# 2014

## Full year results

Leading global performance nutrition and ingredients group

Wednesday, 25 February 2015

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# Strong strategic execution delivers fifth consecutive year of double digit earnings growth

25 February 2015 - Glanbia plc ("Glanbia", the "Group", the "plc"), the global performance nutrition and ingredients group, announces its results for the year ended 3 January 2015.

### Results highlights

- Delivery of 10.1% growth in adjusted earnings per share, constant currency, and a 10.0% increase in dividends;
- Total Group revenues of €3,522 million, up 6.9% on prior year, constant currency;
- Strong results from Global Performance Nutrition where revenue growth of 13.5% and a 120 basis point margin expansion drove a 26.0% increase in EBITA, constant currency;
- Satisfactory performance by Global Ingredients in the context of challenging dairy market dynamics with EBITA of €100.4 million, broadly in line with prior year;
- Strategic investments in capital expenditure and acquisitions totaled €222 million, further building our two growth platforms;
- Strong balance sheet with free cash flow up 74% to €153 million; and
- Positive 2015 outlook, with guidance of 9% to 11% growth in adjusted earnings per share, constant currency.

### Commenting today Siobhán Talbot, Group Managing Director, said:

"I am pleased to announce the fifth consecutive year of double digit growth for Glanbia in 2014 with a 10.1% increase in adjusted earnings per share, constant currency. Our focus on two scale growth platforms, Global Performance Nutrition and Global Ingredients, continues to drive earnings as we leverage our market leadership and sector expertise. In Performance Nutrition our investment in brand growth, innovation and acquisitions drove a strong performance. Our Global Ingredients business delivered a satisfactory overall performance in the context of challenging dairy market dynamics in 2014. The outlook for 2015 is positive and we are guiding 9% to 11% growth in adjusted earnings per share, constant currency. We continue to successfully execute our growth strategy and this positions Glanbia well for the delivery of our objectives from 2015 to 2018."

| **2014 results** | Reported | | | Constant currency |
|---|---|---|---|---|
| €m | 2014 | 2013 | Change | Change[1] |
| **Wholly-owned businesses** | | | | |
| Revenue | 2,538.3 | 2,382.1 | +6.6% | +6.4% |
| EBITA[2] | 208.6 | 187.7 | +11.1% | +11.1% |
| EBITA margin | 8.2% | 7.9% | + 30 bps | +30 bps |
| **Joint Ventures and Associates** | | | | |
| Revenue | 984.0 | 900.5 | +9.3% | +8.3% |
| EBITA | 36.4 | 39.0 | -6.7% | -7.6% |
| EBITA margin | 3.7% | 4.3% | -60bps | -60bps |
| **Total Group**[3] | | | | |
| Revenue | 3,522.3 | 3,282.6 | +7.3% | +6.9% |
| EBITA | 245.0 | 226.7 | +8.1% | +7.9% |
| EBITA margin | 7.0% | 6.9% | +10bps | +10bps |
| **Adjusted earnings per share** | 61.16c | 55.46c | +10.3% | +10.1% |

1. A significant portion of our earnings are denominated in US Dollar. We use constant currency reporting to eliminate the translation effect of foreign exchange on our results. The average exchange rate for 2014 was €1 = $1.327 (2013: €1 = $1.328).
2. EBITA is defined as earnings before interest, tax and amortisation and is stated before exceptional items.
3. Total Group includes Glanbia's share of Joint Ventures & Associates.

## 2014 overview and 2015 outlook

Glanbia delivered a strong performance in 2014. Total Group revenue including the Group's share of Joint Ventures & Associates was €3.5 billion, up 6.9% constant currency (7.3% reported). Total Group EBITA was €245.0 million, up 7.9% constant currency (8.1% reported). Total Group EBITA margin was 7.0%, up 10 basis points with an 8.2% margin in the wholly owned businesses, up 30 basis points. Adjusted earnings per share was 61.16 cents, up 10.1% (10.3% reported).

### Capital investment and acquisitions

Glanbia's total investment in capital expenditure was €116 million in 2014, of which €73 million was strategic investment reflecting our ongoing focus on the organic growth potential of the business. The key projects undertaken in 2014 include the commissioning of a new production facility in Global Performance Nutrition in the US, significant investment in high end whey processing (also in the US) in Global Ingredients and the completion of a plant in Dairy Ireland to produce fluid milk for export markets. The Group completed two acquisitions during the year for a total cost of €149 million, Nutramino Holding ApS ("Nutramino"), a leading Scandinavian sports nutrition business with operations in Denmark, Sweden and Norway, and The Isopure Company, LLC ("Isopure") a US based provider of premium branded sports nutrition products.

### Balance sheet and financing

At year end the Group had a net debt position of €510 million compared to €374 million in 2013. The increase in net debt was mainly due to funding the acquisitions completed during the year and the foreign exchange impact on the translation of US Dollar denominated debt to Euro at year end. In December, we refinanced our bank facilities which increased the Group's available facilities to approximately €982 million. Net debt to adjusted EBITDA at year end was 1.97 times (2013: 1.66 times) and interest cover was 8.9 times (2013: 7.8 times). Overall, the Group's financial position remains strong.

### Dividend and TSR

The Board is recommending a final dividend of 6.57 cents per share, bringing the total dividend for the year to 11.0 cents per share, representing an increase of 10%. In 2014, the share price increased 15.9% from €11.05 to €12.81. Total Shareholder Return (TSR) for the year was 16.9%.

### Board and management changes

In October, our Chairman, Liam Herlihy, announced his intention to retire at the Company Annual General Meeting (AGM) in May 2015. As Chairman, Liam guided the Group through a transformational period when a significant amount of shareholder value was created. During 2014, Jerry Liston and John Callaghan, Non-Executive Directors, also retired from the Board. On 24 February 2015, Patrick Gleeson and David Farrell informed the Board that they will retire at the Company AGM in May 2015.

Patrick Coveney and Dan O'Connor joined the Board during 2014. Patrick Coveney, aged 44, is Chief Executive Officer of Greencore Group plc, a leading international convenience food group. Dan O'Connor, aged 55, is a Non-Executive Director of CRH plc and is a former President and Chief Executive Officer of GE Consumer Finance. Paul Haran assumed the position of Senior Independent Director and Dan O'Connor became Chairman of the Audit Committee following John Callaghan's retirement. Donard Gaynor became Chairman of the Remuneration Committee. Also in 2014 Brendan Hayes rejoined the Board as a Non-Executive Director nominated by Glanbia Co-operative Society Limited.

### 2015 outlook

The Group expects to achieve growth in 2015 of 9% to 11% in adjusted earnings per share, constant currency, with growth weighted towards the second half. The outlook for Global Performance Nutrition is positive and continued investment in this business will ensure we remain in a leading position in key markets and channels. We are expecting growth in Global Ingredients in 2015 with an improvement in dairy market dynamics and solid underlying demand across key sectors. Ongoing efficiency measures in Dairy Ireland are expected to underpin a further improvement in performance and Joint Ventures & Associates are expected to be broadly in line with 2014. We reiterate our long term guidance beyond 2015 to 2018 for organic growth of 8% to 10% in adjusted earnings per share, constant currency and a return on capital employed of greater than 12%.

## 2014 operations review

### Segmental analysis (as reported)

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| €m | Revenue | EBITA | EBITA % | Revenue | EBITA | EBITA % |
| Global Performance Nutrition | 746.2 | 89.2 | 12.0% | 655.3 | 70.6 | 10.8% |
| Global Ingredients | 1,175.4 | 100.4 | 8.5% | 1,074.6 | 102.0 | 9.5% |
| Dairy Ireland | 616.7 | 19.0 | 3.1% | 652.2 | 15.1 | 2.3% |
| Total wholly-owned businesses | 2,538.3 | 208.6 | 8.2% | 2,382.1 | 187.7 | 7.9% |
| Joint Ventures & Associates | 984.0 | 36.4 | 3.7% | 900.5 | 39.0 | 4.3% |
| Total Group | 3,522.3 | 245.0 | 7.0% | 3,282.6 | 226.7 | 6.9% |

## Global Performance Nutrition

| | Reported | | | Constant Currency |
|---|---|---|---|---|
| €m | 2014 | 2013 | Change | Change |
| Revenue | 746.2 | 655.3 | +13.9% | +13.5% |
| EBITA | 89.2 | 70.6 | +26.3% | +26.0% |
| EBITA margin | 12.0% | 10.8% | +120bps | +120bps |

*Commentary is on a constant currency basis throughout*

Global Performance Nutrition delivered a strong performance in 2014. Revenues increased 13.5% to €746.2 million reflecting volume growth of 7.4%, impact of acquisitions of 5.0% and net pricing of 1.1%. EBITA increased 26.0% in the period and EBITA margins increased 120 basis points to 12.0%. The improvement in margins reflected operating leverage and improved manufacturing efficiencies associated with the new production facility in the US, partially offset by continued investment in expanding the business.

Branded revenue growth, excluding the impact of acquisitions, was 11.1% in 2014. Second half revenue growth was lower than the first half, due to some demand elasticity experienced in the third quarter following the implementation of price increases. In 2014, branded revenue grew across all key geographies with our international business outside the US continuing to perform strongly. With a direct presence in 23 markets worldwide our focus is on strengthening our position in those markets and we will continue to invest to achieve this.

The acquisition of Nutramino and Isopure during the year further consolidated our position as the global leader in performance nutrition. Both acquisitions complement and extend our existing market leading brand portfolio, bringing our total number of performance nutrition consumer brands to five, including three global and two regional brands. Nutramino provides access to the Scandinavian market and offers the potential to distribute its ready to drink (“RTD”) and bar offering to other European markets. Isopure focuses on powders and RTDs and increases our relevance to lifestyle consumers in the US, as well as having future international growth potential. Both businesses are performing in line with expectations and the integration process for each business is progressing well.

In 2014, Global Performance Nutrition continued to innovate and renovate its portfolio based on consumer and category insights. There were a number of exciting developments including the expansion of Optimum Nutrition's (ON) flagship Gold Standard brand into a new category with the launch of Gold Standard Pre-Workout; creating new protein occasions with the launch of ON Protein Energy; and the launch of the next generation of BSN's N.O.-Xplode pre-workout supplement which represented our first synchronised global product launch.

The first phase of our new state-of-the-art manufacturing plant in Illinois, US was successfully commissioned in May. The second phase, bringing the total investment to approximately $75 million, will be commissioned in 2015 and will provide the additional capacity required to support our growth targets for the next 3-4 years.

## Global Ingredients

| | Reported | | | Constant Currency |
|---|---|---|---|---|
| €m | 2014 | 2013 | Change | Change |
| Revenue | 1,175.4 | 1,074.6 | +9.4% | +9.3% |
| EBITA | 100.4 | 102.0 | -1.6% | -1.4% |
| EBITA margin | 8.5% | 9.5% | -100bps | -100bps |

*Commentary is on a constant currency basis throughout*

Global Ingredients delivered a satisfactory performance in 2014 in the context of challenging dairy markets which impacted milk procurement and whey pricing dynamics. Revenues increased 9.3% to €1,175.4 million reflecting market related price increases of 10.9% which were partially offset by a volume decline of 1.6%. EBITA decreased 1.4% arising from a decline in margins in our US Cheese and Ingredient Technologies business units.

### US Cheese

US Cheese performance for 2014 was satisfactory. Revenue growth was strong as the impact of higher average market pricing more than offset a decline in volumes related to challenging milk procurement conditions experienced earlier in the year. The milk supply environment improved from quarter two onwards in 2014 with plants broadly operating at full capacity by quarter four. Price changes and the impact of efficiency measures taken across the business partially offset higher input costs resulting in margins for the period that were somewhat behind the prior year.

Our plants had a strong operational performance in 2014. Good progress was made during the year at our Cheese Innovation Centre in Idaho enabling us to strengthen our innovation agenda with our key customers. In addition, our organic cheese initiative, launched in 2014, is gaining momentum and represents an exciting opportunity for all participants in the supply chain.

### Ingredient Technologies

Ingredient Technologies had a challenging performance in 2014 as positive revenue growth was more than offset by a decline in margins. This margin decline was driven primarily by the relative price of base whey (which drives input costs) to high-end whey selling prices.

Ingredient Technologies continues to focus on market led, collaborative innovation and our pipeline remains strong. Our high-end whey and lactoferrin capacity expansion projects in Idaho, US are progressing well. These investments, totaling $85 million, are fully aligned with our strategy of maximising the value of our whey pool and deriving an ever increasing proportion of revenues from value added ingredient systems. These investments will be fully commissioned by the end of 2015.

### Customised Solutions

Customised Solutions delivered a strong performance in 2014 reflecting a combination of positive revenue growth and higher margins. While the market remained competitive in 2014, we increased our sales with key existing customers and continued to further develop our relationships with new customers. We will continue to invest in our global operational and commercial footprint to increase our position with our customers.

## Dairy Ireland

| | Reported | | |
|---|---|---|---|
| €m | 2014 | 2013 | Change |
| Revenue | 616.7 | 652.2 | -5.4% |
| EBITA | 19.0 | 15.1 | +25.8% |
| EBITA margin | 3.1% | 2.3% | +80bps |

Dairy Ireland delivered an improved performance in 2014 driven primarily by Consumer Products. Revenues declined 5.4% reflecting a 2.2% decline in volumes and a 3.2% impact from lower pricing. An 80 basis points increase in EBITA margins more than offset the decline in revenues and EBITA increased 25.8% as a result.

### Consumer Products

Consumer Products delivered a positive performance in the period. While revenues were ahead of the prior year, performance was driven primarily by higher margins. The key component of the increase in margins was the impact of the efficiency initiatives undertaken in recent years, the benefit of which will continue in 2015. While global dairy prices have been in decline since mid-2014, the average milk cost for 2014 was broadly unchanged versus the prior year. The market environment remains challenging both from a retailer and consumer perspective. In this context, we remain focused on the optimisation of our brand portfolio in domestic and international markets as well as operating efficiencies.

### Agribusiness

Agribusiness's performance in the period was satisfactory in an environment where overall market demand diminished materially year on year. Animal feed sales were impacted by the very mild weather conditions which prevailed for much of 2014 and revenues were behind the prior year as a result. Cost savings associated with the restructuring programme implemented in 2014 helped to offset the impact of lower revenues. During the year we opened our food-grade oats mill in Ireland to produce a range of high-end products and ingredients, including gluten free oats, for international markets.

## Joint Ventures & Associates (Glanbia Share)

| | Reported | | | Constant Currency |
|---|---|---|---|---|
| €m | 2014 | 2013 | Change | Change |
| Revenue | 984.0 | 900.5 | +9.3% | +8.3% |
| EBITA | 36.4 | 39.0 | -6.7% | -7.6% |
| EBITA margin | 3.7% | 4.3% | -60bps | -60bps |

*Commentary is on a constant currency basis throughout*

After a good performance in the first half of 2014, the Joint Ventures & Associates segment was impacted by the decline in global dairy market prices in the second half of the year. Revenues increased 8.3% driven by a 2.4% increase in volumes, 5.0% impact from higher pricing, primarily at Southwest Cheese, and 0.9% impact from a small acquisition in Global Ingredients Ireland (GII). Despite the increase in revenues, EBITA declined 7.6% reflecting a 60 basis point reduction in margins.

### Glanbia Ingredients Ireland (GII)

GII delivered a satisfactory performance in 2014 whilst facing a difficult market backdrop. Revenues were slightly ahead of the prior year as higher volumes and the impact of a small acquisition in 2014 offset a decline in pricing. Milk input costs were reduced during the year in response to market conditions, however the pace and magnitude of the decline in dairy commodity prices led to a decline in margins.

The investment of €150 million in the milk processing plant at Belview, Co. Kilkenny, Ireland was completed on time and on budget. The official opening will take place in March 2015 prior to the removal of EU milk quotas in April 2015. Reflecting confidence in the future of the Irish dairy sector, GII recently announced an additional €35 million capital expenditure investment to further upgrade the Belview site to produce value added ingredients for the infant formula sector.

### Southwest Cheese (SWC)

Revenues for SWC in 2014 were strong as a result of higher year on year cheese market prices in the US, an excellent operating performance and record volumes of cheese produced. There was an overall decline in year on year margins caused primarily by an unfavourable timing effect associated with the sharp decline in cheese market prices in the last two months of the year.

### Glanbia Cheese

Glanbia Cheese delivered a positive performance in the year underpinned by growing demand trends across the European mozzarella market. Revenues increased moderately as volume growth more than offset a decline in prices. While mozzarella prices were lower on average in the year, milk input prices adjusted accordingly and margins increased versus the prior year.

### Nutricima

Nutricima delivered an improved performance in the period reflecting a combination of revenue growth and improved margins. The increase in revenues were driven by price and volume growth. However, the market and political conditions in Nigeria remain very challenging.

## 2015 Group outlook

The overall outlook for 2015 is positive and we are guiding 9% to 11% growth in adjusted earnings per share on a constant currency basis.

### Global Performance Nutrition

The outlook for Global Performance Nutrition in 2015 is positive. The strength of our brand portfolio and our proactive approach with regard to innovation and marketing initiatives will enable us to remain in a strong competitive position. The performance nutrition market remains competitive and the strengthening of the US Dollar has the potential to impact demand in some international markets. We expect some continued operational leverage upside through 2015 although this will be partially offset by our ongoing investment in expanding the business. We continue to target growth in branded revenue ahead of the market, while we note that given the strong performance during the first half of 2014, this growth will be weighted towards the second half of the year.

### Global Ingredients

We are expecting an improved performance for Global Ingredients in 2015. Our strategy of maximising the value of our ingredient pool in dairy will continue to deliver results. The high-end whey and lactoferrin expansion projects will begin to contribute in the second half of 2015 with the full impact coming through in 2016. Milk procurement conditions and whey price dynamics have improved to date in 2015 and the underlying demand profile across each of our businesses remains solid. We expect further progress in the development of our non-dairy ingredients portfolio in 2015.

### Dairy Ireland

The outlook for Dairy Ireland is broadly positive. We expect both Consumer Products and Agribusiness to see a further reduction in their cost base in 2015 from the ongoing efficiency measures being taken across the businesses.

### Joint Ventures & Associates

Joint Ventures & Associates are expected to deliver a performance broadly in line with 2014 as dairy market conditions stabilise.

## 2014 finance review

| 2014 results summary pre exceptional<br>€m | 2014 | 2013 | Change | Constant Currency Change |
|---|---|---|---|---|
| **Revenue** | **2,538.3** | **2,382.1** | **+6.6%** | **+6.4%** |
| EBITA | 208.6 | 187.7 | +11.1% | +11.1% |
| *EBITA margin* | *8.2%* | *7.9%* | +30bps | +30bps |
| - Amortisation of intangible assets | (22.5) | (21.0) | | |
| - Net finance costs | (20.3) | (23.0) | | |
| - Share of results of Joint Ventures & Associates | 23.7 | 26.5 | | |
| - Income tax | (28.3) | (24.7) | | |
| **Profit for the year** | **161.2** | **145.5** | | |

### Income statement

Wholly owned revenue increased 6.4% (6.6% reported) to €2.5 billion (2013: €2.4 billion). EBITA grew by 11.1% (11.1% reported) to €208.6 million (2013: €187.7 million). EBITA margin increased by 30 basis points to 8.2%.

Net financing costs decreased by €2.7 million to €20.3 million (2013: €23.0 million). The interest reduction arose from the repayment of cumulative redeemable preference shares during the year and capitalisation of interest related to our capital expenditure programme. The Group's average interest rate for the period was 4.4% (2013: 5.1%). Glanbia operates a policy of fixing a significant amount of its interest exposure, with 70% of projected 2015 debt currently contracted at fixed rates for 2015.

The 2014 pre exceptional tax charge increased by €3.6 million to €28.3 million (2013: €24.7 million). This represents an effective rate, excluding Joint Ventures & Associates, of 17.0% (2013: 17.2%).

The Group's share of results of Joint Ventures & Associates decreased by €2.8 million to €23.7 million (2013: €26.5 million). Share of results of Joint Ventures & Associates is an after tax and interest amount.

| Joint Ventures & Associates - Reconciliation of EBITA to share of results<br>€m | 2014 | 2013 |
|---|---|---|
| EBITA of Joint Ventures & Associates | 36.4 | 39.0 |
| Amortisation | (0.4) | (0.3) |
| Finance costs | (5.3) | (4.2) |
| Income tax | (7.0) | (8.0) |
| Share of results as reported in the Income Statement | 23.7 | 26.5 |

### Adjusted earnings per share

| | 2014 | 2013 | Change | Constant Currency Change |
|---|---|---|---|---|
| Adjusted earnings per share | 61.16c | 55.46c | +10.3% | +10.1% |

Total adjusted earnings per share grew 10.1% (10.3% reported), driven by growth in EBITA. 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.

## Exceptional items

| €m | 2014 | 2013 |
|---|---|---|
| 1. Rationalisation costs | (6.4) | (8.0) |
| 2. Transaction related costs | (9.6) | - |
| Revision to Group pension schemes | - | 13.8 |
| Exceptional (charge)/credit pre-tax | (16.0) | 5.8 |
| Taxation credit/(charge) | 1.9 | (0.3) |
| Total exceptional (charge)/credit | (14.1) | 5.5 |

2014 exceptional items resulted in an exceptional charge of €14.1 million for the year compared to a €5.5 million credit in 2013. Details of the 2014 exceptional items are as follows:

1. Rationalisation costs amounting to €6.4 million were incurred in Dairy Ireland during the year as both Consumer Products and Agribusiness continued their rationalisation programmes. The cost primarily relate to redundancy and a related write down of tangible assets of €3.2m. We expect to complete these programmes in 2015 with a cost of approximately €12 million for the year.

2. Transaction related costs comprise:
   (i) €3.1 million related to acquisition activities that did not come to fruition. The primary costs incurred were legal, taxation, due diligence, other consultancy, and loan facility fees.
   (ii) The Group acquired Nutramino Holding ApS on 17 January 2014 (see note 11). The fair value of the contingent consideration at that date was €4.8m based on management's forecast EBITDA for the business. Following a better than anticipated performance since acquisition, an additional earn out of €6.5m is payable. In accordance with IFRS 3 – Business Combinations, any subsequent increase in contingent consideration to that estimated at the acquisition date must be charged to the Income Statement.

The pre tax cash cost of exceptional items in 2014 was €16.4 million (€3.0 million in 2013).

## Dividend per share

The Board is recommending a final dividend of 6.57 cents per share (2013: final dividend 5.97 cents per share). This represents an increase of 10% in the year and brings the total dividend for the year to 11.00 cents per share (2013: 10.00 cents per share).

## Cash flow

| €m | 2014 | 2013 |
|---|---|---|
| EBITDA | **240.6** | **214.6** |
| Working capital movement | 8.2 | (39.9) |
| Business sustaining capital expenditure | (42.6) | (35.7) |
| **Operating cash flow** | **206.2** | **139.0** |
| Net interest and tax paid | (57.1) | (55.8) |
| Dividends from Joint Ventures | 12.6 | 10.9 |
| Other outflows | (9.1) | (6.5) |
| **Free cash flow** | **152.6** | **87.6** |
| Strategic capital expenditure | (72.9) | (76.5) |
| Acquisitions/disposals | (137.4) | 8.5 |
| Equity dividends | (30.8) | (27.9) |
| Exceptional costs paid | (16.4) | (3.0) |
| Loans repaid by Joint Ventures | - | 7.2 |
| **Cash flow pre currency exchange/fair value adjustments** | **(104.9)** | **(4.1)** |
| Currency exchange/ fair value adjustments | (31.1) | 6.3 |
| **Net debt movement** | **(136.0)** | **2.2** |
| Net debt at the beginning of the year | (374.4) | (376.6) |
| **Net debt at the end of the year** | **(510.4)** | **(374.4)** |

## Cash and working capital

During 2014 we increased our focus on working capital and initiated programmes to improve management of inventory as well as payables and receivables. On inventory we have implemented improved sales and operations planning processes Group wide. We plan to review the results of this programme regularly and look for continuing improvements. In addition we performed a best practice benchmark review of our payables and receivables practices and have identified a number of improvement opportunities which we will begin implementing in 2015.

At the end of 2014 working capital was €252 million, in line with prior year on a constant currency basis, and compares to significant increases in the previous two years. While we expect that working capital may increase as the Group continues to grow, our goal is to have working capital grow at a slower pace than revenues.

Overall free cash flow was €153 million in 2014, a strong increase from €88 million in 2013 and €65 million in 2012. Operating cash flow increased from €139 million to €206 million.

## Investing for growth

In 2014 we continued our programme of organic and external investments to drive growth, investing €222 million on acquisitions and strategic capital expenditure programmes.

We completed two acquisitions in the Global Performance Nutrition segment during the year, Nutramino in Scandanavia for €21 million, plus €7 million additional earnout, and Isopure in the U.S. for €121 million. Both will add further geographic reach and additional consumers to the segment and are strong additions to our portfolio of brands.

We announced the expansion of high-end whey processing and lactoferrin capacity by Global Ingredients in Idaho, which we expect to complete in late 2015. In addition, we opened our new manufacturing facility for Global Performance Nutrition in Chicago. Strategic capital expenditure amounted to €73 million in 2014. We are guiding total capital expenditure investment of between €120 million and €130 million in 2015.

We have considerable financing capacity available to continue to invest in growth opportunities going forward. We currently have additional debt capacity of approximately €250 million and we would have the ability to raise additional funds through the use of equity should the need arise, something we believe would be supported by our Board and Shareholders.

## Group financing

| Financing key performance indicators | 2014 | 2013 |
|---|---|---|
| Net debt : adjusted EBITDA[1] | 1.97 times | 1.66 times |
| Adjusted EBIT[1] : net finance cost | 8.9 times | 7.8 times |

1. Definition of adjusted EBITDA and adjusted EBIT are as per our financing agreements and include dividends from Joint Ventures & Associates.

The Group's financial position continues to be strong. Net debt at the end of 2014 was €510 million. This is an increase from €374 million in 2013 and can be primarily attributed to funding the two acquisitions completed during the year as well as the impact of a stronger dollar at year end on translation of our US dollar debt. Net debt to adjusted EBITDA was just under 2 times and interest cover was 8.9 times, both metrics remaining well within our financing covenants. During the year we refinanced and increased our committed bank facilities which will result in lower financing costs. As at year end we had bank facilities of €713 million which will mature in January 2020 and private placement debt of $325 million which will mature in June 2021. During the year cumulative redeemable preference shares of €39 million were repaid.

## Return on capital employed

| | 2014 | 2013 | Change |
|---|---|---|---|
| Return on capital employed[1] | 13.4% | 14.2% | -80bps |

1. Return on capital employed (ROCE) is calculated as Group earnings before interest and amortisation, net of tax plus Group's share of results of Joint Ventures & Associates after interest and tax, over capital employed. Capital employed is defined as the Group's total assets less current liabilities excluding all borrowings, cash and deferred tax balances plus cumulative intangible asset amortisation.

The return on capital employed has decreased by 80 basis points to 13.4% (2013: 14.2%) due to acquisitions and strategic capital expenditure in 2014 as returns from these investments will build over time. 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

The Group's net pension liability under IAS 19 (revised) 'Employee Benefits', before deferred tax, increased in 2014 by €36.8 million to €114.8 million (2013: €78 million). This increase primarily relates to the decrease in the discount rate used in valuing the net pension obligation, from 3.6% at the end of 2013 to 2.1% at end of 2014, reflecting the fall in AA Corporate Bond yields during the year.

## Delivering returns to shareholders

The past year was another strong year for shareholder returns. Total shareholder return for the year was 16.9% following 35.4% in 2013. The Glanbia share price at the end of the financial year was €12.81 compared to €11.05 at the 2013 year end. The share price outperformed the STOXX Europe 600 Food & Beverage Index by 3.2% in 2014.

## Principal risks and uncertainties affecting the Group's performance in 2015

The performance of the Group is influenced by global economic growth and consumer confidence in the markets in which it operates. In 2015 the principal risks and uncertainties affecting the Group's performance are:

- The competitive landscape for Global Performance Nutrition, recognising the impact of a stronger dollar on the purchasing power of consumers in certain international markets;
- The overall impact on margins of movements in dairy pricing particularly in whey markets; and
- The potential impact of geopolitical unrest and macro-economic uncertainty on our international growth strategy.

The Board has the ultimate responsibility for risk management and principal risks and uncertainties will be outlined in detail in the 2014 Annual Report.

## Financial strategy

Our financial strategy is very much aligned with the Group's overall strategy of ensuring the Group delivers on our key financial goals of organic adjusted EPS growth on a constant currency basis of 8% to 10% while maintaining a minimum return on capital employed of 12%.

Specific financial goals to enable our strategy include:

- Assessing both external and organic investment opportunities against a minimum benchmark of 12% return after tax by year three;
- Focusing the organisation on cash conversion through improved working capital management and moderate business sustaining capital expenditure;
- Leveraging the Group's activities to enable improved cost structures utilising shared services, procurement, IT, and a continuous improvement mindset; and
- Maintaining overall debt levels below a target net debt to adjusted EBITDA ratio of 3.0.

## Investor relations

During 2014 we continued to build upon our engagement with investors. Our research coverage grew to nine institutions, up from seven in 2013. For the first time we were invited to the Consumer Analysts Group of Europe conference in London as well as other leading Investment Bank conferences and roadshows in the US and Europe. We presented bi-annual updates to the Council and Regional Committees of Glanbia Co-operative Society Limited, our largest shareholder and we also presented at over ten capital markets' conferences and met with over 250 market participants. We hosted a successful Capital Markets' Day in Chicago focused on our Global Performance Nutrition business which was attended by representatives from over 25 institutions. We took the opportunity to showcase our new state-of-the-art facility in Aurora outside Chicago. In addition investors had the opportunity to hear from our Global Performance Nutrition Senior Management team covering sales, marketing, operations and consumer insights. In 2015 our dedicated Investor Relations team will continue to work on building awareness of Glanbia with additional focus on the US investor community.

### Annual General Meeting (AGM)

The Company's AGM will be held on Tuesday, 12 May 2015, in the Lyrath Estate Hotel, Dublin Road, Kilkenny, Ireland.

### Cautionary statement

This announcement 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 announcement, whether as a result of new information, future events, or otherwise.

### Results webcast and dial-in details

There will be a webcast and presentation to accompany this results announcement at 8.30 a.m. GMT today. Please access the webcast from our website at http://glanbia.com/investors/results-centre, where the presentation can also be viewed or downloaded. In addition, a dial-in facility is available using the following numbers:

| | |
|---|---|
| Ireland | 01 247 6528 |
| UK | 0203 427 1910 |
| Europe | +44 20 3427 1910 |
| USA | (646) 254 3361 |

The access code for all participants is: 9020668

A replay of the call will be available for 30 days approximately two hours after the call ends.

### For further information contact

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Siobhán Talbot, Group Managing Director
Mark Garvey, Group Finance Director
Liam Hennigan, Head of Investor Relations +353 56 777 2308
Geraldine Kearney, Corporate Communications Director + 353 87 231 943

**Group income statement**
for the financial year ended 03 January 2015

| | Notes | Pre-exceptional 2014 €'000 | Exceptional 2014 €'000 (note 3) | Total 2014 €'000 | Pre-exceptional 2013 €'000 | Exceptional 2013 €'000 (note 3) | Total 2013 €'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | 2 | **2,538,368** | **–** | **2,538,368** | **2,382,133** | **–** | **2,382,133** |
| **Earnings before interest, tax and amortisation (EBITA)** | | **208,634** | **(15,949)** | **192,685** | **187,665** | **5,804** | **193,469** |
| Intangible asset amortisation | | (22,512) | – | (22,512) | (21,011) | – | (21,011) |
| **Operating profit** | | **186,122** | **(15,949)** | **170,173** | **166,654** | **5,804** | **172,458** |
| Finance income | 4 | 1,725 | – | 1,725 | 2,168 | – | 2,168 |
| Finance costs | 4 | (22,050) | – | (22,050) | (25,110) | – | (25,110) |
| Share of results of Joint Ventures & Associates | | 23,729 | – | 23,729 | 26,488 | – | 26,488 |
| **Profit before taxation** | | **189,526** | **(15,949)** | **173,577** | **170,200** | **5,804** | **176,004** |
| Income taxes | 5 | (28,252) | 1,870 | (26,382) | (24,692) | (316) | (25,008) |
| **Profit for the year** | | **161,274** | **(14,079)** | **147,195** | **145,508** | **5,488** | **150,996** |
| **Attributable to:** | | | | | | | |
| Equity holders of the Parent | | | | 146,313 | | | 150,330 |
| Non-controlling interests | | | | 882 | | | 666 |
| | | | | **147,195** | | | **150,996** |
| **Earnings per share attributable to the equity holders of the Parent** | | | | | | | |
| Basic earnings per share (cents) | 6 | | | 49.60 | | | 51.01 |
| Diluted earnings per share (cents) | 6 | | | 49.32 | | | 50.66 |

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

## Group statement of comprehensive income

for the financial year ended 03 January 2015

| | Notes | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| **Profit for the year** | | **147,195** | **150,996** |
| | | | |
| **Other comprehensive income/(expense)** | | | |
| **Items that are not reclassified subsequently to the Group income statement:** | | | |
| Remeasurements – defined benefit schemes | 9 | (42,369) | (1,546) |
| Deferred tax credit/(charge) on remeasurements | 9 | 4,868 | (166) |
| Share of remeasurements – Joint Ventures & Associates | 9 | (8,900) | (1,149) |
| Deferred tax credit on remeasurements – Joint Ventures & Associates | 9 | 1,120 | 220 |
| | | | |
| **Items that may be reclassified subsequently to the Group income statement:** | | | |
| Currency translation differences | | 97,805 | (24,592) |
| Net investment hedge | | (9,544) | 2,472 |
| Revaluation of available for sale financial assets | | 1,457 | 1,425 |
| Fair value movements on cash flow hedges | | 507 | 898 |
| Deferred tax on cash flow hedges and revaluation of available for sale financial assets | | (140) | (541) |
| **Other comprehensive income/(expense) for the year, net of tax** | | **44,804** | **(22,979)** |
| | | | |
| **Total comprehensive income for the year** | | **191,999** | **128,017** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Parent | | 191,117 | 127,351 |
| Non-controlling interests | | 882 | 666 |
| | | | |
| **Total comprehensive income for the year** | | **191,999** | **128,017** |

**Group statement of changes in equity**
for the financial year ended 03 January 2015

| | Attributable to equity holders of the Parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital and share premium €'000 | Other reserves €'000 | Retained earnings €'000 (note 9) | Total €'000 | Non-controlling interests €'000 | Total €'000 |
| **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 movement | – | (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** |
| Profit for the year | – | – | 146,313 | 146,313 | 882 | 147,195 |
| **Other comprehensive income/(expense)** | | | | | | |
| Remeasurements – defined benefit schemes | – | – | (42,369) | (42,369) | – | (42,369) |
| Deferred tax on remeasurements | – | – | 4,868 | 4,868 | – | 4,868 |
| Share of remeasurements – Joint Ventures & Associates | – | – | (7,780) | (7,780) | – | (7,780) |
| Fair value movements | – | 1,964 | – | 1,964 | – | 1,964 |
| Deferred tax on fair value movements | – | (140) | – | (140) | – | (140) |
| Currency translation differences | – | 97,805 | – | 97,805 | – | 97,805 |
| Net investment hedge | – | (9,544) | – | (9,544) | – | (9,544) |
| **Total comprehensive income for the year** | **–** | **90,085** | **101,032** | **191,117** | **882** | **191,999** |
| Dividends paid during the year | – | – | (30,751) | (30,751) | (620) | (31,371) |
| Cost of share based payments | – | 5,516 | – | 5,516 | – | 5,516 |
| Transfer on exercise, vesting or expiry of share based payments | – | 4,361 | (4,361) | – | – | – |
| Deferred tax on share based payments | – | – | 272 | 272 | – | 272 |
| Sale of shares held by subsidiary | – | – | 2,092 | 2,092 | – | 2,092 |
| Shares issued | 14 | – | – | 14 | – | 14 |
| Premium on shares issued | 717 | – | – | 717 | – | 717 |
| Purchase of own shares | – | (7,981) | – | (7,981) | – | (7,981) |
| **Balance at 03 January 2015** | **104,728** | **218,581** | **473,573** | **796,882** | **7,896** | **804,778** |

## Group balance sheet
as at 03 January 2015

| | Notes | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 490,180 | 373,972 |
| Intangible assets | | 662,169 | 454,486 |
| Investments in associates | | 81,365 | 80,492 |
| Investments in joint ventures | | 69,945 | 62,894 |
| Trade and other receivables | | 9,863 | 9,376 |
| Deferred tax assets | | 28,503 | 22,464 |
| Available for sale financial assets | | 10,621 | 9,498 |
| | | **1,352,646** | **1,013,182** |
| **Current assets** | | | |
| Inventories | | 336,802 | 314,481 |
| Trade and other receivables | | 305,027 | 257,216 |
| Derivative financial instruments | | 1,279 | 1,750 |
| Cash and cash equivalents | 8 | 110,370 | 106,259 |
| | | **753,478** | **679,706** |
| **Total assets** | | **2,106,124** | **1,692,888** |
| **EQUITY** | | | |
| **Issued capital and reserves attributable to equity holders of the Parent** | | | |
| Share capital and share premium | | 104,728 | 103,997 |
| Other reserves | | 218,581 | 126,600 |
| Retained earnings | 9 | 473,573 | 405,289 |
| | | **796,882** | **635,886** |
| Non-controlling interests | | 7,896 | 7,634 |
| **Total equity** | | **804,778** | **643,520** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 8 | 620,317 | 441,641 |
| Deferred tax liabilities | | 128,002 | 95,584 |
| Retirement benefit obligations | | 114,808 | 78,035 |
| Provisions for other liabilities and charges | | 18,569 | 18,492 |
| Capital grants | | 2,214 | 2,471 |
| | | **883,910** | **636,223** |
| **Current liabilities** | | | |
| Trade and other payables | | 390,350 | 344,642 |
| Current tax liabilities | | 3,115 | 1,415 |
| Borrowings | 8 | 416 | 39,062 |
| Derivative financial instruments | | 574 | 1,725 |
| Provisions for other liabilities and charges | | 22,981 | 26,301 |
| | | **417,436** | **413,145** |
| **Total liabilities** | | **1,301,346** | **1,049,368** |
| **Total equity and liabilities** | | **2,106,124** | **1,692,888** |

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

**Group statement of cash flows**
for the financial year ended 03 January 2015

| | Notes | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operating activities | 10 | 230,716 | 169,296 |
| Interest received | | 1,683 | 2,253 |
| Interest paid | | (24,358) | (26,409) |
| Tax paid | | (34,393) | (31,600) |
| **Net cash inflow from operating activities** | | **173,648** | **113,540** |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries - purchase consideration | 11 | (125,812) | – |
| Acquisition of subsidiaries - liabilities settled at completion | 11 | (16,138) | – |
| Acquisition of subsidiaries - cash acquired | 11 | 2,768 | – |
| Insurance proceeds | | 1,035 | 7,670 |
| Purchase of property, plant and equipment | | (101,953) | (94,897) |
| Purchase of intangible assets | | (13,532) | (17,346) |
| Dividends received from Joint Ventures | | 12,648 | 10,937 |
| Loans repaid by Joint Ventures & Associates | | – | 7,178 |
| Decrease in available for sale financial assets | | 334 | 1,752 |
| Proceeds from property, plant and equipment | | 63 | 780 |
| **Net cash (outflow) from investing activities** | | **(240,587)** | **(83,926)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | 731 | 1,902 |
| Sale of shares held by subsidiary | | 2,092 | – |
| Purchase of own shares | | (7,981) | (7,387) |
| Increase/(decrease) in borrowings | | 138,242 | (138,496) |
| Redemption of preference shares | | (39,062) | (24,425) |
| Finance lease payments | | (313) | – |
| Dividends paid to Company shareholders | 7 | (30,751) | (27,929) |
| Dividends paid to non-controlling interests | | (620) | (307) |
| **Net cash inflow/(outflow) from financing activities** | | **62,338** | **(196,642)** |
| **Net (decrease) in cash and cash equivalents** | | **(4,601)** | **(167,028)** |
| Cash and cash equivalents at the beginning of the year | | 106,259 | 275,572 |
| Effects of exchange rate changes on cash and cash equivalents | | 8,712 | (2,285) |
| **Cash and cash equivalents at the end of the year** | 8 | **110,370** | **106,259** |

| **Reconciliation of net cash flow to movement in net debt** | | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| **Net (decrease) in cash and cash equivalents** | | **(4,601)** | **(167,028)** |
| Cash movements from debt financing | | (98,867) | 162,921 |
| Acquisition of subsidiaries - debt acquired | 11 | (1,401) | – |
| | | **(104,869)** | **(4,107)** |
| Fair value movement of currency swaps | | (453) | 674 |
| Exchange translation adjustment on net debt | | (30,597) | 5,549 |
| **Movement in net debt in the year** | | **(135,919)** | **2,116** |
| Net debt at the beginning of the year | | (374,444) | (376,560) |
| **Net debt at the end of the year** | | **(510,363)** | **(374,444)** |
| **Net debt comprises:** | | | |
| Borrowings | 8 | (620,733) | (480,703) |
| Cash and cash equivalents | 8 | 110,370 | 106,259 |
| | | **(510,363)** | **(374,444)** |

## 1. Basis of preparation

The financial information set out in this document does not constitute full statutory Financial Statements but has been derived from the Group Financial Statements for the year ended 03 January 2015 (referred to as the 2014 Financial Statements). The Group Financial Statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the EU. The 2014 Financial Statements have been audited and have received an unqualified audit report. Amounts are stated in euro thousands (€'000) unless otherwise stated. The financial information is prepared for a 52 week period ending on 03 January 2015. Comparatives are for the 53 week period ending on 04 January 2014. The balance sheets for 2014 and 2013 have been drawn up as at 03 January 2015 and 04 January 2014 respectively.

The financial information has 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 Group's accounting policies which will be included in the 2014 Financial Statements are broadly consistent with those as set out in the 2013 Financial Statements.

The Financial Statements were approved by the Board of Directors on 24 February 2015 and signed on its behalf by L Herlihy, S Talbot, and M Garvey.

## 2. Segment information

In accordance with IFRS 8 - Operating Segments, the Group has four segments 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 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 revenues as follows: Global Performance Nutrition earns its revenue from performance nutrition products; Global Ingredients earns its revenue from the manufacture and sale of cheese, dairy and non dairy nutritional ingredients and vitamin and mineral premixes; 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, dairy ingredients and dairy consumer products.

Each segment is reviewed in its totality by the Chief Operating Decision Maker. The Glanbia Operating Executive Committee assesses the trading performance of operating segments based on a measure of earnings before interest, tax, amortisation and exceptional items.

Amounts stated below for Joint Ventures & Associates represents the Group's share.

### 2.1 The segment results for the year ended 03 January 2015 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) | 746,381 | 1,210,376 | 616,744 | 984,016 | 3,557,517 |
| Inter-segment revenue | | (154) | (34,979) | – | – | (35,133) |
| **Segment external revenue** | | **746,227** | **1,175,397** | **616,744** | **984,016** | **3,522,384** |
| **Segment earnings before interest, tax, amortisation and exceptional items (EBITA)** | (b) | **89,188** | **100,426** | **19,020** | **36,427** | **245,061** |

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €21.2 million and related party sales between Global Ingredients and Joint Ventures & Associates of €18.2 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.

**2.1 (a): Total gross segment revenue is reconciled to reported external revenue as follows:**

| | 2014 €'000 |
|---|---|
| **Total gross segment revenue** | **3,557,517** |
| Inter-segment revenue | (35,133) |
| Joint Ventures & Associates revenue | (984,016) |
| **Reported external revenue** | **2,538,368** |

**2.1 (b): Segment earnings before interest, tax, amortisation and exceptional items are reconciled to reported profit before tax and profit after tax as follows:**

| | 2014 €'000 |
|---|---|
| **Segment earnings before interest, tax, amortisation and exceptional items** | **245,061** |
| Amortisation | (22,512) |
| Exceptional items | (15,949) |
| Joint Ventures & Associates interest, tax and amortisation | (12,698) |
| Finance income | 1,725 |
| Finance costs | (22,050) |
| **Reported profit before tax** | **173,577** |
| Income taxes | (26,382) |
| **Reported profit after tax** | **147,195** |

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 03 January 2015 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 | 5,609 | 18,359 | 8,262 | 14,394 | 46,624 |
| Amortisation of intangibles | 12,727 | 7,416 | 2,369 | 394 | 22,906 |
| Capital grants released to the income statement | (15) | (53) | (196) | (1,142) | (1,406) |
| Exceptional items before tax | 9,570 | – | 6,379 | – | 15,949 |

**The segment assets and liabilities at 03 January 2015 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) | 801,572 | 709,810 | 293,186 | 161,173 | 1,965,741 |
| Segment liabilities | (d) | 160,139 | 230,678 | 197,583 | – | 588,400 |
| Segment capital expenditure and acquisitions | (e) | 186,700 | 64,439 | 29,367 | 56,469 | 336,975 |

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

| | 2014 €'000 |
|---|---|
| Segment assets | 1,965,741 |
| Unallocated assets | 140,383 |
| **Reported assets** | **2,106,124** |

Unallocated assets primarily include tax, cash and cash equivalents, available for sale financial assets and derivatives.

**2.1 (d): Segment liabilities are reconciled to reported liabilities as follows:**

| | 2014 €'000 |
|---|---|
| Segment liabilities | 588,400 |
| Unallocated liabilities | 712,946 |
| **Reported liabilities** | **1,301,346** |

Unallocated liabilities primarily include items such as tax, borrowings and derivatives.

**2.1 (e): Segment capital expenditure and acquisitions are reconciled to reported capital expenditure and acquisitions as follows:**

| | 2014 €'000 |
|---|---|
| Segment capital expenditure and acquisitions | 336,975 |
| Joint Ventures & Associates capital expenditure | (56,469) |
| Unallocated capital expenditure | 3,119 |
| **Reported capital expenditure and acquisitions** | **283,625** |

**2.2 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** | (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 normal commercial terms and conditions that would also be available to unrelated third parties.

**2.2 (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** |

**2.2 (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 |

**2.2 (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.

**2.2 (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.

**2.2 (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** |

**2.3 Entity wide disclosures**

Revenue from external customers in the Global Performance Nutrition, Global Ingredients, Dairy Ireland and Joint Ventures & Associates segments is outlined in section 2.1 and 2.2 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:

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| USA | 1,823,565 | 1,630,524 |
| Ireland | 745,524 | 784,985 |
| UK | 212,774 | 196,321 |
| Rest of Europe | 312,492 | 243,939 |
| Other | 428,029 | 426,830 |
| | **3,522,384** | **3,282,599** |

Revenue of approximately €350.3 million (2013: €297.4 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 €767.5 million (2013: €701.5 million) and located in other countries, mainly the USA, is €556.7 million (2013: €289.2 million).

## 3. Exceptional items

| | Notes | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| Rationalisation costs | (a) | (6,379) | (8,029) |
| Transaction related costs | (b) | (9,570) | – |
| Irish defined benefit pension schemes | (c) | – | 13,833 |
| **Total exceptional (charge)/credit before tax** | | **(15,949)** | **5,804** |
| Exceptional tax credit/(charge) | 5 | 1,870 | (316) |
| **Total exceptional (charge)/credit** | | **(14,079)** | **5,488** |

(a) Rationalisation costs primarily relate to the ongoing redundancy programmes in the Dairy Ireland segment and a related write down of tangible assets of €3.2 million.

(b) The Group acquired Nutramino Holding ApS on 17 January 2014 (see note 11). The fair value of the contingent consideration at that date was €4.8 million based on management's forecast EBITDA for the business. Following a better than anticipated performance since acquisition, an additional earn out of €6.5 million is payable. In accordance with IFRS 3 - Business Combinations, any subsequent increase in contingent consideration to that estimated at the acquisition date must be charged to the income statement.

The balance of transaction related costs, €3.1 million, relates to acquisition activities that did not come to fruition. The primary costs incurred were legal, taxation, due diligence, other consultancy and loan facility fees.

(c) 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 were 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 arose 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.

## 4. Finance income and costs

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| **Finance income** | | |
| Interest income | 1,725 | 2,168 |
| **Total finance income** | **1,725** | **2,168** |
| **Finance costs** | | |
| Bank borrowings costs on loans repayable in greater than five years | (6,812) | (9,327) |
| Unwinding of discounts | (165) | (118) |
| Finance lease costs | (70) | – |
| Finance cost of private debt placement | (13,442) | (12,989) |
| Finance cost of preference shares | (1,561) | (2,676) |
| **Total finance costs** | **(22,050)** | **(25,110)** |
| **Net finance costs** | **(20,325)** | **(22,942)** |

Net finance costs do not include borrowing costs of €2.0 million attributable to the acquisition, construction or production of a qualifying asset, which have been capitalised.

## 5. Income taxes

| | Notes | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| **Current tax** | | | |
| Irish current tax | | 14,124 | 10,800 |
| Adjustments in respect of prior years | | 787 | 858 |
| Irish current tax for the year | | 14,911 | 11,658 |
| Foreign current tax | | 16,332 | 13,403 |
| Adjustments in respect of prior years | | 1,925 | (2,238) |
| Foreign current tax for the year | | 18,257 | 11,165 |
| **Total current tax** | | **33,168** | **22,823** |
| **Deferred tax** | | | |
| Deferred tax – current year | | (3,681) | 356 |
| Adjustments in respect of prior years | | (1,235) | 1,513 |
| **Total deferred tax** | | **(4,916)** | **1,869** |
| **Pre exceptional tax charge** | | **28,252** | **24,692** |
| **Exceptional tax (credit)/charge** | | | |
| Current tax | (a) | (1,469) | (907) |
| Deferred tax | (a) | (401) | 1,223 |
| **Total tax charge for the year** | | **26,382** | **25,008** |

(a) Notes on exceptional tax (credit)/charge:

- (i) The rationalisation costs in the Dairy Ireland segment resulted in an exceptional current tax credit of €0.4 million (2013: €0.9 million) and an exceptional deferred tax credit of €0.4 million (2013: nil).
- (ii) The Group incurred transaction costs in 2014 relating to acquisition activities that did not come to fruition, which resulted in an exceptional current tax credit of €1.1 million.
- (iii) In 2013 the revisions to the Group's Irish pension arrangements resulted in an exceptional deferred tax charge of €1.2 million.

The exceptional net tax (credit)/charge in 2014 and 2013 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:**

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| **Profit before tax** | **173,577** | **176,004** |
| Income tax calculated at Irish rate of 12.5% (2013: 12.5%) | 21,697 | 22,000 |
| Earnings at higher/(reduced) Irish rates | 2 | 29 |
| Difference due to overseas tax rates | 7,305 | 9,017 |
| Adjustment to tax charge in respect of previous periods | 1,477 | 133 |
| Tax on post tax profits of Joint Ventures & Associates included in profit before tax | (2,966) | (3,299) |
| Other reconciling differences | (1,133) | (2,872) |
| **Total tax charge** | **26,382** | **25,008** |

**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 acquisitions and disposals.

## 6. 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.

| | 2014 | 2013 |
|---|---|---|
| Profit attributable to equity holders of the Parent (€'000) | 146,313 | 150,330 |
| Weighted average number of ordinary shares in issue | 295,011,089 | 294,712,649 |
| **Basic earnings per share (cents per share)** | **49.60** | **51.01** |

### 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.

| | 2014 | 2013 |
|---|---|---|
| Weighted average number of ordinary shares in issue | 295,011,089 | 294,712,649 |
| Adjustments for share options and share awards | 1,645,431 | 2,041,339 |
| **Adjusted weighted average number of ordinary shares** | **296,656,520** | **296,753,988** |
| **Diluted earnings per share (cents per share)** | **49.32** | **50.66** |

### 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.

| | 2014<br>€'000 | 2013<br>€'000 |
|---|---|---|
| Profit attributable to equity holders of the Parent | 146,313 | 150,330 |
| Amortisation of intangible assets (net of related tax) | 19,698 | 18,385 |
| Amortisation of Joint Ventures & Associates intangible assets (net of related tax) | 345 | 222 |
| Net exceptional items | 14,079 | (5,488) |
| **Adjusted net income** | **180,435** | **163,449** |
| **Adjusted earnings per share (cents per share)** | **61.16** | **55.46** |
| **Diluted adjusted earnings per share (cents per share)** | **60.82** | **55.08** |

## 7. Dividends

The dividends paid in 2014 and 2013 were €30.8 million (10.4 cents per share) and €27.9 million (9.46 cents per share) respectively. On 10 October 2014 an interim dividend of 4.43 cents per share on the ordinary shares amounting to €13.1 million was paid to shareholders on the register of members at 29 August 2014. The Directors have recommended the payment of a final dividend of 6.57 cents per share on the ordinary shares which amounts to €19.4 million. Subject to shareholders approval, this dividend will be paid on 15 May 2015 to shareholders on the register of members at 07 April 2015, the record date. The 2014 Financial Statements do not reflect this final dividend.

## 8. Net debt

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| Borrowings due within one year | 416 | 39,062 |
| Borrowings due after one year | 620,317 | 441,641 |
| Less: | | |
| Cash and cash equivalents | (110,370) | (106,259) |
| **Net debt** | **510,363** | **374,444** |

## 9. Retained earnings

| | Group €'000 |
|---|---|
| **Balance at 29 December 2012** | **289,997** |
| Profit for the year | 150,330 |
| **Other comprehensive income/(expense)** | |
| Remeasurements – defined benefit schemes | (1,546) |
| Deferred tax on remeasurements | (166) |
| Share of remeasurements – Joint Ventures & Associates | (929) |
| **Total comprehensive income for the year** | **147,689** |
| Dividends paid during the year | (27,929) |
| Transfer on exercise, vesting or expiry of share based payments | (4,468) |
| **Balance at 04 January 2014** | **405,289** |
| Profit for the year | 146,313 |
| **Other comprehensive income/(expense)** | |
| Remeasurements – defined benefit schemes | (42,369) |
| Deferred tax on remeasurements | 4,868 |
| Share of remeasurements – Joint Ventures & Associates | (7,780) |
| **Total comprehensive income for the year** | **101,032** |
| Dividends paid during the year | (30,751) |
| Transfer on exercise, vesting or expiry of share based payments | (4,361) |
| Deferred tax credit on share based payments | 272 |
| Sale of shares held by subsidiary | 2,092 |
| **Balance at 03 January 2015** | **473,573** |

## 10. Cash generated from operations

| | Notes | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| **Profit before taxation** | | **173,577** | **176,004** |
| Write-off of intangibles | | 73 | 76 |
| Exceptional loss/(gain) | | 10,290 | (5,804) |
| Share of results of Joint Ventures & Associates | | (23,729) | (26,488) |
| Depreciation | | 32,230 | 27,203 |
| Amortisation | | 22,512 | 21,011 |
| Cost of share based payments | | 5,516 | 4,568 |
| Difference between pension charge and cash contributions | | (7,019) | (7,375) |
| (Profit)/loss on disposal of property, plant and equipment | | (226) | 206 |
| Finance income | 4 | (1,725) | (2,168) |
| Finance expense | 4 | 22,050 | 25,110 |
| Amortisation of government grants received | | (264) | (219) |
| **Cash generated before changes in working capital** | | **233,285** | **212,124** |
| Change in net working capital: | | | |
| – Decrease/(increase) in inventory | | 15,740 | (40,516) |
| – (Increase)/decrease in short term receivables | | (16,264) | 2,620 |
| – Increase in short term liabilities | | 9,321 | 3,340 |
| – (Decrease) in provisions | | (11,366) | (8,272) |
| **Cash generated from operating activities** | | **230,716** | **169,296** |

## 11. Business combinations

The acquisitions completed by the Group during the year were as follows:

- 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.
- On 14 October 2014, the Group acquired 100% of The Isopure Company, LLC (Isopure). Isopure is a US based provider of premium branded sports nutrition products.

The reason for both acquisitions was to complement the portfolio of the Group's Global Performance Nutrition business and to further consolidate the Group's market leading position. Goodwill acquired in respect of both acquisitions is attributable to the profitability and development opportunities associated with the extension of the Group's portfolio by complementing and enhancing existing performance nutrition capabilities.

Acquisition related costs charged to the Group income statement during the period ended 03 January 2015 amounted to €1.1 million (2013: €0.5 million).

No contingent liabilities arose as part of the acquisitions.

**Summary of Nutramino acquisition**

Details of net assets acquired and goodwill arising from the acquisition are as follows:

| | €'000 |
|---|---:|
| Purchase consideration - cash paid | 16,364 |
| Contingent consideration - cash paid | 4,771 |
| **Total consideration** | **21,135** |
| Less: fair value of assets acquired | (13,849) |
| **Goodwill** | **7,286** |

The fair value of assets and liabilities arising from the acquisition are as follows:

| | €'000 |
|---|---:|
| Property, plant and equipment | 2,200 |
| Intangible assets - brands | 9,918 |
| Intangible assets - customer relationships | 5,160 |
| Inventories | 994 |
| Trade and other receivables | 2,573 |
| Trade and other payables | (2,287) |
| Deferred income tax liabilities | (3,308) |
| Net borrowings | (1,401) |
| **Fair value of assets acquired** | **13,849** |

The contingent consideration arrangement requires the Group to pay the former owners of Nutramino an earn out if the 2014 actual adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) exceeds the actual 2013 adjusted EBITDA by a minimum agreed amount. The fair value of the Group's estimated contingent consideration at acquisition was €4.8 million. As a result of a better than anticipated performance this is now estimated to be €11.3 million and the additional earn out payable of €6.5 million has been charged to the income statement (see note 3). The fair value estimate is a level 3 fair value measurement and is calculated based on the adjusted EBITDA achieved during 2014 as outlined in the latest available financial information of Nutramino.

The contingent consideration is due to be paid before 17 March 2015 and as a result, the contingent consideration recognised was not discounted as the effect of discounting was not materially different than the gross amount.

The fair value of trade and other receivables at the acquisition date amounted to €2.6 million. The gross contractual amount for trade receivables due is €2.4 million, an amount of €0.1 million is provided for as an allowance for doubtful debts.

**Summary of Isopure acquisition**

Details of net assets acquired and goodwill arising from the acquisition are as follows:

| | €'000 |
|---|---:|
| Purchase consideration - cash paid | 104,677 |
| Other consideration | 1,836 |
| **Total consideration** | **106,513** |
| Less: fair value of assets acquired | (56,339) |
| **Goodwill** | **50,174** |

The fair value of assets and liabilities arising from the acquisition are as follows:

| | €'000 |
|---|---:|
| Property, plant and equipment | 287 |
| Intangible assets - brands | 57,172 |
| Intangible assets - customer relationships | 26,570 |
| Inventories | 6,987 |
| Trade and other receivables | 6,306 |
| Trade and other payables | (3,180) |
| Deferred income tax liabilities | (24,433) |
| Liabilities settled at completion | (16,138) |
| Cash and cash equivalents | 2,768 |
| **Fair value of assets acquired** | **56,339** |

The fair value of trade and other receivables at the acquisition date amounted to €6.3 million. There was no allowance for doubtful debts. The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the Isopure business combination given the timing of closure of the transaction. Any amendments to these fair values within the 12 month timeframe from the date of acquisition will be disclosed in the 2015 Annual Report as stipulated by IFRS 3.

**Combined impact of acquisitions**

The revenue and profit (net of transaction costs) of the Group including the impact of acquisitions completed during the financial year was as follows:

| | 2014 Acquisitions €'000 | Group excluding acquisitions €'000 | Consolidated Group including acquisitions €'000 |
|---|---:|---:|---:|
| Revenue | 32,604 | 2,505,764 | 2,538,368 |
| Profit before taxation and exceptional items | 965 | 188,561 | 189,526 |

The revenue and profit (net of transaction costs) of the Group for the financial year determined in accordance with IFRS 3 as though the acquisition date for all business combinations had been at the beginning of the year would be as follows:

| | 2014 Acquisitions €'000 | Group excluding acquisitions €'000 | Pro Forma Consolidated Group €'000 |
|---|---:|---:|---:|
| Revenue | 75,997 | 2,505,764 | 2,581,761 |
| Profit before taxation and exceptional items | 2,631 | 188,561 | 191,192 |

### 12. Events after the reporting period

There were no significant events outside the ordinary course of business that affected the Group since 03 January 2015.

### 13. Statutory financial statements

The financial information in this preliminary announcement is not the statutory Financial Statements of the Company, a copy of which is required to be annexed to the Company's annual return filed with the Companies Registration Office. A copy of the Financial Statements in respect of the financial year ended 03 January 2015 will be annexed to the Company's annual return for 2015. The auditors of the Company have made a report, without any qualification on their audit, of the Financial Statements of the Group and Company in respect of the financial year ended 03 January 2015, which were approved by the Directors on 24 February 2015. A copy of the Financial Statements of the Group in respect of the year ended 04 January 2014 has been annexed to the Company's annual return for 2014 and filed with the Companies Registration Office.