GROUP CHIEF FINANCIAL OFFICER'S REVIEW

RESULTS FOR THE YEAR

C&C is reporting net revenue of €662.6 million (down 3.1%), operating profit[(i)] of €103.2 million (down 10.3%) and adjusted diluted EPS[(ii)] of 24.2 cent (down 11.0%).

On a constant currency basis[(iii)], net revenue has decreased by 8.9% with difficult trading conditions in our core segments of Ireland and Scotland. A very poor summer in terms of weather and increased competitive intensity adversely impacted sales volumes in Ireland while the impact of tougher drink drive regulation depressed LAD consumption in Scotland's on trade. Despite growth in Magners Original, overall volume and revenue decreased in our C&C Brands segment with draught, flavours and private label a drag on performance.

During the year, we increased our marketing investment by 5.5% to €34.6m as we continue to support our brands. Marketing investment in Ireland increased by 20% as we responded to a new competitive threat in the cider category.

Clearly operational gearing magnifies the impact of net revenue decline on operating profit in percentage terms. However, the Group undertook a number of cost reduction initiatives cutting back office costs and increasing supply chain efficiency to partially mitigate the impact of revenue decline. This resulted in an operating profit of €103.2m, a decrease of 13.2% on the previous year on a constant currency basis.

Cash generation improved on last year and the business remains conservatively geared. This balance sheet strength allowed us to invest €76.6 million (including commission and related costs) in an on-market share buyback programme, purchasing 20.85 million shares at an average share price of €3.63. All shares acquired during the current financial year were subsequently cancelled.

FY2016 was a difficult year with challenges on a number of fronts. However, a combination of recovering core markets, momentum in our brands and the building blocks put in place in FY2016 gives us confidence in our earnings prospects for the next financial year. This confidence is reflected in a proposed increase to our final dividend of 18.7% and a reaffirmation of our commitment to a progressive dividend policy.

The key financial performance indicators are set out on pages 22 and 23.

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 105 to 117.

FINANCE COSTS, INCOME TAX AND SHAREHOLDER RETURNS

Net finance costs decreased to €8.6 million (2015: €8.8 million)[(i)]. While the Group's average drawn debt for the year increased on the prior year the Group benefited from a reduction in interest rates post the negotiation of the Group's 2014 multi-currency facility. In addition, drawn debt during the current financial year was predominately drawn in Euro at more favourable interest rates than those payable in the prior financial year when the drawn debt was predominately denominated in US Dollars.

FY2016 WAS A DIFFICULT YEAR WITH CHALLENGES ON A NUMBER OF FRONTS. HOWEVER, A COMBINATION OF RECOVERING CORE MARKETS, MOMENTUM IN OUR BRANDS AND THE BUILDING BLOCKS PUT IN PLACE IN FY2016 GIVES US CONFIDENCE IN OUR EARNINGS PROSPECTS FOR THE NEXT FINANCIAL YEAR.

Net finance costs are also inclusive of an unwind of discount on provisions charge of €0.8 million (2015: €0.9 million).

The income tax charge in the year excluding the credit in relation to exceptional items and equity accounted investees amounted to €13.8 million. This represents an effective tax rate of 14.6%, an increase of 0.9 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 main reason for the increase in the effective tax rate year on year is due to the fact that the Group had a greater proportion of its overall profits subject to taxation outside of Ireland than in the prior financial year.

Subject to shareholder approval, the proposed final dividend of 8.92 cent per share will be paid on 13 July 2016 to ordinary shareholders registered at the close of business on 20 May 2016. The Group's full year dividend will therefore amount to 13.65 cent per share, an 18.7% increase on the previous year. The proposed full year dividend per share will represent a payout of 56.4% (FY2015: 42.3%) of the full year reported adjusted diluted earnings per share[ii]. This increase in both the dividend per share and payout ratio reflects confidence the stability of earnings and cash generation capability of the core business.

A scrip dividend alternative will be available. Total dividends paid to ordinary shareholders in FY2016 amounted to €39.6 million, of which €34.8 million was paid in cash and €4.8 million or 12.1% (FY2015: 16.2%) was settled by the issue of new shares.

As part of our capital allocation approach the Group undertook share buybacks in FY2016. We invested €76.6 million (including commission and related costs) in on market share buybacks, purchasing 20.85 million shares at an average price of €3.63. Our stockbrokers, Investec and Davy, conducted the share buyback programme. All shares acquired during the current financial year were subsequently cancelled.

Exceptional items

Significant restructuring took place during the year as we moved toward a leaner operating platform in order to improve competitiveness. Costs of €38.4 million were charged in FY2016 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) Restructuring costs: Restructuring costs of €18.2 million comprising severance costs of €14.5 million and other costs of €3.7 million. Severance costs primarily arose from the reduction in headcount as a consequence of the recently announced rationalisation of the Group's manufacturing footprint and other smaller reorganisation programmes. Other costs of €3.7 million are directly associated with the restructure of the Group's production sites and provide for anticipated closure costs at Borrisoleigh and Shepton Mallet.

(b) Revaluation of property, plant and equipment: As a consequence of our announced manufacturing rationalisation, the Group engaged external valuers to value the surplus properties in both locations in the current financial year. These valuations resulted in an impairment of €16.0m accounted for in the Income Statement.

(c) Integration costs: During the current financial year we incurred costs of €3.0 million primarily in relation to the integration of the previously acquired Wallaces Express with our existing Scottish business.

(d) Acquisition related expenditure: We incurred costs of €0.7 million in assessment and consideration of strategic opportunities during the year.

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, which was negotiated during the prior financial year. 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 29 February 2016 net debt(iv) was €163.0 million representing a net debt:EBITDA(v) ratio of 1.3:1.

Brand values and goodwill are assessed for impairment on an annual basis by comparing the carrying value of the assets with their recoverable amounts using value-in-use computations. All business segments had sufficient headroom. No reasonable movement in any of the underlying assumptions would result in an impairment in any of the Group's business segments.

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 103.1% (FY2015: 61.3%). Including exceptional costs, the Free Cash Flow conversion ratio is still exceptionally strong at 92.5% (FY2015: 58.8%). A reconciliation of EBITDA to operating profit/(loss) is set out below.

A summary cash flow statement is set out in Table 2 on page 41.

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

	2016 €m	2015 €m
Operating profit/(loss)	**64.8**	(58.4)
Exceptional items	**38.4**	173.4
Operating profit before exceptional items	**103.2**	115.0
Amortisation/depreciation	**19.4**	24.9
EBITDA(v)	**122.6**	139.9

Table 2 – Cash flow summary

	2016 €m	2015 €m
EBITDA(v)	**122.6**	139.9
Working capital	**50.1**	(8.4)
Advances to customers	**(1.1)**	(3.1)
Capital expenditure	**(9.7)**	(21.9)
Disposal proceeds	**0.5**	17.8
Net finance costs	**(5.7)**	(9.1)
Tax paid	**(10.2)**	(12.8)
Exceptional items paid	**(13.0)**	(3.4)
Pension contributions paid	**(6.5)**	(6.4)
Other(vii)	**(13.6)**	(10.3)
Free cash flow(vi)	**113.4**	82.3
Free cash flow conversion ratio	**92.5%**	58.8%
Free cash flow(vi)	**113.4**	82.3
Exceptional cash outflow	**13.0**	3.4
Free cash flow excluding exceptional cash outflow	**126.4**	85.7
Free cash flow conversion ratio excluding exceptional cash outflow	**103.1%**	61.3%
Reconciliation to Group Condensed Cash Flow Statement		
Free cash flow(vi)	**113.4**	82.3
Proceeds from exercise of share options	**0.5**	1.0
Shares purchased under share buyback programme	**(76.6)**	(30.0)
Drawdown of debt	**25.0**	335.8
Repayment of debt	**(0.1)**	(337.6)
Payment of issue costs	**-**	(2.0)
Acquisition of business/deferred consideration paid	**(3.3)**	(13.6)
Acquisition of equity accounted investees	**-**	(0.5)
Dividends paid	**(34.8)**	(29.5)
Net increase in cash & cash equivalents	**24.1**	5.9

Notes to the Chief Financial Officer's Review
(i) Operating profit and net finance costs are before exceptional items.
(ii) Adjusted basic/diluted earnings per share ('EPS') is before exceptional items. Please see note 9 to the financial statements.
(iii) Constant currency calculation is set out on page 43.
(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 and amortisation charges.
(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 on-going business. A reconciliation of FCF to Net Movement in Cash & Cash Equivalents per the Group's Cash Flow Statement is set out above.
(vii) Other relates to share options add back, pensions charged to operating profit before exceptional items, net profit on disposal of property, plant & equipment and exceptional non-cash items less exceptional items add back.

RETIREMENT BENEFIT OBLIGATIONS

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 benefit obligations.

In the current financial year the Group offered deferred members of its two ROI defined benefit schemes an opportunity to transfer out of the schemes, giving the deferred member greater control and flexibility over their pension arrangements. The closing liability of the two ROI defined benefit schemes as at 29 February 2016 is a deficit of €32.7 million and this includes an obligation to pay €10.0 million to deferred members who opted to transfer out of the schemes. This €10.0 million liability is classified as a current liability in the financial statements of the Group as at 29 February 2016. The NI defined benefit pension scheme is reporting a surplus of €4.7 million as at 29 February 2016.

We finalised the actuarial valuations of the defined benefit schemes in FY2016. As a result of these updated valuations new funding arrangements have been put in place. For the staff defined benefit scheme, these arrangements commit 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, there will be a lump sum deficit funding contribution of €3.1 million per annum until the next valuation date. For the NI defined benefit pension scheme, currently in surplus, we have committed to contributions of £0.1 million per annum. Negotiations with respect to ongoing funding of the Group's executive ROI defined benefit pension scheme are ongoing.

There are 4 active members in the NI scheme and 63 active members (less than 10% of total membership) in the ROI schemes.

At 29 February 2016, the retirement benefit obligations on the IAS 19(R) *Employee Benefits* basis amounted to €28.0 million gross and €24.9 million net of deferred tax (FY2015: €33.6 million gross and €29.7 million net of deferred tax). The movement in the deficit is as follows:

	€m
Deficit at 1 March 2015	33.6
Employer contributions paid	(6.5)
Actuarial loss	5.1
Credit to the Income Statement	(4.5)
FX adjustment on retranslation	0.3
Net deficit at 29 February 2016	28.0

The decrease in the deficit from €33.6 million to €28.0 million is primarily driven by the employer contributions of €6.5 million and a gain in the Income Statement of €4.5 million which primarily arises from a settlement gain with respect to deferred members who opted to transfer out of the defined benefit schemes. All other significant assumptions applied in the measurement of pension obligations at 29 February 2016 are broadly consistent with those as applied at 28 February 2015.

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 are used to manage this risk in a non-speculative manner. 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:£0.7281 (year ended 28 February 2015: €1:£0.795) and from US Dollar operations was €1:$1.1018 (year ended 28 February 2015: €1:$1.295).

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 FY2016 effective rates.

Table 3 – Constant Currency Comparatives	Year ended 28 February 2015 €m	FX Transaction €m	FX Translation €m	Year ended 28 February 2015 Constant currency comparative €m
Revenue				
Ireland	403.2	-	6.5	409.7
Scotland	332.2	-	30.4	362.6
C&C Brands	182.0	0.3	16.4	198.7
North America	47.5	-	8.3	55.8
Export	21.6	0.2	-	21.8
Total	986.5	0.5	61.6	1,048.6
Net revenue				
Ireland	286.9	-	5.3	292.2
Scotland	223.6	-	20.5	244.1
C&C Brands	107.0	0.3	9.5	116.8
North America	45.3	-	7.9	53.2
Export	21.1	0.2	-	21.3
Total	683.9	0.5	43.2	727.6
Operating profit				
Ireland	59.1	(1.0)	1.2	59.3
Scotland	39.2	(0.1)	3.6	42.7
C&C Brands	10.4	(1.0)	1.1	10.5
North America	1.5	(0.1)	0.3	1.7
Export	4.8	(0.1)	-	4.7
Total	115.0	(2.3)	6.2	118.9

Applying the realised FY2016 foreign currency rates to the reported FY2015 revenue, net revenue and operating profit rebases the comparatives as shown in Table 3 above.

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 its 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