Group Chief Financial Officer's Review

RESULTS FOR THE YEAR

C&C is reporting net revenue of €559.5 million, operating profit[(i)] of €95.0 million and adjusted diluted EPS[(ii)] of 23.8 cent. On a constant currency basis and after adjusting our North America prior year results to be on a like for like basis with the current financial year (as though the Pabst arrangement had been operational in FY2016)[(iii)], net revenue decreased 6.9% and operating profit[(i)] decreased 0.4%.

The Group revenue decline of 6.9%[(iii)] was influenced by the loss of lower margin wholesale and own label activity and the restructured partnership arrangements with Pabst Brewing Company in the US. Revenue from our key brands stabilised in the year with the benefit of volume growth broadly offset by varied negative pricing dynamics. Collectively, our three core brands of Bulmers, Magners and Tennent's returned to volume growth and the own brand portfolio performance was further boosted by good growth in our Super Premium range.

Operating profit[(i)] for the Group at €95.0m was down 0.4% on a constant currency basis. Operating profit in the second half of the year benefited from improved trading performance and the impact of cost savings arising from our rationalisation programme came through. We continued to invest in our brands and our manufacturing capabilities, with an up-weighted marketing campaign for Magners and a new PET line at our cidery in Clonmel.

EPS[(ii)] of 23.8c was up 8.7%[(iii)] on FY2016. EPS also reflected the impact of the share buyback activity in both this and the prior financial year.

The key financial performance indicators are set out on page 18.

ACCOUNTING POLICIES

As required by European Union (EU) law, the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC); applicable Irish law and the Listing Rules of the Irish Stock Exchange and the UK Listing Authority. Details of the basis of preparation and the significant accounting policies are outlined on pages 103 to 115.

FINANCE COSTS, INCOME TAX AND SHAREHOLDER RETURNS

Net finance cost was €7.8 million for the year (2016: €8.6 million). The finance cost benefited from favourable interest rates and the pricing structure of the existing multi-currency debt facility. Net finance costs included the unwind of a discount on provisions charge of €0.8 million (2016: €0.8 million).

The income tax charge in the year was €13.0 million. This excludes the credit in relation to exceptional items and represents an effective tax rate of 14.9%, an increase of 0.3 percentage points on the prior year. The Group is established in Ireland and as a result it benefits from the 12.5% tax rate on profits generated in Ireland. The increase in the effective tax rate was as a result of a greater proportion of overall profits subject to taxation coming from outside of Ireland in FY2017.

Subject to shareholder approval, the proposed final dividend of 9.37 cent per share will be paid on 14 July 2017 to ordinary shareholders registered at the close of business on 26 May 2017. The Group's full year dividend will therefore amount to 14.33 cent per share, a 5% increase on the previous year. The proposed full year dividend per share will represent a pay-out of 60.2% (FY2016: 56.4%) of the full year reported adjusted diluted earnings per share[(ii)]. This increase in both the dividend per share and payout ratio reflects our confidence in the cash generation capability of the business and the underlying stability of core earnings.

A scrip dividend alternative will be available. Total dividends paid to ordinary shareholders in FY2017 amounted to €43.0 million, of which €34.9 million was paid in cash and €8.1 million or 18.8% (FY2017: 12.1%) was settled by the issue of new shares.

In addition to increased dividends, we invested €23.2 million (including commission and related costs) in market share

Group Chief Financial Officer's Review
(continued)

buybacks, purchasing 6.14 million of our own shares at an average price of €3.73. Our stockbrokers, Investec, conducted the share buyback programme. All shares acquired during the current financial year were subsequently cancelled.

Exceptional items

Costs of €150.1 million were charged in FY2017 which, due to their nature and materiality, were classified as exceptional items for reporting purposes. In the opinion of the Board, this presentation provides a more helpful analysis of the underlying performance of the Group.

The main items which were classified as exceptional include:-

(a) Impairment of intangible asset

To ensure that goodwill and brands considered to have an indefinite useful economic life are not carried at a value above their recoverable amount, impairment reviews are performed annually or more frequently if there is an indication that their carrying amount(s) may not be recoverable. The reviews compare the carrying value of the assets with their recoverable amount using value-in-use computations. In the current financial year, the review resulted in an impairment of €106.6 million in the value of our intangible assets with respect to the North American business segment. In the US, the cider category remains in double digit decline and the Group's US cider brands are lagging behind the category. Whilst we believe that the category will recover in the long-term and we remain committed to being part of the recovery story, recent performance has been disappointing. In the short to medium term the outlook is negative with a lack of visibility on when momentum will return. As a consequence we have rebased our profit expectations and terminal growth rate for the US business, leading to the impairment charge in the current financial year. All other segments had sufficient headroom in their carrying values.

(b) Restructuring costs

Restructuring costs of €12.7 million were incurred in the year. This comprised of severance costs of €7.2 million and other costs of €5.5 million. Severance costs primarily arose from the reduction in headcount as a consequence of the rationalisation of the Group's manufacturing footprint and other smaller reorganisation programmes. Other costs of €5.5 million are directly associated with the restructure of the Group's production sites and include site closure costs.

(c) Revaluation/impairment of property, plant & equipment

In the current financial year we engaged external valuers to value our properties in Vermont, resulting in an revaluation loss of €17.7 million in respect to the land and buildings and a revaluation loss of €5.1 million with respect to the plant and equipment which were accounted for in the Income Statement. In addition we took the decision to market value some of our assets in Borrisoleigh, Ireland (€1.5 million) that were deemed surplus to requirements and impair an element of the Group's IT system (€1.5 million) post the closure of Shepton Mallet.

(d) Onerous lease

A review was completed of the carrying value of our onerous lease obligations during the year. The onerous lease provision carried forward relates to two leases for warehousing facilities acquired as part of the acquisition of the Gaymers cider business in 2010. The review took into account updated discount rates and the latest estimate of remaining associated costs less economic value. This resulted in an increase in the provision of €6.8 million with respect to the two pre-existing onerous leases. The relevant leases will expire in 2017 and 2026. A further onerous lease provision of €0.2 million was recognised in the current financial year in relation to our US business. This lease will expire in 2018.

(e) Acquisition related expenditure

We incurred costs of €0.9 million associated with the assessment and consideration of strategic opportunities during the year.

(f) Net profit on disposal of property, plant & equipment

Disposal of land & buildings and plant & machinery realised a net profit of €2.9 million during the year. The disposals related to assets that were surplus to requirement post the site rationalisation and consolidation programme.

BALANCE SHEET STRENGTH, DEBT MANAGEMENT AND CASHFLOW GENERATION

Balance sheet strength provides the Group with the financial flexibility to pursue its strategic objectives. It is our policy to ensure that a medium/long-term debt funding structure is in place to provide us with the financial capacity to promote the future development of the business and to achieve its strategic objectives.

The Group has a €450 million multi-currency five year syndicated revolving loan facility. The facility agreement provides for a further €100 million in the form of an uncommitted accordion facility and permits the Group to have additional indebtedness to a maximum of €150 million, giving the Group debt capacity of €700 million. The debt facility matures on 22 December 2019. At 28 February 2017 net debt[(iv)] was €170.6 million, representing a net debt:EBITDA[(v)] ratio of 1.55:1.

Cash generation

Management reviews the Group's cash generating performance by measuring the conversion of EBITDA[(v)] to Free Cash Flow[(vi)] as we consider that this metric best highlights the underlying cash generating performance of the continuing business.

The Group's performance during the year resulted in an EBITDA[(v)] to Free Cash Flow[(vi)] conversion ratio pre exceptional costs of 53%. A reconciliation of EBITDA[(v)] to operating (loss)/profit is set out below.

A summary cash flow statement is set out in Table 2 on page 39.

Table 1–Reconciliation of EBITDA[(v)] to Operating (loss)/profit

	2017 €m	2016 €m
Operating (loss)/ profit	(55.1)	64.8
Exceptional items	150.1	38.4
Operating profit before exceptional items	95.0	103.2
Amortisation/ depreciation	15.0	19.4
EBITDA[(v)]	110.0	122.6

Table 2–Cash flow summary

	2017 €m	2016 €m
EBITDA(v)	**110.0**	122.6
Working capital	**0.6**	50.1
Advances to customers	**(12.4)**	(1.1)
Net finance costs	**(6.5)**	(5.7)
Tax paid	**(6.9)**	(10.2)
Pension contributions paid	**(3.4)**	(6.5)
Capital expenditure	**(22.7)**	(9.7)
Disposal proceeds property plant & equipment	**6.9**	0.5
Exceptional disposal proceeds property plant & equipment	**18.7**	-
Exceptional items paid	**(22.7)**	(13.0)
Other*	**(7.3)**	(13.6)
Free cash flow(vi)	**54.3**	113.4
Free cash flow conversion ratio	**49.4%**	92.5%
Free cash flow(vi)	**54.3**	113.4
— *Exceptional cash outflow*	**22.7**	13.0
— *Exceptional cash inflows*	**(18.7)**	-
— *Exceptional cash net outflow*	**4.0**	13.0
Free cash flow excluding exceptional cash outflow	**58.3**	126.4
Free cash flow conversion ratio excluding exceptional cash outflow	**53.0%**	103.1%
Reconciliation to Group Condensed Cash Flow Statement		
Free cash flow(vi)	**54.3**	113.4
Net proceeds from exercise of share options/equity Interests	**0.8**	0.5
Shares purchased under share buyback programme	**(23.2)**	(76.6)
Drawdown of debt	**138.7**	25.0
Repayment of debt	**(134.0)**	(0.1)
Acquisition of business/deferred consideration paid	**-**	(3.3)
Net cash outflow re acquisition of equity accounted investees	**(1.5)**	-
Dividends paid	**(34.9)**	(34.8)
Net increase in cash & cash equivalents	**0.2**	24.1

***** Other relates to share options add back, pensions credited to operating profit, net profit on disposal of property, plant & equipment and recovery of previously impaired investment in equity accounted investee.

Notes to the Group Chief Financial Officer's Review

(i) Operating profit for the year attributable to equity shareholders is before exceptional items.

(ii) Adjusted basic/diluted earnings per share ('EPS') excludes exceptional items. Please also see note 9 of the financial statements.

(iii) FY2016 comparative adjusted for constant currency (FY2016 translated at FY2017 F/X rates) and North America revenues to be on a like for like basis with the current financial year (as though the Pabst arrangement had also been in operation for the whole of FY2016). The like-for-like adjustment on North American revenues is arising from Pabst partnership: Under the terms of the trading arrangement with Pabst Brewing company ("PBC") which came into effect on 1st March 2016, C&C's reported revenues now comprise Cost of Goods Sold at production cost plus a royalty payment representing one-third of the gross profit of the partnership. C&C contributes one-third of marketing spend. All sales costs are borne by PBC. The like-for-like adjustment for our US revenues would have the effect of reducing our reported revenues for the comparative period (FY2016) by €10.6m had the partnership been in effect from 1st March 2015. See table above.

(iv) Net debt comprises borrowings (net of issue costs) less cash & cash equivalents.

(v) EBITDA is earnings before exceptional items, finance income, finance expense, tax, depreciation, amortisation charges and equity accounted investees' profit after tax. A reconciliation of the Group's operating (loss)/ profit to EBITDA is set out on page 38.

(vi) Free Cash Flow ('FCF') is a non GAAP measure that comprises cash flow from operating activities net of capital investment cash outflows which form part of investing activities. FCF highlights the underlying cash generating performance of the ongoing business. A reconciliation of FCF to Net Movement in Cash & Cash Equivalents per the Group's Cash Flow Statement is set out above.

Group Chief Financial Officer's Review
(continued)

RETIREMENT BENEFITS

In compliance with IFRS, the net assets and actuarial liabilities of the various defined benefit pension schemes operated by the Group companies, computed in accordance with IAS 19(R) *Employee Benefits,* are included on the face of the Group Balance Sheet as retirement benefits.

In the prior financial year, the Group commenced an offering to deferred members of its two ROI defined benefit pension schemes to transfer out of the schemes, giving the deferred member greater control and flexibility over their pension arrangements. This offering concluded in the current financial year. In total 119 deferred members availed of the offer and have transferred out of the scheme. The closing liability of the two ROI defined benefit schemes as at 28 February 2017 is a deficit of €22.3 million. The NI defined benefit pension scheme is reporting a surplus of €4.5 million as at 28 February 2017.

We finalised the actuarial valuations of the defined benefit schemes in FY2016. As a result of these updated valuations, new funding arrangements were put in place. For the staff defined benefit pension scheme, these arrangements committed the Group to funding contributions at 22% of pensionable salaries per annum to meet the cost of future service benefits for active members in addition to a lump sum deficit funding contribution of €1.2 million per annum until the next valuation date. There is no funding requirement with respect to the Group's Executive defined benefit pension scheme in 2017. The funding requirement will be reviewed again as part of the next triennial valuation in January 2018. The 2014 actuarial valuation of the NI defined benefit pension scheme confirmed it was in surplus and the scheme remains in surplus.

There are 4 active members in the NI scheme and 62 active members (less than 10% of total membership) in the ROI schemes.

At 28 February 2017, the retirement benefits computed in accordance with IAS 19(R) *Employee Benefits* amounted to a net deficit of €17.8 million gross of deferred tax (€22.3m deficit with respect to the ROI schemes and a €4.5m surplus with respect to the NI scheme) and €15.9 million net of deferred tax (FY2016: €28.0 million gross and €24.9 million net of deferred tax).

The movement in the deficit is as follows:

	€m
Deficit at 1 March 2016	28.0
Employer contributions paid	(3.4)
Actuarial gain	(3.6)
Credit to the Income Statement	(3.6)
FX adjustment on retranslation	0.4
Net deficit at 28 February 2017	17.8

The decrease in the deficit from €28.0 million to €17.8 million is primarily driven by the employer contributions of €3.4 million, a credit to the Income Statement of €3.6 million primarily arising from a settlement gain with respect to deferred members who opted to transfer out of the defined benefit pension schemes, and a €3.6 million net gain arising from favourable returns on plan assets partially offset by the negative effects of lower discount rates on liabilities. All other significant assumptions applied in the measurement of pension obligations at 28 February 2017 are broadly consistent with those as applied at 29 February 2016.

FINANCIAL RISK MANAGEMENT

The most significant financial market risks facing the Group continue to include foreign currency exchange rate risk, commodity price fluctuations, interest rate risk and creditworthiness risk in relation to its counterparties.

The Board of Directors set the treasury policies and objectives of the Group, the implementation of which are monitored by the Audit Committee. There has been no significant change during the financial year to the Board's approach to the management of these risks. Details of both the policies and control procedures adopted to manage these financial risks are set out in detail in note 22 to the financial statements.

Currency risk management

The reporting currency and the currency used for all planning and budgetary purposes is the Euro. However, as the Group transacts in foreign currencies and consolidates the results of non-Euro reporting foreign operations, it is exposed to both transaction and translation currency risk.

Currency transaction exposures primarily arise on the Sterling, US, Canadian and Australian Dollar denominated sales of our Euro subsidiaries. We seek to minimise this exposure, when economically viable to do so, by maximising the value of subsidiary foreign currency input costs and creating a natural hedge. When the remaining net exposure is material, we manage it by hedging an appropriate portion for a period of up to two years ahead. Forward foreign currency contracts may be used to manage this risk in a non-speculative manner when the Group's net exposure exceeds certain limits as set out in the Group's treasury policy. There were no outstanding forward foreign currency contracts as at the year end date.

The effective rate for the translation of results from Sterling currency operations was €1:£.8342 (year ended 29 February 2016: €1:£0.7281) and from US Dollar operations was €1:$1.1011 (year ended 29 February 2016: €1:$1.1018).

Comparisons for revenue, net revenue and operating profit for each of the Group's reporting segments are shown at constant exchange rates for transactions by subsidiary undertakings in currencies other than their functional currency and for translation in relation to the Group's Sterling and US Dollar denominated subsidiaries by restating the prior year at FY2017 effective rates.

We have also restated our FY2016 North America prior year results to be on a like for like basis with the current financial year (as though the Pabst arrangement had been operational in FY2016). The Pabst arrangement changes fundamentally the revenue and net revenue of the North America segment and therefore for transparency we are restating FY2016 on a like for like basis.

Applying the realised FY2017 foreign currency rates to the reported FY2016 revenue, net revenue and operating profit[iii] and restating North America's FY2016 revenue and net revenue figures as outlined above rebases the comparatives as shown below.

Table 3–Constant Currency Comparatives

	Year ended 29 February 2016 €m	FX transaction €m	FX translation €m	Adjustment re North America €m	Year ended 29 February 2016 adjusted comparative €m
Revenue					
Ireland	358.1	-	(10.8)	**-**	**347.3**
Scotland	339.8	-	(43.2)	**-**	**296.6**
C&C Brands	177.0	-	(22.5)	**-**	**154.5**
North America	47.5	-	-	**(10.6)**	**36.9**
Export	24.5	(0.1)	-	**-**	**24.4**
Total	**946.9**	**(0.1)**	**(76.5)**	**(10.6)**	**859.7**
Net revenue					
Ireland	261.6	-	(9.1)	**-**	**252.5**
Scotland	227.4	-	(28.9)	**-**	**198.5**
C&C Brands	103.8	-	(13.2)	**-**	**90.6**
North America	45.3	-	-	**(10.6)**	**34.7**
Export	24.5	(0.1)	-	**-**	**24.4**
Total	**662.6**	**(0.1)**	**(51.2)**	**(10.6)**	**600.7**
Operating profit[i]					
Ireland	49.0	0.5	(2.6)	**-**	**46.9**
Scotland	37.9	0.2	(4.8)	**-**	**33.3**
C&C Brands	10.5	0.1	(1.3)	**-**	**9.3**
North America	0.6	-	-	**-**	**0.6**
Export	5.2	0.1	-	**-**	**5.3**
Total	**103.2**	**0.9**	**(8.7)**	**-**	**95.4**

COMMODITY PRICE AND OTHER RISK MANAGEMENT

The Group is exposed to commodity price fluctuations, and manages this risk, where economically viable, by entering into fixed price supply contracts with suppliers. We do not directly enter into commodity hedge contracts. The cost of production is also sensitive to variability in the price of energy, primarily gas and electricity. Our policy is to fix the cost of a certain level of energy requirement through fixed price contractual arrangements directly with its energy suppliers.

The Group seeks to mitigate risks in relation to the continuity of supply of key raw materials and ingredients by developing trade relationships with key suppliers.

We have over 60 long-term apple supply contracts with farmers in the west of England and have an agreement with malt farmers in Scotland for the supply of barley.

In addition, the Group enters into insurance arrangements to cover certain insurable risks where external insurance is considered by management to be an economic means of mitigating these risks.

Kenny Neison
Group Chief Financial Officer