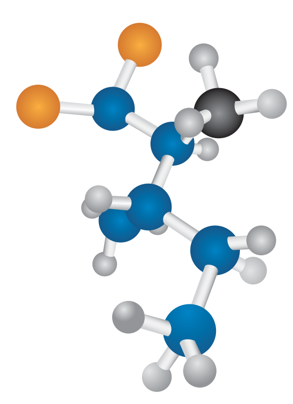
glanbia
ADDING VALUE
DRIVING GROWTH
DELIVERING RETURNS
Glanbia plc Annual Report 2012

Glanbia plc is a global nutritional solutions and cheese group with leading market positions in cheese, whey proteins, sports nutrition and micronutrient premixes. Our products are sold in over 130 countries worldwide and we employ 4,900 people across 17 countries. Our shares are listed on the Irish and London stock exchanges (symbol: GLB).



SCIENCE-BACKED INNOVATION

Branch chain amino acids (Leucine, Isoleucine and Valine) are critical to growth and repair of muscle. Whey protein, which is central to both Ingredient Technologies and Performance Nutrition, is considered to be one of the best sources of branch chain amino acids. The molecule shown is Isoleucine.

SPECIAL FEATURE

Our vision is to be the leading global nutritional solutions and cheese group and we have a clear strategy to achieve this. Inherent within our strategy is the commitment to add value, drive growth and deliver returns across all of our activities. This is helping us to build a unique integrated business and to differentiate our business model from our competitors.

To read our special feature go to page 13.

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2012 was a transformational year for Glanbia. The Group restructured its Irish dairy processing activities and delivered record results with 22% growth in reported adjusted earnings per share. The outlook for 2013 is positive.

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Our focus in 2013/2014 will be to refresh the Group's strategy so that we prioritise growth opportunities and concentrate on the areas of highest potential and returns. This will ensure that we capitalise on the strong long-term positive market trends in key nutritional segments, where the Group already has established market leading positions.

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Strong corporate governance ensures high quality decision-making in all areas of strategy, performance and responsibility and is central to oversight of the Group on behalf of shareholders.

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Record results and a historic year for corporate development

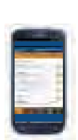
Glanbia has had an excellent year in 2012. The Group delivered strong financial results and restructured its Irish dairy processing business.

2012 highlights

- Record results driven by Global Nutritionals where like-for-like revenue grew 20% reflecting positive markets as well as strong operational performances in each business unit;
- Clarity on the strategy to expand Irish dairy processing restructures the Dairy Ireland segment, reduces majority shareholder ownership to 41.3% and facilitates further international growth;
- €115 million capital investment included the purchase of a US nutritionals company which expands Ingredient Technologies' capabilities and customer base; and
- 10% dividend increase for the third consecutive year, bringing total dividend for the year to 9.09 cents per share.

2013 outlook

- The prospects for 2013 are also good, although we remain cautious given the global economic environment. We expect adjusted earnings per share growth, on a constant currency basis, of between 8% and 10% for the full year.
- The Irish dairy processing transaction facilitates a concentrated focus on our international growth and the longer term prospects for Glanbia are positive. We are in a stronger position than ever to drive the business forward and capitalise on our competitive advantage in both business-to-business and business-to-consumer nutritional products and solutions.



INVESTOR APP
Download our new Investor Relations App, which is available for the iPad, iPhone and Android systems. This will allow you to keep up to date with the latest share price information and news and also provides access to financial reports, presentations and multi-media, both online and offline.

Scan this QR code to download the Glanbia Investor Relations App

Reported currency adjusted EPS

56.56c
+22.1%

Constant currency adjusted EPS

52.90c
+14.2%

Pro-forma Total Group revenue

€3.0bn
+10.4%

Pro-forma Total Group EBITA

€214m
+17.5%

Pro-forma Total Group EBITA margin

7.0%
+40bps

Wholly owned EBITA margin

8.0%
+70bps

Pro-forma JV & Associates EBITA margin

4.6%
-30bps

- All figures are in reported currency and pre exceptional, unless otherwise stated. Total Group includes both the wholly owned businesses and Glanbia's share of Joint Ventures & Associates.
- To better reflect the structure of the Group post the Irish dairy processing transaction, a pro-forma adjustment has been made to include this business as a 40% associate for each of 2012 and 2011.
- A comprehensive overview of the financial impact of the Irish dairy processing transaction is set out in the Group Finance Director's review on pages 38 and 39.

A strong portfolio of operations serving business customers and consumers globally

We invested €115 million in expanding our business in 2012 through acquisition and capital investment and also improved our return on capital employed.

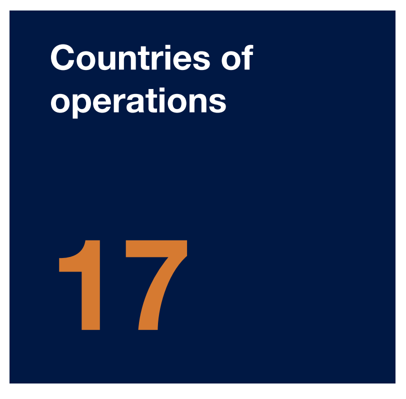
We are a truly international business with a direct presence in 17 countries while our products are distributed in over 130 countries worldwide. While the US and Europe represent our largest markets, we continue to expand our presence in the Middle East, Asia Pacific and Latin America.

We process almost 6 billion litres of milk per annum, manufacturing over 500,000 tonnes of cheese and almost 250,000 tonnes of dairy-based ingredients including whey. We employ 4,900 people, more than 60% of whom are in our international operations.

In 2012, we expanded our business with key corporate development projects in the US and Europe. Our return on capital employed also improved 130 basis points to 14.1%.

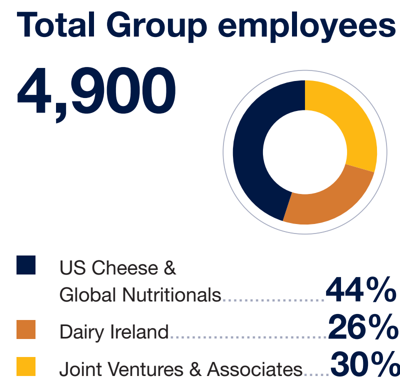
Go to page 12 for more information on corporate development projects.

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



Countries in which our products are sold

130+



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Innovation

Glanbia currently has two research and development (R&D) centres. The Group's principal R&D facility is in Ireland. This centre has overall responsibility for Glanbia's R&D including innovation undertaken in the USA. In 2013 the Group will also commission a dedicated cheese innovation centre in Idaho.

Our R&D is directed towards the development of technically superior dairy-based food ingredients, nutritional products and supplements as well as cheese and high value consumer food products. We use proprietary technologies and processes that enhance the texture, nutritional properties and flavour of foods. We specialise in advanced, differentiated and branded ingredients and consumer products in high growth markets.

An integrated business with a strategic focus on international markets

Building on our dairy base, we have developed a global leadership position in specialist nutritionals with both a business-to-business and business-to-consumer focus.

US Cheese & Global Nutritionals

Revenue	€1,580.8m
EBITA	€155.5m
EBITA margin	9.8%
Manufacturing facilities	12
Employees	2,136

US Cheese

LEADING PRODUCER OF AMERICAN-STYLE CHEDDAR CHEESE AND WHEY

US Cheese is a business-to-business, large scale cheese operation located in the highly productive Idaho agricultural heartland. This business unit also operates whey processing facilities, the output of which is commercialised by Ingredient Technologies.

Customised Premix Solutions

GLOBAL PROVIDER OF MICRO-NUTRIENT PREMIXES

Customised Premix Solutions blends vitamins, minerals and other nutrients according to exact specification for a range of food and beverage customers. Its key end markets include infant formula fortification, beverages, cereals and nutrition bars. It operates across the US, Europe and Asia.

Ingredient Technologies

GLOBAL INNOVATOR OF NUTRITIONAL SOLUTIONS

Ingredient Technologies formulates, manufactures and markets a range of dairy and non-dairy based nutritional solutions globally. It sources ingredients both internally and externally to create a range of ingredient systems that add value to companies operating across a range of sectors such as sports nutrition, health and wellness and infant and adult medical nutrition.

Performance Nutrition

LARGEST GLOBAL SPORTS NUTRITION BRAND PORTFOLIO

Performance Nutrition's portfolio is comprised of protein based fitness and healthy living products as well as pre-workout energy, post-workout recovery, diet and muscle building products. Through its three brands, Optimum Nutrition, BSN and ABB, it holds leading market positions in the US and internationally.

Dairy Ireland

Revenue	€631.0m
EBITA	€20.4m
EBITA margin	3.2%
Manufacturing facilities	5
Employees	1,262

Consumer Products

NO. 1 IRISH DAIRY CONSUMER BRAND

Consumer Products is a leading supplier of branded food products in the Irish market. Its focus is primarily on dairy products and it has within its portfolio the "Avonmore" brand, a leading Irish grocery brand.

Agribusiness

NO. 1 IRISH SUPPLIER OF FARM INPUTS

Agribusiness is a leading supplier of inputs to the Irish agri sector and operates a total of 52 retail outlets. It sells a wide range of farm related inputs including feed, fertiliser, hardware and veterinary supplies. It is also the largest purchaser of grain in Ireland.

DISPOSAL OF 60% OF DAIRY INGREDIENTS

During the year the Dairy Ireland segment was restructured as a result of the disposal of 60% of the Group's Irish dairy processing business. A comprehensive overview of the transaction and its impact on our financials is set out in the Group Finance Director's review.

Go to page 38 to read more.

More information
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Group Finance Director's review 34

Joint Ventures & Associates (pro-forma)

Revenue	€826.3m
EBITA	€37.7m
EBITA margin	4.6%
Manufacturing facilities	6
Employees	1,471

Southwest Cheese

LEADING PRODUCER OF AMERICAN-STYLE CHEDDAR CHEESE AND WHEY

In conjunction with US Cheese, Southwest Cheese is a leading producer of American-style cheddar cheese. It operates a world class, large-scale facility in New Mexico. US Cheese and Ingredient Technologies are responsible for commercialisation of its cheese and whey output respectively. Our 50% partner is the Greater Southwest Agency.

Glanbia Ingredients Ireland Limited

NO. 1 IRISH DAIRY PROCESSOR

GIIL is the leading milk processor in Ireland and exports most of its products to global dairy markets. Our 60% partner is Glanbia Co-operative Society Ltd, the Group's largest shareholder.

Glanbia Cheese

NO. 1 MOZZARELLA PRODUCER IN EUROPE

Glanbia Cheese is a business-to-business mozzarella producer supplying primarily to the European pizza sector. It operates two manufacturing facilities in the UK. Our 49% partner is Colorado based Leprino Foods.

Nutricima

NO. 3 CONSUMER DAIRY PRODUCTS PROVIDER IN NIGERIA

Nutricima produces branded dairy-based products for the Nigerian consumer market. The bulk of its dairy-based inputs are supplied by GIIL. Our 50% partner is PZ Cussons Plc.

Pro-forma Total Group revenue

€3.0bn

US Cheese & Global Nutritionals	52%
Dairy Ireland	21%
Joint Ventures & Associates	27%

Pro-forma Total Group EBITA

€214m

US Cheese & Global Nutritionals	73%
Dairy Ireland	9%
Joint Ventures & Associates	18%

Pro-forma Total Group EBITA margin

7.0%

Strong financial performance and strategic delivery

In 2012, Glanbia combined an excellent financial and operating performance with significant strategic development across the business.

Dear Shareholder,

I am delighted to report that Glanbia plc made significant progress in 2012. The Group delivered an excellent financial and operating performance, representing a third consecutive year of strong growth in revenue and double digit increases in earnings.

This year it is important to set out in advance the significant changes made in 2012 to the divisional structure of Glanbia and the Group's relationship with Glanbia Co-operative Society, (the "Society") its largest shareholder.

2012 key business focus area

The main 2012 business focus area for the Group was to clarify our strategic approach to the potential opportunity for expansion in Irish dairy processing, which will arise as a consequence of the abolition of EU milk quotas in 2015. This was a matter of interest to a wide range of stakeholders in the Group including:

- Glanbia Irish dairy farmers who, post 2015, will have the opportunity to expand their production for the first time in almost 30 years;
- The Society, both as a major shareholder in Glanbia plc but also as the representative body for its members, many of whom are Glanbia suppliers and customers; and
- Institutional investors and capital market participants, who want to ensure that the Group continues to allocate its resources to the areas of greatest growth potential.

Strategic reorganisation of Irish dairy processing

The outcome of discussions on this challenge and opportunity was the decision to form a more direct and deeper strategic relationship between Glanbia plc (the "plc") and the Society in Irish dairy processing. The Society acquired a 60% interest in the Group's wholly owned Irish dairy processing business with an option to purchase the remaining 40% within six years. Glanbia plc retained a 40% interest and as a result from 25 November 2012, the dairy processing business now called Glanbia Ingredients Ireland Limited ("GIIL") became an associate company of the plc.

GIIL is being run by the existing management, has a separate Board and is financed on a standalone basis. The business will build on its strong foundations as the number 1 dairy processor in Ireland and is progressing plans to expand its dairy processing capacity with a €180 million investment programme.

Reduction in Society's ownership to 41.3%

In addition, the Society received member approval to reduce its shareholding below 51% of the issued share capital of the plc. This involved the sale of 6% of the issued share capital by the Society, in two placements which took place in November and December 2012; successfully broadening the international institutional investor base of the Group.

In a separate but related transaction, on 14 March 2013, the Society intends to distribute an additional 7% of the issued share capital of the plc to its members which will reduce the Society's shareholding to 41.3%.

2012 governance highlights

I have written a detailed introduction to corporate governance starting on page 52 of this report. The highlights in this area include:

- High standards of corporate governance oversight and conduct, to ensure that the interests of all shareholders were taken account of in the decision making process in relation to the GIIL transaction;
- Positive outcome to the internal evaluation of the Board's overall performance and a commitment to conduct an external evaluation in 2013;
- Board refreshed with a number of new Directors appointed including the announcement since year end of the appointment of Donard Gaynor who brings significant strategic, corporate development and international experience to the Board's mix of skills;
- As part of the GIIL transaction, Society representation on the Board will reduce from 14 to 8 by 2018;
- Encouraging feedback from shareholders in an independent international investor relations survey undertaken on behalf of the plc in 2012; and
- Board commitment to address diversity, including the formulation of a policy on Board refreshment and renewal, and creating robust succession plans to safeguard the Group's future performance.

> Glanbia plc had an excellent year in 2012. The Group delivered record financial results and executed a major corporate restructuring which enables the Group to focus its capital and resources towards further international growth.

More information

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Evolving Board structure

As a consequence of this step change in the Society's ownership of the plc, the composition of the Board will change over a period of years from 2016. Currently Glanbia's board has 22 members, 14 of which are Society nominees, five other Non-Executive Directors and three Executive Directors. By 2018 our Board will comprise eight Society nominees out of a total of 16 Board members.

For further detail, please see the Nomination Committee report starting on page 63.

Board changes

There were a number of Board changes during the year. Kevin Toland, CEO & President of Glanbia USA and Global Nutritionals, left Glanbia after 13 years at the end of 2012. He also resigned as an Executive Director on the Board. Kevin made a significant contribution to the internationalisation of Glanbia and I would like to thank him for this and wish him every success in his future career.

Brian Phelan was appointed to the Board with effect from 1January 2013 as an Executive Director with responsibility for Group Development and Global Cheese. Brian has been with Glanbia since 1993 and brings a wealth of senior level experience to the table. Jer Doheny joined the Board in May as a Society nominee, replacing James Gannon, also a Society Nominee. Donard Gaynor joined the Board on 12 March 2013 as a Non-Executive Director.

Dividends and AGM

The Board is recommending a final dividend of 5.43 cents per share, bringing the total dividend for the year to 9.09 cents per share, representing an increase of 10% compared to 2011.

The Group's AGM will be held on Tuesday, 21 May 2013 in The Newpark Hotel, Castlecomer Road, Kilkenny, Co. Kilkenny. Subject to approval at the AGM, dividends will be paid on 31 May 2013 to shareholders on the register of members as at 19 April 2013. Irish withholding tax will be deducted at the standard rate where appropriate.

A great team

I would also like to take this opportunity to thank all of the people who work in Glanbia worldwide and to welcome all the new employees that have joined us in 2012 as we continue to expand internationally. It is their commitment and dedication that has built the successful business Glanbia is today, ably led of course by John Moloney, our Group Managing Director.

Positive future prospects

While the outlook for 2013 is tempered by the continuing global macroeconomic concerns, the future prospects for Glanbia are positive. There are positive long-term market trends in key nutritional segments, where the Group has already established market leading positions.

We now have the opportunity to further develop our unique competitive advantage in both business-to-business and business-to-consumer nutritional products and solutions. We look forward with confidence.

Liam Herlihy
Group Chairman

Charting a course for our next phase of growth

The reorganisation of our Irish division in 2012 heralds the next phase of growth in global ingredients and performance nutritionals.

Glanbia had an excellent year in 2012 with strong growth in adjusted earnings per share, ahead of expectations. Good growth was achieved in revenue, EBITA and EBITA margins, driven mainly by the continued expansion of Global Nutritionals in a positive market environment for key nutritional segments. This is supported by consistent macro health and wellness trends across the globe that underpin demand for protein, natural products and clean labelling; all of which are Glanbia strengths.

In 2012, the Group delivered record results overall with pro-forma Total Group revenue exceeding €3.0 billion, an increase of 10.4%. Pro-forma Total Group EBITA totalled €213.6 million, an increase of 17.5%. Pro-forma Total Group EBITA margin was 7.0%, reflecting an 8.0% margin in the wholly owned businesses, up 70 basis points and 4.6% in the Joint Ventures & Associates, down 30 basis points. Adjusted earnings per share grew 22.1%, 14.2% on a constant currency basis, ahead of expectations.

Landmark agreement on Irish dairy processing

In 2012, we achieved a landmark agreement with our then majority shareholder, Glanbia Co-operative Society Limited (the "Society"), which restructured our Irish dairy processing business from a wholly owned operation to an associate of the Group. There was a compelling strategic rationale for this change in Glanbia's structure for all stakeholders and this 'win-win' scenario enabled the successful execution of this historic transaction.

Full details of this transaction are in the Group Finance Director's review starting on page 34.

Ongoing capital investment programme

The Group also had a significant programme of investment in capital projects and acquisitions in 2012 amounting to €115 million. This included the €45 million acquisition of Aseptic Solutions in the USA to enhance Ingredient Technologies, the opening of a state-of-the-art Customised Premix Solutions plant in Europe, capacity expansion in Performance Nutrition and the commencement of a new cheese innovation centre in Idaho.

Track record of performance

We have reshaped the Group in recent years by establishing new scale businesses with leading market positions in high growth nutritionals sectors. By doing this, we have diversified our earnings base with the majority now generated by US Cheese & Global Nutritionals. We have also enhanced our operating margin and we have achieved very good earnings growth during the period.

Consistent strategic delivery

The success of our international growth strategy has driven an increase of more than 200% in shareholder value over the last three years, delivering substantial returns to shareholders. This growth in value in the Group recognises, I believe, our clear and consistent strategy of driving Global Nutritionals forward and allocating resources to the areas of greatest growth potential and return. This focus on efficient allocation of capital means that we have grown our earnings while also growing returns on the capital employed (ROCE) in the business. ROCE has improved by 130 bps to 14.1% in 2012 (2011: 12.8%).

Operational excellence

We combine strategic delivery with a strong attention to operational performance and competitiveness as part of the day-to-day running of the business. Operational excellence and cost discipline are ongoing features of our business model which are being strengthened by the wider adoption of the successful Glanbia Performance System in 2012, commonly known as our GPS. GPS is an integrated work system which incorporates manufacturing best practice into operational principles to deliver breakthrough results and improved performance.

Strategic review

We are currently reviewing our longer term strategy with the aim of designing the Group's strategic roadmap for the next decade, from a market-backed, top down perspective. This process will help the Board determine the growth potential within our existing portfolio of businesses including the strength of our capabilities and assets.

Two platforms for growth

The long term prospects for Glanbia are good. Today we have two well established nutrition platforms that span both business-to-business and branded business-to-consumer nutritional products and solutions.

The first is global ingredients, which incorporates large-scale cheese and ingredients manufacturing and value-added ingredient solutions, and has the potential to broaden and deepen its range of value-added functional and nutritional solutions' technologies.

The second platform is high quality sports nutrition with great brands and leading market positions, which has the potential to expand beyond current core consumers, customers, channels and markets into additional performance nutrition sectors.

“Our focus in 2013/2014 will be to refresh the Group’s strategy so that we prioritise growth opportunities in terms of a long-term plan and continue to focus our investment on the areas of highest potential growth and returns.”

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New product development

During 2012, key product launches by Performance Nutrition included:

- Optimum Nutrition ‘Platinum Pre’ – a pre-workout energy and focus product that supports training performance and metabolism using safe and effective ingredients with clear labelling on the ‘facts’ panel; and

- BSN ‘Syntha-6 Isolate’ – a new ultra-premium protein powder made with 100% isolate protein, for post work-out recovery, that is an industry first, 50:50 blend of whey protein isolate and milk protein, combining a mix of fast and slow release proteins.

You can find out more in a case study on GPS on page 49 of this report.

Our Special feature starting on page 13 gives an overview of our current strategy, our strategic priorities and our 2013 business focus areas.

2013 positive outlook

In 2013, Glanbia’s growth prospects are underpinned by sustained favourable market trends across each of our key segments and the successful delivery of the Group’s business focus areas for the year. We are guiding 8% to 10% year-on-year growth in adjusted earnings per share, on a constant currency basis, from 51.02 cents, which takes into account the dilutive effect of the GIIL transaction. There are some headwinds with an uncertain global economic environment and challenging Irish retail environment, but the Group is well positioned to maintain its growth momentum.

We are in a stronger position than ever to capitalise on the competitive advantages we have in high growth markets. Our focus in 2013/2014 will be to refresh the Group’s strategy so that we prioritise growth opportunities in terms of a long-term plan and focus our investment on the areas of highest potential growth and returns.

John Moloney
Group Managing Director

Key corporate development projects

In addition to the Irish dairy processing transaction, we also undertook a number of capital projects that will enhance the future prospects of key areas of the business. In total, the Group spent €115 million on acquisitions and capital projects during the year.

US Cheese

1. In 2012, construction commenced on a $11 million cheese innovation centre in Idaho and is expected to be completed in the first half of 2013. This centre is focused on enhancing new product development capabilities, helping to deliver product innovation within the Group's portfolio as well as working closely with key customers to meet their product development needs.

Ingredient Technologies

2. In July 2012, we acquired California based Aseptic Solutions ("AS") for a total consideration of €45 million. AS is a formulator, manufacturer and co-packer of nutritional beverages including premium super-fruit drinks, vitamin shots and protein shakes. The acquisition of AS expands Ingredient Technologies' end-to-end solutions capability as an ingredients supplier, formulator and end product manufacturer and enhances its competitive position.

3. Ingredient Technologies has recently commenced the construction of a new $29 million cereal ingredients plant in South Dakota, USA, with completion of the facility expected in the second half of 2013. This plant, which will focus on value-added cereal ingredients including flax, chia and other high nutrient ingredient products, will replace the Group's Canadian flax facility which was destroyed by fire in March 2012.

Performance Nutrition

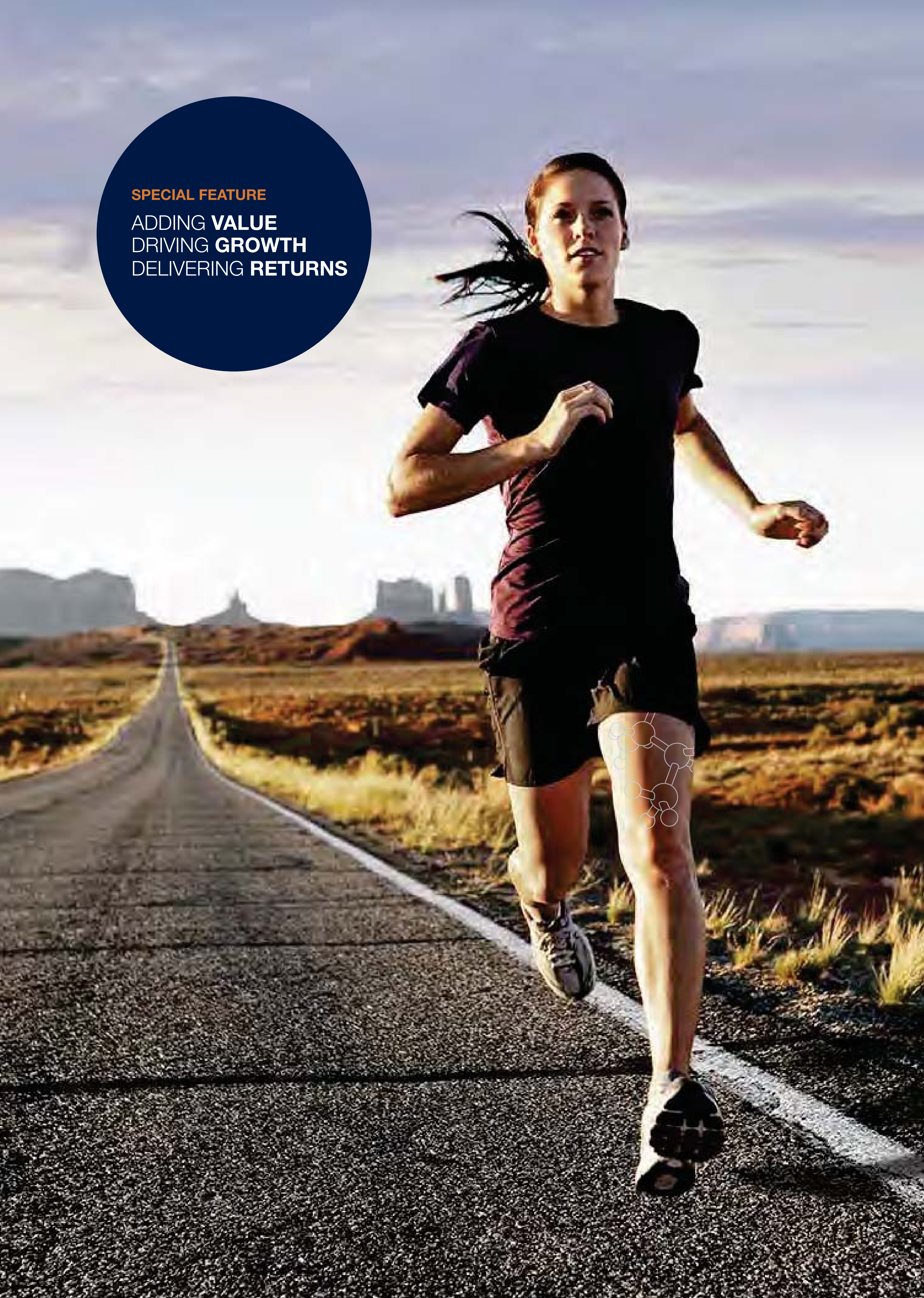
4. In 2012, Performance Nutrition continued integrating the commercial, marketing, operations, supply chain and finance functions of the Optimum Nutrition, BSN and ABB brands under one organisation. In 2013, this process will be augmented by a significant investment in systems as our SAP platform is deployed in the business.

5. Building on the capacity expansions undertaken in 2012, Performance Nutrition is also committed to a $45 million capital programme that will increase capacity at the Performance Nutrition facilities in Chicago, USA. This project commenced in the first quarter of 2013 and will be commissioned in the second quarter of 2014.

These initiatives underpin our plans to further increase the market share and brand position of our leading family of sports nutrition brands in the US and other key international markets.

Customised Premix Solutions

6. In July 2012, Customised Premix Solutions commissioned its new €20 million plant in Germany. This plant enhances the Group's ability to serve customers across Europe, the Middle East and Africa and further consolidates Glanbia's position as a leader in the global premix solutions market.


SPECIAL FEATURE
ADDING VALUE
DRIVING GROWTH
DELIVERING RETURNS

Our vision is to be the leading global nutritional solutions and cheese group

We have a clear strategy to achieve our vision and inherent in this is the commitment to add value, drive growth and deliver returns to all our stakeholders.

What we want to do

- Create a unique integrated business with leadership positions in select consumer and ingredients categories; and
- Optimise value across our portfolio of businesses to maximise total shareholder return.

Our strategic priorities

- Align with key growth customers and markets;
- Develop customer-focused, market-based and science-backed innovation;
- Deliver organic and acquisition investment that maximises return on capital employed;
- Achieve operational excellence and disciplined cost management; and
- Foster a strong multi-disciplined team focused on success.

What success will look like

- A growing global presence in our business-to-business and business-to-consumer nutrition platforms;
- Extended user segments and scale presence in new regions in our leading family of sports nutrition brands;
- Leading nutritional ingredients solutions provider with differentiated functional performance;
- Increased breadth in our portfolio, both in dairy and non-dairy ingredients; and
- Leadership position in the US cheese sector.

+ ADDING VALUE

We add value to our portfolio in a number of ways including innovation, customer collaboration, ongoing investment in building our brands, developing new regions and market segments as well as achieving world class manufacturing.

+ DRIVING GROWTH

A key element of our strategy is to develop market leading, scale businesses in high growth sectors, particularly in driving Global Nutritionals forward. This helps us to achieve consistent earnings growth and a strong financial performance.

= DELIVERING RETURNS

Our goal is to deliver substantial returns to shareholders. In the last three years we achieved TSR of over 200%, reflecting the strategic transformation and international growth in our business.

How we measure our success

We monitor our progress by measuring growth or improvement in the following key financial performance indicators.

- Organic revenue
- EBITA
- EBITA margin
- Adjusted earnings per share
- Net debt : adjusted EBITDA
- Return on capital employed

2013 business focus areas

As part of our ongoing strategic planning process for the Group, we carry out an annual review and update of our three year business plan. Based on this, we also identify shorter term business focus areas. These focus areas help to ensure that our near term goals are consistent with our longer term strategy and that we continue to deliver long-term performance. The 2013 business focus areas relate primarily to US Cheese & Global Nutritionals, which is Glanbia's largest segment.

These plans are to:

- Drive organic growth in Global Nutritionals;
- Continue the successful expansion of Performance Nutrition and Customised Premix Solutions into select international markets;
- Commence capacity expansion and complete SAP implementation in Performance Nutrition;
- Further develop the ingredient solutions capabilities of Ingredient Technologies including the building of a new cereal ingredients plant in South Dakota, USA; and
- Enhance commercialisation of cheese innovation and export platforms with the new customer innovation centre in Idaho.

In Joint Ventures & Associates our clear focus for 2013 is to manage the transition of Glanbia Ingredients Ireland from a wholly owned subsidiary to a strategic partnership with the Group's major shareholder. A final decision will also be made on the potential development of lactose capacity in Southwest Cheese upon a review by the Group and its partner of the pre-engineering study currently being completed.

At Group-level in 2013, we will increase our investment in people and infrastructure to underpin the next phase of growth. We will also continue to develop and evaluate our acquisition pipeline, with a focus on nutritional businesses.

US CHEESE

In addition to our wholly owned, Idaho based, US Cheese business, Glanbia produces cheese through three strategic partnerships. In total we produced more than 500,000 tonnes of cheese in 2012, almost 80% of which was in the USA.

Milk

Milk is the foundation for a large part of our business. Across the Total Group, we processed almost 6 billion litres of milk in 2012, 3.8 billion of which was within the USA.

✚ ADDING VALUE

Our new $11 million cheese innovation centre is expected to be completed in the first half of 2013.The new facility will improve the Group's R&D capabilities within US Cheese and significantly enhances our ability to deliver market and customer driven product solutions for both the US and export markets.

Strategic priority

Achieve operational excellence and disciplined cost management

Glanbia Performance System

The Glanbia Performance System ("GPS") was introduced by the Group firstly in US Cheese in 2011 and subsequently rolled out to Southwest Cheese. This manufacturing efficiency system seeks to drive bottom line growth by eliminating waste and transitioning resources from non-value add to value add activities. To date the system has been highly successful and has led to significant cost savings across the business.

See page 49 for a detailed case study on our GPS system.

INGREDIENT TECHNOLOGIES

Ingredient Technologies is a leading global supplier of innovative functional and nutritional solutions for food producers based on whey and other ingredient technologies. It is also a leading supplier of flax and other nutritional grains.

+ ADDING VALUE

Ingredient Technologies' strategic knowledge of whey represents a key competitive advantage. This advantage is monetised through the commercialisation of cutting edge innovative products launched by Performance Nutrition and the many other customers of Ingredient Technologies.

Research and development is a critical element of Ingredient Technologies growth strategy as it continues to shift from commodity products towards differentiated food solutions for customers and to broaden its range of ingredients. Its patented Optisol™ 2000 technology is a key example of this. This product, which won the prestigious IFT Innovation Award in 2012, helps to reduce sugar content while maintaining binding properties in the manufacture of bars.

Strategic priority
Develop customer-focused, market-based and science-backed innovation

PERFORMANCE NUTRITION

Performance Nutrition holds the leading global sports nutrition brand family with its three brands, Optimum Nutrition, BSN and ABB.

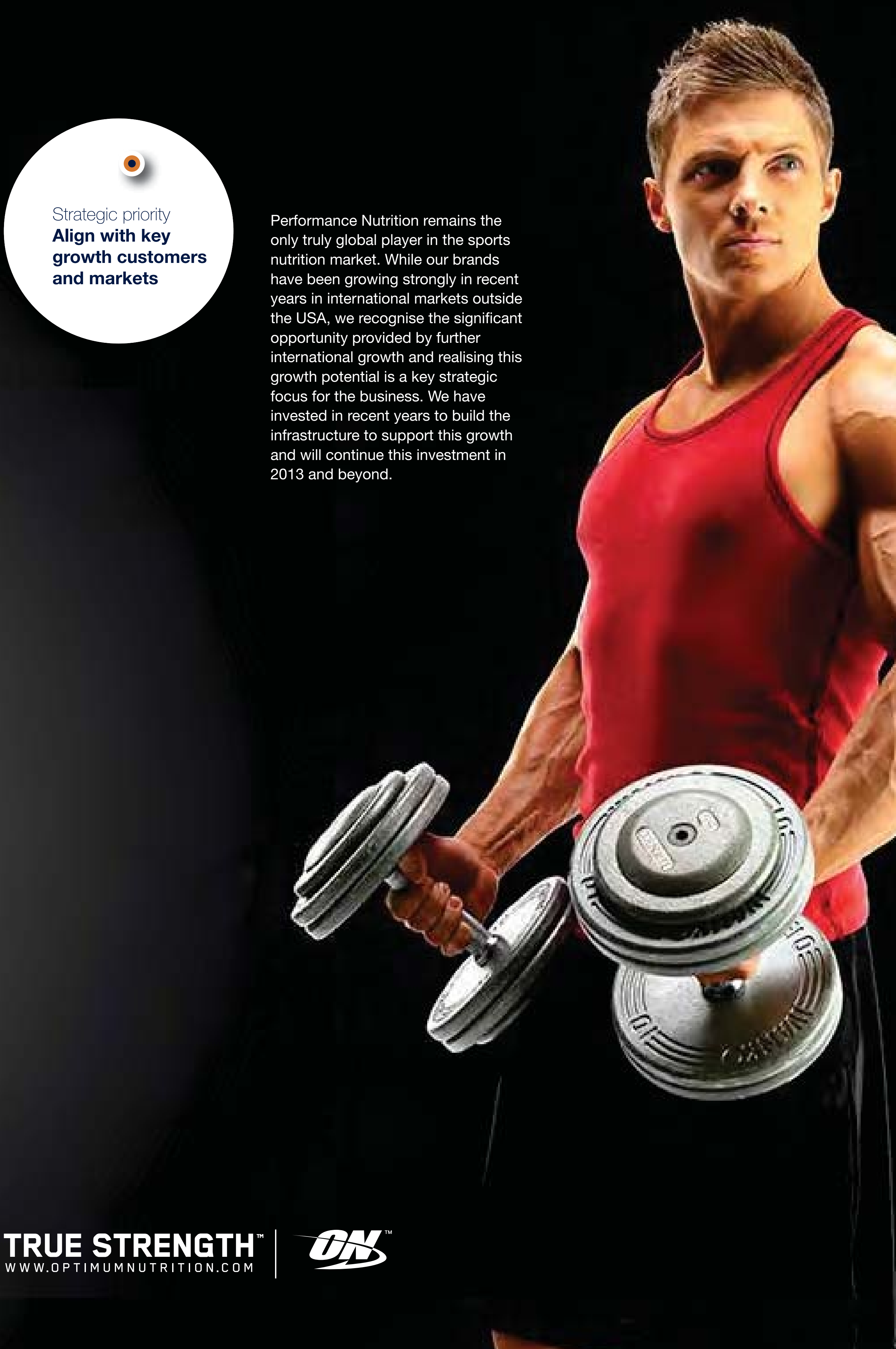
+ ADDING VALUE

Performance Nutrition's brands are held in the highest regard in the sports nutrition market and represent a key source of value add. A strong brand heritage, a reputation for using only the highest quality ingredients and market leading new product development ensures that our brands retain their leading positions within the US market and facilitates the growth of the brands internationally.

Strategic priority

Align with key growth customers and markets

Performance Nutrition remains the only truly global player in the sports nutrition market. While our brands have been growing strongly in recent years in international markets outside the USA, we recognise the significant opportunity provided by further international growth and realising this growth potential is a key strategic focus for the business. We have invested in recent years to build the infrastructure to support this growth and will continue this investment in 2013 and beyond.



CUSTOMISED PREMIX SOLUTIONS

Customised Premix Solutions is a leading global partner providing innovative nutritional ingredients and precision micronutrient blends.

+ ADDING VALUE

We provide nutritional solutions that are as unique as our customers' products. With a thorough understanding of nutrient systems, our R&D teams develop innovative options for nutritional fortification. Whether we're sourcing novel ingredients, fine-tuning samples to meet specifications or optimising packaging that works within our customer's production environment, our ingredients and precision blends are tailored to meet the exact needs of our customers. We are a true partner, offering exceptional service, quality and lead times that enable our customers' businesses to be a success.

Strategic priority
Align with key growth customers and markets

As our customers strive to capitalise on growth within emerging markets, Customised Premix Solutions is strategically aligned to support their expansion through our industry-leading global capabilities. With four interconnected facilities, two in the US, one in China and our new, state-of-the-art facility in Germany, we can provide our customers with what they need to meet market demand around the globe. Fully automated and integrated systems enable Customised Premix Solutions to provide best-in-class quality management, from formulation and sampling through production to finished material delivery anywhere in the world.

DAIRY IRELAND

Dairy Ireland incorporates Consumer Products, a leading supplier of branded food products within the Irish market and Agribusiness, a leading supplier of inputs to the Irish agri sector.

+ ADDING VALUE

Consumer Products has a strong track record of developing innovative value-added products which meet consumers evolving tastes and help to differentiate us from our competitors. Agribusiness' recent agreement with Sturm Foods is a key example of its ability to add value to its wholesale grain business. The contract involves the supply, on an exclusive basis, of milled Irish oats to McCann's Irish Oatmeal, Sturm's premium oatmeal brand in the US market.

Strategic priority

Achieve operational excellence and disciplined cost management

Dairy Ireland has implemented a comprehensive cost rationalisation programme over recent years and we continue to seek ways in which we can reduce costs and further streamline the business.

In particular, the recent adoption of the Glanbia Performance System by Agribusiness should lead to cost efficiencies through process improvements and waste reduction.

JOINT VENTURES & ASSOCIATES

Glanbia has four strategic Joint Ventures & Associates including Southwest Cheese in the USA, Glanbia Ingredients Ireland Limited, Glanbia Cheese in the UK and Nutricima in Nigeria. Each of these has a strong strategic rationale and plays an important role in the Group's growth strategy.

ADDING VALUE +

In 2012, GIIL commissioned an upgrade of its whey facility, which repurposed commodity whey capacity to enable it to manufacture higher margin whey protein isolate. This is a key example of GIIL's ongoing strategy to enhance its product mix and reduce the potential for commodity product earnings volatility.

Strategic priority

Deliver organic and acquisition investments that maximise return on capital

The recent disposal of 60% of our Irish dairy processing business is a key example of Glanbia's capital management strategy. The new structure facilitates the expansion of dairy processing capacity for GIIL while also allowing the Group to focus its capital on the higher growth global nutritionals sector.

A unique business with a clear competitive advantage

We have two established core nutritional platforms which are underpinned by core organisation strengths, financial capacity and positive market trends.

Global Ingredients

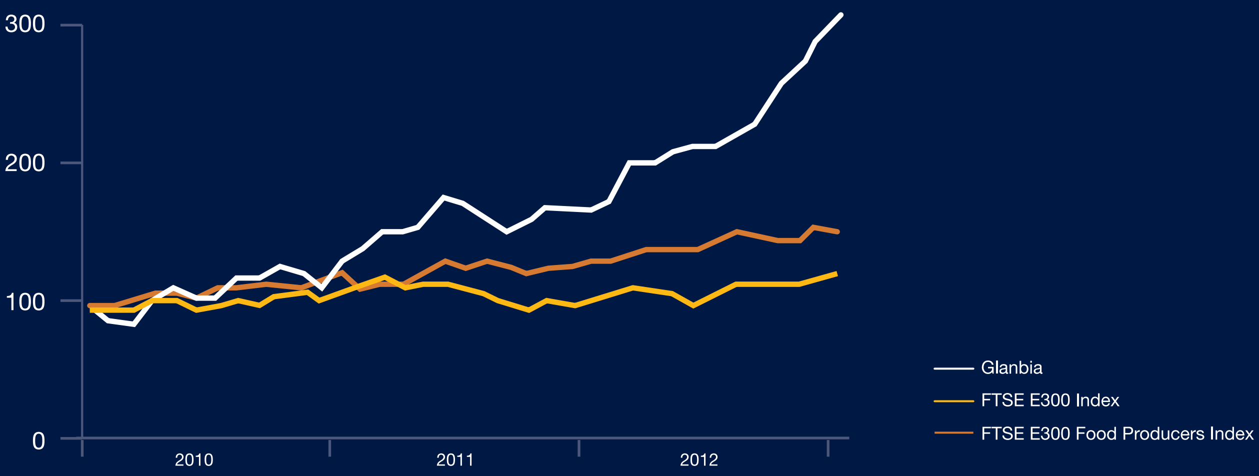
- World-class, large scale cheese and whey manufacturing
- Value-added functional ingredients and solutions

Performance Nutrition

- Largest sports nutrition brand family globally
- Proven growth capability, both organically and by acquisition

Total Shareholder Return

In the last three years, Glanbia has generated 207% TSR which compares to 21% for the FTSE E300 Index and 54% for the FTSE E300 Food Producers Index.



Strong performance driven by positive market trends and good organic growth

Our 2012 performance reflects 20% like for like revenue growth in Global Nutritionals and good operational performance in each of the other business units.

Understanding these results

- In this section and the Group Finance Director's review, we use constant currency as the basis for commentary on financial performance, as a large portion of earnings are US dollar denominated. Constant currency is based on translating 2012 results at the 2011 average exchange rate. The 2011 average exchange rate was €1 = US$1.392 which compares with the reported average exchange rate for 2012 of €1 = US$1.285.
- IFRS 5 requires that the Group Financial Statements reflect the 60% disposal of GIIL as a disposal of 100% and acquisition of 40% of GIIL.

To better reflect the structure of the Group going forward, the results and commentary in the Directors' report are on a pro-forma basis and include GIIL as a 40% owned associate for each of 2012 and 2011.

See page 38 for details.

- Total Group includes Glanbia's share of Joint Ventures & Associates and is used to demonstrate the full scale of the Group's activities.
- All commentary is pre exceptional items which in 2012 amounted to a charge of €4.7 million compared with a charge of €7.6 million in 2011.

Full details of exceptional items are on page 36.

2012 performance

Pro-forma Total Group revenue grew by 4.8% to €2,884.9 million (2011: €2,752.4 million). This growth was driven primarily by positive pricing and volume growth in the Global Nutritionals businesses, which drove a 20% increase in revenue across the three nutritional business units.

Pro-forma Total Group EBITA increased by 9.4% to €198.8 million (2011: €181.8 million). Total Group EBITA margin grew by 30 basis points to 6.9% (2011: 6.6%).

The largest segment in the Group is US Cheese & Global Nutritionals. This segment represented 52% of pro-forma total Group revenue in 2012 and 73% of pro-forma total Group EBITA. This segment also has the highest EBITA margin which in 2012 was 9.7%, up 80 basis points compared with 2011.

Segmental analysis

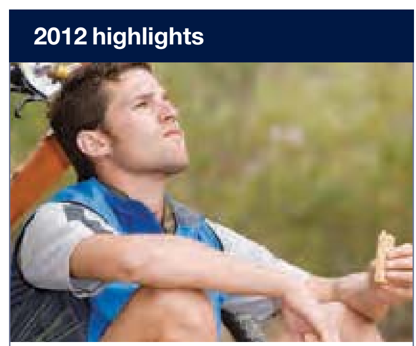
	Reported Currency 2012			Reported Currency 2011		
€m	Revenue	EBITA	EBITA %	Revenue	EBITA	EBITA %
US Cheese & Global Nutritionals	1,580.8	155.5	9.8%	1,316.9	117.5	8.9%
Dairy Ireland	631.0	20.4	3.2%	616.0	23.8	3.9%
Total wholly owned businesses	**2,211.8**	**175.9**	**8.0%**	**1,932.9**	**141.3**	**7.3%**
Pro-forma JVs & Associates	826.3	37.7	4.6%	819.5	40.5	4.9%
Pro-forma Total Group	**3,038.1**	**213.6**	**7.0%**	**2,752.4**	**181.8**	**6.6%**

	Constant Currency 2012		
€m	Revenue	EBITA	EBITA %
US Cheese & Global Nutritionals	1,461.4	142.2	9.7%
Dairy Ireland	631.0	20.4	3.2%
Total wholly owned businesses	**2,092.4**	**162.6**	**7.8%**
Pro-forma JVs & Associates	792.5	36.2	4.6%
Pro-forma Total Group	**2,884.9**	**198.8**	**6.9%**

US Cheese & Global Nutritionals

US Cheese & Global Nutritionals delivered a strong performance in 2012. Revenue, EBITA and margins all increased, mainly driven by 20% organic revenue growth in Global Nutritionals.

2012 highlights



In 2012, US Cheese & Global Nutritionals revenue increased 11.0% to €1,461.4 million (2011: €1,316.9 million). The growth in total revenue is attributable to underlying organic volume growth of 6%, higher pricing and an enhanced product mix of 4% and the impact of the Aseptic Solutions acquisition of 1%. EBITA and EBITA margins increased in the period driven by a strong performance by Global Nutritionals.

	Constant currency			Reported currency	
€m	2012	2011	Change	2012	Change
Revenue	1,461.4	1,316.9	+11.0%	1,580.8	+20.0%
EBITA	142.2	117.5	+21.0%	155.5	+32.3%
EBITA margin	9.7%	8.9%	+ 80bps	9.8%	+90bps

In 2012, average US cheese prices were 6% lower than in 2011 as fluctuations in milk supply resulted in weaker prices in the first half and stronger prices in the second half of the year. Demand for American-style cheese during 2012 continued to be resilient, reflecting positive growth across the domestic retail and foodservice and export sectors.

Against this market backdrop, US Cheese delivered a reasonable performance in 2012. While revenues were behind the prior year, this was entirely price driven. Volumes grew by low single digits. US Cheese introduced a revised milk price formula mechanism in 2012 which more closely aligns the price paid for milk with market prices for both cheese and whey products. This helps to ensure that the milk price paid by US Cheese remains competitive while providing a level of margin protection. US Cheese maintains an ongoing focus on operating efficiencies and costs through the Glanbia Performance System. For the full year, lower revenues combined with similar margins to 2011 resulted in a modest decline in full year EBITA for US Cheese.

In terms of 2013 outlook, US Cheese is expected to deliver results broadly in line with 2012. Domestic US cheese demand growth is forecast to remain positive with the trend towards snacking and convenience continuing to grow across both retail and foodservice. Cheese exports from the US, which increased 17% in 2012, are on track for another record year.

Ingredient Technologies markets a range of dairy and whey based ingredients, from whey protein concentrate 34 (WPC 34) and lactose to whey protein concentrate 80 (WPC 80) and whey protein isolate (WPI). It also develops dairy and non-dairy functional and nutritional solutions. Average pricing for most whey products in 2012 was significantly ahead of 2011, driven by strong demand across all key sectors. With new global supply, whey prices stabilised and softened slightly towards the end of 2012.

Ingredient Technologies performed strongly in 2012. The significant increase in market pricing for whey products resulted in higher revenues as well as improved margins. In addition, the importance of functional and nutritional solutions capability continued to grow. This is driven by the development of new food technologies and capabilities as well as the ongoing trend towards clean labels, reduced sugar, natural products and demand for protein.

For 2013, pricing for some whey products is expected to decline as incremental supplies of lactose and high-end whey are brought on stream. These market dynamics will adversely impact performance in Ingredient Technologies relative to a strong 2012, but they will be partially offset by the continued development of functional and nutritional solutions offerings and the full year impact of the Aseptic Solutions acquisition.

US consumer demand for powdered sports nutrition products was strong

in 2012 with overall market growth estimated at approximately 11% in the year. Despite strong growth rates, the market environment continues to be very competitive. However, Glanbia's investment in brands and a clear focus on quality and product innovation continues to drive brand loyalty.

Performance Nutrition delivered a strong performance in 2012 from both a revenue and EBITA perspective. Global branded revenue grew by 20% in the year. Its brands outpaced market growth rates in the US and strong revenue growth was also achieved in key international markets in Europe, Latin America and the Asia Pacific region. While price increases implemented in 2011 and early 2012 dampened the rate of volume growth in the first half, growth recovered in the second half. EBITA growth for the year was also positive. Higher whey input costs and the ongoing investment in people, systems and processes, required to drive future growth, more than offset the increase in selling prices, resulting in a modest decline in EBITA margins for the year.

The outlook for Performance Nutrition is favourable. While the ongoing investment in the business will result in higher overheads, raw material cost pressures are expected to moderate as new supplies of high end whey products become available in 2013. In addition volume growth is expected to be positive, with a strong innovation pipeline supporting brand development and market penetration in the US and other international markets.

Customised Premix Solutions is a leading global provider of micronutrient premixes. In 2012, market growth was driven by strong demand for premix solutions within the beverage, breakfast cereal, infant formula fortification, supplement and nutrition bar segments.

Customised Premix Solutions delivered a solid performance in 2012. Volumes continued to exhibit strong growth reflecting positive underlying demand trends within its key market segments. EBITA margins for Customised Premix Solutions did experience some downward pressure reflecting a change in business mix and the ongoing investment in the operational capabilities of the business, in particular the new plant in Germany.

The outlook for Customised Premix Solutions is positive and is underpinned by current favourable market trends and continued demand growth in key market segments.

Awards

INNOVATION AWARD

Ingredient Technologies' Optisol™ 2000 binding system for sugar reduction won the Innovation Award at the prestigious 2012 IFT Food Expo. The binding system is a milk protein concentrate that can reduce sugar usage up to 50% in many food applications, such as baked and chewy type granola bars, cereal clusters, and other snack products.

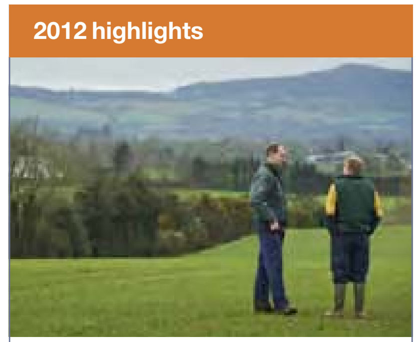
SUPPLEMENT OF THE YEAR

For the eighth year in a row, Optimum Nutrition's Gold Standard 100% Whey has been named Supplement of the Year and Protein Powder of the Year in Bodybuilding.com's prestigious annual Supplement Awards. This year, the world's best-selling whey protein also took the honours as Muscle Builder of the Year.

Dairy Ireland

Dairy Ireland had a challenging year, reflecting a difficult food retailing environment and margin pressure across the agri sector in 2012.

2012 highlights



In 2012, Dairy Ireland revenue increased 2.4% to €631.0 million (2011: €616.0 million). This revenue growth is attributable to organic volume growth of 3% and pricing growth of 2%, offset by the impact of the Yoplait franchise disposal. EBITA decreased by 14.3% to €20.4 million (2011: €23.8 million) and EBITA margin declined by 70 basis points. This performance reflects a challenging year in both Consumer Products and Agribusiness.

Continuing business[1]	Constant currency			Reported currency	
€m	2012	2011	Change	2012	Change
Revenue	631.0	616.0	+2.4%	631.0	+2.4%
EBITA	20.4	23.8	-14.3%	20.4	-14.3%
EBITA margin	3.2%	3.9%	-70bps	3.2%	-70bps

1. Dairy Ireland continuing business figures include Consumer Products and Agribusiness and exclude Glanbia Ingredients Ireland for both 2011 and 2012.

Consumer Products

The Irish food retail environment remains very challenging. Consumers are still focused on price which benefits discount retailers and private label products at the expense of mainstream retailers and branded products. In this context, Consumer Products delivered a satisfactory performance in 2012. Excluding the impact of the Yoplait franchise sale in the first half of the year, Consumer Products' volumes were broadly in line with 2011 and margins remained largely unchanged in the year. The Yoplait Ireland franchise was sold back to Yoplait for €18 million cash. While Consumer Products continues to distribute Yoplait branded products, it will now focus more closely on ongoing innovation and the development of its own core beverage and food brands. The outlook for Consumer Products remains challenging reflecting Irish economic conditions, ongoing price competition and volatile input costs.

Agribusiness

Poor weather conditions in 2012 resulted in increased demand for feed but this was offset by lower demand for fertiliser. Higher input cost prices in both of these product categories contributed to margin pressure across the sector in 2012. In line with the market environment, Agribusiness revenue growth was positive as higher feed pricing and volumes offset revenue declines in the fertiliser and retail categories. EBITA margins were lower, mainly due to input cost pressures and a change in the business mix. In July 2012 Agribusiness entered into an exclusive, long-term contract with US-based Sturm Foods to supply milled Irish oats to McCann's Irish Oatmeal, a premium oatmeal brand in the US market. To cater for the new contract, Glanbia is expanding its existing milling operations with the construction of a new state-of-the-art oats milling facility in Portlaoise, with completion expected by late 2013. In 2013, Agribusiness is expected to perform broadly in line with 2012 with the longer term outlook underpinned by the forecast increase in milk production in Ireland on the abolition of EU milk quotas in 2015.

Joint Ventures & Associates

In Joint Ventures & Associates while revenue increased, EBITA and margins declined mainly as a consequence of input cost pressures in Glanbia Cheese in the UK.

2012 highlights

On 25 November 2012, Glanbia disposed of 60% of its Irish dairy processing business to Glanbia Co-operative Society Limited (the "Society"). As result the Irish dairy processing business, now called Glanbia Ingredients Ireland Limited ("GIIL") became an associate of Glanbia plc. To reflect the structure of the Group going forward, the results have been adjusted on a pro-forma basis to show the disposal of a 60% interest in GIIL, and the inclusion of GIIL as a 40% associate for each of 2012 and 2011.

See pages 38 and 39 for details on pro-forma adjustments.

Pro-forma[1]	Constant currency			Reported currency	
€m	2012	2011	Change	2012	Change
Revenue	792.5	819.5	-3.3%	826.3	+0.8%
EBITA	36.2	40.5	-10.6%	37.7	-6.9%
EBITA margin	4.6%	4.9%	-30bps	4.6%	-30bps

1. Joint Ventures & Associates figures include Glanbia Ingredients Ireland for both 2011 and 2012.

Glanbia Ingredients Ireland Limited
Global dairy markets weakened steadily during the first half of 2012 driven by substantial growth in global milk production. However, adverse weather conditions in a number of the major milk producing regions around the middle of the year resulted in a reduction in milk supply and a strengthening of dairy markets. While global demand remained relatively robust throughout 2012, pricing moved in response to these supply side fluctuations. In line with global dairy markets, the market environment for GIIL improved in the latter part of 2012 relative to a challenging first half. While milk input cost was adjusted to reflect market conditions, revenue and EBITA in GIIL were somewhat lower in 2012. During the year GIIL commissioned a €21 million expansion of value-added WPI. Plans to increase milk processing capacity by up to 60% through a €180 million investment programme, including a new €150 million processing facility are progressing well and will be financed independently by GIIL. The outlook for 2013 is broadly positive with the performance of GIIL expected to be in line with 2012.

Southwest Cheese (SWC)
While US cheese markets were volatile in 2012, average market pricing for the year was below 2011. Prices for high end whey products were significantly ahead of the prior year, driven by strong demand, particularly from the sports nutrition sector. Revenue increased marginally in 2012 as lower cheese pricing was offset by higher pricing of whey products. Margins improved in the year mainly as a result of operational efficiencies and there was some improvement in EBITA in 2012 compared with 2011. During the year, SWC enhanced its product mix through an increase in production of higher-value whey protein isolate. A pre-engineering study is also currently being completed on a potential development of lactose production capacity to serve increased demand in growth sectors such as infant formula. 2013 performance for SWC is expected to be in line with 2012.

Glanbia Cheese
Overall demand for mozzarella cheese in Europe remained solid in 2012 and Glanbia Cheese maintained its strong market position with key customers. The increase in milk input costs in the UK and, in particular, Northern Ireland combined with the lower value of the dairy by-products of mozzarella manufacture impacted its 2012 performance. Both revenue and EBITA declined, relative to a strong 2011. An improved performance is forecast in 2013 driven primarily by volume growth.

Nutricima
2012 was a challenging year in Nigeria due to social unrest in the Northern region in particular. As a consequence, volumes were lower year on year reducing revenue; however EBITA was broadly in line. In 2013 while the business will continue to focus on its distribution strategy and revised routes to market, we expect the market environment to remain stable but challenging.

Building a strong track record of earnings growth and return on capital

2012 is the third consecutive year of double digit increases in adjusted earnings per share and enhanced return on capital employed in the business.

Glanbia delivered a strong performance in 2012, following on from very good performances in 2011 and 2010. All of our key financial performance indicators improved and the Group's balance sheet was strengthened, enhancing our financial flexibility. Highlights from our results include:

- Revenue from wholly owned continuing operations grew 8.3% to €2.1 billion while EBITA margin grew 50 basis points to 7.8%;
- Adjusted earnings per share grew 14.2%, ahead of market guidance;
- €115 million invested in capital and acquisition projects in 2012, including a €45 million nutritionals acquisition in the USA;
- 130 basis point improvement in return on capital employed for the year;
- Net debt to adjusted EBITDA at year end was 1.7 times and interest cover was 8.1 times; and
- Renewal of €468 million banking facilities with maturity extended out to 2018.

Dividends
The Board is recommending a final dividend of 5.43 cents per share (2011: final dividend 4.94 cents per share). This represents an increase of 10% for the third consecutive year and brings the total dividend for the year to 9.09 cents per share (2011: 8.27 cents per share).

Total shareholder return
In 2012, the share price increased 80.5% from €4.63 to €8.35. Total Shareholder Return (TSR) for the year was 83.02%. The share price outperformed the Irish Stock Exchange Index by 62.6%, the FTSE E300 Index by 65.1%, the S&P 500 Index by 67.0% and the FTSE E300 Food Producers Index by 68.2%.

This strong TSR performance recognises, I believe, the reshaping of the Group, both in terms of its international growth in recent years and the restructuring of our Irish dairy processing business in 2012. Combined, these strategic changes in our portfolio have enabled a rerating of the Group, reflecting the fact that the higher growth, higher margin US Cheese & Global Nutritionals business segment now represents over 70% of our earnings.

Disposal of 60% of Glanbia Ingredients Ireland Limited
The disposal of 60% of our Irish dairy processing business to Glanbia Co-operative Society Limited was completed on 25 November 2012 and as a result the business, now called Glanbia Ingredients Ireland Limited ("GIIL") became an associate of the Group.

While the transaction was dilutive to adjusted earnings per share it has reduced the Group's overall exposure to global dairy markets and potential future earnings volatility. It also clarifies future capital allocation priorities, enabling us to focus our resources, both human and capital, on the areas of highest sustainable returns.

To assist in understanding the financial impact of this transaction comprehensive details are set out on pages 38 and 39 of this review.

2013 earnings guidance
We are cautious at this time in our 2013 outlook. While there are good growth opportunities in US Cheese & Global Nutritionals, across our portfolio we have some distinct performance challenges, particularly in Dairy Ireland. We are guiding 8% to 10% growth in adjusted earnings per share, on a constant currency basis, from 51.02 cents in 2012, which takes into account the dilutive effect of the GIIL transaction.

Financial strategy
The Group's ethos is to operate to financial parameters that are consistent with an investment grade credit rating and to prudent financial KPIs. Our financial strategy is consistent and continues to be to provide the funding and financial flexibility required to deliver the Group's organic and acquisition growth plans.Glanbia has a strong balance sheet and is well positioned financially to drive the next phase of growth. In 2013 we are planning a business sustaining and strategic capital expenditure programme in the region of €130 million. We also have the debt capacity to fund up to €200 million acquisition expenditure and have a pipeline of opportunities under review on an ongoing basis.

“Our financial strategy will continue to focus on providing the funding and financial flexibility required to deliver the Group's organic and acquisition growth plans, while maintaining prudent financial KPIs.”

More information

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2012 results summary pre exceptional

	Constant Currency		Reported Currency	
€m	2012	Change	2012	Change
Revenue	**2,092.4**	**+8.3%**	**2,211.8**	**+14.4%**
EBITA	**162.6**	**+15.1%**	**175.9**	**+24.5%**
EBITA margin	*7.8%*	*+50bps*	*8.0%*	*+70bps*
Amortisation of intangible assets	(18.7)		(19.9)	
Net finance costs	(19.4)		(20.4)	
Share of results of Joint Ventures & Associates	11.4		12.1	
Income tax	(23.4)		(25.5)	
Profit for the year from continuing operations	**112.5**	**+22.8%**	**122.2**	**+33.4%**
Profit for the year from discontinued operations[1]	26.7	-7.3%	26.7	-7.3%
Profit for the year	**139.2**	**+15.6%**	**148.9**	**+23.7%**

1. In accordance with IFRS 5, discontinued operations comprise the performance of GIIL to November 2012.

Revenue

Revenue from continuing operations grew by 8.3% to €2.1 billion (2011: €1.9 billion) reflecting continued strong organic growth primarily in Global Nutritionals.

EBITA & EBITA margin

EBITA from continuing operations grew by 15.1% to €162.6 million (2011: €141.3 million). EBITA margin increased by 50 basis points to 7.8% (2011: 7.3%), with margin growth in Global Nutritionals partially offset by reduced margins in Dairy Ireland. EBITA margin growth in US Cheese and Global Nutritionals was 80 basis points.

Share of results of Joint Ventures & Associates

The Group's share of results of Joint Ventures & Associates declined by €2.9 million to €11.4 million (2011: €14.3 million) primarily due to the challenging environment in Glanbia Cheese. Share of Joint Ventures & Associates is an after tax and interest amount.

Net financing costs

Net financing costs decreased by €4.0 million to €19.4 million (2011: €23.4 million) reflecting debt and interest rate management in the year. The Group's average interest rate for the full year was 4.6% (2011: 5.0%). Glanbia operates a policy of fixing a significant amount of its interest exposure with 67% of projected 2013 debt currently contracted at fixed rates.

Taxation

The 2012 tax charge increased to €23.4 million (2011: €22.7 million) which represents an effective rate, excluding Joint Ventures & Associates, of 18.8% (2011: 22.7%). The decrease in the effective rate is driven by the change in mix and geographic locations in which profits are earned.

Adjusted earnings per share

Total adjusted earnings per share grew 14.2% with adjusted earnings per share for continuing operations growing 17.4% driven by growth in EBITA in US Cheese and Global Nutritionals combined with lower interest charges and a lower effective tax rate.

	Constant Currency		Reported Currency	
	2012	Change	2012	Change
Continuing operations	47.36c	+17.4%	51.02c	+26.5%
Discontinued operations	5.54c	-7.4%	5.54c	-7.4%
Total	**52.90c**	**+14.2%**	**56.56c**	**+22.1%**

2012 exceptional items

2012 exceptional items resulted in an exceptional charge of €4.7 million (2011: €7.6 million). Details of the 2012 exceptional items are as follows:

	€m
1. Sale of Yoplait franchise	6.1
2. Rationalisation costs	(3.8)
3. Flax processing facility	4.4
4. Property write down	(5.1)
5. 60% disposal of GIIL	(7.8)
6. Taxation credit	1.5
Total exceptional charge	**(4.7)**

1. In May 2012, the Group disposed of the Yoplait franchise for Ireland for cash consideration of €18 million which gave rise to a gain of €6.1 million post related write down in property, plant and equipment and rationalisation costs.
2. An ongoing cost competitiveness programme in Dairy Ireland resulted in further rationalisation costs in this segment of €3.8 million.
3. In March 2012, a fire destroyed Ingredient Technologies' Canadian flax facility and a gain of €4.4 million represents the minimum insurance proceeds receivable, less the book value of the assets written down.
4. During the year the Group reviewed the carrying value of its Irish property portfolio, which resulted in a write down in value of €5.1 million.
5. An exceptional loss of €7.8 million arose on discontinued activities, including loss on disposal of GIIL, details of which are given on page 39.
6. The tax credit applicable to the exceptional items 1 to 4 above amounted to €1.5 million.

Cash flow

Free cash flow includes dividends from Joint Ventures & Associates and is stated after charging working capital movements and business sustaining capital expenditure, but before strategic investments or divestments and equity dividends.

During the year the Group generated free cash flow from continuing operations of €60.4 million (2011: €86.8 million) a decrease of €26.4 million year-on-year. Higher EBITDA in 2012 of €200.6 million (2011: €163.6 million) was offset by year-on-year higher working capital and increased taxation payments.

The working capital outflow of €59.1 million reflects increased requirements in Global Nutritionals due to strategic investment in inventories and business growth, increased debtors within Agribusiness due to higher revenue in the latter months of the year and a receivable for insurance proceeds relating to the fire at the Canadian flax facility.

Strategic capital expenditure and acquisition expenditure during the year amounted to €84.8 million including the €45 million acquisition of Aseptic Solutions, the construction of a new Customised Solutions Premix facility in Germany, the expansion of production capacity within Performance Nutrition and the commencement of expenditure on the cheese innovation centre in Idaho.

Net cash outflows of €32.4 million from continuing operations are offset by cash inflows of €122.3 million relating to discontinued operations resulting in a decrease in net debt of €103.7 million in the year to €376.6 million (2011: €480.3 million).

Summary cash flow

€m	2012	2011
EBITDA	200.6	163.6
Dividends from Joint Ventures & Associates	13.8	14.8
Working capital movement	(59.1)	(13.3)
Net interest and tax paid	(48.1)	(31.8)
Business sustaining capital expenditure	(30.1)	(27.3)
Other outflows	(16.7)	(19.2)
Free cash flow from continuing operations	**60.4**	**86.8**
Loans advanced to Joint Ventures & Associates	(3.3)	-
Strategic acquisitions/capital expenditure	(84.8)	(128.1)
Disposals	27.1	2.7
Restructuring costs	(6.5)	(10.0)
Equity dividends	(25.3)	(22.9)
Net cash outflow from continuing operations	**(32.4)**	**(71.5)**
Cash flow from discontinued operations[1]	122.3	6.1
Cash flow pre currency exchange/fair value adjustments	**89.9**	**(65.4)**
Currency exchange/fair value adjustments	13.8	(6.8)
Cash flow for the year	**103.7**	**(72.2)**
Net debt at the beginning of the year	(480.3)	(408.1)
Net debt at the end of the year	**(376.6)**	**(480.3)**

1.Cash flows relating to discontinued operations are detailed on page 39.

Financing Key Performance Indicators

	2012	2011
Net debt[1]: adjusted EBITDA[2]	1.7 times	2.1 times
Adjusted EBIT[2]: net finance cost	8.1 times	6.3 times
Return on capital employed[3]	14.1%	12.8%

1. Includes cumulative redeemable preference shares.
2. The definition of adjusted EBITDA and adjusted EBIT are per our financing agreements and include dividends from Joint Ventures & Associates.
3. Return on capital employed is calculated as Group earnings before interest and amortisation after tax plus the Group's share of results of Joint Ventures and Associates after interest and tax, over capital employed. Capital employed is calculated as the Group's non-current assets plus working capital.

Group financing
The Group delivered a year end net debt: adjusted EBITDA leverage ratio of 1.7 times (2011: 2.1 times) compared to the Group's effective banking covenant of 3.8 times. In 2012, adjusted EBIT to net financing cost cover rose to 8.1 times (2011: 6.3 times), reflecting increased profits and lower debt. The Group's banking covenant is a minimum of 3.5 times interest cover.

The Group currently has three sources of committed debt finance totalling €753.5 million:

- A $325 million (€246.5 million) private placement of senior loan notes, due June 2021;
- Bilateral multicurrency revolving loan facilities totaling €467.9 million with eight banks, all maturing January 2018, which were renewed during 2012 on common terms and conditions; and
- Cumulative redeemable preference shares of €39.1 million due for redemption July 2014.

Return on capital employed
The calculation of return on capital employed has been restated for both 2012 and 2011 to reflect GIIL as a 40% associate. The return on capital employed has improved by 130bps to 14.1% (2011: 12.8% as restated). The Group operates to an internal hurdle rate of return for investment decisions of 12% post tax, by year three, and monitors investment spend against this metric.

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 2012 by the Group Audit Committee and the Board.

Pension
At 29 December 2012 the Group's net pension liability under IAS 19 'Employee Benefits', before deferred tax, increased by €49.7 million to €98.1 million (2011: €48.4 million). This increase in the Group's deficit reflected the negative movement in actuarial assumptions (€98.8 million) caused primarily by a significant reduction in the discount rate applied to Irish retirement obligations to 3.8% (2011: 5.6%) partially offset by the disposal of the retirement obligation relating to GIIL of €37.0 million and employer contributions.

Net pension liability under IAS 19 'Employee Benefits'

€m	2012
Beginning of year	(48.4)
Exchange differences	(0.5)
Total expense	(8.0)
Actuarial loss	(98.8)
Disposals	37.0
Employer contributions	20.6
End of the year	**(98.1)**

The fair value of the assets of the pension schemes at 29 December 2012 was €332.6 million (2011: €400.0 million) and the value of the scheme liabilities was €430.7 million (2011: €448.4 million).

Principal risks and uncertainties affecting the Group's performance in 2013
The Board of Glanbia plc has the ultimate responsibility for risk management. The performance of the Group is influenced by global economic growth and consumer confidence in the markets in which it operates.

In 2013, the principal risks affecting the Group's performance are:

- The continued fragile global and EU economic outlook;
- The challenging Irish retail environment and the associated management of margins within Dairy Ireland; and
- The effective execution of our international growth strategy within Global Nutritionals.

The Group's principal risks and uncertainties are detailed on pages 43 to 45.

Investor Relations
In 2012, we continued to demonstrate our commitment to open and transparent dialogue with the investor community participating in more than 150 investor meetings in Ireland, the UK, mainland Europe, North America and Canada as well as a number of capital market conferences. Our largest shareholder, Glanbia Co-operative Society Limited, also formed a significant part of our investor relations programme with a series of meetings carried out with the Council of the Society during the year.

Siobhán Talbot
Group Finance Director

Understanding the GIIL transaction

Glanbia plc disposed of 60% of its Irish dairy processing business to Glanbia Co-operative Society Limited on 25 November 2012, retaining a 40% interest.

The new business entity is called Glanbia Ingredients Ireland Limited ("GIIL") and is 60% owned by Glanbia Co-operative Society Limited and 40% owned by Glanbia plc. GIIL is the largest dairy ingredients processor in Ireland, assembling a milk pool of 1.6 billion litres and processing it into c.180,000 tonnes of dairy ingredients largely for export to over 50 countries worldwide.

There was a compelling strategic logic for this transaction for both parties as it facilitates the expansion of Glanbia's dairy processing in Ireland in advance of EU milk quota abolition in 2015, while also ensuring that Glanbia's financial resources are directed towards business segments that deliver the highest return on capital for all shareholders.

GIIL is seeking to increase existing peak dairy processing capacity by up to 60%; a total investment programme of €180 million to 2020. The Board of GIIL reflects the relative shareholding of the partners and the management of the business remains in place. The financing of GIIL is independent of both Glanbia plc and Glanbia Co-operative Society Limited.

> "For Glanbia plc, this transaction has reduced the Group's exposure to global dairy markets and potential earnings volatility. It also allows us concentrate on our successful international growth strategy and maximise value for all shareholders."

Siobhán Talbot
Group Finance Director

Accounting treatment

The relevant accounting standards require that in a transaction of this nature, where Glanbia plc no longer has control of the entity, the Group financial statements should reflect the transaction in the first instance as a disposal of 100% of GIIL. The 40% interest retained is treated thereafter as an associate of the Group.

GIIL is therefore presented in the Group financial statements as a discontinued operation and its profit after an allocation of interest and tax until date of disposal (25 November 2012) has been presented as a single amount in the Group Income Statement under the heading of discontinued operations. The 2011 figures have been restated on a similar basis, with the entire profits of GIIL included within discontinued operations. From 25 November 2012, GIIL has been accounted for as an associate of the Group and 40% of its results from that date have been included within Share of results of Joint Ventures & Associates.

In addition, as required by IFRS 5, the historical allocation of central corporate costs to GIIL has been revised to exclude costs that will continue to be incurred by the Group, with the result that the 2011 EBITA of US Cheese and Global Nutritionals has been reduced by €4.7m (costs that had previously been allocated to GIIL).

Pro-forma adjustments

To better reflect the structure of the Group going forward, the financial commentary included in this Annual Report is based, where indicated, on pro-forma results. In these instances, 40% of the results of GIIL for the period from 1 January 2012 to 24 November 2012 are included within the Joint Ventures & Associates segment and the pro-forma results for 2011 equally include 40% of GIIL for the full year.

Pro-forma revenue and EBITA for Joint Ventures & Associates

	Constant Currency		Reported Currency		Reported Currency	
	2012		2012		2011	
€m	Revenue	EBITA	Revenue	EBITA	Revenue	EBITA
Total GIIL within discontinued operations	623.2	36.6	623.2	36.6	738.3	38.2
40% of above GIIL within disc. operations	249.3	14.6	249.3	14.6	295.3	15.3
Other Joint Ventures & Associates	543.2	21.6	577.0	23.1	524.2	25.2
Pro-forma Joint Ventures & Associates	**792.5**	**36.2**	**826.3**	**37.7**	**819.5**	**40.5**

Reconciliation of pro-forma EBITA to profit after tax (PAT) for Joint Ventures & Associates

The table below reconciles pro-forma EBITA with share of results of Joint Ventures & Associates, as reported in the Income Statement.

	Constant Currency			Reported Currency	
€m	2012	2011	Change	2012	Change
Pro-forma EBITA	36.2	40.5	(4.3)	37.7	(2.8)
Reversal of pro-forma adj. for GIIL	(14.6)	(15.3)	0.7	(14.6)	0.7
Reported EBITA	**21.6**	**25.2**	**(3.6)**	**23.1**	**(2.1)**
Finance costs	(5.0)	(4.7)	(0.3)	(5.3)	(0.6)
Income taxes	(5.2)	(6.2)	1.0	(5.7)	0.5
Profit after tax	**11.4**	**14.3**	**(2.9)**	**12.1**	**(2.2)**

Adjusted earnings per share

Adjusted EPS is calculated on a pro-forma basis to recognise the 40% interest retained in GIIL.

	Constant Currency			Reported Currency		
	2012			2012		
€m	Continued	Discontinued	Total	Continued	Discontinued	Total
Profit for the year - pre exceptional	112.5	26.7	139.2	122.2	26.7	148.9
Less Minority interests	(0.4)	-	(0.4)	(0.4)	-	(0.4)
Add back amortisation (net of tax)	16.4	0.4	16.8	17.4	0.4	17.8
Reclassify 40% of GIIL retained by Group	10.8	(10.8)	-	10.8	(10.8)	-
Adjusted net income	**139.3**	**16.3**	**155.6**	**150.0**	**16.3**	**166.3**
Adjusted earnings per share (cents)	**47.36**	**5.54**	**52.90**	**51.02**	**5.54**	**56.56**

Impact on Group cash flows from the GIIL transaction

The cash flow relating to the discontinued operations of €122.3 million per the summary cash flow on page 36 is detailed as follows:

€m		2012
Cash outflow of GIIL to date of disposal		(28.9)
Proceeds on disposal:		
- Net assets	49.3	
- Working capital	125.7	
Equity investment by Group in GIIL	(20.5)	
Other cashflows	(3.3)	
Net cash inflow to Group on disposal		151.2
Cash flow relating to the GIIL transaction		**122.3**

Exceptional loss discontinued operations

Exceptional items for 2012 include a €7.8 million loss relating to the GIIL transaction detailed as follows:

€m	2012
100% of GIIL net assets	(84.5)
40% equity interest retained	33.8
Cash consideration in respect of 60% disposal	49.3
Disposal related costs	(5.0)
Currency translation gain previously in equity	1.0
Cancellation of interest rate swaps	(2.7)
Taxation credit	0.3
Exceptional loss	**(7.8)**

John Callaghan
Audit Committee Chairman and
Senior Independent Director

> "Effectively managing our key risks is critical to the delivery of the Group's strategy plan and the achievement of sustainable growth. The Board is committed to ensuring robust risk management and internal control systems are in place and that risk is managed within defined risk tolerance limits."

How we manage risk

Our risk management and internal control systems enable the timely identification, assessment, monitoring and reporting of the principal risks facing the business by impact, likelihood, volatility and velocity. By focusing our risk management approach on the early identification of key risks, it enables us to conduct a detailed consideration of the existing level of mitigation and the management actions required to either reduce or remove the risk. If the reduction or removal of the risk is not possible, the Group formulates a management action plan to respond to the risk should the risk materialise.

Risk management responsibilities

The Board has overall responsibility for the Group's system of risk management. The Board reviews its effectiveness and confirms that a process exists for the identification, assessment and management of risk in order to ensure that the Group's strategic objectives are achieved. The Board also determines the nature and extent of the risks the Group is willing to take in achieving its strategic objectives. 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.

Ownership of risk identification and mitigation lies with the senior management team. With clear leadership from the Board and the Audit Committee, the Group Operating Executive plays an integral role in assisting business unit teams and functional leads to identify, assess and monitor their respective risks and controls. Through monthly performance reviews, risk exposures are examined and a culture of open communication on risk matters is developed within a clearly defined framework and reporting process.

Our risk management process

In order to ensure a consistent risk management approach, language and culture each business unit management team and functional lead is requested to perform a detailed risk review exercise and to complete the Group risk register template on a quarterly basis. This is a standard template that enables management to;

- Classify risks as financial, operational, regulatory, or strategic,
- Assess the inherent risk impact, likelihood of occurrence and speed at which the impact of the risk could materialise,
- Identify the mitigation measures (if applicable), the residual risk and the related management action plans,
- Allocate an owner who has responsibility for assessing and managing the risk exposure.

Internal Audit prepares group-level risk profile summary reports based on the quarterly information submitted. The Group Operating Executive, the Audit Committee and the Board, in that order all review the summary reports and the main movements. The reports include;

- An analysis of the key Group financial, operational, regulatory and strategic risks in terms of impact (assessed over the following 12 months within defined monetary terms), likelihood of occurrence (assessed over a three-year period in line with the Group strategy plan and based on defined probabilities of occurrence) and the speed at which the impact of the risk could materialise.
- A summary of the key movements in the trend of risks identified.
- Management action plans and owners to help manage the key residual risk exposures.
- A risk graph which provides a visual representation of individual risks with reference to their size or impact to the Group and their likelihood of occurrence.
- An overview of the broader organisational and business risks. The likelihood and impact of occurrence of such risks is often harder to define as they may be outside the direct control but not the influence of management and the Board. For example a significant adjustment to the current climate change agenda may occur with resulting impact to our large-scale processing operations.

The focus of the Board is on ensuring that the Group residual risk position is within their risk appetite while the Group Operating Executive and the Audit Committee, supported by Internal Audit, is entrusted with ensuring that appropriate measures are in place to validate the strength of internal controls and risk mitigation.

To further ensure that robust risk management processes and internal controls are embedded across the Group, senior management are required when presenting a business update to the Board, to provide detailed presentations on their individual business unit risk register, the mitigating controls and the success of management action plans. All of the Group's USA based business units were provided with this opportunity during the 2012 Board visit while the remaining businesses presented to Board meetings at various stages throughout the year.

The Audit Committee also operates an ongoing programme of evaluating key areas of risk through a series of presentations from Group functional experts on matters such as food safety and quality, Group legal risks, financial control and operational site assessments.

While risk management is an evolving process a number of key achievements were noted in 2012 and further priority areas have been identified for reducing our risk exposures in 2013 including the following:

2012 key risk management achievements

- The successful transaction in respect of Glanbia Ingredients Ireland Limited has reduced the Group's exposure to the volatility of global dairy markets and provided clarity with regard to the Group's investment strategy while still facilitating the planned expansion of Glanbia's Irish milk processing capacity.
- Implementation of a revised milk price formula in US Cheese which better aligns the price paid for milk with market prices for US cheese and whey products. This ensures that the milk price paid by US Cheese remains competitive while supporting a robust business model for the operation.
- The refinancing of third party banking debt which was due to mature in the short term to help underpin the medium term liquidity requirements of the Group.
- The Group has continued to expand its global footprint throughout the year through a number of significant projects including the acquisition of Aseptic Solutions and the completion of the greenfield Customised Premix Solutions facility in Germany. These projects not only better serve existing customers but offer additional capacity for further growth.
- The importance and success of the business continuity planning process was evidenced in early 2012 when the Ingredient Technologies flax facility in Canada was destroyed by fire. 100% of product requirements were outsourced to contract manufacturers with minimal effect on customers.
- The Group continued to improve its ability to internally produce quality whey protein through its investment in whey processing facilities in Glanbia Ingredients Ireland Limited. This project will help deliver quality whey protein in line with our customer commitments.

2013 key risk management focus areas

- Demand for higher end whey products may outgrow production capacity in the coming years. A key focus area for the Group will be to plan effectively to address this potential structural tightness in whey protein markets.
- Managing the ongoing organic growth of the business will be a key focus. This will relate in particular to capital expenditure, the addition of people and expansion into new markets.
- A new Performance Nutrition production facility is planned for Aurora, USA which will enhance existing production capabilities and allow the consolidation and strengthening of our Performance Nutrition supply chain.
- In order to integrate the operations of recent and future acquisitions and to help facilitate forecasted organic growth a US Shared Services Center was launched in early 2013. This will expand over the coming months as a range of back office activities is transitioned from all US based business units during 2013, providing the twin benefits of efficient processing in line with Group policies and procedures and clear segregation of duties.
- Control systems to facilitate future business growth and expansion will be further enhanced by migrating all recent acquisitions onto the existing Group ERP (SAP) system. This process will be completed for all existing business units during 2013.
- The Group's approach to financial risks, including currency risks, is to centrally manage financial and taxation risks against comprehensive policy guidelines, details of which are outlined in note 3.1 'Financial risk factors' on page 113 of this report. The Board regularly reviews these policies.

Risk management framework

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 design and effectiveness of the Group's risk management and internal control systems.

The diagram below outlines the key roles and responsibilities of each of the respective functions within our risk management framework.

For more information on the Governance Framework see page 54.

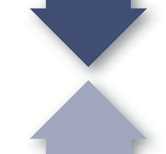
The Board

Develops the Group's vision and strategic priorities and defines the organisational Code of Conduct and culture

Has overall responsibility for the Group's risk management and internal control systems

Sets risk appetite and tolerance on the recommendation of the Board Committees

Monitors the nature and extent of the Group's principal risk exposures versus the defined risk appetite



Group Operating Executive

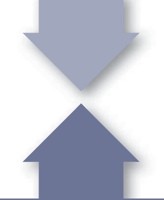
- Forms organisational structure
- Responsible for maintaining effective risk management policies and programmes
- Monitors performance, risk exposure, mitigation and internal controls
- Supports the senior management team

Audit Committee

- Responsible for reviewing the design and implementation of the Group's risk management and internal control systems
- Supports the Board in monitoring risk exposure versus risk appetite

Internal Audit

- Supports the Audit Committee in reviewing the effectiveness of the Group risk management and internal control processes
- Monitors actions taken by management
- Reports quarterly to the Audit Committee



Group Senior Management Team

Risk ownership

Responsible for risk identification, measurement and for assigning risk management roles and responsibility at operational level

Risk awareness

Ensures risk management processes and internal control systems embedded within each business unit

Risk monitoring

Monitors business performance and uses risk management to support decision making

Risk reporting

Encourages open communication on risk matters and reports to the Group Operating Executive, Audit Committee and the Board

Top-down

Oversight, identification, assessment and mitigation of risk at Group level

Bottom-up

Oversight, identification, assessment and mitigation of risk at business unit level and across key Group functional areas

Principal risks and uncertainties

The performance of the Group in 2013 will be strongly influenced by the global economic outlook, the challenging Irish retail environment and the associated management of margins within Dairy Ireland and the effective execution of our international growth strategy within Global Nutritionals.

Risk identification processes take into account the Group's strategic priorities outlined on page 14. A summary of the key risks identified, potential impacts and mitigating actions are set out below. A risk trend arrow icon is included for each risk described to identify whether the risk has increased, decreased or remained stable during the year.

Strategic priorities

ALIGN WITH KEY GROWTH CUSTOMERS AND MARKETS		
Risk title/description	**Potential impact**	**Mitigation**
Customer concentration risk 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. **Risk trend** ↔	Reduced profitability and cash flow.	The Group has developed strong relationships with major customers by focusing on superior customer service, product innovation, quality assurance and cost competitiveness. This was best illustrated in 2012 with the receipt of the 'Supplier of the Year' award from one of the Group's key customers. This was targeted as a clear business unit goal pre 2012. **2013 Objective** Our aim is to continue the high level of responsiveness to our key customers while targeting growth with global customers and value add opportunities both within existing markets and new geographies. Future acquisitions will assist in allowing us to enter new markets, gain access to customers and acquire new capabilities.

DEVELOP CUSTOMER-FOCUSED, MARKET-BASED AND SCIENCE-BACKED INNOVATION		
Risk title/description	**Potential impact**	**Mitigation**
Market risk/ product development risk 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 adapt successfully. **Risk trend** ↔	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. The Group's investment in value added research and development was highlighted when Glanbia Nutritionals won the IFT 2012 'Food Expo Innovation' award for a product which provided a solution to a food science and technology challenge and will benefit both food manufacturers and customers. **2013 Objective** Our focus is on the achievement of the following key business focus areas; (a) Facilitating the ongoing commercialisation of our cheese innovation platform with the new Customer Innovation Centre in Idaho, USA. (b) Further developing the solution capabilities of Ingredient Technologies through the construction of a new cereal ingredients plant in South Dakota, USA. It is key that both projects are resourced with the best talent available and that new product development plans are progressed in line with expectations.

DELIVER ORGANIC AND ACQUISITION INVESTMENT THAT MAXIMISES RETURN ON CAPITAL EMPLOYED		
Risk title/description	**Potential impact**	**Mitigation**
Investment risk The risk of the Board making sub-optimal capital allocation decisions. **Risk trend** ⟷	Lost opportunities to maximise shareholder value.	The Group manages capital by operating within defined return on investment metrics and debt ratios. All significant investment and divestment decisions are considered and approved by the Board in a portfolio context to ensure that Group resources are directed to business segments which will maximise overall Group performance. **2013 Objective** 2013 plans include significant organic capital investment including the capacity expansion in Performance Nutrition's USA facility which is core to the Group's strategic aims.
Liquidity risk The ongoing monitoring and management of Group debt facilities is key to underpinning the liquidity requirements of the Group. **Risk trend** ↓	Lack of liquidity to sustain and grow the Group, which in an extreme circumstance may impact on the Group's ability to continue as a going concern.	The Group has strong ongoing relationships with debt providers. New financing arrangements are typically negotiated at least twelve months prior to expiration. Group Treasury is responsible for ensuring tight management of debt and interest rate exposures with significant headroom maintained against current covenants. Continuous monitoring is undertaken by Group Treasury, the Group Finance Director and the Finance Committee assisted by regular short and long term cash flow forecasting and capital allocation analysis. The Board routinely reviews and approves Group financing options. **2013 Objective** The recent successful extension of our third party debt maturities ensures the Group is well funded for the medium term. Focus will remain on maintaining strong relationships with debt providers and in fully assessing any potential future requirements to ensure the Group retains the flexibility to respond to opportunities within the commercial environment.

ACHIEVE OPERATIONAL EXCELLENCE AND DISCIPLINED COST MANAGEMENT		
Risk title/description	**Potential impact**	**Mitigation**
Environment, health & safety regulation risk A breach of existing environmental or health and safety regulations or the introduction of new, more onerous, legislation. **Risk trend** ⟷	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. This is best evidenced through successes such as the Glanbia Ingredients Ireland Limited plants receiving the prestigious 'Carbon Trust Standard' award, a globally recognised certification for organisations that measure, manage and reduce their carbon footprint. We also published an inaugural and comprehensive 2011 Sustainability Report for the combined US Cheese and Southwest Cheese businesses. **2013 Objective** Regulatory compliance and a pro-active approach to the adoption of new legislation will result in the optimal strategic positioning of the Group to maximise earnings and add a competitive edge to new product development.
Supplier risk Risk of not achieving an appropriate balance between sustainable milk supply and cost. **Risk trend** ↓	Adverse impact on earnings.	Milk procurement strategy teams are in place to ensure the business remains competitive in its supplier offerings which is in the interests of our milk suppliers and Glanbia alike. The successful implementation of a revised milk price formula in Idaho will help to maintain a competitive milk pricing environment thereby underpinning milk supply. Irish milk supply cost is constrained by competitive conditions and the pricing methods employed. Our exposure to this risk has been reduced following the disposal of 60% of our Irish dairy processing operations. **2013 Objective** Management will continue to ensure that the focus is not solely on pricing but also on the non-pricing value added initiatives that can be used to secure milk supply.

ACHIEVE OPERATIONAL EXCELLENCE AND DISCIPLINED COST MANAGEMENT (continued)		
Risk title/description	**Potential impact**	**Mitigation**
Product safety compliance risk A breakdown in control processes may result in contamination of products and/or raw materials resulting in a breach of existing food safety legislation. The sudden introduction of more stringent regulations may also cause operational difficulties. **Risk trend** 	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 food safety and quality regulations and aims to employ best practice across all its production facilities to maintain the highest standards by focusing on: ■ Employing suitably qualified and experienced staff. ■ Operating a supplier certification programme whereby suppliers, their processes, facilities and products are audited for conformance to Group standards. ■ Monitoring overall food safety through the Glanbia Quality System (GQS) which is used to assist management responsible for food safety. Results of GQS testing are presented to and considered by the Audit Committee on an annual basis. The Group also maintains product liability insurance. **2013 Objective** To maintain customer and consumer confidence in the quality of our products by demonstrating adherence to Group standards, regulatory requirements and best practice guidance.
Site/facilities compliance risk The risk of non-compliance with regulations pertaining to building and fire codes and/or zoning restrictions resulting in a loss of capacity at a major site. **Risk trend** 	Inability to service customer requirements. Reputational damage and possible regulatory penalties. Reduced profitability and cash flow.	The Group limits the risk of a major event impacting operations by: ■ Ensuring all business operations have business continuity plans in place including identification of alternative production locations where relevant, the benefits of which were highlighted following the destruction of our Canadian flax processing facility where customer disturbance levels were minimised. ■ Monitoring overall safety and loss prevention performance through the Glanbia Risk Management System (GRMS). This system assists 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. **2013 Objective** While detailed business unit disaster recovery plans are in place and have been tested in our major facilities, further simulation assessments will be conducted on a regular basis to ensure their operating effectiveness.

FOSTER A STRONG MULTI-DISCIPLINED TEAM FOCUSED ON SUCCESS		
Risk title/description	**Potential impact**	**Mitigation**
Talent management risk The Group is dependent upon the quality, ability and commitment of key personnel in order to sustain, develop and grow the business in line with its key objectives. **Risk trend** 	Growth targets may be at risk by failing to attract, retain and manage key personnel.	The Group has put in place strong recruitment processes, effective HR policies and procedures, long-term incentives, robust succession management planning and a range of talent management initiatives including the Group management development programme. The Group has and will continue to put significant focus on developing its graduate recruitment programme. Recruiting talented, motivated, young professionals allows the Group to train and develop future business leaders in line with the Group's mission and business objectives. **2013 Objective** To maximise Group performance by allocating resources, including people and capital to business units where growth potential and capability to deliver Group performance criteria is greatest. Detailed recruitment plans are in place to drive organic growth, particularly in Global Nutritionals.

Building a sustainable business

Glanbia's corporate social responsibility is focused on respect for our employees, involvement with our local communities and strong environmental stewardship.

2012 highlights

The standards and values that are embedded in the way we conduct our business and customer relationships ensure that we meet our responsibilities.

People are at the heart of what we do. In 2012, we continued our programme of talent and organisational capability development. We also sponsored a wide range of sports and supported many charitable causes and local community initiatives. One of our other key areas of focus is the environment and significant progress was made in 2012 in achieving further reductions in waste generation and energy consumption. Ultimately, our goal is to build a sustainable business that contributes positively to the communities and environments in which we operate.

Our people

A key focus area in 2012 continued to be the review of talent at all levels in the organisation through comprehensive performance and career assessment. This is designed to ensure key talent is identified and developed and that the right organisational capability exists to deliver on both the business unit strategic imperatives and the Group's overall strategy.

During the year the emphasis for the global HR system was on the development of the performance and succession management portal which allows managers to review performance and identify development options. This system was extended to key business units across the Group in 2012.

Talent development

The Glanbia management development programme continued in 2012 with an education seminar held in Evanston, Illinois. The 25 high potential participants, representing all of the Group's business units, were selected through the Group succession management process. The programme provides key learnings in strategy, leadership and operational excellence. The participants also completed a business unit project and presented this to both the senior leadership team of the relevant business unit and a programme evaluation team.

In addition to the Group sponsored development programmes, the individual business units have programmes tailored specifically to their business and people needs. For example, in Customised Premix Solutions, the emphasis was on a leadership development programme where the participants acquired new skills aligned to business specific goals. Customised Premix Solutions also launched a two year sales graduate programme for new recruits with the appropriate science qualifications. These graduates will train across all aspects of the global Customised Premix Solutions business.

Glanbia has expanded its graduate programme and continues to foster a global community of young professionals of diverse disciplines. Key to the success of the programme is the rotation of graduates through business units where they rapidly learn new skills and gain invaluable experience of Group activities.

The Group management conference was held again in 2012 with participants drawn from senior management teams across Glanbia's global operations. The conference focus was the review of strategic imperatives for the Group and business units for the next three years. At the conference there were management achievement awards presented to three individuals, chosen from an impressive list of 14 nominations, by John Moloney, Group Managing Director and Liam Herlihy, Group Chairman.

"As part of the technical team, I interact with Product Development, Purchasing, Engineering and other departments. I am also studying for my Accounting and Finance Diploma as part of the Graduate programme, and have already completed courses in Management Development and Food Safety this year."

Sarah Morris
Food Science Graduate, Consumer Products

Building organisational capacity
Group employee numbers, including Joint Ventures & Associates, increased on average by 297 people in 2012 to 4,869 people. The most significant growth was in Global Nutritionals as these businesses continued to build capability to deliver their growth strategy.

131 people joined Performance Nutrition, strengthening its resources to drive business growth and support key initiatives including Enterprise Resource Planning (SAP) implementation. Performance Nutrition also appointed key commercial executives to support the expansion of their business internationally and established sales offices in strategically selected locations.

Ingredient Technologies added resources and complementary capabilities through the acquisition of Aseptic Solutions in Corona, California. This business unit also deployed a design team to plan the new cereal ingredients plant being built in South Dakota, USA, which is expected to be operational in mid-2013. US Cheese and Ingredient Technologies reorganised their innovation activities to ensure an integrated approach to the management of the R&D centre in Twin Falls, Idaho to maximise the full potential of the team. 39 people joined Customised Premix Solutions during the year, mainly as a result of the commissioning of its new plant in Germany.

The market environment in the Irish retail sector remains very challenging and as a consequence Consumer Foods continued with its strategic cost rationalisation programme. There was a reduction in employee numbers resulting from the sale of the Yoplait franchise and the closure of the related yogurt plant. In Agribusiness, resources were applied to emerging business development opportunities, including oats milling, feed exports and the development of an e-commerce platform.

The Shared Services and Global IT centre in Ireland was expanded in 2012 to support the continued integration of the enterprise platform activities of the Group, underpinning the commercial and operational expansion of the business. Planning was well advanced in 2012 for the establishment of a US shared services office, based near our Performance Nutrition operations in Aurora, Illinois. This was opened in February 2013 and will support the expansion of our US Cheese and Global Nutritionals businesses.

Glanbia Performance System
The Glanbia Performance System (GPS), already a proven success in 2011, continued to engage more employees in 2012 especially in US Cheese, Southwest Cheese and GIIL.

US Cheese achieved 70% employee engagement in 2012 and this has delivered significant savings through ‘Lean’ cost-reduction team projects.

In GIIL excellent progress was made in the Ballyragget and Virginia sites in embedding ‘Lean’ principles as part of everyday work practices. This has yielded considerable cost efficiencies and savings, surpassing their 2012 cost reduction targets. A new programme of leadership development of middle management in GPS principles also commenced in GIIL.

Agribusiness also became an active participant in the GPS programme in 2012 and commenced with the adoption of GPS principles across their supply chain function, resulting in savings in 2012 and an ambitious target to build further on those savings in 2013.

Health & Safety
In 2012, the Glanbia Risk Management System (GRMS) was introduced to additional sites, helping to further embed a strong Health & Safety culture across the Group. In addition to the independent third party auditing and a further improvement in Health & Safety scores achieved, there was a significant improvement in lost time incidents and sustained full regulatory compliance.

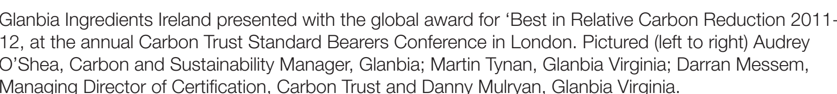
Innovative solutions such as peer-to-peer behavioural based safety, pre-task risk assessments and an investment in technology all play a part in driving the focus on safety and risk management. These initiatives are matched with a consistent leadership focus on improving safety and risk awareness across the Group as measured through risk based Health & Safety KPIs.

Pictured at the Management Achievement Awards at the Glanbia management conference were: (L to R) Henry Corbally, Vice-Chairman; Jeff Williams, President/CEO US Cheese; Matt Healy, Site Manager Ingredient Technologies Canada; Paul Vernon, CEO Glanbia Cheese; Martin Keane, Vice-Chairman and Liam Herlihy, Group Chairman.

Environment

Management of our environmental footprint is critical to the long-term sustainability of our business and is a core element of our strategic priority of achieving operational excellence. We seek to continually improve our environmental performance by asking ourselves the question “how can we do more with less?”. This involves ongoing assessment of our manufacturing processes as well as our supply and distribution chains. In particular, we focus on our consumption, direct and indirect, of water, energy and waste. Importantly, this focus on environmental performance also benefits our financial performance through increased efficiency and waste reduction and is embedded in our GPS system which is being rolled out across the Group.

Glanbia operates a number of businesses each with distinct characteristics. The key focus of our environmental efforts, in particular in the context of water, energy and waste consumption are our manufacturing focused businesses including US Cheese, Customised Premix Solutions and two of our strategic partnerships, Southwest Cheese and GIIL. All of our manufacturing plants associated with these businesses meet the highest regulatory standards in their respective jurisdictions and the 2012 environmental highlights for each of these businesses are outlined here.


Glanbia Ingredients Ireland presented with the global award for ‘Best in Relative Carbon Reduction 2011-12, at the annual Carbon Trust Standard Bearers Conference in London. Pictured (left to right) Audrey O’Shea, Carbon and Sustainability Manager, Glanbia; Martin Tynan, Glanbia Virginia; Darran Messem, Managing Director of Certification, Carbon Trust and Danny Mulryan, Glanbia Virginia.

US Cheese

Our wholly owned whey processing operations, the output of which is commercialised by Ingredient Technologies, are managed by the US Cheese team and therefore, from a manufacturing and environmental assessment perspective, all cheese and whey plants are evaluated on a combined basis. US Cheese includes three plants in total, all of which are located in Idaho; a cheese facility in Twin Falls, a cheese and whey facility in Gooding and a whey facility in Richfield.

US Cheese, in 2011, was the first of our business units to implement the GPS system and continues to generate significant benefits from the programme. In 2012, energy usage per litre of milk processed declined by 5% while water usage intensity, as measured by litres of water consumed per litre of milk processed declined by 8%.

Customised Premix Solutions

While energy and water consumption by Customised Premix Solutions is relatively low compared to our dairy processing facilities, it remains a focus of management and 2012 was a very successful year in this regard. Energy consumption per kilogram blended fell by 14% in 2012 which follows a 20% decline in 2011. Water consumption per kilogram blended fell by 3%.

Southwest Cheese

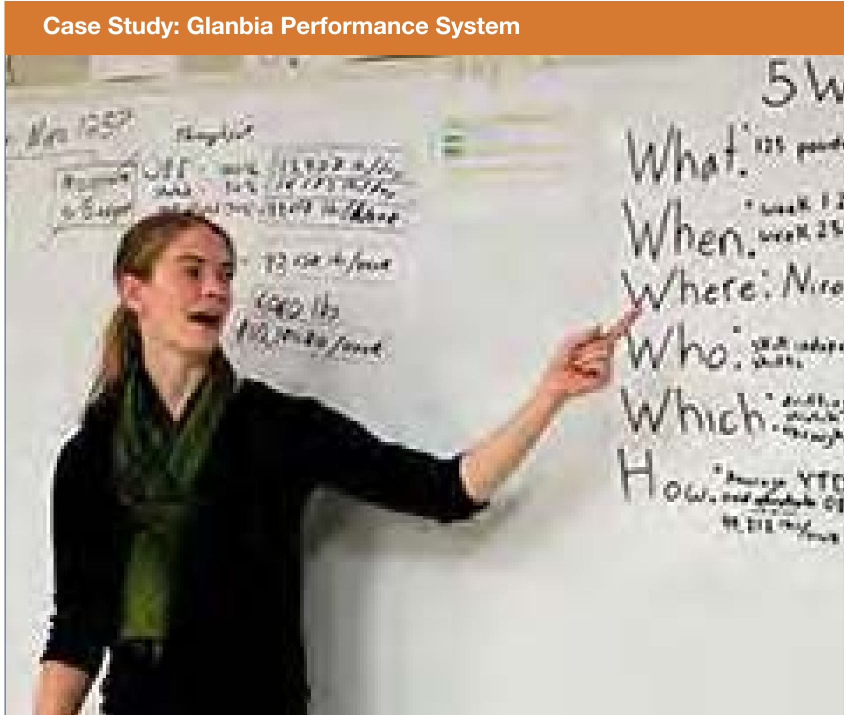
Southwest Cheese operates a single large scale plant in Clovis, New Mexico. Having been commissioned in 2006 and with a 40% capacity increase in 2010, the plant operates at a high level of efficiency. Nonetheless, energy and water consumption remains a key focus of management. In 2012, energy usage per litre of milk processed declined by 16% while the number of litres of water consumed per litre of milk processed declined by 11%.

Glanbia Ingredients Ireland (“GIIL”)

In 2012, GIIL, at its two processing facilities in Ballyragget and Virginia, continued to build on the significant progress made over recent years in respect of its energy and water consumption with declines of 1% and 2% respectively. Other key environmental highlights for GIIL in the year include:

- In October 2012, the Virginia plant, which had been awarded the Carbon Trust Standard Award in December 2011, won “Best in Relative Carbon Reduction 2011-12” at the International Carbon Trust Standard Bearers Conference in London. The concerted effort by management and staff at the Virginia plant has resulted in a 9% reduction in carbon emissions relative to plant output over the last three years.
- Following in the footsteps of our Virginia plant, in May 2012 the Ballyragget plant received the certificate of achievement from the Carbon Trust. In 2012, the Ballyragget plant set a target of becoming a Zero Waste to Landfill site. This plan is well underway with a 22% reduction in waste to landfill in 2012 and, with October 2012 being the first month in the plant’s history of zero waste to landfill, this target looks likely to be met for the full year 2013.

Case Study: Glanbia Performance System



Glanbia Performance System (GPS) is the Group's integrated work system which incorporates best practice from the global manufacturing industry into operational principles to deliver breakthrough results. At the heart of the system is the development of a zero loss culture through 'everyone, everyday, learning and improving'.

GPS was first launched in US Cheese in 2011. Following its significant success, it was rolled out to Southwest Cheese in late 2011 and was introduced to GIIL and Agribusiness in 2012. In each of these businesses it has made a material difference. GPS was instrumental in improving operational and environmental performance as well as safety, while also reducing costs and improving delivery to our customers. It has enabled us to drive out waste including non value-added time, material to landfill, lost product to the waste treatment plant, municipal drain systems or non-premium product. The savings from those projects enable us to pursue other elements of our strategy to create a true, fully integrated sustainability agenda.

While GPS is focused primarily on large-scale manufacturing businesses, its principles apply across the entire commercial spectrum and we continue to find new ways in which it can benefit our other businesses including Performance Nutrition and Customised Premix Solutions.

With GPS, sustainability is not a separate initiative but is woven into the fabric of our everyday activities. Through GPS, we have been able to systematically improve the reliability of all our operations, equipment and processes. Glanbia views sustainability as broader than just the environment. Sustainability means economic success hand-in-hand with social value, in ways that respect the environment.

Our local communities

As a nutritional solutions and cheese group, it is appropriate that Glanbia is associated with a variety of health and sports initiatives that reflect the breadth of our brands, the diversity of our locations and our values as an organisation.

> "Glanbia has really helped us raise awareness of Barretstown and the work we do here. This is really important, not just for raising funds but also to reach out to those families who might have a need to send their sick child to this wonderful, magical place."
>
> **Dee Ahearn** CEO, Barretstown

Corporate donations

Glanbia's partnership with Barretstown in Ireland is in its fourth year. Barretstown is an organisation which helps children with serious illnesses to regain their confidence and self-esteem through therapeutic recreation and camps. Since the relationship began in 2008 a total of €1.2 million has been raised for the charity through employee volunteering, sponsorship and corporate donations.

In the USA, Glanbia Nutritionals made a donation to the Second Harvest Food Bank of Southern Wisconsin and to the American Red Cross. These contributions were to support food relief activities in the southwest region of the State of Wisconsin and to assist with Hurricane Sandy disaster relief on the east coast of the USA.

As part of breast cancer awareness month, Optimum Nutrition produced special pink labelled tubs of 100% Soya Protein to benefit the Lynn Sage Foundation, a Chicago-based charity committed to discovering a cure for breast cancer.

Employee volunteering

The Group aims to contribute to local development by supporting our employees as community volunteers in various capacities.

During 2012 employee volunteers raised over €50,000 for Barretstown. Among the employee engagements that took place was the 'Glanbia Four Peaks Challenge' which took place over three days in September. 42 of our employees took part in this inaugural challenge to climb the highest mountain in each of Ireland's four provinces. Another Glanbia team event was a partnership with the Kilkenny cycling club, Marble City Cyclers, for the fourth 'Tour de Kilkenny' sportive. Glanbia "Champions" in different offices also organised a number of smaller fundraising initiatives throughout the year.

The 18th annual Glanbia Charity Challenge golf competition was the largest charity event held in Magic Valley, Idaho. 192 players from various vendors, customers and dairy patrons of US Cheese participated in this event and over $140,000 was raised for charities in the local area.

In Springfield, Missouri "Team Glanbia" were the largest group participating in the annual Price Cutter Championship Fun Run and they raised funds to benefit Habitat for Humanity.

Sports sponsorships

Glanbia has a long association with the All-Ireland Hurling Championship through its sponsorship of the Kilkenny senior hurling team.

Optimum Nutrition sponsorship covers a multitude of sports around the globe, from the Scottish Rugby team to the big wave surfing adventure athlete Mark Visser in Australia. The range of Optimum Nutrition sports is reflected in the diversity of the many athletes, Olympians, teams and sports that they are involved with.

BSN sponsored Cain Velasquez reclaimed the UFC (Ultimate Fighting Championship) Heavyweight crown. BSN is the 'Official Nutritional Supplement Provider' of the UFC which is one of the fastest growing sports in America.

In the USA, Optimum Nutrition and ABB sponsored the Juvenile Protective Association's 5 kilometre run in Chicago's Grant Park. Over 500 runners competed in the event dedicated to raising funds to support local area children and families in need.

Skills@Work

Through Business in the Community Ireland, Glanbia participates in Skills@Work – an education inclusion programme that partners schools with business. The aim of this programme is to improve the rate of school completion by enhancing the educational experience for students. In 2012, we partnered with Duiske College, Co Kilkenny. This involved Agribusiness employees working with students on curriculum vitae writing and interview skills.

> "Establishing a rapport with employees from Glanbia opens students' eyes to what exactly is involved in various jobs or careers on a day-to-day basis. It allows them to explore what may be of interest to them and give them a target to aim towards in terms of education."
>
> **Pat Murphy**
> Principal, Duiske College

GOVERNANCE

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Dear Shareholder,

I am pleased to introduce the Corporate Governance Report for 2012 which explains our approach to corporate governance, describes how your Board and its committees work and our approach to risk management and internal control.

The main function of the Board is to provide strong strategic guidance and oversight of the performance of the Group on behalf of shareholders. Within this, the Board actively considers long term strategy, monitors and supports the work of the Group Operating Executive and is responsible for Board and executive management succession.

My role as Group Chairman is to seek to ensure high quality decision-making in all areas of strategy and performance and to promote and maintain high standards of corporate governance.

As I outlined in my statement on page 8 the most significant development for the Group this year was clarification of its strategic approach to dairy processing in Ireland, following the abolition of the current EU milk quota regime in 2015. This culminated in the disposal of 60% of Glanbia Ingredients Ireland Limited (GIIL) to Glanbia Co-operative Society Limited (the "Society"), the Group's then majority shareholder. The negotiations lasted for most of 2012 and resulted in the successful completion of the transaction in November. Overall, this required the highest level of corporate governance oversight and conduct, to ensure that the interests of all shareholders were taken account of in the decision making process.

Clear divisions of accountability and responsibility were established from the start of the process and the Society nominated Directors, on the Board, abstained from all discussions, decisions and meetings of the Board in relation to the Board's decision to dispose of 60% of its interest in GIIL to the Society. Both parties also had independent advisors. Additionally, as this was a related party transaction, the Society did not vote at the Extraordinary General Meeting of the Company held on 20 November 2012 to approve the transaction.

New Board structure by 2018

There were a number of other proposals undertaken by the Society along with the disposal of 60% of GIIL which will lead, when fully completed in March 2013, to a reduction in the Society's shareholding in the Company to 41.3%. As a consequence the composition of the Board will transition on a phased basis over the next five years. The most substantial change will be a decrease in the Society's representation on the Board from 14 Directors to eight Directors over the period to and inclusive of 2018. The Board, together with the Nomination Committee, will be looking in detail over the next couple of years at issues such as Board diversity and the critical balance and mix of skills and experience needed to guide the next phase of growth for the Group.

Board changes

There were a number of Board changes during the year. Jer Doheny joined the Board in May as a Society nominee, replacing James Gannon, also a Society Nominee. Brian Phelan joined the Board with effect from 1 January 2013 as an Executive Director, with responsibility for strategy, development and Global Cheese. Brian has worked with the Group in a variety of senior roles over the last 20 years, most recently as Group Human Resources & Operations Development Director. Kevin Toland stepped down as an Executive Director and as CEO & President of Glanbia USA and Global Nutritionals at the end of the year to take up a role outside of the Group.

Donard Gaynor joined the Board on 12 March 2013. Donard retired in March 2012 as Senior Vice President Strategy and Corporate Development of Beam, Inc., the premium spirits company listed on the New York Stock Exchange based in Chicago, Illinois.

Board evaluation

In light of the significant investment of the Board's time to the disposal of 60% of GII, a decision was made to conduct an internal Board evaluation, which I undertook in late December/early January. The evaluation covered key governance areas such as shareholder accountability, strategy, risk management, Board composition, culture and decision-making and governance. A comprehensive analysis was then presented to the Board. The findings were on the whole positive and recommendations were aimed at enhancing Board effectiveness. The Board and each of its Committees have already started to make progress against the findings and the Board will conduct a review against the findings during the year.

In line with the UK Corporate Governance Code, the Board has committed to undertake an external board evaluation during 2013.

Compliance with the Codes

Throughout 2012, the Company complied fully with the UK Corporate Governance Code and the Irish Corporate Governance Annex (the "Irish Annex") (collectively the "Codes") with the exception of the representation of the Society on the Board. The Board values corporate governance highly and this is reflected in our governance framework, which is set out as part of this introduction as well as principles, policies and practices that are applied every day across the organisation. This corporate governance section of the Annual Report explains how we have applied the main principles of the Codes during the financial year under review.

Directors' remuneration

We continue to be able to retain and recruit talented people whose skills, experience and commitment are critical to the success of your Company. The Remuneration Report sets out performance against the Annual Incentive Plan and the Long Term Incentive Plan and full details can be found on pages 65 to 82. In summary, the Remuneration Committee assessed that all targets

Liam Herlihy
Group Chairman

> Robust, and responsive governance arrangements support the Group in the ongoing success in achieving its strategic objectives.

were achieved and Executives have been awarded accordingly. The Remuneration Committee does not propose any changes to the Group's remuneration policy for 2013.

Engaging with shareholders
The Group conducts an active Investor Relations programme and ongoing communication with our shareholder base is a priority of the Group. 2012 was a particularly busy year from an Investor Relations perspective driven by the disposal of 60% of GIIL and the related sale of 6% of the issued share capital of the Company by the Society.

In total, senior management took part in more than 150 investor meetings during the year across the UK, Ireland, mainland Europe and the US. This active engagement with investors, combined with the share sale by the Society, helped to broaden the understanding of the business amongst investors and facilitated further diversification of the shareholder base.

The expected distribution of 7% of the Company's shares to Society members by the Society on 14 March 2013 will further expand the free float for the Company's shares to 59%. In this context, 2013 will be another important year from an Investor Relations perspective and we look forward to continued open and transparent dialogue with our shareholder base.

Annual General Meeting
The 2013 Annual General Meeting will be held on 21 May 2013 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. I am also available to shareholders at any time to discuss any matters they wish to raise.

Yours sincerely,

Liam Herlihy
Group Chairman

Allocation of Board and Board Committees' time

Board

30
35
15
10
5
5

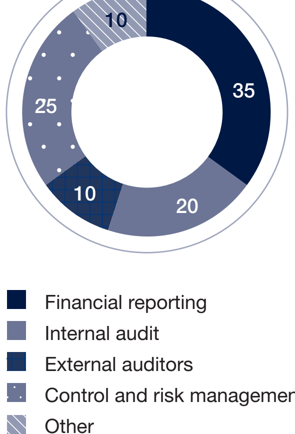
- Strategy
- Operational and financial performance
- Corporate development
- Governance and risk
- Investor relations
- Other

Nomination Committee

40
30
20
10

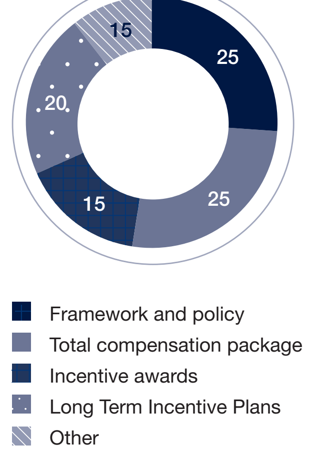
- Board and committee composition
- Succession planning
- Board effectiveness
- Other

Audit Committee



- Financial reporting
- Internal audit
- External auditors
- Control and risk management
- Other

Remuneration Committee



- Framework and policy
- Total compensation package
- Incentive awards
- Long Term Incentive Plans
- Other

Governance framework

Board of Directors and Secretary

Non-Executive Chairman

Two Non-Executive Vice-Chairmen

Eleven Directors nominated by Glanbia Co-operative Society Limited

Five Non-Executive Directors including the Senior Independent Director

Three Executive Directors and Group Secretary

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 share 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.

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Group Chairman and Vice Chairmen

Liam Herlihy
Group Chairman

Liam Herlihy (aged 61), Group Chairman was appointed to the Board on 11 September 1997 and has served 15 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

Martin Keane
Vice-Chairman

Martin Keane (aged 57), Vice-Chairman was appointed to the Board on 24 May 2006 and has served six 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 Vice President of Irish Co-operative Organisation Society Limited and a board member of ICS Europaks Limited. He is a former director of Co-operative Animal Health Limited.

Member: Audit Committee/
Remuneration Committee.

Henry Corbally
Vice-Chairman

Henry Corbally (aged 58), Vice-Chairman was appointed to the Board on 9 June 1999 and has served 13 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.

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.

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

Executive Directors and Group Secretary

John Moloney
Group Managing Director

John Moloney (aged 58), is Group Managing Director since 2001, having been appointed to the Board on 11 September 1997. He has served 15 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 non-executive director of DCC plc since 2009 and a Council Member of the Irish Business and Employers Confederation. He joined the Board of Greencore Group plc as a non-executive director in February 2013. 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.

Siobhán Talbot
Group Finance Director

Siobhán Talbot (aged 49), was appointed as Group Finance Director on 1 July 2009 and has served three 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.

Brian Phelan
Group Development and Global Cheese Director

Brian Phelan (aged 46), was appointed to the Board on 1 January 2013 as Group Development and Global Cheese Director with responsibility for strategy, development and Global Cheese. Brian was previously Group Human Resources & Operations Development Director (2004 to 2012) where he had responsibility for Global HR, Group Purchasing and Group Business Services. In addition he had responsibility for Glanbia's Nutricima Joint Venture and was the Chairman of our Glanbia Cheese Joint Venture, which he retains as part of his new role. 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.

Michael Horan
Group Secretary

Michael Horan (aged 48), 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.

Kevin Toland
Kevin Toland (aged 47), resigned from Glanbia plc on 5 January 2013 having served ten years on the Board. He joined Glanbia in 1999 and held the position of CEO and President of Glanbia USA & Global Nutritionals at the time of his resignation.

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

Non-Executive Directors

John Callaghan
Senior Independent Director

John Callaghan (aged 70), was appointed to the Board on 13 January 1998 and has served 15 full years on the Board. He is a director of a number of Irish companies including 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), non-executive director/chairman of First Active plc (1993 to 2004) and non-executive director of Rabobank Ireland plc (1994 to 2012). He is a fellow of the Institute of Chartered Accountants and 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.

Jerry Liston
Non-Executive Director

Jerry Liston (aged 72), was appointed to the Board on 10 June 2002 and has served ten 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 a past executive chairman of the Michael Smurfit Graduate School of Business (2000 to 2005) and past chairman of the Irish Management Institute, Kevin Broderick Limited, Balcas Timber Limited, BWG Group Limited and the Irish Aviation Authority, and a former director of NTR. 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. Jerry was awarded an MBA in 1968.

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

William Murphy
Non-Executive Director

William Murphy (aged 67), was appointed to the Board on 1 June 1989 and has served 23 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 chairman of the National University of Ireland Maynooth Outreach Kilkenny Programme and resigned as a director of Aryzta plc at the end of 2012. He is also a director of a number of unlisted companies. He graduated from UCD with a B.Comm. in 1972.

Paul Haran
Non-Executive Director

Paul Haran (aged 55), was appointed to the Board on 9 June 2005 and has served seven full years on the Board. He is a director of a number of Irish companies including the Mater Private Hospital, the UCD Michael Smurfit Graduate School of Business and the Irish Insurance Federation. He also chairs Edward Dillon & Co. He is a former director of Bank of Ireland, the Road Safety Authority, the Institute of Public Administration and the Qualifications Authority of Ireland. He 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.

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

Non-Executive Directors
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 major 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. This will reduce to eight by the end of 2018, more details of which is set out in the Nomination Committee report. 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 47), was appointed to the Board on 26 May 2011 and has served one full year on the Board.

Jer Doheny (aged 58), was appointed to the Board on 29 May 2012 and has served less than one year on the Board.

David Farrell (aged 63), was appointed to the Board on 26 May 2011 and has served one full year on the Board.

Patrick Gleeson[2] (aged 51), was appointed to the Board on 24 May 2006 and has served six full years on the Board. He is also a member of the Audit Committee since 26 July 2011.

Brendan Hayes[1] (aged 52), was appointed to the Board on 29 June 2010 and has served two full years on the Board.

Michael Keane (aged 60), was re-appointed to the Board on 29 June 2010 and has served two full years on the Board in the current term. He previously served two full years on the Board.

Matthew Merrick[2] (aged 61), was appointed to the Board on 9 June 2005 and has served seven full years on the Board. He is also a member of the Audit Committee since 26 July 2011.

John Murphy[1] (aged 50), was appointed to the Board on 29 June 2010 and has served two full years on the Board. He also sits on the National Dairy Council Board.

Patrick Murphy (aged 54), was appointed to the Board on 26 May 2011 and has served one full year on the Board.

Eamon Power (aged 58), was re-appointed to the Board on 26 May 2011 and has served one full year on the Board in the current term. He previously served nine years on the Board.

Robert Prendergast[1] (aged 51), was appointed to the Board on 28 May 2008 and has served four full years on the Board.

1 Completed the UCC Diploma in Corporate Direction.
2 Completed the UCD Diploma in Corporate Governance.

Business Unit Chief Executive Officers

Colm Eustace
CEO Agribusiness

Colm Eustace (B. Ag. Sc., C. Dip. AF., MBA) (aged 51), is Chief Executive of Agribusiness since 2006. 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.

Colin Gordon
CEO Consumer Products

Colin Gordon (BBS, MBS, FMII) (aged 51), 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 Food and Drink Industry Ireland of the Irish Business and Employers Confederation.

Raimund C. Hoenes
CEO Customised Premix Solutions

Raimund Hoenes (Ph.D., M.Sc.) (aged 46), is Chief Executive of Customised Premix Solutions. He joined the Group in 2008 and was appointed Chief Executive of Customised Premix Solutions in 2009. He previously worked in a variety of senior roles in the ingredients sector in several countries.

Hugh McGuire
CEO Performance Nutrition

Hugh McGuire (M.Sc., Dip. Finance) (aged 42), 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.

Jerry O'Dea
CEO and President Ingredient Technologies

Jerry O'Dea (B. Sc. Dy., MBA) (age 53), 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.

Jeff Williams
CEO and President US Cheese

Jeff Williams (B.A., MBA) (aged 56), 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.

More information

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John Callaghan
Audit Committee Chairman

> "As the role of audit committees has continued to evolve it has become increasingly important for the Committee to remain up to date and aware of changes in its responsibilities and to ensure best practice guidelines are implemented in line with regulatory requirements. This will be a key focus for the Committee in 2013."

Dear Shareholder,

I am pleased to present the Audit Committee report for 2012.

During the year, the Audit Committee continued to focus on the operating effectiveness of the Group's risk management and internal control systems, Group financial performance and reporting controls, the effectiveness of the internal and external audit processes and the Group's compliance with best practice governance requirements.

The Audit committee structures its work plan to ensure its key responsibilities and duties are fulfilled while allowing sufficient time to consider and address new or evolving risk or regulatory exposures.

As a committee, we are also keen to ensure Group senior management have considered fully the risks their business areas face, how these risks are being managed and that they do not exceed the Board's appetite or tolerance levels. During the year the Committee and Board received a number of presentations from business unit senior management and Group functional heads which helped facilitate real engagement between Committee members and management.

The Committee reviews and comments on both the financial and non-financial information contained in the Group's annual report. One purpose of this is to confirm that the annual report presents a fair, balanced and understandable assessment of the Group's position and prospects and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee is satisfied that the information provided is fair, balanced and understandable and continues to evolve in line with regulatory and best practice guidance.

The Committee is satisfied that the Board maintains sound risk management and internal controls.

Governance
The Committee consists of eight Non-Executive Directors of whom three members constitute a quorum and was in place throughout 2012. Each of the members of the Committee is considered by the Board to be independent in judgement and character. Membership of the Committee is reviewed annually by the Chairman of the Committee and the Group Chairman who recommend new appointments to the Nomination Committee for onward recommendation to the Board.

The Group Secretary acts as secretary to the Committee.

The members of the Audit Committee are outlined below:

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

For further details on the Directors go to pages 55 to 58.

Key roles & responsibilities

Financial reporting
- Review the draft financial statements prior to Board approval.
- Review the appropriateness of accounting policies and any significant financial reporting issues.

Whistleblowing and fraud
- Review the arrangements for employees to raise concerns, the procedures for fraud prevention and detection and ensure that they allow for investigation and appropriate follow up.

Internal controls and risk management system
- Review and evaluate the effectiveness of the key financial and non-financial internal controls and risk management systems.

Internal Audit
- Review the Internal Audit plan, the reports issued and the effectiveness of the Internal Audit function.

External audit
- Agree the approach, scope and terms of engagement of the external audit.
- Assess the effectiveness of the external audit.
- Review the Auditor's independence and the provision of non-audit services.

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.

Activities
The Audit Committee's role includes the oversight, monitoring and evaluation of the following key areas:

Financial reporting
The Committee reviewed and challenged (where appropriate):

- the half-yearly report, interim management statements, preliminary announcement of final results, this Annual Report and financial statements;
- the appropriateness of the Group's accounting policies;
- the significant financial reporting issues, estimates and judgements which included:
  - the accounting treatment of and disclosures related to the disposal of 60% of Glanbia Ingredients Ireland Limited to Glanbia Co-operative Society Limited (the 'Society'); and
  - the acquisition of Aseptic Solutions USA Ventures LLC, the US beverage and co-packer, on 26 July 2012. The Committee considered the accounting disclosures in relation to the acquisition described in note 36 Business Combinations and the Annual Report and deemed these disclosures to be appropriate.

For all financial reporting issues included within the assessment of going concern please see page 92.

Whistleblowing and fraud
The Committee reviewed:

- the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
- the Group's procedures for fraud prevention and detection to ensure that these arrangements allow for proportionate and independent investigation of such matters and appropriate follow-up action.

Internal controls and risk management system
The Committee reviewed and evaluated the effectiveness of the Group's key financial and non-financial internal controls and risk management systems through the receipt and review of the following:

- quarterly reports outlining the key financial, strategic, operational and regulatory risks faced by the Group and the effectiveness of mitigating controls in managing risk;
- a report from the following Group functional heads:
  - Food Safety and Quality, with regard to the Glanbia Quality System (GQS);
  - the Group Secretary with regard to the operational site risk reviews via the Glanbia Risk Management System (GRMS); and
  - the Group General Manager / Legal Affairs on key Group legal risks.
- bi-annual internal management representation letter process which is designed to assess the effectiveness of internal controls over financial reporting;
- bi-annual control self assessment process which is designed to assess internal control and fraud prevention procedures;
- reports from the Auditors and Group Internal Audit, 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; and
- assessment of the effectiveness of the Group's internal controls in accordance with the Turnbull and Financial Reporting Council (FRC) guidance and reviewed and approved the related disclosures in the Annual Report.

These reports not only allow the Committee to identify risks but allow for their assessment and the control of their financial impact through the design, operation and monitoring by management of appropriate internal control systems.

You can find out more about the Risk Management framework on page 42.

Internal Audit
The Committee:

- reviewed the effectiveness of the Group's Internal Audit function including its terms of reference, resources, experience and expertise;
- approved the Internal Audit plan for 2012 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;
- ensured that the Group Internal Auditor has direct access to the Group Chairman and to the Committee and is accountable to the Committee; and
- met with the Group Internal Auditor without management being present, to discuss the remit of Internal Audit and any issues arising therefrom.

External audit
The Committee agreed the approach and scope of the audit work to be undertaken by the Auditors, which included planned levels of materiality, key risks to the accounts, confirmation of the Auditors independence, the proposed audit fee, the Group's processes for disclosing information to the Auditors and approving the terms of engagement for the audit.

The Committee ensured that the Auditors had direct access to the Chairman of the Committee and the Group Chairman.

Key to the Committee's confidence in the Group's financial reporting processes and systems of internal control is the effectiveness of the Auditors.

The Committee reviewed the findings of the Auditors and assessed the effectiveness of the audit process and noted that:

- the Auditors met the agreed audit plan and addressed any issues/risks that arose during the audit;
- the Auditors were robust and perceptive in their handling of the key accounting and audit judgments identified, in responding to questions from the Committee and in their commentary where appropriate on the systems of internal control;
- positive feedback was received from Group senior management in relation to the conduct of the audit; and

- the content of the management letter indicated a good understanding of the Group's business.

Section 160(2) of the Companies Act, 1963 provides that the auditor of an Irish company shall be automatically re-appointed at a company's annual general meeting unless the auditor has given notice in writing of his unwillingness to be re-appointed or a resolution has been passed at that meeting appointing someone else or providing expressly that the incumbent auditor shall not be re-appointed. In this respect, Irish company law differs from the requirements that apply in other jurisdictions, for example in the UK, where auditors of a public company must be re-appointed annually by shareholders at the annual general meeting. The Auditors, PricewaterhouseCoopers, are willing to continue in office. Accordingly, the Directors have not proposed a resolution to re-appoint PricewaterhouseCoopers as such a resolution can have no effect.

Relationship with the Auditors
The Committee's policy is to manage its relationship with the Auditors to ensure that their independence is maintained. A formal Auditor Relationship and Independence Policy is in place with regard to the provision of non-audit services which recognises that certain work of a non-audit nature is best undertaken by the Auditors.

The aim of the policy, which is reviewed annually, is to support and safeguard the objectivity and independence of the Auditors. The policy does this by prohibiting 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. The Committee performs an annual review of the schedule of non-audit services authorised and the level of fees paid. Fees paid to the Auditors for statutory audit, other assurance services, tax advisory services and other 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, tax advice in relation to the dairy processing agreements with the Society and broader Group tax related 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.

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

Their independence is also displayed through their challenge to management.

Additionally, the Auditors rotate their lead audit engagement partner at minimum at least every five years as required by their own rules and by regulatory bodies. Rotation ensures a fresh review without sacrificing industry knowledge.

The Committee is satisfied the Auditors remain independent.

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 this is given on page 92.

Review of Committee performance
The Board and Committee assessed its performance, covering terms of reference, independence, interaction between the Committee and Internal Audit and Auditors and Group senior management, the clarity with which the role of the Committee is understood, the challenging by the Committee of critical accounting policies and judgements and the responsiveness of the Committee to issues raised by the Auditors. The composition of the Committee, the procedures and processes undertaken and the contribution of the Committee were also assessed. As a result of the assessment, the Committee is satisfied that it is functioning effectively and that it has met its terms of reference.

On behalf of the Audit Committee

John Callaghan
Audit Committee Chairman

2012 Committee meeting attendance
Attendance at scheduled Committee meetings during the year ended 29 December 2012

Member	Appointed	Number of full years on the Committee	2012 meeting attendance
J Callaghan	13 Jan 1998	15	4/4
L Herlihy	8 June 2001	11	4/4
Mn Keane	29 June 2010	2	4/4
H Corbally	7 July 2005	7	4/4
P Gleeson	26 July 2011	1	4/4
P Haran	9 June 2005	7	4/4
J Liston	10 June 2002	10	4/4
M Merrick	26 July 2011	1	4/4

Liam Herlihy
Nomination Committee Chairman

> "The Committee focused on Board composition and refreshment during 2012 with the appointment of a new Executive Director and non-Executive Director. This theme will continue into 2013."

Dear Shareholder,

The current composition and size of the Board reflects the historical shareholding and relationship of the Company with Glanbia Co-operative Society Limited (the "Society"). During 2012, the Society gained approval from its members to reduce its majority shareholding as part of a series of transactions related to the disposal of 60% of Glanbia Ingredients Ireland Limited to the Society.

The Society currently owns 48.3% of the issued share capital of the Company and this will reduce to 41.3% upon finalisation of a share spin-out to its members, which is expected to be completed in March 2013. As a consequence of the change in Society ownership of the Company, the Society and the Board have agreed the following changes, which will impact the composition and size of the Board in the coming years:

- for the years 2013 to 2015 (inclusive) the number of Society Nominee Directors on the Board will continue to be 14 members;
- for 2016 and 2017, the number of Society Nominee Directors on the Board will reduce to 10 members;
- for 2018 and subsequent years the number of Society Nominee Directors on the Board will reduce to eight members;
- the Group Chairman of the Company will be a Society Nominee until 2020; and
- up to eight of the Directors on the Board will be composed of Executive Directors and Non-Executive Directors who are independent of the Society.

In addition, if the number of non-Society Nominees on the Board changes, the number of Society Nominees on the Board set out above will change on a pro rata basis. Further if the Society's shareholding in the Company falls below 40% of the issued share capital, discussions will take place regarding a further reduction in the size of the Society's representation on the Board.

These changes in Board composition open up the opportunity to progress initiatives such as addressing diversity on the Board, including the formulation of a policy on Board refreshment and renewal, and creating robust succession plans to safeguard the Group's future performance. The Nomination Committee will play a key role in these activities.

Governance

The Committee was in place throughout 2012. Liam Herlihy, the Group Chairman, has been Chairman of the Committee since 2008.

The Committee comprises four Non-Executive Directors, of whom 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.

Members

Liam Herlihy (Committee Chairman)

John Callaghan (FCA, FIB)

Paul Haran (B.Sc., M.Sc.)

Jerry Liston (B.A., MBA)

For further details of the Directors go to pages 55 to 58.

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 respectively.
- 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.

Activities

The principal activities undertaken by the Committee in 2012 are set out below.

Appointment of Non-Executive Director of the Company

During 2012, the Committee recommended the appointment of a new Non-Executive Director, Jer Doheny to the Board. The Committee noted his nomination by the Society, the experience and suitability of Mr. Doheny and recommended his appointment to the Board of the Company which was subsequently approved by the Board.

The committee did not use an external search consultancy or open advertising for the appointment of the new Non-Executive Director as he was nominated by the board of the Society for appointment to the Board

Appointment of Executive Director of the Company

During 2012, the Committee recommended, following the notice of the departure of Kevin Toland, the appointment of Brian Phelan as an Executive Director. Strong succession planning within the Group had identified Brian Phelan's suitability for appointment as an Executive Director at the appropriate time. Accordingly, Brian Phelan was appointed as an Executive Director, with responsibility for strategy, development and Global Cheese effective from 1 January 2013. He will retire and offer himself for election by shareholders at the Annual General Meeting to be held on 21 May 2013. Brian has worked with the Group in a variety of senior roles over the last 20 years, most recently as Group HR / Operations Development Director and in this role he has led significant change and development initiatives across the Group in HR, Group Business Services as well as within the Glanbia Cheese and Nutricima joint ventures. He was previously Chief Financial Officer of the Consumer Foods Division, Financial Controller of Dairy Ingredients Ireland and worked in various Glanbia US operations.

Composition of the Board of Directors

During the course of the year, the Committee considered the composition of the Board and concluded that it was an appropriate time to appoint a Non-Executive Director with international experience and steps were initiated in a search for an appropriate candidate. This involved the preparation of a short list of candidates, interviews/meetings with members of the Committee and a comprehensive due diligence exercise including satisfying itself to the candidate's independence. A recommendation was made to the Board of Directors on 12 March 2013 and the Board approved the appointment of Donard Gaynor as a Non-Executive Director effective 12 March 2013.

The Committee did not use an external search consultancy or open advertising for the appointment of Donard as it was not deemed necessary.

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.

The Committee acknowledged that:

- John Callaghan had served on the Board for 15 full years;
- Jerry Liston had served on the Board for 10 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 whom Liam Herlihy, Henry Corbally and Eamon Power had each served as a Director for nine years or more.

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 is a director of The Irish Dairy Board Co-operative Society Limited 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 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 has met its terms of reference.

On behalf of the Nomination Committee
Liam Herlihy
Group Chairman

2012 Committee meeting attendance
Attendance at scheduled Committee meetings during the year ended 29 December 2012

Member	Appointed	Number of full years on the Committee	2012 meeting attendance
L Herlihy	5 June 2008	4	3/3
J Callaghan	8 June 2001	11	3/3
P Haran	9 June 2005	7	3/3
J Liston	10 June 2002	10	3/3

Jerry Liston
Remuneration Committee Chairman

"The role of the Remuneration Committee is to ensure that management are competively rewarded for the generation of shareholder value consistently."

Dear Shareholder,

I am pleased to present our report on remuneration for the year ended 29 December 2012, for which we will seek your support (by an advisory non-binding resolution) at our Annual General Meeting on 21 May 2013.

The report is designed to provide you with details of our remuneration principles, policy and actual remuneration of the Group's Executive Directors and to demonstrate the association between the Group's strategy, performance, risk management policy and the remuneration of our Executive Directors. We have continued to enhance our disclosures to reflect evolving investor and other stakeholder expectations and in line with best regulatory practice.

We delivered another record year of underlying earnings growth, building on the excellent performance of Glanbia in the last two years, delivering 14.2% growth in adjusted earnings per share on a constant currency basis. This reflects both our successful international growth strategy and strong operational execution across the Group.

The Group's key performance indicators (KPI) are outlined in the Group Finance Director's review on pages 34 to 37 and evidence these strong results as do the total shareholder return and adjusted earnings per share tables on page 71.

Our variable pay programs reflect this performance as follows:

- the Annual Incentive payable to Executive Directors for 2012 will be 150% of Base Salary, half of which, once the appropriate taxation and social security deductions have been made, will be converted into shares in the Company and delivered to the Executive Directors two years following investment as set out on page 66;
- the Annual Incentive is based on a combination of year on year growth in annual adjusted Earnings per Share ("EPS") and a required 2012 Closing Debt/Adjusted EBITDA ratio in conjunction with the achievement of personal and strategic objectives;
- share awards under the Company's 2008 Long Term Incentive Plan ("2008 LTIP") were granted to each Executive Director and certain senior employees in June 2009 of which 96.9% of these shares vested in August 2012; and
- it is expected that when the 2010 share awards vest (which will be based on the three year performance period to 29 December 2012) they will vest in their entirety as the performance conditions have been met in full.

Last year we made some changes to our remuneration policy and structure, including the 2008 LTIP. The 2008 LTIP was amended on 9 May 2012 following the approval of 99.07% of the shareholders at the Annual General Meeting held on the same date.

The remuneration policy for 2013 remains unchanged from 2012 other than a 1.5% increase in Base Salary for Executive Directors.

We believe that our remuneration structure is transparent and this report is designed to be clear and concise, to meet regulatory requirements and, above all, provide you with information to demonstrate the alignment of remuneration with the Group's performance.

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 of the Committee

- 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 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.

Key activities of the Remuneration Committee during 2012

In 2012, the Committee met three times and considered a number of key issues. In particular it reviewed:

- Amendments to the 2008 LTIP arising from the Remuneration policy and design review 2012 -2014 conducted in 2011;
- 2011 Annual Incentive payments;
- Executive Directors Annual Incentive objectives for 2012;
- 2011 Remuneration Report;

- Vesting of share awards granted in 2009 under the 2008 LTIP;
- Grant of share awards under the 2008 LTIP; and
- Group Investment Measure (GIM) for share awards granted in 2012 under the 2008 LTIP.

Composition of the Remuneration Committee
The Remuneration Committee comprises six Non-Executive Directors, of whom three members constitute a quorum. 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 his/her 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 in respect of the total remuneration policy and structure and the amendment of the 2008 LTIP. Towers Watson is a member of the Remuneration Consultants Group (RCG) and adheres to the RCG Voluntary Code of Conduct in relation to executive remuneration consulting (which was originally published in 2009 and is reviewed biennially).

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.

Remuneration policy
Our remuneration strategy and policies focus on using remuneration to facilitate the implementation of a successful corporate strategy that delivers superior earnings growth and total shareholder returns for our shareholders over the long term by attracting, retaining and motivating high quality and committed people who are critical to sustain the future development of the Group.

We seek to:-

- create a consistent global approach to remuneration by applying our strategy and policy, as far as possible, to all senior executives;
- provide a competitive benefits package; and
- provide an appropriate balance between fixed and variable remuneration, the payment of which is linked to the achievement of demanding Group and individual performance measures.

The Group KPIs, which are contained in the Group Finance Director's review on pages 34 to 37 underpin the selection of performance criteria used within the incentive arrangements.

Further details of the performance measures for our incentive arrangements are set out on page 67.

Total remuneration for 2012

Base Salary	Other Benefits	Annual Incentive	Long Term Incentive Plan	Total Remuneration

Fixed Variable Total

The total remuneration for each of the Executive Directors is set out in the table below

Executive Directors	Base Salary	Payment in lieu of Pension	Other Benefits	Annual Incentive (paid through salary)[1]	Annual Incentive (deferred into shares)[2]	2012 Total	2011 Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
John Moloney	581	145	35	436	436	**1,633**	1,194
Kevin Toland	467	104	8	310	310	**1,199**	925
Siobhán Talbot	372	93	20	279	279	**1,043**	757

Long Term Incentive
During the year, the Executive Directors also received shares under the 2008 LTIP when share awards which were granted in June 2009 (based on performance to 31 December 2011) vested, **details of which are not included in the above table but are set out on pages 72 and 77 to 79.**

1 This reflects the proportion of the Annual Incentive payable to Executive Directors in respect of performance for the year 2012 (which amounts to 75% of Base Salary), which will be paid through salary in March 2013.
2 This reflects the proportion of the Annual Incentive payable to Executive Directors (which amounts to 75% of Base Salary) which, once the appropriate taxation and social security deductions have been made, will be invested in shares in the Company and delivered to the Executive Directors two years following this investment (March 2015).

Full descriptions of each of the elements of total remuneration are given on the following pages of this report.

Key elements of remuneration for Executive Directors

The key elements of the Executive Directors remuneration for the year ending 29 December 2012 and our forward looking policy for the year to December 2013 are summarised below:

Element	Description	Objective	Details
Base Salary	Annual fixed pay.	Recognise market value of role, job size, responsibility and reflect individual skills and experience.	Set by reference to the relevant market median based on an external independent evaluation of the role against appropriate peer companies. Reviewed annually by the Remuneration Committee. Any reviews, unless reflecting a change in role, usually take effect from 1st January in the relevant year.
Pension Benefit	Retirement benefits.	Provide competitive, affordable and sustainable retirement benefits.	
Other Benefits	Car benefit or equivalent and suitable medical insurance.	Recognise market value of role, job size and responsibility.	
Annual Incentive	Annual payment only earned if agreed target performance is achieved.	Incentivise Executive Directors to achieve specific performance goals which are linked to the Group's business plans and personal performance objectives during a one year period. Ensure greater linkage of remuneration to performance. Ensure greater linkage to long term sustainability and alignment to Group risk management policy. Alignment with shareholders/share value growth. Targets are set by the Remuneration Committee each year.	Range of Annual Incentive potential of 0% to 150% of Base Salary based on growth in annual adjusted EPS (120%) and an appropriate cash management measure, for 2012 Closing Debt/Adjusted EBITDA (30% provided a minimum adjusted EPS threshold is received), as determined by the Remuneration Committee annually. The performance criteria also provide that should Closing Debt/Adjusted EBITDA disimprove the Annual Incentive amount earned for growth in adjusted EPS would reduce. 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. Deferral of the proportion of the Annual Incentive earned in excess of 75% of Base Salary which, once the appropriate taxation and social security deductions have been made, will be invested in shares in the Company and delivered to the Executive Directors two years following this investment. 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 results which requires them to be restated.
Long Term Incentive	Long Term Incentive Plan under which shares are granted in the form of a provisional allocation of shares for which no exercise price is payable.	The 2008 LTIP aligns the interests of Executive Directors and shareholders through a long term share based incentive linked to share ownership and holding requirements. In addition, as part of the overall total direct compensation package it ensures a greater proportion is based on long term sustainable results and linkage to key long term performance indicators.	Long Term Incentive individual annual award level of a maximum of 150% of Base Salary determined by reference to three performance metrics: ■ relative Total Shareholder Return ("TSR") against a peer group of companies, ■ adjusted EPS growth; and ■ an appropriate GIM. The appropriate GIM for 2013 is Return on Capital Employed ("ROCE") as set out on page 72. Each of these performance conditions represents one-third of the maximum vesting level, unless otherwise determined by the Remuneration Committee. Vesting of share awards is dependent on the achievement of the TSR, EPS and GIM performance conditions measured over a three-year period. Share awards are subject to a further one-year holding period. Participants are required to hold shares received pursuant to the vesting of 2008 LTIP share awards for a minimum period of one year post-vesting. Participants are permitted to sell a sufficient number of shares to fund the payment of any taxation or social security charges arising on the vesting of such share awards.

Key elements of remuneration for Executive Directors Continued

Element	Description	Objective	Details
Minimum share ownership requirements	Minimum share ownership requirements to be built up over a five year period.	Ensure a greater alignment with shareholders' interests through own shareholding.	The Group Managing Director is required to build and maintain a shareholding of 200% of Base Salary and, for other Executive Directors, 100% of Base Salary. Executives are expected to build a shareholding through the vesting of shares under the Group's 2008 LTIP. Existing shareholdings and shares acquired in the market are also taken into account. Although share ownership guidelines are not contractually binding, the Remuneration Committee retains the discretion to withhold future grants under the 2008 LTIP if executives do not comply with the guidelines.

Key elements of remuneration for other senior executives

The above framework is used for all senior executives in addition to the Executive Directors. This creates a consistent global approach to reward and provides a competitive total remuneration package. There are a few exceptions in the detail of how this framework is applied.

Element	Objective	Details
Annual Incentive	Focus on business line of sight for individuals and ensure an appropriate deferral percentage based on position and role.	**Annual Incentive** For business unit Chief Executive Officers ("CEOs"), the Annual Incentive potential will also be based on appropriate and specific business unit measures, as determined by the Remuneration Committee. Deferral of the proportion of the Annual Incentive earned in excess of 50% of Base Salary which, once the appropriate taxation and social security deductions have been made, will be invested in shares in the Company and delivered to the business unit CEOs two years following this investment.
Long Term Incentive	Ability to offer increased level of share awards in the US market where there are high levels of long term incentives. Ensure line of sight to business unit metrics.	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, adjusted EPS and instead of ROCE an appropriate business unit measure. Again each measure is weighted one third of the total maximum.
Shareholding Guidelines	Ensure a greater alignment with shareholders' interests through own shareholding.	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.

Key elements of remuneration for Non-Executive Directors

The key elements of the Non-Executive Directors remuneration for the year ending 29 December 2012 and our forward looking policy for the year to December 2013 are summarised below:

Element	Description	Objective	Details
Fees	Annual fixed pay.	Recognise market value of role, job size, responsibility and reflect individual skills and experience.	Set by reference to the relevant market median based on an external independent evaluation conducted by Towers Watson Remuneration Consultants. Reviewed from time to time by the Remuneration Committee and the Board. Any reviews unless reflecting a change in role usually take effect from 1st January in the relevant year.

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.

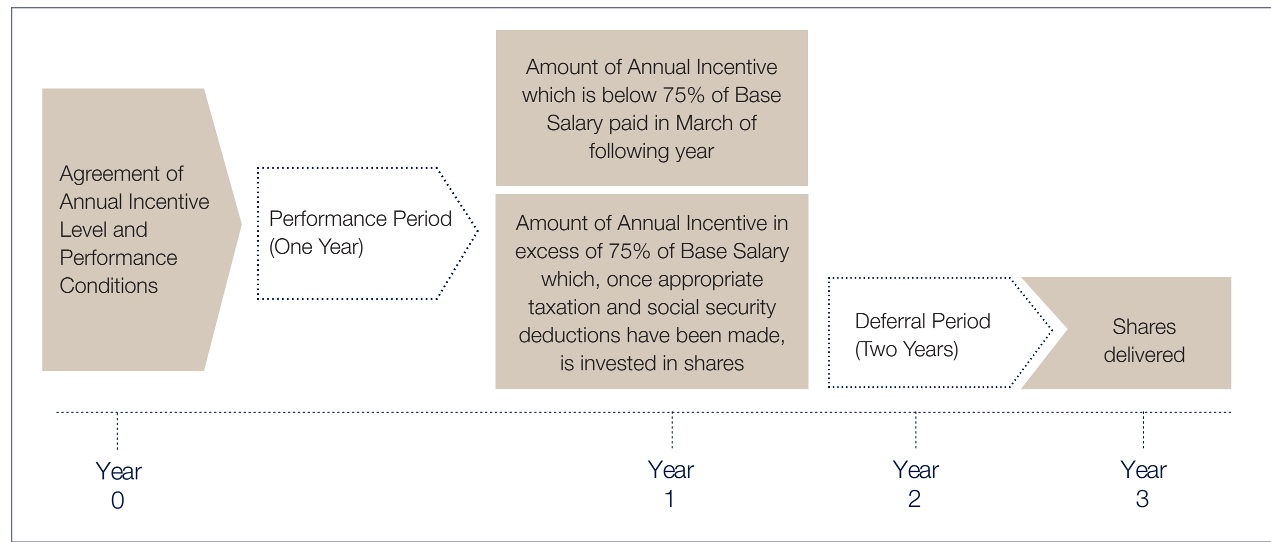
The principles and policy are also applied, as far as possible, across the Group below senior executive level, taking account of seniority and local market practice. It is our aim to ensure that our remuneration arrangements are fully aligned with our approach to risk management.

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, and implemented with effect from 1 January 2012. The Remuneration Committee continues to consider changes in regulation and market best practice as required.

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—Executive Directors



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 60% - 75% of Base Salary. The maximum Annual Incentive payable to Executive Directors for achieving outperformance is 150% of Base Salary.

Performance targets

The Group's financial targets element of each Executive Director's Annual Incentive scheme are derived from the approved annual business plan and are based on year on year growth in adjusted EPS and an appropriate cash management measure. For 2012 each Executive Director could earn up to 150% of Base Salary for maximum performance measured against growth in adjusted EPS (120%) and delivery of targeted Closing Debt/Adjusted EBITDA ratios (30% provided a minimum adjusted EPS threshold is reached). The performance criteria also provided that should the Closing Debt/Adjusted EBITDA ratio disimprove the annual incentive amount earned for growth in adjusted EPS would reduce.

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 payable for 2012

Executive Director	Annual Incentive	% of Base Salary
J Moloney	€872,100	150%
K Toland	$795,685	150%
S Talbot	€558,465	150%

These incentives will be made as follows: half will be paid through salary (which represents 75% of Base Salary) and the balance of the Annual Incentive for 2012 payable (which also represents 75% of Base Salary), once the appropriate taxation and social security deductions have been made, will be invested in shares in the Company and delivered to the Executive Directors two years following this investment (March 2015). The deferral of any incentive earned in excess of 75% of Base Salary by Executive Directors, into shares to be delivered after 2 years, was introduced in 2012. 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.

The Executive Directors achieved full bonus potential in 2010 and 2011.

Long Term Incentive Plans (LTIPs)

Summary

The principal long term incentive plan for Executive Directors is the 2008 LTIP, which has received shareholder approval. This LTIP was amended in 2012 again with shareholder approval.

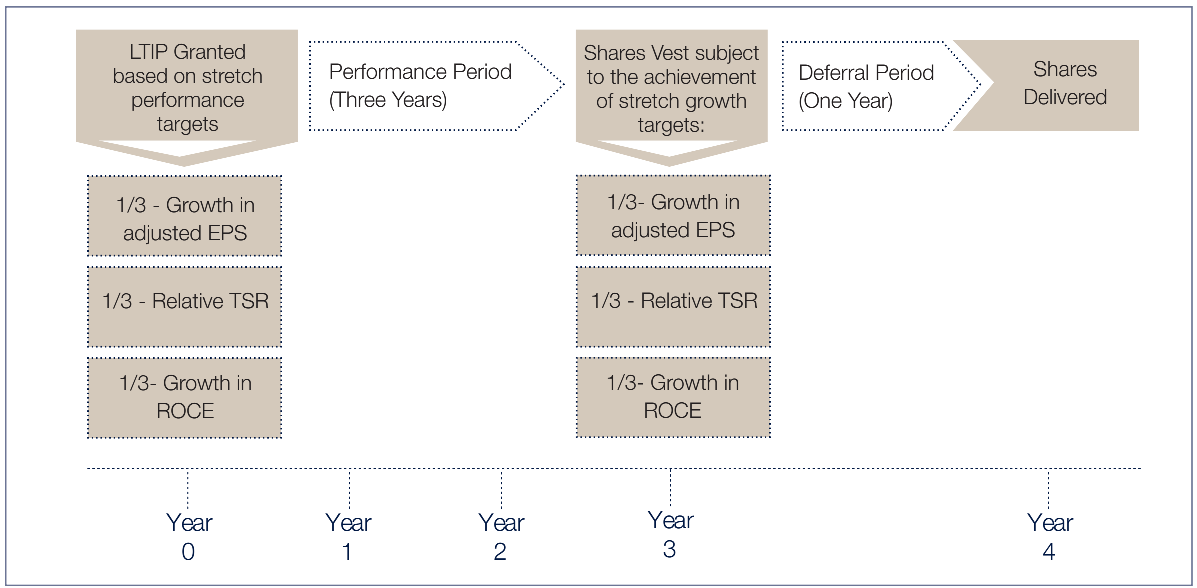
The combination of the Annual Incentive Plan and the 2008 LTIP provide an appropriate balance between short-term reward and long-term share-based reward in accordance with recommended best practice.

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

Key features of 2008 LTIP:

- the vesting of share awards is subject to the satisfaction of three-year performance conditions;
- shares awards may not vest for at least three years after the grant of the award;
- the maximum annual award will be 150% of Base Salary, in exceptional cases and in relation to specific local needs (USA) this maximum may be up to 200% of Base Salary;

2008 LTIP



- share awards will vest by reference to relative TSR, adjusted EPS plus an appropriate GIM for Executive Directors. For business unit CEOs the GIM will be replaced by an appropriate business unit measure as determined by the Remuneration Committee. Each performance condition will represent one third of maximum vesting level.

  The GIM Performance Condition for share awards granted in 2012 and 2013 for Executive Directors is ROCE;
- requirement for Executive Directors to hold shares received pursuant to the vesting of 2008 LTIP share awards for a minimum period of one year following vesting;
- shares under award do not attract dividends prior to vesting; and
- share 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 share 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.

A share 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, EPS and GIM performance conditions as appropriate. The Remuneration Committee has 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.

The TSR, EPS and GIM 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 adjusted EPS to be a key indicator of long-term financial performance and value creation of a public limited company. In the year ended 29 December 2012, the Company delivered growth in adjusted EPS of 22.1%.

The below table shows the Company's adjusted EPS over the last two years:-

2011	46.32c
2012	56.56c

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

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%

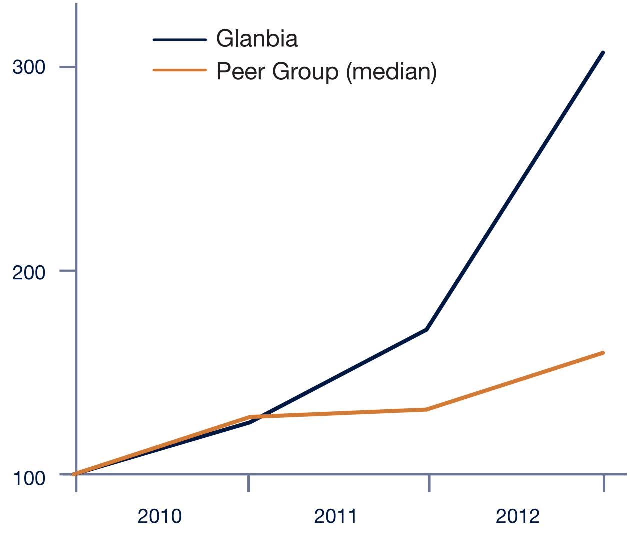
Adjusted EPS is calculated as the profit for the year attributable to the equity holders of the Parent before exceptional items and amortisation of intangible assets, net of related tax.

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 share awards only vest if there has been a clear improvement in the Group's relative performance over the relevant period.

The below graphs show that, under the terms of the LTIP, at 29 December 2012, a hypothetical €100 invested in Glanbia plc on 1 January 2010 would have generated a total return (inclusive of original investment) of €307 compared with a total return of €162 if invested in the peer group Index.

100% of the TSR condition is capable of vesting as determined by the Group's TSR ranking relative to an agreed comparator group of 14 other international food and nutritional companies.

LTIP TSR



The TSR element of the share 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.

GIM performance condition for 2012
The rationale for using ROCE as the GIM performance condition is that it highlights the returns generated from capital invested in the business and will show how the Group adds to shareholder value over the long-term.

100% of the GIM condition (where applicable) is capable of vesting as determined by the rate of growth in ROCE as set on this page.

The 2012 GIM element of the share awards vest on the following basis:

2012

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%

The 2013 GIM element of share awards vest on the following basis:

Investment measure - Return on Capital Employed ('ROCE')	Vesting level
Less than 13.5%	Nil
Between 13.5% and 14.5%	Pro rata vesting on a straight line basis between 0% and 100%
Greater than or equal to 14.5%	100%

Return on capital employed is calculated as Group Earnings before interest and amortisation after tax plus the Group's share of results of Joint Ventures and Associates after interest and tax over capital employed. Capital employed is calculated as the Group's non-current assets plus working capital.

Share awards vested in 2012

Executive Director	Market Value at date of grant	Market value at date of vesting
J Moloney	€374,267	€861,363
K Toland	$325,188	$748,411
S Talbot	€147,598	€339,693

Vesting was dependent on growth in adjusted EPS and relative TSR. 100% of the TSR element and 93.8% of the EPS element vested.

2002 Long Term Incentive Plan (the '2002 LTIP")
The 2002 LTIP expired in 2012. The Committee did not issue any share options under this scheme during 2012 (2011: 270,000). No share options under this scheme have been granted to Executive Directors since the adoption of the 2008 LTIP.

Exercisability of options under the 2002 LTIP
In relation to the 2009 and 2010 grant which was based on EPS performance in the three year periods 2009-2011 and 2010-2012 respectively, the Remuneration Committee will assess the performance criteria of the 2002 LTIP during 2013.

Pension
Executive Directors as at 29 December 2012 are deferred members of a Glanbia defined benefit pension scheme.

In light of the new cap on pension benefits introduced in the Finance Act 2006, and subsequently amended in December 2010, the Remuneration Committee reviewed the pension arrangements for Executive Directors and agreed to offer the option to receive a taxable payment of 25% of salary in lieu of future service pension benefit, with effect from 1 January 2012.

Summary of pay mix
A significant proportion of the Executive Directors' total remuneration package is variable. The variable element of Executive Director pay 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 chart below show the current mix between fixed and variable pay for Executive Directors (and the Committee has not recommended any changes for 2013):

Current	
Fixed Pay	39%
Variable Pay	61%

Share usage for LTIPs and dilution
The 2008 LTIP was amended following the reduction of Glanbia Co-operative Society Limited's shareholding in the Company by reducing the 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 38% 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 29 December 2012, 1,141,334 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 LTIP. The table below sets out the dilutive effect on the share capital if all outstanding options granted under the 2002 LTIP as at 29 December 2012 capable of being exercised were exercised:

Total issued share capital:	294,955,684
Outstanding share options under 2002 LTIP capable of being exercised	860,000
Enlarged issued share capital	295,815,684

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.

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 and accordingly there are no service contracts which are required to be made available for inspection.

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. 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 2012 were as follows: John Moloney: The Irish Dairy Board Co-operative Limited: €17,500 and DCC plc: €68,000. John Moloney resigned as a Director of The Irish Dairy Board Co-operative Limited on 31 December 2012. John Moloney was appointed as a non executive director of Greencore Group plc, the leading international convenience food business, with the approval of the Remuneration Committee, on 15 February 2013.

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 Group Chairman's fee is set by the Remuneration Committee and is €100,000 per annum. This fee reflects the level of commitment and responsibility of the role and is set by reference to the relevant market median based on an external independent evaluation conducted by Towers Watson Remuneration Consultants.

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 by reference to the relevant market median based on an external independent evaluation conducted by Towers Watson Remuneration Consultants. The details are outlined on pages 69 and 81.

➔ Details of the dates of appointment of each Non-Executive Director who served during the year are provided on page 74.

As at 29 December 2012, the Executive Directors' share ownership against the guidelines was as follows:

Executive Directors	Shares held as at 29 December 2012	% of Base Salary based on market value as at 29 December 2012	Compliance with Shareholding Guidance
John Moloney	202,459	287%	✔
Siobhan Talbot	65,062	144%	✔

Details of Kevin Toland's share ownership against the guidelines are not shown as he resigned as a director on 5 January 2013.

Review of Committee performance
The Board and Committee assessed its performance, covering its 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 page 96. The Tables give details of the Directors' remuneration and interests in shares in Glanbia plc and Glanbia Co-operative Society Limited held by Directors and Group Secretary and their connected persons as at 29 December 2012. There have been no changes in the interests listed in Tables A and B between 30 December 2012 and 12 March 2013 save those set out opposite. The market price of the ordinary shares as at 29 December 2012 was €8.24 and the range during the year was €4.68 to €8.24. The average price for the year was €6.23.

Changes in the interests of the Directors and Secretary and their connected persons between 30 December 2012 and 12 March 2013
On 8 January, 2013, John Moloney sold 150,000 shares following the exercise of 150,000 options under the 2002 LTIP (which resulted in the lapse of the related 6.6% award). On the same day, Siobhán Talbot sold 68,000 shares following the exercise of 75,000 options under the 2002 LTIP (which resulted in the lapse of the related 10% award connected to the 68,000 shares). She retained 7,000 of the shares allotted to her on the exercise of the option.

The interests of Brian Phelan in shares of Glanbia plc and Glanbia Co-operative Society Limited have not been disclosed in this report as he was appointed as a director after the end of the financial year. Additionally, any movements in the interests of Kevin Toland following his resignation on 5 January 2013 have not been disclosed.

On behalf of the
Remuneration Committee

Jerry Liston
Remuneration Committee Chairman

2012 Committee meeting attendance
Attendance at scheduled Committee meetings during the year ended 29 December 2012

Member	Appointed	Number of full years on the Committee	2012 meeting attendance
J Liston	10 June 2002	10	3/3
L Herlihy	8 June 2001	11	3/3
Mn Keane	29 June 2010	2	2/3
H Corbally	26 July 2011	1	3/3
J Callaghan	13 Jan 1998	15	3/3
P Haran	9 June 2005	7	3/3

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

		As at 29 December 2012				As at 1 January 2012*			
		Ordinary shares	2008 LTIP Share awards	2002 LTIP Options	2002 LTIP Share awards	Ordinary shares	2008 LTIP Share awards	2002 LTIP Options	2002 LTIP Share awards
Directors									
L Herlihy		91,804	-	-	-	91,804	-	-	-
H Corbally		9,995	-	-	-	9,995	-	-	-
Mn Keane		20,000	-	-	-	20,000	-	-	-
J Moloney	1	202,459	491,000	220,000	9,900	137,460	492,000	220,000	9,900
J Callaghan		65,000	-	-	-	65,000	-	-	-
W Carroll		-	-	-	-	-	-	-	-
J Doheny	2	11,596	-	-	-	11,596	-	-	-
D Farrell		500	-	-	-	-	-	-	-
P Gleeson		24,923	-	-	-	24,923	-	-	-
P Haran		7,462	-	-	-	7,462	-	-	-
B Hayes		20,502	-	-	-	28,420	-	-	-
Ml Keane		26,489	-	-	-	22,104	-	-	-
J Liston		25,000	-	-	-	25,000	-	-	-
M Merrick		3,600	-	-	-	3,600	-	-	-
J Murphy		4,000	-	-	-	4,000	-	-	-
P Murphy		21,692	-	-	-	21,692	-	-	-
W Murphy		230,827	-	-	-	230,827	-	-	-
E Power		37,550	-	-	-	37,550	-	-	-
R Prendergast		4,007	-	-	-	4,007	-	-	-
S Talbot	1	65,062	307,000	75,000	7,500	39,029	272,500	75,000	7,900
K Toland	3	-	387,500	-	-	53,914	381,000	148,000	-
Secretary									
M Horan		26,138	158,500	-	-	15,153	136,000	-	-

1 Executive Director
2 Appointed 29 May 2012
* Or at date of appointment if later
3 Resigned 5 January 2013

Table A1: Directors and Secretary's interests in Glanbia Co-operative Society Limited

		As at 29 December 2012		As at 1 January 2012*	
		"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	30,964,543	91,425	39,750,658
H Corbally		5,912	770,641	5,912	1,107,616
Mn Keane		6,626	3,118,390	6,626	3,118,390
J Moloney	1	-	3,485,000	-	4,985,000
W Carroll		19,621	-	19,621	-
J Doheny	2	7,304	692,403	7,304	1,050,213
D Farrell		5,646	462,000	5,646	662,000
B Hayes		12,996	2,500,000	12,996	2,900,000
Ml Keane		24,232	3,000,000	20,157	3,300,000
M Merrick		6,309	-	6,309	187,464
J Murphy		16,334	-	16,334	-
P Murphy		13,698	12,143,890	13,698	12,143,890
W Murphy		-	1,371,320	-	1,942,703
E Power		27,320	35,500,443	27,320	40,357,336
R Prendergast		6,683	-	6,683	-
S Talbot	1	-	7,742,766	-	11,192,766
Secretary					
M Horan		-	574,000	-	574,000

1 Executive Director
2 Appointed 29 May 2012
* Or at date of appointment if later

Table B: Share Options and LTIP Share awards - John Moloney

2002 LTIP Options	01-Jan-12	Granted during the year	Exercised during the year	Lapsed during the year	29-Dec-12	Exercise price €	Date of grant	Date of exercise or lapse	Market price on exercise €	Earliest date exercisable from	Expiry date	Note
2002EPS	150,000	-	-	-	150,000	2.725	9-Dec-04	-	-	10-Dec-07	8-Dec-14	1, 2
2002EPS	70,000	-	-	-	70,000	4.03	30-Aug-07	-	-	31-Aug-10	29-Aug-17	1
	220,000	**-**	**-**	**-**	**220,000**							

2008 LTIP Share awards	01-Jan-12	Granted during the year	Vested during the year	Lapsed during the year	29-Dec-12	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
2008TSR	71,000	-	71,000	-	-	2.72	9-Jun-09	30-Aug-12	6.26	9-Jun-12	30-Aug-12	2009-2011	3
2008EPS	71,000	-	66,598	4,402	-	2.72	9-Jun-09	30-Aug-12	6.26	9-Jun-12	30-Aug-12	2009-2011	4
2008TSR	100,000	-	-	-	100,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	5
2008EPS	100,000	-	-	-	100,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	5
2008TSR	75,000	-	-	-	75,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	5
2008EPS	75,000	-	-	-	75,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	5
2008TSR	-	47,000	-	-	47,000	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	5
2008EPS	-	47,000	-	-	47,000	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	5
2008ROCE	-	47,000	-	-	47,000	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	5
	492,000	**141,000**	**137,598**	**4,402**	**491,000**								

Note: Status of 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 6.6% of the ordinary shares he continues to hold following the second anniversary of the exercise of the option.
3 Subject to a performance condition that has been met.
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(1) : Share Options and LTIP Awards - Siobhán Talbot

2002 LTIP Options	01-Jan-12	Granted during the year	Exercised during the year	Lapsed during the year	29-Dec-12	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 Share awards	01-Jan-12	Granted during the year	Vested during the year	Lapsed during the year	29-Dec-12	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}	28,000	-	28,000	-	-	2.72	9-Jun-09	30-Aug-12	6.26	9-Jun-12	30-Aug-12	2009-2011	3
2008^{EPS}	28,000	-	26,264	1,736	-	2.72	9-Jun-09	30-Aug-12	6.26	9-Jun-12	30-Aug-12	2009-2011	4
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
2008^{TSR}	-	30,167	-	-	30,167	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	5
2008^{EPS}	-	30,167	-	-	30,167	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	5
2008^{ROCE}	-	30,166	-	-	30,166	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	5
	272,500	**90,500**	**54,264**	**1,736**	**307,000**								

Note: Status of performance conditions for the options and share 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% of the ordinary shares she continues to hold following the second anniversary of the exercise of the option.
3 Subject to a performance condition that has been met.
4 Subject to a performance condition that has been met in part.
5 Subject to a performance condition that is yet to be tested.

S Talbot was eligible for a share award of 10% of the 4,000 shares (400) allotted to her on 28 August 2008 as she had retained these shares for more than two years. 400 shares were allotted to her on 30 August 2012 in satisfaction of this award.

Table B(2) : Share Options and LTIP Share awards - Kevin Toland

2002 LTIP Options	01-Jan-12	Granted during the year	Exercised during the year	Lapsed during the year	29-Dec-12	Exercise price €	Date of grant	Date of exercise or lapse	Market price on exercise €	Earliest date exercisable from	Expiry date	Note
2002[EPS]	100,000	-	100,000	-	-	2.725	9-Dec-04	17-Dec-12	7.68	10-Dec-07	17-Dec-12	1
2002[EPS]	48,000	-	48,000	-	-	4.03	30-Aug-07	17-Dec-12	7.68	31-Aug-10	17-Dec-12	1
Total:	**148,000**	**-**	**148,000**	**-**	**-**							

2008 LTIP Share awards	01-Jan-12	Granted during the year	Vested during the year	Lapsed during the year	29-Dec-12	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	-	-	2.72	9-Jun-09	30-Aug-12	6.26	9-Jun-12	30-Aug-12	2009-2011	2
2008[EPS]	48,000	-	45,024	2,976	-	2.72	9-Jun-09	30-Aug-12	6.26	9-Jun-12	30-Aug-12	2009-2011	3
2008[TSR]	72,500	-	-	-	72,500	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	4
2008[EPS]	72,500	-	-	-	72,500	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	4
2008[TSR]	70,000		-	-	70,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	4
2008[EPS]	70,000		-	-	70,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	4
2008[TSR]	-	34,167	-	-	34,167	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	4
2008[EPS]	-	34,167	-	-	34,167	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	4
2008[ROCE]	-	34,166	-	-	34,166	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	4
	381,000	**102,500**	**93,024**	**2,976**	**387,500**								

Note: Status of performance conditions for the options and awards set out above are detailed below.

1 Subject to a performance condition that has been met.
2 Subject to a performance condition that has been met.
3 Subject to a performance condition that has been met in part.
4 Subject to a performance condition that is yet to be tested.

Note. Resigned 5 January 2013

Table B(3): Share Options and LTIP Share awards - Michael Horan

2008 LTIP Share awards	01-Jan-12	Granted during the year	Vested during the year	Lapsed during the year	29-Dec-12	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
2008TSR	12,000	-	12,000	-	-	2.72	9-Jun-09	30-Aug-12	6.26	9-Jun-12	30-Aug-12	2009-2011	1
2008EPS	12,000	-	11,256	744	-	2.72	9-Jun-09	30-Aug-12	6.26	9-Jun-12	30-Aug-12	2009-2011	2
2008TSR	31,000	-	-	-	31,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	3
2008EPS	31,000	-	-	-	31,000	2.82	25-May-10	-	-	25-May-13	25-May-14	2010-2012	3
2008TSR	25,000	-	-	-	25,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	3
2008EPS	25,000	-	-	-	25,000	4.35	28-Mar-11	-	-	28-Mar-14	28-Mar-15	2011-2013	3
2008TSR	-	15,500	-	-	15,500	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	3
2008EPS	-	15,500	-	-	15,500	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	3
2008ROCE	-	15,500	-	-	15,500	6.26	30-Aug-12	-	-	30-Aug-15	30-Aug-16	2012-2014	3
	136,000	**46,500**	**23,256**	**744**	**158,500**								

Note: Status of performance conditions for the options and share awards set out above are detailed below.

1 Subject to a performance condition that has been met.
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

The salary, fees and other benefits pursuant to the remuneration package of each Director during the year were:

	Salary (1) €'000	Fees €'000	Annual Incentive paid through salary €'000	Annual Incentive deferred into shares €'000	Payment (2) in lieu of Pension €'000	Other benefits €'000	2012 Total €'000	2011 Total €'000
Executive Directors								
J Moloney	581	-	436	436	145	35	1,633	1,194
K Toland	467	-	310	310	104	8	1,199	925
S Talbot	372	-	279	279	93	20	1,043	757
2012	**1,420**	**-**	**1,025**	**1,025**	**342**	**63**	**3,875**	
2011	1,244	-	1,195	-	378	59		2,876
Non - Executive Directors								
L Herlihy	-	100	-	-	-	-	100	88
H Corbally (note (a))	-	48	-	-	-	-	48	33
Mn Keane	-	48	-	-	-	-	48	42
J Callaghan	-	80	-	-	-	-	80	70
W Carroll (note (b))	-	30	-	-	-	-	30	15
J Doheny (note (c))	-	18	-	-	-	-	18	-
D Farrell (note (b))	-	30	-	-	-	-	30	15
E Fitzpatrick (note (d))	-	-	-	-	-	-	-	8
J Gannon (note (e))	-	12	-	-	-	-	12	23
J Gilsenan (note (d))	-	-	-	-	-	-	-	8
P Gleeson	-	30	-	-	-	-	30	23
P Haran	-	68	-	-	-	-	68	62
B Hayes	-	30	-	-	-	-	30	23
Ml Keane	-	30	-	-	-	-	30	23
J Liston	-	75	-	-	-	-	75	70
M Merrick	-	30	-	-	-	-	30	23
J Murphy	-	30	-	-	-	-	30	23
P Murphy (note (b))	-	30	-	-	-	-	30	15
W Murphy	-	68	-	-	-	-	68	62
A O'Connor (note (d))	-	-	-	-	-	-	-	8
E Power (note (b))	-	30	-	-	-	-	30	15
R Prendergast	-	30	-	-	-	-	30	23
V Quinlan (note (f))	-	-	-	-	-	-	-	17
2012	**-**	**817**	**-**	**-**	**-**	**-**	**817**	
2011	-	689	-	-	-	-		689
Total 2012	**1,420**	**817**	**1,025**	**1,025**	**342**	**63**	**4,692**	
Total 2011	1,244	689	1,195	-	378	59		3,565

(1) The salary in 2012 of Executive Directors includes salary (€221,000) previously and separately incurred by Glanbia Co-operative Society Limited, which is now recharged as an administration expense by Glanbia plc. The underlying salary of Executive Directors increased by 2% in 2012.

(a) Mr H Corbally was appointed Vice Chairman on 26 May 2011.
(b) Messrs W Carroll, D Farrell, P Murphy and E Power were appointed Directors on 26 May 2011.
(c) Mr J Doheny was appointed a director on 29 May 2012
(d) Messrs E Fitzpatrick, J Gilsenan and A O'Connor resigned as Directors on 26 May 2011.
(e) Mr J Gannon resigned as a director on 29 May 2012.
(f) Mr V Quinlan resigned as a Vice Chairman and Director on 26 May 2011.

Details of Directors' share options are set out in note 22 to the financial statements.

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 2012 in excess of inflation €' 000	Total annual accrued pension at 29 December 2012 €' 000
J Moloney	-	-	359
K Toland	-	-	131
S Talbot	-	-	155
2012	**-**	**-**	**645**
2011	443	47	580

(2) All Executive Directors as at 29 December 2012 are deferred members of a Glanbia defined benefit pension scheme. In light of the new cap on pension benefits introduced in the Finance Act 2006, and subsequently amended in December 2010, the Remuneration Committee reviewed the pension arrangements for Executive Directors and agreed to offer the option to receive a taxable payment of 25% of salary in lieu of future service pension benefit, with effect from 1 January 2012.

It is our view that, except in relation to the representation of Glanbia Co-operative Society Limited on the Board, the Company has been fully compliant throughout the year with the provisions of the UK Corporate Governance Code (2010) and the Irish Corporate Governance Annex.

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/corporate_governance) (the ISE 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.

Representation of Glanbia Co-operative Society Limited on the Board

Changes to the representation of Glanbia Co-operative Society Limited (the "Society") on the Board have been agreed with the Society which are to be implemented in the years 2016 to 2018.

Further detail of which is contained on page 63 of the Nomination Committee report.

Additionally, to ensure continued phased renewal and refreshment and to further enhance diversity, a review of potential non-executive director candidates is currently being undertaken. The Board recognises the importance and benefit of diversity and is committed to achieving a greater level of diversity, including gender diversity.

Leadership

Our Board

Our Board consists of the Group Chairman (Liam Herlihy), two Vice-Chairmen (Martin Keane and Henry Corbally); 16 other Non-Executive Directors (including John Callaghan, the Senior Independent Director and Donard Gaynor appointed on 12 March 2013) and three Executive Directors (John Moloney, the Group Managing Director, Siobhán Talbot, the Group Finance Director and Brian Phelan, Group Development and Global Cheese Director, who on 1 January 2013 replaced Kevin Toland, the CEO and President Glanbia USA and Global Nutritionals who resigned on 5 January 2013). 14 of the Non-Executive Directors are currently nominated by our major shareholder, the Society.

Our Directors come from a diversity of backgrounds, ranging from public service, accountancy and banking to industry (dairy, pharmaceutical and production).

More particular details of which are set out on pages 55 to 58.

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.

The Group Chairman ensures that the skills, expertise and experience of the Board are harnessed to best effect in addressing significant issues facing the Group by ensuring; (i) Directors are properly informed on all matters; (ii) that discussions foster constructive challenge and debate; and (iii) that adequate time is provided for discussions so that the view of each Director is presented and considered.

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 and are currently progressing initiatives in this area including the formulation of a policy on Board refreshment and renewal. In recognising this, we are conscious of the fact that the Society currently nominates 14 of our 19 Non-Executive Directors. This was recognised during the year by the Board and shareholders of the Society who, following the agreement to reduce their shareholding to 41.3%, have agreed to a phased reduction of their representation on the Board between the years 2016 to 2018.

More particular details of which are set out on pages 63 to 64.

APPLYING THE UK CORPORATE GOVERNANCE CODE AND THE IRISH CORPORATE GOVERNANCE ANNEX

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 the Nomination Committee;
- Conducting the annual Board evaluation; 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 the business complies with relevant legislation and regulation; and
- Overseeing investor relations.

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
- Being 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;
- Being a central source of guidance and advice on policy, procedure, governance and ethics;
- Complying with all legal and regulatory matters;
- Providing a high quality service to shareholders; and
- Coordinating access to independent professional advice for Directors from time to time.

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 55, 57 and 58.

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 are managed on a delegated basis by the Group Managing Director and the senior executives working with him.

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 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 2012 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 participate in the development of proposals on strategy. This includes a full consideration of the key risks and opportunities facing the Group on a rolling three year basis.

A significant number of additional board meetings were held during 2012 in connection with the disposal of 60% of Glanbia Ingredients Ireland Limited to the Society on 25 November 2012. The Group Managing Director and the 14 directors nominated by the Society absented themselves from these meetings due to the related party nature of the transaction.

The attendance of each Director at the scheduled Board meetings and the two-day planning and strategy session is shown below.

The Audit, Nomination and Remuneration Committee membership and attendances for all or part of the year are shown in their respective reports.

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.

2012 Board meeting attendance

Attendance at scheduled Board meetings during the year ended 29 December 2012

Director	Appointed	Number of full years on the Board	2012 meeting attendance
L Herlihy	11 Sept 1997	15	11/11
Mn Keane	24 May 2006	6	11/11
H Corbally	9 June 1999	13	11/11
J Moloney	11 Sept 1997	15	11/11
J Callaghan	13 Jan 1998	15	11/11
W Carroll	26 May 2011	1	11/11
J Doheny[1]	29 May 2012	Less than 1	7/7
D Farrell	26 May 2011	1	11/11
J Gannon[2]	27 May 2009	3	4/4
P Gleeson	24 May 2006	6	11/11
P Haran	9 June 2005	7	11/11
B Hayes	29 June 2010	2	11/11
Ml Keane[3]	29 June 2010	4	11/11
J Liston	10 June 2002	10	11/11
M Merrick	9 June 2005	7	11/11
J Murphy	29 June 2010	2	11/11
P Murphy	26 May 2011	1	11/11
W Murphy	1 June 1989	23	11/11
E Power[4]	26 May 2011	10	11/11
R Prendergast	28 May 2008	4	11/11
S Talbot	1 July 2009	3	11/11
K Toland[5]	10 Jan 2003	10	9/11

1 Appointed 29 May 2012
2 Retired 29 May 2012
3 Ml Keane was re-appointed to the Board in 2010 having previously served two years on the Board
4 E Power was re-appointed to the Board in 2011 having previously served nine years on the Board
5 K Toland resigned 5 January 2013

All Directors are ordinarily 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 Board's 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 87.

All Directors 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 and this is coordinated through the Group Secretary.

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 and that it is in a form and of an appropriate quality 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 some of the Group's principal operations to meet employees and gain an understanding of the Group's products and services.

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In September 2012, an overseas Board meeting was held in Chicago, at which the Board received business and strategic reviews and presentations from all overseas CEOs, expanding their knowledge of the overseas markets, financial position, prospects, sales, marketing strategies and risk management issues.

In October 2012, the Board visited the new premix manufacturing facility in Orsingen, Germany which was opened on 19 July 2012, just over a year after the commencement of works and received a presentation from the CEO of Customised Premix Solutions on the strategy of the business followed by a tour of the manufacturing facility.

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. Plans are in place to complete an external review in 2013.

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 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.

During 2012, our Board and/or its Committees conducted an evaluation of its own performance, its principal Committees and individual Directors.

A diagramatic representation of the evaluation process is set out on page 88.

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 Board who are being proposed for re-appointment continue to be effective and demonstrate commitment to their roles. The Senior Independent Director 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.

Independence

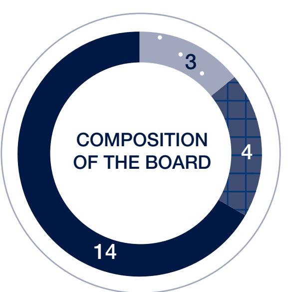
During the year, the Nomination Committee reviewed the independence of the Non-Executive Directors in accordance with the guidance in the Codes and reported its recommendations to the Board.

Further detail in relation to the review of the Directors' independence is set out in the Nomination Committee Report on pages 63 to 64.

Directors tenure on Board at 29 December 2012

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

Composition of the Board at 29 December 2012



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

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 40 to 42. 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 60 to 62.

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 40 to 42.

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 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.

Proper Books of Account
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.

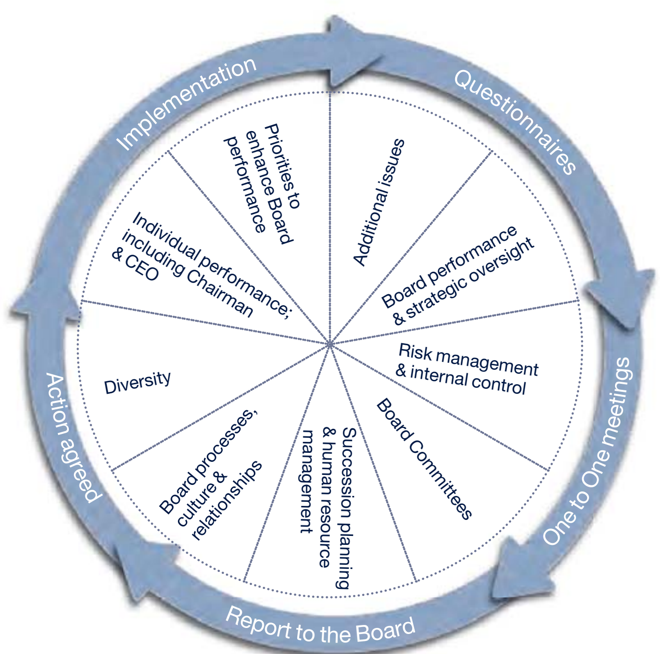
The main principle underlying the rules is that no one should trade in shares of the Company while in possession of inside information about the Company or the Group.

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 75 to 80.

APPLYING THE UK CORPORATE GOVERNANCE CODE AND THE IRISH CORPORATE GOVERNANCE ANNEX

Evaluation of the effectiveness of our Board



The objective of the annual Board 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 your Board perform as well as possible and help us understand how well your Board is operating in key areas. These include:
  - Board performance and strategic oversight;
  - Risk management and internal control;
  - Board Committees;
  - Succession planning and human resource management;
  - Board processes, culture and relationships;
  - Diversity;
  - Individual performance; including Chairman and CEO performance;
  - Priorities to enhance Board performance; and
  - Additional issues

Main features of Internal control and risk management systems in 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.

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 the Society to keep them informed of progress on Group performance. During the year, the Group Managing Director made a presentation at the Annual General Meeting. In addition, Executive Directors met with investors in Ireland, the UK, Continental Europe and the US. The Board is briefed regularly on the views and concerns of institutional investors and receives analyst reports on the Group on a regular basis. The Group also responds throughout the year to shareholder queries on a wide range of matters.

To assist in developing a better understanding of the views of major shareholders, the Company commissioned external consultants to carry out a survey of investors in December 2011 to provide strategic guidance for the Group's Investor communications and insight into how the Group is percieved. The results of the survey which were positive were presented to the Board for its consideration during the year.

The Group maintains a comprehensive investor relations website that provides, amongst other things, share information on investing in Glanbia, results releases and 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.

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 lodge their proxy votes, notice of the AGM and related documents 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 a global nutritonal solutions and cheese group, headquartered in Ireland, with operations in 18 countries including Ireland, mainland Europe, the USA, Africa and Asia.

Further detail can be found in 'Our Global Footprint' on pages 4 to 5.

The Company has set out in this report a fair review of the business of the Group during the financial year ended 29 December 2012, 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 Segmental performance sections of this Report on pages 8 to 50.

Directors

The current Directors who served during the 2012 financial year are listed on pages 55 to 58.

Jer Doheny was appointed to the Board on 29 May 2012 following the retirement of James Gannon.

Brian Phelan was appointed as an Executive Director to the Board, with responsibility for strategy, development and Global Cheese on 1 January 2013. Kevin Toland, the CEO and President of Glanbia USA & Global Nutritionals resigned as a Director on 5 January 2013.

Process for appointment of Directors

In addition to the Companies Acts, the Articles of Association of the Company contained provisions regarding the appointment and retirement of directors. At each Annual General Meeting the Articles of Association provide that each Director who has been in office at the conclusion of each of the three preceding Annual General Meetings and who has not been appointed or re-appointed at either of the two most recently held of those three meetings shall retire from office. No person other than a Director retiring by rotation shall be appointed a Director at any general meeting unless he is recommended by the Directors or, not less than seven nor more than forty-two days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment. If a Director is also a director of Glanbia Co-operative Society Limited ("the Society"), the Articles of Association provide that his appointment as a Director shall terminate automatically in the event of his ceasing to be a director of the Society. The Articles of Association also contain provisions regarding the automatic retirement of a director in certain other limited circumstances.

Retirement of Directors

In accordance with the UK Corporate Governance Code, all Directors will retire at the 2013 Annual General Meeting ('AGM') and, being eligible, offer themselves for re-appointment.

Annual General Meeting

The Company's AGM will be held on 21 May 2013. 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.

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 2012 AGM, the Directors were given the power to issue new shares up to a nominal amount of €688,038.96. This power will expire on the earlier of the conclusion of the 2013 AGM or 8 August 2013. Accordingly, a resolution will be proposed at the 2013 AGM to renew the Company's authority to issue further new shares.

At the 2012 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 €688,038.96. This authority too will expire on the earlier of the conclusion of the 2013 AGM or 8 August 2013 and a resolution will be proposed at the 2013 AGM to renew this additional authority.

At the 2012 AGM, the Directors were given the power to buy back a maximum number of 29,453,268 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 2013 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 2012 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 2013 AGM or 8 August 2013 and a resolution will be proposed at the 2013 AGM to renew this authority.

Dividends

An interim dividend of 3.66 cent per share was paid on 19 October 2012 to shareholders on the register at the close of business on 7 September 2012. The Directors propose a final dividend 5.43 cent per share. Subject to shareholder approval, the final dividend will be paid on 31 May 2013 to shareholders on the share register on 19 April 2013.

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 save the payment of €6,345 towards the Alliance for Ireland Faces of Yes campaign no other donations in excess of this amount have been made by the Company.

Issued share capital
At 29 December 2012 the authorised share capital of the Company was 306,000,000 ordinary shares of €0.06 each and the issued share capital was 294,955,684 (2011: 294,532,684) ordinary shares of €0.06 each, of which 48.3% was held by the Society. All the Company's shares are fully paid up and quoted on the Irish and London Stock Exchanges. During the year 423,000 ordinary shares of €0.06 each were allotted, upon the exercise of outstanding share options under the 2002 LTIP.

Details of the Company's share capital and shares under option or award at 29 December 2012 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 shareholder 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 29 December 2012, 1,141,334 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 2013 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 29 December 2012 and 12 March 2013, 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	142,588,848	48.3%
Prudential plc group of companies	11,780,393	3.99%

The Society has indicated to the Company it will dispose of shares equivalent to 7% of the issued share capital of the Company on 14 March 2013 by way of a distribution of said shares to its members.

Memorandum and Articles of Association
The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles of Association 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 LTIPs 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 of a change of control.

The Board is satisfied that no change of control provisions has occurred in respect of these agreements.

Corporate social responsibility

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

During 2012 the Group made further progress in its corporate citizenship objectives.

more particular details of which are summarised in 'Our responsibilities' on pages 46 to 50.

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 93.

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 10 to 12.

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 34 to 39.

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.

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 2012 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 certain 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 current Directors, whose names and functions are listed on pages 55 to 58 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

Liam Herlihy **J Moloney** **S Talbot**

Directors

Date: 12 March 2013

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We have audited the financial statements of Glanbia plc for the year ended 29 December 2012 which comprise the Group income statement, the Group and Company statements of financial position, the Group and Company statements of changes in equity, the Group and Parent Company statements of cash flow, the Group and Parent Company statement of comprehensive income and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 1963 to 2012.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 93, the Directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the 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 these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the 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 and of the Company's affairs as at 29 December 2012 and of the Group's and Company's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2012 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Matters on which we are required to report by the Companies Acts 1963 to 2012

- 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 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 statements and the description in the Corporate Governance Statement 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 Company, as stated in the 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 29 December 2012 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2012 we are required to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Under the Listing Rules of the Irish Stock Exchange we are required to review:

- the Directors' Statement, set out on page 92, in relation to going concern;
- the part of the Corporate Governance Statement relating to 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; and
- the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration.

Siobhán Collier
for and on behalf of
PricewaterhouseCoopers
Chartered Accountants and
Statutory Audit Firm
Waterford, Ireland
12 March 2013

Group income statement

for the financial year ended 29 December 2012

	Notes	Pre-exceptional 2012 €'000	Exceptional 2012 €'000 (note 7)	Total 2012 €'000	Pre-exceptional 2011* €'000	Exceptional 2011* €'000 (note 7)	Total 2011* €'000
Continuing operations							
Revenue	5	2,211,757	–	2,211,757	1,932,849	–	1,932,849
Earnings before interest, tax and amortisation (EBITA)		**175,842**	**1,610**	**177,452**	**141,326**	**(8,723)**	**132,603**
Intangible asset amortisation		(19,864)	–	(19,864)	(17,947)	–	(17,947)
Operating profit		**155,978**	**1,610**	**157,588**	**123,379**	**(8,723)**	**114,656**
Finance income	10	2,942	–	2,942	3,056	–	3,056
Finance costs	10	(23,370)	–	(23,370)	(26,467)	–	(26,467)
Share of results of Joint Ventures & Associates		12,147	–	12,147	14,331	–	14,331
Profit before taxation		**147,697**	**1,610**	**149,307**	**114,299**	**(8,723)**	**105,576**
Income taxes	11	(25,500)	1,440	(24,060)	(22,661)	1,090	(21,571)
Profit for the year from continuing operations		**122,197**	**3,050**	**125,247**	**91,638**	**(7,633)**	**84,005**
Discontinued operations							
Profit for the year from discontinued operations, net of tax	7	26,744	(7,761)	18,983	28,803	–	28,803
Profit for the year		**148,941**	**(4,711)**	**144,230**	**120,441**	**(7,633)**	**112,808**
Attributable to:							
Equity holders of the Parent				143,790			112,178
Non-controlling interests	25			440			630
				144,230			**112,808**
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Parent							
Basic earnings per share (cents)	12						
From continuing operations				42.45			28.40
From discontinued operations				6.46			9.82
				48.91			**38.22**
Diluted earnings per share (cents)	12						
From continuing operations				42.07			28.17
From discontinued operations				6.40			9.73
				48.47			**37.90**

Basic and diluted earnings per share from continuing operations assumes a 100% disposal of Glanbia Ingredients Ireland Limited (GIIL) on 25 November 2012. Note 12 - earnings per share, details the adjusted earnings per share for the continuing Group reflecting the retained 40% interest in GIIL.

*As re-presented to reflect the effect of discontinued operations - refer to note 7 for further information

On behalf of the Board

L Herlihy J Moloney S Talbot

Directors

Group statement of comprehensive income

for the financial year ended 29 December 2012

	Notes	2012 €'000	2011 €'000
Profit for the year		**144,230**	**112,808**
Other comprehensive income/(expense)			
Actuarial (loss) – defined benefit schemes	28	(98,763)	(17,029)
Deferred tax credit on actuarial loss	27	10,635	2,615
Share of actuarial (loss) – Joint Ventures & Associates	24	(1,227)	(38)
Deferred tax credit/(charge) on actuarial loss – Joint Ventures & Associates	24	169	(77)
Currency translation differences	22	(8,071)	18,538
Net investment hedge	22	1,409	230
Revaluation of available for sale financial assets	22	(971)	(1,484)
Fair value movements on cash flow hedges	22	3,445	3,563
Deferred tax on cash flow hedges and revaluation of available for sale financial assets	27	(172)	1,214
Other comprehensive (expense)/income for the year, net of tax		**(93,546)**	**7,532**
Total comprehensive income for the year		**50,684**	**120,340**
Total comprehensive income attributable to:			
Equity holders of the Parent		50,244	119,710
Non-controlling interests	25	440	630
Total comprehensive income for the year		**50,684**	**120,340**

Group statement of changes in equity

for the financial year ended 29 December 2012

	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 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**
Profit for the year	–	–	143,790	143,790	440	144,230
Other comprehensive income/(expense)						
Actuarial loss – defined benefit schemes	–	–	(98,763)	(98,763)	–	(98,763)
Deferred tax on actuarial loss	–	–	10,635	10,635	–	10,635
Share of actuarial loss – Joint Ventures & Associates	–	–	(1,058)	(1,058)	–	(1,058)
Fair value movements	–	2,474	–	2,474	–	2,474
Deferred tax on fair value movements	–	(172)	–	(172)	–	(172)
Currency translation differences	–	(8,071)	–	(8,071)	–	(8,071)
Net investment hedge	–	1,409	–	1,409	–	1,409
Total comprehensive (expense)/income for the year	**–**	**(4,360)**	**54,604**	**50,244**	**440**	**50,684**
Dividends paid during the year	–	–	(25,327)	(25,327)	(300)	(25,627)
Cost of share based payments	–	3,209	–	3,209	–	3,209
Transfer on exercise, vesting or expiry of share based payments	–	588	(588)	–	–	–
Shares issued	25	–	–	25	–	25
Premium on shares issued	1,108	–	–	1,108	–	1,108
Purchase of own shares	–	(7,692)	–	(7,692)	–	(7,692)
Balance at 29 December 2012	**102,095**	**145,289**	**289,997**	**537,381**	**7,275**	**544,656**

Goodwill previously written off amounting to €93.0 million (2011: €93.0 million) is included in opening and closing retained earnings.

Group statement of financial position

as at 29 December 2012

	Notes	2012 €'000	2011 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	309,496	394,552
Intangible assets	15	473,016	467,277
Investments in associates	16	67,586	12,178
Investments in joint ventures	17	58,482	58,484
Trade and other receivables	19	16,835	14,575
Deferred income tax assets	27	19,963	11,255
Available for sale financial assets	18	9,144	11,165
		954,522	**969,486**
Current assets			
Inventories	20	282,028	336,855
Trade and other receivables	19	271,589	304,301
Derivative financial instruments	32	1,457	6,161
Cash and cash equivalents	21	275,572	231,373
		830,646	**878,690**
Total assets		**1,785,168**	**1,848,176**
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital and share premium	23	102,095	100,962
Other reserves	22	145,289	153,544
Retained earnings	24	289,997	261,308
		537,381	**515,814**
Non-controlling interests	25	7,275	7,135
Total equity		**544,656**	**522,949**
LIABILITIES			
Non-current liabilities			
Borrowings	26	527,046	658,896
Derivative financial instruments	32	–	1,319
Deferred income tax liabilities	27	91,057	93,459
Retirement benefit obligations	28	98,133	48,425
Provisions for other liabilities and charges	29	22,013	22,120
Capital grants	30	2,636	17,161
		740,885	**841,380**
Current liabilities			
Trade and other payables	31	345,423	400,850
Current tax liabilities		7,430	6,656
Borrowings	26	125,086	52,808
Derivative financial instruments	32	938	5,657
Provisions for other liabilities and charges	29	20,750	17,876
		499,627	**483,847**
Total liabilities		**1,240,512**	**1,325,227**
Total equity and liabilities		**1,785,168**	**1,848,176**

On behalf of the Board

L Herlihy J Moloney S Talbot

Directors

Group statement of cash flows

for the financial year ended 29 December 2012

	Notes	2012 €'000	2011* €'000
Cash flows from operating activities			
Cash generated from operating activities	35	128,817	145,386
Interest received		2,814	3,134
Interest paid		(24,240)	(25,199)
Tax paid		(26,688)	(9,774)
Interest and tax paid - discontinued operations		(7,657)	(7,494)
Net cash inflow from operating activities		**73,046**	**106,053**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	36	(45,365)	(114,252)
Disposal of undertaking and investment in associate		25,599	–
Repayment of intercompany balance	7	125,652	–
Flax processing facility - insurance proceeds		8,132	–
Disposal of Yoplait franchise		18,000	–
Payment of deferred consideration on acquisition of subsidiaries		(1,104)	(1,146)
Purchase of property, plant and equipment		(65,893)	(38,310)
Purchase of intangible assets		(4,119)	(1,646)
Dividends received from joint ventures	17	13,778	14,761
Loans advanced to joint ventures and associates		(3,275)	–
Decrease in available for sale financial assets		523	2,283
Proceeds from sale of property, plant and equipment		495	420
Investing cash flows from discontinued operations	7	(23,964)	(8,929)
Net cash inflow/(outflow) from investing activities		**48,459**	**(146,819)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	1,133	1,221
Purchase of own shares	22	(7,692)	(2,075)
Private debt placement		–	226,828
(Decrease) in borrowings		(44,646)	(160,780)
Dividends paid to Company shareholders	13	(25,327)	(22,942)
Dividends paid to non-controlling interests	25	(300)	(387)
Capital grants received		1,584	–
Financing cash flows from discontinued operations	7	(928)	(404)
Net cash (outflow)/inflow from financing activities		**(76,176)**	**41,461**
Net increase in cash and cash equivalents		**45,329**	**695**
Cash and cash equivalents at the beginning of the year		231,373	229,101
Effects of exchange rate changes on cash and cash equivalents		(1,130)	1,577
Cash and cash equivalents at the end of the year	21	**275,572**	**231,373**

Reconciliation of net cash flow to movement in net debt		2012 €'000	2011* €'000
Net increase in cash and cash equivalents		45,329	695
Cash movements from debt financing		47,869	(65,080)
		93,198	**(64,385)**
Fair value movement of interest rate swaps qualifying as fair value hedges		2,850	387
Exchange translation adjustment on net debt		7,723	(8,211)
Movement in net debt in the year		**103,771**	**(72,209)**
Net debt at the beginning of the year		(480,331)	(408,122)
Net debt at the end of the year		**(376,560)**	**(480,331)**
Net debt comprises:			
Borrowings	26	(652,132)	(711,704)
Cash and cash equivalents	21	275,572	231,373
		(376,560)	**(480,331)**

*As re-presented to reflect the effect of discontinued operations - refer to note 7 for further information

Company statement of financial position

as at 29 December 2012

	Notes	2012 €'000	2011 €'000
ASSETS			
Non-current assets			
Investments in associates	16	22,876	2,259
Investments in subsidiaries	18	611,661	599,325
		634,537	**601,584**
Current assets			
Trade and other receivables	19	632	6
Cash and cash equivalents	21	–	5,280
		632	**5,286**
Total assets		**635,169**	**606,870**
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital and share premium	23	457,363	456,230
Retained earnings	24	107,795	77,807
Other reserves		2,701	6,596
Total equity		**567,859**	**540,633**
LIABILITIES			
Current liabilities			
Trade and other payables	31	64,554	66,237
Bank overdraft	26	2,756	–
Total liabilities		**67,310**	**66,237**
Total equity and liabilities		**635,169**	**606,870**

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 €55.9 million (2011: €59.1 million).

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

Company statement of changes in equity

for the financial year ended 29 December 2012

			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 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**
Profit for the year	–	55,903	–	–	–	55,903
Dividends paid during the year	–	(25,327)	–	–	–	(25,327)
Cost of share based payments	–	–	–	–	3,209	3,209
Transfer on exercise, vesting or expiry of share based payments	–	(588)	–	2,245	(1,657)	–
Shares issued	25	–	–	–	–	25
Premium on shares issued	1,108	–	–	–	–	1,108
Purchase of own shares	–	–	–	(7,692)	–	(7,692)
Balance at 29 December 2012	**457,363**	**107,795**	**4,227**	**(8,221)**	**6,695**	**567,859**

Company statement of comprehensive income and statement of cash flows

for the financial year ended 29 December 2012

Company statement of comprehensive income

	Notes	2012 €'000	2011 €'000
Profit for the year	24	55,903	59,114
Total comprehensive income for the year		**55,903**	**59,114**

Company statement of cash flows

	Notes	2012 €'000	2011 €'000
Cash flows from operating activities			
Cash generated from operations	35	56,803	19,811
Net cash inflow from operating activities		**56,803**	**19,811**
Cash flows from investing activities			
Decrease in available for sale financial assets		–	1,065
Disposal of subsidiary		19,021	–
Acquisition of other Group companies		(51,974)	–
Net cash (outflow)/inflow from investing activities		**(32,953)**	**1,065**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	1,133	1,221
Dividends paid to Company shareholders	13	(25,327)	(22,942)
Purchase of own shares	22	(7,692)	(2,075)
Net cash (outflow) from financing activities		**(31,886)**	**(23,796)**
Net (decrease) in cash and cash equivalents		**(8,036)**	**(2,920)**
Cash and cash equivalents at the beginning of the year		5,280	8,200
(Bank overdraft)/cash and cash equivalents at the end of the year		**(2,756)**	**5,280**

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 48.3% of the issued share capital of the Company and is the ultimate parent of the Group.

The Company's 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 12 March 2013.

2. Summary of significant accounting polices

New accounting standards and IFRIC interpretations adopted by the Group during the year ended 29 December 2012 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 2012 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 29 December 2012, comparatives are for the 52-week period ended 31 December 2011. The statements of financial position for 2012 and 2011 have been drawn up as at 29 December 2012 and 31 December 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.

Discontinued operations and non-current assets held for sale are defined as follows: a component of an entity that either has been disposed of, abandoned, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operation; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal, abandonment, or when the operations meet the criteria to be classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying value and the fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than continued use. This condition is regarded as satisfied only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Property, plant and equipment and intangible assets, once classified as held for sale are not depreciated or amortised.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any movements previously recognised

in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 – Operating Segments, 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.

(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 the income statement.

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, associate or joint venture at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill associated with the acquisition of associates or joint ventures is included within the investment in associates or joint ventures.

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 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. When a receivable is uncollectable, it is written off against the provision account for receivables. Subsequent recoveries of amounts previously written off are credited to 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 three 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 2008 Long Term Incentive Plan

The fair value of shares awarded under the 2008 LTIP scheme 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 government authorities 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 the income statement 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 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, interest rates and commodity prices. The Group uses foreign currency, interest rate and commodity derivative financial instruments 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.

(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 foreign exchange contracts 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 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, before 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

(i) Income statement format
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.

(ii) Earnings before interest, tax and amortisation (“EBITA”)
The Group believes that EBITA is a relevant performance measure and has therefore disclosed this amount in the Group income statement. EBITA is stated before considering the share of result of joint ventures and associates and the profit for the year from discontinued operations. In conjunction with this the Group believes that presentation of results by nature of expense is a more meaningful format for the Income Statement. This is a change in accounting policy which has no impact on operating profit, profit for the year or on the statement of financial position.

(z) New accounting standards and IFRIC interpretations

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 29 December 2012 and have been adopted by the Group:

- IFRS 7 (Amendment), ‘Financial instruments: Disclosures’
- IAS 12 (Amendment), ‘Income Taxes’
- IFRS 1 (Amendment), ‘First time adoption of IFRS’

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 29 December 2012.

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 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. The estimated impact on the 2013 income statement is to increase interest costs by €1.5 million.

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.

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.

Amendment to IAS 1, 'Presentation of Items of Other Comprehensive Income (OCI)' (effective for financial periods beginning on or after 1 July 2012)
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.

Revision to IAS 27 'Separate financial statements' (effective for financial periods beginning on or after 1 January 2013)
This revision introduces a standard which now deals solely with separate financial statements. IFRS 10 'Consolidated financial statements' replaces all of the guidance on control and consolidation in IAS 27. The existing guidance and disclosure requirements in IAS 27 for separate financial statements remains unchanged.

Amendment to IAS 32 'Financial Instruments: Presentation' (effective for financial periods beginning on or after 1 January 2014, retrospectively applied)
The amendment does not change the requirement to offset a financial asset and financial liability in the statement of financial position, except that when the entity currently has a legally enforceable right of set-off the amendment clarifies that the right of set-off must be available today and is not to be contingent on a future event.

Revision to IAS 28 'Associates and Joint Ventures' (effective for financial periods beginning on or after 1 January 2013)
The revised standard results in the replacement of the disclosure requirements currently found in IAS 28 with IFRS 11 'Joint Arrangements'. The revised IAS 28 standard results in joint ventures and associates being accounted for using the equity method of accounting.

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 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.

At 29 December 2012 and 31 December 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 29 December 2012 would have resulted in a currency translation gain/loss of approximately €27.4 million (2011: €20.6 million), which would be recognised directly in other comprehensive income.

At 29 December 2012 and 31 December 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 29 December 2012 would have resulted in a currency translation gain/loss of approximately €1.6 million (2011: €1.8 million), which would be recognised directly in other comprehensive income.

The Board have 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.

(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 2012, a 1% increase in prevailing market interest rates would have resulted in a €1.7 million loss (2011: €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 material 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 €753.5 million (2011: €987.7 million) of which €226.5 million (2011: €279.2 million) was undrawn. The weighted average maturity of these facilities is 6.0 years (2011: 3.4 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. This is currently under review arising from the expected removal of this 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 29 December 2012					
Borrowings	125,086	39,062	–	487,984	652,132
Future finance costs	28,754	25,445	71,680	46,063	171,942
Derivative financial instruments	938	–	–	–	938
Trade and other payables[1]	240,029	–	–	–	240,029
	394,807	**64,507**	**71,680**	**534,047**	**1,065,041**
Less future finance costs	(28,754)	(25,445)	(71,680)	(46,063)	(171,942)
	366,053	**39,062**	**–**	**487,984**	**893,099**

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**

The Company has borrowings of €2.8 million at year end (2011: cash at bank €5.3 million). The contractual undiscounted cash flows equal the balance at 29 December 2012 and 31 December 2011.

[1] Excludes accrued expenses and social security costs, which are disclosed in note 31 - trade and other payables.

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 29 December 2012					
Foreign exchange contracts – cash flow hedges					
Inflow	9	–	–	–	9
Outflow	(16)	–	–	–	(16)
	(7)	**–**	**–**	**–**	**(7)**

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)**

3.2 Capital risk management

The Group's objectives 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 €921.2 million (2011: €1,003.3 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 29 December 2012, the Group's debt/adjusted EBITDA ratio was 1.7 times (2011: 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 29 December 2012. 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 29 December 2012.

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 29 December 2012 and 31 December 2011.

At 29 December 2012	Notes	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets					
Derivatives used for hedging	32	–	1,457	–	1,457
Available for sale financial assets – equity securities	18	224	447	–	671
Total assets		**224**	**1,904**	**–**	**2,128**
Liabilities					
Derivatives used for hedging	32	–	(938)	–	(938)
Total liabilities		**–**	**(938)**	**–**	**(938)**

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)**

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 and Performance Nutrition, including goodwill arising on acquisition of €249.9 million (2011: €254.4 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 €332.6 million (2011: €400.0 million) and plan liabilities of €430.7 million (2011: €448.4 million) giving a net pension deficit of €98.1 million (2011: €48.4 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 29 December 2012, 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 €6.1 million (2011: €7.1 million).

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). 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 (2011: €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 €1.6 million (2011: €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 €1.2 million (2011: €1.0 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 €4.5 million (2011: €4.6 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 - Financial Instruments: Recognition and Measurement 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 cost; 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 29 December 2012 the fair value of available for sale financial assets is greater than the original cost.

(g) 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 three segments, as follows: US Cheese & Global Nutritionals, Dairy Ireland and Joint Ventures & Associates. 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 sale of a range of dairy consumer 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 is now included as part of the Dairy Ireland segment as no revenue was generated by Other Business during the period. Comparatives have been restated accordingly.

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.

As outlined in note 7, the Group sold 60% of Glanbia Ingredients Ireland Limited during the year. 100% of the trade and activities of this business are shown below under discontinued operations.

5.1 The segment results for the year ended 29 December 2012 are as follows:

		US Cheese & Global Nutritionals €'000	Dairy Ireland* €'000	JV's & Associates €'000	Discontinued Operations* €'000	Group including JV's & Associates €'000
Total gross segment revenue	(a)	1,587,707	630,999	577,002	653,292	3,449,000
Inter-segment revenue		(6,906)	(43)	–	(30,096)	(37,045)
Segment external revenue		**1,580,801**	**630,956**	**577,002**	**623,196**	**3,411,955**
Segment earnings before interest, tax, amortisation and exceptional items	(b)	**155,415**	**20,427**	**23,105**	**36,614**	**235,561**

* Discontinued Operations were previously included within the Dairy Ireland segment

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €8.1 million, related party sales between US Cheese & Global Nutritionals and Joint Ventures & Associates of €15.3 million and related party sales between Discontinued Operations and Joint Ventures & Associates of €62.4 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:

	2012 €'000
Segment revenue	**3,449,000**
Inter-segment revenue	(37,045)
Joint Ventures & Associates revenue	(577,002)
Revenue from Discontinued Operations	(623,196)
Reported external revenue - continuing operations	**2,211,757**

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:

	2012 €'000
Segment earnings before interest, tax, amortisation and exceptional items	**235,561**
Discontinued Operations - earnings before interest, tax, amortisation and exceptional items	(36,614)
Amortisation	(19,864)
Exceptional items	1,610
Joint Ventures & Associates interest and tax	(10,958)
Finance income	2,942
Finance costs	(23,370)
Reported profit before tax - continuing operations	**149,307**
Income taxes	(24,060)
Reported profit after tax - continuing operations	**125,247**

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 29 December 2012 are as follows:

	US Cheese & Global Nutritionals €'000	Dairy Ireland* €'000	JV's & Associates €'000	Discontinued Operations* €'000	Group including JV's & Associates €'000
Depreciation of property, plant and equipment	16,132	8,880	8,627	10,960	44,599
Amortisation of intangibles	16,624	3,240	–	489	20,353
Capital grants released to the income statement	(73)	(174)	(288)	(1,031)	(1,566)
Exceptional items before tax	(4,401)	2,791	–	8,095	6,485

* Discontinued Operations were previously included within the Dairy Ireland segment

The segment assets and liabilities at 29 December 2012 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	Group including JV's & Associates €'000
Segment assets	(c)	1,066,714	288,618	142,903	1,498,235
Segment liabilities	(d)	301,997	171,628	–	473,625
Segment capital expenditure and acquisitions	(e)	112,222	30,973	10,721	153,916

5.1 (c): Segment assets are reconciled to reported assets as follows:

	2012 €'000
Segment assets	**1,498,235**
Unallocated assets	286,933
Reported assets	**1,785,168**

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:

	2012 €'000
Segment liabilities	**473,625**
Unallocated liabilities	766,887
Reported liabilities	**1,240,512**

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:

	2012 €'000
Segment capital expenditure and acquisitions	**153,916**
Joint Ventures & Associates capital expenditure	(10,721)
Unallocated capital expenditure	77
Discontinued Operations capital expenditure	(23,964)
Reported capital expenditure and acquisitions - continuing operations	**119,308**

5.2 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	Discontinued Operations* €'000	Group including JV's & Associates €'000
Total gross segment revenue	(a)	1,319,944	615,928	524,293	750,941	3,211,106
Inter-segment revenue		(3,023)	–	–	(12,639)	(15,662)
Segment external revenue		**1,316,921**	**615,928**	**524,293**	**738,302**	**3,195,444**
Segment earnings before interest, tax, amortisation and exceptional items	(b)	**117,461**	**23,865**	**25,226**	**38,172**	**204,724**

* Discontinued Operations were previously included within the Dairy Ireland segment

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €3.6 million, related party sales between US Cheese & Global Nutritionals and Joint Ventures & Associates of €12.4 million and related party sales between Discontinued Operations and Joint Ventures & Associates of €95.1 million.

5.2 (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)
Revenue from Discontinued Operations	(738,302)
Reported external revenue - continuing operations	**1,932,849**

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:

	2011 €'000
Segment earnings before interest, tax, amortisation and exceptional items	**204,724**
Discontinued Operations - earnings before interest, tax, amortisation and exceptional items	(38,172)
Amortisation	(17,947)
Exceptional items – rationalisation costs	(8,723)
Joint Ventures & Associates interest and tax	(10,895)
Finance income	3,056
Finance costs	(26,467)
Reported profit before tax - continuing operations	**105,576**
Income taxes	(21,571)
Reported profit after tax - continuing operations	**84,005**

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	Discontinued Operations* €'000	Group including JV's & Associates €'000
Depreciation of property, plant and equipment	13,443	9,129	7,653	11,568	41,793
Amortisation of intangibles	14,570	3,377	–	525	18,472
Capital grants released to the income statement	(57)	(270)	(268)	(1,113)	(1,708)
Exceptional items – rationalisation costs	–	8,723	–	–	8,723

* Discontinued Operations were previously included within the Dairy Ireland segment

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	Group including JV's & Associates €'000
Segment assets	(c)	931,923	585,896	85,237	1,603,056
Segment liabilities	(d)	268,418	267,732	–	536,150
Segment capital expenditure and acquisitions	(e)	140,833	30,432	4,042	175,307

5.2 (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.

5.2 (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.

5.2 (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
Discontinued Operations capital expenditure	(8,929)
Reported capital expenditure and acquisitions - continuing operations	**162,551**

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 Discontinued Operations segments is 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:

	2012 €'000	2011 €'000
USA	1,592,563	1,390,414
Ireland	908,956	838,596
UK	259,811	235,338
Rest of Europe	250,492	322,022
Other	437,178	424,736
	3,449,000	**3,211,106**

Revenue of approximately €341.8 million (2011: €320.0 million) is derived from a single external customer.

The total of non-current assets, other than derivative financial instruments and deferred income tax assets, located in Ireland is €184.0 million (2011: €267.8 million) and located in other countries, mainly the USA, is €750.6 million (2011: €690.4 million).

6. Operating expenses - continuing operations

	2012 €'000	2011 €'000
Revenue	**2,211,757**	**1,932,849**
Less costs:		
Raw materials and consumables used	(1,495,602)	(1,310,457)
Depreciation of property, plant and equipment	(25,012)	(22,572)
Amortisation of capital grants	247	327
Employee benefit expense	(197,648)	(171,302)
Auditors' remuneration**		
– Statutory audit of Group companies	(591)	(566)
– Other assurance services	(1,028)	(697)
– Tax advisory services	(960)	(986)
– Other non-audit services	(308)	(270)
Research and development costs	(9,391)	(8,397)
Net foreign exchange (loss)/gain	(2,535)	1,108
Other expenses	(303,087)	(277,711)
Earnings before interest, tax and amortisation (EBITA)	**175,842**	**141,326**
Intangible asset amortisation	(19,864)	(17,947)
Operating profit	**155,978**	**123,379**

** Auditors' remuneration for the Company in respect of its statutory audit amounted to €35,000 (2011: €35,000)

7. Exceptional items and discontinued operations

	Notes	2012 €'000	2011 €'000
Exceptional items - continuing operations			
Sale of Yoplait franchise	(a)	6,109	–
Rationalisation costs	(b)	(3,810)	(8,723)
Flax processing facility	(c)	4,401	–
Property write down	(d)	(5,090)	–
Total exceptional credit/(charge) before tax - continuing operations		**1,610**	**(8,723)**
Exceptional tax credit - continuing operations	11	1,440	1,090
Net exceptional credit/(charge) - continuing operations		**3,050**	**(7,633)**
Exceptional items - discontinued operations			
Glanbia Ingredients Ireland Limited - 60% disposal	(e)	(8,095)	–
Total exceptional (charge) - discontinued operations		**(8,095)**	**–**
Exceptional tax credit - discontinued operations		334	–
Net exceptional (charge) - discontinued operations		**(7,761)**	**–**
Total exceptional (charge)		**(4,711)**	**(7,633)**

(a) During 2012, following a strategic review of its Consumer Products business the Group agreed new terms to its relationship with Yoplait, the owner of the global Yoplait yogurt business. Under the new agreement, Yoplait reacquired the franchise for Ireland from Glanbia plc for €18.0 million. This gain was offset by a related write down in property, plant and equipment and rationalisation costs totalling €11.9 million (€5.7 million of which was a non cash cost).

(b) Rationalisation costs primarily relate to redundancy in the Dairy Ireland segment.

(c) During 2012, the flax processing facility operated by the Group in Canada suffered fire damage. The exceptional gain of €4.4 million reflects the minimum insurance proceeds receivable less the net book value of assets written down. Discussions with the Group's insurers are ongoing.

(d) The Group reviewed its property portfolio during the year which resulted in a write down of €5.1 million.

(e) In November 2012, the Group reached an agreement with Glanbia Co-operative Society Limited (the "Society") whereby the Society acquired a 60% interest in the Dairy Ingredients business, Glanbia Ingredients Ireland Limited. With effect from 25 November 2012, the Group's 40% shareholding in Glanbia Ingredients Ireland Limited has been treated as an associate undertaking and accounted for using the equity method in accordance with IAS 28 - Investment in Associates. In accordance with IFRS 5 - Non Current Assets Held for Sale and Discontinued Operations, the disposal of the Group's interest is considered to be a discontinued operation. In line with IFRS 5, a loss on disposal of €8.1 million was recognised in the income statement. This includes the recycle of €1.0 million cumulative foreign currency translation gains which were previously recognised in equity. The loss on this transaction arose as follows:

Discontinued operations

	2012 €'000
100% disposal of Glanbia Ingredients Ireland Limited	(84,470)
40% equity interest retained in Glanbia Ingredients Ireland Limited	33,788
Total cash consideration received in respect of 60% disposal	49,289
Disposal related costs	(5,026)
Currency translation gain previously recognised in equity	1,001
	(5,418)
Discontinued finance costs - cancellation of interest rate swaps	(2,677)
Exceptional loss	**(8,095)**

The revenue and results of 100% of the Group's discontinued operations for the eleven months to 24 November 2012 and twelve months to 31 December 2011 are as follows:

	2012 €'000	2011 €'000
Revenue	623,196	738,302
Expenses	(587,071)	(700,655)
Operating profit	**36,125**	**37,647**
Net finance costs	(5,100)	(4,530)
Profit before taxation	**31,025**	**33,117**
Income taxes	(4,281)	(4,314)
Profit for the year from discontinued operations	**26,744**	**28,803**

The net assets of the Group's discontinued operations at 24 November 2012 and 31 December 2011 are as follows:

	2012 €'000	2011 €'000
Assets of discontinued operations		
Property, plant and equipment	131,588	119,003
Intangible assets	3,291	3,419
Investments	4,751	4,980
Working capital	125,782	76,448
Total assets of discontinued operations	**265,412**	**203,850**
Liabilities of discontinued operations		
Intercompany liability to Glanbia plc group	(125,652)	–
Retirement benefit obligations	(36,954)	(11,431)
Deferred income tax liabilities	(2,232)	(4,072)
Finance lease and government grants	(16,104)	(16,972)
Total liabilities of discontinued operations	**(180,942)**	**(32,475)**

The cash flows of the Group's discontinued operations for the eleven months to 24 November 2012 and twelve months to 31 December 2011 are as follows:

	2012 €'000	2011 €'000
Operating cash flows		
Profit before taxation	31,025	33,117
Depreciation	10,960	11,568
Amortisation	489	525
Interest expense	5,100	4,530
Amortisation of government grants received	(1,031)	(1,113)
Cash generated from discontinued operations before changes in working capital	**46,543**	**48,627**
Increase in working capital	(42,889)	(25,674)
Operating cash flows generated from discontinued operations	**3,654**	**22,953**

	2012 €'000	2011 €'000
Operating cash flows generated from discontinued operations		
Cash generated from operating activities	3,654	22,953
Interest paid*	(5,100)	(4,530)
Tax paid*	(2,557)	(2,964)
Operating net cash (outflow)/inflow from discontinued operations	**(4,003)**	**15,459**
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,964)	(8,929)
Investing cash (outflow) from discontinued operations	**(23,964)**	**(8,929)**
Cash flows from financing activities		
Finance lease principal payments	(928)	(968)
Capital grants received	–	564
Financing cash (outflow) from discontinued operations	**(928)**	**(404)**
Cash (absorbed)/generated at the end of the eleven month period/year	**(28,895)**	**6,126**

*Estimated allocation of the Group's interest and tax costs to discontinued operations

8. Employee benefit expense - continuing and discontinuing operations

	Notes	2012 €'000	2011 €'000
Wages and salaries		190,738	172,949
Social security costs		20,414	19,483
Cost of share based payments	22	3,209	2,388
Pension costs – defined contribution schemes	28	3,509	3,020
Pension costs – defined benefit schemes	28	7,998	3,230
		225,868	**201,070**
Exceptional items		8,576	8,723
		234,444	**209,793**

The average number of employees, excluding the Group's Joint Ventures & Associates, in 2012 was 3,823 (2011: 3,560) and is analysed into the following categories:

	2012	2011
US Cheese & Global Nutritionals	2,136	1,858
Dairy Ireland	1,687	1,702
	3,823	**3,560**

9. Directors' remuneration

The Directors' remuneration information is shown on pages 75 to 82 in the Corporate Governance section of this report.

10. Finance income and costs

	2012 €'000	2011* €'000
Finance income		
Interest income	2,913	2,874
Interest income on deferred consideration	29	182
Total finance income	**2,942**	**3,056**
Finance costs		
Bank borrowings repayable within five years	(9,434)	(14,092)
Interest cost on deferred consideration	–	(106)
UK pension provision	(121)	(113)
Finance lease costs	(131)	(188)
Interest rate swaps, transfer from equity	(1,059)	(4,876)
Interest rate swaps, fair value hedges	1,764	2,308
Fair value adjustment to borrowings attributable to interest rate risk	(1,764)	(2,308)
Finance cost of private debt placement	(13,376)	(7,273)
Finance cost of preference shares	(4,349)	(4,349)
Total finance costs	**(28,470)**	**(30,997)**
Net finance costs	**(25,528)**	**(27,941)**
From continuing operations	**(20,428)**	**(23,411)**
From discontinued operations	**(5,100)**	**(4,530)**

*As re-presented to reflect the effect of discontinued operations - refer to note 7 for further information

11. Income taxes

	Notes	2012 €'000	2011* €'000
Continuing operations			
Current tax			
Irish current tax		8,557	5,677
Adjustments in respect of prior years		(1,015)	(432)
Irish current tax on income for the year - continuing operations		7,542	5,245
Foreign current tax		17,568	6,223
Adjustments in respect of prior years		36	1,539
Foreign current tax on income for the year - continuing operations		17,604	7,762
Total current tax - continuing operations		**25,146**	**13,007**
Deferred tax			
Deferred tax - current year		1,617	11,886
Adjustments in respect of prior years		(1,263)	(2,232)
Total deferred tax - continuing operations	27	**354**	**9,654**
Pre exceptional tax charge - continuing operations		**25,500**	**22,661**
Exceptional tax (credit) - continuing operations			
Current tax	(a)	(236)	(1,090)
Deferred tax	(a)	(1,204)	–
Total tax charge - continuing operations		**24,060**	**21,571**
Discontinued operations			
Current tax			
Irish current tax		2,557	2,964
Adjustments in respect of prior years		(11)	(3)
Total current tax - discontinued operations		**2,546**	**2,961**
Deferred tax			
Deferred tax - current year		1,735	1,395
Adjustments in respect of prior years		–	(42)
Total deferred tax - discontinued operations	27	**1,735**	**1,353**
Pre-exceptional tax charge - discontinued operations	7	**4,281**	**4,314**
Exceptional tax (credit) - discontinued operations			
Current tax	(b)	(334)	–
Deferred tax	(b)	–	–
Total tax charge - discontinued operations		**3,947**	**4,314**
Total tax charge for the year		**28,007**	**25,885**

* As re-presented to reflect the effect of discontinued operations - refer to note 7 for further information

(a) Notes on exceptional tax credit - continuing operations:
   (i) An exceptional current tax credit of €0.3 million and an exceptional deferred tax credit of €1.0 million, both relating to the sale of the Yoplait franchise.
   (ii) The rationalisation costs relating to redundancies in the Dairy Ireland segment resulted in an exceptional current tax credit of €0.5 million (2011: €1.1 million).
   (iii) The fire damage suffered at the Group's flax processing facility in Canada resulted in an exceptional current tax charge of €0.6 million and an exceptional deferred tax charge of €0.4 million.
   (iv) The impairment in the Group's property portfolio resulted in an exceptional deferred tax credit of €0.6 million.

(b) The disposal of 60% of Glanbia Ingredients Ireland Limited to the Society resulted in an exceptional current tax credit of €0.3 million. There was no deferred tax impact.

The exceptional net tax credit in 2012 and 2011 has been disclosed separately above as it relates to costs and income which have been presented as exceptional.

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:

	2012 €'000	2011* €'000
Profit before tax - continuing operations	**149,307**	**105,576**
Income tax calculated at Irish rate of 12.5% (2011: 12.5%)	18,663	13,197
Earnings at (reduced)/higher Irish rates	(1,702)	724
Difference due to overseas tax rates	19,396	7,496
Adjustment to tax charge in respect of previous periods	(2,242)	(1,125)
Tax on post tax profits of Joint Ventures & Associates included in profit before tax	(1,518)	(1,791)
Other differences including expenses not deductible for tax purposes	(8,537)	3,070
Total tax charge - continuing operations	**24,060**	**21,571**

* As re-presented to reflect the effect of discontinued operations - refer to note 7 for further information

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).

	2012	2011*
Profit attributable to equity holders of the Parent (€'000)		
From continuing operations	124,807	83,375
From discontinued operations	18,983	28,803
Weighted average number of ordinary shares in issue	294,022,876	293,536,350
Basic earnings per share (cents per share)		
From continuing operations	42.45	28.40
From discontinued operations	6.46	9.82
	48.91	38.22

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 and share awards are potential dilutive ordinary shares. In respect of share options and share awards, 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 and share awards.

	2012	2011*
Weighted average number of ordinary shares in issue	294,022,876	293,536,350
Adjustments for share options and share awards	2,670,265	2,413,436
Adjusted weighted average number of ordinary shares	296,693,141	295,949,786
Diluted earnings per share (cents per share)		
From continuing operations	42.07	28.17
From discontinued operations	6.40	9.73
	48.47	37.90

* As re-presented to reflect the effect of discontinued operations - refer to note 7 for further information

Adjusted

Adjusted earnings per share is considered to be more reflective of the Group's overall underlying performance. 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). In order that adjusted earnings per share would fairly represent the ongoing structure of the Group the calculation for both 2012 and 2011 has been amended to include 40% of the actual adjusted net income of Glanbia Ingredients Ireland Limited as if it had been an associate in both years.

	2012 €'000	2011* €'000
Profit attributable to equity holders of the Parent - continuing operations	124,807	83,375
Amortisation of intangible assets (net of related tax)	17,381	15,704
Net exceptional items	(3,050)	7,633
Adjustment to reflect 40% share of discontinued operations retained by the Group	10,869	11,705
Adjusted net income - continuing operations	**150,007**	**118,417**
Profit attributable to equity holders of the Parent - discontinued operations	18,983	28,803
Amortisation of intangible assets (net of related tax)	428	459
Net exceptional items	7,761	–
Adjustment to reflect 40% share of discontinued operations retained by the Group	(10,869)	(11,705)
Adjusted net income - discontinued operations	**16,303**	**17,557**
Adjusted earnings per share (cents per share)		
From continuing operations	51.02	40.34
From discontinued operations	5.54	5.98
	56.56	46.32
Diluted adjusted earnings per share (cents per share)		
From continuing operations	50.56	40.01
From discontinued operations	5.49	5.93
	56.05	45.94

* As re-presented to reflect the effect of discontinued operations - refer to note 7 for further information

13. Dividends

The dividends paid in 2012 and 2011 were €25.3 million (8.60 cents per share) and €22.9 million (7.82 cents per share) respectively. On 19 October 2012 an interim dividend of 3.66 cents per share on the ordinary shares amounting to €10.8 million was paid to shareholders on the register of members at 7 September 2012. The Directors have recommended the payment of a final dividend of 5.43 cents per share on the ordinary shares which amounts to €15.9 million. Subject to shareholders approval, this dividend will be paid on 31 May 2013 to shareholders on the register of members at 19 April 2013, 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 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**
Year ended 29 December 2012					
Opening net book amount		152,959	241,211	382	394,552
Exchange differences		(1,385)	(2,964)	(11)	(4,360)
Acquisitions		1,641	11,345	5	12,991
Additions		25,849	61,004	346	87,199
Disposals		(34,861)	(99,239)	(149)	(134,249)
Reclassification	15	–	(333)	–	(333)
Impairments		(2,050)	(8,245)	(37)	(10,332)
Depreciation charge		(5,829)	(29,882)	(261)	(35,972)
Closing net book amount		**136,324**	**172,897**	**275**	**309,496**
At 29 December 2012					
Cost		187,492	471,718	18,621	677,831
Accumulated depreciation		(51,168)	(298,821)	(18,346)	(368,335)
Net book amount		**136,324**	**172,897**	**275**	**309,496**

Depreciation expense of €36.0 million was charged to the income statement during the year (2011: €34.1 million). Included in the cost of additions for 2012 is an amount of €11.8 million (2011: €22.3 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 (2011: nil).

The impairments during the year relate to a fire at the Group's flax processing facility in Canada and a plant closure following the disposal of the Yoplait franchise. This impairment cost is charged to exceptional items in the income statement. See note 7 for further details.

Disposals during the year primarily relate to the disposal of Glanbia Ingredients Ireland Limited.

Leased assets, comprising plant and equipment where the Group is a lessee under a finance lease, are as follows:

	2012 €'000	2011 €'000
Cost – capitalised finance leases	41,673	41,673
Accumulated depreciation	(33,359)	(32,105)
Disposals	(8,314)	–
Net book amount	**–**	**9,568**

Operating lease rentals amounting to €15.1 million (2011: €13.1 million) are charged to 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 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**
Year ended 29 December 2012						
Opening net book amount		178,328	261,742	18,132	9,075	467,277
Exchange differences		(4,045)	(5,747)	(84)	(160)	(10,036)
Acquisitions		15,545	19,412	–	–	34,957
Additions		517	599	2,670	4,339	8,125
Disposals		(541)	–	(2,705)	(45)	(3,291)
Reclassification	14	–	–	333	–	333
Write-off of intangibles	35	(692)	(301)	(1,420)	(1,583)	(3,996)
Amortisation		–	(13,437)	(4,679)	(2,237)	(20,353)
Closing net book amount		**189,112**	**262,268**	**12,247**	**9,389**	**473,016**
At 29 December 2012						
Cost		189,112	310,483	51,027	21,384	572,006
Accumulated amortisation		–	(48,215)	(38,780)	(11,995)	(98,990)
Net book amount		**189,112**	**262,268**	**12,247**	**9,389**	**473,016**

Amortisation expense of €20.4 million (2011: €18.5 million) has been charged to the income statement during the year. The average remaining amortisation period for software costs is three years and development costs is four years.

Approximately €1.1 million (2011: €0.9 million) of software additions during the year were internally generated with the remaining balance acquired from external parties. Development costs of €1.6 million (2011: €1.0 million) were written off during the year due to uncertainty that these projects will reach commercialisation. The intangibles write down of €4.0 million has been charged to exceptional items, (€1.0 million) and operating costs, (€3.0 million).

Note 15 (a): Other intangibles

	Brands/ know-how €'000	Customer relationships €'000	Other €'000	Total other intangibles €'000
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**
Year ended 29 December 2012				
Opening net book amount	154,868	103,786	3,088	261,742
Exchange differences	(3,557)	(2,232)	42	(5,747)
Acquisitions	12,115	6,840	457	19,412
Additions	–	–	599	599
Write-off of intangibles	–	–	(301)	(301)
Amortisation	(2,850)	(10,405)	(182)	(13,437)
Closing net book amount	**160,576**	**97,989**	**3,703**	**262,268**
At 29 December 2012				
Cost	169,319	135,914	5,250	310,483
Accumulated amortisation	(8,743)	(37,925)	(1,547)	(48,215)
Net book amount	**160,576**	**97,989**	**3,703**	**262,268**

Included in cost of brands/know-how are intangible assets of €90.5 million (2011: €92.2 million) which have indefinite useful 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 lives 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 38 years (2011: 39 years) and the remaining brands/know-how is 14 years (2011: 10 years).

Included in customer relationships are individual significant intangible assets of €57.6 million (2011: €64.6 million) with a remaining amortisation period of 9 years (2011: 10 years). The remaining customer relationships are amortised over a period of 10 years (2011: 11 years). The remaining average amortisation period for other intangibles is 10 years (2011: 10 years).

No intangible assets were acquired by way of government grant during the financial year (2011: 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 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 11 (2011: 12) CGUs have been identified and these are allocated between the Groups main segments as follows:

	2012	2011
Cash generating units		
US Cheese and Global Nutritionals	6	5
Dairy Ireland	5	7
	11	12

A summary of goodwill by CGU is as follows:

	Goodwill 2012 €'000	Foreign exchange €'000	Acquisition €'000	Other €'000	Goodwill 2011 €'000
US Cheese & Global Nutritionals					
Customised Premix Solutions	72,315	(1,151)	–	–	73,466
Performance Nutrition	87,106	(1,643)	–	–	88,749
Other CGUs	19,510	(1,251)	15,545	–	5,216
	178,931	**(4,045)**	**15,545**	**–**	**167,431**
Dairy Ireland					
Multiple units without individual significant amounts of goodwill	10,181	–	–	(716)	10,897
	189,112	**(4,045)**	**15,545**	**(716)**	**178,328**

A summary of indefinite life intangibles by segment is as follows:

	Indefinite life intangibles 2012 €'000	Foreign exchange €'000	Acquisition €'000	Indefinite life intangibles 2011 €'000
US Cheese and Global Nutritionals				
Performance Nutrition	90,484	(1,706)	–	92,190

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. 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 2012	Discount rates 2011
US Cheese & Global Nutritionals		
Customised Premix Solutions	8.6%	8.3%
Performance Nutrition	8.6%	8.3%
Other CGUs	8.6%	8.3%
Dairy Ireland		
Multiple units without individual significant amounts of goodwill	8.4%	8.4%

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 11 CGUs. These 5 CGUs had aggregate goodwill of €163.4 million and indefinite life intangibles of €90.5 million at the date of testing. If the estimated EBITDA margin was 10% lower than management's estimates, there would be 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 management's estimates or the discount rate used was 1% higher, again there would be no requirement on the Group to recognise any impairment against goodwill or indefinite life intangibles.

16. Investments in associates

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
At the beginning of the year	**2,259**	**12,178**	**2,298**	**11,757**
Share of profit after tax	–	1,667	–	645
Loss recognised through the statement of comprehensive income	–	(239)	–	(224)
Additions	20,617	53,980	–	–
Write-down of investment	–	–	(39)	–
At the end of the year	**22,876**	**67,586**	**2,259**	**12,178**

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 %
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**	

	Assets €'000	Liabilities €'000	Revenue €'000	Profit/ (loss) €'000	Interest held %
2012					
Co-operative Animal Health Limited[1]	7,800	(5,097)	16,099	392	50.00
South Eastern Cattle Breeding Society Limited[1]	5,349	(810)	2,842	181	57.00
Malting Company of Ireland Limited	5,995	(2,958)	2,773	16	33.33
South East Port Services Limited	9,002	(6,204)	1,904	445	49.00
Greenfield Dairy Partners Limited	–	–	195	24	13.33
Glanbia Ingredients Ireland Limited[2]	131,519	(77,010)	31,229	609	40.00
	159,665	**(92,079)**	**55,042**	**1,667**	

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.

2 See note 7 (e) exceptional items for further details.

Further details in relation to principal associates are outlined in note 39.

17. Investments in joint ventures

	2012 €'000	2011 €'000
At the beginning of the year	**58,484**	**58,945**
Share of profit after tax	10,480	13,686
Disposals	(103)	–
Loss recognised through the statement of comprehensive income	(298)	(777)
Deferred tax movement	3,202	1,645
Dividends received	(13,778)	(14,761)
Exchange differences	495	(254)
At the end of the year	**58,482**	**58,484**

The following amounts represent the Group's share of the assets, liabilities, revenue and profits from joint ventures:

	2012 €'000	2011 €'000
Assets		
Non-current assets	135,419	136,668
Current assets	81,560	75,204
	216,979	211,872
Liabilities		
Non-current liabilities	89,755	84,725
Current liabilities	68,742	68,663
	158,497	153,388
Net assets	**58,482**	**58,484**

	2012 €'000	2011 €'000
Revenue	521,960	501,641
Expenses	(511,480)	(487,955)
Share of profit after tax	**10,480**	**13,686**
Proportionate interest in joint ventures' commitments	2,058	2,193

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 controls only 50% of the voting rights and is entitled to appoint only 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 2012 Company €'000	Available for sale financial assets 2012 Group €'000	Investments 2011 Company €'000	Available for sale financial assets 2011 Group €'000
At the beginning of the year	**599,325**	**11,165**	**599,590**	**14,127**
Disposals/redemption	(19,021)	(1,050)	(265)	(1,478)
Fair value movement recognised through the statement of comprehensive income	–	(971)	–	(1,484)
Additions	31,357	–	–	–
At the end of the year	**611,661**	**9,144**	**599,325**	**11,165**

Investments and available for sale financial assets include the following:

	Investments 2012 Company €'000	Available for sale financial assets 2012 Group €'000	Investments 2011 Company €'000	Available for sale financial assets 2011 Group €'000
Listed securities				
Equity securities – eurozone countries	1	224	1	152
Unlisted securities				
One51 plc	–	447	–	1,490
The Irish Dairy Board Co-operative Limited	–	7,760	–	8,612
Moorepark Technology	–	–	–	198
Other Group companies	611,660	–	599,324	–
Other available for sale financial assets	–	713	–	713
	611,661	**9,144**	**599,325**	**11,165**

There were no impairment provisions on available for sale financial assets or investments in 2012 or 2011.

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 €8.5 million (2011: €9.5 million) are included at cost. 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	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Trade receivables		–	255,548	–	287,672
Less provision for impairment of receivables		–	(10,434)	–	(11,219)
Trade receivables – net		–	245,114	–	276,453
Prepayments		–	8,179	6	11,153
Receivables from Joint Ventures & Associates	37	632	4,890	–	3,987
Loans to joint ventures	37	–	16,735	–	13,475
Value added tax		–	670	–	5,560
Other receivables		–	12,836	–	8,248
Total		**632**	**288,424**	**6**	**318,876**
Less non-current trade receivables:					
Other receivables		–	(100)	–	(1,100)
Loans to joint ventures	37	–	(16,735)	–	(13,475)
Non-Current		**–**	**(16,835)**	**–**	**(14,575)**
Current		**632**	**271,589**	**6**	**304,301**

In 2012, 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 €0.7 million (2011: €10.8 million). The Group recognised no asset relating to these trade receivables in 2012. In 2011 the Group recognised €0.1 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 the income statement.

As disclosed in note 5.3, the Group has one significant external customer. Management are satisfied that it has 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 does 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:

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Euro	632	101,266	6	156,511
US dollar	–	167,438	–	149,211
GBP sterling	–	12,379	–	11,613
Other	–	7,341	–	1,541
	632	**288,424**	**6**	**318,876**

Movement on the Group's provision for impairment of trade receivables is as follows:

	2012 €'000	2011 €'000
At the beginning of the year	**11,219**	**12,802**
Provision for receivables impairment	3,179	3,363
Receivables written off during the year as uncollectible	(3,707)	(4,784)
Unused amounts reversed	(257)	(162)
At the end of the year	**10,434**	**11,219**

As of 29 December 2012, trade receivables of €10.4 million (2011: €11.2 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 €10.4 million (2011: €11.2 million). Set out below is an analysis of trade receivables which remain outstanding outside of trade terms as at 29 December 2012:

	2012 €'000	2011 €'000
Past due and impaired:		
Up to 3 months	2,196	377
3 to 6 months	1,779	353
Over 6 months	6,459	10,489
	10,434	**11,219**

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 nil (2011: €5.0 million).

As of 29 December 2012, trade receivables of €47.9 million (2011: €37.0 million) were past due but not impaired, as they are considered recoverable.

	2012 €'000	2011 €'000
Past due not impaired:		
Up to 3 months	38,824	23,973
3 to 6 months	7,984	13,075
Over 6 months	1,131	–
	47,939	**37,048**

20. Inventories

	2012 €'000	2011 €'000
Raw materials	90,962	79,028
Finished goods	176,905	239,331
Consumables	14,161	18,496
	282,028	**336,855**

Included above are inventories carried at net realisable value amounting to €10.3 million (2011: €51.5 million). The amount written off in respect of these inventories was €9.2 million (2011: €5.2 million).

21. Cash and cash equivalents

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Cash at bank and in hand	–	85,557	5,280	75,367
Short term bank deposits	–	190,015	–	156,006
	–	**275,572**	**5,280**	**231,373**

The fair value of cash and cash equivalents is 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 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**
Currency translation differences	–	–	(8,071)	–	–	–	–	(8,071)
Net investment hedge	–	–	1,409	–	–	–	–	1,409
Revaluation of interest rate swaps – gain in year	–	–	–	2,695	–	–	–	2,695
Foreign exchange contracts – loss in year	–	–	–	(155)	–	–	–	(155)
Transfers to income statement:								
Foreign exchange contracts – loss in year	–	–	–	146	–	–	–	146
Forward commodity contracts – gain in year	–	–	–	(139)	–	–	–	(139)
Interest rate swaps – loss in year	–	–	–	1,059	–	–	–	1,059
Revaluation of forward commodity contracts – loss in year	–	–	–	(161)	–	–	–	(161)
Revaluation of available for sale financial assets – loss in year	–	–	–	–	(971)	–	–	(971)
Deferred tax on fair value movements	–	–	–	(1,110)	275	–	–	(835)
Other deferred tax movements	–	–	–	663	–	–	–	663
Cost of share based payments	–	–	–	–	–	–	3,209	3,209
Transfer on exercise, vesting or expiry of share based payments	–	–	–	–	–	2,245	(1,657)	588
Purchase of own shares	–	–	–	–	–	(7,692)	–	(7,692)
Balance at 29 December 2012	**2,825**	**113,148**	**32,655**	**(2,254)**	**441**	**(8,221)**	**6,695**	**145,289**

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.

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
At the beginning and the end of the year	**4,227**	**2,825**	**4,227**	**2,825**

Note 22 (b): Merger reserve

	2012 €'000	2011 €'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
At the beginning and the end of the year	**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 1,141,334 (2011: 740,576) ordinary shares in Glanbia plc held by an Employee Share Trust which was established in May 2002 to operate initially in connection with the Company's Saving Related Share Option Scheme ('Sharesave Scheme') and subsequently for the vesting of shares under the 2008 LTIP. The trustee of the Employee Share Trust is Computershare Trustees (Jersey) Limited, a Jersey based trustee services company.

The shares included in the Employee Share Trust at 29 December 2012 cost €8.2 million (2011: €2.8 million) and had a market value of €9.4 million (2011: €3.4 million). The dividend rights in respect of these shares have been waived, save 0.001 pence per share.

Shares purchased under 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 and 2008 LTIP schemes, net of transfers on vesting or expiry of share based payments.

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
At the beginning of the year	**5,143**	**5,143**	**4,729**	**4,729**
Transfer on exercise, vesting or expiry of share based payments	(1,657)	(1,657)	(1,974)	(1,974)
Cost of share based payments	3,209	3,209	2,388	2,388
At the end of the year	**6,695**	**6,695**	**5,143**	**5,143**

2002 Long Term Incentive Plan ('the 2002 LTIP')
Movement in the 2002 LTIP for the year ended 29 December 2012 and 31 December 2011 is as follows:

	2012 Average exercise price in € per share	2012 Number of options	2011 Average exercise price in € per share	2011 Number of options
At the beginning of the year	**2.97**	**1,553,000**	**2.37**	**1,980,000**
Granted	–	–	4.22	270,000
Exercised	(2.68)	(423,000)	(1.75)	(697,000)
At the end of the year	**3.08**	**1,130,000**	**2.97**	**1,553,000**

Expiry date in	Exercise price €	2012 Number of options	2011 Number of options
2013	1.90	60,000	160,000
2014	2.47	100,000	100,000
2014	2.73	530,000	805,000
2016	2.87	50,000	50,000
2017	4.03	70,000	118,000
2019	2.29	50,000	50,000
2020	2.65	20,000	20,000
2021	3.68	20,000	20,000
2021	3.95	20,000	20,000
2021	4.38	90,000	90,000
2021	4.30	55,000	55,000
2021	4.70	45,000	45,000
2021	4.63	20,000	20,000
		1,130,000	**1,553,000**

Total options of 1,130,000 (2011: 1,553,000) ordinary shares were outstanding at 29 December 2012 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 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 25,000 (2011: 32,900) ordinary shares. The cost of the 2002 LTIP charged in the Group income statement was €0.2 million (2011: €0.1 million).

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 has been calculated using the Binomial Model. Options over 860,000 (2011: 1,233,000) ordinary shares were exercisable at 29 December 2012 at a weighted average price of €2.73 (2011: €2.73). The weighted average share price at the date of exercise for share options exercised was €6.97 (2011: €4.65). The weighted average life for share options outstanding is four years.

2008 Long Term Incentive Plan ('the 2008 LTIP')

This is a long-term share incentive plan, which was introduced in 2008 following the approval by the shareholders, under which share awards are granted to executive directors and certain senior managers in the form of a provisional allocation of shares for which no exercise price is payable.

Following a review of executive remuneration policy and design in 2011, the following amendments to the 2008 LTIP were recommended to and approved by the shareholders at the 2012 Annual General Meeting:

- Long Term Incentive individual annual award level of a maximum 150% of Base Salary and in exceptional cases and in relation to specific local needs (USA), a maximum of 200% of Base Salary (previous maximum 115%) determined by reference to relative Total Shareholder Return (TSR), Earnings Per Share (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.
- 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).
- 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.

Awards outstanding under the 2008 LTIP as at 29 December 2012 amounted to 2,714,000 (2011: 2,476,500) and are scheduled for release in May 2013, March 2014 and August 2015 to the extent that there is sustained improvement in the underlying financial performance over a three year period as determined by the Remuneration Committee. The extent of vesting for the awards scheduled to vest in 2013 and 2014 shall be determined by growth in the Company's EPS and the Company's TSR performance, each representing 50 per cent of the maximum vesting level. The awards scheduled to vest in 2015 are subject to the additional performance measure of Return On Capital Employed (ROCE), with each of EPS, TSR and ROCE representing one third of the maximum vesting level.

The TSR element is assessed against a group of leading peer companies, the EPS element is measured against pre-set targeted adjusted EPS growth criteria for the Group and the ROCE (in respect of awards scheduled to vest in 2015) is also measured against pre-set targets as set out in the Remuneration Committee Report on pages 71 and 72.

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 expense of €3.0 million (2011: €2.3 million) 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.

Movement in the 2008 LTIP for the year ended 29 December 2012 and 31 December 2011 is as follows:

	2012 Number of awards	2011 Number of awards
At the beginning of the year	**2,476,500**	**2,283,000**
Granted	855,500	776,500
Vested	(598,842)	(244,728)
Lapsed	(19,158)	(338,272)
At the end of the year	**2,714,000**	**2,476,500**

	2012 Number of awards	2011 Number of awards
Expiry date in		
2013	–	618,000
2014	1,082,000	1,082,000
2015	776,500	776,500
2016	855,500	–
At the end of the year	**2,714,000**	**2,476,500**

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 2012 €'000	Expense in Group income statement 2011 €'000
Granted in 2008						
2008 Long Term Incentive Plan	4.45	–	583,000	3.54	–	25
Granted in 2009						
2008 Long Term Incentive Plan	2.72	–	618,000	2.22	(24)	520
Granted in 2010						
2008 Long Term Incentive Plan	2.82	1 years	1,082,000	2.31	805	833
Granted in 2011						
2008 Long Term Incentive Plan	4.35	2 years	776,500	3.59	850	929
Granted in 2012						
2008 Long Term Incentive Plan	6.26	3 years	855,500	5.44	1,416	–

Shares awarded under the 2008 LTIP are equity settled share-based payments as defined in IFRS 2 - Share Based Payments. On the 30 August 2012, 598,842 of the share awards granted in 2009 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 2012	Granted in 2011	Granted in 2010	Granted in 2009
Risk-free interest rate	0.2%	2%	1%	2%
Expected volatility	33.1%	45%	47%	35%
Dividend yield	1.6%	2%	1%	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 award.

23. Share capital and share premium

Company	Number of shares (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 31 December 2011	**294,533**	**17,672**	**438,558**	**456,230**
Shares issued	423	25	1,108	1,133
At 29 December 2012	**294,956**	**17,697**	**439,666**	**457,363**

Group	Number of shares (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 31 December 2011	**294,533**	**17,672**	**83,290**	**100,962**
Shares issued	423	25	1,108	1,133
At 29 December 2012	**294,956**	**17,697**	**84,398**	**102,095**

The total authorised number of ordinary shares is 306 million shares (2011: 306 million shares) with a par value of €0.06 per share (2011: €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 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**
Profit for the year		55,903	143,790	–	143,790
Other comprehensive income/(expense)					
Actuarial loss – defined benefit schemes	28	–	(98,763)	–	(98,763)
Deferred tax on actuarial loss	27	–	10,635	–	10,635
Share of actuarial loss – Joint Ventures & Associates		–	(1,058)	–	(1,058)
Total comprehensive income for the year		**55,903**	**54,604**	**–**	**54,604**
Dividends paid during the year		(25,327)	(25,327)	–	(25,327)
Transfer on exercise, vesting or expiry of share based payments	22	(588)	(588)	–	(588)
Balance at 29 December 2012		**107,795**	**382,958**	**(92,961)**	**289,997**

25. Non-controlling interests

	2012 €'000	2011 €'000
At the beginning of the year	**7,135**	**6,892**
Share of profit for the year	440	630
Dividends paid to non-controlling interests during the year	(300)	(387)
At the end of the year	**7,275**	**7,135**

26. Borrowings

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Current				
Bank overdraft and borrowings	2,756	100,661	–	51,781
Cumulative redeemable preference shares	–	24,425	–	–
Finance lease liabilities	–	–	–	1,027
	2,756	125,086	–	52,808
Non-current				
Bank borrowings	–	241,454	–	342,034
Private debt placement	–	246,530	–	251,179
Cumulative redeemable preference shares	–	39,062	–	63,487
Finance lease liabilities	–	–	–	2,196
	–	527,046	–	658,896
Total borrowings	**2,756**	**652,132**	**–**	**711,704**

Bank borrowings are secured by cross-guarantees from other 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 (total authorised 50 million) currently carry the right to a fixed cumulative annual dividend of 8.6977 cents per share. Subsequent to year end, 19.236 million shares were redeemed at the issue price while on 31 July 2014 the remaining 30.764 million shares still in issue will be redeemed at the issue price.

During 2011, 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.

During 2012, the Group also renewed its committed banking facilities totalling €467.9 million, extending the maturity date out to 2 January 2018.

The maturity of non-current borrowings is as follows:

	2012 €'000	2011 €'000
Between 1 and 2 years	39,062	343,108
Between 2 and 5 years	–	64,609
More than 5 years	487,984	251,179
	527,046	**658,896**

The exposure of the Group's total borrowings to interest rate changes, taking account of contractual repricing dates, at the reporting date are as follows:

	2012 €'000	2011 €'000
12 months or less	366,540	203,815
Between 1 and 2 years	39,062	190,000
Between 2 and 5 years	–	66,710
More than 5 years	246,530	251,179
	652,132	**711,704**

The effective interest rates at the reporting date are as follows:

	EUR		USD		CAD	
	2012	2011	2012	2011	2012	2011
Overdrafts	**2.00%**	1.80%	**–**	5.25%	**4.00%**	4.00%
Borrowings	**2.91%**	4.05%	**4.94%**	4.39%	**3.42%**	2.03%

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amount 2012 €'000	Carrying amount 2011 €'000	Fair value 2012 €'000	Fair value 2011 €'000
Non-current borrowings	527,046	658,896	567,121	699,835

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:

	2012 €'000	2011 €'000
Euro	357,556	368,635
US dollar	286,126	327,641
Canadian dollar	8,450	15,428
	652,132	**711,704**

The Group has the following undrawn borrowing facilities:

	2012 €'000	2011 €'000
Expiring within 1 year	8,060	128,111
Expiring beyond 1 year	225,812	167,966
	233,872	**296,077**

All of the undrawn borrowing facilities are floating rate facilities.

Finance lease liabilities – minimum lease payments:

	2012 €'000	2011 €'000
12 months or less	–	1,172
Between 1 and 2 years	–	1,172
Between 2 and 5 years	–	1,173
	–	3,517
Future finance charges on finance leases	–	(294)
	–	**3,223**

The present value of finance lease liabilities is as follows:

	2012 €'000	2011 €'000
12 months or less	–	1,027
Between 1 and 2 years	–	1,074
Between 2 and 5 years	–	1,122
	–	**3,223**

27. Deferred income taxes

The following amounts, determined after appropriate offsetting (note 2 (l)) are shown in the consolidated statement of financial position:

	2012 €'000	2011 €'000
Deferred income tax assets	(19,963)	(11,255)
Deferred income tax liabilities	91,057	93,459
Net deferred income tax liability	**71,094**	**82,204**

The gross movement on the deferred income tax account is as follows:

	Notes	2012 €'000	2011 €'000
At the beginning of the year		**82,204**	**68,578**
Income statement – pre exceptional charge (continuing and discontinued operations)	11	2,089	11,007
Income statement – exceptional (credit)	11	(1,204)	–
Deferred income tax charge/(credit) to other comprehensive income	22	835	(1,214)
Deferred income tax (credit) on actuarial loss	24	(10,635)	(2,615)
Deferred income tax on acquisition of intellectual property	36	855	4,590
Movement on disposal of operations	7	(2,232)	–
Exchange differences		(818)	1,858
At the end of the year		**71,094**	**82,204**

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 development costs €'000	Other €'000	Total €'000
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		–	–	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**
Charged/(credited) to income statement		705	–	(1,243)	4,296	3,758
Charged to other comprehensive income	22	–	835	–	–	835
Acquisition of intellectual property	36	–	–	855	–	855
Movement on disposal of operations		(6,281)	(663)	(6)	99	(6,851)
Exchange differences		(642)	–	(540)	192	(990)
Reclassification from deferred income tax assets		–	(9)	–	–	(9)
At 29 December 2012		**35,757**	**163**	**25,991**	**29,146**	**91,057**

Deferred income tax assets	Notes	Retirement benefit obligations €'000	Fair value loss €'000	Tax losses €'000	Other €'000	Total €'000
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)**
Charged/(credited) to income statement		1,189	–	850	(4,912)	(2,873)
(Credited) to other comprehensive income	24	(10,635)	–	–	–	(10,635)
Movement on disposal of operations		4,619	–	–	–	4,619
Exchange differences		–	–	(38)	210	172
Reclassification to deferred income tax liabilities		–	9	–	–	9
At 29 December 2012		**(8,396)**	**–**	**(612)**	**(10,955)**	**(19,963)**

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. This includes deferred income tax assets which 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 unrecognised tax losses of €122.1 million (2011: €100.8 million) to carry forward against future taxable profits, of which €48.8 million (2011: €35.6 million) are unrecognised capital losses. 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 charged/(credited) to other comprehensive income during the year is as follows:

	Notes	2012 €'000	2011 €'000
Available for sale financial asset reserve	22	(275)	(286)
Hedging reserve	22	1,110	(928)
Disposal of operations	22	(663)	–
Retirement benefit obligations	24	(10,635)	(2,615)
		(10,463)	**(3,829)**

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 30 June 2009 and 1 January 2012. The contributions paid to the schemes in 2012 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:

	2012 €'000	2011 €'000
Present value of funded obligations	(430,736)	(448,447)
Fair value of plan assets	332,603	400,022
Liability in the Group statement of financial position	**(98,133)**	**(48,425)**

The amounts recognised in the Group income statement are as follows:

	Notes	2012 €'000	2011 €'000
Defined benefit pension schemes			
– Service costs – current		(4,317)	(4,317)
– Service costs – past		(435)	–
– Interest costs		(23,589)	(22,949)
– Expected return on plan assets		20,343	24,036
Total (expense)	8	**(7,998)**	**(3,230)**
Defined contribution pension schemes	8	**(3,509)**	**(3,020)**

The actual return on plan assets was a profit of €43.2 million (2011: €7.3 million).

The movement in the liability recognised in the Group statement of financial position over the year is as follows:

	2012 €'000	2011 €'000
At the beginning of the year	**(48,425)**	**(48,560)**
Exchange differences	(476)	(542)
Total expenses	(7,998)	(3,230)
Actuarial (loss) - defined benefit schemes	(98,763)	(17,029)
Disposal	36,954	–
Contributions paid by employer	20,575	20,936
At the end of the year	**(98,133)**	**(48,425)**

During 2012, the Group amended the basis of estimation for determining the discount rate. A customised version of the existing model was used which increased the number of bonds at longer duration by including all bonds which have a AA rating from at least one ratings agency. It is expected that the use of this customised model will reduce future volatility in the discount rate. The revised basis increased the discount rate from 3.4% to 3.8% which in turn decreased the liabilities of the scheme by €26.0 million. The Group also made an allowance for commutation factors which reduced the liabilities of the scheme by €15.0 million.

The movement in obligations during the year is as follows:

	2012 €'000	2011 €'000
At the beginning of the year	**(448,447)**	**(437,911)**
Exchange differences	(1,757)	(2,291)
Current service costs	(4,317)	(4,317)
Reclassification to plan assets	–	4,437
Interest costs	(23,589)	(22,949)
Actuarial gains/(losses):		
– Experience (loss)/gain	(591)	2,248
– Change in assumptions	(121,046)	(2,545)
Contributions by plan participants	(3,129)	(3,162)
Past service costs	(435)	–
Disposal	152,007	–
Benefits paid	20,568	18,043
At the end of the year	**(430,736)**	**(448,447)**

The movement in the fair value of plan assets during the year is as follows:

	2012 €'000	2011 €'000
At the beginning of the year	**400,022**	**389,351**
Exchange differences	1,281	1,749
Reclassification to obligations	–	(4,437)
Expected return on plan assets	20,343	24,036
Actuarial gain/(loss)	22,874	(16,732)
Contributions by plan participants	3,129	3,162
Contributions paid by employer	20,575	20,936
Disposal	(115,053)	–
Benefits paid	(20,568)	(18,043)
At the end of the year	**332,603**	**400,022**

The principal actuarial assumptions used are as follows:

	2012 IRL	2012 UK	2011 IRL	2011 UK
Discount rate	3.80%	4.45%	5.60%	4.80% - 5.00%
Expected return on plan assets				
– Equities	7.30%	6.75%	7.50%	6.80%
– Corporate bonds	3.30%	4.10%	4.50%	4.70%
– Government bonds and gilts	3.30%	2.75%	4.30%	2.80%
– Cash	1.00%	2.85%	2.00%	2.70%
– Property	6.00%	6.25%	6.25%	6.30%
– Other assets	4.60%	6.25%	5.40%	6.30%
Inflation rate	2.00%	2.15% - 2.95%	2.00%	2.00% - 3.00%
Future salary increases	3.00%	3.70%	3.00%	3.75%
Future pension increases**	0.50%	2.25% - 2.80%	0.50%	2.80%

** The future pension increases on the Irish pension schemes have been calculated on a weighted average basis.

Cumulative actuarial losses:	2012 €'000	2011 €'000
Actuarial loss for the year	98,763	17,029
Cumulative actuarial losses	**257,619**	**158,856**

Plan assets are comprised as follows:

	2012 €'000	2012 %	2011 €'000	2011 %
Equities	132,079	40	163,281	41
Corporate bonds	32,394	10	36,269	9
Government bonds and gilts	123,891	37	141,457	35
Property	13,098	4	20,799	5
Cash	5,260	1	11,711	3
Other	25,881	8	26,505	7
	332,603	**100**	**400,022**	**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 €14.7 million in 2013.

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:

	2012 Irish mortality rates	2012 UK mortality rates	2011 Irish mortality rates	2011 UK mortality rates
Male	24.4	22.3	24.3	22.2
Female	27.1	25.0	27.1	24.7

The mortality assumptions imply the following life expectancies in years of an active member, aged 65, retiring now:

	2012 Irish mortality rates	2012 UK mortality rates	2011 Irish mortality rates	2011 UK mortality rates
Male	20.9	21.0	20.8	20.8
Female	23.7	23.4	23.6	23.1

Five year summary

	2012 €'000	2011 €'000	2010 €'000	2009 €'000	2008 €'000
At the end of the year					
Fair value of plan assets	332,603	400,022	389,351	349,245	301,499
Present value of funded obligations	(430,736)	(448,447)	(437,911)	(435,010)	(465,909)
Deficit	**(98,133)**	**(48,425)**	**(48,560)**	**(85,765)**	**(164,410)**
Experience adjustments on plan liabilities	**(591)**	**2,248**	**8,442**	**5,366**	**(3,175)**
Experience adjustments on plan assets	**22,874**	**(16,732)**	**7,929**	**12,314**	**(104,229)**

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.

2012

Assumption	Change in assumption	Impact on Irish plan liabilities	Impact on UK plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/increase by €15.7m	Decrease/increase by (€3.5m)/€3.4m
Price inflation	Increase/decrease 0.25%	Increase/decrease by €5.8m	Increase/decrease by €2.6m/(€2.8m)
Mortality	Increase/decrease by one year	Increase/decrease by €7.2m	Increase/decrease by €2.6m/(€2.9m)

2011

Assumption	Change in assumption	Impact on Irish plan liabilities	Impact on UK plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/increase by €14.4m	Decrease/increase by (€3.1m)/€3.3m
Price inflation	Increase/decrease 0.25%	Increase/decrease by €6.7m	Increase/decrease by €2.3m/(€2.2m)
Mortality	Increase/decrease by one year	Increase/decrease by €7.8m	Increase/decrease by €2.5m

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 2012	**9,169**	**18,983**	**3,676**	**1,742**	**6,426**	**39,996**
Provided for in the year	9,333	–	2,232	–	3,569	15,134
Disposal	(2,029)	–	(750)	–	–	(2,779)
Utilised in the year	(6,452)	(980)	(135)	(232)	(2,259)	(10,058)
Exchange differences		431	(72)	9	(59)	309
Unwinding of discounts	–	121	–	40	–	161
At 29 December 2012	**10,021**	**18,555**	**4,951**	**1,559**	**7,677**	**42,763**
Non-current	–	17,564	–	1,327	3,122	22,013
Current	10,021	991	4,951	232	4,555	20,750
	10,021	**18,555**	**4,951**	**1,559**	**7,677**	**42,763**

(a) The restructuring provision relates to the rationalisation programme that the Group is currently undertaking. The provision, which relates mainly to termination payments is expected to be fully utilised during 2013. The amount provided in the year is recognised in the income statement as an exceptional item.

(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 31 years.

(c) The legal claims provision relates to legal claims brought against the Group. The amounts provided for in the year are recognised in the income statement within administrative expenses. The balance at 29 December 2012 is expected to be utilised during 2013. 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 for at 29 December 2012.

(d) The property and lease commitments provision relates to onerous leases in respect of two properties where the Group has a present and future obligation to make lease payments. It is expected that €0.2 million will be utilised during 2013 and the balance will be fully utilised over the next 5 years.

(e) The operational provision represents deferred payments in respect of recent acquisitions and other provisions related to operations. It is expected that €4.6 million of this provision will be utilised during 2013. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.

30. Capital grants

	2012 €'000	2011 €'000
At 1 January 2012	**17,161**	**18,609**
Released to income statement	(1,278)	(1,440)
Released to income statement - exceptional items	(532)	–
Additions	1,092	–
Exchange differences	3	(8)
Disposal of subsidiary	(13,810)	–
At 29 December 2012	**2,636**	**17,161**

31. Trade and other payables

	Notes	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Trade payables		4	159,111	5	167,362
Amounts due to Joint Ventures & Associates	37	–	79,061	–	47,228
Amounts due to other related parties	37	–	30	–	176
Amounts due to other Group companies		61,705	–	63,528	–
Social security costs		–	3,588	–	3,605
Accrued expenses		2,845	101,806	2,704	173,787
Other payables		–	1,827	–	8,692
		64,554	**345,423**	**66,237**	**400,850**

The carrying value of payables is a reasonable approximation of fair value.

32. Derivative financial instruments

	2012 Assets €'000	2012 Liabilities €'000	2011 Assets €'000	2011 Liabilities €'000
Non-hedging instruments	661	–	1,873	–
Interest rate swaps – cash flow hedges	–	–	–	(3,174)
Interest rate swaps – fair value hedges	–	–	1,638	–
Foreign exchange contracts – cash flow hedges	9	(16)	717	(2,028)
Commodity futures – cash flow hedges	42	(177)	772	(613)
Commodity futures – fair value hedges	745	(745)	1,161	(1,161)
Total	**1,457**	**(938)**	**6,161**	**(6,976)**
Less non-current portion:				
Interest rate swaps – cash flow hedges	–	–	–	(1,319)
Non-current	**–**	**–**	**–**	**(1,319)**
Current	**1,457**	**(938)**	**6,161**	**(5,657)**

Non-hedging instruments
Non-hedging instruments refers to a translation difference on a GBP/USD currency swap with a notional amount of GBP 20.0 million (2011: USD 25.0 million).

Interest rate swaps
The notional principal amount of the outstanding interest rate swap contracts, qualifying as cash flow hedges at 29 December 2012 were nil (2011: €55.0 million).

The notional principal amount of the outstanding interest rate swap contracts, qualifying as fair value hedges at 29 December 2012 were nil (2011: €100.0 million).

Gains and losses recognised in the hedging reserve in other comprehensive income on interest rate swap contracts at 29 December 2012 will be continuously recycled to the income statement until repayment of the related bank borrowings.

Foreign exchange contracts
The notional principal amounts of the outstanding foreign exchange contracts at 29 December 2012 were €2.2 million (2011: €80.7 million).

Gains and losses recognised in the hedging reserve in other comprehensive income on foreign exchange contracts at 29 December 2012 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 and oil) futures, qualifying as cash flow hedges and fair value hedges at 29 December 2012 were €2.4 million and €48.3 million respectively (2011: €8.3 million and €49.1 million). Gains and losses recognised in the hedging reserve in other comprehensive income on these futures as at 29 December 2012 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 (2011: USD 98.5 million) is designated as a hedge of the net investment in the Group's US dollar net assets. The fair value of the borrowing was €74.7 million (2011: €76.1 million). The foreign exchange loss of €1.4 million (2011: €0.2 million) arising on translation of the borrowing into euro at 29 December 2012 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 the fair value of the financial guarantee contracts issued in its name.

Call option
Glanbia Co-operative Society Limited has a call option to acquire Glanbia plc's 40% interest in Glanbia Ingredients Ireland Limited under an agreed valuation methodology for a six year period from November 2012. The Group is satisfied, based on professional advice received, that there is no more than a nominal value attached to this call option.

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 29 December 2012 and the Directors are of the opinion that no losses will arise thereon. These subsidiaries avail of the exemption from filing 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 amount of the potential liability under the UK pension guarantee is reducing annually by the contributions paid into these schemes. The Company treats the guarantee contracts 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 €2.4 million (2011: €3.4 million) are outstanding as at 29 December 2012, 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:

	2012 €'000	2011 €'000
Property, plant and equipment	38,361	28,732

Operating lease commitments – where the Group is the lessee

The Group leases various assets. Generally, operating leases are short-term with no purchase option. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 €'000	2011 €'000
Not later than 1 year	10,813	9,118
Later than 1 year and not later than 5 years	34,661	25,259
Later than 5 years	37,350	19,702
	82,824	**54,079**

35. Cash generated from operations

	Notes	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011* Group €'000
Profit before taxation - continuing operations		**43,554**	**149,307**	**59,114**	**105,576**
Development costs capitalised	15	–	(4,339)	–	(4,042)
Write-off of intangibles	15	–	3,996	–	1,195
Non-cash exceptional loss/(gain) - continuing operations		12,350	(1,610)	–	8,723
Share of results of Joint Ventures & Associates		–	(12,147)	–	(14,331)
Depreciation		–	25,012	–	22,572
Amortisation		–	19,864	–	17,947
Cost of share based payments	22	3,209	3,209	2,388	2,388
Difference between pension charge and cash contributions		–	(12,577)	–	(17,706)
(Profit)/loss on disposal of property, plant and equipment		–	(146)	–	363
Interest income	10	–	(2,942)	–	(3,056)
Interest expense	10	–	23,370	–	26,467
Non-cash movement on investments		–	–	(761)	–
Amortisation of government grants received		–	(247)	–	(327)
Cash generated from continuing operations before changes in working capital		**59,113**	**190,750**	**60,741**	**145,769**
Change in net working capital:					
– (Increase) in inventory		–	(54,341)	–	(22,405)
– (Increase)/decrease in short term receivables		(626)	(93,078)	103	(9,427)
– (Decrease)/increase in short term liabilities		(1,668)	87,752	(40,829)	20,516
– (Decrease) in provisions		(16)	(5,920)	(204)	(12,020)
Cash generated from continuing operations		**56,803**	**125,163**	**19,811**	**122,433**
Cash generated from discontinued operations	7	**–**	**3,654**	**–**	**22,953**
Total cash generated from operations		**56,803**	**128,817**	**19,811**	**145,386**

* As re-presented to reflect the effect of discontinued operations - refer to note 7 for further information

36. Business combinations

On 25 July 2012 the Group acquired 100% of Aseptic Solutions USA Ventures, LLC ("AS"). AS is a manufacturer and co-packer of nutritional beverages including premium super-fruit drinks, vitamin shots and protein shakes. AS expands Ingredient Technologies' end-to-end solutions capability as an ingredients supplier, formulator and end product manufacturer and enhances its competitive position.

Details of net assets acquired and goodwill arising from the acquisition are as follows:

	€'000
Purchase consideration – cash paid	45,365
Less: fair value of assets acquired	29,820
Goodwill	**15,545**

Goodwill is attributable to the profitability and development opportunities and the benefits associated with the extension of the Group's portfolio by complementing and enhancing existing ingredient solution capabilities.

The fair value of assets and liabilities arising from the acquisition are as follows:

	Fair value €'000
Property, plant and equipment	12,991
Intangible assets - other	457
Intangible assets - brands/know-how	12,115
Intangible assets - customer relationships	6,840
Inventories	1,653
Trade and other receivables	4,166
Trade and other payables	(7,547)
Deferred income tax liabilities	(855)
Fair value of assets acquired	**29,820**

The revenue included in the Group income statement from 25 July 2012 to 29 December 2012 contributed by the new business was €12.3 million. The new business also contributed profit before interest, tax and amortisation of €0.9 million over the same period.

The revenue and profit for the financial year ended 29 December 2012, determined in accordance with IFRS 3 - Business Combinations, as though the acquisition date for the AS business effected during the year had been at the beginning of the year would be as follows; revenue €32.1 million and profit before interest, tax and amortisation of €4.5 million.

Acquisition related costs included in the Group income statement for the year ended 29 December 2012 amounted to €1.0 million (2011: €0.4 million).

No contingent liabilities arose following the acquisition. The gross contractual value and fair value of trade and other receivables at the acquisition date amounted to €4.4 million. An allowance for doubtful debts of €0.2 million is included.

37. Related party transactions

The Group is controlled by Glanbia Co-operative Society Limited, which holds 48.3% 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

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Sales of goods:				
– Associates	–	6,292	–	3,576
– Joint ventures	–	61,279	–	95,563
– Key management[1]	–	2,088	–	1,185
	–	**69,659**	**–**	**100,324**
Sales of services:				
– Glanbia Co-operative Society Limited	–	401	–	336
– Associates	–	109	–	17
– Joint ventures	–	18,082	–	15,297
– Subsidiaries	–	–	62,124	–
	–	**18,592**	**62,124**	**15,650**

Sales to related parties were carried out under normal commercial terms and conditions.

(b) Purchases of goods and services

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Purchases of goods:				
– Associates	–	22,966	–	9,115
– Joint ventures	–	4,580	–	3,825
– Key management[1]	–	2,985	–	3,029
	–	**30,531**	**–**	**15,969**
Purchases of services:				
– Glanbia Co-operative Society Limited	–	687	–	791
– Associates	–	1,751	–	1,488
– Joint ventures	–	–	–	81
– Subsidiaries	3,283	–	2,305	–
	3,283	**2,438**	**2,305**	**2,360**

[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 during the year (2011: nil).

Purchases from related parties were carried out under normal commercial terms and conditions.

(c) Year-end balances

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Receivables from related parties:				
– Glanbia Co-operative Society Limited	–	1,145	–	117
– Associates	632	4,036	–	–
– Joint ventures	–	854	–	3,987
– Key management[1]	–	721	–	284
	632	**6,756**	**–**	**4,388**
Payables to related parties:				
– Associates	–	32,428	–	1,581
– Joint ventures	–	46,633	–	45,647
– Key management[1]	–	30	–	176
– Subsidiaries	61,705	–	60,216	–
	61,705	**79,091**	**60,216**	**47,404**

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 payable one month after the date of purchase. The payables bear no interest.

(d) Key management compensation[2]

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Salaries and other short-term employee benefits	–	4,664	–	3,357
Post-employment benefits	–	428	–	456
Share based payments	–	1,567	–	1,368
Non-executive Directors fees	815	815	684	684
	815	**7,474**	**684**	**5,865**

[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 during the year (2011: nil).

[2] Key management compensation includes Directors (executive and non-executive) and members of the Group Operating Executive Committee, including the Group Secretary.

(e) Loans to joint ventures and associates

	2012 Company €'000	2012 Group €'000	2011 Company €'000	2011 Group €'000
Loans receivable				
At the beginning of the year	**–**	**13,475**	**–**	**13,060**
Foreign exchange difference on opening balance	–	(15)	–	415
Loans advanced	–	3,275	–	–
At the end of the year	**–**	**16,735**	**–**	**13,475**
Interest on loans receivable				
At the beginning of the year	**–**	**106**	**–**	**392**
Foreign exchange difference on opening balance	–	1	–	13
Interest charged	–	596	–	542
Interest received	–	(578)	–	(841)
At the end of the year	**–**	**125**	**–**	**106**
Total loans and interest receivable at the end of the year	**–**	**16,860**	**–**	**13,581**

The USD 10.0 million loan to Southwest Cheese Company, LLC is due on 16 December 2013. The GBP 6.25 million loan to Milk Ventures (UK) Limited is due as GBP 4.8 million on 30 April 2013 and GBP 1.45 million on 4 October 2013. It is expected these loans will roll over on the repayment dates. There is also a loan of €1.5 million to South East Port Services Limited, which is due as €0.75 million payable on 31 October 2014 and 31 October 2015, subject to cash flows.

(f) Related party transaction

As outlined in note 7, in November 2012, the Group reached an agreement with Glanbia Co-operative Society Limited (the "Society") whereby the Society acquired a 60% interest in the Dairy Ingredients business, GIIL. With effect from 25 November 2012 the Group's 40% shareholding in GIIL has been treated as an associate undertaking and accounted for using the equity method in accordance with IAS 28. As the Society is the largest Glanbia plc shareholder, the establishment of GIIL was classified as a related party transaction under the Listing Rules and was subject to and conditional upon, the approval of the independent shareholders. Approval was sought and obtained at an Extraordinary General Meeting (EGM) of the Group held on 20 November 2012.

38. Events after the reporting period

There were no significant events, outside the ordinary course of business, affecting the Group since 29 December 2012.

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	Kilkenny and Citywest, Dublin 24	Consumer food products and general trading	100.00
Glanbia Consumer Foods Limited	Kilkenny	Soups	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
Aseptic Solutions USA Ventures, LLC	Corona, California	Beverage manufacturer & co packer	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 distribution	100.00
Glanbia Nutritionals (UK) Limited	Middlesbrough, England	Sports nutrition products manufacturing	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–11	Tullow, Co. Carlow	Agri chemicals	50.00
South Eastern Cattle Breeding Society Limited *	31–Dec–11	Thurles, Co. Tipperary	Cattle breeding	57.00
Malting Company of Ireland Limited *	30–Sept–12	Togher, Cork	Malting	33.33
South East Port Services Limited *	29–Dec–12	Kilkenny	Port services	49.00
Greenfield Dairy Partners Limited *	29–Dec–12	Dunbell, Co. Kilkenny	Dairy production and development	13.33
Corman Miloko Ireland Limited **	29–Dec–12	Carrick-on-Suir, Co. Tipperary	Dairy spreads	45.00
Garristown Properties Limited **	29–Dec–12	Garristown, Co. Dublin	Property development	50.00
Glanbia Ingredients Ireland Limited*	29–Dec–12	Kilkenny	Milk Products	40.00
United States				
Southwest Cheese Company, LLC **	29–Dec–12	Clovis, New Mexico	Milk products	50.00
Britain and Northern Ireland				
Glanbia Cheese Limited **	29–Dec–12	Magheralin and Llangefni	Cheese products	51.00
Milk Ventures (UK) Limited **	24–Nov–12	Stockport, England	Holding company	50.00
Nigeria				
Nutricima Limited **	24–Nov–12	Nigeria	Evaporated and powdered milk	50.00

Pursuant to section 16 of the Companies Act, 1986 a full list of subsidiaries, joint ventures 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

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.

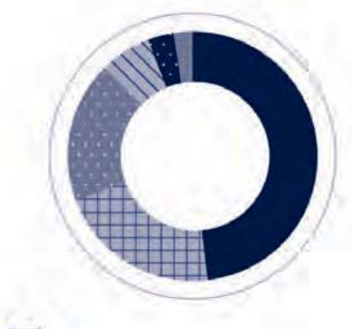
Contact details: telephone number 01 247 5349 (within Ireland), 00353 1 247 5349 (outside Ireland), or by logging on to www.investorcentre.com/ie/contactus.

Information on shares

	2012	2011
Share price data	**€**	**€**
Share price as at 29 December 2012	**8.24**	4.63
Market capitalisation	**2,430m**	1,362m
Share price movements during the year:		
– high	**8.24**	5.02
– low	**4.68**	3.55

The current share price of Glanbia plc ordinary shares can be accessed at http://www.glanbia.com/prices-delayed

Shareholder analysis



- Glanbia Co-operative Society Limited*...... **48.3%**
- Retail.. **20.9%**
- UK.. **18.3%**
- North America.. **6.9%**
- EU... **3.3%**
- Ireland.. **2.3%**

* Glanbia Co-operative Society Limited has indicated to the Company it will dispose of shares equivalent to 7% of the issued share capital of the Company on 14 March 2013 by way of a distribution of said shares to its members.

Share capital
The authorised share capital of the Company at 29 December 2012 was 306,000,000 ordinary shares at €0.06 each. The issued share capital at 29 December 2012 was 294,955,684 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 29 December 2012 and 12 March 2013 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	142,588,848	48.3%
Prudential plc group of companies	11,780,393	3.99%

Employee share schemes
The Company operates a number of employee share schemes. At 29 December 2012, 1,141,334 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 3.66 cents per share was paid in respect of ordinary shares on 19 October 2012.

Subject to shareholders' approval, a final dividend of 5.43 cents per share will be paid in respect of ordinary shares on 31 May 2013 to shareholders on the register of members on 19 April 2013. 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 2012	13 March 2013
Ex-dividend date	17 April 2013
Record date for dividend	19 April 2013
Date for receipt of proxy forms	19 May 2013
Record date for AGM	19 May 2013
AGM	21 May 2013
Dividend payment date	31 May 2013

AGM
The AGM will be held on 21 May 2013. 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 2013 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 plc 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 2013 AGM the record date is 5:00 pm on 19 May 2013 (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 2013 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 10 April 2013 (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 2013 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 10 April 2013 (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 2013 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 2013 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 2013 AGM (i.e. 16 May 2013) 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

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Pinsent Masons,
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United Kingdom.

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Allied Irish Banks, plc
The Governor and Company of the Bank of Ireland
BNP Paribas S.A.
Barclays Bank Ireland plc
Citibank N.A.
Danske Bank A/S
Rabobank International
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 2012 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.

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