

Glanbia plc Annual Report 2013

GLOBAL MOMENTUM



We are a global performance nutrition and ingredients group with operations in 32 countries world-wide. We have leading market positions in sports nutrition, cheese, dairy ingredients, specialty non-dairy ingredients and vitamin and mineral premixes. Our products are sold or distributed in over 130 countries. While Europe and the USA represent our biggest markets, we are continuing to expand into the Middle East, Africa, Asia Pacific and Latin America. We employ 5,200 people globally and our shares are listed on the Irish and London Stock Exchanges (symbol: GLB)





DIRECTORS' REPORT

STRATEGIC REPORT

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Find out more at www.glanbia.com



DOUBLE DIGIT EARNINGS GROWTH

2013 HIGHLIGHTS

- Glanbia delivered a good operating and financial performance in 2013.
- Our wholly owned businesses delivered 10.3% revenue growth and 10.0% EBITA growth, while margins were unchanged.
- For the Total Group, which includes our share of Joint Ventures & Associates, revenues increased by 10.5%, EBITA increased by 9.2% and margins declined by 10 basis points.
- Adjusted earnings per share increased 11.9%.
- Results were underpinned by strong results from Global Performance Nutrition as over 20% branded revenue growth drove a 100 basis points margin expansion to 10.8% and an EBITA increase of 27.9%.
- Global Ingredients delivered a good performance. Revenues increased by 11.5%, and EBITA increased by 8.1% while margins declined by 30 basis points to 9.5%.
- Dairy Ireland's results declined significantly due to margin pressure within Consumer Products while Joint Ventures & Associates delivered a positive performance overall.
- Our investment programme continued with total capital expenditure of €112 million during 2013 together with a bolt-on acquisition of a leading Scandinavian sports nutrition business in January 2014.
- Our dividend increased by 10% for the fourth consecutive year.

- All growth figures are in constant currency. A significant portion of our earnings are denominated in US dollar. The average exchange rate for 2013 was €1=\$1.328 (2012: €1=\$1.285).
- To better reflect the structure of the Group post the disposal of 60% of Glanbia Ingredients Ireland Limited (GILL) in November 2012, a pro-forma adjustment has been made to 2012 results to treat GILL as if it had been a 40% owned associate for the full year and all comparisons are with these pro-forma figures.
- Total Group includes Glanbia's share of Joint Ventures & Associates and demonstrates the full scale of the Group's activities.

“We are guiding 8% to 10% growth in adjusted earnings per share for the full year 2014, constant currency. Our ambition is to continue to deliver a similar organic growth rate through to 2018, while seeking to sustain a return on capital employed in excess of 12%.”

Siobhán Talbot, Group Managing Director

| | | Change | Constant currency change |
|------------------------------------|---------------------|--------|--------------------------|
| REVENUE | €2.4bn | +7.7% | +10.3% |
| | TOTAL GROUP €3.3bn | +8.0% | +10.5% |
| EBITA | €187.7m | +6.2% | +10.0% |
| | TOTAL GROUP €226.7m | +5.6% | +9.2% |
| EBITA MARGIN | 7.9% | -10bps | no change |
| | TOTAL GROUP 6.9% | -20bps | -10bps |
| ADJUSTED EARNINGS PER SHARE | 55.46c | +8.0% | +11.9% |

More information
Operations and financial review page 30



OUR STRONG STRATEGIC FOUNDATIONS

In 2013 we re-focused our business structure to four segments. Global Performance Nutrition and Global Ingredients are our primary growth platforms and represent in excess of 75% of Total Group EBITA.



| | |
|--------------------------|---------|
| Revenue | €655.3m |
| EBITA | €70.6m |
| EBITA margin | 10.8% |
| Manufacturing facilities | 4 |
| Employees | 941 |

Business description

Global Performance Nutrition is a leading business-to-consumer (B2C) branded sports nutrition business. Our brand portfolio is comprised of Optimum Nutrition, BSN, ABB and Nutramino, each with its own brand essence and consumer appeal. We produce the full range of sports nutrition products including protein, pre workout, muscle gainers and general health and we are the market leader in terms of innovation and new product development. Our products are sold through a variety of channels including specialty retail, internet and gyms. While the USA, with almost 70% of revenue, represents our largest market, our products are sold in over 100 countries worldwide and we have a direct market presence in 19 countries.

Leading global provider of branded sports nutrition products

More information

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Strategic priorities page 25



| | |
|--------------------------|-----------|
| Revenue | €1,074.6m |
| EBITA | €102.0m |
| EBITA margin | 9.5% |
| Manufacturing facilities | 10 |
| Employees | 1,558 |

Business description

Global Ingredients is comprised of three distinct but related business-to-business (B2B) operations. US Cheese is a large scale manufacturer and marketer of American-style cheddar cheese. It operates a total of four cheese and whey plants, all located in the highly productive Idaho agricultural heartland. Ingredient Technologies formulates and markets on a global basis a range of dairy and non-dairy based nutritional ingredients. It creates a range of ingredient systems that add value to companies operating across a range of food and nutrition sectors. Customised Solutions blends vitamins, minerals and other nutrients according to exact specification for a range of food and beverage customers. It operates across the USA, Europe and Asia.

Leading manufacturer of American-style cheddar cheese (including our Southwest Cheese joint venture)

Leading global provider of whey-based nutritional solutions

Leading global provider of micro-nutrient premixes

More information

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| | |
|--------------------------|---------|
| Revenue | €652.2m |
| EBITA | €15.1m |
| EBITA margin | 2.3% |
| Manufacturing facilities | 6 |
| Employees | 1,251 |

Business description

Dairy Ireland is comprised of two businesses, Consumer Products and Agribusiness. Consumer Products is a leading supplier of branded consumer products to the Irish market. Our product offering focuses primarily on dairy products and includes standard and fortified milks, along with cheese, butter and cream. Agribusiness is focused on the supply of inputs to the Irish agri sector through its network of almost 50 retail stores across Ireland. We are the leading purchaser and processor of grain in Ireland. While a large portion of our grain is used in the manufacture of our branded animal feed, we are also key suppliers to the beer, spirits and cereals industries.

#1 Irish supplier of farm inputs

#2 selling grocery brand in Ireland with Avonmore

More information
2013 segmental performance page 33



| | |
|--------------------------|---------|
| Revenue | €900.5m |
| EBITA | €39.0m |
| EBITA margin | 4.3% |
| Manufacturing facilities | 6 |
| Employees | 1,452 |

Business description

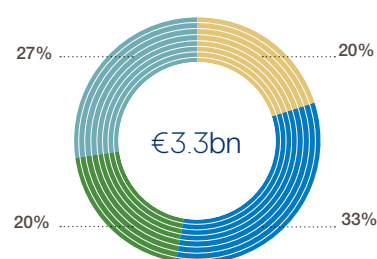
Our Joint Ventures & Associates segment is comprised of the following: Southwest Cheese, a large scale manufacturer of cheese and whey, based in New Mexico, USA; Glanbia Ingredients Ireland, a leading Irish dairy processor; Glanbia Cheese, a leading European mozzarella producer and Nutricima, a Nigerian based branded consumer dairy products business. Each of these businesses is unique, with a clear rationale in the context of the overall Group strategy. Glanbia has a strong track record with regard to the successful operation of strategic joint ventures and we continue to view the joint venture model as a potential option for future growth.

#1 Irish dairy processor

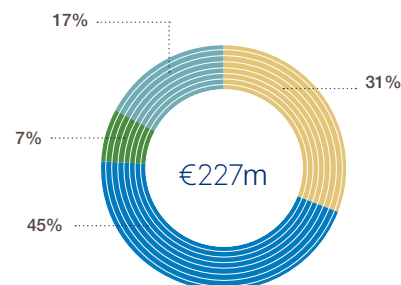
#1 mozzarella producer in Europe

More information
2013 segmental performance page 34

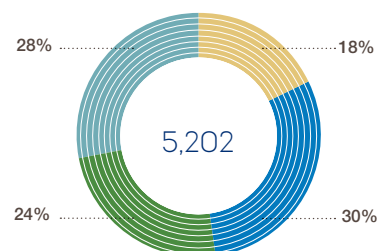
TOTAL GROUP REVENUE



TOTAL GROUP EBITA



NUMBER OF EMPLOYEES



OUR GLOBAL FOOTPRINT

Glanbia has a strong global portfolio of operations, with an in-market presence in 32 countries serving business customers and consumers worldwide.

2013 KEY STATISTICS

6bn

Litres of milk processed

527,000

Tonnes of cheese produced

268,000

Tonnes of dairy-based ingredients manufactured

130+

Countries in which Glanbia products are sold or distributed



More information
Operations and financial review page 30





KEY

- Global Performance Nutrition
- Global Ingredients
- Dairy Ireland
- Joint Ventures & Associates
- Manufacturing
- Innovation
- Sales & Technical
- Headquarters

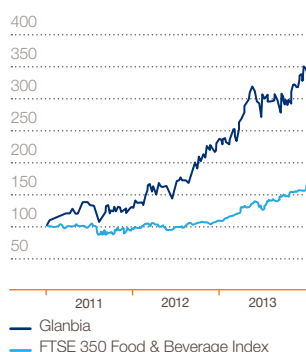
MEASURING OUR PERFORMANCE

We measure our long-term performance with seven key performance indicators (KPIs), which have been identified by the Board as those that are most relevant to delivering the Group's strategy and objectives.

A clear link exists between four of the KPIs – total shareholder return, adjusted earnings per share, net debt:adjusted EBITDA and return on capital employed – and the Annual Incentive and Long-Term Incentive Plan (LTIP) elements of Glanbia's remuneration policy. This policy relates to the remuneration of the Executive Directors and senior executives in the Group. This aligns Glanbia's remuneration performance targets with Group KPIs and strategic priorities.

TOTAL SHAREHOLDER RETURN

35.4%



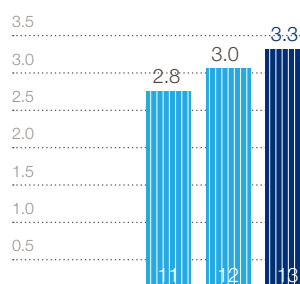
Total shareholder return (TSR) reflects the value delivered to shareholders arising from the ownership of a company's shares over a period of time. It represents the change in the capital value of the shares plus dividends paid. Relative TSR, measured against a defined set of peers, is a performance condition of Glanbia's 2008 LTIP, based on delivery of stretch performance targets.

Performance

Glanbia's TSR in 2013 was 35.4% (2012: 80.6%). Three year TSR, as calculated in accordance with LTIP, was 240.6%. Both the one year and three year TSR generated by the Group represents a significant outperformance compared with both peers and relevant indices.

TOTAL GROUP REVENUE

€3.3bn



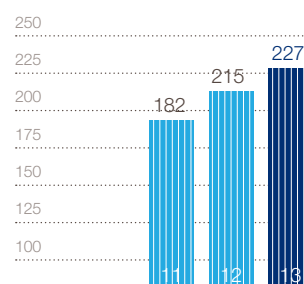
Total Group revenue includes wholly owned businesses and Glanbia's share of Joint Ventures & Associates. While movements in commodity dairy markets can influence revenue movements in a specific year, when viewed over a period of time, revenue growth is an indicator of how Glanbia is succeeding in developing the Group through its ongoing investment and acquisition programme.

Performance

Glanbia delivered a good performance in 2013, driven by its two growth platforms, Global Performance Nutrition and Global Ingredients. Total Group revenue was €3.3 billion, up 8.0% on 2012 (10.5% constant currency). The compound annual growth rate (CAGR) from 2011 to 2013 in Total Group revenue was 9.2%.

EBITA

€227m



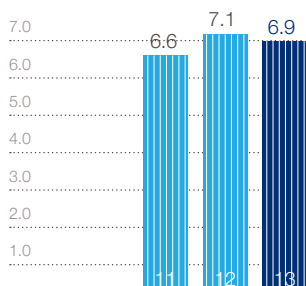
Total Group EBITA is a measure of the underlying profitability of the Group, including Glanbia's share of Joint Ventures & Associates. EBITA is earnings before interest, taxation and amortisation and excludes exceptional items.

Performance

Total Group EBITA was €226.7 million, up 5.6% on 2012 (9.2% constant currency). This was driven by a particularly strong performance from Global Performance Nutrition, complemented by good EBITA growth in Global Ingredients. In the period from 2011 to 2013, Total Group EBITA grew 11.7% CAGR.

EBITA MARGIN

6.9%



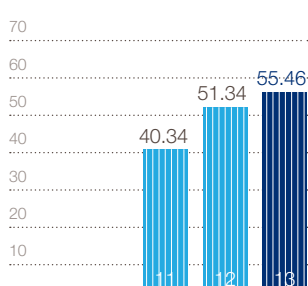
Glanbia has four business segments with a range of EBITA margins. Long-term improvement in Glanbia's EBITA margin demonstrates how the Group's strategy to focus on high growth, higher margin products and segments is being successfully implemented. It also illustrates how the underlying business is consistently moving up the value chain to maximise the potential value of the Group's milk pools and ingredient capabilities.

Performance

Total Group EBITA margin in 2013 was 6.9%, reflecting a 7.9% margin in the wholly owned businesses, down 10 basis points on 2012 and 4.3% in the Joint Ventures & Associates, down 30 basis points.

ADJUSTED EARNINGS PER SHARE

55.46c



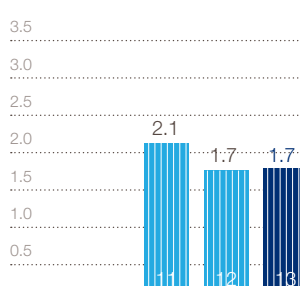
Adjusted earnings per share (EPS) is calculated as the net profit attributable to equity holders of the parent, before exceptional items and intangible asset amortisation (net of related tax), divided by the weighted average number of ordinary shares in issue during the year. It shows the profitability of the underlying business and is a measure of return on equity. Adjusted EPS is a performance condition of Glanbia's Annual Incentive Plan and 2008 LTIP based on delivery of stretch performance targets.

Performance

Adjusted earnings per share was 55.46 cents, up 8.0% on 2012. This equates to 11.9% growth on a constant currency basis, ahead of market expectations. From 2011 to 2013 adjusted earnings per share grew 17.3% CAGR. 2013 is the fourth consecutive year that Glanbia has generated double digit constant currency earnings growth.

NET DEBT: ADJUSTED EBITDA

1.7 times



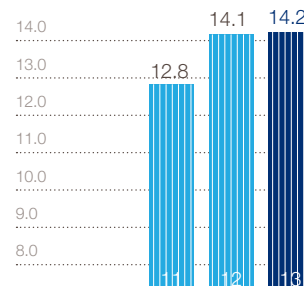
Net debt to adjusted EBITDA is calculated as net debt at the end of the year, including cumulative redeemable preference shares, divided by adjusted EBITDA. Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation) is calculated as EBITDA for the wholly owned businesses plus dividends received from Joint Ventures & Associates. Net debt to adjusted EBITDA is a performance condition of Glanbia's Annual Incentive Plan based on delivery of stretch performance targets.

Performance

The Group achieved a year end net debt to adjusted EBITDA leverage ratio of 1.7 times (2012: 1.7 times) compared to the Group's banking covenant of a maximum of 3.5 times.

RETURN ON CAPITAL EMPLOYED

14.2%



Return on capital employed (ROCE) is Group earnings before interest and amortisation net of tax plus Glanbia's share of results of Joint Ventures & Associates after interest and tax divided by capital employed. Capital employed is calculated as the Group's non-current assets plus working capital. ROCE is a measure of how well the Group utilises its resources in organic capital investments and acquisitions. ROCE is a performance condition of Glanbia's 2008 LTIP based on delivery of stretch performance targets.

Performance

ROCE improved by 10 basis points to 14.2% for the year (2012: 14.1%). The Group operates to an internal hurdle rate for investment decisions of 12% post tax, by year three. Strategic capital expenditure during the year amounted to €76.5 million, with total three year investment of €132 million. ROCE increased by 140 basis points from 2011 to 2013.

More information
Remuneration Committee report page 70



ANOTHER GOOD YEAR FOR GLANBIA



Liam Herlihy, Group Chairman

GOVERNANCE HIGHLIGHTS

- Externally facilitated Board evaluation completed, with an overall positive assessment and the Board's performance rated as "very good";
- Seamless transition of the Executive Leadership of the Group with the appointment of very high calibre individuals both from within Glanbia through succession planning and by external recruitment;
- Review of the continued independence and objectivity of our external Auditors, which was found to be satisfactory;
- Enhanced Remuneration Committee reporting as we continue to refine and develop our reporting in this area in line with best practice; and
- Four-day Board visit to the USA enabling the Board to develop a greater understanding of the business through meeting employees and experiencing our operations first hand.

More information
Governance overview page 50

Dear Shareholder

It has been another positive year of growth for Glanbia plc. A strong operating and financial performance delivered good revenue and profit increases, driven by the Group's two primary growth platforms, Global Performance Nutrition and Global Ingredients. Glanbia achieved 12% growth in adjusted earnings per share, on a constant currency basis: the fourth consecutive year of double digit earnings growth. Total Group revenue, including the Group's share of Joint Ventures & Associates, was €3.3 billion, up 8.0% (10.5% constant currency). Total Group EBITA was €226.7 million, up 5.6% (9.2% constant currency) and Total Group EBITA margin was 6.9%. A detailed review of our 2013 performance is in the Operations and Financial Review on page 30 of this report.

Ongoing capital investment

We continued to invest in the business over the course of 2013 with total capital expenditure of €112 million. The key projects undertaken include investment in a €34 million capacity expansion in Global Performance Nutrition and within Global Ingredients a €22 million state-of-the-art specialty grain processing facility in South Dakota, USA and an €8 million Cheese Innovation Centre in Idaho, USA. The return on capital employed achieved by the Group in 2013 increased by 10 basis points to 14.2%, a good result in the context of the substantial ongoing capital investment programme.

Bolt-on acquisitions

In January 2014, in line with the international growth strategy of Global Performance Nutrition, we acquired Nutramino, a leading Scandinavian sports nutrition company which focuses primarily on branded, ready-to-consume products sold through gym and convenience channels. With activities in Denmark, Sweden and Norway, Nutramino extends Global Performance Nutrition's in-market sales presence to 19 countries worldwide and further consolidates our position as the global leader in sports nutrition. In March 2013, we acquired a small specialist cheese plant in Idaho to complement our new US Cheese Innovation Centre and extend our capability there.

“We delivered a good set of results in 2013, refreshed our Board, appointed a new Executive team and continued with our organic investment programme.”

Board and management changes

Glanbia saw a number of Board and management changes during the course of 2013. In November, Siobhán Talbot became the Group Managing Director following the retirement of John Moloney. Siobhán has been with the Group for over 20 years and held the position of Group Finance Director until May when she was appointed Group Managing Director Designate. Mark Garvey, previously Executive Vice President and Chief Financial Officer of Sara Lee Corporation, joined Glanbia as Group Finance Director and became a member of the Board in November. In June, Hugh McGuire was appointed to the Board as an Executive Director with responsibility for Global Performance Nutrition, while Brian Phelan was appointed Chief Executive Officer of Global Ingredients, having been appointed to the Board in January 2013.

During the year, Donard Gaynor and Vincent Gorman joined the Board as Non-Executive Directors while Billy Murphy, Robert Prendergast and Brendan Hayes retired from the Board. Jerry Liston, also a Non-Executive Director, has announced his intention to retire at the Annual General Meeting (AGM) in May 2014. I would like to sincerely thank all departing members of the Board for their contribution and commitment to Glanbia over the course of their tenure. I would like to welcome our new Board members and in particular I would like to wish the Group's new Executive team every success.

Dividend and AGM

The Board is recommending a final dividend of 5.97 cents per share, bringing the total dividend for the year to 10.00 cents per share, representing an increase of 10.0%. The Group's AGM will be held on Tuesday, 13 May 2014, in the Lyrath Estate Hotel, Old Dublin Road, Kilkenny. Subject to approval at the AGM, dividends will be paid on 16 May 2014 to shareholders on the register of members as at 4 April 2014. Irish withholding tax will be deducted at the standard rate where appropriate.

Long-term strategic roadmap

This year we took a detailed look at the Group's long-term strategic potential, with the aim of helping the Board to determine the growth potential within our existing businesses, including the strength of our capabilities and assets. In her review, Siobhán sets out how taking a different lens to the business has crystallised a priority set of growth opportunities that will help Glanbia optimise its portfolio of businesses.

2014 positive outlook

Glanbia now has 5,202 employees worldwide and it is their continued dedication that contributes so much to our ongoing success. My thanks and that of my Board colleagues goes to all the great people who work in Glanbia. Overall, the outlook for the Group for 2014 is positive. While Global Performance Nutrition is expected to be the main driver of growth, we anticipate solid performances across all business segments. We are guiding 8% to 10% growth in adjusted earnings per share on a constant currency basis for 2014. The long-term prospects for the Group are also positive. We have a unique portfolio in both the business-to-business and business-to-consumer arenas that creates distinctive competitive advantage for Glanbia and will drive our next phase of growth.



Liam Herlihy,
Group Chairman

OUR THANKS TO JOHN MOLONEY



John Moloney retired as Group Managing Director in 2013, after a distinguished 26 year career with Glanbia. He joined the Group in 1987 and became Group Managing Director in 2001. Under his stewardship, the profile of Glanbia has been transformed.

Our international growth has been a hallmark of John's tenure. Glanbia now has a footprint in 32 countries and generated 76% of our 2013 earnings in the Group's two key growth platforms.

Total Shareholder Return (TSR) has delivered a 14 fold increase over the period. The sustained strong performance in the Group's TSR is testament to the global business that was built during John's leadership.

We thank John most sincerely for his very significant contribution to what Glanbia is today. On behalf of everyone connected with Glanbia, we wish John and his family every success and happiness in the future.

OUR NEXT PHASE OF GROWTH



Siobhán Talbot, Group Managing Director

Siobhán Talbot became Group Managing Director of Glanbia plc in November 2013. She is a 20 year veteran of the Group and was Group Finance Director until her appointment as Group Managing Director Designate in May 2013. Here, Siobhán talks about why continuing to build on the Group's two global growth platforms is central to achieving the Group's ambitious strategic priorities.



What is your main strategic agenda at the start of your tenure as Group Managing Director?

I have taken over as Group Managing Director at an exciting time for Glanbia. Our business has been transformed in the past decade. This has been through nutritional ingredients and sports nutrition acquisitions, ongoing organic investment and development, joint ventures and a series of whole or part divestments.

This strategic reshaping of Glanbia has significantly enhanced the profile of our business portfolio and the quality of our earnings. It has also underpinned our track record of growth. My goal is to sustain our growth momentum, primarily focusing on our two global platforms of performance nutrition and ingredients. In 2014, we have set a clear strategic direction for the next phase of sustainable growth and will continue to build world-class capabilities, in the areas that are integral to our future success.



What are Glanbia's strategic priorities in 2014 and beyond?

The completion of our recent strategic review process with the Board has led to an agreed set of strategic priorities for the Group and a refreshed business model, both of which are set out in detail in our special feature on strategy, starting on page 18 of this report. I believe that these strategic priorities combined with current capabilities and assets will enable us to optimise the potential of Glanbia's portfolio and deliver the next exciting phase of growth and development for the Group.

“We have deep dairy experience, a unique span of customer and consumer insights and first mover or leadership positions in select segments and markets.”

Q How will strategic success by Glanbia be defined in the next five years?

Together with the Board and my fellow Executive Directors we have defined our growth ambitions for the next five years on two levels. We believe that the Group can achieve annual organic growth of at least 8% to 10% in adjusted earnings per share, on a constant currency basis while aiming to sustain a return on capital employed in excess of 12%. Our ambition stretches beyond this and we will be actively pursuing opportunities to add further scale to Glanbia through acquisitions and strategic joint ventures and alliances, as we seek to deliver higher levels of growth.

Glanbia has two, well established and thriving platforms in Global Ingredients and Global Performance Nutrition, business segments which account for over 75% of our earnings. A fundamental pillar of our strategy is the continued development of these two global platforms, both of which have specific capabilities to address key global consumer trends in food and nutrition.

Q What are the opportunities or catalysts for higher than 8% to 10% earnings growth?

There are specific global trends in nutritional and ingredients markets that are driving demand and structural change in consumer needs and, as a consequence, markets. Our current business portfolio is uniquely positioned at the centre of these trends, which are set out in some detail on page 20 of this report. As a result, there is a robust market backdrop to support growth in our sector.

I believe that we have a range of opportunities to build on the organic potential of the Group by adding further scale to both our global platforms. We currently have €250 million debt capacity and we could also seek to increase this by way of additional equity for the right strategic project, something, I believe, the Board and the Group's largest shareholder, Glanbia Co-operative Society, would support.

Q What are the opportunities for growth within Global Ingredients?

Global Ingredients spans dairy and non-dairy ingredients in business-to-business markets. In its widest sense our ingredients activity covers both our wholly owned Global Ingredients business segment and three of our four key Joint Ventures & Associates. This combination underpins our leadership position in American-style cheddar cheese in the USA and has facilitated the expansion of our ingredients and performance nutrition product portfolio, through innovation in whey and dairy protein.

Our global ingredients capabilities play into clear positive global growth trends, trends which range from an increasing recognition of the importance of reliable, sustainable, high quality mainstream food supply to the increasing demand for the delivery of specialised nutrition addressing specific health needs.

Our focus for organic growth in dairy is the maximisation of the value of our existing ingredients and raw materials through capital investment, product development and innovation. In our non-dairy operations we believe that we can drive both volume and value growth in areas such as specialty grains, premix solutions and the development of innovative food and nutrition systems. A recent example of a non-dairy system is the award winning Optisol 3000, which is an egg replacement for the bakery sector that combines whey protein and flax.

Beyond our organic growth aspirations we will seek to sustain and develop our leadership position in US Cheese, more than likely through a strategic joint venture or alliance, a model that has been successful for Glanbia. We are actively pursuing opportunities and I expect that, over the next five-year planning cycle, we will be successful in achieving this. Glanbia has a strong track record of delivery not just in running, but also in building and commissioning, on time and on budget, large scale dairy processing facilities. We also have established commercial and innovation capability making us an attractive and compelling partner in the dairy industry.

[More information](#)

[Our strategy for future growth page 18](#)



Q What are the growth ambitions for Global Performance Nutrition?

We are very positive in relation to the opportunity to continue to grow our Global Performance Nutrition (GPN) business, currently the largest global sports nutrition consumer brand family. GPN has the top sports nutrition brands in the USA, is in the top 3 in some 20 countries worldwide and is now a market leader in Scandinavia through the acquisition of Nutramino in 2014. We are ambitious for GPN and aspire to double the size of the business from where it is today.

GPN has a very clear mission to be the first choice of athletes and fitness enthusiasts everywhere, to help them achieve their goals through the highest quality, most innovative nutrition products. To support both GPN's ambition and mission, we will continue to invest in the business. This will include organic projects and acquisitions in both the USA and targeted high-potential international markets, growing infrastructure and facilities as well as people capabilities in marketing, sales, supply chain and innovation.

Q With such a focus on global platforms, where does Dairy Ireland fit within the Group's portfolio?

Dairy Ireland and Glanbia Ingredients Ireland Limited (GILL), our Irish dairy processing associate, are important elements of our portfolio. Dairy Ireland is undoubtedly experiencing a challenging environment currently, particularly in Consumer Products. We expect some improvement in performance in 2014, primarily reflecting the benefits of the rationalisation measures taken in recent months.

Overall, I believe that we are doing the right things to underpin the long term sustainability of our Dairy Ireland businesses through an ongoing focus on cost, efficiency and investment in select growth opportunities. These include our 2014 investment in an Ultra-Heat-Treated (UHT) milk facility in Consumer Products, the output of which is targeted towards emerging markets, particularly in Asia, and an oatmeal milling facility in Agribusiness, providing high quality Irish oats for a branded consumer product owned by Sturm Foods in the USA.

For GILL the €150 million investment in the new dairy processing facility in Ireland is progressing well and is expected to commence commissioning in late 2014.

Q What, in your view, are the current strengths Glanbia has in capabilities and assets?

There are a number of areas in which I believe Glanbia has world-class demonstrable capabilities and assets. In terms of management capabilities we have a proven track record in delivering on our priorities as evidenced by our financial and operating performance.

In terms of our operational capabilities, we have three distinct strengths: operational excellence, new product development and innovation, and customer relationships.

Operational excellence has always been a hallmark of Glanbia. We focus on high quality production and operational activities and strive to be an extremely efficient converter of raw materials into finished products for our customers. This is a philosophy that we will continue to embed as we increasingly adopt the 'Glanbia Performance System' across our operations.

Secondly, we have strong capability in new product development and innovation, including a catalogue of existing intellectual property. In Global Ingredients this ability to innovate in response to emerging consumer trends has enabled us to move up the ingredients value chain through close collaboration with our customers. In GPN, innovation has ensured that we continue to respond to consumer requirements so that our brands retain category leadership.

Thirdly, we strongly value our relationships with our customers. In our Global Ingredients business we seek to position ourselves as a responsive partner of choice while in GPN we have built strong connections with key customers and consumers that have enabled this business to profitably outpace market growth rates.

Finally, as an organisation our core assets are reflected in our scale and brands. We have scale market leadership positions, scale processing facilities and access to large scale milk pools. We also have four iconic brands to date in our sports nutrition brand family and on the B2B side the Glanbia brand for quality, sustainability and customer collaboration.

“The challenge is to execute the next phase of sustainable growth and continue to build an organisation with world-class capabilities in the areas that are integral to our future success.”

Q How will the market backdrop of the next five years potentially impact delivery of your strategic plans?

A detailed review of the market backdrop is part of our strategic planning process, where we review, amongst other issues, dairy market trends and outlook, forecasts for the global economy and exchange rates. For our five year planning cycle we keep these overall macro assumptions constant, based on year one. While there will inevitably be annual variations within a five year time frame, this methodology allows us to take a long term approach to strategy, which is focused on the controllable drivers of growth across our portfolio.

Q What are your personal priorities for the business in 2014 and beyond?

My overriding personal priority is to ensure the delivery of our strategic objectives and growth plans. I would also like one of the hallmarks of my new role to be a renewed energy and focus on our employee engagement and development. My first steps are a planned Group-wide tour to meet as many employees as possible, to communicate our refreshed strategy and get buy-in and understanding for it through the roadshow. I believe Glanbia's success is built on the talent of our people who are innovative and pioneering, whether it is about improving performance, collaborating with customers or building new markets. I would like to thank all our employees and look forward to their continued support.



Siobhán Talbot,
Group Managing Director

SUPPORTING OUR STRATEGY



Special feature

Our capabilities from primary processing to branded consumer products provide unique customer and market insights. This enables us to be truly responsive to market trends and opportunities, providing innovative solutions for both our customers and ultimate consumers. In this report we have included a special feature introducing our strategy for future growth.

More information
Our strategy for future growth page 18

Our responsibilities

Glanbia's approach to corporate responsibility is focused in three areas – our employees, our operations and our local communities.

More information
Corporate social responsibility page 42

Risk management

The Group has a clear risk governance framework and a structured approach to risk management. We set out the most significant risks that could materially impact our operating and financial performance, strategy and prospects along with our mitigating actions.

More information
Detailed risk report page 38

Key performance indicators

We measure our long-term performance and progress of our strategic objectives through seven financial key performance indicators (KPIs).

More information
Key performance indicators page 8

A STRONG TOP AND BOTTOM LINE PERFORMANCE



Mark Garvey, Group Finance Director

This has been another good year for Glanbia enabling us to deliver a strong top and bottom line performance and continue our track record of earnings growth and top quartile total shareholder returns. Adjusted earnings per share grew 11.9% constant currency, which was ahead of our guidance and represents the fourth successive year of double digit earnings growth.

In particular our two growth platforms, Global Performance Nutrition and Global Ingredients, performed well. Global Performance Nutrition grew branded product sales in excess of 20% and this drove strong EBITA growth for this business of 27.9%, constant currency, for the full year, together with a 100 basis points increase in margins. Revenue in our Global Ingredients business grew 11.5% and EBITA increased by 8.1%, constant currency, while margins reduced 30 basis points to 9.5%. Global Performance Nutrition and Global Ingredients now represent over 75% of Total Group EBITA and over 90% of EBITA from wholly owned businesses.

Strong financial position

The Group's financial position remains strong. Net debt at year end was in line with the prior year at €374.4 million and we remained well within our debt covenants. Net debt to adjusted EBITDA at year end was 1.7 times and interest cover was 7.8 times. With the exception of €39.1 million of preference shares due to mature in July 2014, the Group's remaining debt matures in 2018 (€466.6 million) and 2021 (€238.4 million).

Focus on working capital

A specific area we plan to focus on is working capital. In 2013 our working capital increased by €40 million and amounted to some €226 million at year end. We see opportunities to improve our working capital performance in the coming years and have already commenced a review of our working capital management processes across the Group.

Investing for growth

During 2013, we continued with our annual organic capital investment programme, with €112 million capital expenditure across the Group. Our 2014 plans include capital expenditure in the region of €120 million, of which approximately €80 million will be spent on strategic capital projects.

KEY FINANCIAL HIGHLIGHTS:

- Revenue growth from wholly owned segments of 10.3% (constant currency);
- EBITA margin of 7.9% for wholly owned segments;
- Adjusted EPS growth of 11.9% (constant currency), ahead of market guidance;
- Return on capital employed of 14.2% compared to 14.1% in 2012;
- Free cash flow of €88 million;
- €77 million spent on strategic capital expenditure;
- Year end net debt of €374 million and net debt to adjusted EBITDA of 1.7 times, in line with 2012; and
- Total shareholder return of 35.4% outperforming key relevant stock market indices.

More information
Financial review page 35



“The Group’s financial position remains strong with a 35% increase in free cash flow and net debt ratios well within our banking covenants.”

In January 2014, we purchased Nutramino, a Scandinavian sports nutrition business, as we continue to expand our Global Performance Nutrition segment internationally. Additionally, we have debt capacity of approximately €250 million available to fund acquisition activity when the right opportunity arises.

Delivering returns to shareholders

2013 was another strong year for our shareholders. Total shareholder return (TSR) for the year was 35.4% following a TSR for 2012 of 80.6%. Glanbia’s share price at its financial year end increased from €8.24 to €11.05. The share price outperformed the FTSE 350 Food and Beverage Index by 18.3%.

Positive Group outlook

Overall, the outlook for the Group for 2014 is positive. We expect Global Performance Nutrition to deliver a good performance for the year. Continued growth is built on brand strength, ongoing investment in capacity and capabilities, together with a clear focus on specialty and internet sub-segments and further international growth.

In Global Ingredients tight milk supply in Idaho is leading to increased competition, the impact of which is expected to be higher milk costs and some year-on-year volume declines in both US Cheese and Ingredient Technologies. While the situation continues to evolve, we are managing the overall impact with our suppliers and customers and, combined with a good performance in Customised Solutions, we expect Global Ingredients to deliver a positive performance for the year.

We expect some improvement in performance in Dairy Ireland in 2014, against the backdrop of an exceptionally difficult 2013. Joint Ventures & Associates are expected to perform broadly in line with 2013. Overall we are guiding 8% to 10% growth in adjusted earnings per share for the year, on a constant currency basis.

In 2014, the principal risks affecting the Group’s performance are:

- Milk availability in our US Cheese business and the potential impact on cheese and commodity whey volumes and milk costs;
- The ongoing challenges in Consumer Products in terms of milk input costs and the continued difficult Irish retail environment; and
- The effective execution of our growth strategy within Global Ingredients and Global Performance Nutrition.

The Group’s principal risks and uncertainties are outlined in the detailed risk report on page 38.

Clear financial strategy

As Group Finance Director, I am focused on supporting our strategic priorities while maintaining a healthy balance sheet and a strong control environment. Our finance strategy is designed to facilitate a robust organic and acquisition investment programme to support growth. In the long term we will be driving to achieve 8% to 10% constant currency growth in earnings per share each year while sustaining a return on capital employed over 12%. In addition, we will use debt and equity as needed to fund strategic investments, mindful of keeping an overall leverage ratio at less than 3.0 times net debt to adjusted EBITDA which is in line with an investment grade credit rating. We have exciting years ahead of us in 2014 and beyond and I am very happy to have joined the Glanbia Executive team for the journey.



Mark Garvey
Group Finance Director

INVESTOR RELATIONS

We are very committed to an open and transparent dialogue with our shareholders and we had a successful year from an investor relations perspective. The placing of 17.6 million ordinary shares by Glanbia Co-operative Society Limited at the end of 2012 combined with the distribution of a further 20.6 million shares to Society members in March 2013 brought about significant change in our share register and created new capital market interest in Glanbia. In this context we participated in over 150 investor meetings and investor conferences in 2013 in Ireland, the UK, mainland Europe and North America. In addition we held a capital markets day at the London Stock Exchange in May 2013 with the focus on our two global growth platforms. There was also progress in expanding our research coverage in 2013 with the addition of three new analysts bringing the total to seven stockbrokers.

Investor relations app

Our investor relations app 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.

Available for iPad, iPhone and Android devices.



SPECIAL FEATURE

This special feature is an update on our markets and growth opportunities, value chain, strategy and business model.

The focus of our strategy and strategic priorities is our two complementary growth platforms, Global Performance Nutrition and Global Ingredients. Combined these businesses create distinctive competitive advantages for Glanbia, through deep dairy expertise, unique span of market insights and first mover or leadership positions in key market segments.

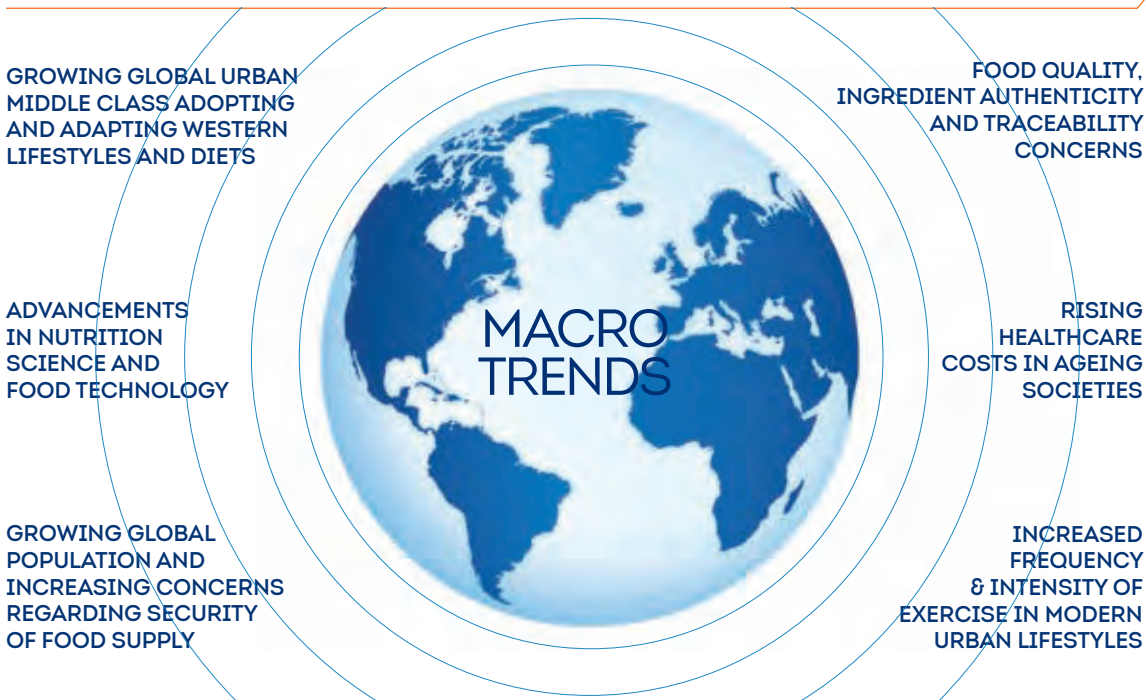


GLOBAL MOMENTUM

INTRODUCING OUR STRATEGY FOR FUTURE GROWTH

GLOBAL GROWTH OPPORTUNITIES

It is a decade since we identified the emergence of wholesale changes in consumer attitudes to food and nutrition, moving from diet as basic sustenance to nutrition as the fuel to improve performance, health and lifestyle.



Changing consumer attitudes to nutrition have been further strengthened by supportive global demographic and macro economic trends. Together, these continue to provide a strong and compelling market context for our growth opportunities in nutrition.

“There is a robust market backdrop to support growth in our sector and I believe that with our capabilities and assets we have a range of opportunities to build on this potential.”

Siobhán Talbot, Group Managing Director

CONSUMER TRENDS IN NUTRITION

Growth of multiple nutrition segments

Addressing specific consumer needs according to differences in life-stage, gender, performance demands, health issues, regional diets and regulatory frameworks.

Increasing demand for higher nutrient density in mainstream diets

Improving processed food and beverages to include more nutritious ingredients and new formats to fuel everyday performance.

Increasing understanding of synergistic benefits of exercise and diet

Optimising performance and well-being by tailoring nutrition to specific activities and better sequencing of exercise and nutrition.

Increasing demand for supplements and natural prevention

Using nutrition to improve underlying health and performance reducing the requirement for medical interventions.

Growing prevalence of snack-based meal replacement

Driving broader range of food and beverage formats for convenient and on-the-go consumption.

Demand for ingredient authenticity and traceability

Providing assurance to address multiple consumer concerns as to the source, quality and treatment of food ingredients across broad and varied diets.

OUR OPPORTUNITIES



GLOBAL PERFORMANCE NUTRITION

Global Performance Nutrition is harnessing the global growth in household penetration of the performance nutrition category through our brand strength, breadth of product range and format, and global presence.

As the consumer base expands, across both sport and lifestyle users, we are trusted leaders in the specialty retail and online channels where new consumers are engaging with the category.

Glanbia's latest innovations, incorporating the best in nutrition science and format delivery, continues to address a more granular set of consumer segments as user need states are becoming better understood within the sports nutrition category.



GLOBAL INGREDIENTS

Global Ingredients is ideally positioned to work with our customers to address this growing consumer demand for higher nutrient density and cleaner labels in food ingredients and formulations.

Our broad portfolio of nutritional ingredients and technologies enables customers incorporate our solutions into multiple nutrition categories, channels and formats, with the versatility to adapt to regional preferences in taste and texture of food delivery globally.

UNIQUE PORTFOLIO & CAPABILITIES

We add value to our portfolio by moving up the value chain from base ingredients to consumer brands.

Glanbia has a unique portfolio of products, capabilities and brands. Our B2B activities comprise large scale, low cost dairy processing as well as expert capabilities in proprietary technologies in dairy and non-dairy ingredient solutions and systems. Our B2C activities leverage our expertise in dairy protein as a cornerstone of our global sports nutrition brand family, where we have four brands marketing 80 products in all key performance nutrition categories.

“Adding value through customer-focused innovation and collaboration is central to our philosophy. It ensures that we can influence and drive market trends rather than simply respond to them.”

Brian Phelan, CEO, Global Ingredients

B2C

CONSUMER BRANDS

B2B

SOLUTIONS & SYSTEMS

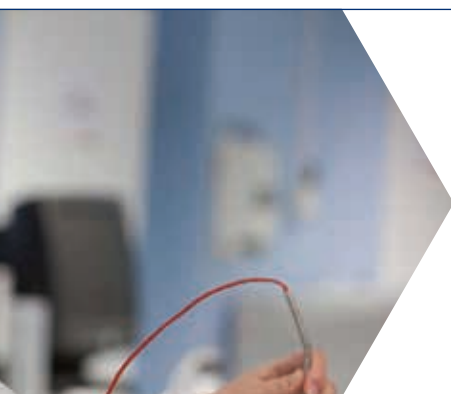
SPECIALTY INGREDIENTS

BASE INGREDIENTS





Our four performance nutrition brands include products in protein, energy, performance and recovery together with general health such as multi-vitamins and supplements. Whey is a key component of protein-based performance nutrition and underpins the protein product architecture within our global sports nutrition brand family.



In Glanbia we combine ingredients to form 'systems' which deliver specific nutritional and functional benefits to our customers. We have the capability to produce full 'turn-key' solutions for customers in the sports nutrition, beverage, breakfast cereal, infant formula, supplement and nutrition bar segments.



Glanbia has pioneered the development of technologies and processes for the application of whey, a valuable source of protein. Today the Group is a leading global manufacturer, marketer and user of whey protein fractions and isolates. We have complemented our dairy specialty ingredients portfolio with non-dairy protein and other ingredients.



Our US Cheese and three of our four Joint Venture & Associate businesses have access to large sustainable milk pools in the USA, the UK and Ireland. This gives us supply chain visibility, which is a key global customer and consumer differentiator. It also gives us access to large captive whey volumes, making our broad range of high-quality base ingredients a critical asset for Glanbia.

OUR BRANDS

- Optimum Nutrition
- BSN
- ABB
- Nutramino

OUR PRODUCTS

- Dairy-based protein systems
- Vitamin & mineral premix solutions
- Specialty grain systems
- Aseptic beverages

- Whey Protein Isolate
- Whey Protein Concentrate
- Milk Protein Isolate
- Milk Protein Concentrate
- Specialty milk minerals and proteins (calcium and lactoferrin)
- Specialty grains milling (flax and chia)

- Cheese
- Whey Protein Concentrate
- Lactose
- Other dairy ingredients (milk powders, casein, butter)

More information
Segmental strategic priorities page 25



NEW STRATEGIC MOMENTUM

We have undertaken a broad and in-depth review of our long-term strategy to understand the growth potential within our existing businesses and to rigorously evaluate the strength of our capabilities and assets.

This has enabled us to refine our strategy, set strategic ambitions and prioritise our capital allocation to optimise the value of our existing portfolio and bring new momentum to Glanbia's global growth potential.

"We now have a different lens on the business and our portfolio, recognising also that we have a wider set of growth opportunities and greater financial flexibility."

Mark Garvey, Group Finance Director

OUR VISION

Our vision is to be the leading global performance nutrition and ingredients group.

STRATEGIC OBJECTIVES

Our strategic objective is to maximise total returns to shareholders. We will also maintain a strong position on key sustainability issues including food safety and quality, the environment, regulation and nutritional innovation.

GROUP STRATEGIC PRIORITIES

- 1 SUSTAIN CURRENT AND DRIVE FURTHER MARKET LEADERSHIP POSITIONS WITHIN BOTH B2B AND B2C GLOBAL GROWTH PLATFORMS**
- 2 DELIVER STRATEGIC CAPITAL INVESTMENT PROGRAMME**
- 3 ACQUIRE OR PARTNER WITH COMPLEMENTARY BUSINESSES TO SCALE OUR CURRENT PORTFOLIO**
- 4 DEVELOP TALENT, CULTURE AND VALUES, IN LINE WITH OUR GROWING GLOBAL SCALE**

SEGMENTAL STRATEGIC PRIORITIES



GLOBAL PERFORMANCE NUTRITION

Become the first truly global performance nutrition company with a relentless focus on consumer insights to retain and drive category leadership to:

- Grow in US specialty and internet channels;
- Focus on high-growth emerging markets and continue with rapid international expansion;
- Venture into new markets, channels and consumer segments; and
- Enhance capabilities in marketing, sales, supply chain and product innovation to grow our business further.



GLOBAL INGREDIENTS

Harness the benefits of our deep dairy expertise and unique span of market and customer insights to become a truly global ingredients business to:

- Sustain our leading American-style cheddar cheese position;
- Leverage our whey expertise and add to our portfolio of protein ingredients and systems;
- Strengthen our global relevance in premix solutions; and
- Scale positions in other dairy and non-dairy ingredients.

2014 TO 2018 ORGANIC STRATEGIC TARGETS

BOTTOM LINE GROWTH

8% TO 10%

Adjusted organic earnings per share growth, constant currency.

RETURN ON CAPITAL EMPLOYED

12%+

Our 2014 to 2018 strategic targets are to achieve annual organic growth of at least 8% to 10% in adjusted earnings per share, on a constant currency basis, while sustaining a return on capital employed in excess of 12%.

Our ambition stretches beyond this and we will be actively pursuing opportunities to add further scale to Glanbia through acquisitions and strategic joint ventures and alliances, as we seek to deliver higher levels of growth.

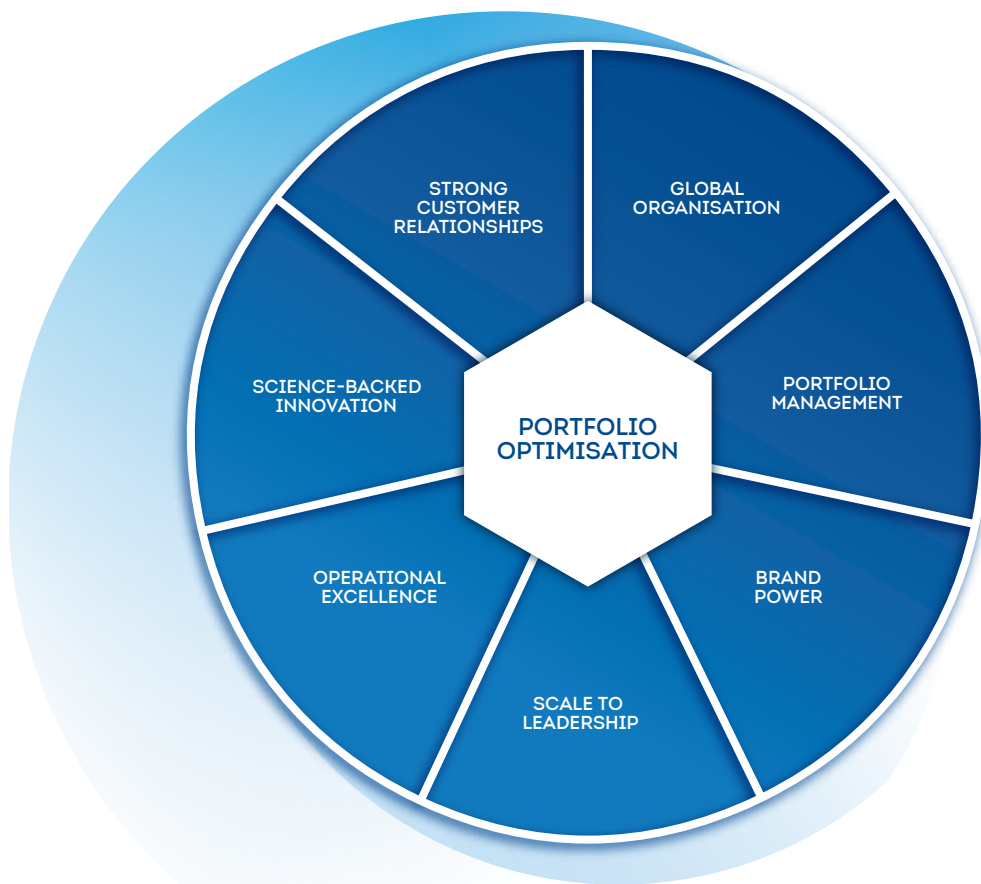
We monitor trends in our long-term progress by measuring growth or improvement in our seven financial key performance indicators (KPIs):

- Total shareholder return
- Total Group revenue
- EBITA
- EBITA margin
- Adjusted earnings per share
- Net debt: adjusted EBITDA
- Return on capital employed

More information
Three year KPI performance page 8

CLEAR BUSINESS MODEL

Today, Glanbia has well-established and strong strategic foundations. In order to achieve our 2018 strategic ambitions, we need to ensure we continue to develop a clearly defined set of world-class capabilities and assets.



Our business model

Our business model is based on optimising the value of our portfolio of businesses which includes four business segments spanning the B2B and B2C arenas. As a global business, with operations in 32 countries, it is important that throughout Glanbia we share a common set of capabilities. As part of strategy development, we identified critical management and operating capabilities and proprietary assets which will enable us to deliver results across the business.

Corporate role

The Corporate role is to set the overall strategic direction of the Glanbia organisation. In conjunction with the Board, the Group Operating Executive allocates resources across the business portfolio, based on the highest growth opportunities. The objective is to maximise shareholder returns. The focus is to achieve targeted, bottom line earnings growth, within requisite returns on capital.

Business segment role

The role of our business segments is to deliver results at the frontline of operations based on a clear strategic roadmap and business plans. This is achieved in a number of ways including collaborative innovation with customers, new product and ingredients innovation, developing new regions and adjacent market segments and building brand equity – both with consumers in our B2C segment and with global customers in our B2B businesses.

“Loyalty to our brands is based on our uncompromising commitment to the highest quality ingredients and to consumer-driven product innovation.”

Hugh McGuire, CEO, Global Performance Nutrition

Understanding our business model

Global organisation

Excellence in human resources and talent management is key to the Group's ongoing success. It is also important across a global business that Glanbia shares an organisational culture and set of values, particularly so in a growing diverse business. This is an area of particular focus from 2014 to 2018 in our business model.

Portfolio management

A cornerstone of portfolio optimisation is the ability to manage a portfolio of businesses and optimise available growth opportunities. Glanbia has demonstrated a strong track record of efficient capital allocation and portfolio management over several years. Our ability to use a variety of structures, including the joint venture model, has been key to this success. In the context of continued strong growth opportunities across the business, these capabilities will be critical to the delivery of sustainable long term growth.

Brand power

Integral to the strength of Global Performance Nutrition (GPN) is consumer 'brand power' giving this business global category leadership. GPN has an unrivalled branded product offering, from pre-workout products to proteins, ready-to-drink formats (RTDs) to powders, proven products to category changing innovation. There is also an opportunity to channel the commercial value of the Glanbia brand in the B2B arena, clearly establishing with key customers what the Glanbia brand stands for in terms of quality, innovation and sustainability. In particular, Glanbia has access to large milk pools, with supply chain visibility. This provides a 'natural, good for you' dairy ingredients base as well as assurance around food quality and safety.

Scale to leadership

Glanbia has leading market positions in sports nutrition, cheese, dairy ingredients, specialty non-dairy ingredients and vitamin and mineral premixes. This leadership is underpinned by strong brands, enduring customer relationships, proprietary technologies, first mover advantages and an effective organisation. Glanbia is highly focused on maximising its current leadership positions and driving on to leadership in select other markets. This will be achieved, at a market-by-market level, through a combination of rigorous business focus and strategic investment in organic growth and capabilities, complemented by appropriate acquisitions & joint ventures and strategic alliances.

Operational excellence

Operational excellence is a long standing core capability in Glanbia. It is focused on achieving high-quality products to meet customer food safety and quality standards. It is also central to running large scale, low cost facilities in a way that ensures regulatory compliance and good environmental stewardship.

Science-backed innovation

Glanbia has three innovation centres, including its global innovation centre in Ireland. The focus of the Group's innovation agenda is customer or consumer led, science-backed innovation. This enables Glanbia to move up the ingredients value chain and deliver well researched patented or branded products within our portfolio.

Strong customer relationships

Customer and consumer insights are key to maintaining and growing our strong and enduring relationships with key customers. In our B2B segment there is an opportunity to harness the potential of these business relationships further. In our B2C segment consumer insights are integral to delivering strong branded revenue growth and maintaining our top position as the global sports nutrition brand family.



More information
Understanding our business page 4



OPERATIONAL EXCELLENCE

ACHIEVING WORLD-CLASS PRODUCTION AND OPERATIONS



John Mutchler
US Cheese

GLANBIA PERFORMANCE SYSTEM (GPS)

In Glanbia, building operational excellence is creating a strategic advantage for our businesses. By leveraging GPS all employees can focus on reducing losses and inefficiencies. GPS is an internally designed work system built from globally recognised best practices in Lean and TPM. In applying these simple and effective processes, Glanbia employees can increase the relevance of what they do in value for our customers.

“Achieving breakthrough results by unlocking the full capability of our people is the key to creating a centre of operational excellence in Glanbia. The Glanbia Performance System is the way we will unlock that capability.”



DIRECTORS' REPORT

DETAILED BUSINESS REVIEW

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|---------------------------------|----|
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| Detailed risk report | 38 |
| Corporate social responsibility | 42 |

OPERATIONS AND FINANCIAL REVIEW

GOOD RESULTS AND POSITIVE OUTLOOK

The Group delivered a good performance in 2013 underpinned by our two growth platforms, Global Performance Nutrition and Global Ingredients.

Overall, the outlook for the Group for 2014 is positive. While Global Performance Nutrition is expected to continue to be the main driver of growth, we expect solid performances across all segments. On this basis, we are guiding 8% to 10% growth in adjusted earnings per share on a constant currency basis for 2014.

2013 performance

Total Group revenue increased 8.0% (10.5% constant currency) to €3,282.6 million (2012: €3,038.1 million). This reflected positive revenue growth across all four segments. Global Performance Nutrition revenue was strong, driven almost entirely by volumes, while Global Ingredients and Joint Ventures & Associates revenue growth was also positive, reflecting a combination of market price increases and volume growth.

Total Group EBITA increased 5.6% (9.2% constant currency) to €226.7 million (2012: €214.6 million). This resulted in a modest margin decline in the period of 20 basis points (10 basis points constant currency). With EBITA growth of 23.2% (27.9% constant currency), Global Performance Nutrition was the key driver of overall Group performance while Global Ingredients and Joint Ventures & Associates also performed well. Dairy Ireland saw a significant decline in EBITA of 29.1% reflecting challenges in the Consumer Products Business Unit.

| Revenue €m | 2013 | Change | Constant currency change |
|-------------------------------|----------------|--------------|--------------------------------|
| Global Performance Nutrition | 655.3 | +11.8% | +15.7% |
| Global Ingredients | 1,074.6 | +8.0% | +11.5% |
| Dairy Ireland | 652.2 | +3.4% | +3.4% |
| Total wholly owned businesses | 2,382.1 | +7.7% | +10.3% |
| Joint Ventures & Associates | 900.5 | +9.0% | +11.2% |
| Total Group | 3,282.6 | +8.0% | +10.5% |

| EBITA €m | 2013 | Change | Constant currency change |
|-------------------------------|---------------|--------------|--------------------------------|
| Global Performance Nutrition | €70.6 | +23.2% | +27.9% |
| Global Ingredients | €102.0 | +4.0% | +8.1% |
| Dairy Ireland | €15.1 | -29.1% | -29.1% |
| Total wholly owned businesses | €187.7 | +6.2% | +10.0% |
| Joint Ventures & Associates | €39.0 | +2.9% | +5.3% |
| Total Group | €226.7 | +5.6% | +9.2% |

| EBITA Margin | 2013 | Change | Constant currency change |
|-------------------------------|-------------|---------------|--------------------------------|
| Global Performance Nutrition | 10.8% | +100bps | +100bps |
| Global Ingredients | 9.5% | -40bps | -30bps |
| Dairy Ireland | 2.3% | -110bps | -110bps |
| Total wholly owned businesses | 7.9% | -10bps | no change |
| Joint Ventures & Associates | 4.3% | -30bps | -30bps |
| Total Group | 6.9% | -20bps | -10bps |

GLOBAL PERFORMANCE NUTRITION

| | 2013 | Change | Constant currency change |
|--------------|---------|---------|--------------------------|
| REVENUE | €655.3m | +11.8% | +15.7% |
| EBITA | €70.6m | +23.2% | +27.9% |
| EBITA MARGIN | 10.8% | +100bps | +100bps |

2013 results

Global Performance Nutrition delivered a strong performance in 2013. Revenues increased 11.8% (15.7% constant currency) to €655.3 million driven almost entirely by volume growth as prices were largely unchanged in the period. Branded revenue growth was in excess of 20%. EBITA increased 23.2% (27.9% constant currency) during 2013 while margins increased 100 basis points to 10.8%. The increase in margin reflects a combination of improved revenue mix and somewhat lower input costs while we continued to invest in people and infrastructure to support future growth of the business.

Global Performance Nutrition continued to outpace the overall market growth during 2013 and we further increased our share within the USA. This performance was in the face of significant competition and reflects the strong appeal of our brands, our track record of delivering new and innovative products and our continued investment in building the business. We also benefited from our focus on the specialty and internet sports nutrition sub-segments which remain the largest and among the fastest growing segments in the market.

International revenues also performed well during 2013 and we continue to make good progress in respect of our international growth strategy.

The acquisition of Nutramino combined with a successful organic roll-out programme in 2013, brings our total in-market sales presence to 19 countries worldwide and further cements our position as the global leader in sports nutrition.

Capital investment during 2013 was significant. The implementation of SAP, the Group's financial and operational system, was successfully completed in October. The new €34 million production facility in Chicago, designed to allow further capacity additions on a modular basis, is due to be commissioned in the second quarter of 2014. We have already commenced the second phase of capacity expansion in this plant, reflecting recent demand trends and the continued positive growth outlook for the business. On completion, the total investment in the new facility will be approximately €50 million.

2014 outlook

Growth in Global Performance Nutrition continues to be underpinned by our brand strength, our ongoing investment in the business and our focus on the large and growing specialty and internet sports nutrition market sub-segments. We continue to strengthen our many in-market commercial teams and expect our international businesses to continue to deliver strong growth. Overall we expect Global Performance Nutrition to deliver a good performance for the year.

BRAND INTEGRITY

Global Performance Nutrition has our iconic brands – Optimum Nutrition, BSN, ABB and Nutramino – and each one of which shares five fundamental attributes:

- **Premium** – consistently giving the consumer a superior option to become part of their lifestyle, serve as a status symbol and set the standard in the category;
- **Authentic** – a strong track record of credibility and category leadership, rooted in consumer education and built on a foundation of proven results;
- **Science-based** – continuously inventing and reinventing category leadership through consumer insights, delivering consumer need-driven innovation;
- **Highest quality** – stringent ingredient and manufacturing state-of-the-art, NSF certified manufacturing facilities demonstrating an unrelenting commitment to superior quality; and
- **Effective** – GPN products do what they say.

In all GPN brand positioning activities, including marketing, sales and product development, legal compliance is of paramount importance.



OPERATIONS AND FINANCIAL REVIEW

GLOBAL INGREDIENTS

| | 2013 | Change | Constant currency change |
|--------------|-----------|--------|--------------------------|
| REVENUE | €1,074.6m | +8.0% | +11.5% |
| EBITA | €102.0m | +4.0% | +8.1% |
| EBITA MARGIN | 9.5% | -40bps | -30bps |

2013 results

Global Ingredients delivered a good performance in 2013. Revenues increased 8.0% (11.5% constant currency) to €1,074.6 million. This growth in revenue is attributable to underlying organic volume growth of 6.2%, higher pricing and an enhanced product mix of 1.3% and the impact of acquisitions of 4.0%. Acquisitions comprised of Aseptic Solutions in July 2012 and a small specialist cheese plant in Blackfoot, Idaho in March 2013. EBITA increased 4.0% (8.1% constant currency) in the period as positive performances in US Cheese and Customised Solutions offset a slightly weaker performance in Ingredient Technologies. The 40 basis points (30 basis points constant currency) decline in EBITA margins to 9.5% was driven primarily by lower whey market prices in Ingredient Technologies.

US Cheese

Cheese prices within the USA remained relatively firm throughout 2013 underpinned by strong global dairy prices. Market demand growth was positive with retail, foodservice and exports all performing ahead of the prior year. Against this backdrop, US Cheese delivered a solid performance in 2013. Revenues increased driven primarily by the Blackfoot acquisition and the impact of higher market pricing. This growth in revenues combined with a modest increase in margins resulted in positive EBITA performance for the year.

US Cheese commissioned its €8 million Cheese Innovation Centre during 2013. Based in Twin Falls, Idaho, this facility together with the more flexible production capabilities of the Blackfoot plant significantly strengthens our innovation and new product development capabilities.

Ingredient Technologies

Market prices for most of Ingredient Technologies' dairy related products declined in 2013. Lactose experienced quite significant declines with more modest reductions for other whey related products. These declines were driven primarily by increased supply as demand across almost all products categories remained firm. Demand continues to be underpinned by favourable trends across the relevant end markets including sports nutrition, nutritional bars and beverages, infant formula and confectionary.

In the context of declining market prices, Ingredient Technologies delivered a good performance in 2013. Revenue growth was positive as higher volumes more than offset the pricing impact. Volume growth reflected the full year impact of the Aseptic Solutions acquisition in July 2012 as well as higher throughput of certain whey products. Overall EBITA was behind prior year as the impact of lower pricing on margins more than offset the volume growth.

Ingredient Technologies continues to focus on maximising the value of its ingredient pool and in particular the development of science led nutritional solutions and systems. This relates not only to dairy-based ingredients but also to specialty grains where the recent commissioning of our €22 million state-of-the-art specialty grain processing facility in South Dakota significantly enhances our capabilities. Also in 2013, we expanded our production capabilities for lactoferrin and dairy calcium, two of our specialty dairy products used in a range of food and other applications.

Customised Solutions

The key users of premix solutions include the beverage, breakfast cereal, infant formula, supplement and nutrition bar segments. These markets continue to exhibit positive growth while premix providers are also benefiting from the ongoing trend towards food fortification and the increasing desire of large multi-national food companies to simplify their manufacturing processes and supply chains.

Customised Solutions continues to benefit from these trends and performed well in 2013. Revenue growth was positive while margins were slightly ahead of the prior year reflecting favourable sales mix.

We continued to invest in the business in 2013 aimed at growing our presence in new markets, including sales teams in India, Russia, South Africa and Indonesia. This is consistent with aligning the business with key growth customers with a particular focus on emerging markets.

2014 outlook

Global Ingredients is expected to have a solid performance in 2014. Our Idaho-based US Cheese business is currently facing challenges related to increased competition for milk. This is expected to lead to higher milk costs and some year-on-year volume declines in both US Cheese and Ingredient Technologies relative to a strong volume performance in 2013. While the situation continues to evolve, we are managing the overall impact with our suppliers and customers and, combined with a good performance in Customised Solutions, we expect Global Ingredients to deliver a positive performance for the year.

DAIRY IRELAND¹

| | 2013 | Change | Constant currency change |
|--------------|---------|---------|--------------------------|
| REVENUE | €652.2m | +3.4% | +3.4% |
| EBITA | €15.1m | -29.1% | -29.1% |
| EBITA MARGIN | 2.3% | -110bps | -110bps |

2013 results

Dairy Ireland had a difficult year in 2013 as underperformance in Consumer Products outweighed a solid performance in Agribusiness. Revenues increased 3.4% to €652.2 million reflecting 2.5% organic volume growth and 2.6% pricing growth offset by the Yoplait franchise disposal in 2012 which had a 1.7% negative impact on revenues. EBITA decreased by 29.1% to €15.1 million with a 110 basis point decline in margins.

Consumer Products

In line with trends in global dairy markets, the average milk cost for Consumer Products in 2013 was significantly ahead of the prior year as Irish milk prices hit record levels by historical standards. This resulted in margin pressures as our ability to pass through these input cost increases in a difficult Irish retail environment was limited. Overall volumes declined modestly in the year but growth in private label business relative to branded business resulted in an adverse mix effect. This, combined with lower margins, resulted in a significant decline in EBITA.

To counteract the challenges facing the business, Consumer Products recently announced a further phase of rationalisation to improve its competitiveness in the domestic market. This includes a reduction in the overall cost base through the redesign of its supply network and restructuring of head-office functions. We also announced plans to build a new €15 million UHT (Ultra-Heat-Treated) facility to produce long-life liquid milk and cream suitable for export to markets such as China, Europe and the Middle East. The new facility is expected to be operational in the second quarter of 2014.

Agribusiness

On an overall basis, Agribusiness delivered a solid performance in 2013. Demand for feed and fertilizer was strong in the first half of the year, driven to a large extent by poor weather conditions. While the demand trend weakened in the second half of the year, particularly for feed, overall revenue growth for the year was positive. Margins for the period were broadly in line with 2012 levels resulting in a positive EBITA performance overall.

The new state-of-the-art oats milling facility in Portlaoise was successfully commissioned in late 2013. The plant was developed to supply milled oats for use in the premium US oatmeal brand, McCann's Irish Oatmeal, owned by Sturm Foods. In addition, Agribusiness recently commenced a restructuring programme, the aim of which is to increase efficiency and optimise both its existing business potential and future growth opportunities.

2014 outlook

Against the backdrop of an exceptionally difficult 2013, we expect some improvement in performance in Dairy Ireland in 2014. This will be driven largely by Consumer Products, primarily reflecting the benefits of the rationalisation measures taken in recent months.

¹ Glanbia disposed of a 60% interest in Glanbia Ingredients Ireland Limited ("GILL") in November 2012. GILL, previously reported within the Dairy Ireland segment, is now a 40% associate of the Group. A pro-forma adjustment has been made to the 2012 results to treat GILL as if it had been a 40% owned associate for the full year and all comparisons are with these pro-forma figures.

OPERATIONS AND FINANCIAL REVIEW

JOINT VENTURES & ASSOCIATES (GLANBIA SHARE)¹

| | 2013 | Change | Constant currency change |
|--------------|---------|--------|--------------------------|
| REVENUE | €900.5m | +9.0% | +11.2% |
| EBITA | €39.0m | +2.9% | +5.3% |
| EBITA MARGIN | 4.3% | -30bps | -30bps |

2013 results

Joint Ventures & Associates delivered a steady performance in the year. Revenues increased 9.0% (11.2% constant currency) to €900.5 million reflecting 2.1% organic volume growth and 9.1% pricing growth. EBITA increased 2.9% (5.3% constant currency) as positive revenue growth more than offset the 30 basis point decline in margins.

Glanbia Ingredients Ireland (GILL)

Global dairy markets increased significantly in 2013 as supply failed to keep pace with the continued strong demand from China and emerging markets. In addition to strong price growth, GILL also saw an increase in volumes in the period driven by favourable milk supply. Milk prices broadly reflected the increase in global dairy market prices and EBITA was largely unchanged in the year as a result. The positive trends in milk supply in 2013 are an early indication of the strong uplift in milk volumes expected following the removal of milk quotas in 2015. In this context, the €150 million processing facility under construction in Belview, Co. Kilkenny is progressing well and is expected to commence commissioning in late 2014.

Southwest Cheese (SWC)

While average cheese prices for 2013 were slightly ahead of the prior year, whey prices on average were somewhat behind. With SWC operating largely to capacity from a volume perspective, the net effect for SWC was a modest increase in revenues and EBITA was broadly in line with the prior year.

Glanbia Cheese

The European mozzarella cheese market performed well in 2013 with demand continuing to be driven by both the fresh and frozen pizza markets. Market prices were also stronger reflecting demand growth and the general increase in global dairy prices. In this context, Glanbia Cheese delivered a good revenue performance in 2013 and, while milk costs also increased in the period, EBITA growth was also positive.

Nutricima

While market conditions remain challenging in the Nigerian market, there were some signs of improvement in demand in 2013 and overall volume growth was positive for the year. However, this benefit was largely offset by significantly higher input costs driven in turn by higher global dairy prices. EBITA was largely unchanged in the period as a result.

2014 outlook

Reflecting the expectation for broadly stable performance in each of our joint ventures & associates, this segment is expected to deliver a performance in line with 2013.

¹ Glanbia disposed of a 60% interest in Glanbia Ingredients Ireland Limited ("GILL") in November 2012. GILL, previously reported within the Dairy Ireland segment, is now a 40% associate of the Group. A pro-forma adjustment has been made to the 2012 results to treat GILL as if it had been a 40% owned associate for the full year and all comparisons are with these pro-forma figures.

FINANCIAL REVIEW

2013 summary Income Statement (pre exceptional)

| €m | 2013 | 2012 | Change | Constant currency change |
|---|----------------|----------------|---------------|--------------------------------|
| Revenue | 2,382.1 | 2,211.8 | +7.7% | +10.3% |
| EBITDA | 214.6 | 201.5 | | |
| Depreciation/grant amortisation | (26.9) | (24.8) | | |
| EBITA | 187.7 | 176.7 | +6.2% | +10.0% |
| <i>EBITA margin</i> | <i>7.9%</i> | <i>8.0%</i> | <i>-10bps</i> | <i>No Change</i> |
| - Amortisation of intangible assets | (21.0) | (19.9) | | |
| - Net finance costs | (23.0) | (20.4) | | |
| - Share of results of Joint Ventures & Associates | 26.5 | 12.1 | | |
| - Income tax | (24.7) | (25.5) | | |
| Profit for the year¹ | 145.5 | 123.0 | | |
| Adjusted earnings per share (cents) | 55.46 | 51.34 | +8.0% | +11.9% |

Revenue

Revenue grew by 7.7% to €2.4 billion (10.3% constant currency) reflecting continued strong organic growth in both Global Performance Nutrition and Global Ingredients.

EBITA & EBITA margin

EBITA grew by 6.2% to €187.7 million (10.0% constant currency). EBITA margin decreased by 10 basis points to 7.9%, with margin growth of 100 basis points in Global Performance Nutrition offset by reduced margins in the other segments.

Net finance costs

Net finance costs increased by €2.6 million to €23.0 million due primarily to the renegotiation of the Group's banking facilities in November 2012 (previously renegotiated in May 2008). The Group's average interest rate for the full year was 5.1% (2012: 4.6%).

Taxation

The 2013 tax charge decreased by €0.8 million to €24.7 million which represents an effective rate, excluding Joint Ventures & Associates, of 17.2% (2012: 18.8%). The decrease in the effective rate is driven by the change in mix and geographic locations in which profits are earned.

Share of results of Joint Ventures & Associates

The Group's share of results of Joint Ventures & Associates increased by €14.4 million to €26.5 million primarily due to the inclusion of 12 months of the Group's share of Glanbia Ingredients Ireland Ltd ("GILL") compared to one month in 2012. 60% of GILL was disposed of to Glanbia Co-operative Society Ltd on 25th November 2012. To assist comparability, our segmental analysis in this section shows the revenue and EBITA of our Joint Ventures & Associates on a pro-forma basis as if GILL had been an associate for all of 2012. The table below reconciles the pro-forma EBITA to the share of results as shown in the Income Statement.

Joint Ventures & Associates - Reconciliation of pro-forma EBITA to share of results

| €m | 2013 | 2012 |
|---|-------------|-------------|
| Pro-forma EBITA of Joint Ventures & Associates | 39.0 | 37.9 |
| Reversal of pro-forma adjustment for GILL | — | (14.8) |
| Reported EBITA | 39.0 | 23.1 |
| Amortisation | (0.3) | — |
| Finance costs | (4.2) | (5.3) |
| Income tax | (8.0) | (5.7) |
| Share of results as reported in the Income Statement | 26.5 | 12.1 |

Adjusted earnings per share

Total adjusted earnings per share grew 8.0% (11.9% constant currency), driven by growth in EBITA combined with a lower effective tax rate. Adjusted earnings per share is believed to be more reflective of the Group's underlying performance than basic earnings per share and is calculated based on the net profit attributable to equity holders of the parent before exceptional items and amortisation of intangible assets, net of related tax.

Dividend per share

The Board is recommending a final dividend of 5.97 cents per share (2012: final dividend 5.43 cents per share). This represents an increase of 10% in the year and brings the total dividend for the year to 10.00 cents per share (2012: 9.09 cents per share).

¹ 2012 profits relate to continuing operations only and so exclude Glanbia Ingredients Ireland Limited (GILL) for the period up to 25 November 2012. GILL is included for one month (December) in 2012 as an associate and 2013 numbers include GILL as an associate for the full year. 2012 results have been restated to reflect the adoption of the revised IAS 19 pension accounting standard (see note 2 to the Financial Statements for full details).

OPERATIONS AND FINANCIAL REVIEW

Cash flow

| €m | 2013 | 2012 |
|---|----------------|----------------|
| EBITDA | 214.6 | 201.5 |
| Dividends from Joint Ventures & Associates | 10.9 | 13.8 |
| Working capital movement | (39.9) | (59.1) |
| Net interest and tax paid | (55.8) | (48.1) |
| Business sustaining capital expenditure | (35.7) | (30.1) |
| Other outflows | (6.5) | (13.2) |
| Free cash flow from continuing operations | 87.6 | 64.8 |
| Loans (to)/repaid by Joint Ventures & Associates | 7.2 | (3.3) |
| Strategic capital / acquisitions expenditure | (76.5) | (89.2) |
| Disposals | 8.5 | 26.6 |
| Restructuring costs | (3.0) | (6.5) |
| Equity dividends | (27.9) | (25.3) |
| Net cash outflow from continuing operations | (4.1) | (32.9) |
| Cash flow from discontinued operations | — | 122.8 |
| Cash flow pre currency exchange / fair value adjustments | (4.1) | 89.9 |
| Currency exchange / fair value adjustments | 6.3 | 13.8 |
| Cash flow for the year | 2.2 | 103.7 |
| Net debt at the beginning of the year | (376.6) | (480.3) |
| Net debt at the end of the year | (374.4) | (376.6) |

Free cash flow is 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 of €87.6 million (2012: €64.8 million) an increase of €22.8 million year-on-year. Higher EBITDA in 2013 of €214.6 million (2012: €201.5 million) and lower working capital investment in the year were offset by increased business sustaining capital expenditure. The working capital outflow of €39.9 million reflects the increased working capital requirements in Global Performance Nutrition and Global Ingredients due to strategic investment in inventories and business growth.

Capital expenditure

Total capital expenditure during the year amounted to €112.2 million including €76.5 million of strategic spend. Major projects completed during the year include the Cheese Innovation Centre in US Cheese, the specialty grains plant in Ingredient Technologies and the oats milling facility in Agribusiness. In addition the final phase of SAP implementation was completed within Global Performance Nutrition resulting in core SAP functionality across the entire Group. Expansion of production capacity within Global Performance Nutrition commenced in 2013 with expected completion of phase one in the second quarter of 2014. Our 2014 plans include capital expenditure in the region of €120 million, of which approximately €80 million will be spent on strategic capital projects.

2013 exceptional items

| | €m |
|-------------------------------------|------------|
| 1.Revision to Group pension schemes | 13.8 |
| 2.Rationalisation costs | (8.0) |
| 3.Taxation charge | (0.3) |
| Total exceptional credit | 5.5 |

2013 exceptional items resulted in an exceptional credit of €5.5 million. Details of the 2013 exceptional items are as follows:

1. Revisions to two of the Group's smaller defined benefit pension schemes resulted in a reduction in pension liabilities and a consequent exceptional credit of €13.8 million. These revisions represent the final phase of the strategic review of the Group's pension arrangements which has been carried out over the last number of years.
2. Rationalisation costs amounting to €8.0 million were incurred in Dairy Ireland during the year. Consumer Products announced a further phase of rationalisation to improve its competitiveness in the domestic market, including a reduction in its central cost base and a redesign of its supply network. Agribusiness also announced a programme to deliver cost base savings while positioning the business appropriately to take advantage of growth opportunities. These programmes will continue through 2014 when we expect to incur further exceptional costs of approximately €11 million.
3. The tax charge applicable to exceptional items 1 and 2 above amounted to €0.3 million.

Group financing

| Financing KPIs | 2013 | 2012 |
|------------------------------|-----------|-----------|
| Net debt ¹ : | | |
| adjusted EBITDA ² | 1.7 times | 1.7 times |
| Adjusted EBIT ² : | | |
| net finance cost | 7.8 times | 8.1 times |

1. Includes cumulative redeemable preference shares.
2. The definition of adjusted EBITDA and adjusted EBIT are as per our financing agreements and include dividends from Joint Ventures & Associates.

The Group delivered a year end net debt to adjusted EBITDA leverage ratio of 1.7 times (2012: 1.7 times) compared to the Group's banking covenant of a maximum of 3.5 times. In 2013, adjusted EBIT to net finance cost was 7.8 times (2012: 8.1 times). 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 €744.1 million:

- A \$325 million (€238.4 million) private placement of senior loan notes, due in June 2021;
- Bilateral multicurrency revolving loan facilities totalling €466.6 million with eight banks, all maturing in January 2018, which were renewed during 2012 on common terms and conditions; and
- Cumulative redeemable preference shares of €39.1 million due for redemption in July 2014.

Return on capital employed

The return on capital employed has improved by 10 basis points to 14.2% (2012: 14.1%), a good performance given the Group's organic investment programme which has seen approximately €120 million in strategic capital expenditure (excluding acquisitions) over the past two years. The Group operates to an internal hurdle rate of return on investment decisions of 12% post tax, by year three, and monitors investment spend against this metric.

Pension

At 4 January 2014 the Group's net pension liability under IAS 19 (revised) 'Employee Benefits', before deferred tax, reduced by €20.1 million to €78.0 million (2012: €98.1 million). This decrease in the Group's deficit reflected a €13.8 million credit associated with revisions to two of the Group's smaller defined benefit pension schemes, employer contributions of €16.2 million offset by scheme charges of €8.8 million and a small negative movement in actuarial assumptions of €1.5 million. The fair value of the assets of the pension schemes at 4 January 2014 was €346.5 million (2012: €332.6 million) and the value of the scheme liabilities was €424.5 million (2012: €430.7 million). The Group has applied IAS 19 (revised) 'Employee Benefits' retrospectively in accordance with the transition provisions of the standard which resulted in an increase in profit after taxation for 2012 of €0.8 million and a resulting increase in adjusted earnings per share from 51.02 cents to 51.34 cents.

| Net pension liability €m | 2013 |
|------------------------------|---------------|
| Beginning of year | (98.1) |
| Actuarial assumptions | (1.5) |
| Revisions to pension schemes | 13.8 |
| Employer contributions | 16.2 |
| Scheme charges | (8.8) |
| Exchange differences | 0.4 |
| End of year | (78.0) |

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 2013 by the Audit Committee and the Board.

The Group's principal risks and uncertainties are outlined in the Detailed risk report on page 38.

[More information](#)

Finance Director's review page 16



RISK MANAGEMENT ACROSS OUR BUSINESS

Risk management responsibilities

The Board has ultimate responsibility for the Group's systems of risk management and internal control. However, there are defined roles within the process for the Audit Committee, the Group Operating Executive, Internal Audit and the Group Senior Leadership team. Key stakeholder risk management responsibilities are set out below:

The Board

- Develops the Group's vision and strategic priorities;
- Defines the organisational Code of Conduct and culture;
- Sets the risk appetite and tolerance of the Group in achieving its strategic objectives based on the recommendation of the Board Committees; and
- Monitors the nature and extent of the Group's principal risk exposures versus the defined risk appetite and tolerance.

Audit Committee

- The Board has delegated the responsibility for reviewing the design and implementation of the Group's risk management and internal control systems to the Audit Committee; and
- The Committee supports the Board in monitoring risk exposure versus risk appetite.

Group Operating Executive

- Develops the organisational structure and is responsible for maintaining effective risk management systems;
- Supports the Group senior leadership team in identifying, assessing and monitoring their respective risks and controls; and
- Monitors business performance, risk exposure, mitigation and internal controls.

Internal Audit

- Provides an independent assessment of the effectiveness of the Group's risk management and internal control systems;
- Consolidates Group risk reports for review by the Group Operating Executive, the Audit Committee and the Board; and
- Monitors and reports on actions taken by management to address risk exposures.

Group Senior Leadership Team

- Responsible for risk identification, measurement, mitigation and assigning risk management roles and responsibility at operational level;
- Ensures risk management processes and internal control systems are embedded within each Business Unit;
- Monitors business performance and uses risk management to support decision making; and
- Encourages open communication on risk matters.

Risk management process

Our risk management process aims to support the delivery of the Group's strategy by managing the risk of failing to achieve business objectives. We have a clear framework for identifying and managing risk, both at an operational and strategic level. The framework is designed to ensure that there is input across all levels of the business to the management of risk, to ensure we remain responsive to the ever changing environment in which we operate. By focusing our risk management system 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. The risk management process is set out as follows:

Group Senior Leadership Team, Business Unit / Functional Lead analysis

On a quarterly basis, 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. The template ensures consistency of approach in reporting of risks and requires management to:

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

“We are focused on ensuring that our systems of risk management and internal control operate effectively to enable the timely identification, assessment and reporting of the principal risks facing the business.”

John Callaghan, Audit Committee Chairman

Consolidation and review of the Group key risk summary reports

Internal Audit prepares a Group summary report based on the quarterly information submitted by management. The Group Operating Executive reviews the reports on a quarterly basis while the Audit Committee and the Board perform a bi-annual review, with an interim update from management if significant issues arise. The reports include:

- An analysis of the key Group risks in terms of impact (assessed over the following 12 months within defined monetary terms), likelihood of occurrence (assessed 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; and
- An overview of the broader organisational and business risks.

Board review

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, are entrusted with ensuring that appropriate measures are in place to validate the strength of internal controls and risk mitigation.

On-going monitoring

Senior management are required when presenting a business update to the Board or Audit Committee to provide detailed presentations on their individual business unit key risks, the mitigating controls and the residual risk exposures.

The Audit Committee continues to operate a programme of evaluating key areas of risk through a series of presentations from management and Group functional experts on matters such as food safety and quality, operational site risk management and IT.

Risk management activities in 2013

Risk management is an evolving activity requiring effective planning and response to emerging risks. A number of key achievements were noteworthy in 2013 including the following:

Effective talent management

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. During the year a re-organisation of the Group senior management structure was completed. In November 2013, Siobhán Talbot was appointed successor to John Moloney as Group Managing Director and Mark Garvey, previously CFO of Sara Lee Corporation, replaced Siobhán Talbot as Group Finance Director. As part of the restructuring of the Group segments, on 1 June 2013, Brian Phelan (appointed to the Board on 1 January 2013) was appointed as CEO of Global Ingredients and Hugh McGuire was appointed to the Board as Executive Director with responsibility for Global Performance Nutrition.

Market risk management

While we remain aware of competitor activities and new innovations, our focus is on enhancing our internal capabilities and strengthening our market offerings. During 2013 key achievements included:

- Investing in a major expansion in our Global Performance Nutrition production facility in Illinois, USA.
- Commencing production in our South Dakota, USA specialty grains processing plant, and our new oats milling facility in Portlaoise, Ireland which will cater for our supply contracts with major US based customers and allow potential for future development.

Integration risk management

To support organic growth and the integration of recent and future acquisitions, a Shared Services Centre was opened in Illinois, USA in early 2013 and now processes the vast majority of the US based Business Units' back office activity. The rollout of the Group's SAP system across Global Performance Nutrition and Global Ingredients was also completed in 2013, thereby enhancing control systems and providing a platform for future growth.

Supply chain risk management

Continued internal investment in enhanced whey processing facilities, such as in Glanbia Ingredients Ireland Limited, has increased the Group's ability to extract value from whey markets and helped to ensure long term supply of quality whey protein in line with our customer commitments.

DETAILED RISK REPORT



Principal risks and uncertainties

The performance of the Group in 2014 will be influenced by: the global economic outlook; milk availability and price in US Cheese; the challenging Irish retail environment and the associated management of margins within Dairy Ireland; and the effective execution of our growth strategy in Global Performance Nutrition and Global Ingredients.

The Group’s approach to financial and taxation risks, including currency risk, interest rate risk and liquidity risk, is to centrally manage these risks against comprehensive policy guidelines,

details of which are outlined in note 3.1 ‘Financial risk factors’ on page 125 of this report. The Board regularly reviews these policies.

A summary of the key Group risks identified, potential impacts and mitigating actions are set out below. There may be other risks and uncertainties that are not yet considered material or not yet known to us and this list will change as risks assume greater importance in the future. Likewise some of these risks will drop off the key risks schedule as mitigating management action plans are implemented.

| | |
|------------|---|
| Risk | Customer concentration risk Certain key customers represent a significant portion of Group revenue and operating profits. The loss of one or more of these customers could have a material impact on Group profitability. |
| Risk trend |  |
| Mitigation | The Group has developed strong relationships with major customers by focusing on superior customer service, product innovation, quality assurance and cost competitiveness. A new medium term contract manufacturing agreement was entered into during the year with one of our key Global Performance Nutrition customers which will strengthen our position in global whey procurement markets and underpin our manufacturing capacity expansion in the USA. |
| Risk | Supplier risk Risk of not achieving an appropriate balance between sustainable milk supply and cost with a resulting adverse impact on earnings. Milk availability can fluctuate from quarter to quarter and year to year with resulting impacts on plant production levels. Volatile global dairy commodity markets can compound the supply risk if the Group’s ability to pass pricing volatility back to the suppliers is constrained by competitive pressures or the pricing method employed. |
| Risk trend |  |
| Mitigation | Market pricing is continually evolving and the market environment can change very quickly. As a result, our milk procurement strategy teams are working to ensure the business remains competitive in its supplier offerings, which is in the interests of both our milk suppliers and Glanbia. 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 ensure continued milk supply. |

Risk Trends

-  No change
-  Risk declining
-  Risk increasing

| | |
|------------|--|
| Risk | <p>Product safety and compliance risk</p> <p>A breakdown in control processes may result in contamination of products and/or raw materials resulting in a breach of existing food safety legislation. Potential impacts include reputational damage, regulatory penalties or restrictions, product recall costs, fines, lost revenues and reduced growth potential. The sudden introduction of more stringent regulations such as additional labelling requirements may also cause operational difficulties.</p> |
| Risk trend | ↔ |
| Mitigation | <p>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:</p> <ul style="list-style-type: none"> • Employing suitably qualified and experienced staff; • Operating a supplier certification program whereby suppliers, their processes, facilities and products are audited for conformance to Group standards; and • 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. <p>The Group also maintains product liability insurance.</p> |
| Risk | <p>Site compliance risk and environment, health & safety regulation risk</p> <p>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 or a breach of environment or health and safety regulations. Potential impacts include reputational damage, regulatory penalties and an inability to service customer requirements.</p> |
| Risk trend | ↔ |
| Mitigation | <p>The Group limits the risk of a major event impacting operations or the environment by:</p> <ul style="list-style-type: none"> • 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; • Continual investment in energy efficiency advancements, carbon reduction and emission management programmes to ensure compliance with environmental regulations; • Ensuring all business operations have business continuity plans in place including identification of alternative production locations where relevant. The benefits of this were highlighted following a significant fire in early 2014 at our Irish Shared Services facility where disruption levels were minimised; and • Maintaining a comprehensive insurance programme for all significant insurable risks and major catastrophes. |
| Risk | <p>Talent management risk</p> <p>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. Growth targets may be at risk by failing to attract, retain and manage key personnel.</p> |
| Risk trend | ↔ |
| Mitigation | <p>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.</p> <p>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.</p> |

FOCUSED ON OUR RESPONSIBILITIES

Glanbia is focused on corporate social responsibility in three areas – our employees, the environment and our local communities.

We respect and engage with our employees, recognising that their commitment is central to our success. We are committed to environmental stewardship, which is critical to managing food safety and quality as well as managing our potential environmental impact. We work with and support our local communities through corporate donations, employee volunteering and fundraising.

OUR PEOPLE

Glanbia's people strategy is to attract and develop high calibre talented people who are committed to growth, innovation and success. The Group fosters a culture where employees and teams are challenged to create new ways to add value to our products and services for customers.

Glanbia provides a positive working environment that gives employees the opportunity to share insights and collaborate on many significant projects. Energy, enthusiasm and fresh ideas are welcomed and supported in the Group's drive to achieve its strategic goals.

Building organisational capabilities

Group employee numbers, including Joint Ventures & Associates increased by 331 people in 2013 to 5,202 people based in 32 countries. The largest areas of growth were in Global Ingredients and Global Performance Nutrition reflecting the two global platforms that are the key strategic focus of the Group's growth ambitions.

Global Performance Nutrition (GPN) increased employee numbers by 132 people in 2013. Strong business growth created new salaried and factory based positions in the Aurora, Illinois location. GPN has established a new Europe, Middle East and Africa (EMEA) head office in Dublin, Ireland, to support its significant international expansion.

Global Ingredients, which encompasses US Cheese, Ingredient Technologies and Customised Solutions, increased its workforce by 231 people. Key to this growth was Ingredient Technologies, which commissioned a new specialty grain processing facility in South Dakota in November 2013 and acquired Aseptic Solutions in 2012. US Cheese acquired the Blackfoot plant in Idaho and also opened the Cheese Innovation Centre alongside its new headquarters in Twin Falls, Idaho.

In Dairy Ireland, while overall employee numbers for 2013 remained broadly unchanged, a reorganisation took place in both Business Units, in the context of a challenging business environment. Where Consumer Products has had a reduction in numbers in some areas under the reorganisation programme, investments in the new Ultra-Heat-Treated (UHT) Consumer Products facility and regional depots has created additional employment opportunities. Agribusiness is reorganising elements of its workforce, aimed at optimising its existing business and future growth potential.

Talent development

Glanbia has a number of programmes and initiatives to develop its employees and manage its talent base.

People development

Fostering employee ingenuity and creating a culture of continuous learning are core components to Glanbia's employee development initiatives. Through engagement with the performance management process, all Group employees are not only measured on performance and career potential but crucially have development areas identified and supported by specific and targeted programmes.

The tracking and measurement of HR metrics is now transparently available on a real-time dashboard which compares HR KPIs across the Business Units, such as headcount, employee turnover and the management of compliance with performance and succession management processes.

The Glanbia Management Development Programme (GMDP) is run annually for selected high potential managers. In 2013, 27 managers from all the Group's Business Units participated in an intensive two week programme split between Dublin and Chicago.

“I believe Glanbia’s success is built on the talent of our people who are innovative and pioneering, whether it is about improving performance, collaborating with customers or building new markets.”

Siobhán Talbot, Group Managing Director

Here they worked to solve business critical projects which ensured active learning of the strategic thinking and leadership skills which were provided by world class ‘thought leaders’.

Learning is enhanced in a competitive environment and most projects have already been moved to implementation. Projects varied from Supply Chain efficiency initiatives and business ‘big data’ management to new product innovation technologies. Projects typically aligned business strategy with strategic customer requirements while taking into account regulatory compliance, operational compatibility and the financial impact on the business.

In addition to the Group development programmes, there are specific people development initiatives led by HR teams in Business Units. Typically, the objectives are to ensure that employees develop their skills and work effectively in their roles. Development programmes are designed

to address specific business and personal challenges and are facilitated by internationally approved and accredited active learning methods and teachers.

In Consumer Products, the senior management team participated in a leadership development workshop in 2013 to highlight the behaviours required for strong focused leadership, while recently appointed managers participated in a six week programme of coaching with particular focus on change management skills.

During 2013, Agribusiness ran a number of leadership and management development programmes which delivered tangible benefits in both enhanced leadership capability and sales performance.

The strong emphasis on structured technical training for the sales teams, aimed at ensuring ongoing customer relevance, is delivered through external experts and internal technical specialists and is widely recognised as industry best practice.

In US Cheese, ‘Achieve Global’ is a comprehensive leadership skills development program that combines core leadership principles with cutting-edge strategies to maximise team effectiveness and motivation. During the year, 140 employees benefited from Achieve Global training. US Cheese has also adopted the well established ‘Five Choices® to Extraordinary Productivity’ programme and 35 employees across all levels took the two day course in 2013.

Glanbia Graduate Programme

The intake to Glanbia’s Graduate Programme continues to grow and 49 graduates were welcomed to the organisation in 2013. Successful applicants were hired from Ireland, the USA, China, and Singapore, comprising 23 female and 26 male graduates.

During the year, 32 graduates from prior year recruitment programmes assumed full-time roles in the Group. They will continue their career development in

MAKING A DIFFERENCE

At Glanbia, we know that our success is built on our peoples’ capability. We believe in a learning environment where employees are challenged to innovate and ‘find a better way’ to solve problems and deliver business results.

The Glanbia Performance System is a good illustrative example of this as are the GPN internal innovation awards. Glanbia actively fosters a dynamic and results oriented culture because we recognise that to achieve our vision we need ‘Great People’.

All our employees are encouraged to ‘Make a Difference’ through:

- High energy performance;
- Constant innovation in work processes;

- Ability to be flexible in a fast paced global environment;
- Clear accountability and delivering on our commitments; and
- Personal integrity and trust in team-based working.

In return, Glanbia promises to:

- Reward performance and recognise contribution with competitive remuneration;
- Provide opportunities for career development across the business; and
- Offer custom-designed personal and business skills programmes.



CORPORATE SOCIAL RESPONSIBILITY

finance, engineering, innovation and sales and marketing teams throughout the Group.

To complement the Group Programme, Business Units also hire graduates to fulfil their specific business needs. These graduates will be given the opportunity to participate in similar personal development and can avail of cross functional learning and rotation within their Business Unit departments and operational sites.

Management conference

The 2013 Glanbia Management Conference was held in Chicago. The theme was ‘Strategy in Action – Delivering to High Expectations’ and almost 100 members of Glanbia’s Senior Leadership Team reviewed the development of Group business and strategy.

Key areas highlighted during the conference were cross Business Unit collaboration and leveraging current capabilities to create long term profitable growth.

As always, there were some inspiring guest speakers, including case studies in innovative thinking and pragmatic strategy implementation. The conference is an important opportunity for the leadership team to mingle in an informal setting which ensures sharing of best practice and forging cross business relationships. Awards were presented to leadership teams from several Business Units for projects ranging from commercialising new product development to delivery of sustained year-on-year growth using the ‘can-do’ culture fostered by the business.

Health and safety

During 2013, Glanbia Business Units continued their concerted efforts to raise safety awareness on all sites. The Group’s safety record has been excellent over recent years. The safety and risk management process is audited both internally and by a third party to independently score all sites on the Glanbia’s Risk Management System (GRMS). Awareness initiatives across the Group in 2013 were:

In Global Performance Nutrition, a total of 871 employees were trained in Environmental Health and Safety general awareness and a cohort of 357 of these completed further specialised training in areas such as electrical safety awareness.

US CHEESE INITIATIVE

In 2013, US Cheese ran a safety logo design contest. The safety team selected Amanda Braun (pictured with Patrick Cantrell) as the winner from 45 contestants. Amanda, a maintenance operative in the Gooding cheese plant, has since taken up a regulatory compliance role in the Richfield Whey Plant.

“I really enjoyed working on the safety logo and was thrilled to win and see my logo adopted in my Business Unit.”

Amanda Braun,
Regulatory Compliance Specialist,
Richfield Whey Plant.



“We are proud of our track record in sustainability, driven by science, investment and the ‘can-do’ entrepreneurial attitude of our great workforce.”

Jeff Williams, CEO, US Cheese

In US Cheese, a culture of safety has been instilled at all levels of the business. Safety is one of four non-negotiables of the Glanbia Performance System (GPS). As a result of the safety policies and initiatives, supported by the awareness programme, the Recordable Incident Rate (RIR) has steadily reduced since 2010 to well below the U.S Bureau of Labour Statistics national average RIR for the cheese industry.

Glanbia Ingredients Ireland Limited (GILL) launched their STAR Health & Safety Programme – ‘Stop-Think-Act-Review’, the purpose of which is to change safety behaviour and to embed this change into the culture. To increase awareness, a new ZERO HARM campaign and logo were introduced. In October 2013, GILL ran a very successful Safety Week in conjunction with European Health and Safety Week.

THE ENVIRONMENT

Glanbia processes approximately 6 billion litres of milk annually in Ireland and the USA in our wholly owned businesses and Joint Ventures & Associates. It is within these large scale facilities that our most significant sustainability initiatives are undertaken. While there is an onus on achieving regulatory compliance and strong environmental standards, the businesses also focus on sustainability and environmental leadership. This ensures that efficient and environmentally friendly principles run through all aspects of the business from supply through to distribution chains.

Sustainable practices are essential in maintaining our supply chain and ensuring high quality ingredients. These practices also generate financial benefits, increasing efficiencies and driving innovation and new ideas in the work place. ‘Lean’ principles are integrated into operational, management and strategic activities through the customised ‘Glanbia Performance System’ (GPS). The GPS is the Group’s integrated work system which incorporates best practice from the global

manufacturing industry into operational principles to deliver breakthrough results.

Collaboration, shared learning and the identification of best practices across the Group is key to the success of GPS. Since its launch by the Group in 2010 the implementation of the system has generated significant savings and improvements in safety, sustainability and employee engagement. 95% of US Cheese employees have been through a GPS bootcamp and in 2013 over 100 projects were completed leading to savings across the business. A significant development is the move from the earlier behavioural based ‘Lean’ thinking to the current ‘ownership’ phase where employees are leading process and safety improvement. The rollout of GPS has continued with employees from Blackfoot (US Cheese), Aseptic Solutions (Ingredient Technologies) and Agribusiness (Dairy Ireland) taking part in GPS bootcamps in 2013. Bootcamps provide a rapid overview and introduction to GPS and allow employees to have a hands-on experience of utilising the programme and understanding the management philosophy involved.

Global Ingredients

As water is such a valuable resource in Idaho, we prioritise the remediation of constituents in wastewater through treatment and the land application of wastewater for crop irrigation. Through GPS projects at Idaho facilities, Glanbia has realised a reduction of wastewater constituent concentrations of 16% between 2012 and 2013. 100% of the water used to irrigate crops on Glanbia’s 2,200 acre farm has been extracted from milk that is processed into cheese and whey products. The farm grows corn and hay which is used to feed the cows at local dairies. These dairies then provide milk back to the cheese and whey facilities in a sustainable cycle.

US Cheese was recognised by Idaho Power as being one of the top Idaho companies working to improve energy efficiency. Over the past several years Glanbia has invested in energy efficiency upgrades that currently save three million kilowatts annually which is enough electricity to power 750 homes each year. US Cheese has participated in Idaho Power’s Efficiency Programme since 2007 saving over 12 million kilowatts to date. Energy usage per litre of milk processed declined slightly in 2013 while the volume of milk processed increased.

Customised Solutions

In comparison to dairy processing facilities, premix blending is less energy intensive. Sustainability initiatives are also in place with a focus on energy and water consumed. Energy consumption fell in the US and China plants with a 14% electricity reduction per kilogram blended compared to 2012. A new best-in-class hygiene and quality standard resulted in an increase in energy consumption in Orsingen, Germany, however water consumption per kilogram blended fell by 30%. In China, the Suzhou plant experienced an increase in water consumption per kilogram blended of 7.6% due to a production volume increase of 48%.

Joint Ventures & Associates

Energy and water usage also continued to be the primary focus at our strategic US joint venture, Southwest Cheese. In 2013 this facility reduced energy usage by close to 3%. A 5% decrease in water usage was also achieved despite increased throughput of milk. During the year Southwest Cheese began the process of returning surrounding farmland into natural grassland. The natural grassland will require no additional water and will prevent soil erosion.

Glanbia Ingredients Ireland Limited (GILL), our Irish dairy processing associate, was accepted as a verified Bord Bia Origin Green active partner in 2013. This programme sets out targets for reductions in carbon emissions, energy, water and waste up to 2020.

CORPORATE SOCIAL RESPONSIBILITY

It also sets out to source ingredients from sustainable sources and to enhance biodiversity on processing sites.

GILL sites continue to progress the Delta/Lean Programme and a number of energy and water saving opportunities have been identified to help meet targets. The programme has delivered significant energy reduction in whey processing in 2013. Zero waste to landfill was fully achieved in 2013. In addition, GILL was the first dairy processor in the world to achieve the Carbon Trust Water Standard for achieving water reduction targets.

OUR COMMUNITY

Across the Group, we are involved in a number of local and international projects that seek to make a tangible difference in local communities where we operate.

Corporate giving

Since 2008 Glanbia has proudly partnered with Barretstown as the designated charity of choice in Ireland. Barretstown helps children with serious illness to regain their confidence and self-esteem through therapeutic recreation and camps. Glanbia fundraising means that Barretstown is reaching even more families with camp capacity increasing by 75% since 2008. In the past five years Glanbia has donated €1.6 million to Barretstown. This equates to almost 3,500 camp days for children and their families or the equivalent of 19 family weekend camps and has made a tangible difference to the lives of over 350 families.

In the USA, through a combination of entry fees, sponsorships and individual donations, the ‘Glanbia Charity Golf Challenge’ contributed a record breaking \$145,000 to 10 Idaho-based charities in 2013. The ‘Charity of Choice’ for 2013 was The Idaho Foodbank which received \$38,000 for their Backpack Programme. The Foodbank is the largest distributor of free food assistance in Idaho.

David Proctor of The Idaho Foodbank said: “The Backpack Program provides nutritious, kid-friendly food to thousands of Idaho children who are at risk of hunger between school lunch on Friday and school breakfast on Monday. Some 400 children from 23 different elementary schools in the Magic Valley received backpacks during last school year.”

TOUR DE KILKENNY

The fifth ‘Tour de Kilkenny’, which is run in conjunction with the Marble City Cycling Club, took place in August 2013. Since it was established, the cycle has raised a total of €45,000 for Barretstown. 700 cyclists completed the 2013 cycle and all proceeds went to four charities - Barretstown, Relay for Life Irish Cancer Society, The Irish Pilgrimage Trust and Camphill Communities of Ireland.



“As a global performance nutrition and ingredients 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.”

Hugh McGuire, CEO, Global Performance Nutrition

Employee fundraising and volunteering

The biggest Irish based employee fundraising initiatives come from two events – the annual ‘Glanbia Hillwalk’ and the ‘Tour de Kilkenny’ cycle sportive. With a cumulative height of over 11,000 metres, Glanbia climbs have raised €130,000 for Barretstown in the past five years. In 2013, the ‘Twin Peaks Challenge’ involved climbing Ireland’s two highest mountains, Mount Brandon and Carrantuohill, on successive days and over €31,000 was raised.

As part of the Skills@Work Programme, Glanbia Agribusiness partnered with Duiske College, Co. Kilkenny, to give Transition Year students greater insight into prospective career choices and further study options. The programme included site visits, mock interviews, ‘Day in the Life’ insights, group discussion sessions with employees and curriculum vitae writing skills. The Skills@Work Programme is provided by Business in the Community Ireland (BITCI).

In the USA there were several employee fund-raising initiatives including:

- Ingredient Technologies’ employees participated in their own version of the popular television show ‘The Biggest Loser’. One dollar was donated to charity for each pound lost by the contestants while weekly seminars were hosted to provide education on nutrition and maintaining an optimal workout routine.
- Customised Solutions’ Carlsbad-based employees raised funds competing in the Del Mar Mud Run Obstacle Race. All proceeds went to the Challenged Athletes Foundation’s (CAF) Operation Rebound, the premier sports and fitness programme for American military personnel, veterans and first responders with permanent physical disabilities.

- A GPN team participated in the 15th annual ‘Hustle Up the Hancock’, the stair climb race of the 94 floors of the John Hancock building, hosted by the ‘Respiratory Health Association of Metropolitan Chicago’ to support local lung disease research and programmes.

Our employees also supported a number of international charities:

- 20 GPN employees volunteered to pack food for shipment to the Philippines and Haiti for an organisation called ‘Feed My Starving Children’ which provides meals specifically formulated for malnourished children.
- GPN also supplied Optimum Nutrition protein samples to a vendor taking part in a voluntary mission to Haiti. Protein is difficult to source for many people in Haiti and sample packets provided a quick and convenient way to help meet their nutritional needs.

FIND OUT MORE



Careers

Glanbia’s global success is driven by continuously investing in people. We offer a range of career paths for energetic and passionate people.

More information
www.glanbia.com



Sustainability

The US Cheese and Whey businesses produced their first sustainability report to share their journey of growth and sustainability. Their environmental footprint is amongst the lowest per pound of product and they are systematically continuing to reduce their impacts while simultaneously strengthening the social and economic fabric of their local communities.

More information
www.glanbia.com



SCIENCE-BACKED INNOVATION

DELIVERING COMPETITIVE ADVANTAGE IN THE MARKET PLACE

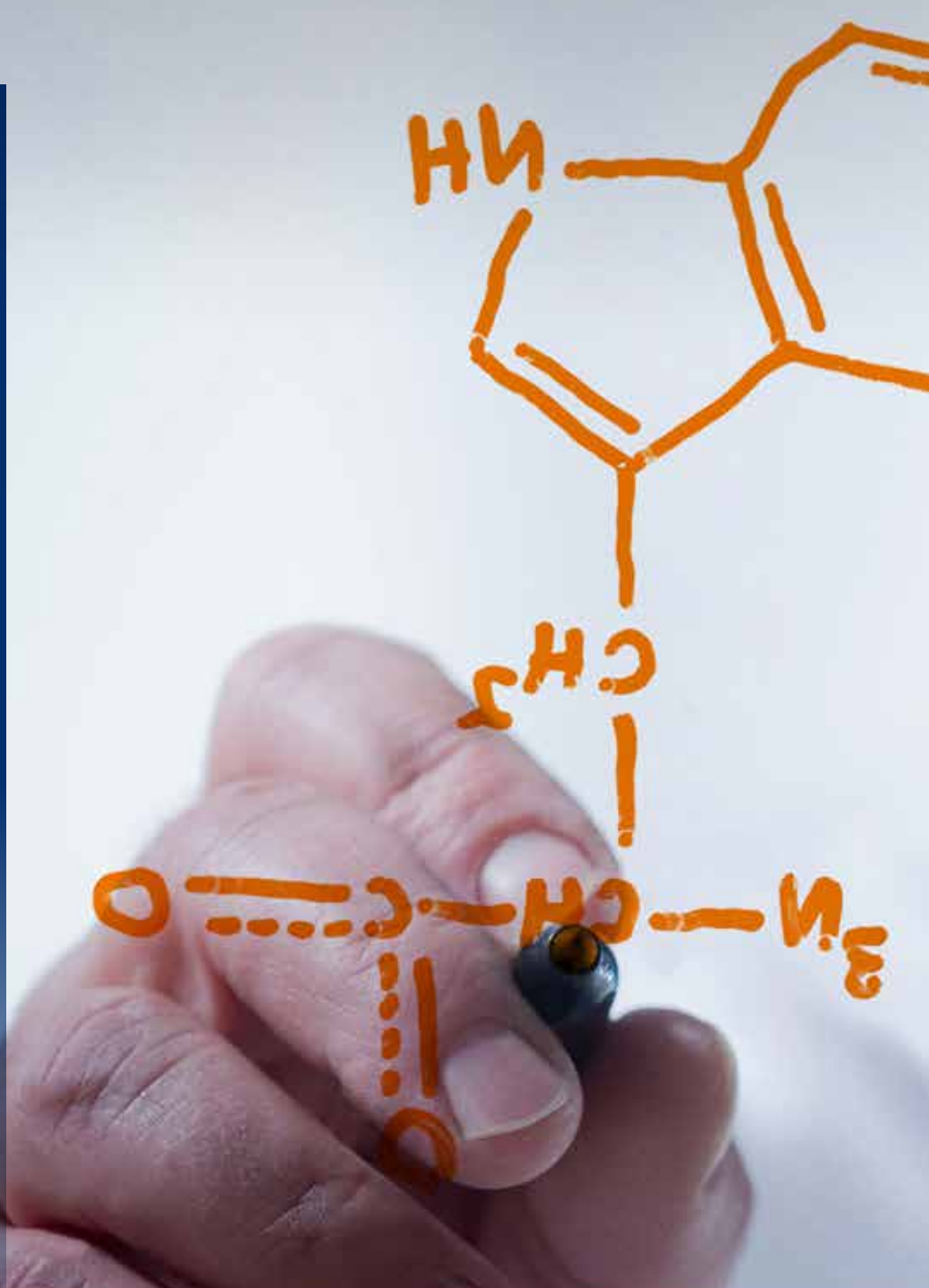


Eric Bastian PhD,
Ingredient Technologies

COLLABORATIVE INNOVATION

At Glanbia, innovation through customer collaboration lies at the core of our development process. With the Collaboration Center (CC) and the new Cheese Innovation Center (CIC), we have the ability to invite our customers to come and work with us on their most relevant projects. In 2013, more than 50 of our customers travelled to Idaho to collaborate with our development teams in the CC and the CIC. Through that collaboration, we were able to complete many projects that not only help Glanbia derive added value, but give our customers a competitive edge in the marketplace.

“As a leading supplier of nutritional products and cheese, Glanbia has been at the forefront of collaborative, dairy innovation for more than two decades.”





DIRECTORS' REPORT

GOVERNANCE

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COMMITTED TO STRONG GOVERNANCE

Dear Shareholder,

Your Board is committed to strong governance and its view continues to be that the right processes and people are in place at Glanbia. I am pleased to introduce our key achievements during the past year and in the governance section you will find detailed Board Committee and Corporate Governance reports.

Board evaluation

During 2013 we undertook an externally facilitated evaluation of the Board, the purpose of which was to review and improve the Board's performance and identify its development needs. This has been a thorough process carried out by Karl Croke of Board Works. Karl is an experienced independent practitioner who has no other connection to Glanbia. The overall outcome of the evaluation was positive, with the Board's performance being rated as "very good", citing strong cohesiveness, collaboration, trust and efficiency.

The outcome of the evaluation was presented to the Board and a number of recommendations were made to further improve the effectiveness of the Board. The recommendations related to the following key areas:

- Board refreshment and renewal;
- Orderly reduction in the number of Glanbia Co-operative Society Limited ("the Society") nominated Board members on a phased basis over the period to 2018; and
- Enhancing the existing processes in place for Director development and senior management succession.

A full description of the Board evaluation process is set out in our Statement of Compliance on page 97.

ALLOCATION OF BOARD TIME



Board time allocation

The Board met 11 times during the year and I work closely with the Group Managing Director and the Group Secretary to make sure that the agenda is focused on the correct areas. I believe we strike the right balance.

To be effective, our Directors need to have a deep understanding of the business and this feedback is regularly received in Board evaluations. This is particularly important given the increasingly global nature of Glanbia's operations. Therefore, one of the key activities of 2013 was a Board visit to the USA in September 2013. Over the course of four days, the Board received detailed presentations from all international Business Unit management teams. We also conducted reviews of those units. The Board also visited Aseptic Solutions in Corona, California which was acquired in July 2012 and the Customised Solutions manufacturing facility in Carlsbad, California.

Board changes

2013 was another year of change for the Board. Siobhán Talbot succeeded John Moloney who retired from the Board on 12 November 2013 as Group Managing Director. We appointed three new Executive Directors, Brian Phelan, Hugh McGuire and Mark Garvey. Two new Non-Executive Directors were appointed, Donard Gaynor and Vincent Gorman and three Non-Executive Directors left the Board, Billy Murphy, Robert Prendergast and Brendan Hayes. These changes are dealt with comprehensively in the Nomination Committee report on pages 67 to 68.

In accordance with the UK Corporate Governance Code (2012), all the Directors, excluding Jerry Liston who has indicated he will retire at the commencement of the Annual General Meeting (AGM), will stand for re-election at the 2014 AGM. Each Director continues to provide the Board with valuable knowledge and expertise and to devote sufficient time in support of the Group, and I strongly recommend their re-election.

Risk management and internal controls

Risk management continues to be the focus of much attention. The Board and management are satisfied that appropriate risk management and internal control systems are in place throughout the Group and the principal risks which Glanbia face are set out in the Detailed Risk Report on page 38. While the Board retains ultimate responsibility for determining the Group's risk appetite, it has delegated responsibility for reviewing the design and implementation of the Group's management and internal control systems to the Audit Committee.

“As we continue to successfully develop our growth strategy, your Board is very mindful of the central role that strong corporate governance plays.”

Remuneration and reporting

In 2013, the UK Department of Business, Innovation and Skills (BIS) published wide reaching proposals referred to as the 2013 “Remuneration Regulations”. In line with these regulations, we have taken further steps to enhance our reporting by updating the format of the Remuneration Committee report this year, although as an Irish incorporated company Glanbia is not subject to the Remuneration Regulations. Under UK company law, there is a requirement to submit the Remuneration Committee report for the year to an advisory vote and the Group’s remuneration policy on Directors’ pay to a binding vote by shareholders. However, given the different legal jurisdiction in which Glanbia operates, and consistent with our approach last year, Glanbia is proposing to seek these approvals in a single advisory vote by shareholders rather than on a binding basis at the AGM in 2014. The Board will take due notice of any shareholder feedback on the policy and it is the Board’s intention to operate in line with the approved policy.

As part of our three year remuneration policy cycle, during 2014 the Remuneration Committee will review the Directors remuneration policy. In addition, we will consider the Remuneration Regulations and where deemed appropriate we intend to refine and develop the Remuneration Committee report to further enhance clarity and transparency. The Remuneration

Committee and the Board welcomes shareholder feedback and input on any aspect of remuneration and particularly given our proposed review of remuneration policy in 2014.

We have also taken the opportunity to restructure this Annual Report with regard to BIS requirements for enhanced and simpler reporting, in particular including a strategic report which covers the most material information on our performance and future prospects.

External Auditors

Following the publication of the revised UK Corporate Governance Code (2012), the recent findings of the Competition Commission, the Guidance for Audit Committees issued by the Financial Reporting Council and the EU Audit Reform Framework proposals, we have taken the opportunity to review arrangements with our external Auditors. This is to ensure the continued independence and objectivity of our external Auditors and that our relationship with PricewaterhouseCoopers remains satisfactory.

Shareholder engagement

Late 2012 and early 2013 saw the expansion of our shareholding base with the successful completion of two private placements for 6% of the Company’s issued share capital by the Society. In March 2013, the Society also distributed

7% of the Company’s issued share capital to its members. Combined, these transactions increased the free float to 59%.

During 2013, we met with more than 150 buy and sell side representatives and held a dedicated investor day at the London Stock Exchange in May 2013, at which I and our Senior Independent Director attended. The focus of the presentations was Global Ingredients and Global Performance Nutrition, the Group’s two growth platforms. The AGM is also an opportunity for the Board to engage with shareholders. The 2014 AGM will be held at the Lyrath Estate Hotel, Old Dublin Road, Kilkenny on 13 May 2014. Further details of our Investor Relations activities during the year are on page 17.

Conclusion

Your Board will continue to work to ensure that the right corporate governance oversight and processes are in place to develop growth initiatives and support innovation and entrepreneurship, while at the same time managing and mitigating the associated potential risks, so that we protect all our stakeholders. I welcome any feedback and encourage shareholders to write to me at any time should they have any matter they wish to discuss.



Liam Herlihy,
Group Chairman

BOARD COMMITTEES

Audit Committee



John Callaghan,
Audit Committee Chairman &
Senior Independent Director
See page 60

Nomination Committee



Liam Herlihy,
Group & Nomination
Committee Chairman
See page 66

Remuneration Committee



Jerry Liston,
Remuneration Committee
Chairman
See page 70

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

GROUP CHAIRMAN AND VICE-CHAIRMEN

**Martin Keane, Vice-Chairman**

Martin Keane (aged 58), Vice-Chairman, was appointed to the Board on 24 May 2006 and has served seven 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

Liam Herlihy, Group Chairman

Liam Herlihy (aged 62), Group Chairman, was appointed to the Board on 11 September 1997 and has served 16 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. He is a Director of Irish Dairy Board Co-operative Limited and is a former Director of Irish Co-operative Organisation Society Limited.

Chair: Nomination Committee
Member: Audit Committee / Remuneration Committee

Henry Corbally, Vice-Chairman

Henry Corbally (aged 59), Vice-Chairman, was appointed to the Board on 9 June 1999 and has served 14 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. He is a former Vice-Chairman of the National Dairy Council.

Member: Audit Committee / Remuneration Committee

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

EXECUTIVE DIRECTORS AND GROUP SECRETARY



Hugh McGuire, CEO Global Performance Nutrition

Hugh McGuire (aged 43) was appointed to the Board on 1 June 2013 as an Executive Director with responsibility for Global Performance Nutrition. Hugh joined the Group in 2003 and has been Chief Executive Officer of Global Performance Nutrition since 2008. Hugh was previously CEO of Glanbia Customised Solutions and prior to that was CEO of Glanbia Nutritionals across EMEA and ASPAC. 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. Hugh graduated from University College Dublin with a M.Sc. in Food Science. He has a Diploma in Finance from the Association of Chartered Certified Accountants.

Mark Garvey, Group Finance Director

Mark Garvey (aged 49) was appointed as Group Finance Director on 12 November 2013. Prior to joining Glanbia he held the position of Executive Vice President & Chief Financial Officer until 2012 with Sara Lee Corporation, a leading global food and beverage company with operations in over 40 countries. Mark also held a number of senior finance roles in the Sara Lee Corporation in the USA and Europe and prior to that he worked with Arthur Andersen in Ireland and the USA. A fellow of the Institute of Chartered Accountants in Ireland and the American Institute of Certified Public Accountants, Mark graduated from University College Dublin with a Bachelor of Commerce and Diploma in Professional Accounting and has an Executive MBA from Northwestern University, Illinois.

Siobhán Talbot, Group Managing Director

Siobhán Talbot (aged 50) was appointed as Group Managing Director on 12 November 2013, having been appointed Group Managing Director Designate on 1 June 2013. She was previously Group Finance Director where her role encompassed responsibility for Group strategic planning. She has been a member of the Group Executive Committee since 2000 and the Board since 2009 and has held a number of senior positions since she joined the Group in 1992. Prior to joining the Group, she worked with PricewaterhouseCoopers in Dublin and Sydney, Australia. A fellow of the Institute of Chartered Accountants in Ireland, Siobhán graduated from University College Dublin with a Bachelor of Commerce and Diploma in Professional Accounting.

Brian Phelan, CEO Global Ingredients

Brian Phelan (aged 47) was appointed as CEO Global Ingredients on 1 June 2013, having been 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. He is the Chairman of our Glanbia Cheese Joint Venture. Since joining the Group in 1993 he has held a number of senior management positions. Prior to this he worked with KPMG. He graduated from University College Cork with a Bachelor of Commerce and is a fellow of the Institute of Chartered Accountants in Ireland.

Michael Horan, Group Secretary

Michael Horan (aged 49) was appointed as 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. A fellow of the Institute of Chartered Accountants in Ireland, Michael graduated from the National University of Ireland, Galway with a Bachelor of Commerce.

Pictured left to right:
Hugh McGuire, Mark Garvey, Siobhán Talbot, Brian Phelan, Michael Horan, the members of the Group Operating Executive.

NON-EXECUTIVE DIRECTORS

**Jerry Liston**

Non-Executive Director

Jerry Liston (aged 73) was appointed to the Board on 10 June 2002 and has served 11 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 Business School (2000 to 2005) and past Chairman of the Irish Management Institute, Balcas Timber Limited, BWG Group Limited and the Irish Aviation Authority, and a former Director of National Toll Roads Limited. He graduated from University College Dublin 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

John Callaghan,

Senior Independent Director

John Callaghan (aged 71) was appointed to the Board on 13 January 1998 and has served 16 full years on the Board. Among other positions he is currently Chairman of the Topaz Energy Group and Chairman of Harvest Energy (UK). 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 of 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 former President of the Institute of Directors.

Chair: Audit Committee

Member: Nomination Committee / Remuneration Committee.

Paul Haran,

Non-Executive Director

Paul Haran (aged 56) was appointed to the Board on 9 June 2005 and has served eight full years on the Board. He is a Director of a number of companies including the Mater Private Hospital and Irish Insurance. He also chairs the UCD Michael Smurfit Graduate Business School and 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

Donard Gaynor,

Non-Executive Director

Donard Gaynor (aged 57) was appointed to the Board on 12 March 2013. Donard retired in March 2012 as Senior Vice President of Strategy and Corporate Development of Beam, Inc., the premium spirits company listed on the New York Stock Exchange, based in Chicago, Illinois. A Fellow of the Institute of Chartered Accountants in Ireland, he joined Beam in 2003 as Senior Vice President and Managing Director – International. Prior to this he served in a variety of senior executive leadership roles with The Seagram Spirits & Wine Group in New York and was also Audit Client Services Partner with the New York office of PricewaterhouseCoopers.

Pictured left to right:

Jerry Liston, John Callaghan, Paul Haran, Donard Gaynor

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, up to 14 Non-Executive Directors for appointment to the Board of Glanbia plc.

This number will reduce to eight Non-Executive Directors in 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

William Carroll (aged 48) was appointed to the Board on 26 May 2011 and has served two full years on the Board.



Jer Doheny

Jer Doheny (aged 59) was appointed to the Board on 29 May 2012 and has served one full year on the Board.



David Farrell

David Farrell (aged 64) was appointed to the Board on 26 May 2011 and has served two full years on the Board.



Patrick Gleeson

Patrick Gleeson (aged 52) was appointed to the Board on 24 May 2006 and has served seven full years on the Board. He is also a member of the Audit Committee since 26 July 2011. He has completed the University College Dublin Diploma in Corporate Governance.



Vincent Gorman

Vincent Gorman (aged 57) was appointed to the Board on 27 June 2013 and has served less than one full year on the Board.



Michael Keane

Michael Keane (aged 61) was re-appointed to the Board on 29 June 2010 and has served three full years on the Board in the current term. He previously served two full years on the Board.



Matthew Merrick

Matthew Merrick (aged 62) was appointed to the Board on 9 June 2005 and has served eight full years on the Board. He is also a member of the Audit Committee since 26 July 2011. He has completed the University College Dublin Diploma in Corporate Governance.



John Murphy

John Murphy (aged 51) was appointed to the Board on 29 June 2010 and has served three full years on the Board. He also sits on the National Dairy Council Board. He has completed the University College Cork Diploma in Corporate Direction.



Patrick Murphy

Patrick Murphy (aged 55) was appointed to the Board on 26 May 2011 and has served two full years on the Board.



Eamon Power

Eamon Power (aged 59) was re-appointed to the Board on 26 May 2011 and has served two full years on the Board in the current term. He previously served nine full years on the Board.

BOARD OF DIRECTORS & SENIOR MANAGEMENT

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;
- Appointment of Directors;
- 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; and
- Key business policies, including approval of the remuneration and treasury policies.

2013 BOARD MEETING ATTENDANCE

| Director | Appointed | Number of full years on the Board | 2013 meeting attendance |
|------------------------------|-------------------|-----------------------------------|-------------------------|
| L Herlihy | 11 September 1997 | 16 | 11/11 |
| Mn Keane | 24 May 2006 | 7 | 11/11 |
| H Corbally | 9 June 1999 | 14 | 11/11 |
| S Talbot | 1 July 2009 | 4 | 11/11 |
| J Callaghan | 13 January 1998 | 16 | 11/11 |
| W Carroll | 26 May 2011 | 2 | 11/11 |
| J Doheny | 29 May 2012 | 1 | 11/11 |
| D Farrell | 26 May 2011 | 2 | 11/11 |
| M Garvey | 12 November 2013 | Less than 1 | 2/2 |
| D Gaynor | 12 March 2013 | Less than 1 | 10/10 |
| P Gleeson | 24 May 2006 | 7 | 11/11 |
| V Gorman | 27 June 2013 | Less than 1 | 6/6 |
| P Haran | 9 June 2005 | 8 | 11/11 |
| B Hayes ⁽¹⁾ | 29 June 2010 | 3 | 5/5 |
| MI Keane ⁽²⁾ | 29 June 2010 | 5 | 11/11 |
| J Liston | 10 June 2002 | 11 | 11/11 |
| H McGuire | 1 June 2013 | Less than 1 | 6/6 |
| M Merrick | 9 June 2005 | 8 | 11/11 |
| J Moloney ⁽³⁾ | 11 September 1997 | 16 | 9/10 |
| J Murphy | 29 June 2010 | 3 | 11/11 |
| P Murphy | 26 May 2011 | 2 | 11/11 |
| W Murphy ⁽⁴⁾ | 1 June 1989 | 24 | 5/5 |
| B Phelan | 1 January 2013 | 1 | 11/11 |
| E Power ⁽⁵⁾ | 26 May 2011 | 11 | 11/11 |
| R Prendergast ⁽⁶⁾ | 28 May 2008 | 5 | 5/5 |
| K Toland ⁽⁷⁾ | 10 January 2003 | 11 | 0/0 |

(1) Resigned 5 June 2013

(2) MI Keane was appointed to the Board in 2010 having previously served two years on the Board.

(3) Retired 12 November 2013

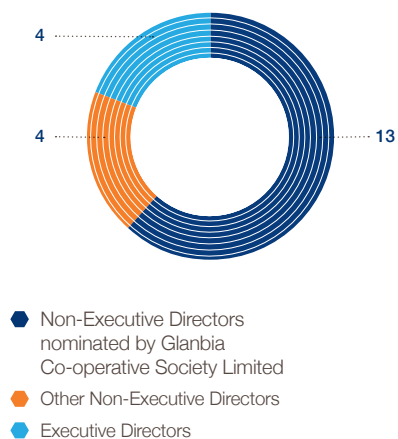
(4) Retired 1 June 2013

(5) E Power was re-appointed to the Board in 2011 having previously served nine years on the Board.

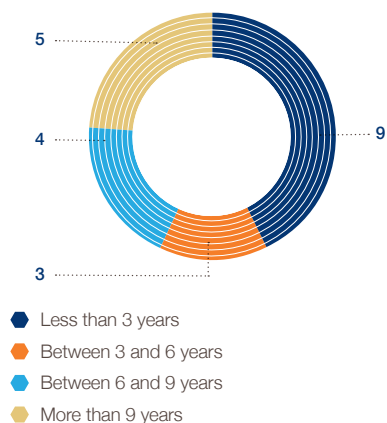
(6) Resigned 5 June 2013

(7) Resigned 5 January 2013

COMPOSITION OF THE BOARD AT 4 JANUARY 2014



DIRECTORS TENURE ON THE BOARD AT 4 JANUARY 2014



KEY RESPONSIBILITIES OF OFFICERS

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

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

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;
- Ensuring compliance with all legal and regulatory matters;
- Providing a high quality service to shareholders; and
- Co-ordinating access to independent professional advice for Directors from time to time.

BOARD OF DIRECTORS & SENIOR MANAGEMENT

GOVERNANCE FRAMEWORK

Glanbia has a clear governance framework, which supports integrated decision making and risk management. The Board has overall responsibility for the conduct of the Group’s business, setting of strategy and ensuring good governance practice and systems are in place across Glanbia.



GROUP MANAGEMENT COMMITTEE

The Group Management Committee comprises of the Executive Directors and Group Secretary whose details are given on page 53 plus the senior executives below:



Jim Bergin
CEO Glanbia Ingredients
Ireland Limited

Jim Bergin (B.Comm., M.Sc. Management Practice) (aged 51) is Chief Executive of Glanbia Ingredients Ireland Limited, a significant associate of the Group. He was appointed to this role in 2012 (having previously been CEO of Dairy Ingredients Ireland). He worked for Glanbia between 1984 and 2012 and has held a number of senior positions during that time.



Colm Eustace
CEO Agribusiness

Colm Eustace (B.Ag. Sc., C. Dip. AF., MBA) (aged 52) 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 52) 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 a Director of the Marketing Institute of Ireland.



Raimund C. Hoenes
CEO Customised Solutions

Raimund Hoenes (Ph.D., M.Sc.) (aged 47) is Chief Executive of Customised Solutions. He joined the Group in 2008 and was appointed Chief Executive of Customised Solutions in 2009. He previously worked in a variety of senior roles in the ingredients sector in several countries.



Jerry O'Dea
CEO and President Ingredient
Technologies

Jerry O'Dea (B.Sc. Dy., MBA) (age 54) 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.



Tom Tench
Group Corporate
Development Director

Tom Tench (aged 43) was appointed Group Corporate Development Director in 2013. Tom joined the Group in 2004 with responsibility for strategy and development for Glanbia's US Cheese and Global Nutritionals businesses. Prior to joining Glanbia, Tom worked in the investment banking and investment management industries. Tom also served for 10 years as an officer in the US military.



Paul Vernon
CEO Glanbia Cheese Limited

Paul Vernon (aged 52) was appointed to the Group Management Committee in December 2013 having been Chief Executive of the Glanbia Cheese Joint Venture since its inception in 2000. Prior to joining the Group in 1995 he worked for a dairy co-operative based in Northern Ireland and began his career with a leading FMCG company based in Great Britain.



Jeff Williams
CEO and President US Cheese

Jeff Williams (B.A., MBA) (aged 57) 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.

AUDIT COMMITTEE REPORT



John Callaghan, Audit Committee Chairman

“The Audit Committee believes that a robust control environment and effective risk management is fundamental to creating and preserving shareholder value.”

Dear Shareholder,

I am pleased to present the Audit Committee report for 2013.

During the year, the Audit Committee devoted significant time to fulfilling its key oversight responsibilities: reviewing the design and implementation of the Group's systems of risk management and internal control; monitoring the integrity of the Group's financial reporting; and assessing the effectiveness of both the internal and external audit processes. This involved engaging regularly with management, Internal Audit and the external Auditors to ensure the information the Committee receives is timely and accurate enabling the Committee to discharge its duties effectively.

As a Committee, we are determined to ensure that management has fully considered the risks their business areas face, how these risks are being managed and that residual risk exposures do not exceed the Board's risk appetite or tolerance levels. In order to obtain a deeper insight into the risks and challenges within the respective business areas and to provide the appropriate constructive challenge to management, the Committee has continued its programme of receiving presentations directly from Business Unit senior management and Group function leads, facilitating real engagement with operating management at all levels.

The Committee has performed a detailed review of both the financial and non-financial information contained in the Group's Annual Report and is satisfied that the report presents a fair, balanced and understandable assessment of the Group's position and prospects and provides the information necessary to assess the Group's business model, strategy and performance. The Committee is very aware of the evolving regulatory environment and in particular the proposed EU audit sector reforms.

While the Committee is satisfied that the current external Auditors, PricewaterhouseCoopers are both independent and objective, it is conscious that the level of non-audit fees has grown in recent years primarily as a result of due diligence work for potential acquisitions and tax advisory fees. To further strengthen auditor independence safeguards, the Committee has taken measures to reduce the level of non-audit related services going forward and effective from 2014 has substantially reduced the provision of any new due diligence services by PricewaterhouseCoopers. The Committee will keep the timing of a formal audit tender under review in 2014 as we await clarification of EU legislation.

On behalf of the Audit Committee

John Callaghan
Audit Committee Chairman

ROLE OF THE AUDIT COMMITTEE

Key roles and responsibilities of the Audit Committee include:

Financial reporting:

- Monitoring the integrity of the Annual Report and half-year results, including a review of the accounting policies and significant financial reporting judgements which they contain;

Risk management and internal control systems:

- Reviewing the design and implementation of the Group's systems of risk management and internal control;

Internal Audit:

- Reviewing the Internal Audit plan, the reports issued by Internal Audit and the effectiveness of the Internal Audit function;

Whistleblowing and fraud:

- Reviewing the arrangements for employees to raise concerns, the procedures for fraud prevention and detection and ensuring that they allow for investigation and appropriate follow up;

External Audit:

- Establishing and overseeing the Group's relationship with the external Auditors, including the monitoring of

their independence and expertise, the terms of reference of their engagement, audit and non-audit fees, and assessing the effectiveness of the external audit process;

- Agreeing the scope of the external Auditors' audit plan, including materiality considerations;
- Reviewing the final report of the external Auditors in respect of the key audit findings and internal control observations; and
- Considering and making recommendations to the Board on the appointment of the external Auditors.

Governance

The Audit Committee was in place throughout 2013.

The Committee comprises eight Non-Executive Directors, of whom three members constitute a quorum. Each of these Directors is considered by the Board to be independent in judgement and character (see page 69 of the Nomination Committee report). John Callaghan, the Senior Independent Director, has been Chairman of the Committee since 1998. The Group Secretary acts as secretary to the Committee. 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 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. Set out opposite is an analysis of the Committee's current membership and primary activities during 2013.

2013 Committee meeting attendance

There were four scheduled meetings of the Audit Committee during the year ended 4 January 2014. Attendance by the Non-Executive Directors at these meetings is outlined in the table below. Meetings are typically attended by the Group Managing Director, the Group Finance Director, the Group Financial Controller, the Group Head of Internal Audit and the external Auditors. Other relevant people from the Group's businesses are requested to attend certain meetings in order to provide a deeper insight into key developments and areas of particular risk focus.

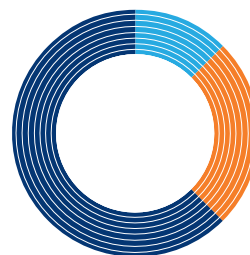
Key matters considered by the Committee in 2013

At our meetings during 2013 and to date in 2014, the Committee considered, amongst other matters, the following:

Financial reporting

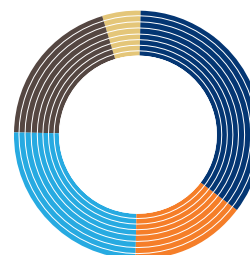
- Reviewed the Group's half-year results and 2013 Annual Report including; considering and challenging (where appropriate) the Group's accounting policies, key judgement areas, exceptional items, tax and pension disclosures;
- Considered any potential indicators of impairment to goodwill and other intangible assets and the appropriateness of the going concern basis in preparing the 2013 Financial Statements;
- Reviewed reports from management and the external Auditors on accounting, financial reporting, treasury and taxation issues;
- Received a report on, and performed an assessment of the effectiveness of the Group's financial reporting controls and systems of risk management and internal control;
- Considered the Directors' Responsibility Statement and the principal risks and uncertainties of the Group within the 2013 Annual Report and the half-year results;
- Considered the 2012 UK Corporate Governance Code and other regulatory updates; and
- Recommended the approval of the Group's half-year results and 2013 Annual Report to the Board.

MEMBERSHIP



- Committee Chairman and Senior Independent Director
- Non-Executive Directors
- Non-Executive Directors nominated by Glanbia Co-operative Society Limited

ALLOCATION OF TIME



- Financial reporting and corporate governance updates
- External Auditors
- Risk management and internal control systems
- Internal Audit
- Other

2013 Audit Committee meeting attendance

| Member | Appointed | Number of full years on the Committee | 2013 meeting attendance |
|------------------------|--------------|---------------------------------------|-------------------------|
| J Callaghan (FCA, FIB) | 13 Jan 1998 | 16 | 4/4 |
| L Herlihy | 8 June 2001 | 12 | 4/4 |
| Mn Keane | 29 June 2010 | 3 | 4/4 |
| H Corbally | 7 July 2005 | 8 | 4/4 |
| P Gleeson | 26 July 2011 | 2 | 3/4 |
| P Haran (B.Sc., M.Sc.) | 9 June 2005 | 8 | 4/4 |
| J Liston (B.A., MBA) | 10 June 2002 | 11 | 4/4 |
| M Merrick | 26 July 2011 | 2 | 4/4 |

For more information on members see pages 52, 54 and 55



AUDIT COMMITTEE REPORT

Risk management and internal control systems

- Received Group key risk summary presentations tracking residual risk exposures and assessed management action plans to ensure the Board's risk appetite and tolerance levels were not exceeded;
- Considered the current risk management process and deemed it effective in relation to identifying, assessing and monitoring Group risks;
- Received a presentation from the Group food safety leads outlining Group reporting lines, the operation, results and actions arising from the bi-annual Glanbia Quality System review and plans to enhance risk management tools;
- Received a presentation on the Glanbia Risk Management System, an independent measurement of Group-wide operational and risk management procedures;
- Received a presentation from the Group Head of IT and Business Services which considered IT risks and controls, recent IT developments and progress against the IT rollout plan; and
- Reviewed the strategy to drive benefits from the Global Business Services delivery model.

Internal Audit

- Held a private review meeting with the Head of Internal Audit;
- Received a presentation covering team development, progress against the audit plan, improvements implemented to address control weaknesses identified, risk management practices and whistleblowing procedures;
- Considered and approved the Internal Audit workplan; and
- Considered the effectiveness of the Internal Audit function, adequacy of resources, experience and expertise and deemed all to be satisfactory.

Whistleblowing and fraud

- Considered the Group's arrangements for its employees to raise concerns, in confidence, about possible wrong doings in financial reporting and other matters;
- Considered the Group's procedures for fraud prevention and detection to ensure that these arrangements allow for the proportionate and independent investigation of such matters and appropriate follow up action; and
- Deemed the current procedures were adequate but would be examined further in 2014.

External Auditors

- Held a private review meeting with the audit partner;
- Reviewed the report from the Auditors regarding their findings in respect of the half-year review and the 2013 audit and a summary of internal control observations, including observations in respect of IT controls;
- Assessed the effectiveness of the Auditors, reviewed the proposed audit fee, the level of non-audit services provided and the Auditors' independence;
- Considered the appropriateness of the re-appointment of the Auditors to the Board;
- This consideration included a review of external audit tendering requirements and the approval of the rotation of audit partner on the completion of the five year term to ensure independence is maintained in line with the Accounting Practices Board ("APB") Ethical Standards; and
- Considered the external audit plan and review of corporate reporting updates.

Review of Audit Committee performance

- Considered the Committee's performance which was deemed effective, Committee members' independence and recent and relevant financial expertise, all of which were deemed appropriate;
- The Board agreed to the Committees recommendations to adjust its terms of reference to reflect the evolving regulatory framework and corporate governance code updates.

2013 Significant financial reporting judgements and disclosures

The Audit 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. The Committee was satisfied that a robust assessment had been made, further detail in respect of which is given within the Statement of Compliance with the UK Corporate Governance Code (2012) and the Irish Corporate Governance Annex on page 93.

The Audit Committee assessed whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the 2013 Annual Report. As part of this exercise the Committee reviewed accounting papers prepared by management which provide the supporting detail for the key areas of financial judgement.

The primary areas of financial reporting judgement and disclosure which were considered by the Committee in relation to the 2013 Financial Statements and how these were addressed are outlined on the following page:

2013 SIGNIFICANT FINANCIAL REPORTING JUDGEMENTS AND DISCLOSURES

How the Audit Committee addressed these matters

| | |
|--|---|
| <p>Impairment review of goodwill and intangibles</p> | <ul style="list-style-type: none"> • The Committee recognises that goodwill and intangible asset impairment reviews involve a range of judgemental decisions largely related to the assumptions used to assess the value in use of the assets being tested. These assumptions typically include long term business and macro economic projections, cashflow forecasts and associated discount rates; • Detailed reports to support the recoverable value of the balances included in note 15 to the Financial Statements were received from management and considered by the Committee. This included examining the methodology applied including ensuring the discount rates used are within an acceptable range; • The Committee constructively challenged assumptions used to support short and long term projections, including consideration of different scenarios and key assumptions used within the respective reviews; • The Committee considered input received from both the Internal and external Auditors; and • Following these discussions, the Committee is satisfied that the impairment review approach, key assumptions and conclusions are appropriate and the disclosures in respect of the impairment reviews as set out in note 15 to the Financial Statements are accurately stated. |
| <p>Pension disclosures and key assumptions</p> | <ul style="list-style-type: none"> • The Group operates a number of post employment defined benefit retirement schemes. The pension costs and liability calculations in respect of the defined benefit retirement schemes are calculated and determined by independent actuaries; • The Committee recognises the inherent uncertainties surrounding the financial assumptions adopted in defined benefit retirement scheme valuations, particularly in relation to discount rate, price inflation and mortality assumptions; • The Committee assessed the estimated impacts on plan valuations resulting from changes to the key actuarial assumptions; • The Committee discussed the appropriateness of the assumptions used with the external Auditors, who had indicated in their audit plan that this was an elevated audit risk area; • The Committee also reviewed the gain arising during the year from revisions to the Group's pension arrangements for two smaller Irish defined benefit schemes to ensure that both were correctly recognised in the Financial Statements; and • Following discussion with management and the external Auditors, the Committee is satisfied that the accounting and disclosures in respect of the defined benefit retirement schemes are appropriate. Further details on the pension schemes are given in note 28 to the Financial Statements. |
| <p>Tax provisions</p> | <ul style="list-style-type: none"> • The Committee review focused on the key judgements in relation to the calculation of the year end tax provisions and the respective tax charge; • The Committee received an analysis of movements in the tax provisions over the financial year and sought an update from management on the outcome of any tax authority reviews conducted during the financial period; • The Committee discussed the key assumptions underlying the provisions and reviewed external professional advice obtained to support the year end provisions; • The Committee discussed the basis of and appropriateness of the provisions with the external Auditors; and • Following these enquiries, the Committee is satisfied that the key assumptions governing the calculation of tax provisions within the Financial Statements are appropriate. |

AUDIT COMMITTEE REPORT

External Auditors' review

During the year, the Committee agreed the approach and scope of the annual audit work to be undertaken by the external Auditors, which included planned levels of materiality, key risks to the accounts including fraud risks, confirmation of auditors' independence, the proposed audit fee, the Group's processes for disclosing information to the Auditors and the approval of the terms of engagement for the audit. The Committee also discussed the recent corporate governance updates and the amendments required to the format of the Independent Auditors' report. The Committee ensured that the external Auditors had direct access to the Chairman of the Committee and the Group Chairman. It is standard practice for the external Auditors to meet privately with the Audit Committee on at least an annual basis without any members of management or the Executive Directors being present. This was held following the 2012 audit process and again in March 2014 following the completion of the 2013 audit.

Independence of our external Auditors

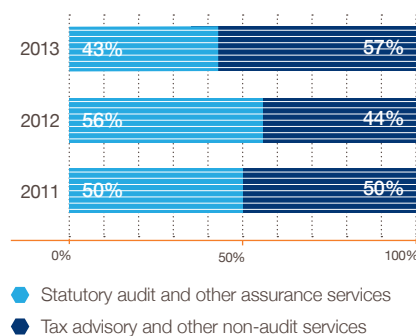
In order to ensure the independence and objectivity of the external Auditors, the Committee maintains and regularly reviews the Group's Auditors' Relationship and Independence Policy. This policy provides clear definitions of services that PricewaterhouseCoopers cannot provide, such as financial information systems design and implementation, internal audit services or legal services. The policy also recognises that certain work of a non-audit nature may be best undertaken by the external Auditors. PricewaterhouseCoopers may only provide non-audit services provided that any individual service to be undertaken by the external Auditors, to a value in excess of the established threshold, does not impair their independence and is approved in advance by the Chairman of the Committee.

As part of the independence review process, the external Auditors are requested to formally confirm their independence in writing to the Committee. This confirmation process also provides examples of safeguards that may, either individually or in combination, reduce any independence threat to an acceptable level. While their appropriateness depends on the specific circumstances involved in the provision of the service they will always include:

- ensuring that the external Auditors do not make any management decisions; and
- ensuring the individuals involved in providing the non-audit service are not members of the audit engagement team.

Non-audit services

The Committee performs an annual review of the schedule of non-audit services authorised and the level of fees paid. Fees paid to PricewaterhouseCoopers for audit related and non-audit related services are analysed in note 6 to the Financial Statements and a trend analysis is provided in the table below.

PERCENTAGE OF STATUTORY AUDIT AND OTHER ASSURANCE SERVICES VERSUS TAX ADVISORY AND OTHER NON-AUDIT SERVICES


The primary non-audit related services provided by PricewaterhouseCoopers during the year were in respect of due diligence work for potential acquisitions and broader Group tax consulting advice. PricewaterhouseCoopers were considered to be best placed to provide these services and the Committee reviewed the steps to ensure that these non-audit services would not impair their independence.

The Committee is conscious that the ratio of non-audit fees to audit fees is high, and in order to prevent any perceived or actual impact to the external Auditors' independence, we have implemented further restrictions on the type of services that may be provided by the external Auditors in the future. These restrictions include substantially eliminating any further involvement in due diligence projects that commenced post January 2014 and reducing the threshold for approving non-audit services in advance by the Chairman of the Committee from €100,000 to €50,000. The Committee has also requested the Group Finance Director to present an analysis of audit and other assurance services versus non-audit services and a schedule of accompanying non-audit fees for its review on a quarterly rather than annual basis from 2014 onwards.

Audit appointment, tendering and independence

The Committee considers the performance of the external Auditors, including the rotation of the audit partner, each year and also assesses their independence on an ongoing basis. In line with the APB Ethical Standards, the external Auditors are required to rotate the audit partner responsible for the Group audit every five years. The current audit engagement partner was appointed as lead engagement partner for the Group in 2013 following the rotation of the previous partner on the completion of her five year term. The Committee believes that rotation ensures a fresh review without sacrificing industry knowledge.

PricewaterhouseCoopers have been the Group's Auditors since the merger of Avonmore Foods plc and Waterford Foods plc in September 1997 (16 years). 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 the UK, where auditors of a public company must be re-appointed annually by shareholders at the annual general meeting. The Auditors, PricewaterhouseCoopers, have indicated that they 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 in Ireland.

The Committee has noted the audit tendering recommendations contained in the 2012 edition of the UK Corporate Governance Code, the recent findings of the Competition Commission, the Guidance for Audit Committees issued by the Financial Reporting Council ('FRC') and the EU Audit Reform Framework proposals; particularly in the context of potential mandatory rotation of audit firms and the prohibition or cap of non-audit services. While the Group has not formally tendered the audit since the merger date, the Committee performs an annual review of the effectiveness of the external audit process by using a number of measures, including, but not limited to:

- Receiving details of any relationships between the Group and PricewaterhouseCoopers that may have a bearing on their independence and receiving written confirmation from the external Auditors that they are independent of the Group;
- Monitoring the independence of the audit team versus best practice and regulatory guidelines;
- Reviewing the quality and scope of the audit planning process, in particular how responsive the external Auditors have been to changes in our business;
- Reviewing the significant audit risks and elevated audit risks identified in the audit planning process and the Auditors' proposal to audit these risks;
- The level of understanding demonstrated of the Group's business and industry;
- The quality of reports, including the content of the management letter, provided to the Audit Committee and the Board;
- The level of challenge provided by the external Auditors' to management on judgemental areas such as impairment assessments or tax and legal provisions; and
- Performing a review of the audit fee based on value received and versus peer companies.

Based on the Committee's ongoing assessment of the external Auditors' performance and the quality of the audit partner's interaction with the Committee, the Committee remains satisfied with the effectiveness and efficiency of the audit process and the independence of the external Auditors. The Committee has therefore not considered it necessary to require the audit to be put out to tender in respect of the year to 4 January 2014 but will keep this position under review in line with its responsibilities under the terms of reference, the audit tendering provisions in the Code, FRC guidance, Competition Commission findings and proposed EU reforms. There are no contractual or similar obligations restricting the Group's choice of auditors. The Committee is very supportive of the recent and proposed amendments which will be considered further in 2014. The Committee considers it essential that a major international Group, such as Glanbia, ensures that the tendering of the external audit is well planned to enable the Group to comply with regulatory and best practice requirements as well as ensuring an effective and efficient ongoing external audit service.

NOMINATION COMMITTEE REPORT



Liam Herlihy, Group Chairman and Nomination Committee Chairman

“We have secured important appointments and changes to the composition of the Board during 2013. We will continue to ensure the Board has the right skills and experience to meet the challenges and opportunities to the Group.”

Dear Shareholder,

I am pleased to present the Nomination Committee report for 2013.

2013 was another year of change for the Board. Siobhán Talbot succeeded John Moloney as Group Managing Director having been appointed as Group Managing Director Designate in June 2013. John retired from the Board in November 2013. We appointed three new Executive Directors, Brian Phelan, Hugh McGuire and Mark Garvey, and two new Non-Executive Directors, Donard Gaynor and Vincent Gorman. Biographies of all members of the Board can be found on pages 52 to 55.

Reflecting the new reporting structure for the Group, we announced new organisational changes, effective 1 June 2013. Hugh McGuire, Chief Executive Officer of Global Performance Nutrition was appointed as an Executive Director and Brian Phelan (an existing Executive Director since 1 January 2013) was appointed as Chief Executive Officer of Global Ingredients, thereby enhancing the alignment of the Board with our business priorities.

We saw the retirement of Billy Murphy, Brendan Hayes and Robert Prendergast as Non-Executive Directors. Additionally, Jerry Liston has indicated he will not seek re-election at the forthcoming Annual General Meeting (AGM). Donard Gaynor will take over as Chairman of the Remuneration Committee following Jerry's retirement.

The Nomination Committee continues to work with the Board to enhance corporate governance processes. During the year we commissioned an independently facilitated Board evaluation conducted by Karl Croke of Board Works, who has no other connection to Glanbia. Board Works is a leading Board advisory company that acts for many of the largest organisations in Ireland, the UK and the USA. Clients include public and private companies, multinationals, private, professional services and state companies. The outcome of the evaluation and recommendations are set out on page 50.

Non-executive succession, recognising the ability of Glanbia Co-operative Society Limited to nominate up to 14 of our 18 Non-Executive Directors, remains a key focus for the Committee for 2014. A detailed process, which will be independently supported, is currently underway to ensure the Board has the appropriate skills and experience to manage the challenges to the Group. This will be in line with our new policy on Independent Non-Executive Directors approved in 2014 and explained on page 68.

Further details about the role of the Nomination Committee may be found in the following pages. I am available at any time to discuss with shareholders any concerns which they wish to raise.

On behalf of the Nomination Committee

Liam Herlihy
Nomination Committee Chairman

OUR HIGHLIGHTS

- Following the retirement of John Moloney from the Board, we recommended the appointment of Siobhán Talbot as Group Managing Director;
- Considered the implications of Siobhán Talbot's appointment as Group Managing Director and implemented a search to identify a successor for her as Group Finance Director, resulting in the appointment of Mark Garvey;
- Considered the composition and balance of the Board and the requirement for an independent candidate with appropriate international and fast moving consumer goods (“FMCG”) experience, culminating in the appointment of Donard Gaynor as a Non-Executive Director;
- Considered and approved recommendations regarding the Group's organisational structure, culminating in the appointment of Hugh McGuire, Chief Executive Officer of Global Performance Nutrition as an Executive Director and the appointment of Brian Phelan (an Executive Director since 1 January 2013) as Chief Executive Officer of Global Ingredients;
- Considered the nomination by Glanbia Co-operative Society Limited (the “Society”) of Vincent Gorman as Non-Executive Director; and
- After the year-end, considered the outcome of the externally facilitated Board evaluation when discussing the effectiveness of the Non-Executive Directors seeking re-election at the 2014 AGM.

Governance

The Committee was in place throughout 2013. 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.

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; and
- 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 during 2013

The principal activities undertaken by the Committee in 2013 are as follows.

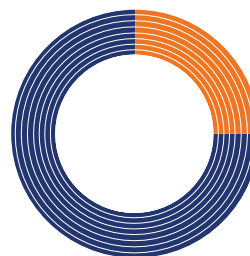
Appointment of new Group Managing Director

The Committee led the process for the appointment of Siobhán Talbot as the new Group Managing Director following the notification to the Board by John Moloney that he wished to retire as Group Managing Director. Strong succession planning processes within the Group had identified Siobhán as an appropriate candidate. Over the last number of years, the Group has given increased focus to leadership development through robust succession planning and has strengthened our performance management culture. Our systems are 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.

The Committee was satisfied that Siobhán was the person most appropriate to fill the role of Group Managing Director having regard to the depth of knowledge and experience she possesses of the Group and our industry in general. Siobhán was appointed Group Finance Director and to the Board of Glanbia in 2009. She brings a wide range of operational, financial and strategy experience to her new role. Siobhán joined the Group in 1992, became a member of the Group Operating Executive in 2000, was appointed Deputy Finance Director in 2005 and her role encompassed responsibility for Group strategic planning until the end of 2012. The appointment of Siobhán as Group Managing Director was recommended to the Board on 21 May 2013 and she was appointed as Group Managing Director Designate on that date, effective 1 June 2013 and Group Managing Director on 12 November 2013.

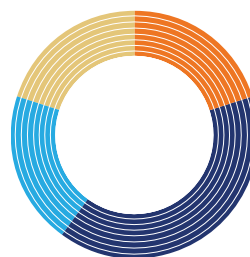
The Committee did not use an external search consultancy or open advertising for the appointment of Siobhán as it was not deemed necessary.

MEMBERSHIP



- Group Chairman
- Non-Executive Directors

ALLOCATION OF TIME



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

2013 Nomination Committee meeting attendance

| Member | Appointed | Number of full years on the Committee | 2013 meeting attendance |
|-------------|--------------|---------------------------------------|-------------------------|
| L Herlihy | 5 June 2008 | 5 | 5/5 |
| J Callaghan | 8 June 2001 | 12 | 5/5 |
| P Haran | 9 June 2005 | 8 | 5/5 |
| J Liston | 10 June 2002 | 11 | 5/5 |

For more information on members see pages 52 and 54



NOMINATION COMMITTEE REPORT

Appointment of new Group Finance Director

Following the appointment of Siobhán Talbot as Group Managing Director Designate, a process was initiated to appoint a new Group Finance Director. We worked with external consultants, Amrop Strategis, defining our requirements and reviewing prospective internal and external candidates. Amrop Strategis does not have any connection with the Group. We managed a thorough orderly search (which included the preparation of a description of the role and capabilities required and preparation of a short-list of candidates) and a detailed interview and evaluation process. The appointment of Mark Garvey was recommended to, and approved by, the Board on 12 November 2013.

Mark joined Glanbia from Sara Lee Corporation where he was Executive Vice President and Chief Financial Officer until 2012. Sara Lee, a leading global food and beverage company with operations in over 40 countries, was reorganised in 2012 as two separate listed companies - DE Master Blenders and Hillshire Brands - a decision which Mark facilitated and executed with the Sara Lee Board. Since 1995, Mark held a number of senior finance roles in the Sara Lee organisation in the USA and Europe including Chief Financial Officer (CFO) of Sara Lee North America with revenue of \$6 billion and Group CFO of Sara Lee International with revenue of \$8 billion. Prior to Sara Lee, Mark worked with Arthur Andersen in Ireland and the USA as a Manager in various audit and advisory roles. Mark brings a wealth of international, industry, regulatory and finance experience to his new role in Glanbia.

New organisational changes effective 1 June 2013 and appointment of new Executive Directors

Prior to the announcement by the Board of the new organisational changes in May 2013 effective 1 June 2013, the Committee carefully considered the qualifications required to lead the two key growth platforms of the Group and the implications for the composition of the Board of Directors. The Committee recommended that the new organisational roles be represented on the Board of Directors thereby getting their input into decision making and gaining the additional Board level visibility which comes from having

these Executives as part of the Board of Directors. The appointments of Hugh McGuire, Chief Executive Officer of Global Performance Nutrition as an Executive Director and Brian Phelan, an existing Executive Director (since 1 January 2013) as Chief Executive Officer of Global Ingredients into new organisational roles reflects the fact that today Glanbia has two well established growth platforms that cover both business-to-consumer and business-to-business nutritional products and solutions.

Hugh McGuire joined the Group in 2003 and has been Chief Executive Officer of Performance Nutrition since 2008. Brian Phelan, who was appointed to the Board on 1 January 2013, was previously Group Development & Global Cheese Director and joined the Group in 1993.

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

Appointment of new Non-Executive Directors of the Company

During 2012, 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 interviews/meetings with members of the Committee and a comprehensive review exercise including satisfying itself as 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.

During 2013, the Committee recommended the appointment of a new Non-Executive Director, Vincent Gorman to the Board. The Committee noted his nomination by the Society and the experience and suitability of Vincent and recommended his appointment to the Board of the Company. This was subsequently approved by the Board on 27 June 2013.

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

Policy for appointment of new independent Non-Executive Directors

The Board is conscious of the importance of planned succession of independent Non-Executive Directors. The Company has adopted a formal policy with respect to the appointment of new independent Non-Executive Directors (other than those appointed by Glanbia Co-operative Society Limited). Our policy is that any new independent Non-Executive Directors will be appointed for an initial three year term, subject to re-appointment by shareholders at each Annual General Meeting and should expect to serve no more than three successive three year terms i.e. a maximum of nine years. All new independent Non-Executive Directors and any re-appointment will be subject to a rigorous review by the Nomination Committee after the initial three year period and annually after six years. The Board is engaged in an orderly programme of retirement and appointment to bring the composition of new independent Non-Executive Directors in line with this policy.

Regular matters

A number of regular matters were considered by the Committee in accordance with its terms of reference, details of which are set out below:

Re-election of Directors

The Committee continued to be of the view that, in line with best practice, all Directors should be re-elected to the Board at the Company's AGM. However, having regard to notice to the Company from the Society that Brendan Hayes and Robert Prendergast would cease to be Directors of the Society from its first Directors' meeting following its 2013 AGM, it recommended to the Board, in these circumstances, that Brendan Hayes and Robert Prendergast should not be put forward for re-election at the 2013 AGM and all remaining Directors of the Board be put forward for re-election by the shareholders of the Company at the 2013 AGM.

All of the Non-Executive Directors are seeking re-election at the 2014 AGM, with the exception of Jerry Liston who has indicated his intention to retire at the commencement of the AGM. The Committee is satisfied that the backgrounds, skills, experience and knowledge of the Company and the Group of the continuing Directors collectively enables the Board and its Committees to

GLANBIA CO-OPERATIVE SOCIETY LIMITED – RIGHT TO NOMINATE 14 OF THE COMPANY'S DIRECTORS

The Society currently owns 41.3% of the issued share capital of the Company. During 2012, the Society and the Board agreed the following changes, which will impact the composition and size of the Board in the coming years:

- for the years 2014 to 2015 (inclusive) the number of Society Nominee Directors on the Board will continue to be up to 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 opposite 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.

discharge their respective duties and responsibilities effectively. This was supported by the formal performance evaluation of the Board conducted by Karl Croke of Board Works, the outcome and recommendations of which are set out on page 50.

We believe that sufficient biographical and other information on those Directors seeking re-election is provided in this Annual Report and Financial Statements to enable shareholders to make an informed decision.

Review of Non-Executive Directors' independence in accordance with the guidance in the UK Corporate Governance Code (2012) 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 that 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 16 full years;
- Jerry Liston had served on the Board for 11 full years; and
- 13 of the Non-Executive Directors are nominated by the Board of the Society, 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 and the Group 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 Irish Dairy Board

Co-operative Limited, and farms at Headborough, Knockanore, Tallow, Co. Waterford, but the Committee and the Board consider that this does not interfere with the discharge of his duties to the Group.

Review of Nomination Committee performance

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

Diversity

The Committee at the current time has not agreed to set a specific female Board member quota. Appointments to the Board, having regard to the right of the Society to nominate up to 14 of the 22 Directors, and throughout the Group will continue to be based on the diversity of contribution and required competencies, irrespective of gender, age, nationality or other personal characteristics.

REMUNERATION COMMITTEE REPORT



Jerry Liston, Remuneration Committee Chairman

“The remuneration strategy is to ensure management are competitively rewarded for the consistent generation of shareholder value.”

Dear Shareholder,

I am pleased to present the Remuneration Committee report for 2013.

The Group has delivered another strong performance in 2013 building on the momentum of recent years, achieving for the fourth successive year double digit increases in adjusted earnings per share on a constant currency basis.

A key link exists between our performance and our Executive Directors' variable remuneration which consists of an Annual Incentive and a Long Term Incentive Plan.

The Annual Incentive is based on a combination of personal objectives, year-on-year growth in annual adjusted earnings per share (“EPS”) on a constant currency basis, which grew by 11.9% and a closing debt/adjusted EBITDA ratio, the closing ratio achieved was 1.7 times. Additionally, all Executive Directors achieved their personal objectives. As a result, the Executive Directors were awarded an Annual Incentive equal to 108% of Base Salary of which 75% will be paid in cash with the balance of 33% deferred into shares deliverable in two years, subject to a claw back condition.

Share awards under the 2008 Long Term Incentive Plan (“2008 LTIP”) in respect of performance in the three year period to 4 January 2014 are based on growth in annual adjusted EPS on a reported basis and the Group's relative total shareholder return (“TSR”) measured against a peer group of 13 other international food and nutritional companies. The performance conditions have been independently verified by external advisers on behalf of the Committee. The outcome for annual adjusted EPS is set out on page 80 and shows that actual performance (13.36%)

exceeded maximum expected performance under the 2008 LTIP (9.84%). Over the last three years TSR performance has delivered an increase of 240.58%, placing Glanbia in the top quartile of its comparator group. As a result share awards granted to Executive Directors, under the 2008 LTIP in 2011, will vest in full. This is the second consecutive year for which share awards will vest in full.

The tables on page 78 set out a summary of remuneration earned by Executive Directors in respect of performance for 2013 and those share awards which will vest with Executive Directors in respect of performance in the three year period to 4 January 2014.

The remuneration policy for 2014 remains unchanged from 2013. The salaries for Siobhán Talbot, Brian Phelan and Hugh McGuire were reviewed with effect from 1 October 2013 (Siobhán) and 1 June 2013 (Brian and Hugh) to take into account changes to their roles during the year. Details of the changes in their roles are set out in the Nomination Committee report. Mark Garvey's salary was set on appointment to the Board.

Glanbia reviewed its remuneration policy and plans in 2011 and with shareholder approval implemented changes to its long term incentive arrangements in 2012. In line with our existing policy, that review has established the three year remuneration policy. We intend to review again our remuneration policy and practices in 2014 and the policy and any changes will be put to shareholders for their support in 2015. The 2012 Remuneration report received a 97% approval of votes cast at the 2013 Annual General Meeting (“AGM”) (please see detailed results on page 82) and I thank you for your continued support.

OUR HIGHLIGHTS

- Consideration and approval of the remuneration arrangements for Siobhán Talbot following her appointment as Group Managing Director;
- Consideration and approval of the remuneration arrangements for Hugh McGuire and Brian Phelan and other senior managers following the restructuring of the Group;
- Consideration and approval of the remuneration arrangements for Mark Garvey on his appointment as Group Finance Director;
- Review of the outcomes for Business Unit and personal targets under the Annual Incentive scheme for the Group Operating Executive and the Business Unit CEOs for 2012 and approval of the payment of such Annual Incentives including the level of deferral;
- Review and approval of General Investment Measures (GIM) for share awards granted in 2013 under the 2008 LTIP;
- Review and approval of the vesting level for share awards granted in 2010 under the 2008 LTIP including performance testing;
- Review and approval of all share awards made under the 2008 LTIP taking into account the total value of share awards under the 2008 LTIP;
- Review and approval of all Executive Directors' Annual Incentive objectives for 2014;
- Review of Executive Director shareholding guidelines and achievement of these for each Executive Director; and
- Review of the UK disclosure requirements and the Company's voluntary implementation of many of the requirements in these regulations.

Glanbia is mindful that it is an Irish incorporated company with a dual listing, with a primary listing on the Irish Stock Exchange and a secondary listing on the London Stock Exchange. Our approach is that the remuneration report should reference best disclosure practice in both Ireland and the UK. 2013 saw the publication of wide reaching proposals on the subject of remuneration in the UK by the Department for Business, Innovation and Skills (the "UK disclosure requirements"). As an Irish company, Glanbia plc is not subject to the UK disclosure requirements. This report however voluntarily includes many of these new disclosure requirements on directors' remuneration where it is helpful to support and explain our approach and policy. The report is now split into a Policy section, which deals with our remuneration policy going forward, and an Implementation section, which deals with payments to Directors in the year.

We believe that our current remuneration structure supports shareholder value creation, is aligned to our key strategic imperatives and through this report is transparent. This report is designed to be clear and concise, to meet regulatory requirements and, above all, to provide you with information to demonstrate the alignment of remuneration with the Group's performance.

More details of the work of the Remuneration Committee follows and I hope you find it helpful in understanding our remuneration policy and payment.

I will retire as a Director at the forthcoming AGM and I am pleased to advise that Donard Gaynor will succeed me as Chairman of the Remuneration Committee and I would like to wish him and the Group continued success.

On behalf of the Remuneration Committee



Jerry Liston

Remuneration Committee Chairman

Key responsibilities

- Determine and agree with the Board the framework or broad policy for remuneration of the Non-Executive Directors, the Executive Directors and other senior executives as required;
- Determine, within the agreed policy, individual total compensation packages for the Non-Executive Directors, the Executive Directors and other senior executives as required;
- Recommend to the Board any employee share-based incentive schemes and any performance conditions to be used for such schemes; and
- 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 Group's website: www.glanbia.com or can be obtained from the Group Secretary.

Governance

The Committee was in place throughout 2013. Jerry Liston has been Chairman of the Committee since 2002.

The Remuneration Committee comprises six Non-Executive Directors, of whom three members constitute a quorum.

The Group Managing Director and the Group Human Resources 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.

MEMBERSHIP



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

ALLOCATION OF TIME



- Framework and policy
- Total compensation package
- Annual incentive
- Long Term Incentive Plan
- Other

2013 Remuneration Committee meeting attendance

| Member | Appointed | Number of full years on the Committee | 2013 meeting attendance |
|-------------|-----------------|---------------------------------------|-------------------------|
| J Liston | 10 June 2002 | 11 | 4/4 |
| L Herlihy | 8 June 2001 | 12 | 4/4 |
| Mn Keane | 29 June 2010 | 3 | 4/4 |
| H Corbally | 26 July 2011 | 2 | 4/4 |
| J Callaghan | 13 January 1998 | 16 | 4/4 |
| P Haran | 9 June 2005 | 8 | 4/4 |

For more information on members see pages 52 to 54



REMUNERATION COMMITTEE REPORT

Advice and assistance to the Remuneration Committee

The Remuneration Committee receives independent external advice from Towers Watson, remuneration consultants, in respect of remuneration policy, pay positioning and best practice. 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). The Committee is satisfied that the advice provided on executive remuneration is objective and independent and that no conflict of interest arises as a result of other services. Towers Watson fees for advising the Committee during the year were €12,185.

Legal advice to the Remuneration Committee is also provided by Arthur Cox, who also provide other legal services to the Group. The Remuneration Committee also receives assistance and advice on remuneration policy, when required, from Group Human Resources.

SECTION A: DIRECTORS' REMUNERATION POLICY REPORT

Remuneration strategy 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 to create a consistent global approach to remuneration aimed at driving sustainable performance by providing 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.

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 detailed on pages 8 to 9 underpin the selection of performance criteria used within the incentive arrangements.

We have summarized the individual elements of the remuneration packages offered to our Executive Directors on page 73.

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 last 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. We intend to review again our remuneration policy and practices in 2014 and the policy and any changes will be put to a non-binding shareholder vote in 2015.

Glanbia's incentive plans reference performance measures that reflect the Group's KPIs and align with our strategy and intent to build superior financial and shareholder returns.

KEY ELEMENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS

| Element | Description | Objective | Details (including maximum value) |
|------------------|---|---|--|
| Base Salary | Annual fixed pay. | Provide competitive base pay which reflects market value of role, job size, responsibility and reflects 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; and Reviewed annually by the Remuneration Committee. Any reviews, unless reflecting a change in role, usually take effect from 1 January in the relevant year. |
| Pension Benefit | Retirement benefits. | Provide competitive, affordable and sustainable retirement benefits. | |
| Other Benefits | Car benefit or equivalent, suitable medical insurance, re-location expenses (if applicable) and overseas allowance (if applicable). | Provide competitive benefits which recognise market value of role, job size and responsibility. | |
| Annual Incentive | Annual payment only earned if agreed target performance is achieved. | <p>Incentivising 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;</p> <p>Ensuring greater linkage of remuneration to performance;</p> <p>Ensuring greater linkage to long term sustainability and alignment to Group risk management policy;</p> <p>Alignment with shareholders/share value growth; and</p> <p>Targets are set by the Remuneration Committee each year.</p> | <p>Range of Annual Incentive potential of 0% to 150% of Base Salary based on growth in annual adjusted EPS on a constant currency basis (120%) and an appropriate cash management measure (30%, provided a minimum adjusted EPS threshold is achieved), as determined by the Remuneration Committee annually;</p> <p>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;</p> <p>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; and</p> <p>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.</p> |

REMUNERATION COMMITTEE REPORT

KEY ELEMENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS

| Element | Description | Objective | Details (including maximum value) |
|--------------------------|---|--|--|
| Long Term Incentive Plan | LTIP under which shares are granted in the form of a provisional allocation of shares for which no exercise price is payable. | <p>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; and</p> <p>In addition, as part of the overall total direct compensation package it ensures that a greater proportion is based on long term sustainable results and linkage to key long term performance indicators.</p> | <p>Long Term Incentive individual annual award level of a maximum of 150% of Base Salary is determined by reference to three performance metrics:</p> <ul style="list-style-type: none"> • relative TSR against a peer group of companies (30% vests at threshold and 100% vests at maximum); • adjusted EPS growth (50% vests at threshold and 100% vests at maximum); and • an appropriate GIM measure (0% vests at threshold and 100% vests at maximum). The appropriate GIM currently for 2013 and 2014 is return on capital employed ('ROCE') as set out on page 81. <p>Each of these performance conditions represents one third of the maximum vesting level, unless otherwise determined by the Remuneration Committee;</p> <p>Performance is measured over a three year period;</p> <p>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, 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 a share award if it regards it as inappropriate to do so in the particular circumstances;</p> <p>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; and</p> <p>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.</p> |

KEY ELEMENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS

| Element | Description | Objective | Details (including maximum value) |
|--------------------------|--|---|--|
| Shareholding requirement | Minimum share ownership requirements to be built up over a five year period. | Ensure a greater alignment with shareholders' interests through own shareholding. | <p>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, to be built up over a maximum of five years;</p> <p>Executives are expected to build a shareholding through the vesting of shares under the Group's 2008 LTIP;</p> <p>Existing shareholdings and shares acquired in the market are also taken into account; and</p> <p>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.</p> |

KEY ELEMENTS OF REMUNERATION FOR GROUP MANAGEMENT COMMITTEE

The above framework is used for the Group Operating Executive. This framework is also applied to the Group Management Committee having incorporated the below changes to create a consistent global approach to reward.

| Element | Objective | Details |
|-------------------------|---|--|
| Annual Incentive | Focus on business line of sight for individuals and ensure an appropriate deferral percentage based on position and role. | <p>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; and</p> <p>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.</p> |
| Long Term Incentive | <p>Ability to offer increased level of share awards in the US market where there are high levels of long term incentives; and</p> <p>Ensure line of sight to business unit metrics.</p> | <p>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; and</p> <p>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.</p> |
| 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. |

REMUNERATION COMMITTEE REPORT

KEY ELEMENTS OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS

The remuneration policy for the Group Chairman and Non-Executive Directors is summarised below:

| Element | Description | Objective | Details |
|-----------------------|--|---|--|
| Fees | Annual fixed pay. | Recognise market value of role, job size, responsibility and reflects individual skills and experience. | Set by reference to the relevant market median based on an external independent evaluation of comparator companies of a similar scale and complexity; Reflects a base fee for the role of Non-Executive Director and additional fees reflecting responsibilities for a sub-committee of the Board; and 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. |
| Benefits and Expenses | No additional benefits are provided other than direct expenses relating to the role. | Meet or repay role based expenses undertaken during duties of the role for the Group. | Such expenses may include travel in the course of the role for the Group. |

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.

Recruitment policy

When recruiting new Executive Directors, the Group's policy is to pay what is necessary to attract individuals with the skills and experience appropriate to the role to be filled, taking into account remuneration across the Group, including other senior executives, and that offered by other international food and nutritional companies and other companies of similar size and complexity. New Executive Directors will generally be appointed on remuneration packages with the same structure and pay elements as described in the table on page 73. Each element of remuneration to be included in the package offered to a new Executive Director would be considered separately and collectively in this context.

On appointment to the Board for either an external or internal candidate:

- Base Salary levels will be set in consideration of the new recruit's

existing salary, location, skills and experience and expected contribution to the new role, the current salaries of other Executive Directors in the Group and current market levels for the role;

- Pension will be considered in light of the retirement arrangements which are in place for the other Executive Directors with a contribution level considered by the Committee to be appropriate in light of the new recruit's package as a whole, market practice at the time and internal equities;
- Other benefits will be considered in light of the provisions in place for the other Executive Directors;
- For Annual Incentive, the Group will consider whether it was appropriate for the new recruit to participate in the same Annual Incentive plan applicable to the current Executive Directors. If this was considered appropriate, the same financial measures, weighting, payout scale and target and maximum bonus opportunity (as a percentage of Base Salary) which apply to the existing Directors would generally apply to the new recruit; and
- The award of long term incentives will depend on the timing of the appointment and where this fits into the typical annual grant cycles.

For an external appointment, although there are no plans to offer additional cash and/or share based payments on recruitment, the Committee reserves the right to do so when it considers this to be in the best interests of the Group, the Company and its shareholders. Such payments may take into account

remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attached to that remuneration. The Committee may grant share awards on hiring an external candidate to "buy out" awards which will be forfeited on leaving the previous employer. The Committee's approach to this is to carry out a detailed review of the awards which the individual will lose and calculate the estimated value of them. In doing so, the Committee will consider the vesting period, the award exercise period if applicable, whether the awards are cash or share based, performance related or not, the company's recent performance and payout levels and any other factors the Committee considers appropriate. If a buyout award is to be made, the structure and level will be carefully designed and will generally reflect and replicate the previous awards as accurately as possible. The award will be made subject to appropriate claw-back provisions in the event that the individual resigns or is terminated within a certain timeframe.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any outgoing remuneration obligations existing prior to appointment (which are inconsistent with the policy as disclosed herein) may continue, provided they are disclosed in the Remuneration Committee report and subject to a general shareholder non-binding advisory vote at the earliest

opportunity. Although there are no plans to offer additional cash and/or share-based payments on an internal promotion, the Committee reserves the right to do so when it considers this to be in the best interests of the Group, the Company and its shareholders.

Exit payment policy

The letters of appointment for Executive Directors do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore, except as may otherwise be required by Irish law, the maximum amount payable upon termination is limited to 12 months' payment.

The Committee retains the discretion to make additional payments to Directors upon termination.

In the event an Executive Director leaves for reasons of death, injury, disability, redundancy, retirement or any other exceptional circumstance, by agreement with the Group, which the Remuneration Committee in its absolute discretion permits, any outstanding share awards will be pro-rated for time and performance and will vest at the end of the period.

In addition, 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, share awards will vest early, 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.

In all other circumstances, outstanding share awards will lapse.

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

Details of Executive Directors' service contracts

The Executive Directors are employed under contracts of employment with Glanbia plc (or one of its subsidiary companies).

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.

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.

REMUNERATION COMMITTEE REPORT

SECTION B: DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

This section of the report explains how Glanbia's remuneration policy has been implemented during the financial year.

The remuneration for 2013 for each of the Executive Directors is set out in the table below:

| | FIXED | | | VARIABLE | | TOTAL | |
|----------------------------------|-----------------|----------------------------------|-------------------------|--|---|----------------------------------|---------------------|
| | Salary €'000 | Pension Contribution €'000 | Other Benefits €'000 | Annual Incentive (paid in cash) ¹ €'000 | Annual Incentive (deferred into shares) ² €'000 | 2013 Total ³ €'000 | 2012 Total €'000 |
| Executive Directors | | | | | | | |
| S Talbot | 433 | 108 | 20 | 325 | 143 | 1,029 | 1,043 |
| M Garvey | 56 | 10 | 3 | 42 | 18 | 129 | — |
| H McGuire ^(4 & 5) | 233 | 35 | 64 | 175 | 77 | 584 | — |
| B Phelan | 363 | 107 | 14 | 272 | 120 | 876 | — |
| J Moloney ⁽⁶⁾ | 506 | 126 | 29 | 379 | 167 | 1,207 | 1,633 |
| K Toland | 95 | — | — | — | — | 95 | 1,199 |

(1) This reflects the proportion of the Annual Incentive payable to Executive Directors in respect of performance for the year 2013 (which amount to 75% of Base Salary), which will be paid through salary in 2014.

(2) This reflects the proportion of the Annual Incentive (which amounts to 33% 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 (2016).

(3) Remuneration disclosed refers to each Directors' period of appointment on the Board in 2013.

(4) Other benefits include an overseas allowance of €54,389.

(5) H McGuire will receive an additional €43,841 in the form of shares (Annual Incentive deferred into shares) which relates to his performance prior to his appointment as Director.

(6) Salaries and other benefits for the period 12 November 2013 to 4 January 2014 (period following J Moloney's retirement from the Board) amounts to €203,189 of which €27,820 will be invested in Company shares and delivered two years following this investment.

2008 LTIP

It is expected that share awards granted to Executive Directors, under the 2008 LTIP in 2011, will vest in 2014, as follows:

| | Number of Share awards |
|----------------------------|------------------------|
| Executive Directors | |
| J Moloney ⁽¹⁾ | 139,462 |
| S Talbot | 96,500 |
| H McGuire | 50,000 |
| B Phelan | 50,000 |
| K Toland ⁽²⁾ | 82,901 |

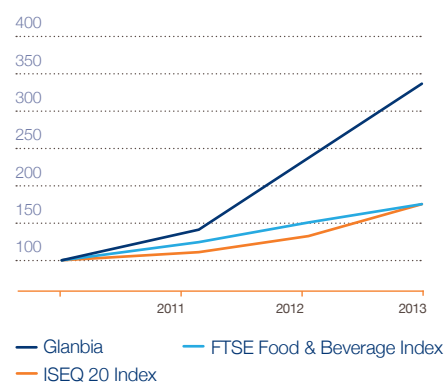
(1) Retired 12 November 2013

(2) Resigned 5 January 2013

Comparison of overall performance and pay

The chart opposite shows the value over the last three financial years of €100 invested in Glanbia plc compared with that of €100 invested in the FTSE 350 Food and Beverage Index and the ISEQ 20 Index. A hypothetical €100 investment in Glanbia plc on 1 January 2011 would have generated a total return (inclusive of original investment) of €340.58 compared with a total return of €166.79 if invested in the FTSE Food and Beverage Index or €169.69 if invested in the ISEQ 20 Index. The Committee believes that, due to the size/industry of the Group, this bespoke peer group index is the most appropriate index against which to compare the historic TSR of the Group.

TOTAL SHAREHOLDER RETURN



Base Salary

Base salaries for the Executive Directors are determined by the Remuneration Committee as set out on page 73.

The following table sets out the closing 2013 Base Salary for each of the Executive Directors.

Base Salary

| Director | Salary € |
|-----------|----------|
| S Talbot | 600,000 |
| M Garvey | 400,000 |
| H McGuire | 400,000 |
| B Phelan | 390,000 |

The salaries for Siobhán Talbot, Brian Phelan and Hugh McGuire were reviewed with effect from 1 October 2013 (Siobhán) and 1 June 2013 (Brian and Hugh) to take into account changes to their roles during the year. Details of the changes in their roles are set out in the Nomination Committee report. Mark Garvey's salary was set on his appointment to the Board.

Pension

Siobhán Talbot is a deferred member of a Glanbia defined benefit pension scheme. In light of the 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 pension benefits to Siobhán Talbot and John Moloney, with effect from 1 January 2012.

Brian Phelan is an active member of the Group's defined benefit plan which is based on an accrual rate of 1/60th of pensionable salary.

There is provision for Siobhán Talbot and Brian Phelan to retire at 60 years of age.

Hugh McGuire and Mark Garvey participate in a defined contribution retirement plan, to which contributions are made at an agreed rate.

Other benefits

Employment-related benefits include the use of company cars, medical/life assurance, relocation costs and overseas allowance, where necessary.

Annual Incentive

The Group operates a performance-related incentive scheme for Executive Directors and other senior executives as set out on page 73. The Committee believes that this method of assessment is transparent, rigorous and balanced, and provides an appropriate and objective assessment of annual performance.

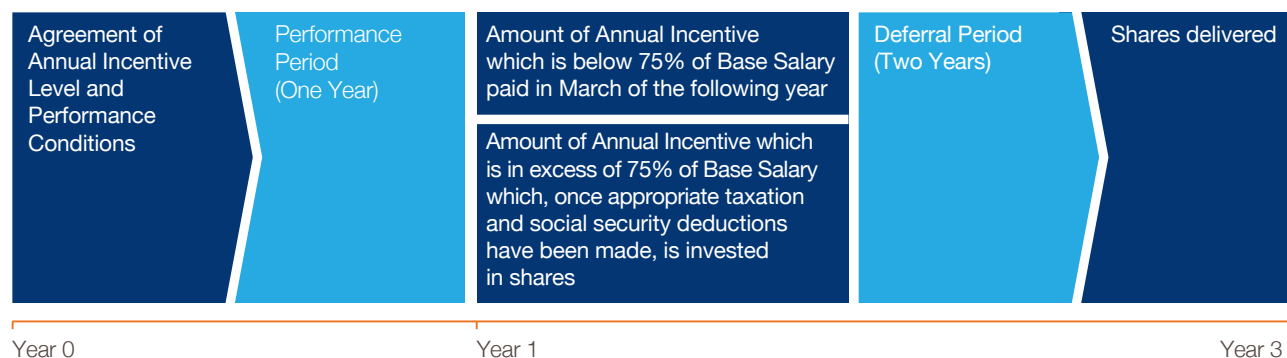
For the annual period to 4 January 2014, each Executive Director could earn up to 150% of Base Salary for maximum performance measured against growth in adjusted EPS on a constant currency basis and delivery of targeted closing debt/adjusted EBITDA ratios as set out on page 73.

In addition to the above (once the financial targets have been met) each Executive Director had individual performance targets which must also be met to obtain the maximum incentive level. The personal objectives are specific and measurable and are determined at the commencement of the financial year. These comprise each individual's contribution to the Group Operating Executive, delivery against projects and initiatives within the scope of his/her role, and his/her contribution to the overall performance of the Group. Personal performance of the Executive Directors has been reviewed and all relevant objectives have been met.

The performance of the Group during the year included adjusted EPS growth on a constant currency basis of 11.9% and closing debt/adjusted EBITDA ratio of 1.7 times.

In light of the above performance, the Committee concluded that 108% of Base Salary is payable to each Executive Director as set out on page 78.

ANNUAL DEFERRED INCENTIVE



REMUNERATION COMMITTEE REPORT

Long Term Incentive Plan

The principal Long Term Incentive Plan for Executive Directors is the 2008 LTIP, which has received shareholder approval. This Long Term Incentive Plan was amended in 2012 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.

Long Term Incentives (share awards with performance periods ending in the year)

Long term incentive share awards granted in March 2011 had a three year performance period ending on 4 January 2014 with 50% of the award subject to satisfaction of an adjusted EPS growth target and 50% subject to a relative TSR performance target.

EPS performance condition

100% of the EPS element is capable of vesting as determined by the rate of growth in EPS as compared to the Consumer Price Index (CPI) over the three year performance period. Adjusted EPS is calculated as the profit for the year attributable to the equity holders of the Group before exceptional items and amortisation of intangible assets, net of related tax.

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 three year period ended 4 January 2014, the Group delivered growth in adjusted EPS on a reported basis of 13.36%. This will result in 100% of the EPS element vesting to each Executive Director. The vesting conditions are presented below.

EPS element vesting

| | |
|---|-------------|
| Threshold performance (Three year adjusted EPS Growth equal to CPI plus 5% compounded (4.84%)) | 50% |
| Maximum performance (Three year adjusted EPS growth equal to CPI plus 10% compounded (9.84%)) | 100% |
| Actual performance (Three year adjusted EPS growth equal to 13.36%) | 100% |

The below table shows the Group's adjusted EPS over the performance period.

| | |
|------|--------|
| 2010 | 38.07c |
| 2013 | 55.46c |

TSR performance condition

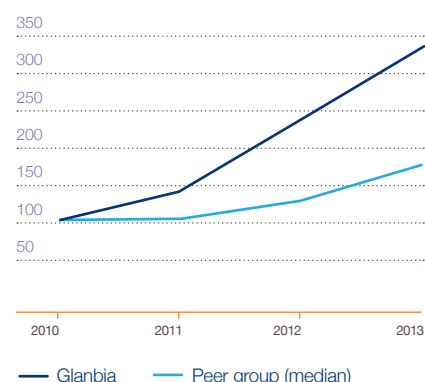
100% of the TSR element is capable of vesting as determined by the Group's TSR ranking relative to an agreed comparator group of 13 other international food and nutritional companies. TSR represents the change in capital value of a listed/quoted company over a period, plus dividends, expressed as a plus or minus percentage of the opening value.

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 graph opposite shows that, under the terms of the 2008 LTIP, at 4 January 2014, a hypothetical €100 invested in Glanbia plc on 1 January 2011 would have generated a total return (inclusive of original investment) of €340.58 compared with a total return of €172.56 if invested in the peer group Index. This will result in 100% of the relative TSR element vesting to each Executive Director. The vesting conditions are presented below.

TSR element vesting

| | |
|--|------|
| Threshold performance (Ranked halfway) | 30% |
| Maximum performance (Ranked in top quartile) | 100% |
| Actual performance (Ranked in top quartile) | 100% |

GLANBIA V's PEER GROUP TOTAL SHAREHOLDER RETURN

In light of the above performance against the EPS growth and relative TSR targets, the Committee confirmed that 100% of the total 2011 LTIP share award is payable to each Executive Director.

Long Term Incentives (share awards made in the financial year)

Long term incentive share awards were made to the Executive Directors in April 2013 (Hugh McGuire) and May 2013 (Siobhán Talbot and Brian Phelan) and will vest in April 2016 and May 2016 respectively, subject to the achievement of TSR, EPS and GIM ('ROCE') performance conditions. The performance period will end on 2 January 2016. The vesting conditions are summarised opposite.

Performance targets for outstanding share awards

The performance targets for all outstanding 2008 LTIP share awards are set out in the following tables:

Adjusted EPS growth

| | Vesting Level | | |
|---|---|--|---|
| | 0% | 50%* | 100%* |
| 2011 (50% of award) 2012-2013 (33% of award) | Three year adjusted EPS growth less than CPI plus 5% compounded | Three year adjusted EPS growth equal to CPI plus 5% compounded | Three year adjusted EPS growth equal to or greater than CPI plus 10% compounded |

*Straight line vesting between adjusted EPS growth equal to CPI plus 5% compounded and adjusted EPS growth equal to or greater than CPI plus 10% compounded

TSR Ranking in the comparator group

| | Vesting Level | | |
|---|---------------------------|-----------------|----------------------------|
| | 0% | 30%* | 100%* |
| 2011 (50% of award) 2012-2013 (33% of award) | Ranked below the top half | Ranked half way | Ranked in the top quartile |

*Straight line vesting where ranked between half way and the top quartile

Return on Capital Employed

| | Vesting Level | | |
|---------------------|-----------------|-------|-------|
| | 0% | 0%* | 100%* |
| 2012 (33% of award) | Less than 12.5% | 12.5% | 13.5% |
| 2013 (33% of award) | Less than 13.5% | 13.5% | 14.5% |

*Straight line vesting between threshold performance (2012: 12.5%, 2013: 13.5%) and maximum performance (2012: 13.5%, 2013: 14.5%)

2008 LTIP



REMUNERATION COMMITTEE REPORT

Directors' shareholdings

As at 4 January 2014, the Executive Directors' share ownership against the guidelines was as follows:

| | Shares held as at 4 January 2014 | % of Base Salary based on market value as at 4 January 2014 | Compliance with shareholding guidance |
|----------------------------|-------------------------------------|---|--|
| Executive Directors | | | |
| Siobhán Talbot | 141,587 | 261% | 200% ✓ |
| Hugh McGuire | 89,425 | 247% | 100% ✓ |
| Brian Phelan | 85,519 | 242% | 100% ✓ |
| Mark Garvey* | — | — | — |

*Mark Garvey joined the Group on 12 November 2013 and has a maximum of 5 years to build up his shareholding in the Company to 100% of his Base Salary

Dilution

Share awards granted under the 2008 LTIP and the Annual Deferred Incentive are satisfied through the funding of employee benefit trusts which acquire shares in the market. The employee benefit trusts held 864,898 shares at 4 January 2014.

The exercise of share options under the 2002 LTIP (which expired in 2012) is satisfied by the allotment of newly issued shares. At 4 January 2014 the total number of shares which could be allotted under this scheme was 440,000 shares which represent significantly less than one percent of the issued share capital of the Company.

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.

Shareholder engagement implementation of policy in 2014

Base Salary is reviewed on an annual basis. The base salaries of Executive Directors for 2014 remain unchanged from 2013 and are set out on page 79.

For 2014 the Remuneration Committee has determined that the Annual Incentive opportunity for Executive Directors and senior executives will again be contingent on meeting targets relating to EPS and closing debt/adjusted EBITDA ratios and personal objectives. The Committee has reviewed targets for the year to ensure they remain appropriately stretching and relevant for the Group's business strategy.

The Committee will review the performance measures for share awards under the 2008 LTIP during 2014 to ensure they remain appropriately stretching in light of the Group's expectations of performance and those of external analysts.

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.

Information subject to audit

The information in Tables A, B and C are covered by the Independent Auditors' report on page 104. 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 the Group Secretary and their connected persons as at 4 January 2014. There have been no changes in the interests listed in Tables B and C between 5 January 2014 and 11 March 2014. The market price of the ordinary shares as at 4 January 2014 was €11.05 and the range during the year was €8.09 to €11.41. The average price for the year was €9.77.

Results 2013—Resolution to receive and consider 2012 Remuneration Committee Report

| For | % | Against | % | Total excluding withheld | % | Withheld* | % | Total including withheld |
|-------------|--------|-----------|-------|--------------------------------|------|-----------|-------|-----------------------------|
| 188,418,157 | 97.16% | 5,505,527 | 2.84% | 193,923,684 | 100% | 363,974 | 0.19% | 194,287,658 |

*Votes withheld are not votes in law

Table A: 2013 Directors' Remuneration

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

| | Date of appointment/ resignation, if applicable | Salary €'000 | Fees €'000 | Annual Incentive paid in cash ¹ €'000 | Annual Incentive deferred into shares ² €'000 | Pension contribution €'000 | Other benefits €'000 | 2013 ³ Total €'000 | 2012 Total €'000 |
|--------------------------------|---|-----------------|---------------|--|--|----------------------------------|----------------------------|-------------------------------------|------------------------|
| Executive Directors | | | | | | | | | |
| S Talbot | | 433 | — | 325 | 143 | 108 | 20 | 1,029 | 1,043 |
| M Garvey | Apt. 12-Nov-13 | 56 | — | 42 | 18 | 10 | 3 | 129 | — |
| H McGuire ^(4&5) | Apt. 1-Jun-13 | 233 | — | 175 | 77 | 35 | 64 | 584 | — |
| B Phelan | Apt. 1-Jan-13 | 363 | — | 272 | 120 | 107 | 14 | 876 | — |
| J Moloney ⁶ | Ret. 12-Nov-13 | 506 | — | 379 | 167 | 126 | 29 | 1,207 | 1,633 |
| K Toland | Res. 5-Jan-13 | 95 | — | — | — | — | — | 95 | 1,199 |
| 2013 | | 1,686 | — | 1,193 | 525 | 386 | 130 | 3,920 | |
| 2012 | | 1,420 | — | 1,025 | 1,025 | 342 | 63 | | 3,875 |
| Non-Executive Directors | | | | | | | | | |
| L Herlihy | | — | 100 | — | — | — | — | 100 | 100 |
| H Corbally | | — | 48 | — | — | — | — | 48 | 48 |
| Mn Keane | | — | 48 | — | — | — | — | 48 | 48 |
| J Callaghan | | — | 80 | — | — | — | — | 80 | 80 |
| W Carroll | | — | 30 | — | — | — | — | 30 | 30 |
| J Doheny | | — | 30 | — | — | — | — | 30 | 18 |
| D Farrell | | — | 30 | — | — | — | — | 30 | 30 |
| J Gannon | Res. 29-May-12 | — | — | — | — | — | — | — | 12 |
| D Gaynor | Apt. 12-Mar-13 | — | 54 | — | — | — | — | 54 | — |
| P Gleeson | | — | 30 | — | — | — | — | 30 | 30 |
| V Gorman | Apt. 27-Jun-13 | — | 15 | — | — | — | — | 15 | — |
| P Haran | | — | 68 | — | — | — | — | 68 | 68 |
| B Hayes | Res. 5-Jun-13 | — | 13 | — | — | — | — | 13 | 30 |
| Ml Keane | | — | 30 | — | — | — | — | 30 | 30 |
| J Liston | | — | 75 | — | — | — | — | 75 | 75 |
| M Merrick | | — | 30 | — | — | — | — | 30 | 30 |
| J Murphy | | — | 30 | — | — | — | — | 30 | 30 |
| P Murphy | | — | 30 | — | — | — | — | 30 | 30 |
| W Murphy | Ret. 1-Jun-13 | — | 28 | — | — | — | — | 28 | 68 |
| E Power | | — | 30 | — | — | — | — | 30 | 30 |
| R Prendergast | Res. 5-Jun-13 | — | 13 | — | — | — | — | 13 | 30 |
| 2013 | | — | 812 | — | — | — | — | 812 | |
| 2012 | | — | 817 | — | — | — | — | | 817 |
| 2013 | | 1,686 | 812 | 1,193 | 525 | 386 | 130 | 4,732 | |
| 2012 | | 1,420 | 817 | 1,025 | 1,025 | 342 | 63 | | 4,692 |

(1) This reflects the proportion of the Annual Incentive earned by Executive Directors in respect of performance for the year 2013 (which amounts to 75% of Base Salary) which will be paid through salary in 2014.

(2) This reflects the proportion of the Annual Incentive (which amounts to 33% 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 Executive Directors two years following investment (2016).

(3) Remuneration disclosed refers to each Director's period of appointment to the Board in 2013.

(4) Other benefits includes an overseas allowance of €54,389.

(5) H McGuire will receive an additional €43,841 in the form of shares (Annual Incentive deferred into shares) which relates to performance prior to his appointment as Director.

(6) Salaries and other benefits paid for the period 12 November 2013 to 4 January 2014 (period following J Moloney's retirement from the Board) amounts to €203,189, of which €27,820 will be invested in Company shares and delivered two years following this investment.

Details of Directors' share options and share awards are set out in pages 86 to 88

REMUNERATION COMMITTEE REPORT

Table A(1): 2013 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 2013 in excess of inflation €'000 | Total annual accrued pension at 4 January 2014 €'000 |
|-------------|--|--|---|
| S Talbot | — | — | 158 |
| B Phelan | 57 | 7 | 95 |
| J Moloney | — | — | 367 |
| K Toland | — | — | 130 |
| 2013 | 57 | 7 | 750 |
| 2012 | — | — | 645 |

S Talbot and J Moloney are deferred members of the Glanbia defined benefit pension scheme. As a result of the 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.

DIRECTORS' AND SECRETARY'S INTERESTS

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

| | As at 4 January 2014 | | As at 30 December 2012* | |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | "A" Ordinary Shares of €1.00 | "C" Ordinary Shares of €0.01 | "A" Ordinary Shares of €1.00 | "C" Ordinary Shares of €0.01 |
| Directors | | | | |
| L Herlihy | 79,686 | 10,686,889 | 91,425 | 30,964,543 |
| H Corbally | 5,153 | 363,583 | 5,912 | 770,641 |
| Mn Keane | 7,612 | 3,118,390 | 6,626 | 3,118,390 |
| S Talbot ¹ | — | 3,000,000 | — | 7,742,766 |
| B Phelan ^(1&2) | — | 16,284,000 | — | 21,784,000 |
| W Carroll | 17,102 | — | 19,621 | — |
| J Doheny | 6,366 | 341,122 | 7,304 | 692,403 |
| D Farrell | 4,921 | 112,000 | 5,646 | 462,000 |
| V Gorman ³ | 3,066 | — | 3,066 | — |
| MI Keane | 19,721 | 3,000,000 | 24,232 | 3,000,000 |
| M Merrick | 5,499 | — | 6,309 | — |
| J Murphy | 14,237 | — | 16,334 | — |
| P Murphy | 11,939 | 12,143,890 | 13,698 | 12,143,890 |
| E Power | 23,812 | 16,284,935 | 27,320 | 35,500,443 |
| Secretary | | | | |
| M Horan | — | 574,000 | — | 574,000 |

(1) Executive Director

(2) Appointed 1 January 2013

(3) Appointed 27 June 2013

* Or at date of appointment if later

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

| | As at 4 January 2014 | | | | As at 30 December 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 | 131,113 | — | — | — | 91,804 | — | — | — |
| H Corbally | 12,536 | — | — | — | 9,995 | — | — | — |
| Mn Keane | 22,849 | — | — | — | 20,000 | — | — | — |
| S Talbot ¹ | 141,587 | 243,650 | — | 700 | 65,062 | 307,000 | 75,000 | 7,500 |
| J Callaghan | 65,000 | — | — | — | 65,000 | — | — | — |
| W Carroll | 8,435 | — | — | — | — | — | — | — |
| J Doheny | 14,737 | — | — | — | 11,596 | — | — | — |
| D Farrell | 2,927 | — | — | — | 500 | — | — | — |
| D Gaynor ² | 5,000 | — | — | — | — | — | — | — |
| P Gleeson | 23,171 | — | — | — | 24,923 | — | — | — |
| V Gorman ³ | 2,727 | — | — | — | 2,727 | — | — | — |
| P Haran | 7,462 | — | — | — | 7,462 | — | — | — |
| Ml Keane | 30,770 | — | — | — | 26,489 | — | — | — |
| J Liston | 25,000 | — | — | — | 25,000 | — | — | — |
| H McGuire ^(1&4) | 89,425 | 123,400 | — | — | 89,425 | 123,400 | — | — |
| M Merrick | 6,312 | — | — | — | 3,600 | — | — | — |
| J Murphy | 11,022 | — | — | — | 4,000 | — | — | — |
| P Murphy | 27,582 | — | — | — | 21,692 | — | — | — |
| B Phelan ^(1&5) | 85,519 | 145,250 | — | 750 | 39,659 | 176,500 | 175,000 | 7,500 |
| E Power | 49,296 | — | — | — | 37,550 | — | — | — |
| Secretary | | | | | | | | |
| M Horan | 43,079 | 123,400 | — | — | 26,138 | 158,500 | — | — |

(1) Executive Director

(2) Appointed 12 March 2013

(3) Appointed 27 June 2013

(4) Appointed 1 June 2013

(5) Appointed 1 January 2013

* Or at date of appointment if later

REMUNERATION COMMITTEE REPORT

Table C(1): Share Options and LTIP Awards in Glanbia plc - S Talbot

2002 LTIP Share Options

| Date of Grant | 30 Dec 12 | Granted during the year | Exercised during the year | Lapsed during the year | 4 Jan 14 | Exercise price € | Date of exercise or lapse | Market value at date of exercise € | Earliest date exercisable from | Expiry date | Note |
|---------------|---------------|-------------------------|---------------------------|------------------------|----------|------------------|---------------------------|------------------------------------|--------------------------------|-------------|------|
| 09-Dec-04 | 75,000 | — | 75,000 | — | — | 2.725 | 08-Jan-13 | 8.30 | 10-Dec-07 | 08 Jan 13 | 1 |
| Total: | 75,000 | — | 75,000 | — | — | | | | | | |

Notes

(1) On 8 January 2013, S Talbot sold 68,000 shares following the exercise of the above options (which resulted in the partial lapse of a related 10% award connected to the shares). She retained 7,000 of the shares allotted to her and is therefore eligible for a share award of 10% of these shares (700) if she retains these shares until 8 January 2015.

2008 LTIP Share Awards

| Date of Grant | 30-Dec-12 | Granted during the year | Vested during the year | Lapsed during the year | 4 Jan 14 | Market price at date of award € | Earliest date for vesting | Expiry date | Notes |
|---------------|----------------|-------------------------|------------------------|------------------------|----------------|---------------------------------|---------------------------|-------------|-------|
| 25-May-10 | 120,000 | — | 120,000 | — | — | 2.82 | 25-May-13 | 28-May-13 | 1 |
| 28-Mar-11 | 96,500 | — | — | — | 96,500 | 4.35 | 28-Mar-14 | 28-Mar-15 | 2 |
| 30-Aug-12 | 90,500 | — | — | — | 90,500 | 6.26 | 30-Aug-15 | 30-Aug-16 | 3 |
| 23-Apr-13 | — | 56,650 | — | — | 56,650 | 10.11 | 23-Apr-16 | 23-Apr-17 | 3 |
| Total: | 307,000 | 56,650 | 120,000 | — | 243,650 | | | | |

Notes

(1) Awards granted on 25 May 2010 were subject to performance conditions measured over the three financial periods ended 29 December 2012.

The outcome of these performance conditions was such that 100% of the awards vested. The vesting date was 28 May 2013 when the Glanbia plc official opening share price was €10.90.

(2) Awards granted on 28 March 2011 were subject to performance conditions measured over the three financial years ended 4 January 2014.

The outcome of these performance conditions is such that 100% of these awards are expected to vest during 2014.

(3) The performance periods in respect of the 2008 LTIP awards made in 2012 and 2013 are the three financial years ended 2014 and 2015 respectively.

The performance conditions attached to the awards are detailed in the section entitled 'Performance Targets for Outstanding Awards' on page 81.

Deferred Annual Incentive

On 29 May 2013, 26,097 shares in Glanbia plc were allocated to S Talbot (when the Glanbia plc official opening share price was €10.70), being the mandatory deferral of her 2012 Annual Incentive earned in excess of 75% of her Base Salary. On 29 May 2013, she sold 12,245 shares to fund the payment of the appropriate taxation and social security. The balance of the shares (being 13,852 shares) will be held on trust for her by the trustee of Glanbia plc Section 128D Employee Benefit Trust until 29 May 2015. These shares are included in the total number of shares held by her as disclosed in Table C on page 85.

Table C(2): Share Options and LTIP Awards - B Phelan

2002 LTIP Share Options

| Date of Grant | 30 Dec 12* | Granted during the year | Exercised during the year | Lapsed during the year | 4 Jan 14 | Exercise price € | Date of exercise or lapse | Market value at date of exercise € | Earliest date exercisable from | Expiry date | Note |
|---------------|----------------|-------------------------|---------------------------|------------------------|----------|------------------|---------------------------|------------------------------------|--------------------------------|-------------|------|
| 09-Dec-04 | 75,000 | — | 75,000 | — | — | 2.725 | 08-Jan-13 | 8.30 | 10-Dec-07 | 08-Jan-13 | 1 |
| 04-Mar-04 | 100,000 | — | 100,000 | — | — | 2.470 | 08-Jan-13 | 8.30 | 05-Mar-07 | 08-Jan-13 | |
| Total: | 175,000 | — | 175,000 | — | — | | | | | | |

Notes

(1) On 8 January 2013, B Phelan sold 67,500 shares following the exercise of this option (which resulted in the partial lapse of the 10% award attached to these options granted on 9 December 2004). He retained 7,500 of the shares allotted to him and therefore remains eligible for a share award of 10% of these shares (750) if he retains these shares until 8 January 2015.

2008 LTIP Share Awards

| Date of Grant | 30-Dec-12* | Granted during the year | Vested during the year | Lapsed during the year | 4 Jan 14 | Market price at date of award € | Earliest date for vesting | Expiry date | Notes |
|---------------|----------------|-------------------------|------------------------|------------------------|----------------|---------------------------------|---------------------------|-------------|-------|
| 25-May-10 | 80,000 | — | 80,000 | — | — | 2.82 | 25-May-13 | 28-May-13 | 1 |
| 28-Mar-11 | 50,000 | — | — | — | 50,000 | 4.35 | 28-Mar-14 | 28-Mar-15 | 2 |
| 30-Aug-12 | 46,500 | — | — | — | 46,500 | 6.26 | 30-Aug-15 | 30-Aug-16 | 3 |
| 23-Apr-13 | — | 48,750 | — | — | 48,750 | 10.11 | 23-Apr-16 | 23-Apr-17 | 3 |
| Total: | 176,500 | 48,750 | 80,000 | — | 145,250 | | | | |

Notes

(1) Awards granted on 25 May 2010 were subject to performance conditions measured over the three financial years ended 29 December 2012.

The outcome of these performance conditions was such that 100% of the awards vested. The vesting date was 28 May 2013 when the Glanbia plc official opening share price was €10.90.

(2) Awards granted on 28 March 2011 were subject to performance conditions measured over the three financial years ended 4 January 2014.

The outcome of these performance conditions is such that 100% of these awards are expected to vest during 2014.

(3) The performance periods in respect of the 2008 LTIP awards made in 2012 and 2013 are the three financial years ended 2014 and 2015 respectively.

The performance conditions attached to the awards are detailed in the section entitled 'Performance Targets for Outstanding Awards' on page 81.

* or date of appointment if later.

Deferred Annual Incentive

On 29 May 2013, 16,472 shares in Glanbia plc were allocated to B Phelan (when the Glanbia plc official opening share price was €10.70), being the mandatory deferral of his 2012 Annual Incentive earned in excess of 75% of his Base Salary. On 29 May 2013, he sold 7,728 shares to fund the payment of the appropriate taxation and social security. The balance of the shares (being 8,744 shares) will be held on trust for him by the trustee of Glanbia plc Section 128D Employee Benefit Trust until 29 May 2015. These shares are included in the total number of shares held by him as disclosed in Table C on page 85.

REMUNERATION COMMITTEE REPORT

Table C(3): LTIP Awards - H McGuire

2008 LTIP Share Awards

| Date of Grant | 30-Dec-12* | Granted during the year | Vested during the year | Lapsed during the year | 4 Jan 14 | Market price at date of award € | Earliest date for vesting | Expiry date | Notes |
|----------------|----------------|-------------------------|------------------------|------------------------|----------------|---------------------------------|---------------------------|-------------|-------|
| 28-Mar-11 | 50,000 | — | — | — | 50,000 | 4.35 | 28-Mar-14 | 28-Mar-15 | 1 |
| 30-Aug-12 | 46,500 | — | — | — | 46,500 | 6.26 | 30-Aug-15 | 30-Aug-16 | 2 |
| 23-Apr-13 | 26,900 | — | — | — | 26,900 | 10.11 | 23-Apr-16 | 23-Apr-17 | 2 |
| Total : | 123,400 | — | — | — | 123,400 | | | | |

Notes

(1) Awards granted on 28 March 2011 were subject to performance conditions measured over the three financial years ended 4 January 2014.

The outcome of these performance conditions is such that 100% of these awards are expected to vest during 2014.

(2) The performance periods in respect of the 2008 LTIP awards made in 2012 and 2013 are the three financial years ended 2014 and 2015 respectively. The performance conditions attached to the awards are detailed in the section entitled 'Performance Targets for Outstanding Awards' on page 81.

*or date of appointment if later

Table C(4): LTIP Awards - M Horan

2008 LTIP Share Awards

| Date of Grant | 30-Dec-12 | Granted during the year | Vested during the year | Lapsed during the year | 4 Jan 14 | Market price at date of award € | Earliest date for vesting | Expiry date | Notes |
|---------------|----------------|-------------------------|------------------------|------------------------|----------------|---------------------------------|---------------------------|-------------|-------|
| 25-May-10 | 62,000 | — | 62,000 | — | — | 2.82 | 25-May-13 | 28-May-13 | 1 |
| 28-Mar-11 | 50,000 | — | — | — | 50,000 | 4.35 | 28-Mar-14 | 28-Mar-15 | 2 |
| 30-Aug-12 | 46,500 | — | — | — | 46,500 | 6.26 | 30-Aug-15 | 30-Aug-16 | 3 |
| 23-Apr-13 | | 26,900 | — | — | 26,900 | 10.11 | 23-Apr-16 | 23-Apr-17 | 3 |
| Total: | 158,500 | 26,900 | 62,000 | — | 123,400 | | | | |

Notes

(1) Awards granted on 25 May 2010 were subject to performance conditions measured over the three financial years ended 29 December 2012.

The outcome of these performance conditions was such that 100% of the awards vested. The vesting date was 28 May 2013 when the Glanbia plc official opening share price was €10.90.

(2) Awards granted on 28 March 2011 were subject to performance conditions measured over the three financial years ended 4 January 2014.

The outcome of these performance conditions is such that 100% of these awards are expected to vest during 2014.

(3) The performance periods in respect of the 2008 LTIP awards made in 2012 and 2013 are the three financial years ended 2014 and 2015 respectively. The performance conditions attached to the awards are detailed in the section entitled 'Performance Targets for Outstanding Awards' on page 81.

Deferred Annual Incentive

On 23 April 2013, 15,134 shares in Glanbia plc were allocated to M Horan (when the Glanbia plc official opening share price was €10.11), being the mandatory deferral of his 2012 Annual Incentive earned in excess of 75% of his Base Salary. On 29 April 2013, he sold 6,958 shares to fund the payment of the appropriate taxation and social security. The balance of the shares (being 8,176 shares) will be held on trust for him by the trustee of Glanbia plc Section 128D Employee Benefit Trust until 23 April 2016. These shares are included in the total number of shares held by him as disclosed in Table C on page 85.

STATEMENT OF COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012) AND THE IRISH CORPORATE GOVERNANCE ANNEX

As required by the European Communities (Directive 2006/46/EC) Regulations 2009 (as amended) this Statement of Compliance explains how the Board has applied the principles set down in the UK Corporate Governance Code (2012) (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: 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 Irish Stock Exchange website: 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.

The Group has complied with the detailed provisions of the Codes throughout 2013, with the exception of provision B.1, Composition of the Board and B.7 Re-election. We have explained in detail our reasons on pages 91, 92 and 96 which set out our alternative practice to achieve good governance. The Codes are not a rigid set of rules and they recognise that an alternative to following a provision may be justified in particular circumstances where good governance is still achieved.

We have addressed each Code principle in the tables below.

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012)

| Code of Best Practice – Principles | Group Statement of Compliance |
|--|--|
| A DIRECTORS | |
| A.1 The role of the board Every company should be headed by an effective board which is collectively responsible for the long term success of the company. | <p>Our Board consists of the Group Chairman (Liam Herlihy), two Vice-Chairmen (Martin Keane and Henry Corbally); 14 other Non-Executive Directors (including John Callaghan, the Senior Independent Director) and four Executive Directors (Siobhán Talbot, the Group Managing Director, Mark Garvey, the Group Finance Director, Brian Phelan, Chief Executive Officer of Global Ingredients and Hugh McGuire, Chief Executive Officer of Global Performance Nutrition). 13 of the Non-Executive Directors are currently nominated by our major shareholder, Glanbia Co-operative Society Limited (the "Society").</p> <p>Our Group's governance structure is based on the leadership principles in the Codes and is set out on page 58.</p> <p>The Board and its Committees monitor the application of values, standards and processes. The core activities of the Board and its Committees are documented and planned on an annual basis and include an agreed annual calendar of the main business to be considered at each Board meeting. This forms the basic structure within which the Board operates.</p> <p>The Directors' responsibilities are outlined on pages 56 to 57. The Board meets regularly on a formal basis plus additional ad hoc meetings as necessary.</p> <p>The Board held 11 scheduled meetings in 2013 (11: 2012) and one two day planning and strategy session.</p> <p>The attendance of each Director at the scheduled Board meetings and the two day planning and strategy session are shown on page 56.</p> <p>The Audit, Nomination and Remuneration Committee membership and attendances for all or part of the year are shown in their respective Reports.</p> |

STATEMENT OF COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012) AND THE IRISH CORPORATE GOVERNANCE ANNEX

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012)

| Code of Best Practice – Principles | Group Statement of Compliance |
|---|---|
| A | DIRECTORS |
| A.2 | Division of responsibilities |
| There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. | <p>Responsibility is clearly split between the Group Chairman and the Group Managing Director. The Group Chairman is responsible for the efficient and effective working of the Board.</p> <p>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 her.</p> <p>The Board appoints the Group Managing Director and monitors her 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, she 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. A detailed explanation of their respective responsibilities is set out on page 57.</p> |
| A.3 | The chairman |
| The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role. | <p>The Group Chairman sets the Board's agenda and ensures that adequate time is available for the discussion of all agenda items.</p> <p>The Group Chairman promotes a culture of openness and debate. He also ensures constructive relations between the Executive Directors and the Non-Executive Directors. The Group Chairman ensures effective communication with shareholders. Further information may be found on pages 17 and 95.</p> <p>A detailed explanation of the Group Chairman's responsibilities is set out on page 57.</p> |
| A.4 | Non-executive directors |
| As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy. | <p>The Non-Executive Directors scrutinise the performance of management, monitor the reporting of performance and assist in the development of strategy.</p> <p>The strategic planning process in 2013 spanned three Board meetings commencing with a dedicated strategic planning meeting to consider the key risks and opportunities facing the Group on a rolling five year basis. This was followed by a detailed review by the full Board of each Business Unit's strategic plan with its management team. At the conclusion of this process, the Board approved the overall strategic plan (2014-2018) setting the strategic direction for the Group's next phase of growth.</p> <p>This approach has been developed to ensure that the Non-Executive Directors can participate in the development of proposals on strategy and included a full consideration of the key risks and opportunities facing the Group on a rolling three year basis.</p> <p>The Senior Independent Director supports the Group Chairman on all governance issues and is available to shareholders if they have concerns that contact through the normal channels has failed to resolve.</p> <p>The Group Chairman holds meetings with the Non-Executive Directors without the Executive Directors present where considered appropriate.</p> <p>The Senior Independent Director meets with the Non-Executive Directors without the Group Chairman being present on such occasions as he considers appropriate.</p> |

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012)

| Code of Best Practice – Principles | Group Statement of Compliance |
|---|--|
| B EFFECTIVENESS | |
| B.1 The composition of the board The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively. | <p>The Board is pleased to take this opportunity to explain its reasons for its structure and, in doing so, meet the requirements of the Code to comply or explain. The Board also wishes to explain why it is justified in the circumstances and how good governance is still achieved.</p> <p>The Company was formed in 1997 as a result of the merger of Avonmore Foods plc and Waterford Foods plc. As part of the merger, the Society retains a major shareholding in the Company and nominates from its Board of Directors, which is elected on a three year basis, up to 14 Non-Executive Directors for appointment to the Board of the Company. This will reduce to eight Non-Executive Directors in 2018, more details of which are set out on page 69 of the Nomination Committee report.</p> <p>All the Non-Executive Directors are considered by the Board to demonstrate the essential characteristics of independence and bring independent challenge and deliberations to the Board through their character, objectivity and integrity. Further information may be found on page 69 of the Nomination Committee report.</p> <p>The practical conduct of Board meetings is such that, even though there are currently 13 Non-Executive Directors appointed by the Society, the views of all the Non-Executive Directors are given due weight and a collective approach to decision making is adopted.</p> <p>The Group has an excellent track record in delivering sustained growth in shareholder value. In the latest three year period, total shareholder return has increased by 240.58% and the share price has risen from under €3.68 (at the end of 2010) to €11.05 at financial year end 2013, all underpinned by the Group's good governance practices over many years.</p> |
| B.2 Appointments to the board There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board. | <p>The Nomination Committee comprises four Non-Executive Directors, of whom two members constitute a quorum, and is responsible for making recommendations to the Board on the appointment and re-appointment of Directors and planning for the orderly succession of new Directors to the Board. A detailed explanation of the Nomination Committee and its work is set out in the Nomination Committee report.</p> <p>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.</p> |
| B.3 Commitment All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively. | <p>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.</p> <p>The terms of appointment of Non-Executive Directors are available for inspection at the registered office of the Company.</p> |

STATEMENT OF COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012) AND THE IRISH CORPORATE GOVERNANCE ANNEX

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012)

| Code of Best Practice – Principles | Group Statement of Compliance |
|---|---|
| B EFFECTIVENESS | |
| <p>B.4 Development All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.</p> | <p>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 covers:</p> <ul style="list-style-type: none"> • Directors' duties, corporate governance and Board procedures—the Group 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; and • Site visits. <p>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. Details of the Directors activity during 2013 are set on page 50.</p> |
| <p>B.5 Information and support The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.</p> | <p>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.</p> <p>At each scheduled Board meeting, the Group Managing Director, the Group Finance Director, the CEO of Global Performance Nutrition and the CEO of Global Ingredients 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.</p> <p>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.</p> |
| <p>B.6 Evaluation The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</p> | <p>The Board conducts an annual review of its effectiveness and that of each Board Committee and Board member. The evaluation of the performance of the Board is to be externally facilitated every three years.</p> <p>In 2013, we commissioned an independently facilitated Board review conducted by Karl Croke of Board Works. The details of this review, including our objectives, findings and action plan, are set out in full on page 50.</p> |
| <p>B.7 Re-election All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.</p> | <p>All Directors are ordinarily subject to re-election at every Annual General Meeting (AGM).</p> <p>Prior to the issue of the notice of the 2013 AGM, the Society informed the Company that Brendan Hayes and Robert Prendergast, then Directors of the Company, would cease to be Directors of the Society from its first Directors meeting following its 2013 AGM and consequently, they would be ineligible for membership of the Board of the Company. In those circumstances Brendan Hayes and Robert Prendergast were not put forward for re-election at the 2013 AGM.</p> <p>The Board has recommended that all Directors (with the exception of Jerry Liston as he indicated his intention to retire prior to the commencement of the AGM) should be put forward for re-election at the 2014 AGM. Each Director seeking re-election continues to be effective and demonstrates commitment to their roles.</p> |

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012)

| Code of Best Practice – Principles | Group Statement of Compliance |
|---|---|
| C ACCOUNTABILITY | |
| <p>C.1 Financial and business reporting The board should present a balanced and understandable assessment of the company's position and prospects.</p> | <p>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.</p> <p>A statement of the Directors' responsibilities is set out on page 101. A statement by the external Auditors about their reporting responsibilities is set out on page 104.</p> <p>Going Concern The Directors continue to report in the annual and half-yearly financial statements that the business is a going concern.</p> <p>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 12 to 15.</p> <p>The financial position of the Company and the Group, its cash flows, liquidity position and borrowing facilities are outlined in the Group Finance Director's review on pages 16 to 17. 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.</p> |
| <p>C.2 Risk management and internal control The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.</p> | <p>The Board has applied principle C.2 of the UK Corporate Governance Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces to ensure that the Group's strategic objectives are achieved. The arrangements established by the Board for the application of risk are outlined in the Detailed Risk report on pages 38 to 41.</p> <p>The Audit Committee assists the Board in discharging its review responsibilities in accordance with the requirements of the revised Turnbull Guidance on Internal Control, published by the FRC which the Board has fully adopted, and the Codes. 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. 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.</p> <p>The Board has reviewed the effectiveness of the current systems of risk management and internal control specifically for the purpose of this statement and are satisfied that these systems have been operating throughout 2013 and to the date of this report.</p> <p>The Group also maintains a risk register, which contains the key risks faced by the Group, including their likelihood and impact, as well as the controls and procedures implemented to mitigate these risks. The content of the register is determined through regular discussions with senior management and is reviewed by the Audit Committee.</p> <p>While the Board is responsible for the Group's system of internal control and for the ongoing review of its effectiveness, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.</p> <p>The Board has delegated to the Audit Committee oversight of the management of the relationship with the Group's external Auditors, further details of which can be found in the Audit Committee report on pages 60 to 65.</p> <p>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.</p> |

STATEMENT OF COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012) AND THE IRISH CORPORATE GOVERNANCE ANNEX

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012)

| Code of Best Practice – Principles | Group Statement of Compliance |
|--|---|
| C ACCOUNTABILITY | |
| C.2 Risk management and internal control The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. | 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 84 to 88. Main features of Internal control and risk management systems in preparing consolidated financial statements and financial reporting <ul style="list-style-type: none"> • Board approval of the annual business and 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 Finance function to facilitate 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; and • Appropriate IT security environment. |
| C.3 Audit committee and auditor The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor. | A detailed explanation is given in the Audit Committee report on pages 60 to 65. The Audit Committee comprises eight Non-Executive Directors, of whom three members constitute a quorum. |

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012)

| Code of Best Practice – Principles | Group Statement of Compliance |
|---|---|
| D REMUNERATION | |
| <p>D.1 The level and components of remuneration Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose.</p> <p>A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.</p> | <p>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.</p> <p>A detailed explanation is given in the Remuneration Committee report on pages 70 to 88.</p> |
| <p>D.2 Procedure There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.</p> | <p>Remuneration packages for individual Executive Directors are set by the Remuneration Committee after receiving appropriate information from independent sources and Group Human Resources. The Remuneration Committee comprises six Non-Executive Directors, of whom three members constitute a quorum. The Group Managing Director and the Group Human Resources 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.</p> |
| E RELATIONS WITH SHAREHOLDERS | |
| <p>E.1 Dialogue with shareholders There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.</p> | <p>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. A description of our Investor relations activity during 2013 is set out on page 17.</p> |
| <p>E.2 Constructive use of the AGM The board should use the AGM to communicate with investors and to encourage their participation.</p> | <p>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 Group's website following the meeting.</p> <p>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 Company offers all shareholders the choice of submitting proxy votes either electronically or in paper format. It also offers them the option to abstain.</p> |

STATEMENT OF COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (2012) AND THE IRISH CORPORATE GOVERNANCE ANNEX

COMPLIANCE WITH ISE ANNEX

| | Code of Best Practice – Principles | Group Statement of Compliance |
|---|------------------------------------|--|
| 1 | Composition of the board | <p>A detailed explanation of the rationale for the current Board size and structure is set out opposite the composition of the board on page 91. Anticipated changes (from 2016 to 2018) to the Board size and structure are set out on page 69 of the Nomination Committee report.</p> <p>All the Non-Executive Directors are considered by the Board to demonstrate the essential characteristics of independence and bring independent challenge and deliberations to the Board through their character, objectivity and integrity. Further information may be found on page 69 of the Nomination Committee report.</p> <p>Our Directors come from a diversity of backgrounds, ranging from public service, accountancy and banking to industry (dairy, pharmaceutical, fast moving consumer goods and production). A detailed description of the skills, expertise and experience that each of the Directors brings to the Board is set out on pages 52 to 55. The date of appointment of each Director, the length of service of each Director as a Director is given on page 56 and, where applicable, the length of service of each Director on a Board Committee is also given in the respective Committee reports.</p> <p>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.</p> <p>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.</p> <p>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.</p> |
| 2 | Board appointments | A detailed explanation is given in the Nomination Committee report on pages 66 to 69. |

COMPLIANCE WITH ISE ANNEX

| | Code of Best Practice – Principles | Group Statement of Compliance |
|---|------------------------------------|--|
| 3 | Board evaluation | <p>We have established a formal process for the annual evaluation of the performance of the Board, its principal Committees and individual Directors. 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 to gain insight into Board effectiveness to help the Board perform as well as possible and help the Board understand how well it is operating in key areas. These include: Board performance and strategic oversight, risk management and internal control, Board Committees, succession planning and talent management, Board processes, culture and relationships, diversity, individual performance; including Chairman and CEO performance, priorities to enhance Board performance.</p> <p>In 2013, we commissioned an independently facilitated Board review conducted by Karl Croke of Board Works. The details of this review, including our objectives, findings and action plan, are set out in full on page 50.</p> <p>The Board evaluation process was as follows:</p> <ul style="list-style-type: none"> • Meeting with the Group Chairman and Group Secretary to agree the terms of reference, methodology and timelines; • Development of the questionnaire which encompassed the main Board and Committees. • Completion of the questionnaire by each Board member; • Confidential one to one interview with each Board member. The interview reviewed each Board member's completed questionnaire and also encompassed broader Board issues; • Analysis by Karl Croke of Board Works of the completed questionnaires and interviews; • Report completion; • Presentation to the Board; • Agreed action. |
| 4 | Board re-election | A detailed explanation is given in the Nomination Committee report on pages 66 to 69. |
| 5 | Audit committee | A detailed explanation is given in the Audit Committee report on pages 60 to 65 and the Detailed Risk report on pages 38 to 41. |
| 6 | Remuneration | A detailed explanation is given in the Remuneration report and throughout this Annual Report. |

OTHER STATUTORY INFORMATION

Principal activities

Glanbia plc is a global performance nutrition and ingredients group, headquartered in Ireland, with operations in 32 countries including Ireland, mainland Europe, the USA, Africa and Asia.

Further detail can be found in: Where We Operate on pages 6 to 7.

The Directors have set out in this report a fair review of the business of the Group during the financial year ended 4 January 2014, 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 Strategic Report and Detailed Business Review sections of this report on pages 2 to 47. A description of the Group's Business Model and Strategy for delivering its objectives is set out on pages 20 to 27.

Process for appointment of Directors

In addition to the Companies Acts, the Articles of Association of the Company contain provisions regarding the appointment and retirement of Directors. At each Annual General Meeting (AGM) the Articles of Association provide that each Director who has been in office at the conclusion of each of the three preceding AGMs 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 (2012), all Directors will retire at the 2014 AGM and, being eligible, offer themselves for re-appointment with the exception of Jerry Liston, who is retiring from the Board.

Annual General Meeting

The Company's AGM will be held on 13 May 2014. 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 2013 AGM, the Directors were given the power to issue new shares up to a nominal amount of €628,458.96. This power will expire on the earlier of the conclusion of the 2014 AGM or 20 August 2014. Accordingly, a resolution will be proposed at the 2014 AGM to renew the Company's authority to issue further new shares.

At the 2013 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 €628,458.96. This authority too will expire on the earlier of the conclusion of the 2014 AGM or 20 August 2014. A resolution will be proposed at the 2014 AGM to renew this authority.

At the 2013 AGM, the Directors were given the power to buy back a maximum number of 29,552,568 ordinary shares (equivalent to 10% of its own shares) within a price range specified in the resolution. A resolution will not be proposed at the 2014 AGM to renew the Company's authority to acquire its own shares.

At the 2013 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 2014 AGM or 20 August 2014 and a resolution will not be proposed at the 2014 AGM to renew this authority.

Dividends

An interim dividend of 4.03 cent per share was paid on 11 October 2013 to shareholders on the register at the close of business on 30 August 2013. The Directors propose a final dividend of 5.97 cent per share. Subject to shareholder approval, the final dividend will be paid on 16 May 2014 to shareholders on the share register on 4 April 2014.

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 shareholders' dividend will default to a sterling payment. All other shareholders' dividends will default to a euro payment.

Political donations

The Electoral Act, 1997 as amended requires companies to disclose all political donations over €200 in aggregate made during the financial year. The Directors, on enquiry, have satisfied themselves that no payment or other donations in excess of this amount have been made by the Group.

Issued share capital

At 4 January 2014 the authorised share capital of the Company was 306,000,000 ordinary shares of €0.06 each and the issued share capital was 295,645,684 (2012: 294,955,684) ordinary shares of €0.06 each, of which 41.3% 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 690,000 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 4 January 2014 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 4 January 2014, 864,898 ordinary shares were held in employee benefit trusts 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 2014 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 Group's website after the meeting.

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 Group'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.

OTHER STATUTORY INFORMATION

Substantial interests

The Company has been advised of the following notifiable interests in its ordinary share capital:

| Shareholder | No of ordinary shares as at 4/01/2014 | % of issued share Capital as at 4/01/2014 | No of ordinary shares as at 11/03/2014 | % of issued share Capital as at 11/03/2014 |
|--------------------------------------|---------------------------------------|---|--|--|
| Glanbia Co-operative Society Limited | 122,108,880 | 41.3% | 122,108,880 | 41.3% |
| Capital Group Companies, Inc | 12,050,287 | 4.07% | 14,885,551 | 5.03% |

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 employee share plans contain change of control provisions which can allow for the acceleration of the exercisability of share options and the vesting of share awards in the event 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

Glanbia is focused on corporate social responsibility in three areas – our employees, the environment and our local communities.

More particular details of which are summarised in Corporate social responsibility on pages 42 to 47.

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 101.

The Independent Auditors' Report details the respective responsibilities of Directors and external Auditors.

External Auditors

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRSs as adopted by the European Union; and
- Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements comply with the Companies Acts 1963 to 2013 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 Group's website. Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the current Directors, whose names and functions are listed on pages 52 to 57 confirms that they consider that the Annual Report and Financial Statements, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy. Each of the current Directors also 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

Directors

11 March 2014



Siobhán Talbot



Mark Garvey

BRAND POWER

BUILDING THE LARGEST GLOBAL
PERFORMANCE NUTRITION COMPANY



Charles Hemmingway
Global Performance
Nutrition

BRAND POWER

We lead through insight driven consumer engagement that ingrains our brands in their fitness lifestyle. We succeed by enabling our consumers to achieve, with education on how to accomplish their fitness goals across digital, social, and face to face interaction that motivates them to stick with it.

We maximize our relevance with regional marketing and customer collaboration to localise activities. We grow by turning our loyal consumers into brand advocates that share their passion for our brands in the gyms and across social media as they are our best marketers.

“Our mission is to be the first choice of athletes and fitness enthusiasts everywhere to help them achieve their goals through the highest-quality, most innovative performance nutrition products.”



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLANBIA PLC

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, of the state of the Group's affairs as at 04 January 2014 and of its profit and cash flows for the year then ended;
- the Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2013, of the state of the Company's affairs as at 04 January 2014 and of its cash flows for the year then ended; and
- the Group and Company Financial Statements have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say below.

What we have audited

The Group Financial Statements and Company Financial Statements (the "Financial Statements"), which are prepared by Glanbia plc, comprise:

- the Group and Company Balance Sheets as at 04 January 2014;
- the Group Income Statement and Group and Company Statements of Comprehensive Income for the year then ended;
- the Group and Company Statements of Changes in Equity and Statements of Cash Flows for the year then ended; and
- the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises Irish law and IFRSs as adopted by the European Union and, as regards the Company, as applied in accordance with the provisions of the Companies Acts 1963 to 2013.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report rather than in the notes to the Financial Statements. These are cross-referenced from the Financial Statements and are identified as audited.

What an audit of Financial Statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 Parent 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach**Materiality**

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Group Financial Statements as a whole to be €8 million, which is approximately 5% of profit before tax and exceptional items (to exclude the effect of volatility).

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €400,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured along four business segments, Global Performance Nutrition, Global Ingredients, Dairy Ireland and Joint Ventures and Associates. The Group Financial Statements are a consolidation of 32 reporting units, comprising the Group's operating businesses and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC ROI and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group Financial Statements as a whole.

Our Group audit scope focused on eighteen Glanbia reporting entities. Eleven subsidiaries and joint ventures including the primary central reporting entity which controls Group functions including those covering treasury, taxation and pensions, were subject to an audit of their full financial information. Glanbia Ingredients Ireland Limited, a material associate, which while not controlled by the Group, was also subject to an audit of their full financial information.

These operations which were subject to a full scope audit accounted for approximately 88 per cent of Group turnover and in excess of 90 per cent of Group profit before tax. Taken collectively these reporting entities represent the principal Business Units of the Group.

Specific audit procedures on certain balances and transactions were performed at six of the remaining reporting units. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group Financial Statements as a whole.

The Group audit team follows a programme of planned site visits that is designed so that senior team members visit the full scope audit reporting entities regularly on a rotational basis. In addition to these visits, meetings are held with each full scope reporting entity's component auditors at least once a year.

For the year ended 04 January 2014 ten reporting entities were visited. Post audit conference calls were held with component auditors for any entities not visited during the year by the Group audit team.

Areas of particular audit focus

In preparing the Financial Statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the Financial Statements is set out on page 63.

Goodwill and indefinite life intangible assets impairment assessment

Area of focus

We focused on this area because the determination of whether an impairment charge for goodwill or indefinite life intangible assets was necessary involved significant judgements in estimating the future results of the business.

Refer also to note 15 to the Financial Statements.

How the scope of our audit addressed the area of focus

We evaluated management's future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations.

We challenged management's key assumptions for growth rates in the forecasts by considering the Group's historic growth rates and its achievement of past strategic objectives.

We challenged the discount rate used by recalculating the cost of capital for the Group using observable inputs from independent sources. We also benchmarked the discount rate used against the published cost of capital for comparable organisations.

We performed sensitivity analysis around the key drivers of management's impairment testing models including growth rates applied to the cash flow forecasts and the discount rate.

Provision for income taxes

Area of focus

As described in the critical accounting judgements section in note 4, the Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes as there are many transactions during the ordinary course of business for which the ultimate tax determination is uncertain.

This area required our focus as there is a level of estimation and judgement in calculating such liabilities.

How the scope of our audit addressed the area of focus

We obtained an understanding of the critical accounting judgements made in the estimation of these liabilities through discussions with management and the Group's in-house tax specialists.

We challenged judgements used and estimates made by management to support the provision for uncertain tax positions. This included holding discussions with our in-house taxation specialists to assist us in evaluating the assumptions and methodologies used by the Group in calculating tax liabilities.

We read the relevant correspondence between the Group and relevant tax authorities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLANBIA PLC

Pension liabilities**Area of focus**

The magnitude of the deficits on the Group's defined benefit pension schemes included on the Balance Sheet is dependent on a number of key estimates, a significant assumption being the discount rate at year end. Assumptions regarding mortality rates are also important. A modest change in such assumptions can result in a material change in the value of the overall deficit.

The Group also recognised an exceptional gain during the year arising from revisions to the Group's pension arrangements for two smaller Irish defined benefit schemes. The calculation of this gain involves a degree of estimation as it is partly based on actuarial assumptions.

How the scope of our audit addressed the area of focus

We challenged the reasonableness of the actuarial assumptions used by management, by holding dialogue with our in-house actuaries and comparing the assumptions to third party benchmark data.

We independently assessed the calculation of the gain, challenged the reasonableness of the actuarial assumptions used and viewed correspondence between the Trustees and Irish Pension Board.

Fraud in revenue recognition**Area of focus**

ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.

How the scope of our audit addressed the area of focus

As the foundation of the evidence we obtained regarding the revenue recognised during the year, we evaluated the relevant IT systems and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the Financial Statements. We also tested certain journal entries posted to revenue accounts to identify unusual or irregular items.

We tested a sample of credit notes recorded during the year and after the year end to ensure appropriate revenue recognition. We traced a sample of sales recorded during the year to delivery documentation and cash remittance.

We read extracts of relevant customer agreements and tested the amounts recorded for rebate arrangements in Global Performance Nutrition and in Consumer Foods Ireland by independently recalculating rebate amounts based on the underlying customer agreements and the observable sales data of the entity.

Risk of management override of internal controls**Area of focus**

ISAs (UK & Ireland) require that we consider this.

How the scope of our audit addressed the area of focus

We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the Financial Statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We also tested journal entries.

Going Concern

Under the Listing Rules of the Irish Stock Exchange we are required to review the Directors' statement in relation to going concern. We have nothing to report having performed our review.

As noted in the Statement of Directors' responsibilities, the Directors have concluded that it is appropriate to prepare the Group's and Company's Financial Statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the Financial Statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Company's ability to continue as a going concern.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACTS 1963 TO 2013

- 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 Company.
- The Company Balance Sheet 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 Balance Sheet, 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 04 January 2014 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

Directors' remuneration and transactions

Under the Companies Acts 1963 to 2013 we are required to report if, in our opinion, the disclosure of Directors' remuneration and transactions specified by law have not been made, and under the Listing Rules of the Irish Stock Exchange we are required to review the six specified elements of disclosures in the report to shareholders by the Board on Directors' remuneration. We have nothing to report arising from these responsibilities.

Corporate Governance Statement

Under the Listing Rules of the Irish Stock Exchange we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code') and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report having performed our review.

On page 101 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 63, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the Financial Statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 101, the Directors are responsible for the preparation of the Group and Company Financial Statements giving a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Company Financial Statements in accordance with Irish law and ISAs (UK & 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.

Martin Freyne

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Ballycar House
Newtown
Waterford

11 March 2014

GROUP INCOME STATEMENT

for the financial year ended 04 January 2014

| | | Pre- exceptional 2013 €'000 | Exceptional 2013 €'000 | Total 2013 €'000 | Pre- exceptional 2012* €'000 | Exceptional 2012* €'000 | Total 2012* €'000 |
|--|-------|--------------------------------------|------------------------------|------------------------|---------------------------------------|-------------------------------|-------------------------|
| | Notes | | (note 7) | | | (note 7) | |
| Continuing operations | | | | | | | |
| Revenue | 5 | 2,382,133 | - | 2,382,133 | 2,211,757 | - | 2,211,757 |
| Earnings before interest, tax and amortisation (EBITA) | | 187,665 | 5,804 | 193,469 | 176,730 | 1,610 | 178,340 |
| Intangible asset amortisation | 6 | (21,011) | - | (21,011) | (19,864) | - | (19,864) |
| Operating profit | | 166,654 | 5,804 | 172,458 | 156,866 | 1,610 | 158,476 |
| Finance income | 10 | 2,168 | - | 2,168 | 2,942 | - | 2,942 |
| Finance costs | 10 | (25,110) | - | (25,110) | (23,370) | - | (23,370) |
| Share of results of Joint Ventures & Associates | | 26,488 | - | 26,488 | 12,147 | - | 12,147 |
| Profit before taxation | | 170,200 | 5,804 | 176,004 | 148,585 | 1,610 | 150,195 |
| Income taxes | 11 | (24,692) | (316) | (25,008) | (25,611) | 1,440 | (24,171) |
| Profit for the year from continuing operations | | 145,508 | 5,488 | 150,996 | 122,974 | 3,050 | 126,024 |
| Discontinued operations | | | | | | | |
| Profit for the year from discontinued operations, net of tax | 7 | - | - | - | 27,133 | (7,761) | 19,372 |
| Profit for the year | | 145,508 | 5,488 | 150,996 | 150,107 | (4,711) | 145,396 |
| Attributable to: | | | | | | | |
| Equity holders of the Parent | | | | 150,330 | | | 144,956 |
| Non-controlling interests | 25 | | | 666 | | | 440 |
| | | | | 150,996 | | | 145,396 |
| Earnings per share from continuing and discontinued operations attributable to the equity holders of the Parent | | | | | | | |
| Basic earnings per share (cents) | 12 | | | 51.01 | | | 42.71 |
| From continuing operations | | | | 51.01 | | | 42.71 |
| From discontinued operations | | | | - | | | 6.59 |
| | | | | 51.01 | | | 49.30 |
| Diluted earnings per share (cents) | 12 | | | 50.66 | | | 42.33 |
| From continuing operations | | | | 50.66 | | | 42.33 |
| From discontinued operations | | | | - | | | 6.53 |
| | | | | 50.66 | | | 48.86 |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

On behalf of the Board
L Herlihy S Talbot M Garvey
 Directors

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 04 January 2014

| | Notes | 2013 €'000 | 2012* €'000 |
|---|-------|-----------------|-----------------|
| Profit for the year | | 150,996 | 145,396 |
| Other comprehensive income/(expense) | | | |
| Items that are not reclassified subsequently to the Group income statement: | | | |
| Remeasurements – defined benefit schemes | 28 | (1,546) | (100,095) |
| Deferred tax (charge)/credit on remeasurements | 27 | (166) | 10,801 |
| Share of remeasurements – Joint Ventures & Associates | 24 | (1,149) | (1,227) |
| Deferred tax credit on remeasurements – Joint Ventures & Associates | 24 | 220 | 169 |
| Items that may be reclassified subsequently to the Group income statement: | | | |
| Currency translation differences | 22 | (24,592) | (8,071) |
| Net investment hedge | 22 | 2,472 | 1,409 |
| Revaluation of available for sale financial assets | 22 | 1,425 | (971) |
| Fair value movements on cash flow hedges | 22 | 898 | 3,445 |
| Deferred tax on cash flow hedges and revaluation of available for sale financial assets | 27 | (541) | (172) |
| Other comprehensive (expense) for the year, net of tax | | (22,979) | (94,712) |
| Total comprehensive income for the year | | 128,017 | 50,684 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent | | 127,351 | 50,244 |
| Non-controlling interests | 25 | 666 | 440 |
| Total comprehensive income for the year | | 128,017 | 50,684 |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

GROUP STATEMENT OF CHANGES IN EQUITY

for the financial year ended 04 January 2014

| | Attributable to equity holders of the Parent | | | | | Total €'000 |
|---|--|---|---|----------------|--|----------------|
| | 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) | |
| Balance at 31 December 2011 | 100,962 | 153,544 | 261,308 | 515,814 | 7,135 | 522,949 |
| Profit for the year | – | – | 144,956 | 144,956 | 440 | 145,396 |
| Other comprehensive income/(expense) | | | | | | |
| Remeasurements – defined benefit schemes | – | – | (100,095) | (100,095) | – | (100,095) |
| Deferred tax on remeasurements | – | – | 10,801 | 10,801 | – | 10,801 |
| Share of remeasurements – 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 |
| Profit for the year | – | – | 150,330 | 150,330 | 666 | 150,996 |
| Other comprehensive income/(expense) | | | | | | |
| Remeasurements – defined benefit schemes | – | – | (1,546) | (1,546) | – | (1,546) |
| Deferred tax on remeasurements | – | – | (166) | (166) | – | (166) |
| Share of remeasurements – Joint Ventures & Associates | – | – | (929) | (929) | – | (929) |
| Fair value movements | – | 2,323 | – | 2,323 | – | 2,323 |
| Deferred tax on fair value movements | – | (541) | – | (541) | – | (541) |
| Currency translation differences | – | (24,592) | – | (24,592) | – | (24,592) |
| Net investment hedge | – | 2,472 | – | 2,472 | – | 2,472 |
| Total comprehensive (expense)/income for the year | – | (20,338) | 147,689 | 127,351 | 666 | 128,017 |
| Dividends paid during the year | – | – | (27,929) | (27,929) | (307) | (28,236) |
| Cost of share based payments | – | 4,568 | – | 4,568 | – | 4,568 |
| Transfer on exercise, vesting or expiry of share based payments | – | 4,468 | (4,468) | – | – | – |
| Shares issued | 41 | – | – | 41 | – | 41 |
| Premium on shares issued | 1,861 | – | – | 1,861 | – | 1,861 |
| Purchase of own shares | – | (7,387) | – | (7,387) | – | (7,387) |
| Balance at 04 January 2014 | 103,997 | 126,600 | 405,289 | 635,886 | 7,634 | 643,520 |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

GROUP BALANCE SHEET

as at 04 January 2014

| | Notes | 2013 €'000 | 2012 €'000 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 373,972 | 309,496 |
| Intangible assets | 15 | 454,486 | 473,016 |
| Investments in associates | 16 | 80,492 | 67,586 |
| Investments in joint ventures | 17 | 62,894 | 58,482 |
| Trade and other receivables | 19 | 9,376 | 16,835 |
| Deferred tax assets | 27 | 22,464 | 19,963 |
| Available for sale financial assets | 18 | 9,498 | 9,144 |
| | | 1,013,182 | 954,522 |
| Current assets | | | |
| Inventories | 20 | 314,481 | 282,028 |
| Trade and other receivables | 19 | 257,216 | 271,589 |
| Derivative financial instruments | 32 | 1,750 | 1,457 |
| Cash and cash equivalents | 21 | 106,259 | 275,572 |
| | | 679,706 | 830,646 |
| Total assets | | 1,692,888 | 1,785,168 |
| EQUITY | | | |
| Issued capital and reserves attributable to equity holders of the Parent | | | |
| Share capital and share premium | 23 | 103,997 | 102,095 |
| Other reserves | 22 | 126,600 | 145,289 |
| Retained earnings | 24 | 405,289 | 289,997 |
| | | 635,886 | 537,381 |
| Non-controlling interests | 25 | 7,634 | 7,275 |
| Total equity | | 643,520 | 544,656 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 26 | 441,641 | 527,046 |
| Deferred tax liabilities | 27 | 95,584 | 91,057 |
| Retirement benefit obligations | 28 | 78,035 | 98,133 |
| Provisions for other liabilities and charges | 29 | 18,492 | 22,013 |
| Capital grants | 30 | 2,471 | 2,636 |
| | | 636,223 | 740,885 |
| Current liabilities | | | |
| Trade and other payables | 31 | 344,642 | 345,423 |
| Current tax liabilities | | 1,415 | 7,430 |
| Borrowings | 26 | 39,062 | 125,086 |
| Derivative financial instruments | 32 | 1,725 | 938 |
| Provisions for other liabilities and charges | 29 | 26,301 | 20,750 |
| | | 413,145 | 499,627 |
| Total liabilities | | 1,049,368 | 1,240,512 |
| Total equity and liabilities | | 1,692,888 | 1,785,168 |

On behalf of the Board

L Herlihy S Talbot M Garvey
Directors

GROUP STATEMENT OF CASH FLOWS

for the financial year ended 04 January 2014

| | Notes | 2013 €'000 | 2012 €'000 |
|--|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operating activities | 35 | 163,493 | 128,817 |
| Interest received | | 2,253 | 2,814 |
| Interest paid | | (26,409) | (24,240) |
| Tax paid | | (31,600) | (26,688) |
| Interest and tax paid - discontinued operations | | – | (7,657) |
| Net cash inflow from operating activities | | 107,737 | 73,046 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary, net of cash acquired | | – | (45,365) |
| Disposal of undertaking and investment in associate | | – | 25,599 |
| Repayment of intercompany balance | | – | 125,652 |
| Insurance proceeds | | 7,670 | 8,132 |
| Disposal of Yoplait franchise | | – | 18,000 |
| Payment of deferred consideration on acquisition of subsidiaries | | – | (1,104) |
| Purchase of property, plant and equipment | | (94,897) | (65,893) |
| Purchase of intangible assets | | (11,543) | (4,119) |
| Dividends received from joint ventures | 17 | 10,937 | 13,778 |
| Loans repaid/(advanced) to joint ventures and associates | | 7,178 | (3,275) |
| Decrease in available for sale financial assets | | 1,752 | 523 |
| Proceeds from sale of property, plant and equipment | | 780 | 495 |
| Investing cash flows from discontinued operations | 7 | – | (23,964) |
| Net cash (outflow)/inflow from investing activities | | (78,123) | 48,459 |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares | 23 | 1,902 | 1,133 |
| Purchase of own shares | 22 | (7,387) | (7,692) |
| (Decrease) in borrowings | | (162,921) | (44,646) |
| Dividends paid to Company shareholders | 13 | (27,929) | (25,327) |
| Dividends paid to non-controlling interests | 25 | (307) | (300) |
| Capital grants received | | – | 1,584 |
| Financing cash flows from discontinued operations | 7 | – | (928) |
| Net cash (outflow) from financing activities | | (196,642) | (76,176) |
| Net (decrease)/increase in cash and cash equivalents | | (167,028) | 45,329 |
| Cash and cash equivalents at the beginning of the year | | 275,572 | 231,373 |
| Effects of exchange rate changes on cash and cash equivalents | | (2,285) | (1,130) |
| Cash and cash equivalents at the end of the year | 21 | 106,259 | 275,572 |
| Reconciliation of net cash flow to movement in net debt | | | |
| Net (decrease)/increase in cash and cash equivalents | | (167,028) | 45,329 |
| Cash movements from debt financing | | 162,921 | 47,869 |
| | | (4,107) | 93,198 |
| Fair value movement of currency and interest rate swaps | | 674 | 2,850 |
| Exchange translation adjustment on net debt | | 5,549 | 7,723 |
| Movement in net debt in the year | | 2,116 | 103,771 |
| Net debt at the beginning of the year | | (376,560) | (480,331) |
| Net debt at the end of the year | | (374,444) | (376,560) |
| Net debt comprises: | | | |
| Borrowings | 26 | (480,703) | (652,132) |
| Cash and cash equivalents | 21 | 106,259 | 275,572 |
| | | (374,444) | (376,560) |

COMPANY BALANCE SHEET

as at 04 January 2014

| | Notes | 2013 €'000 | 2012 €'000 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investments in associates | 16 | 22,876 | 22,876 |
| Investments | 18 | 609,954 | 611,661 |
| | | 632,830 | 634,537 |
| Current assets | | | |
| Trade and other receivables | 19 | 209 | 632 |
| | | 209 | 632 |
| Total assets | | 633,039 | 635,169 |
| EQUITY | | | |
| Issued capital and reserves attributable to equity holders of the Company | | | |
| Share capital and share premium | 23 | 459,265 | 457,363 |
| Retained earnings | 24 | 65,170 | 107,795 |
| Other reserves | | 4,350 | 2,701 |
| Total equity | | 528,785 | 567,859 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 31 | 102,021 | 64,554 |
| Bank overdraft | 26 | 2,233 | 2,756 |
| Total liabilities | | 104,254 | 67,310 |
| Total equity and liabilities | | 633,039 | 635,169 |

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 loss for the year dealt with in the Financial Statements of the Company amounts to €10.2 million (2012: profit €55.9 million).

On behalf of the Board

L Herlihy S Talbot M Garvey

Directors

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 04 January 2014

| | Other reserves | | | | | Total €'000 |
|---|--|--|--|---------------------------------------|--|----------------|
| | 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) | |
| 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 |
| Loss for the year | – | (10,228) | – | – | – | (10,228) |
| Dividends paid during the year | – | (27,929) | – | – | – | (27,929) |
| Cost of share based payments | – | – | – | – | 4,568 | 4,568 |
| Transfer on exercise, vesting or expiry of share based payments | – | (4,468) | – | 7,417 | (2,949) | – |
| Shares issued | 41 | – | – | – | – | 41 |
| Premium on shares issued | 1,861 | – | – | – | – | 1,861 |
| Purchase of own shares | – | – | – | (7,387) | – | (7,387) |
| Balance at 04 January 2014 | 459,265 | 65,170 | 4,227 | (8,191) | 8,314 | 528,785 |

COMPANY STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS

for the financial year ended 04 January 2014

| Company statement of comprehensive income | | | |
|---|-------|-----------------|-----------------|
| | Notes | 2013 €'000 | 2012 €'000 |
| (Loss)/profit for the year | 24 | (10,228) | 55,903 |
| Total comprehensive (expense)/income for the year | | (10,228) | 55,903 |
| Company statement of cash flows | | | |
| | Notes | 2013 €'000 | 2012 €'000 |
| Cash flows from operating activities | | | |
| Cash generated from operating activities | 35 | 33,370 | 56,803 |
| Net cash inflow from operating activities | | 33,370 | 56,803 |
| Cash flows from investing activities | | | |
| Disposal of subsidiary | | – | 19,021 |
| Purchase of other Group companies | | (2,083) | (51,974) |
| Disposal of other Group companies | | 3,165 | – |
| Purchase of investments | | (515) | – |
| Net cash inflow/(outflow) from investing activities | | 567 | (32,953) |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares | 23 | 1,902 | 1,133 |
| Dividends paid to Company shareholders | 13 | (27,929) | (25,327) |
| Purchase of own shares | 22 | (7,387) | (7,692) |
| Net cash (outflow) from financing activities | | (33,414) | (31,886) |
| Net increase/(decrease) in cash and cash equivalents | | 523 | (8,036) |
| (Bank overdraft)/cash and cash equivalents at the beginning of the year | | (2,756) | 5,280 |
| (Bank overdraft) at the end of the year | | (2,233) | (2,756) |

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 04 January 2014

1. GENERAL INFORMATION

Glanbia plc (the "Company") and its subsidiaries (together the "Group") is a global performance nutrition and ingredients Group with its main operations in Europe, USA, Middle East, Africa, Asia Pacific and Latin America.

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"). The Society can nominate up to 14 members of the board of Directors of Glanbia plc for the years 2013 to 2015 (inclusive) and currently holds, together with its subsidiaries, 41.3% 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 11 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New accounting standards and IFRIC interpretations adopted by the Group during the year ended 04 January 2014 are dealt with in section (z) below. With the exception of IAS 19 (revised) the adoption of these standards and interpretations had no significant impact on the results or financial position of the Group during the year. The impact on the 2012 Financial Statements following the adoption of IAS 19 (revised) is set out in section (z) below.

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 2013 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, share based payments 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 53-week period ending on 04 January 2014, comparatives are for the 52-week period ended 29 December 2012. The balance sheets for 2013 and 2012 have been drawn up as at 04 January 2014 and 29 December 2012 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 entities 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 sum of 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 entity 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 balance sheet 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 balance sheet; and
- 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.

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

A lease 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 balance sheet 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 balance sheet, bank overdrafts (if applicable) are included in borrowings in current liabilities.

(l) Income taxes

The tax expense for the period comprises current and deferred 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 Group balance sheet 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 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 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 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 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.

(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.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet 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. 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 obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

A curtailment arises when the Group is demonstrably committed to make a significant reduction in the number of employees covered by a plan. 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. Past-service costs, negative or positive, are recognised immediately in the income statement. 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.

(ii) Share based payments

The Group operates a number of equity settled share based compensation plans which include executive share option and share award schemes.

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.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the Company issues new shares. 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.

(iv) Awards under the Annual Incentive Deferred Into Shares Scheme

The fair value of shares awarded is determined in line with the Group's Annual Incentive Scheme rules. The expense is recognised immediately in the income statement with a corresponding entry to equity.

(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 and the Annual Incentive Deferred into Shares, is deducted from equity. Ordinary shares purchased under the terms of the 2008 LTIP schemes and the Annual Incentive Deferred into Shares Scheme 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 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 balance sheet.

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 at the earlier of the following dates (a) when the Group can no longer withdraw the offer of those benefits and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

(y) Income Statement format

(i) Exceptional Items

The Group has adopted an income statement format that seeks to highlight significant items within the Group results for the year. Such items may include restructuring, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements, legislative changes and profit or loss on disposal of investments. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and notes as exceptional items.

(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 results of joint ventures and associates

and the profit for the year from discontinued operations.

(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 04 January 2014 and have been adopted by the Group:

- IAS 19 (revised), ‘Employee Benefits’
- IFRS 13, ‘Fair Value Measurement’
- IAS 1 (Amendment), ‘Presentation of Items of Other Comprehensive Income (OCI)’

With the exception of IAS 19 (revised), 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 04 January 2014.

IAS 19 (revised) - Employee Benefits amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost which is calculated based on the net defined benefit liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. In addition, the government pension levy is now reclassified and recognised in other comprehensive income. As a result the adoption of IAS 19 (revised) - Employee Benefits has resulted in a decrease in the income statement charge for the 12 months ended 29 December 2012. This has no effect on total comprehensive income as the decreased charge in the income statement is offset by an increase in the charge to the statement of other comprehensive income.

There is a new term “remeasurements”. This is made up of actuarial gains and losses and the difference between actuarial investment returns and the return implied by the net interest cost. Remeasurements are reflected in the statement of other comprehensive income.

The pension deficit, “retirement benefit obligations” as previously reported on the balance sheet has not changed as a result of the above.

Had the Group not adopted IAS 19 (revised) - Employee Benefits, profit before tax for the year ended 04 January 2014 would have been €2.1 million higher and remeasurements recognised in the Group statement of comprehensive income would have been €3.6 million. Basic and diluted earnings per share would have been approximately 0.6 cents higher.

The effect of the change in accounting policy for the continuing Group on the Group income statement, Group statement of comprehensive income, basic earnings per share and adjusted earnings per share at 29 December 2012 is as follows:

| | As reported 2012 €'000 | IAS 19 impact 2012 €'000 | Restated 2012 €'000 |
|--|---------------------------------------|---|------------------------------------|
| Earnings before interest, tax and amortisation | 175,842 | 888 | 176,730 |
| Income taxes | (25,500) | (111) | (25,611) |
| Profit for the year pre exceptional | 122,197 | 777 | 122,974 |
| Profit for the year from discontinued operations | 26,744 | 389 | 27,133 |
| Remeasurements - defined benefit schemes | (98,763) | (1,332) | (100,095) |
| Deferred tax on remeasurements | 10,635 | 166 | 10,801 |
| Basic earnings per share (cents per share) - from continuing operations | 42.45 | 0.26 | 42.71 |
| Adjusted earnings per share (cents per share) - from continuing operations | 51.02 | 0.32 | 51.34 |

The change in accounting policy had no impact on the continuing Group net debt or balance sheet as at 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.

IFRS 9, 'Financial Instruments', (effective for financial periods beginning on or after 01 January 2015).

This standard is still subject to EU endorsement. IFRS 9 is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a single model that has only two categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing financial assets. IFRS 9 removes the requirement to separate embedded derivatives from financial asset hosts. IFRS 9 removes the cost exemption for unquoted equities.

Amendment to IAS 32 'Financial Instruments: Presentation' (effective for financial periods beginning on or after 01 January 2014, retrospectively applied)

The amendment does not change the requirement to offset a financial asset and financial liability in the balance sheet, 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 immediately and is not to be contingent on a future event.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. (effective for financial periods beginning on or after 01 January 2014).

This amendment removes certain disclosures regarding the recoverable amount of cash generating units (CGUs) which had been included in IAS 36 by the issue of IFRS 13.

IFRIC 21, 'Levies', (effective for financial periods beginning on or after 01 January 2014).

This standard sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Revision to IAS 27 'Separate Financial Statements' (effective for financial periods beginning on or after 01 January 2014)

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.

Revision to IAS 28 'Associates and Joint Ventures' (effective for financial periods beginning on or after the 01 January 2014)

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.

IFRS 10, 'Consolidated Financial Statements', (effective for financial periods beginning on or after 01 January 2013)

This standard is still subject to EU endorsement. IFRS 10 replaces all of the guidance on control and consolidation in IAS 12 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 01 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 definition 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 01 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.

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 risk, cash flow risk and credit risk. The Group's 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. The Group finances its operations by a mixture of retained profits, preference shares, medium-term committed borrowings and short-term uncommitted 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 with the euro as the functional currency of Glanbia plc, it has significant geographic investment and operating exposures outside the eurozone, 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 balance sheet 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 04 January 2014 and 29 December 2012, 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 and cash and cash equivalents.

A weakening/strengthening of the euro against the US dollar by 5% as at 04 January 2014 would have resulted in a currency translation gain/loss of approximately €31.9 million (2012: €27.4 million), which would be recognised directly in other comprehensive income.

(b) Interest rate risk

The Group's objective in relation to interest rate management is to minimise the impact of interest rate volatility on interest costs in order to protect reported profitability. This is achieved by determining a long-term strategy against a number of policy guidelines, which focus on (a) the amount of floating rate indebtedness anticipated over such a period and (b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability. The Group borrows at both fixed and floating rates of interest and uses interest rate swaps to manage the Group's resulting exposure to interest rate fluctuations.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain no more than one third

of its projected debt exposure on a floating rate basis over any succeeding 12 month period, with further minimum guidelines over succeeding 24 and 36 month periods.

The Group, on a continuous basis, monitors the level of fixed rate cover dependent on prevailing fixed market rates, projected debt and market informed interest rate outlook.

Based on noted Group policies, the impact of a 1% movement in market interest rates would have resulted in a €1.6 million gain/loss during 2013 (2012: €1.7 million gain/loss).

Occasionally, 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 balance sheet 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 into 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 €744.0 million (2012: €753.5 million) of which €263.4 million (2012: €226.5 million) was undrawn. The weighted average maturity of these facilities is 4.9 years (2012: 6.0 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. In the international movement and placement of funds and execution of financial transactions, the Group's policies require exposure to independently rated parties with credit ratings of at least A3 (Moody's) or A- (Standard & Poor's). In the movement and placement of funds, and execution of financial transactions in Ireland, the Group is exposed to independently rated parties with credit ratings of at least Ba2 (Moody's) or BB (Standard & Poor's).

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.

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.

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 04 January 2014 | | | | | |
| Borrowings | 39,062 | – | 203,266 | 238,375 | 480,703 |
| Future finance costs | 25,042 | 23,481 | 59,835 | 31,665 | 140,023 |
| Derivative financial instruments | 1,725 | – | – | – | 1,725 |
| Trade and other payables | 344,642 | – | – | – | 344,642 |
| | 410,471 | 23,481 | 263,101 | 270,040 | 967,093 |
| Less future finance costs | (25,042) | (23,481) | (59,835) | (31,665) | (140,023) |
| | 385,429 | – | 203,266 | 238,375 | 827,070 |
| 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 | 345,423 | – | – | – | 345,423 |
| | 500,201 | 64,507 | 71,680 | 534,047 | 1,170,435 |
| Less future finance costs | (28,754) | (25,445) | (71,680) | (46,063) | (171,942) |
| | 471,447 | 39,062 | – | 487,984 | 998,493 |

The Company has borrowings of €2.2 million at year end (2012: borrowings €2.8 million). The contractual undiscounted cash flows equal the balance at 04 January 2014 and 29 December 2012.

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 04 January 2014 | | | | | |
| Foreign exchange contracts – cash flow hedges | | | | | |
| Inflow | 19 | – | – | – | 19 |
| Outflow | (24) | – | – | – | (24) |
| | (5) | – | – | – | (5) |
| At 29 December 2012 | | | | | |
| Foreign exchange contracts – cash flow hedges | | | | | |
| Inflow | 9 | – | – | – | 9 |
| Outflow | (16) | – | – | – | (16) |
| | (7) | – | – | – | (7) |

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 balance sheet and net debt which amounted to €1,017.9 million (2012: €921.2 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 04 January 2014, the Group's debt/adjusted EBITDA ratio was 1.7 times (2012: 1.7 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 04 January 2014. 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 foreign exchange contracts is determined using quoted forward exchange rates at 04 January 2014.

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 13 – Fair Value Measurements, 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 04 January 2014 and 29 December 2012:

| At 04 January 2014 | | | | | |
|---|-------|------------------|------------------|------------------|----------------|
| | Notes | Level 1 €'000 | Level 2 €'000 | Level 3 €'000 | Total €'000 |
| Assets | | | | | |
| Derivatives used for hedging | 32 | – | 1,750 | – | 1,750 |
| Available for sale financial assets – equity securities | 18 | 307 | 1,789 | – | 2,096 |
| Total assets | | 307 | 3,539 | – | 3,846 |
| Liabilities | | | | | |
| Derivatives used for hedging | 32 | – | (1,725) | – | (1,725) |
| Total liabilities | | – | (1,725) | – | (1,725) |
| 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) |

Valuation techniques used to derive level 2 fair values

Level 2 derivatives comprise foreign exchange contracts and commodity futures. These foreign exchange contracts and commodity futures have been fair valued using forward rates that are quoted in active markets. The effects of discounting are generally insignificant for level 2 derivatives.

Group's valuation process

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. The Group did not hold any level 3 financial assets at 04 January 2014 or 29 December 2012. This team reports directly to the Group Finance Director who in turn reports to the Audit Committee.

Discussions of valuation processes and results are held between the Group Finance Director and the Audit Committee. Changes in level 2 fair values are analysed at each reporting date. As part of this discussion, the valuation team presents a report that explains the reasons for fair value movements.

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

At 04 January 2014

| | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the balance sheet | Net amounts of financial assets presented in the balance sheet |
|-----------------------------|--|--|--|
| Derivative financial assets | 24,082 | (24,082) | – |
| Cash and cash equivalents | 370,226 | (263,967) | 106,259 |
| | 394,308 | (288,049) | 106,259 |

At 29 December 2012

| | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the balance sheet | Net amounts of financial assets presented in the balance sheet |
|-----------------------------|--|--|--|
| Derivative financial assets | 24,480 | (23,819) | 661 |
| Cash and cash equivalents | 436,816 | (161,244) | 275,572 |
| | 461,296 | (185,063) | 276,233 |

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

At 04 January 2014

| | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets set off in the balance sheet | Net amounts of financial liabilities presented in the balance sheet |
|----------------------------------|---|---|---|
| Derivative financial liabilities | (24,095) | 24,082 | (13) |
| Bank overdrafts and borrowings | (744,670) | 263,967 | (480,703) |
| | (768,765) | 288,049 | (480,716) |

At 29 December 2012

| | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets set off in the balance sheet | Net amounts of financial liabilities presented in the balance sheet |
|----------------------------------|---|---|---|
| Derivative financial liabilities | (23,819) | 23,819 | – |
| Bank overdrafts and borrowings | (813,376) | 161,244 | (652,132) |
| | (837,195) | 185,063 | (652,132) |

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows that they will have the option to settle all such amounts on a net basis in the event of default of the other party.

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 Dairy Ireland, Global Ingredients and Global Performance Nutrition, including goodwill arising on acquisition were tested for impairment using projected cash flows over a five year period and a terminal value for a further fifteen year period assuming zero growth. 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. 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 is 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 authority review 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 external professional advice to help minimise this risk.

Deferred 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 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 €346.5 million (2012: €332.6 million) and plan liabilities of €424.5 million (2012: €430.7 million) giving a net pension deficit of €78.0 million (2012: €98.1 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 04 January 2014, an increase in the discount rates applied of 0.25% across the various defined benefit plans, would have the impact of decreasing the pension deficit for the Group by €19.3 million (2012: €19.2 million).

Additional information in relation to post employment benefits is disclosed in note 28 - retirement benefit obligations.

5. SEGMENT INFORMATION

During 2013, following an internal management reorganisation and in accordance with IFRS 8 - Operating Segments the Group moved from three to four operating segments. The four segments are as follows: Global Performance Nutrition, Global Ingredients, 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 now 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 Glanbia Operating Executive Committee which acts as the Chief Operating Decision Maker for the Group.

Each segment derives its revenue as follows: Global Performance Nutrition earns its revenue from sports nutrition solutions; Global Ingredients earns its revenue from the manufacture and sale of cheese, whey protein and other customised solutions; Dairy Ireland earns its revenue from the manufacture and sale of a range of consumer products and farm inputs and Joint Ventures & Associates revenue arises from the manufacture and sale of cheese, whey proteins and dairy consumer products.

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.

Comparatives for 2012 are restated to reflect the revised segments and adoption of IAS 19 (revised) - Employee Benefits.

As outlined in note 7, the Group sold 60% of Glanbia Ingredients Ireland Limited in November 2012. 100% of the trade and activities of this business until the date of disposal are shown below under the Discontinued Operations segment.

5.1 The segment results for the year ended 04 January 2014 are as follows:

| | | Global Performance Nutrition €'000 | Global Ingredients €'000 | Dairy Ireland €'000 | JVs & Associates €'000 | Group including JVs & Associates €'000 |
|--|-----|---|--------------------------------|---------------------------|------------------------------|--|
| Total gross segment revenue | (a) | 655,289 | 1,118,526 | 652,192 | 900,466 | 3,326,473 |
| Inter-segment revenue | | – | (43,874) | – | – | (43,874) |
| Segment external revenue | | 655,289 | 1,074,652 | 652,192 | 900,466 | 3,282,599 |
| Segment earnings before interest, tax, amortisation and exceptional items (EBITA) | (b) | 70,545 | 101,982 | 15,138 | 39,026 | 226,691 |

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €11.0 million and related party sales between Global Ingredients and Joint Ventures & Associates of €15.8 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): Total gross segment revenue is reconciled to reported external revenue as follows:

| | 2013 €'000 |
|-------------------------------------|------------------|
| Total gross segment revenue | 3,326,473 |
| Inter-segment revenue | (43,874) |
| Joint Ventures & Associates revenue | (900,466) |
| Reported external revenue | 2,382,133 |

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:

| | 2013 €'000 |
|--|----------------|
| Segment earnings before interest, tax, amortisation and exceptional items | 226,691 |
| Amortisation | (21,011) |
| Exceptional items | 5,804 |
| Joint Ventures & Associates interest, tax and amortisation | (12,538) |
| Finance income | 2,168 |
| Finance costs | (25,110) |
| Reported profit before tax | 176,004 |
| Income taxes | (25,008) |
| Reported profit after tax | 150,996 |

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 04 January 2014 are as follows:

| | Global Performance Nutrition €'000 | Global Ingredients €'000 | Dairy Ireland €'000 | JVs & Associates €'000 | Group including JVs & Associates €'000 |
|---|---|--------------------------------|---------------------------|------------------------------|--|
| Depreciation of property, plant and equipment | 2,832 | 16,036 | 8,335 | 12,963 | 40,166 |
| Amortisation of intangibles | 10,545 | 7,459 | 3,007 | 254 | 21,265 |
| Capital grants released to the income statement | (15) | (53) | (151) | (951) | (1,170) |
| Exceptional items before tax | – | – | (5,804) | – | (5,804) |

The segment assets and liabilities at 04 January 2014 and segment capital expenditure and acquisitions for the year then ended are as follows:

| | | Global Performance Nutrition €'000 | Global Ingredients €'000 | Dairy Ireland €'000 | JVs & Associates €'000 | Group including JVs & Associates €'000 |
|--|-----|---|--------------------------------|---------------------------|------------------------------|--|
| Segment assets | (c) | 539,849 | 600,543 | 273,305 | 152,762 | 1,566,459 |
| Segment liabilities | (d) | 104,231 | 222,620 | 166,059 | – | 492,910 |
| Segment capital expenditure and acquisitions | (e) | 43,060 | 50,984 | 20,836 | 34,117 | 148,997 |

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

| | 2013 €'000 |
|------------------------|------------------|
| Segment assets | 1,566,459 |
| Unallocated assets | 126,429 |
| Reported assets | 1,692,888 |

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:

| | 2013 €'000 |
|-----------------------------|------------------|
| Segment liabilities | 492,910 |
| Unallocated liabilities | 556,458 |
| Reported liabilities | 1,049,368 |

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:

| | 2013 €'000 |
|--|----------------|
| Segment capital expenditure and acquisitions | 148,997 |
| Joint Ventures & Associates capital expenditure | (34,117) |
| Unallocated capital expenditure | 2,413 |
| Reported capital expenditure and acquisitions | 117,293 |

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

| | | Global Performance Nutrition €'000 | Global Ingredients €'000 | Dairy Ireland €'000 | JVs & Associates €'000 | Discontinued Operations €'000 | Group including JVs & Associates €'000 |
|--|-----|---|--------------------------------|---------------------------|------------------------------|-------------------------------------|--|
| Total gross segment revenue | (a) | 585,937 | 1,024,894 | 630,999 | 577,002 | 653,292 | 3,472,124 |
| Inter-segment revenue | | – | (30,030) | (43) | – | (30,096) | (60,169) |
| Segment external revenue | | 585,937 | 994,864 | 630,956 | 577,002 | 623,196 | 3,411,955 |
| Segment earnings before interest, tax, amortisation and exceptional items (EBITA) | (b) | 57,346 | 98,069 | 21,315 | 23,105 | 37,058 | 236,893 |

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €8.1 million, related party sales between Global Ingredients 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 normal commercial terms and conditions that would also be available to unrelated third parties.

5.2 (a): Total gross segment revenue is reconciled to reported external revenue as follows:

| | 2012 €'000 |
|--|------------------|
| Total gross segment revenue | 3,472,124 |
| Inter-segment revenue | (60,169) |
| Joint Ventures & Associates revenue | (577,002) |
| Revenue from Discontinued Operations | (623,196) |
| Reported external revenue - continuing operations | 2,211,757 |

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:

| | 2012 €'000 |
|---|----------------|
| Segment earnings before interest, tax, amortisation and exceptional items | 236,893 |
| Discontinued Operations - earnings before interest, tax, amortisation and exceptional items | (37,058) |
| Amortisation | (19,864) |
| Exceptional items | 1,610 |
| Joint Ventures & Associates interest, tax and amortisation | (10,958) |
| Finance income | 2,942 |
| Finance costs | (23,370) |
| Reported profit before tax - continuing operations | 150,195 |
| Income taxes | (24,171) |
| Reported profit after tax - continuing operations | 126,024 |

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:

| | Global Performance Nutrition €'000 | Global Ingredients €'000 | Dairy Ireland* €'000 | JVs & Associates €'000 | Discontinued Operations €'000 | Group including JVs & Associates €'000 |
|---|---|--------------------------------|----------------------------|------------------------------|-------------------------------------|--|
| Depreciation of property, plant and equipment | 2,435 | 13,697 | 8,880 | 8,627 | 10,960 | 44,599 |
| Amortisation of intangibles | 10,183 | 6,441 | 3,240 | – | 489 | 20,353 |
| Capital grants released to the income statement | (18) | (55) | (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:

| | | Global Performance Nutrition €'000 | Global Ingredients €'000 | Dairy Ireland €'000 | JVs & Associates €'000 | Group including JVs & Associates €'000 |
|--|-----|---|--------------------------------|---------------------------|------------------------------|--|
| Segment assets | (c) | 528,600 | 538,114 | 288,618 | 142,903 | 1,498,235 |
| Segment liabilities | (d) | 99,844 | 202,153 | 171,628 | – | 473,625 |
| Segment capital expenditure and acquisitions | (e) | 18,373 | 93,849 | 30,973 | 10,721 | 153,916 |

5.2 (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.

5.2 (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.

5.2 (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 |

5.3 Entity wide disclosures

Revenue from external customers in the Global Performance Nutrition, Global Ingredients, Dairy Ireland, Discontinued Operations and Joint Ventures & Associates 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:

| | 2013 €'000 | 2012 €'000 |
|----------------|------------------|------------------|
| USA | 1,674,398 | 1,615,686 |
| Ireland | 784,985 | 908,956 |
| UK | 196,321 | 259,811 |
| Rest of Europe | 243,939 | 250,492 |
| Other | 426,830 | 437,179 |
| | 3,326,473 | 3,472,124 |

Revenue of approximately €297.4 million (2012: €341.8 million) is derived from a single external customer.

The total of non-current assets, other than derivative financial instruments and deferred tax assets, located in Ireland is €204.8 million (2012: €184.0 million) and located in other countries, mainly the USA, is €785.9 million (2012: €750.6 million).

6. OPERATING EXPENSES

| | 2013 €'000 | 2012* €'000 |
|---|------------------|------------------|
| Revenue | 2,382,133 | 2,211,757 |
| Less costs: | | |
| Raw materials and consumables used | (1,676,122) | (1,495,602) |
| Depreciation of property, plant and equipment | (27,203) | (25,012) |
| Amortisation of government grants received | 219 | 247 |
| Employee benefit expense | (230,512) | (196,760) |
| Auditors' remuneration** | | |
| – Statutory audit of Group companies | (728) | (786) |
| – Other assurance services | (903) | (853) |
| – Tax advisory services | (1,728) | (960) |
| – Other non-audit services | (450) | (308) |
| Research and development costs | (7,722) | (9,391) |
| Net foreign exchange (loss) | (792) | (2,535) |
| Other expenses | (248,527) | (303,067) |
| Earnings before interest, tax and amortisation (EBITA) | 187,665 | 176,730 |
| Intangible asset amortisation | (21,011) | (19,864) |
| Operating profit | 166,654 | 156,866 |

* As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

** Auditors' remuneration for the Company in respect of its statutory audit amounted to €35,000 (2012: €35,000)

7. EXCEPTIONAL ITEMS

| | Notes | 2013 €'000 | 2012 €'000 |
|--|-------|---------------|----------------|
| Exceptional items - continuing operations | | | |
| Irish defined benefit pension schemes | (a) | 13,833 | – |
| Rationalisation costs | (b) | (8,029) | (3,810) |
| Sale of Yoplait franchise | (c) | – | 6,109 |
| Flax processing facility | (d) | – | 4,401 |
| Property write down | (e) | – | (5,090) |
| Total exceptional credit before tax - continuing operations | | 5,804 | 1,610 |
| Exceptional tax (charge)/credit - continuing operations | 11 | (316) | 1,440 |
| Net exceptional credit - continuing operations | | 5,488 | 3,050 |
| Exceptional items - discontinued operations | | | |
| Glanbia Ingredients Ireland Limited - 60% disposal | (f) | – | (8,095) |
| Total exceptional (charge) - discontinued operations | | – | (8,095) |
| Exceptional tax credit - discontinued operations | 11 | – | 334 |
| Net exceptional (charge) - discontinued operations | | – | (7,761) |
| Total exceptional credit/(charge) | | 5,488 | (4,711) |

- (a) The Group undertook a review of pension arrangements during 2009 and 2010 across its main Irish defined benefit pension schemes. In 2013, revisions to the Group's pension arrangements for two smaller Irish defined benefit schemes was completed giving rise to an exceptional gain in the year, in accordance with IAS 19, of €13.8 million. This gain relates to negative past service cost, settlement, and curtailment of €8.9 million, €4.0 million and €0.9 million respectively. The curtailment gains and negative past service costs arise following the removal of guaranteed increases to pensions in payment for all members and the provision of benefits for members in employment on a career average basis from a final salary basis.
- (b) Rationalisation costs primarily relate to the ongoing redundancy programmes in the Dairy Ireland segment.
- (c) 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).
- (d) During 2012, the flax processing facility operated by the Group in Canada suffered fire damage. The exceptional gain of €4.4 million reflects the insurance proceeds receivable less the net book value of assets written down.
- (e) The Group reviewed its property portfolio during 2012 which resulted in a write down of €5.1 million.
- (f) 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 Irish 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:

| | 2012 €'000 |
|---|----------------|
| Discontinued operations | |
| 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 are as follows:

| | 2012* €'000 |
|---|----------------------|
| Revenue | 623,196 |
| Expenses | <u>(586,627)</u> |
| Operating profit | 36,569 |
| Net finance costs | <u>(5,100)</u> |
| Profit before taxation | 31,469 |
| Income taxes | <u>(4,336)</u> |
| Profit for the year from discontinued operations | <u>27,133</u> |

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

| | 2012* €'000 |
|--|------------------------|
| Operating cash flows | |
| Profit before taxation | 31,469 |
| Depreciation | 10,960 |
| Amortisation | 489 |
| Interest expense | 5,100 |
| Amortisation of government grants received | <u>(1,031)</u> |
| Cash generated from discontinued operations before changes in working capital | 46,987 |
| Increase in working capital | <u>(42,889)</u> |
| Operating cash flows generated from discontinued operations | 4,098 |
| Interest paid** | (5,100) |
| Tax paid** | <u>(2,557)</u> |
| Operating net cash (outflow) from discontinued operations | <u>(3,559)</u> |
| Cash flows from investing activities | |
| Purchase of property, plant and equipment | <u>(23,964)</u> |
| Investing cash (outflow) from discontinued operations | <u>(23,964)</u> |
| Cash flows from financing activities | |
| Finance lease principal payments | <u>(928)</u> |
| Financing cash (outflow) from discontinued operations | <u>(928)</u> |
| Cash (absorbed) for the eleven month period | <u>(28,451)</u> |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

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

8. EMPLOYEE BENEFIT EXPENSE

| | Notes | 2013 €'000 | 2012* €'000 |
|--|-------|----------------|----------------|
| Wages and salaries | | 191,336 | 190,738 |
| Social security costs | | 21,575 | 20,414 |
| Cost of share based payments | 22 | 4,568 | 3,209 |
| Pension costs – defined contribution schemes | 28 | 4,232 | 3,509 |
| Pension costs – defined benefit schemes | 28 | 8,801 | 6,666 |
| | | 230,512 | 224,536 |
| Exceptional items | | (7,807) | 8,576 |
| | | 222,705 | 233,112 |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

The average number of employees, excluding the Group's Joint Ventures & Associates, in 2013 was 3,750 (2012: 3,823) and is analysed into the following categories:

| | 2013 | 2012 |
|------------------------------|--------------|--------------|
| Global Performance Nutrition | 941 | 809 |
| Global Ingredients | 1,558 | 1,327 |
| Dairy Ireland | 1,251 | 1,687 |
| | 3,750 | 3,823 |

The decrease in Dairy Ireland employee numbers in 2013 represents the disposal of Glanbia Ingredients Ireland Limited during 2012.

9. DIRECTORS' REMUNERATION

The Directors' remuneration information is shown on pages 70 to 88 in the Corporate Governance section of this report.

10. FINANCE INCOME AND COSTS

| | Notes | 2013 €'000 | 2012 €'000 |
|--|-------|-----------------|-----------------|
| Finance income | | | |
| Interest income | | 2,168 | 2,913 |
| Interest income on deferred consideration | | – | 29 |
| | | 2,168 | 2,942 |
| Finance costs | | | |
| Bank borrowings repayable within five years | | (9,327) | (9,434) |
| UK pension provision | | (118) | (121) |
| Finance lease costs | | – | (131) |
| Interest rate swaps, transfer from equity | | – | (1,059) |
| Interest rate swaps, fair value hedges | | – | 1,764 |
| Fair value adjustment to borrowings attributable to interest rate risk | | – | (1,764) |
| Finance cost of private debt placement | | (12,989) | (13,376) |
| Finance cost of preference shares | | (2,676) | (4,349) |
| | | (25,110) | (28,470) |
| | | (22,942) | (25,528) |
| From continuing operations | | (22,942) | (20,428) |
| From discontinued operations | 7 | – | (5,100) |

11. INCOME TAXES

| | Notes | 2013 €'000 | 2012* €'000 |
|--|-------|---------------|----------------|
| Continuing operations | | | |
| Current tax | | | |
| Irish current tax | | 10,800 | 8,557 |
| Adjustments in respect of prior years | | 858 | (1,015) |
| Irish current tax for the year - continuing operations | | 11,658 | 7,542 |
| Foreign current tax | | 13,403 | 17,568 |
| Adjustments in respect of prior years | | (2,238) | 36 |
| Foreign current tax for the year - continuing operations | | 11,165 | 17,604 |
| Total current tax - continuing operations | | 22,823 | 25,146 |
| Deferred tax | | | |
| Deferred tax - current year | | 356 | 1,728 |
| Adjustments in respect of prior years | | 1,513 | (1,263) |
| Total deferred tax - continuing operations | 27 | 1,869 | 465 |
| Pre exceptional tax charge - continuing operations | | 24,692 | 25,611 |
| Exceptional tax charge/(credit) - continuing operations | | | |
| Current tax | (a) | (907) | (236) |
| Deferred tax | (a) | 1,223 | (1,204) |
| Total tax charge - continuing operations | | 25,008 | 24,171 |
| Discontinued operations | | | |
| Current tax | | | |
| Irish current tax | | - | 2,557 |
| Adjustments in respect of prior years | | - | (11) |
| Total current tax - discontinued operations | | - | 2,546 |
| Deferred tax | | | |
| Deferred tax - current year | | - | 1,790 |
| Total deferred tax - discontinued operations | 27 | - | 1,790 |
| Pre-exceptional tax charge - discontinued operations | 7 | - | 4,336 |
| Exceptional tax (credit) - discontinued operations | | | |
| Current tax | (b) | - | (334) |
| Total tax charge - discontinued operations | | - | 4,002 |
| Total tax charge for the year | | 25,008 | 28,173 |

* As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

(a) Notes on exceptional tax charge/(credit) - continuing operations:

- (i) The rationalisation costs in the Dairy Ireland segment resulted in an exceptional current tax credit of €0.9 million (2012: €0.5 million).
- (ii) The revisions to the Group's Irish pension arrangements during 2013 resulted in an exceptional deferred tax charge of €1.2 million.
- (iii) In 2012, there was 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.
- (iv) In 2012, 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.
- (v) In 2012, the impairment in the Group's property portfolio resulted in an exceptional deferred tax credit of €0.6 million.

(b) Note on exceptional tax credit - discontinued operations:

In 2012, 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 charge/(credit) in 2013 and 2012 have been disclosed separately above as they relate 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:

| | 2013 €'000 | 2012* €'000 |
|--|----------------|----------------|
| Profit before tax - continuing operations | 176,004 | 150,195 |
| Income tax calculated at Irish rate of 12.5% (2012: 12.5%) | 22,000 | 18,774 |
| Earnings at higher/(reduced) Irish rates | 29 | (1,702) |
| Difference due to overseas tax rates | 9,017 | 19,396 |
| Adjustment to tax charge in respect of previous periods | 133 | (2,242) |
| Tax on post tax profits of Joint Ventures & Associates included in profit before tax | (3,299) | (1,518) |
| Other reconciling differences | (2,872) | (8,537) |
| Total tax charge - continuing operations | 25,008 | 24,171 |

* As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

Details of deferred 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).

| | 2013 | 2012* |
|--|-------------|-------------|
| Profit attributable to equity holders of the Parent (€'000) | | |
| From continuing operations | 150,330 | 125,584 |
| From discontinued operations | – | 19,372 |
| Weighted average number of ordinary shares in issue | 294,712,649 | 294,022,876 |
| Basic earnings per share (cents per share) | | |
| From continuing operations | 51.01 | 42.71 |
| From discontinued operations | – | 6.59 |
| | 51.01 | 49.30 |

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. Share options 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 Parent'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.

| | 2013 | 2012* |
|---|-------------|-------------|
| Weighted average number of ordinary shares in issue | 294,712,649 | 294,022,876 |
| Adjustments for share options and share awards | 2,041,339 | 2,670,265 |
| Adjusted weighted average number of ordinary shares | 296,753,988 | 296,693,141 |
| Diluted earnings per share (cents per share) | | |
| From continuing operations | 50.66 | 42.33 |
| From discontinued operations | – | 6.53 |
| | 50.66 | 48.86 |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

Adjusted

Adjusted earnings per share is calculated on the net profit attributable to equity holders of the Parent, before net exceptional items and intangible asset amortisation (net of related tax). Adjusted earnings per share is considered to be more reflective of the Group's overall underlying performance.

| | 2013 €'000 | 2012* €'000 |
|---|-----------------------------|------------------------------|
| Profit attributable to equity holders of the Parent - continuing operations | 150,330 | 125,584 |
| Amortisation of intangible assets (net of related tax) | 18,385 | 17,381 |
| Amortisation of joint ventures and associates intangible assets (net of related tax) | 222 | – |
| Net exceptional items | (5,488) | (3,050) |
| Adjustment to reflect 40% share of discontinued operations retained by the continuing Group | – | 10,853 |
| Adjustment to reflect 40% share of discontinued operations amortisation of intangible assets (net of related tax) retained by the Group | – | 171 |
| Adjusted net income - continuing operations | 163,449 | 150,939 |
| Profit attributable to equity holders of the Parent - discontinued operations | – | 19,372 |
| Amortisation of intangible assets (net of related tax) | – | 428 |
| Net exceptional items | – | 7,761 |
| Adjustment to reflect 40% share of discontinued operations retained by the continuing Group | – | (10,853) |
| Adjustment to reflect 40% share of discontinued operations amortisation of intangible assets (net of related tax) retained by the Group | – | (171) |
| Adjusted net income - discontinued operations | – | 16,537 |
| Adjusted earnings per share (cents per share) | | |
| From continuing operations | 55.46 | 51.34 |
| From discontinued operations | – | 5.62 |
| | <u>55.46</u> | <u>56.96</u> |
| Diluted adjusted earnings per share (cents per share) | | |
| From continuing operations | 55.08 | 50.87 |
| From discontinued operations | – | 5.57 |
| | <u>55.08</u> | <u>56.44</u> |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

13. DIVIDENDS

The dividends paid in 2013 and 2012 were €27.9 million (9.46 cents per share) and €25.3 million (8.60 cents per share) respectively. On 11 October 2013 an interim dividend of 4.03 cents per share on the ordinary shares amounting to €11.9 million was paid to shareholders on the register of members at 30 August 2013. The Directors have recommended the payment of a final dividend of 5.97 cents per share on the ordinary shares which amounts to €17.7 million. Subject to shareholders approval, this dividend will be paid on 16 May 2014 to shareholders on the register of members at 04 April 2014, 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 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 |
| Year ended 04 January 2014 | | | | | |
| Opening net book amount | | 136,324 | 172,897 | 275 | 309,496 |
| Exchange differences | | (2,685) | (4,125) | (30) | (6,840) |
| Additions | | 27,771 | 71,705 | 471 | 99,947 |
| Disposals | | (646) | (620) | (54) | (1,320) |
| Reclassification | | (354) | 354 | – | – |
| Impairments | | – | (108) | – | (108) |
| Depreciation charge | | (4,797) | (22,119) | (287) | (27,203) |
| Closing net book amount | | 155,613 | 217,984 | 375 | 373,972 |
| At 04 January 2014 | | | | | |
| Cost | | 210,258 | 528,272 | 18,732 | 757,262 |
| Accumulated depreciation | | (54,645) | (310,288) | (18,357) | (383,290) |
| Net book amount | | 155,613 | 217,984 | 375 | 373,972 |

Depreciation expense of €27.2 million was charged to the income statement during the year (2012: €36.0 million). Included in the 2012 charge to the income statement is an amount of €11.0 million relating to discontinued operations.

Included in the cost of additions for 2013 is an amount of €41.1 million (2012: €11.8 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 (2012: nil).

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

| | 2013 €'000 | 2012 €'000 |
|-----------------------------------|---------------|---------------|
| Cost – capitalised finance leases | – | 41,673 |
| Accumulated depreciation | – | (33,359) |
| Disposals | – | (8,314) |
| Net book amount | – | – |

Operating lease rentals amounting to €18.2 million (2012: €15.1 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 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 | | (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 |
| Year ended 04 January 2014 | | | | | | |
| Opening net book amount | | 189,112 | 262,268 | 12,247 | 9,389 | 473,016 |
| Exchange differences | | (5,511) | (8,000) | (338) | (405) | (14,254) |
| Additions | | – | – | 11,543 | 5,803 | 17,346 |
| Reclassification | | (1,332) | 1,332 | – | – | – |
| Write-off of intangibles | | (511) | (24) | – | (76) | (611) |
| Amortisation | | – | (14,671) | (4,280) | (2,060) | (21,011) |
| Closing net book amount | | 181,758 | 240,905 | 19,172 | 12,651 | 454,486 |
| At 04 January 2014 | | | | | | |
| Cost | | 181,758 | 303,791 | 62,232 | 26,706 | 574,487 |
| Accumulated amortisation | | – | (62,886) | (43,060) | (14,055) | (120,001) |
| Net book amount | | 181,758 | 240,905 | 19,172 | 12,651 | 454,486 |

Amortisation expense of €21.0 million (2012: €20.4 million) has been charged to the income statement during the year. The average remaining amortisation period for software costs is 8 years (2012: 3 years) and development costs is 6 years (2012: 4 years).

Approximately €4.2 million of software additions during the year (2012: €1.1 million) were internally generated with the remaining balance acquired from external parties. Development costs of €0.1 million (2012: €1.6 million) were written off during the year due to uncertainty that these projects will reach commercialisation.

Note 15 (a): Other intangibles

| | Brands/ know-how €'000 | Customer relationships €'000 | Other €'000 | Total other intangibles €'000 |
|------------------------------------|------------------------------|------------------------------------|----------------|-------------------------------------|
| Year ended 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 |
| Year ended 04 January 2014 | | | | |
| Opening net book amount | 160,576 | 97,989 | 3,703 | 262,268 |
| Exchange differences | (4,430) | (3,503) | (67) | (8,000) |
| Reclassification | 2,083 | (1,554) | 803 | 1,332 |
| Write-off of intangibles | – | – | (24) | (24) |
| Amortisation | (3,633) | (10,390) | (648) | (14,671) |
| Closing net book amount | 154,596 | 82,542 | 3,767 | 240,905 |
| At 04 January 2014 | | | | |
| Cost | 166,972 | 130,857 | 5,962 | 303,791 |
| Accumulated amortisation | (12,376) | (48,315) | (2,195) | (62,886) |
| Net book amount | 154,596 | 82,542 | 3,767 | 240,905 |

Included in the total cost of brands/know-how are intangible assets of €87.5 million (2012: €90.5 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 Global Performance Nutrition brands/know-how is 37 years (2012: 38 years) and for the remaining brands/know-how it is 13 years (2012: 14 years).

Included in customer relationships are individual significant intangible assets of €49.8 million (2012: €57.6 million) with a remaining amortisation period of 8 years (2012: 9 years). The remaining customer relationships are amortised over an average period of 9 years (2012: 10 years). The remaining average amortisation period for other intangibles is 9 years (2012: 10 years).

No intangible assets were acquired by way of government grant during the financial year (2012: 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 acquisitions, rather than where the asset is owned. The 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. For the purposes of goodwill a total of 6 CGU's have been identified and these are allocated between the Group's main segments as follows: Global Performance Nutrition 1, Global Ingredients 4 and Dairy Ireland 1.

A summary of goodwill by CGU is as follows:

| | Goodwill 2013 €'000 | Foreign exchange €'000 | Reclass €'000 | Other €'000 | Goodwill 2012 €'000 |
|---|------------------------------------|---------------------------------------|--------------------------|------------------------|------------------------------------|
| Global Performance Nutrition | 84,225 | (2,881) | – | – | 87,106 |
| Global Ingredients - Customised Solutions | 70,330 | (1,985) | – | – | 72,315 |
| Global Ingredients - other CGUs | 17,533 | (645) | (1,332) | – | 19,510 |
| Dairy Ireland | 9,670 | – | – | (511) | 10,181 |
| | 181,758 | (5,511) | (1,332) | (511) | 189,112 |

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

| | Indefinite life intangibles 2013 €'000 | Foreign exchange €'000 | Acquisition €'000 | Indefinite life intangibles 2012 €'000 |
|-------------------------------------|---|---------------------------------------|------------------------------|---|
| Global Performance Nutrition | | | | |
| Global Performance Nutrition | 87,491 | (2,993) | – | 90,484 |

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 five year strategic plan formally approved by the Group Operating Executive Committee and the Board of Directors. While the Group expects cash flow growth between year six and twenty a terminal value was derived for this further fifteen year period assuming zero growth. No significant impairments arose in either 2013 or 2012. 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 2013 | Discount rates 2012 |
|------------------------------|---------------------------|---------------------------|
| Global Performance Nutrition | 7.5% | 8.6% |
| Global Ingredients | 7.4% – 7.5% | 8.6% |
| Dairy Ireland | 7.4% | 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 and discount rates. Other assumptions include the duration of the discounted cashflow model, replacement capital expenditure requirements and working capital investment. These assumptions are based on management's 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 across the 6 CGUs. These 6 CGUs had aggregate goodwill and indefinite life intangibles of €269.2 million at the date of testing. If the estimated future profitability 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, again there would be no requirement on the Group to recognise any impairment against goodwill or indefinite life intangibles. If the estimated cost of capital used in determining the pre-tax discount rate had been 1% higher than management's estimates there would be no requirement on the Group to recognise any impairment.

16. INVESTMENTS IN ASSOCIATES

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|-------------------------------------|--------------------------|------------------------|--------------------------|------------------------|
| At the beginning of the year | 22,876 | 67,586 | 2,259 | 12,178 |
| Share of profit after tax | – | 13,760 | – | 1,667 |
| Loss recognised through equity | – | (854) | – | (239) |
| Additions | – | – | 20,617 | 53,980 |
| At the end of the year | 22,876 | 80,492 | 22,876 | 67,586 |

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 €'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 | |
| 2013 | | | | | |
| Co-operative Animal Health Limited ¹ | 7,626 | (4,689) | 16,519 | 291 | 50.00 |
| South Eastern Cattle Breeding Society Limited ¹ | 5,451 | (1,126) | 2,950 | 143 | 57.00 |
| Malting Company of Ireland Limited ³ | 6,637 | (3,552) | 3,326 | 80 | 50.00 |
| South East Port Services Limited | 9,227 | (5,868) | 2,307 | 568 | 49.00 |
| Glanbia Ingredients Ireland Limited | 169,456 | (102,670) | 351,214 | 12,678 | 40.00 |
| | 198,397 | (117,905) | 376,316 | 13,760 | |

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 (f) - exceptional items for further details.

3 During the year the Group's shareholding in Malting Company of Ireland Limited increased from 33.33% to 50.0%.

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

17. INVESTMENTS IN JOINT VENTURES

| | 2013 €'000 | 2012 €'000 |
|--|---------------|---------------|
| At the beginning of the year | 58,482 | 58,484 |
| Share of profit after tax | 12,728 | 10,480 |
| Disposals | – | (103) |
| Gains/(losses) recognised through equity | 433 | (298) |
| Deferred tax movement | 3,930 | 3,202 |
| Dividends received | (10,937) | (13,778) |
| Exchange differences | (1,742) | 495 |
| At the end of the year | 62,894 | 58,482 |

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

| | 2013 €'000 | 2012 €'000 |
|---|----------------|----------------|
| Assets | | |
| Non-current assets | 128,817 | 135,419 |
| Current assets | 87,360 | 81,560 |
| | <u>216,177</u> | <u>216,979</u> |
| Liabilities | | |
| Non-current liabilities | 71,793 | 89,755 |
| Current liabilities | 81,490 | 68,742 |
| | <u>153,283</u> | <u>158,497</u> |
| Net assets | 62,894 | 58,482 |
| | | |
| | 2013 €'000 | 2012 €'000 |
| Revenue | 524,150 | 521,960 |
| Expenses | (511,422) | (511,480) |
| Share of profit after tax | 12,728 | 10,480 |
| Proportionate interest in joint ventures' commitments | 607 | 2,058 |

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 entity 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 2013 Company €'000 | Available for sale financial assets 2013 Group €'000 | Investments 2012 Company €'000 | Available for sale financial assets 2012 Group €'000 |
|-------------------------------------|---|--|---|--|
| At the beginning of the year | 611,661 | 9,144 | 599,325 | 11,165 |
| Disposals/redemption | (35,166) | (1,071) | (19,021) | (1,050) |
| Fair value movement | – | 1,425 | – | (971) |
| Additions | 34,797 | – | 31,357 | – |
| Amounts written off | (1,338) | – | – | – |
| At the end of the year | 609,954 | 9,498 | 611,661 | 9,144 |

Investments include the following:

| | Investments 2013 Company €'000 | Available for sale financial assets 2013 Group €'000 | Investments 2012 Company €'000 | Available for sale financial assets 2012 Group €'000 |
|--|---|--|---|--|
| Listed securities | | | | |
| Equity securities – eurozone countries | 69 | 307 | 1 | 224 |
| Unlisted securities | | | | |
| One51 plc | 447 | 1,789 | – | 447 |
| The Irish Dairy Board Co-operative Limited | – | 6,725 | – | 7,760 |
| Other Group companies | 609,438 | – | 611,660 | – |
| Other available for sale financial assets | – | 677 | – | 713 |
| | 609,954 | 9,498 | 611,661 | 9,144 |

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 €7.4 million (2012: €8.5 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 | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|--|-------|--------------------------|------------------------|--------------------------|------------------------|
| Trade receivables | | – | 248,721 | – | 255,548 |
| Less provision for impairment of receivables | | – | (11,155) | – | (10,434) |
| Trade receivables – net | | – | 237,566 | – | 245,114 |
| Prepayments | | – | 10,718 | – | 8,179 |
| Receivables from joint ventures and associates | 37 | – | 921 | 632 | 4,890 |
| Loans to joint ventures and associates | 37 | – | 9,376 | – | 16,735 |
| Value added tax | | – | 2,053 | – | 670 |
| Other receivables | | 209 | 5,958 | – | 12,836 |
| Total | | 209 | 266,592 | 632 | 288,424 |
| Less non-current trade receivables: | | | | | |
| Other receivables | | – | – | – | (100) |
| Loans to joint ventures and associates | 37 | – | (9,376) | – | (16,735) |
| Non-current | | – | (9,376) | – | (16,835) |
| Current | | 209 | 257,216 | 632 | 271,589 |

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 within the income statement.

As disclosed in note 5.3, the Group has one significant external customer. Management are satisfied that they have satisfactory credit control procedures in place in respect of this customer.

The Group's objective is to minimise credit risk by carrying out credit checks where appropriate, by the use of credit insurance in certain situations, by holding charges over assets and by active credit management. Management do not expect any significant loss from receivables that have not been provided for at year end.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|-----------|--------------------------|------------------------|--------------------------|------------------------|
| Euro | 209 | 95,881 | 632 | 101,266 |
| US dollar | – | 152,259 | – | 167,438 |
| Sterling | – | 17,105 | – | 12,379 |
| Other | – | 1,347 | – | 7,341 |
| | 209 | 266,592 | 632 | 288,424 |

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

| | 2013 €'000 | 2012 €'000 |
|--|---------------|---------------|
| At the beginning of the year | 10,434 | 11,219 |
| Provision for receivables impairment | 2,091 | 3,179 |
| Receivables written off during the year as uncollectible | (743) | (3,707) |
| Unused amounts reversed | (627) | (257) |
| At the end of the year | 11,155 | 10,434 |

As of 04 January 2014, trade receivables of €11.2 million (2012: €10.4 million) were impaired. Trade receivable balances are generally considered for an impairment review when falling due outside trade terms and are normally partially or wholly provided for depending on the assessment of likely recoverability of the balance. The amount of the provision was €11.2 million (2012: €10.4 million). Set out below is an analysis of trade receivables which remain outstanding outside of trade terms.

| | 2013 €'000 | 2012 €'000 |
|-------------------------------|---------------|---------------|
| Past due and impaired: | | |
| Up to 3 months | 2,163 | 2,196 |
| 3 to 6 months | 1,748 | 1,779 |
| Over 6 months | 7,244 | 6,459 |
| | 11,155 | 10,434 |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

At 04 January 2014, trade receivables of €51.8 million (2012: €47.9 million) were past due but not impaired, as they are considered recoverable, as follows:

| | 2013 €'000 | 2012 €'000 |
|-------------------------------|---------------|---------------|
| Past due not impaired: | | |
| Up to 3 months | 38,642 | 38,824 |
| 3 to 6 months | 11,619 | 7,984 |
| Over 6 months | 1,565 | 1,131 |
| | 51,826 | 47,939 |

20. INVENTORIES

| | 2013 €'000 | 2012 €'000 |
|----------------|----------------|----------------|
| Raw materials | 107,639 | 90,962 |
| Finished goods | 186,667 | 176,905 |
| Consumables | 20,175 | 14,161 |
| | 314,481 | 282,028 |

Included above are inventories carried at net realisable value amounting to €9.5 million (2012: €10.3 million). The amount written off in respect of these inventories was €4.0 million (2012: €9.2 million).

21. CASH AND CASH EQUIVALENTS

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|--------------------------|--------------------------|------------------------|--------------------------|------------------------|
| Cash at bank and in hand | – | 86,259 | – | 85,557 |
| Short term bank deposits | – | 20,000 | – | 190,015 |
| | – | 106,259 | – | 275,572 |

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 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) |
| <i>Transfers to income statement:</i> | | | | | | | | |
| 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 |
| Currency translation differences | – | – | (24,592) | – | – | – | – | (24,592) |
| Net investment hedge | – | – | 2,472 | – | – | – | – | 2,472 |
| Revaluation of interest rate swaps – gain in year | – | – | – | 776 | – | – | – | 776 |
| Foreign exchange contracts – loss in year | – | – | – | (273) | – | – | – | (273) |
| <i>Transfers to income statement:</i> | | | | | | | | |
| Foreign exchange contracts – loss in year | – | – | – | 155 | – | – | – | 155 |
| Forward commodity contracts – loss in year | – | – | – | 162 | – | – | – | 162 |
| Revaluation of forward commodity contracts – gain in year | – | – | – | 78 | – | – | – | 78 |
| Revaluation of available for sale financial assets – gain in year | – | – | – | – | 1,425 | – | – | 1,425 |
| Deferred tax on fair value movements | – | – | – | (71) | (470) | – | – | (541) |
| Cost of share based payments | – | – | – | – | – | – | 4,568 | 4,568 |
| Transfer on exercise, vesting or expiry of share based payments | – | – | – | – | – | 7,417 | (2,949) | 4,468 |
| Purchase of own shares | – | – | – | – | – | (7,387) | – | (7,387) |
| Balance at 04 January 2014 | 2,825 | 113,148 | 10,535 | (1,427) | 1,396 | (8,191) | 8,314 | 126,600 |

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.

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|---|--------------------------|------------------------|--------------------------|------------------------|
| At the beginning and the end of the year | 4,227 | 2,825 | 4,227 | 2,825 |

Note 22 (b): Merger reserve

| | 2013 €'000 | 2012 €'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 864,898 (2012: 1,141,334) ordinary shares in Glanbia plc which are held by two trusts.

An Employee Share Trust 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 dividend rights in respect of these shares has been waived, save 0.001 pence per share.

An Employee Share Scheme Trust was established in April 2013 to operate in connection with the Company's Annual Incentive Deferred into Shares Scheme. The trustee of the Employee Share Scheme Trust is Glanbia Management Services Limited. The dividend rights in respect of shares which have not vested have been waived.

The shares included in the Employee Share Trust and the Employee Share Scheme Trust at 04 January 2014 cost €8.2 million (2012: €8.2 million) and had a market value of €9.6 million (2012: €9.4 million). Shares purchased for the 2008 LTIP scheme and the Company's Annual Incentive Deferred into Shares Scheme are deemed to be own shares in accordance with IAS 32 - Financial Instruments: Disclosure and 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, the 2008 LTIP and the Annual Incentive Deferred into Shares Schemes, net of transfers on vesting or expiry of share based payments.

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|---|--------------------------|------------------------|--------------------------|------------------------|
| At the beginning of the year | 6,695 | 6,695 | 5,143 | 5,143 |
| Transfer on exercise, vesting or expiry of share based payments | (2,949) | (2,949) | (1,657) | (1,657) |
| Cost of share based payments | 4,568 | 4,568 | 3,209 | 3,209 |
| At the end of the year | 8,314 | 8,314 | 6,695 | 6,695 |

2002 Long Term Incentive Plan ('the 2002 LTIP')

Movement in the 2002 LTIP for the year ended 04 January 2014 and 29 December 2012 is as follows:

| | 2013 Average exercise price in € per share | 2013 Number of options | 2012 Average exercise price in € per share | 2012 Number of options |
|-------------------------------------|--|------------------------------|--|------------------------------|
| At the beginning of the year | 3.08 | 1,130,000 | 2.97 | 1,553,000 |
| Granted | – | – | – | – |
| Exercised | (2.76) | (690,000) | (2.68) | (423,000) |
| At the end of the year | 3.60 | 440,000 | 3.08 | 1,130,000 |

| Expiry date in | Exercise price € | 2013 Number of options | 2012 Number of options |
|----------------|------------------------|------------------------------|------------------------------|
| 2013 | 1.90 | – | 60,000 |
| 2014 | 2.47 | – | 100,000 |
| 2014 | 2.73 | 140,000 | 530,000 |
| 2016 | 2.87 | – | 50,000 |
| 2017 | 4.03 | – | 70,000 |
| 2019 | 2.29 | 50,000 | 50,000 |
| 2020 | 2.65 | – | 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 |
| | | 440,000 | 1,130,000 |

Total options of 440,000 (2012: 1,130,000) ordinary shares were outstanding at 04 January 2014 under the 2002 LTIP, at prices ranging between €2.73 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 1,450 (2012: 25,000) ordinary shares. The cost of the 2002 LTIP charged in the Group income statement was €0.2 million (2012: €0.2 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 210,000 (2012: 860,000) ordinary shares were exercisable at 04 January 2014 at a weighted average price of €2.71 (2012: €2.73). The weighted average share price at the date of exercise for share options exercised was €8.80 (2012: €6.97). The weighted average life for share options outstanding is five 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 04 January 2014 amounted to 2,251,601 (2012: 2,714,000) and are scheduled for release in March 2014, August 2015 and April, August and October 2016 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 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 and 2016 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 and 2016) is also measured against pre-set targets as set out in the Remuneration Committee Report on pages 78 to 81.

Shares awarded under the Group's LTIP schemes are equity settled share based payments as defined in IFRS 2 – Share Based Payments. IFRS 2 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 €3.5 million (2012: €3.0 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 04 January 2014 and 29 December 2012 is as follows:

| | 2013 Number of awards | 2012 Number of awards |
|-------------------------------------|-----------------------------|-----------------------------|
| At the beginning of the year | 2,714,000 | 2,476,500 |
| Granted | 824,100 | 855,500 |
| Vested | (1,010,851) | (598,842) |
| Lapsed | (275,648) | (19,158) |
| At the end of the year | 2,251,601 | 2,714,000 |
| | 2013 Number of awards | 2012 Number of awards |
| Expiry date in | | |
| 2014 | 50,000 | 1,082,000 |
| 2015 | 719,401 | 776,500 |
| 2016 | 717,600 | 855,500 |
| 2017 | 764,600 | – |
| At the end of the year | 2,251,601 | 2,714,000 |

The total expense in the Group income statement is analysed as follows:

| | Share price at date of award € | Period to earliest vesting date | Number of shares | Fair value € | Expense in Group income statement 2013 €'000 | Expense in Group income statement 2012 €'000 |
|-------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|---|---|
| Granted in 2009 | | | | | | |
| 2008 Long Term Incentive Plan | 2.72 | – | 618,000 | 2.22 | – | (24) |
| Granted in 2010 | | | | | | |
| 2008 Long Term Incentive Plan | 2.82 | – | 1,082,000 | 2.31 | – | 805 |
| Granted in 2011 | | | | | | |
| 2008 Long Term Incentive Plan | 4.35 | 1 years | 776,500 | 3.59 | 747 | 850 |
| Granted in 2012 | | | | | | |
| 2008 Long Term Incentive Plan | 6.26 | 2 years | 855,000 | 5.44 | 811 | 1,416 |
| Granted in 2013 | | | | | | |
| 2008 Long Term Incentive Plan | 10.11 | 3 years | 824,100 | 8.63 | 1,903 | – |

Shares awarded under the 2008 LTIP are equity settled share-based payments as defined in IFRS 2 - Share Based Payments. On the 25 May 2013, 1,010,851 of the share awards granted in 2010 vested, and a further 50,000 are expected to vest in 2014. The balance of 21,149 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 2013 | Granted in 2012 | Granted in 2011 | Granted in 2010 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| Risk-free interest rate | 0.2% | 0.2% | 2% | 1% |
| Expected volatility | 29.9% | 33.1% | 45% | 47% |
| Dividend yield | 1.17% | 1.6% | 2% | 1% |

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the award.

Annual incentive deferred into shares scheme

This scheme is an annual performance related incentive scheme for Executive Directors and other senior management. The cost of the Annual Incentive Deferred into Shares Scheme was €0.9 million in 2013 (2012: €1.7 million). The incentive will be invested in shares in the Company and delivered to the Executive Directors and senior management two years following this investment.

23. SHARE CAPITAL AND SHARE PREMIUM

| Company | Number of shares (thousands) | Ordinary shares €'000 | Share premium €'000 | Total €'000 |
|----------------------------|------------------------------|-----------------------|---------------------|----------------|
| At 29 December 2012 | 294,956 | 17,697 | 439,666 | 457,363 |
| Shares issued | 690 | 41 | 1,861 | 1,902 |
| At 04 January 2014 | 295,646 | 17,738 | 441,527 | 459,265 |
| Group | Number of shares (thousands) | Ordinary shares €'000 | Share premium €'000 | Total €'000 |
| At 29 December 2012 | 294,956 | 17,697 | 84,398 | 102,095 |
| Shares issued | 690 | 41 | 1,861 | 1,902 |
| At 04 January 2014 | 295,646 | 17,738 | 86,259 | 103,997 |

The total authorised number of ordinary shares is 306 million shares (2012: 306 million shares) with a par value of €0.06 per share (2012: €0.06 per share). All issued shares are fully paid.

24. RETAINED EARNINGS

| | Notes | Company €'000 | Group €'000 |
|---|-------|------------------|----------------|
| Balance at 31 December 2011 | | 77,807 | 261,308 |
| Profit for the year | | 55,903 | 144,956 |
| Other comprehensive income/(expense) | | | |
| Remeasurements – defined benefit schemes* | 28 | – | (100,095) |
| Deferred tax on remeasurements* | 27 | – | 10,801 |
| Share of remeasurements – Joint Ventures & Associates | | – | (1,058) |
| Total comprehensive income for the year | | 55,903 | 54,604 |
| Dividends paid during the year | | (25,327) | (25,327) |
| Transfer on exercise, vesting or expiry of share based payments | 22 | (588) | (588) |
| Balance at 29 December 2012 | | 107,795 | 289,997 |
| (Loss)/profit for the year | | (10,228) | 150,330 |
| Other comprehensive income/(expense) | | | |
| Remeasurements – defined benefit schemes | 28 | – | (1,546) |
| Deferred tax on remeasurements | 27 | – | (166) |
| Share of remeasurements – Joint Ventures & Associates | | – | (929) |
| Total comprehensive (expense)/income for the year | | (10,228) | 147,689 |
| Dividends paid during the year | | (27,929) | (27,929) |
| Transfer on exercise, vesting or expiry of share based payments | 22 | (4,468) | (4,468) |
| Balance at 04 January 2014 | | 65,170 | 405,289 |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

25. NON-CONTROLLING INTERESTS

| | 2013 €'000 | 2012 €'000 |
|---|---------------|---------------|
| At the beginning of the year | 7,275 | 7,135 |
| Share of profit for the year | 666 | 440 |
| Dividends paid to non-controlling interests during the year | (307) | (300) |
| At the end of the year | 7,634 | 7,275 |

26. BORROWINGS

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|---|--------------------------|------------------------|--------------------------|------------------------|
| Current | | | | |
| Bank overdraft and borrowings | 2,233 | – | 2,756 | 100,661 |
| Cumulative redeemable preference shares | – | 39,062 | – | 24,425 |
| | 2,233 | 39,062 | 2,756 | 125,086 |
| Non-current | | | | |
| Bank borrowings | – | 203,266 | – | 241,454 |
| Private debt placement | – | 238,375 | – | 246,530 |
| Cumulative redeemable preference shares | – | – | – | 39,062 |
| | – | 441,641 | – | 527,046 |
| Total borrowings | 2,233 | 480,703 | 2,756 | 652,132 |

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. During 2013, 19.326 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. 30.764 million of the €1.2697 cumulative redeemable preference shares currently carry the right to a fixed cumulative annual dividend of 8.6977 cents per share.

The maturity of non-current borrowings is as follows:

| | 2013 €'000 | 2012 €'000 |
|-----------------------|----------------|----------------|
| Between 1 and 2 years | – | 39,062 |
| Between 2 and 5 years | 203,266 | – |
| More than 5 years | 238,375 | 487,984 |
| | 441,641 | 527,046 |

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:

| | 2013 €'000 | 2012 €'000 |
|-----------------------|----------------|----------------|
| 12 months or less | 242,328 | 366,540 |
| Between 1 and 2 years | – | 39,062 |
| Between 2 and 5 years | – | – |
| More than 5 years | 238,375 | 246,530 |
| | 480,703 | 652,132 |

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

| | EUR | | USD | | CAD | |
|------------|-------|-------|-------|-------|------|-------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Overdrafts | 1.95% | 2.00% | – | – | – | 4.00% |
| Borrowings | 2.87% | 2.91% | 5.29% | 4.94% | – | 3.42% |

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

| | Carrying amount 2013 €'000 | Carrying amount 2012 €'000 | Fair value 2013 €'000 | Fair value 2012 €'000 |
|------------------------|-------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Non-current borrowings | 441,641 | 527,046 | 456,064 | 567,121 |

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:

| | 2013 €'000 | 2012 €'000 |
|-----------------|----------------|----------------|
| Euro | 234,585 | 357,556 |
| US dollar | 246,118 | 286,126 |
| Canadian dollar | – | 8,450 |
| | 480,703 | 652,132 |

The Group has the following undrawn borrowing facilities:

| | 2013 €'000 | 2012 €'000 |
|---|----------------|----------------|
| Uncommitted facilities expiring within 1 year | 63,020 | 8,060 |
| Committed facilities expiring beyond 1 year | 263,394 | 225,812 |
| | 326,414 | 233,872 |

All of the undrawn borrowing facilities are floating rate facilities.

27. DEFERRED TAXES

The following amounts are shown in the consolidated balance sheet:

| | 2013 €'000 | 2012 €'000 |
|-----------------------------------|---------------|---------------|
| Deferred tax assets | (22,464) | (19,963) |
| Deferred tax liabilities | 95,584 | 91,057 |
| Net deferred tax liability | 73,120 | 71,094 |

The gross movement on the deferred tax account is as follows:

| | Notes | 2013 €'000 | 2012* €'000 |
|---|-------|---------------|----------------|
| At the beginning of the year | | 71,094 | 82,204 |
| Income statement – pre exceptional charge | 11 | 1,869 | 2,255 |
| Income statement – exceptional charge/(credit) | 11 | 1,223 | (1,204) |
| Deferred tax charge to other comprehensive income | 22 | 541 | 835 |
| Deferred tax charge/(credit) relating to defined benefit remeasurements | 24 | 166 | (10,801) |
| Deferred tax on acquisition of intellectual property | | – | 855 |
| Movement on disposal of operations | | – | (2,232) |
| Exchange differences | | (1,773) | (818) |
| At the end of the year | | 73,120 | 71,094 |

The movement in deferred tax assets and liabilities during the year is as follows:

| | Notes | Retirement benefit obligations* €'000 | Other employee obligations €'000 | Fair value gain/ loss €'000 | Tax losses €'000 | Other €'000 | Total €'000 |
|--|-------|--|---|--------------------------------------|------------------------|----------------|-----------------|
| Deferred tax assets | | | | | | | |
| At 31 December 2011 | | (3,569) | (2,906) | (9) | (1,424) | (3,347) | (11,255) |
| Charged/(credited) to income statement | | 1,355 | (839) | – | 850 | (4,073) | (2,707) |
| (Credited) to other comprehensive income | 24 | (10,801) | – | – | – | – | (10,801) |
| Movement on disposal of operations | | 4,619 | – | – | – | – | 4,619 |
| Exchange differences | | – | 75 | – | (38) | 135 | 172 |
| Reclassification to deferred tax liabilities | | – | – | 9 | – | – | 9 |
| At 29 December 2012 | | (8,396) | (3,670) | – | (612) | (7,285) | (19,963) |
| Charged/(credited) to income statement | | 1,621 | (4,785) | – | (24) | 55 | (3,133) |
| Charged to other comprehensive income | 24 | 166 | – | – | – | – | 166 |
| Exchange differences | | 2 | 245 | – | 11 | 208 | 466 |
| At 04 January 2014 | | (6,607) | (8,210) | – | (625) | (7,022) | (22,464) |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

| | Notes | Accelerated tax depreciation €'000 | Fair value gain/loss €'000 | IP and deferred development costs €'000 | Other €'000 | Total €'000 |
|---|-------|---------------------------------------|-------------------------------|--|----------------|----------------|
| Deferred tax liabilities | | | | | | |
| 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 | | – | – | 855 | – | 855 |
| Movement on disposal of operations | | (6,281) | (663) | (6) | 99 | (6,851) |
| Exchange differences | | (642) | – | (540) | 192 | (990) |
| Reclassification from deferred tax assets | | – | (9) | – | – | (9) |
| At 29 December 2012 | | 35,757 | 163 | 25,991 | 29,146 | 91,057 |
| Charged/(credited) to income statement | | 15,512 | – | (1,073) | (8,214) | 6,225 |
| Charged to other comprehensive income | 22 | – | 541 | – | – | 541 |
| Exchange differences | | (1,408) | – | (797) | (34) | (2,239) |
| At 04 January 2014 | | 49,861 | 704 | 24,121 | 20,898 | 95,584 |

A deferred 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 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 €116.3 million (2012: €122.1 million) to carry forward against future taxable profits, of which €48.0 million (2012: €48.8 million) are unrecognised capital losses. These unrecognised losses can be carried forward indefinitely. Deferred tax liabilities of €10.5 million (2012: €8.9 million) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. There is no current intention to remit such earnings.

The deferred tax charged/(credited) to other comprehensive income during the year is as follows:

| | Notes | 2013 €'000 | 2012* €'000 |
|--|-------|----------------|-----------------|
| Available for sale financial asset reserve | 22 | 470 | (275) |
| Hedging reserve | 22 | 71 | 1,110 |
| Disposal of operations | 22 | – | (663) |
| Exchange differences | | (1,773) | (818) |
| Defined benefit remeasurements | 24 | 166 | (10,801) |
| | | (1,066) | (11,447) |

* As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

28. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of defined benefit and defined contribution schemes in Ireland and the UK under broadly similar regulatory frameworks, which provide retirement and death benefits for its employees. The bulk of the defined benefit pension schemes are career average pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their average salary over their period of employment. The plans face broadly similar risks as described below. The schemes are funded through separate trustee controlled funds. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition.

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 01 January 2011 and 01 January 2013. The contributions paid to the schemes in 2013 are in accordance with the contribution rates recommended in the actuarial valuation reports or in subsequent actuarial advice.

| | 2013 €'000 | 2012 €'000 |
|---|-----------------|-----------------|
| Present value of funded obligations | (424,519) | (430,736) |
| Fair value of plan assets | 346,484 | 332,603 |
| Liability in the Group balance sheet | (78,035) | (98,133) |

The amounts recognised in the Group income statement are as follows:

| | Notes | 2013 €'000 | 2012* €'000 |
|--|-------|----------------|----------------|
| Defined benefit pension schemes | | | |
| Service costs – current | | (5,128) | (4,317) |
| Service costs – past | | (256) | (435) |
| Net interest cost | | (3,417) | (1,914) |
| Total (expense) pre curtailment gains and negative past service costs | 8 | (8,801) | (6,666) |
| Negative past service costs, gains and losses on settlements | 7 | 13,833 | – |
| Total gain/(expense) | | 5,032 | (6,666) |
| Defined contribution pension schemes | 8 | (4,232) | (3,509) |

The Group undertook a review of pension arrangements during 2009 and 2010 across its main Irish defined benefit pension schemes. In 2013 revisions to the Group's pension arrangements for two smaller Irish defined benefit schemes was completed giving rise to the negative past service costs, curtailments and settlements recognised in the Group income statement.

The movement in the liability recognised in the Group balance sheet over the year is as follows:

| | Notes | 2013 €'000 | 2012* €'000 |
|--|-------|-----------------|-----------------|
| At the beginning of the year | | (98,133) | (48,425) |
| Exchange differences | | 436 | (476) |
| Total expenses | 8 | (8,801) | (6,666) |
| Negative past service costs, gains and losses on settlements | 7 | 13,833 | – |
| Remeasurements - defined benefit schemes | | (1,546) | (100,095) |
| Disposal | | – | 36,954 |
| Contributions paid by employer | | 16,176 | 20,575 |
| At the end of the year | | (78,035) | (98,133) |

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 an 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% in 2012 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 approach followed in 2013 is consistent with 2012.

* As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

The movement in obligations during the year is as follows:

| | 2013 €'000 | 2012* €'000 |
|---|------------------|------------------|
| At the beginning of the year | (430,736) | (448,447) |
| Exchange differences | 1,434 | (1,757) |
| Current service costs | (5,128) | (4,317) |
| Past service costs and gains and losses on settlement | 26,496 | – |
| Interest costs | (16,193) | (23,589) |
| Remeasurements: | | |
| – Experience gain/(loss) | 3,662 | (591) |
| – (Loss) from changes in demographic assumptions | (633) | (1,558) |
| – (Loss) from changes in financial assumptions | (15,714) | (119,488) |
| Contributions by plan participants | (1,959) | (3,129) |
| Past service costs | (256) | (435) |
| Payments from plans - benefit payments | 14,508 | 20,568 |
| Disposal | – | 152,007 |
| At the end of the year | (424,519) | (430,736) |

The movement in the fair value of plan assets during the year is as follows:

| | 2013 €'000 | 2012* €'000 |
|---|----------------|----------------|
| At the beginning of the year | 332,603 | 400,022 |
| Exchange differences | (998) | 1,281 |
| Interest income | 12,776 | 21,675 |
| Remeasurements: | | |
| - Return on plan assets excluding amounts included in interest income | 11,139 | 21,542 |
| Contributions by plan participants | 1,959 | 3,129 |
| Contributions paid by employer | 16,176 | 20,575 |
| Payments from plans: | | |
| - Benefit payments | (14,508) | (20,568) |
| - Settlements | (12,663) | – |
| Disposal | – | (115,053) |
| At the end of the year | 346,484 | 332,603 |

The principal actuarial assumptions used are as follows:

| | 2013 IRL | 2013 UK | 2012 IRL | 2012 UK |
|----------------------------|-------------|---------------|-------------|---------------|
| Discount rate | 3.60% | 4.40% | 3.80% | 4.45% |
| Inflation rate | 2.00% | 2.35% - 3.35% | 2.00% | 2.15% - 2.95% |
| Future salary increases | 3.00% | 4.10% | 3.00% | 3.70% |
| Future pension increases** | 0.00% | 2.40% - 3.05% | 0.50% | 2.25% - 2.80% |

**The future pension increases on the Irish pension schemes have been calculated on a weighted average basis.

| Cumulative remeasurements: | 2013 €'000 | 2012 €'000 |
|-----------------------------------|---------------|---------------|
| Remeasurements for the year | 1,546 | 100,095 |
| Cumulative remeasurements | 260,497 | 258,951 |

*As re-presented to reflect the adoption of IAS 19 (revised) - Employee Benefits

Plan assets are comprised as follows:

| | 2013 | | | | 2012 | | | |
|------------------------------|-----------------|-------------------|----------------|------------|-----------------|-------------------|----------------|------------|
| | Quoted €'000 | Unquoted €'000 | Total €'000 | % | Quoted €'000 | Unquoted €'000 | Total €'000 | % |
| Equities | | | | | | | | |
| - Consumer | 23,332 | - | 23,332 | 6 | 22,933 | - | 22,933 | 7 |
| - Energy | 8,799 | - | 8,799 | 3 | 8,851 | - | 8,851 | 3 |
| - Financials | 21,559 | - | 21,559 | 6 | 20,059 | - | 20,059 | 6 |
| - Healthcare | 8,846 | - | 8,846 | 3 | 7,843 | - | 7,843 | 2 |
| - Industrials | 13,272 | - | 13,272 | 4 | 12,105 | - | 12,105 | 4 |
| - Information Technology | 9,398 | - | 9,398 | 3 | 6,419 | - | 6,419 | 2 |
| - Materials | 7,277 | - | 7,277 | 2 | 9,279 | - | 9,279 | 3 |
| - Telecommunication services | 3,856 | - | 3,856 | 1 | 4,351 | - | 4,351 | 1 |
| - Utilities | 2,827 | - | 2,827 | 1 | 3,780 | - | 3,780 | 1 |
| - Other | - | 1,225 | 1,225 | 1 | - | 1,507 | 1,507 | 0 |
| Corporate bonds | | | | | | | | |
| - Investment grade | 24,832 | - | 24,832 | 7 | 20,713 | - | 20,713 | 6 |
| - Non investment grade | 2,569 | - | 2,569 | 1 | 13,564 | - | 13,564 | 4 |
| - Cash | 2,399 | - | 2,399 | 1 | 640 | - | 640 | 0 |
| Government bonds and gilts | 107,929 | - | 107,929 | 30 | 96,589 | - | 96,589 | 29 |
| Property | | | | | | | | |
| - UK | - | 717 | 717 | 0 | - | 693 | 693 | 0 |
| - Ireland | - | 3,025 | 3,025 | 1 | - | 2,888 | 2,888 | 1 |
| - Europe | - | 9,244 | 9,244 | 3 | - | 9,395 | 9,395 | 3 |
| Cash | 4,815 | - | 4,815 | 1 | 5,505 | - | 5,505 | 2 |
| Investment funds | - | 89,050 | 89,050 | 25 | - | 83,467 | 83,467 | 25 |
| Other | 663 | 850 | 1,513 | 1 | 690 | 1,332 | 2,022 | 1 |
| | 242,373 | 104,111 | 346,484 | 100 | 233,321 | 99,282 | 332,603 | 100 |

Expected contributions to post-employment benefit plans for 2014 are €15.4 million. The weighted average duration of the defined benefit obligation is 18 years.

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:

| | 2013 Irish mortality rates | 2013 UK mortality rates | 2012 Irish mortality rates | 2012 UK mortality rates |
|--------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Male | 24.5 | 22.6 | 24.4 | 22.3 |
| Female | 27.3 | 25.2 | 27.1 | 25.0 |

The mortality assumptions imply the following life expectancies in years of an active member, aged 65, retiring now:

| | 2013 Irish mortality rates | 2013 UK mortality rates | 2012 Irish mortality rates | 2012 UK mortality rates |
|--------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Male | 21.0 | 21.3 | 20.9 | 21.0 |
| Female | 23.8 | 23.7 | 23.7 | 23.4 |

Five year summary

| | 2013 €'000 | 2012 €'000 | 2011 €'000 | 2010 €'000 | 2009 €'000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| At the end of the year | | | | | |
| Fair value of plan assets | 346,484 | 332,603 | 400,022 | 389,351 | 349,245 |
| Present value of funded obligations | (424,519) | (430,736) | (448,447) | (437,911) | (435,010) |
| Deficit | (78,035) | (98,133) | (48,425) | (48,560) | (85,765) |
| Experience adjustments on plan liabilities | 3,662 | (591) | 2,248 | 8,442 | 5,366 |
| Experience adjustments on plan assets | 11,139 | 21,542 | (16,732) | 7,929 | 12,314 |

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 pension schemes, the estimated impact on the plan liabilities resulting from changes to key actuarial assumptions, all other assumptions remaining constant.

2013

| Assumption | Change in assumption | Impact on plan liabilities |
|-----------------|-------------------------------|--------------------------------------|
| Discount rate | Increase/decrease 0.25% | Decrease/increase by (€19.3m)/€19.5m |
| Price inflation | Increase/decrease 0.25% | Increase/decrease by €11.3m |
| Mortality | Increase/decrease by one year | Increase/decrease by €10.0m |

2012

| Assumption | Change in assumption | Impact on plan liabilities |
|-----------------|-------------------------------|--------------------------------------|
| Discount rate | Increase/decrease 0.25% | Decrease/increase by (€19.2m)/€19.1m |
| Price inflation | Increase/decrease 0.25% | Increase/decrease by €8.4m/(€8.6m) |
| Mortality | Increase/decrease by one year | Increase/decrease by €9.8m/(€10.1m) |

Through its defined benefit pension schemes the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment risk

The pension plans hold investment in asset classes such as equities, which have volatile market values and while these assets are expected to provide higher returns than other asset classes over the long-term, the short-term volatility could cause an increase in the deficit at any particular point in time.

Interest rate risk

The pension plans liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the pension plans hold other assets such as equities the value of the assets and liabilities may not move in the same way.

Inflation risk

A significant proportion of the benefits under the plans are linked to inflation. Although the plans' assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to further deficits emerging.

Mortality risk

In the event that members live longer than assumed a further deficit will emerge in the Schemes.

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 29 December 2012 | 10,021 | 18,555 | 4,951 | 1,559 | 7,677 | 42,763 |
| Provided for in the year | 6,283 | – | 1,222 | 132 | 686 | 8,323 |
| Utilised in the year | (2,984) | (242) | – | (230) | (387) | (3,843) |
| Exchange differences | – | (305) | (127) | (7) | (36) | (475) |
| Unwinding of discounts | – | 118 | – | 100 | – | 218 |
| Reclassification | – | – | – | – | (2,193) | (2,193) |
| At 04 January 2014 | 13,320 | 18,126 | 6,046 | 1,554 | 5,747 | 44,793 |
| Non-current | – | 17,302 | – | 1,190 | – | 18,492 |
| Current | 13,320 | 824 | 6,046 | 364 | 5,747 | 26,301 |
| | 13,320 | 18,126 | 6,046 | 1,554 | 5,747 | 44,793 |

- (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 2014. 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 30 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. The balance at 04 January 2014 is expected to be utilised during 2014. In the opinion of the Directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amounts provided for at 04 January 2014.
- (d) The property and lease commitments provision relates to onerous leases in respect of three properties where the Group has a present and future obligation to make lease payments. It is expected that €0.4 million will be utilised during 2014 and the balance will be fully utilised over the next 4 years.
- (e) In 2013 the Group reclassified €2.2 million of operational provisions to working capital as it was deemed to be a more appropriate classification. It is expected that €6.0 million of this provision will be utilised during 2014. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.

30. CAPITAL GRANTS

| | 2013 €'000 | 2012 €'000 |
|--|---------------|---------------|
| At the beginning of the year | 2,636 | 17,161 |
| Released to income statement | (219) | (1,278) |
| Released to income statement - exceptional items | – | (532) |
| Additions | 57 | 1,092 |
| Exchange differences | (3) | 3 |
| Disposal of subsidiary | – | (13,810) |
| At the end of the year | 2,471 | 2,636 |

31. TRADE AND OTHER PAYABLES

| | Notes | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|--|-------|--------------------------|------------------------|--------------------------|------------------------|
| Trade payables | | – | 177,519 | 4 | 159,111 |
| Amounts due to Joint Ventures & Associates | 37 | – | 52,014 | – | 79,061 |
| Amounts due to other related parties | 37 | – | 50 | – | 30 |
| Amounts due to other Group companies | | 96,499 | – | 61,705 | – |
| Social security costs | | – | 3,363 | – | 3,588 |
| Accrued expenses | | 5,522 | 110,387 | 2,845 | 101,806 |
| Other payables | | – | 1,309 | – | 1,827 |
| | | 102,021 | 344,642 | 64,554 | 345,423 |

The carrying value of payables is a reasonable approximation of fair value.

32. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2013 Assets €'000 | 2013 Liabilities €'000 | 2012 Assets €'000 | 2012 Liabilities €'000 |
|---|-------------------------|------------------------------|-------------------------|------------------------------|
| Non-hedging instruments | – | (13) | 661 | – |
| Foreign exchange contracts – cash flow hedges | 19 | (24) | 9 | (16) |
| Commodity futures – cash flow hedges | 86 | (43) | 42 | (177) |
| Commodity futures – fair value hedges | 1,645 | (1,645) | 745 | (745) |
| Total | 1,750 | (1,725) | 1,457 | (938) |
| Non-current | – | – | – | – |
| Current | 1,750 | (1,725) | 1,457 | (938) |

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 (2012: GBP 20.0 million).

Interest rate swaps

Gains and losses recognised in the hedging reserve in other comprehensive income on interest rate swaps entered into on behalf of a joint venture at 04 January 2014 will be recognised against the carrying value of the investment in the joint venture until repayment of the related bank borrowings.

Foreign exchange contracts

The notional principal amounts of the outstanding foreign exchange contracts at 04 January 2014 were €17.7 million (2012: €2.2 million).

Gains and losses recognised in the hedging reserve in other comprehensive income on foreign exchange contracts at 04 January 2014 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, cheese, gas and oil) futures, qualifying as cash flow hedges and fair value hedges at 04 January 2014 were €1.4 million and €22.2 million respectively (2012: €2.4 million and €48.3 million). Gains and losses recognised in the hedging reserve in other comprehensive income on these futures at 04 January 2014 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 (2012: 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 €72.2 million (2012: €74.7 million). The foreign exchange gain of €2.5 million (2012: €1.4 million) arising on translation of the borrowing into euro at 04 January 2014 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 balance sheet 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 that there is no more than a nominal value attached to this call option.

Group

Bank guarantees amounting to €2.0 million (2012: €2.4 million) are outstanding at 04 January 2014, 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.

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 04 January 2014 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.

34. COMMITMENTS

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the Financial Statements is as follows:

| | 2013 €'000 | 2012 €'000 |
|-------------------------------|---------------|---------------|
| Property, plant and equipment | 50,864 | 38,361 |

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:

| | 2013 €'000 | 2012 €'000 |
|--|---------------|---------------|
| Not later than 1 year | 12,197 | 10,813 |
| Later than 1 year and not later than 5 years | 40,025 | 34,661 |
| Later than 5 years | 46,594 | 37,350 |
| | 98,816 | 82,824 |

35. CASH GENERATED FROM OPERATIONS

| | Notes | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|--|-------|--------------------------|------------------------|--------------------------|------------------------|
| (Loss)/profit before taxation - continuing operations | | (10,228) | 176,004 | 43,554 | 150,195 |
| Development costs capitalised | 15 | – | (5,803) | – | (4,339) |
| Write-off of intangibles | | – | 76 | – | 3,996 |
| Exceptional (gain)/loss - continuing operations | 7 | – | (5,804) | 12,349 | (1,610) |
| Share of results of Joint Ventures & Associates | | – | (26,488) | – | (12,147) |
| Depreciation | | – | 27,203 | – | 25,012 |
| Amortisation | | – | 21,011 | – | 19,864 |
| Cost of share based payments | 22 | 4,568 | 4,568 | 3,209 | 3,209 |
| Difference between pension charge and cash contributions | | – | (7,375) | – | (13,909) |
| Loss/(profit) on disposal of property, plant and equipment | | – | 206 | – | (146) |
| Finance income | 10 | – | (2,168) | – | (2,942) |
| Finance expense | 10 | – | 25,110 | – | 23,370 |
| Other Group companies - amounts written off | 18 | 1,338 | – | – | – |
| Non-cash movement on investments | | (199) | – | – | – |
| Amortisation of government grants received | 30 | – | (219) | – | (247) |
| Cash (absorbed by)/generated from continuing operations before changes in working capital | | (4,521) | 206,321 | 59,112 | 190,306 |
| Change in net working capital: | | | | | |
| – (Increase) in inventory | | – | (40,516) | – | (54,341) |
| – Decrease/(increase) in short term receivables | | 422 | 2,620 | (625) | (93,078) |
| – Increase/(decrease) in short term liabilities | | 37,469 | 3,340 | (1,668) | 87,752 |
| – (Decrease) in provisions | | – | (8,272) | (16) | (5,920) |
| Cash generated from continuing operations | | 33,370 | 163,493 | 56,803 | 124,719 |
| Cash generated from discontinued operations | 7 | – | – | – | 4,098 |
| Total cash generated from operating activities | | 33,370 | 163,493 | 56,803 | 128,817 |

36. BUSINESS COMBINATIONS

On 17 January 2014, the Group acquired 100% of Nutramino Holding ApS ("Nutramino"). Nutramino is a leading Scandinavian sports nutrition business with operations in Denmark, Sweden and Norway. The business is being acquired for total consideration of approximately €25.5 million which includes a portion of consideration contingent on future earnings. The fair value of assets and liabilities arising from the acquisition will be determined during 2014. Property, plant and equipment is estimated to be in the region of €2.2 million, working capital €1.4 million and the balance primarily relates to intangible assets (including goodwill). Acquisition costs relating to Nutramino included in the 2013 Group income statement amounted to €0.5 million.

37. RELATED PARTY TRANSACTIONS

The Group is controlled by Glanbia Co-operative Society Limited, which holds 41.3% 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

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|--|--------------------------|------------------------|--------------------------|------------------------|
| Sales of goods: | | | | |
| – Associates | – | 5,859 | – | 6,292 |
| – Joint ventures | – | – | – | 61,279 |
| – Key management ¹ | – | 2,799 | – | 2,088 |
| | – | 8,658 | – | 69,659 |
| Sales of services: | | | | |
| – Glanbia Co-operative Society Limited | – | 502 | – | 401 |
| – Associates | – | 4,686 | – | 109 |
| – Joint ventures | – | 16,240 | – | 18,082 |
| | – | 21,428 | – | 18,592 |

Sales to related parties were carried out under normal commercial terms and conditions.

(b) Purchases of goods and services

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|--|--------------------------|------------------------|--------------------------|------------------------|
| Purchases of goods: | | | | |
| – Associates | – | 51,172 | – | 22,966 |
| – Joint ventures | – | 6,260 | – | 4,580 |
| – Key management ¹ | – | 409 | – | 2,985 |
| | – | 57,841 | – | 30,531 |
| Purchases of services: | | | | |
| – Glanbia Co-operative Society Limited | – | 290 | – | 687 |
| – Associates | – | 2,566 | – | 1,751 |
| – Joint ventures | – | 61 | – | – |
| – Subsidiaries | 3,210 | – | 3,283 | – |
| | 3,210 | 2,917 | 3,283 | 2,438 |

Purchases from related parties were carried out under normal commercial terms and conditions.

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 (2012: nil).

(c) Year-end balances

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|--|--------------------------|------------------------|--------------------------|------------------------|
| Receivables from related parties: | | | | |
| – Glanbia Co-operative Society Limited | – | 102 | – | 1,145 |
| – Associates | – | 482 | 632 | 4,036 |
| – Joint ventures | – | 439 | – | 854 |
| – Key management ¹ | – | 704 | – | 721 |
| | – | 1,727 | 632 | 6,756 |
| Payables to related parties: | | | | |
| – Associates | – | 8,422 | – | 32,428 |
| – Joint ventures | – | 43,592 | – | 46,633 |
| – Key management ¹ | – | 50 | – | 30 |
| – Subsidiaries | 96,499 | – | 61,705 | – |
| | 96,499 | 52,064 | 61,705 | 79,091 |

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 compensation²

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|---|--------------------------|------------------------|--------------------------|------------------------|
| Salaries and other short-term employee benefits | – | 3,381 | – | 3,315 |
| Post-employment benefits | – | 444 | – | 428 |
| Share based payments | – | 1,701 | – | 2,916 |
| Non-Executive Directors fees | 812 | 812 | 815 | 815 |
| | 812 | 6,338 | 815 | 7,474 |

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 (2012: 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

| | 2013 Company €'000 | 2013 Group €'000 | 2012 Company €'000 | 2012 Group €'000 |
|---|--------------------------|------------------------|--------------------------|------------------------|
| Loans receivable | | | | |
| At the beginning of the year | – | 16,735 | – | 13,475 |
| Foreign exchange difference on opening balance | – | (181) | – | (15) |
| Loans advanced during the year | – | 350 | – | 3,275 |
| Loan payments received | – | (7,528) | – | – |
| At the end of the year | – | 9,376 | – | 16,735 |
| Interest on loans receivable | | | | |
| At the beginning of the year | – | 125 | – | 106 |
| Foreign exchange difference on opening balance | – | (5) | – | 1 |
| Interest charged | – | 572 | – | 596 |
| Interest received | – | (570) | – | (578) |
| At the end of the year | – | 122 | – | 125 |
| Total loans and interest receivable at the end of the year | – | 9,498 | – | 16,860 |

The USD 10.0 million loan to Southwest Cheese Company, LLC was repaid 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 2014 and GBP 1.45 million on 3 October 2014. 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. During the year the Group advanced a loan for €0.35 million to Malting Company of Ireland Limited which is repayable in 2043.

38. EVENTS AFTER THE REPORTING PERIOD

There were no significant events, outside the ordinary course of business other than those described in note 36 - business combinations, that affected the Group since 04 January 2014.

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 | Chilled consumer foods | 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 |
| Glassonby | Kilkenny | Financing | 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 |
| Glanbia Performance 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 products and 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 |
| Glanbia Nutritionals (UK) Limited | Middlesbrough, England | Sports nutrition products | 100.00 |
| Glanbia Foods (NI) Limited | Portadown, Co. Armagh | Consumer food products | 100.00 |
| Glanbia Feedstuffs Limited | Victoria Square, Birmingham | Supply of animal feeds | 100.00 |

| Incorporated and operating in | Principal place of business | Principal activities | Group Interest % |
|---|------------------------------------|-----------------------------|-------------------------|
| 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 are included | Principal place of business | Principal activities | Group interest % |
|---|---|------------------------------------|------------------------------|-------------------------|
| Ireland | | | | |
| Co-operative Animal Health Limited * | 31-Dec-12 | Tullow, Co. Carlow | Agri chemicals | 50.00 |
| South Eastern Cattle Breeding Society Limited * | 31-Dec-12 | Thurles, Co. Tipperary | Cattle breeding | 57.00 |
| Malting Company of Ireland Limited * | 30-Sept-13 | Togher, Cork | Malting | 50.00 |
| South East Port Services Limited * | 04-Jan-14 | Kilkenny | Port services | 49.00 |
| Glanbia Ingredients Ireland Limited * | 04-Jan-14 | Kilkenny | Milk products | 40.00 |
| United States | | | | |
| Southwest Cheese Company, LLC ** | 04-Jan-14 | Clovis, New Mexico | Milk products | 50.00 |
| Britain and Northern Ireland | | | | |
| Glanbia Cheese Limited ** | 04-Jan-14 | Magheralin and Llangefni | Cheese products | 51.00 |
| Milk Ventures (UK) Limited ** | 30-Nov-13 | Stockport, England | Holding company | 50.00 |
| Nigeria | | | | |
| Nutricima Limited ** | 30-Nov-13 | 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

SHAREHOLDERS' INFORMATION

Stock exchange listings

The Company's shares are listed on the main market of the Irish Stock Exchange as well as having a premium listing on the main market of the London Stock Exchange.

Managing your shareholding

Computershare Investor Services (Ireland) Limited ("Computershare") maintains the Company's register of members. Should a shareholder have any queries in respect of their shareholding, they should contact Computershare directly using the contact details provided below:

Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.

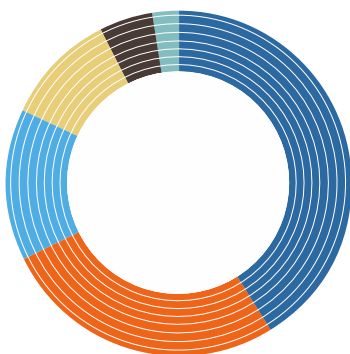
Contact details: telephone number 01 247 5349 (within Ireland), 00353 1 247 5349 (outside Ireland), or by logging on to: www.investorcentre.com/ie/contactus.

Information on shares

| | 2013 | 2012 |
|--|---------------|---------------|
| Share price data | € | € |
| Share price as at financial year end | 11.05 | 8.24 |
| Market capitalisation | 3,267m | 2,430m |
| Share price movements during the year: | | |
| – high | 11.41 | 8.24 |
| – low | 8.09 | 4.68 |

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 | 41.3% |
| Retail | 26.5% |
| UK | 14.4% |
| North America | 10.5% |
| EU | 4.9% |
| Ireland | 2.4% |

Share capital

The authorised share capital of the Company at 04 January 2014 was 306,000,000 ordinary shares at €0.06 each. The issued share capital at 04 January 2014 was 295,645,684 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 04 January 2014 and 11 March 2014 in accordance with the requirements of Rule 7 of the Transparency Rules issued by the Central Bank under section 22 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2006.

| Shareholder | No. of ordinary shares as at 04 January 2014 | % of issued share capital as at 04 January 2014 |
|--------------------------------------|--|---|
| Glanbia Co-operative Society Limited | 122,108,880 | 41.3% |
| Capital Group Companies, Inc | 12,050,287 | 4.1% |

| Shareholder | No. of ordinary shares as at 11 March 2014 | % of issued share capital as at 11 March 2014 |
|--------------------------------------|--|---|
| Glanbia Co-operative Society Limited | 122,108,880 | 41.3% |
| Capital Group Companies, Inc | 14,885,551 | 5.03% |

Employee share schemes

The Company operates a number of employee share schemes. At 04 January 2014, 864,898 ordinary shares were held in an employee benefit trusts 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 4.03 cents per share was paid in respect of ordinary shares on 11 October 2013.

Subject to shareholders' approval, a final dividend 5.97 cents per share will be paid in respect of ordinary shares on 16 May 2014 to shareholders on the register of members on 04 April 2014. 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 2013 | 12 March 2014 |
| Ex-dividend date | 02 April 2014 |
| Record date for dividend | 04 April 2014 |
| Date for receipt of proxy forms | 11 May 2014 |
| Record date for AGM | 11 May 2014 |
| AGM | 13 May 2014 |
| Dividend payment date | 16 May 2014 |

AGM

The AGM will be held on 13 May 2014. 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 2014 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 2014 AGM the record date is 5:00 pm on 11 May 2014 (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 2014 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 02 April 2014 (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 2014 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 02 April 2014 (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 2014 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 2014 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 2014 AGM (i.e. 08 May 2014) to the Group Secretary, Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie /info@glanbia.ie.

Dividend rights

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of shareholders, but no dividend shall exceed the amount recommended by the Directors. The Directors may also declare and pay interim dividends if it appears to them that the interim dividends are justified by the profits of the Company available for distribution.

Distribution on winding up

If the Company shall be wound up and the assets available for distribution among shareholders shall be insufficient to repay the whole of the paid up or credited as paid up share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by shareholders in proportion to the capital paid up or credited as paid up at the commencement of the winding up on the shares held by them respectively. Further if, in a winding up, the assets available for distribution among shareholders shall be more than sufficient to repay the whole of the share capital paid up or credited as paid up at the commencement of the winding up, the excess shall be distributed among shareholders in proportion to the capital at the commencement of the winding up paid up or credited as paid up on the said shares held by them respectively.

CONTACTS

Group Secretary and Registered Office

Michael Horan,
Glanbia plc,
Glanbia House,
Kilkenny,
Ireland.

Stockbrokers

Davy Stockbrokers,
49 Dawson Street,
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(Joint Broker)

Jefferies Hoare Govett,
Vintners Place,
68 Upper Thames Street,
London EC4V 3BJ,
United Kingdom.
(Joint Broker)

Auditors

PricewaterhouseCoopers,
Ballycar House,
Newtown,
Waterford,
Ireland.

Solicitors

Arthur Cox,
Earlsfort Centre,
Earlsfort Terrace,
Dublin 2,
Ireland.

Pinsent Masons,
3 Colmore Circus,
Birmingham B4 6BH,
United Kingdom.

Principal Bankers

Allied Irish Banks, plc
The 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 2013 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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