**3.55**	2.43

The current share price of Glanbia plc ordinary shares can be accessed at http://www.glanbia.com/prices-delayed

Shareholder analysis
December 2011



- Glanbia Co-operative Society **54.4%**
- Retail **21.6%**
- UK* **12.7%**
- Ireland* **2.8%**
- Europe* **4.3%**
- North America* **4.2%**

*Institutional/other

Share capital
The authorised share capital of the Company at 31 December 2011 was 306,000,000 ordinary shares at €0.06 each. The issued share capital at 31 December 2011 was 294,532,684 ordinary shares of €0.06 each.

Substantial shareholdings
The table below details the significant holding (3% or more) in the Company's ordinary share capital that has been disclosed to the Company at 28 February 2012 in accordance with the requirements of Rule 7.1 of the Transparency Rules issued by the Financial Regulator under section 22 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2006.

Shareholder	No. of ordinary shares	% of issued share capital
Glanbia Co-operative Society Limited	160,277,308	54.4%
Prudential plc group of companies	11,978,374	4.06%

Employee share schemes
The Company operates a number of employee share schemes. At 31 December 2011, 740,576 ordinary shares were held in an employee benefit trust for the purpose of the Group's employee share schemes. While any shares in the Company are held by the Trustees, the Trustees shall refrain from exercising any voting rights which may attach to the shares save that if the beneficial interest in any share has been vested in any beneficiary the Trustees shall seek and comply with any direction from such beneficiary as to the exercise of voting rights attaching to such shares.

Dividend payments direct to your bank account
An interim dividend of 3.33 cents per share was paid in respect of ordinary shares on 14 October 2011.

Subject to shareholders' approval, a final dividend of 4.94 cents per share will be paid in respect of ordinary shares on 11 May 2012 to shareholders on the register of members on 30 March 2012. If a shareholder's registered address is in the UK and a shareholder has not previously provided the company with a mandate form for an Irish euro account, the payment will be in GBP. All other payments will be in euro.

Dividend Withholding Tax (DWT) is deductible from dividends paid by an Irish resident company, unless the shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company's Registrar, Computershare. DWT applies to dividends paid by way of cash and is deducted at the standard rate of income tax (currently 20%). Non-resident shareholders and certain Irish companies, trusts, pension schemes, investment undertakings and charities may be entitled to claim exemption from DWT and are thereby required to send the relevant form to Computershare. Copies of this form may be obtained from Computershare.

In order to continue to improve the security of dividend payments to shareholders and reduce costs, the Company proposes to pay future dividend payments on its ordinary shares only by credit transfer into a nominated bank or building society account.

Shareholders will continue to receive tax vouchers in respect of dividend payments. The Company takes data security issues very seriously. Bank account details supplied to the Company and its Registrar will be used only for dividend distribution and the information will not be used for any other purpose or supplied to any third party.

www.glanbia.com

Shareholders may visit www.glanbia.com/shareholder-centre for up-to-date investor information. Electronic copies of current and past annual and half-yearly reports can be downloaded from the website. Current and historic share prices, news, updates and presentations may also be obtained. Shareholders may also register to receive future shareholder communications electronically.

Electronic communications

The changes brought about by the Transparency (Directive 2004/109/EC) Regulations 2007 recognises the growing importance of electronic communications. The Group therefore provides documentation and communications to all shareholders via our website unless a shareholder has specifically elected to receive a hard copy.

Using electronic communications enables fast receipt of documents, helps the environment by significantly reducing the amount of paper used to communicate with shareholders and reduces associated printing, mailing and distribution costs.

Shareholders can also vote online for the next Annual General Meeting ("AGM"). This is a quick and easy option, using the proxy voting service provided by Computershare. Shareholders may use this facility by visiting www.eproxyappointment.com.

Financial calendar

Announcement of final results for 2011	29 February 2012
Ex-dividend date	28 March 2012
Record date for dividend	30 March 2012
Date for receipt of proxy forms	7 May 2012
Record date for AGM	7 May 2012
AGM	9 May 2012
Dividend payment date	11 May 2012

AGM

The AGM will be held on 9 May 2012.
The notice of meeting, together with details of the business to be conducted at the meeting is available on www.glanbia.com/agm

The voting results for the 2012 AGM, including proxy votes and votes withheld will be available on our website shortly after the meeting at the following address: www.glanbia.com/agm

Conditions for participating in a meeting

Every shareholder, irrespective of how many Glanbia shares they hold, has the right to attend, speak, ask questions and vote at the AGM. Completion of a proxy form will not affect a shareholder's right to attend, speak, ask questions and/or vote at the meeting in person.

The quorum for a general meeting of the Company is constituted by three persons entitled to vote upon the business of the meeting, each being a shareholder or a proxy or corporate representative for a shareholder.

The right to participate in the AGM is subject to the registration of the shares prior to the date of the meeting (the record date). For the 2012 AGM the record date is 5:00 pm on 7 May 2012 (or in the case of an adjournment 5:00 pm, on the day prior to the day before the time fixed for the adjourned meeting).

Appointment of proxy

Where a shareholder is unable to attend the AGM in person, a proxy (or proxies) may be appointed to attend, speak, ask questions and vote on their behalf. For this purpose a form of proxy is posted to all shareholders. Copies of these documents may be requested by telephoning the Company's Registrar on 01 247 5349 (within Ireland), 00353 1 247 5349 (outside Ireland), or by logging on to www.investorcentre.com/ie/contactus or by writing to the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland.

Alternatively, a shareholder may appoint a proxy electronically, by visiting www.eproxyappointment.com and submitting their proxy details. They will be asked to enter the Control Number, the Shareholder Reference Number ("SRN") and PIN and agree to certain terms and conditions. The Control Number, the SRN and the PIN can be found on the top of the form of proxy.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual.

How to exercise shareholders rights

Shareholders have several ways to exercise their right to vote:

> by attending the AGM in person;

> by appointing the Chairman or another person as a proxy to vote on their behalf; or

> by appointing a proxy via the CREST system.

The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires at least 75% of the votes cast to be in favour of the resolution.

Tabling agenda items

A shareholder, or a group of shareholders acting together, who hold at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of the AGM. In order to exercise this right, written details of the item to be included on the 2012 AGM agenda together with a written explanation why the item is to be included on the agenda and evidence of the shareholding must be received by the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie /info@glanbia.ie no later than 29 March 2012 (i.e. 42 days before the AGM).
An item cannot be included on the AGM agenda unless it is accompanied by the written explanation and received at either of these addresses by this deadline.

Tabling draft resolutions

A shareholder, or a group of shareholders acting together, who hold at least 3% of the issued share capital of the Company, has the right to table a draft resolution for inclusion on the agenda of the 2012 AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must be received by no later than 29 March 2012 (i.e. 42 days before the AGM) by post to the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie /info@glanbia.ie. A resolution cannot be included on the 2012 AGM agenda unless it is received at either of these addresses by this deadline. Furthermore, shareholders are reminded that there are provisions in company law which impose other conditions on the right of shareholders to propose resolutions at the general meeting of a company.

How to ask a question before or at the meeting

The AGM is an opportunity for shareholders to put a question to the Chairman during the question and answer session. Before the 2012 AGM, a shareholder may also submit a question in writing by sending a letter and evidence of shareholding at least four business days before the 2012 AGM (i.e. 3 May 2012) to the Group Secretary, Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie /info@glanbia.ie.

Dividend rights

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of shareholders, but no dividend shall exceed the amount recommended by the Directors. The Directors may also declare and pay interim dividends if it appears to them that the interim dividends are justified by the profits of the Company available for distribution.

Distribution on winding up

If the Company shall be wound up and the assets available for distribution among shareholders shall be insufficient to repay the whole of the paid up or credited as paid up share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by shareholders in proportion to the capital paid up or credited as paid up at the commencement of the winding up on the shares held by them respectively. Further if, in a winding up, the assets available for distribution among shareholders shall be more than sufficient to repay the whole of the share capital paid up or credited as paid up at the commencement of the winding up, the excess shall be distributed among shareholders in proportion to the capital at the commencement of the winding up paid up or credited as paid up on the said shares held by them respectively.

Contacts

Group Secretary and Registered Office
Michael Horan,
Glanbia plc,
Glanbia House,
Kilkenny,
Ireland.

Stockbrokers
Davy Stockbrokers,
49 Dawson Street,
Dublin 2,
Ireland.
(Joint Broker)

RBS Hoare Govett Limited,
250 Bishops Gate,
London EC2M 4AA,
United Kingdom.
(Joint Broker)

Auditors
PricewaterhouseCoopers,
Ballycar House,
Newtown,
Waterford,
Ireland.

Solicitors
Arthur Cox,
Earlsfort Centre,
Earlsfort Terrace,
Dublin 2,
Ireland.

Pinsent Masons,
3 Colmore Circus,
Birmingham B4 6BH,
United Kingdom.

Principal Bankers
Allied Irish Banks, plc
The Governer and Company of the Bank of Ireland
BNP Paribas S.A.
Barclays Bank Ireland plc
Citibank Europe plc
KBC Bank Ireland plc
Danske Bank A/S
Rabobank Ireland plc
The Royal Bank of Scotland N.V.
Ulster Bank Ireland Limited

Registrar
Computershare Investor Services (Ireland) Limited,
Heron House,
Corrig Road,
Sandyford Industrial Estate,
Dublin 18,
Ireland.

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Cautionary statement

The 2011 Annual Report contains forward-looking statements. These statements have been made by the Directors in good faith, based on the information available to them up to the time of their approval of this report. Due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements contained in this report, whether as a result of new information, future events, or otherwise.

glanbia

Glanbia plc,
Glanbia House,
Kilkenny,
Ireland.

Tel +353 56 777 2200
Fax +353 56 777 2222

www.glanbia.com