CHAIRMAN'S STATEMENT

OPERATING RESULTS

The last financial year has been a challenging one for the C&C business. While the financial outcome represents a reduction on the prior year, we have however made substantial operational progress within the business and are positioned for a more consistent financial performance and business development in the coming year.

Our performance in our core geographies of Ireland and Scotland was influenced by a number of factors outside of our direct control during the year - including poor weather, increased competition in Ireland and the impact of tighter drink driving legislation in Scotland. Our evolution to an integrated brand-led wholesale model in both core geographies has also taken longer than anticipated though the process was completed during the course of the year and we are well positioned in both territories for next year and beyond.

The competitive nature of our core geographies and the evolution of consumer preferences towards a more diverse range of drinks is the basis for our evolution to a brand-led wholesale model. This is, we believe, the right model for the long-term and will drive an improving financial performance. However, despite the confidence we have in this model, we have to continue to streamline our operations and cost base to ensure we are able to compete against our peers – many of whom are larger with greater scale, reach and financial resource.

As a consequence, we took the difficult decision to reduce our workforce across our operations in Ireland, Scotland and in the C&C Brands business during the year. These changes are regrettable and we have worked hard to re-deploy affected employees in Ireland at our Clonmel site and to seek a buyer for our assets in Shepton Mallet which would, in turn, sustain employment for some of the affected employees at that site.

Our C&C Brands business continues to show steady recovery and investment behind the Magners brand in England and Wales this year should sustain that recovery.

In Export markets, Magners and Tennent's continue to perform strongly. We delivered in the year 22% growth in our own branded volume and believe this rate of growth is sustainable for the coming twelve months. We have recently put in place new distribution arrangements across a range of markets including New Zealand, South Africa and Thailand with further countries in Asia and Africa being added. Some of these arrangements have been in development for a number of years and we are only now seeing the benefit of our investment in Export markets over a multi-year period.

Our performance in the US market over the past number of years has not met our expectation. However, we are confident about the prospects for the business following our new sales and marketing arrangement with Pabst Brewing Company. We believe we now have the right partner to drive the performance of our brands in the US market. We are also pleased to have agreed the exclusive distribution rights for the Pabst brands in Ireland and the UK, which will add further depth to our growing brand portfolio.

ECONOMIC AND INDUSTRY BACKGROUND

Clearly it is generally acknowledged that this is a period of significant political and economic volatility. Whether it is the European dimension or changes in the view of economies formerly regarded as the BRICS on which much of the world economic growth was anticipated as being dependent. All are subject to reappraisal and reassessment. It is all too easy to allow these vagaries to obscure fundamentals, certainly from a business perspective. Our conviction remains that a strategy of consolidation in core territories coupled with international brand expansion is fundamentally attractive from a business and shareholder perspective.

A notable consolidation in our industry with a likely combination of two of the major participants has probably in the short-term led to a corporate and business reassessment by many. Our perspective has not altered. As opportunities arise as a consequence of this consolidation, or indeed other market developments, and are

attractive for our shareholders we will consider them. The ultimate determinant as to their attraction will be whether they enhance our shareholders' value.

CAPITAL ALLOCATION

Reflecting both the strength of the Group's balance sheet and free cash flow characteristics during the year we spent €77 million in purchasing the Company's shares as part of our share buyback programme. Our strong cash generation means there has been effectively no increase in the Group's net debt despite this substantial return of capital to shareholders. We are also proposing to pay a final dividend of 8.92 cent per share, subject to shareholder approval. If approved, this will bring the Group's full dividend to 13.65 cent, a 18.7% increase on last year, and is consistent with our commitment to provide certainty of value in the form of a progressive dividend stream. A scrip dividend alternative will also be available.

At the AGM, we will again seek authority from shareholders for the Company to repurchase its own shares. This authority will be exercised if the Board considers it would be in the best interests of shareholders generally.

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 60 to 71 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 44 to 52 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.

Continued refreshment and development of the Board is an ongoing process. As indicated in last year's Annual Report, John Hogan retired from the Board at the end of FY2016. Tony Smurfit has also stepped down from the Board following his appointment as Chief Executive Officer of Smurfit Kappa Group. I would like to thank John and Tony for the significant contribution they have made to the Group. Vincent Crowley and Rory Macnamara both joined the Board in January and each brings invaluable experience to the Board across a range of markets and sectors. We look forward to their contribution in the years ahead.

PEOPLE

Tony O'Brien, who served C&C for almost forty years, leading the flotation as CEO in 2004 and subsequently as Chairman of the Group, passed away in December after a short illness. Tony made an outstanding contribution to the development of the Group and was a man of robust integrity, absolute professionalism and untiring courtesy. We are extremely proud to support the Tony O'Brien scholarship in his honour, which helps young people from his home county Kilkenny to attend the Quinn School of Business in University College Dublin.

CONCLUSION

For the next year, we look forward to the continuing strong performance of our export business; renewed growth in the US; a sustained recovery for Magners in our C&C Brands business; and a stronger performance in both Scotland and Ireland. Performance in core geographies will be driven by our core Bulmers and Tennent's brands together with our growing range of speciality brands.

An improving underlying performance for next year is supported by a strong balance sheet and cash generation capability. Our financial strength means we maintain flexibility to pursue the capital allocation options which we believe will drive value for shareholders.

Sir Brian Stewart
Chairman