Chairman's Statement

OPERATING RESULTS

The past 12 months have yet again demonstrated the fundamental strengths of your Company in the face of challenging conditions both in terms of the macro economic environment and competitive activity. Clearly our trading and financial performance has been affected by a period of considerable currency volatility. Competition within the International beverage sector has impacted also on our local markets with increased pressure on price and margin.

In spite of this, the Company has delivered a solid set of results and has made considerable progress in the volume performance of its key brand franchises. These, after all, are the income generators of the future. We have also made strategic progress through expanding our distribution agreements with AB InBev.

In the year we up-weighted our investment in the Magners brand in the UK, delivering double-digit volume growth against a market that was marginally down. In Ireland, since the year end we have launched a range extension to our Bulmers portfolio and early indications are positive from this initiative. Again provenance is at the heart of that initiative, which is not an attribute that can be readily emulated. Other initiatives with Heverlee, Menabrea, Caledonia and Five Lamps have illustrated our capacity to innovate and broaden our appeal to consumers of whatever age or background.

It is not a time to adopt a defensive posture in the face of undoubted market challenge. Our short-term financial results may be pressured but there remains significant opportunity for the business. Brand building is at our core and premium portfolios will continue to deliver, in our view, a real return for shareholders over the longer term. This can only be achieved however, from an appropriately competitive base. As a consequence, we took the difficult decision to reduce our workforce across operations in Ireland, Scotland and in the C&C Brands business. We recognise these changes are difficult for our people and have worked hard to re-deploy affected employees in Ireland at our Clonmel site. In securing a buyer for our assets in Shepton there was also an opportunity to sustain employment for some of those affected. We now have a manufacturing and sales infrastructure that is well-invested, highly flexible and efficient and capable of competing effectively in today's marketplace.

ECONOMIC AND INDUSTRY BACKGROUND

It would be foolhardy not to expect the volatility of market conditions to continue. The political background in our markets in Europe and indeed further afield is still uncertain.

However, it cannot be much more volatile than the conditions faced over the last 12 months and your business has navigated these waters with a good degree of resilience.

We will continue to invest in our brands and the recently agreed partnership arrangements in England and Wales with AB InBev, the world's largest brewer, provides third-party validation of our brand strategy. The continued consolidation amongst our customers illustrates the merits of such a partnership.

Long term consumer trends in our principal markets are towards lower alcohol consumption overall, but with increased demand for diversity, choice and taste. This can present challenges, but also opportunities to drive value from brands such as ours through premiumisation and innovation.

CAPITAL ALLOCATION

Our capital allocation and dividend policy are relatively well known. Recognising our continued financial strength and strong cash generation, we propose to pay a final dividend of 9.37 cent per share subject to shareholder approval. This will bring the Group's full year dividend to 14.33 cents, an increase year on year of 5%.

Clearly our objective is to seek investment opportunities which will enhance the return for our shareholders and build upon the strategic strength of the Group. If such opportunities are not immediately in prospect, then we have previously advised that we would use available finance to buy back shares, particularly where the price was attractive. During the past year we have spent €23.2 million buying back shares at an average price of €3.73, contributing to a 6.9% reduction in our weighted average number of shares year on year. In addition, we have purchased a further €18.7 million of shares since the year end.

The Board's intention is to continue this philosophy given that it was established not as a short term proposition but as part of our longer term prospectus.

The major strategic decisions taken to rationalise our manufacturing footprint, increase brand investment in Ireland and extend our partnership arrangements with AB InBev should all bear fruit in the year and years to come.

Read more about Governance on **pages 58 to 69**

Our guidance is medium term target leverage of 2x Net Debt/EBITDA. We anticipate we will move towards this level during the course of FY2018 through a combination of our progressive dividend policy, acquisitions and/or share buybacks.

GOVERNANCE & CORPORATE RESPONSIBILITY

The Board and senior management team are committed to maintaining the highest standards of governance and ethical behaviour throughout the business. A statement of our main Governance principles and practice is provided on pages 58 to 69 and reflect the requirements of the 2014 UK Corporate Governance Code and the Irish Corporate Governance Annex.

We take corporate responsibility seriously and our Corporate Responsibility Statement on pages 42 to 50 sets out our work this year in this area. Recognising the importance of shareholder engagement, I have also recently completed a series of meetings, focused principally on corporate governance, with a number of the Group's largest institutional shareholders – a practice which I now engage in annually. Consistent with the principles of the UK Corporate Governance Code, I have ensured that feedback from these meetings has been shared with the Board as a whole.

PEOPLE

It is with much sadness that I have to report that Rory Macnamara who joined the Board in January 2016 passed away in December after a short illness. Rory made an inimitable and valued contribution to the Board during his all too brief time as a Director.

As part of our commitment to Board refreshment and development, Jim Clerkin was appointed as a non-executive Director in April 2017. Jim brings a wealth of experience and knowledge of the global drinks industry to the Board. We look forward to his contribution in the years ahead.

The programme of Board refreshment is an ongoing one where the objective is not only to balance skills but provide continuity and fresh perspective.

CONCLUSION

We remain cautious about the consumer environment in our key markets of the UK and Ireland. Currency and political volatility are a challenge for consumers and companies alike. The volume momentum regenerated in our core brands during the past year does give us continuing impetus. The major strategic decisions taken to rationalise our manufacturing footprint, increase brand investment in Ireland and extend our partnership arrangements with AB InBev should all bear fruit in the year and years to come. Together with the continued hard work, expertise and determination of our people, we look forward to further progress in the current year.

Sir Brian Stewart
Chairman