



FINANCIAL RESULTS FOR SIX MONTHS ENDED 31 AUGUST 2011

Dublin, London, 19 October 2011: C&C Group plc ('C&C' or the 'Group'), a leading manufacturer, marketer and distributor of branded beverages in Ireland and the UK, today announces its half year results for the six months ended 31 August 2011.

Financial Highlights and Outlook

- ▶ Operating profit⁽ⁱ⁾ for the period up 7.8%⁽ⁱⁱ⁾ to €67.4 million
- ▶ Operating margin⁽ⁱⁱⁱ⁾ improved by 3.1ppts to 25.1%
- ▶ Strong free cash flow⁽ⁱⁱⁱ⁾ of €71.5 million representing 92.5% of EBITDA^(iv)
- ▶ Net cash^(v) surplus of €59.7 million
- ▶ Proposed interim dividend increase of 11% to 3.67 cent per share
- ▶ Adjusted diluted Earnings Per Share^(vi) (EPS) increased 7.1% to 16.5 cent
- ▶ Re-affirming operating profit guidance range of €108 million to €115 million for 2011/12 full year

Operating Highlights

- ▶ Magners volume increase of 4.9% reflecting 2.9% growth in Great Britain (GB) and 22.7% growth in export
- ▶ Bulmers volume decline of 3.5% in an Irish market that remains challenging
- ▶ Growth in operating profit contribution from Tennent's⁽ⁱⁱ⁾ of €3.9 million
- ▶ Gaymers portfolio volume decline of 26.7% as poor margin business is shed
- ▶ Increase of 9.3% in brand investment behind Magners in GB

Performance Highlights

- ▶ Brand marketing effectiveness evident in further improvement to strong brand health scores for Magners, Bulmers and Tennent's
- ▶ Continued momentum in export with volumes shipped in the period representing 14% of the total Magners volume. New 5 year distribution agreements signed with Suntory in Australia and Moosehead in Canada
- ▶ In the face of increased competition, poor summer weather and challenging comparatives following the 2010 FIFA World Cup, a resilient performance from Magners in GB. In the multiple grocer channel, substantial volume and value share growth achieved within a very dynamic competitive environment
- ▶ Contribution from the Republic of Ireland (ROI) in line with last year. Increased contribution from beer offsetting the operating profit decline in cider
- ▶ Full delivery on synergy targets contributing to significant margin improvement in Tennent's
- ▶ Financial strength and flexibility increased through good cash flow generation and a strong balance sheet

Performance Review & Outlook

John Dunsmore, C&C Group CEO, commented:

"C&C is pleased to report a robust financial performance despite a tough second quarter for the trade in both the UK and Ireland where poor weather added to the challenge presented by low consumer confidence levels. The underlying strength of our brands and stability of our business model is evident in the continued delivery of steady growth in earnings, dividends and strong cash flow in difficult trading conditions. We remain confident of meeting the previously stated guidance of operating profit in the range of €108 million to €115 million for the full year.

FINANCIAL HIGHLIGHTS BY BRAND – CONTINUING OPERATIONS

Financial Performance		6 months to 31 Aug 2011	6 months to 31 Aug 2010	Change	6 months to 31 Aug 2010	Change	
						Constant Currency ⁽ⁱ⁾	
Revenue	€m	399.3	440.0	(9.3%)	430.5	(7.2%)	
Net revenue	€m	268.7	289.8	(7.3%)	283.8	(5.3%)	
- <i>Bulmers (incl tactical)</i>	€m	53.2	58.1	(8.4%)	58.1	(8.4%)	
- <i>Magners (UK & Export)</i>	€m	84.8	86.2	(1.6%)	84.2	0.7%	
- <i>Gaymers (UK & Export)</i>	€m	40.3	51.8	(22.2%)	50.3	(19.9%)	
- <i>Tennent's</i>	€m	50.9	55.5	(8.3%)	54.0	(5.7%)	
- <i>Third Party Brands</i>	€m	39.5	38.2	3.4%	37.2	6.2%	
EBIT (continuing operations before exceptional items)	€m	67.4	63.5	6.1%	62.5	7.8%	
- <i>Bulmers (incl tactical)</i>	€m	26.3	27.8	(5.4%)	27.6	(4.7%)	
- <i>Magners (UK & Export)</i>	€m	19.9	23.0	(13.5%)	22.6	(11.9%)	
- <i>Gaymers (UK & Export)</i>	€m	4.6	2.3	100.0%	2.2	109.1%	
- <i>Tennent's</i>	€m	12.8	9.1	40.7%	8.9	43.8%	
- <i>Third Party Brands</i>	€m	3.8	1.3	192.3%	1.2	216.7%	
Operating profit margin (% Net revenue)	%	25.1%	21.9%	3.2ppt	22.0%	3.1ppt	
- <i>Bulmers (incl tactical)</i>	%	49.4%	47.8%	1.6ppt	47.5%	1.9ppt	
- <i>Magners (UK & Export)</i>	%	23.5%	26.7%	(3.2ppt)	26.8%	(3.3ppt)	
- <i>Gaymers (UK & Export)</i>	%	11.4%	4.4%	7.0ppt	4.4%	7.0ppt	
- <i>Tennent's</i>	%	25.1%	16.4%	8.7ppt	16.5%	8.6ppt	
- <i>Third Party Brands</i>	%	9.6%	3.4%	6.2ppt	3.2%	6.4ppt	
Adjusted Basic Earnings per Share^(vi)	cent	16.9	15.8	7.0%			
Adjusted Diluted Earnings Per Share^(vi)	cent	16.5	15.4	7.1%			
Volumes							
- <i>Bulmers</i>				(3.5%)			
- <i>Magners (UK & Export)</i>				4.9%			
- <i>Gaymers (UK & Export)</i>				(26.7%)			
- <i>Tennent's</i>				(8.2%)			

Notes:

- (i) Operating profit is for continuing operations only and excludes exceptional items
- (ii) On a constant currency basis; constant currency calculation is set out on page 11
- (iii) Free Cash Flow is a non-GAAP measure that comprises cash flow from operating activities net of capital investment cash outflows which form part of investing activities. Free Cash Flow highlights the underlying cash generating performance of the on-going business
- (iv) EBITDA is earnings before interest, tax, depreciation and amortisation charges
- (v) Net cash comprises cash, borrowings net of issue costs and excludes the fair value of interest rate derivative financial instruments which amounted to a liability of €1.5 million (31 August 2010: €3.9 million liability, 28 February 2011: €2.0 million liability)
- (vi) Adjusted earnings per share relates to continuing activities and excludes exceptional items

About C&C Group plc

C&C Group plc is a leading manufacturer, marketer and distributor of branded beverages in Ireland and the UK. C&C manufactures Bulmers, the leading Irish cider brand, Magners, the premium international cider brand, the Gaymer Cider Company range of branded and private label ciders, and the Tennent's beer brand. The Group also distributes a number of beer brands in the Scottish, Irish and Northern Irish markets, primarily for Anheuser-Busch InBev.

Note regarding forward-looking statements

This announcement includes forward-looking statements, including statements concerning expectations about future financial performance, economic and market conditions, etc. These statements are neither promises nor guarantees, but are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated.

Conference Call Details - Analysts & Institutional Investors

C&C will host a presentation for analysts and institutional investors today, 19 October 2011, at 08.30am BST (03.30am ET) in The London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. It will also be possible to participate in the presentation and Q&A session via conference call using the dial in details below. The event will also be webcast on www.candcgroupplc.ie

Ireland +353 1 659 0423
UK & Europe +44 20 3450 9987
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- C&C will also host a second conference call today, 19 October 2011, for analysts and institutional investors, at 3.30pm BST (10.30am ET). Dial in details to access this conference call are outlined below:

Ireland +353 1 659 0423
UK & Europe +44 20 3364 5381
USA +1 646 254 3367

For further details, or for conference call replay numbers, please contact FTI Consulting.

Media

- C&C will host a conference call for news wires today, 19 October 2011, at 07.15am BST. Dial in details to access this conference call are outlined below:

Ireland +353 1 659 0423
UK & Europe +44 20 3106 4822

- C&C will also host a conference call for media today, 19 October 2011, at 11.00am BST. Dial in details to access this conference call are outlined below:

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SUMMARY RESULTS FOR THE 6 MONTHS ENDED 31 AUGUST 2011

C&C is reporting revenue of €399.3 million, net revenue of €268.7 million, operating profit before exceptional items of €67.4 million and adjusted basic earnings per share of 16.9 cent for the six months to 31 August 2011. The Group finished the period in a very strong financial position with Free Cash Flow ('FCF') of €71.5 million delivering a net cash⁽ⁱ⁾ position of €59.7 million at 31 August.

On a constant currency basis, operating profit before exceptional items of €67.4 million for the period was up 7.8% on last year despite a net revenue decline of 5.3%. The net revenue loss stems from a mix of market pressures and a deliberate pursuit of value ahead of volume in the GB off trade channel for both the Tennent's brand and parts of the Gaymers portfolio. A strong performance in operating margins more than offset the revenue decline. Operating margins⁽ⁱⁱ⁾ improved from 22.0% to 25.1% as the full impact of transaction synergies flowed through. Adjusted diluted EPS for continuing activities grew by 7.1% to 16.5 cent.

Cash generation remains strong with 92.5% of EBITDA⁽ⁱⁱⁱ⁾ converting to a free cash flow^(iv) of €71.5 million. In a climate of tightening liquidity, the net cash⁽ⁱ⁾ surplus of €59.7 million at the end of August highlights both the Group's strong financial position and the financial capacity to capitalise on any opportunities that may emerge. The combination of a strong balance sheet and continued earnings growth is reflected in a proposed 11% increase in the interim dividend to 3.67 cent per ordinary share.

Great Britain: In volume terms the cider category in GB continued to grow by 1% in the five months to the end of July (Nielsen/ CGA to 6 August 2011) despite a difficult second quarter for the trade. Poor weather in July/August added to negative 2010 FIFA World Cup comparatives in June and reversed the strong growth of the first quarter. A resilient performance from Magners saw shipments up 2.9%, improving market share in a period of intensified competition. Net revenue⁽ⁱⁱ⁾ for the brand was down 2.3% in the period but with positive indications for the future. Volumes in the Multiple Grocer channel were up 33% and accounted for 49% of the Magners volumes shipped in GB in the first half. The Multiple Grocer growth was achieved without any dilution in pricing. Increased investment levels in the brand and continuing innovation through the launch of 'Magners Specials' position the brand well for a robust second half performance.

The significant volume decline of 27.3% in the Gaymers portfolio is attributable in part to a deliberate reduction in own label/value for money activity where the economics on the supply side remain unattractive. Revenue loss is slightly lower than the volume trend, reflecting the weighting of the portfolio toward branded volume, but it is significant. The branded portfolio has suffered from increased levels of competition in the category. However, the delivery of synergies and a re-allocation of marketing investment to Magners have provided protection from the combined impact of revenue decline and reduced operational leverage. Operating margin has increased from 2.9% to 9.9%.

ROI: Contribution from the beer portfolio increased by €1.2 million in the first half, helping the ROI business to broadly meet its objective of holding absolute contribution levels. The Republic of Ireland remains a challenging market with few signs of a pick-up in the near-term. The growth of the off trade channel and promotional pricing activity within the off trade continues to exert downward pressure on retail pricing and average unit revenues. According to Nielsen, the LAD market was down 2% in the six months to August. Bulmers volumes dropped 3.5% with the share loss coming from the off trade. The success of the 'Doing our Bit' marketing campaign on Bulmers is evident in strong brand health measures that continue to improve. The effectiveness of the marketing campaign has enabled re-allocation of marketing investment to other parts of the Group. Investment levels remain competitive internally and externally at 10% of net revenues in the period. Further cost efficiencies in supply have added to the effects of reduced marketing investment and lifted operating margins⁽ⁱⁱ⁾ by 1.9ppts to 49.4%.

Tennent's: Brand health measures for the Tennent's brand have strengthened over the summer. The performance of the brand is beginning to reflect its strength in the domestic territories of Scotland, Northern Ireland and ROI. Export to Canada and Australia will begin in the second half of the year. The pursuit of value and improved pricing in the off trade channel has proven to be a drag on the revenue line to date but operating margins are up significantly to 25.1%. Positive progress on unit pricing in both channels of trade; growth of the brand in ROI; operational efficiency on the supply side; and the flow through of synergy benefits all contributed to improved margins. Operating profit⁽ⁱⁱ⁾ from the Tennent's brand was up 43.8% to €12.8 million in the period.

Export: First half operating profit from cider exports increased by 46.2% to €3.8 million. Magners volumes were up 22.7% in the period with revenue up 19.3%. Gaymers exports were also up 1% in volume and 12.5% in revenue. Australia and North America remain the key drivers of growth. Market mix and overhead cost reduction helped lift

operating margins to 21.1% for the Magners brand. Investment levels remain high at over 20% of net revenue. A good second half should see export volume of Magners reach close to 150k hectolitres.

Financing Costs

Net finance costs for the period at €2.6 million declined €2.2 million on the corresponding prior period reflecting:-

- a reduction in weighted average debt levels. Although, the Group was in a net cash positive position at 31 August 2011 it had weighted average drawn debt of circa €115.0 million for the period, down €340.0 million on the corresponding prior period; and,
- a reduction in the amortisation of issue costs of €0.5 million, offset by,
- the recognition of a charge of €0.5 million in relation to the unwinding of discount on onerous lease provisions, and,
- an increase in the effective interest rate from 1.8% to 3.1% reflecting the increased portion of debt subject to fixed interest rates. The Group has converted €50.0 million of its variable rate debt to a fixed rate of 4.57%.

With an interest cover of 26.0 times EBITDA (2010: 15.7 times) the Group was well within its debt facility agreement financial covenant of a minimum of 3.5 times EBITDA.

Pensions

In compliance with IFRS, the net assets and actuarial liabilities of the Group's defined benefit pension schemes, computed in accordance with IAS 19 *Employee Benefits*, are included on the face of the Group balance sheet under retirement benefit obligations. Lower bond yields and the fall in equity markets resulted in a significant deterioration in the value of the defined benefit pension deficit over the last 6 months from €15.3 million to €23.7 million calculated on an IAS19 basis.

Following the most recent actuarial valuation completed on 1 January 2009 and the schemes' failure to meet the Minimum Funding Standard, the Group is obliged and committed to presenting a Funding Proposal to the Pensions Board with the objective of putting the schemes in a position to satisfy the minimum funding standard over an agreed term. The Group continues to actively work with Trustees to reduce the financial risks associated with these schemes.

Exceptional Items

The Group recognised an exceptional loss on continuing activities of €5.1 million before tax, €3.7 million of which relates to 'second phase' systems implementation costs for the Gaymers business. The 'first phase' of the systems implementation moved Gaymers off the transitional services arrangement onto a standalone system platform in 2010. The 'second phase' allowed the Gaymers business to migrate onto a new IT system and integrate. This project is successfully completed and all related costs have been recognised in the period. Other exceptional items include restructuring costs of €1.5 million and an exceptional inventory recovery gain of €0.1 million on previously impaired inventory. The Group also recognised an exceptional loss on disposal of the Quinns of Cookstown wholesale business in Northern Ireland of €0.6 million and a loss of €1.2 million in relation to a working capital settlement to reflect 'normalised' working capital payable to William Grant & Sons Holdings Limited following the prior year disposal of the Spirits & Liqueurs business.

Taxation

In line with IAS 34 *Interim Financial Reporting* the interim tax rate of 15% reflects the current estimate of the average annual effective income tax rate.

Dividends & Dividend Policy

The final dividend of 3.3 cent per share for the financial year ended 28 February 2011 was paid to shareholders on 13 July 2011 resulting in a full year dividend for that financial year of 6.6 cent per share. The dividend was settled €9.6 million in cash and €1.1 million by way of the scrip alternative.

The Board has declared an interim dividend of 3.67 cent per share for payment on 16 December 2011 to shareholders registered at the close of business on 28 October 2011. Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date. A scrip alternative will also be offered. For the 2011/12 financial year, it is the Group's intention to link dividend growth to earnings growth.

Cash Generation

The Group generated strong Free Cash Flow of €71.5 million in the period representing 92.5% of EBITDA⁽ⁱⁱⁱ⁾ ending the year in a net cash positive position of €59.7 million.

The conversion of Free Cash Flow to EBITDA ratio benefited from significantly reduced financing costs, minimum corporation tax payments following a prior year overpayment and a reduction in capital investment while the exceptionally high EBITDA conversion rate for the 6 month period ended 31 August 2010 was largely driven by a one-off positive working capital benefit arising from the timing of cashflows transferring to the Group from AB InBev under the transitional services arrangement.

Summary cash flow, for the 6 months ended 31 August 2011, is set out below:

	6 months ended 31 August 2011 €m	6 months ended 31 August 2010 €m
EBITDA ⁽ⁱⁱⁱ⁾	77.3	78.8
Net capital expenditure	(5.5)	(11.8)
Working capital movement	8.5	38.8
	80.3	105.8
Exceptional items	(6.7)	(4.5)
Net finance charges/ tax paid	(2.1)	(7.5)
Free Cash Flow ^(iv) (FCF)	71.5	93.8
FCF/EBITDA	92.5%	119.0%

The Group is committed to having a funding facility in place in advance of the May 2012 renewal date for its euro debt facility. At 31 August 2011, the Group has an available facility of €185.0 million and drawn debt of €75.0 million despite being in a net cash positive position. The Group's sterling debt facility of which £30.0 million was drawn on 1 March 2011 was repaid during the period from existing cash resources.

The movement in the Group's net debt position is analysed as follows:

Net debt ⁽ⁱ⁾ at 1 March 2011	€m 6.3
Free cash flow in period	(71.5)
Proceeds from discontinued operations	(4.7)
Dividends & other	10.2
Net cash⁽ⁱ⁾ at 31 August 2011	(59.7)

Notes:

- (i) Net debt/cash comprises cash, borrowings net of issue costs and excludes the fair value of interest rate derivative financial instruments which amounted to a liability of €1.5 million (31 August 2010: €3.9 million liability, 28 February 2011: €2.0 million liability)
- (ii) On a constant currency basis, constant currency calculation is set out on page 11
- (iii) EBITDA is earnings before interest, tax, depreciation and amortisation charges
- (iv) Free Cash Flow is a non-GAAP measure that comprises cash flow from operating activities net of capital investment cash outflows which form part of investing activities. Free Cash Flow highlights the underlying cash generating performance of the on-going business

DIVISIONAL REVIEW

Republic of Ireland (ROI)

Operations Review: 6 Months ended 31 August 2011

Constant Currency ⁽ⁱ⁾	CIDER			BEER		
	31 August 2011	31 August 2010	Change	31 August 2011	31 August 2010	Change
	€m	€m	%	€m	€m	%
Revenue	73.3	78.9	(7.1%)	8.3	7.0	18.6%
Net revenue	53.2	58.1	(8.4%)	5.3	4.6	15.2%
- Price /mix impact			(5.2%)			(7.6%)
- Volume impact			(3.2%)			22.8%
Operating profit ⁽ⁱⁱ⁾	26.3	27.6	(4.7%)	1.2	-	n/a
Operating margin (Net revenue)	49.4%	47.5%	1.9ppts	22.6%	-	n/a
Volume – (khl)	303.1	313.3	(3.2%)	45.8	37.3	22.8%

LAD Category: Retail volumes of Long Alcohol Drinks ('LAD') were marginally down (0.7%) on a 12 months basis at the end of August (per Nielsen/CGA). However, the underlying on to off trade channel dynamic is accelerating with growth in the off trade of 7% and decline in the on trade of 6%. In the discrete 6 month period to the end of August, the LAD category was down 2% with the off trade up 5% and the on trade down 6%.

Cider: The Bulmers brand has lost share in both channels of trade with volumes shipped in the six months up 3% in the off trade and down 9% in the on trade. Marketing investment levels at 10% of net revenue remain competitive and the brand health scores continue to improve. There has however been an absence of new news in the shape of innovation to date and this has allowed the competition to gain some market share.

Average unit revenues were down 5.2% in the period. Despite over 50% of volumes being sold in the off trade, the channel switch impact is insignificant as far as the revenue line is concerned. The price deflation is entirely as a consequence of the pricing pressure in the off trade channel stemming from growing levels of price led promotional activity in the sale of alcohol.

Improved operating margins of 1.9ppts have helped to mitigate the impact of revenue loss on cider. Re-allocation of planned marketing investment to support the Bulmers brand contributed around half of the margin improvement. The rest comes from flow through of continued cost and efficiency improvements on the supply side of the business.

Beer: The contribution from the beer portfolio in the first 6 months has offset the loss in operating profit from declining cider sales. The distribution build for Tennent's and Becks Vier in 2010 is gaining momentum and growth in beer volumes and revenues were well ahead of the market in both channels of trade.

With a strong innovation pipeline and growing contribution from beer, it is expected that the business unit will deliver on its objective of holding earnings contribution in ROI level in 2011/12.

(i) On a constant currency basis, constant currency calculation is set out on page 11

(ii) Operating profit from the beer portfolio is before the allocation of central overheads

Cider - Great Britain (GB)

Operations Review: 6 months ended 31 August 2011

Constant Currency ⁽ⁱ⁾	MAGNERS			GAYMERS		
	31 August 2011	31 August 2010	Change	31 August 2011	31 August 2010	Change
	€m	€m	%	€m	€m	%
Revenue	81.0	79.8	1.5%	66.4	86.3	(23.1%)
Net revenue	63.8	65.3	(2.3%)	38.5	48.7	(20.9%)
- Price /mix impact			(5.2%)			6.4%
- Volume impact			2.9%			(27.3%)
Operating profit	14.8	18.8	(21.3%)	3.8	1.4	171.4%
Operating margin (Net revenue)	23.2%	28.8%	(5.6ppts)	9.9%	2.9%	7.0ppts
Volume (khl)	467.6	454.5	2.9%	681.2	937.5	(27.3%)

Cider Category: Accelerating growth in the category, evident in the quarter from March through to May, slowed as a result of both poor summer weather and the tracking of 2010 FIFA World Cup volumes. Consequently the last 12 months (MAT) growth figure at 6 August 2011 (per Nielsen/CGA) was +2%, one point lower than at the end of February 2011. By channel, the equivalent statistics are growth of 3% in the off trade and flat in the on trade. In the 5 month period from March to 6 August the category grew by 1% with the off trade up 3% and the on trade down 4% (per Nielsen/CGA). Levels of competition and investment in the category have grown via new entrants and range extensions.

Magners: The performance of the brand was robust against this backdrop of increased competition and challenging trading conditions. In volume terms, the brand grew by 2.9% and has gained share in the six months to the end of August. With all the dynamism and growth of cider happening in the off trade, it is re-assuring to report a strong performance of Magners with volume growth of 13% in the 6 months well ahead of the category. Competition for share of the fridge in the on trade remains a challenge for Magners original packaged but the growth in Magners Golden Draught and Pear has provided some relief. Shipments to on trade customers were down 12% in the 6 months.

Although average unit revenues were down 5.2%, volume growth of 33% was achieved in the multiple grocer channel, which represents 49% of GB Magners volumes sold in the period, without dilution in average unit revenues. The price deflation is attributable in part to; the continued on to off trade channel dynamic that remains stable at a cost of 1.8ppt to the net revenue line, and, pricing pressure in both the indirect route to market and impulse/convenience channels where the relative pricing gap to multiple grocers has been narrowing.

The decline of 5.6ppts in the operating margin is heavily influenced by the timing and level of marketing investment. A 9.3% increase in spend this year has the effect of reducing operating margins by 1.6 ppts. Low single digit input cost inflation and product pack mix have further reduced margins in the period.

The increased investment appears to be contributing to the robust performance of the brand. Magners health scores continue to improve and the recent launch of the Magners Specials range has the potential to add to the momentum of the brand as well as lifting average unit revenues achieved.

Gaymers portfolio: Performance of the Gaymers business in the first 6 months of the financial year is a mix of significant volume and revenue decline but improved financial performance. Of the 27.3% volume loss, one third is value for money/own label cider where a decision was taken not to accept further margin attrition in response to competitor bids. The loss of branded volume reflects both the impact of increased competition in the category and the unwinding of some legacy volume lead deals in early 2010. The impact of volume loss on the operational efficiency of the business has been mitigated to an extent by new third party contract packaging activity at more attractive terms. Operating margins have more than doubled in the first 6 months due to the re-allocation of some marketing investment and delivery on transaction cost synergies.

**Cider - Export
Operations Review: 6 months ended 31 August 2011**

Constant Currency ⁽ⁱ⁾	MAGNERS			GAYMERS PORTFOLIO		
	31 August 2011	31 August 2010	Change	31 August 2011	31 August 2010	Change
	€m	€m	%	€m	€m	%
Net revenue	14.2	11.9	19.3%	1.8	1.6	12.5%
- Price /mix impact			(3.4%)			11.5%
- Volume impact			22.7%			1.0%
Operating profit	3.0	1.8	66.7%	0.8	0.8	-
Operating margin (Net revenue)	21.1%	15.1%	6.0ppts	44.4%	50.0%	(5.6ppts)
Volume (khl)	83.3	67.9	22.7%	20.8	20.6	1.0%

Magners: The growth in export of Magners continues with an impressive 22.7% increase in volumes in the first half of the year despite a relatively subdued summer in the United States ('US') due to a trading environment negatively affected by consumer sentiment. Volume growth in the US slowed to 7% for Magners. A pick up is anticipated in the second half as we move into the key autumn trading period and we begin to see the benefit of an enlarged sales infrastructure. Volume in Canada was up 80%, lifting North American growth to 14%. A new 5 year distribution agreement has been signed with Canadian distributors Moosehead and the prospects of accelerated growth in Canada are promising.

The cider category in Australia appears to be gathering momentum. Magners volume in the first half was up over 100% on last year and there is belief that the introduction of the Magners Select range will work well in the Australian market. A new 5 year distribution agreement has been signed with our existing Australian distributors, Suntory. The business plan will incorporate a significant up weighting of in market investment behind Magners.

Magners is presently enjoying volume growth in almost every other international territory where it is in distribution.

The average unit revenue reduction of 3.4% is explained by market mix and increased price support to help minimise grey market trading activity in Spain.

The growth in operating margin stems from cost reductions. Investment in marketing and promoting the brand internationally will stay at a high level for the time being. Spend in the 6 months was over 20% of net revenue.

Gaymers: Export volumes from the Gaymers portfolio were static in the first half with little organisational focus to date. The brands are sold through distributors in the US and Canada. The high operating margins are explained by the absence of any marketing investment, current or historic. The potential for international development of the Gaymers brands alongside Magners is now under review.

(i) On a constant currency basis, constant currency calculation is set out on page 11

Beer

Operations Review: 6 months ended 31 August 2011

Constant Currency ⁽ⁱ⁾	TENNETT'S			THIRD PARTY BRANDS		
	31 August 2011	31 August 2010	Change	31 August 2011	31 August 2010	Change
	€m	€m	%	€m	€m	%
Revenue	112.2	119.9	(6.4%)	41.8	43.5	(3.9%)
Net revenue	50.9	54.0	(5.7%)	39.5	37.2	6.2%
- Price /mix impact			2.5%			8.0%
- Volume impact			(8.2%)			(1.8%)
Operating profit	12.8	8.9	43.8%	3.8	1.2	216.7%
Operating margin (Net revenue)	25.1%	16.5%	8.6ppts	9.6%	3.2%	6.4ppts
Volume (khl)	752.5	819.7	(8.2%)	201.9	205.6	(1.8%)

Beer Category: The beer category in GB continues to lag behind the cider category. Scotland and Northern Ireland are no different. The total beer category is down (3%) in Scotland on a 12 months MAT basis to 6 August 2011 (per Nielsen CGA) with lager down (4%). By channel, lager is down (7%) in the on trade and (3%) in the off trade. In the discrete 5 month period to 6 August, the lager category is down 9% with the on trade lower by (13%) and the off trade by (6%). Reliable consolidated retail data for the Northern Ireland market is unavailable.

Tennent's: The performance of Tennent's is robust in all of its domestic markets. In the Scottish on trade, volume was down 2% in the period representing good market share gain. In the off trade, the strategy of pursuing value via smaller pack sizes and reduced levels of promotional activity has resulted in a volume decline of 16%. In Northern Ireland, the 1% increase in volume shipped suggests that Tennent's has continued to pick up market share. The average unit revenue improvement of 2.5% highlights some early progress from the pricing focus in all channels in all geographies.

Progress on pricing has been accompanied by a significant step up in operating margins. The flow through of cost synergies in Scotland and Northern Ireland added to the benefits of increased third party contract activity at the Wellpark Brewery in Glasgow improving operating margins by 8.6ppts.

The success of the considerable advertising and sponsorship activity is evident in both the brand health scores and the performance in market. Investment levels in the first half remain high at 11% of net revenues. The first six months also marked an increase in lending activities to secure on trade distribution in both territories. We anticipate advancing more cash via trade loans in the second half of the year.

Third Party Brands: Third party beer brand performance is linked closely to the performance of the Tennent's brand in the on trade channels of Scotland and Northern Ireland. Pub ownership is fragmented in both territories and a full portfolio offering is necessary to provide effective customer service. There is no doubt that third party brands have enjoyed the benefit of the investment behind Tennent's at the heart of the portfolio. Unit revenue growth is distorted by the mix and weighting of duty suspended accounts in the customer base. The improvement in operating margin reflects contractual adjustments to royalty rates on some third party brands. Royalty levels are now stable going forward.

(i) On a constant currency basis, constant currency calculation is set out on page 11

Comparative Reporting

Comparisons for Revenue, Net revenue and Operating profit for each division in the Operations Review are shown at constant currency exchange rates by restating the prior period at current period effective exchange rates. The impact of restating currency is as follows:-

	Period ended 31 August 2010 ⁽ⁱ⁾ €m	FX Transaction €m	FX Translation €m	Period ended 31 August 2010 Constant currency comparative €m
Revenue				
Cider – ROI	78.9	-	-	78.9
Cider – GB	170.9	-	(4.8)	166.1
Cider – NI	8.9	-	(0.3)	8.6
Cider – Export	13.4	0.1	-	13.5
Tennent's	123.3	-	(3.4)	119.9
Third party brands	44.6	-	(1.1)	43.5
Total	440.0	0.1	(9.6)	430.5
Net revenue				
Cider – ROI	58.1	-	-	58.1
Cider – GB	117.4	-	(3.4)	114.0
Cider – NI	7.2	-	(0.2)	7.0
Cider – Export	13.4	0.1	-	13.5
Tennent's	55.5	-	(1.5)	54.0
Third party brands	38.2	-	(1.0)	37.2
Total	289.8	0.1	(6.1)	283.8
Operating profit				
Cider – ROI	27.8	(0.2)	-	27.6
Cider – GB	20.5	(0.2)	(0.1)	20.2
Cider – NI	2.1	-	(0.1)	2.0
Cider – Export	2.7	(0.1)	-	2.6
Tennent's	9.1	-	(0.2)	8.9
Third party brands	1.3	-	(0.1)	1.2
Total	63.5	(0.5)	(0.5)	62.5

(i) Continuing operations i.e. excluding Revenue, Net revenue and Operating profit of the Group's discontinued NI wholesale business

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group's businesses are as set out in the 2011 Annual Report and repeated below for convenience. These continue to be the principal risks and uncertainties facing the Group.

- Demand for the Group's products and the pricing of products are influenced by economic conditions in the Group's principal markets. Prolonged economic weakness in these markets, inflation and government austerity measures may affect consumer spending and confidence, which could have an adverse impact on Group sales volumes, revenue and profits. The Group seeks to mitigate these risks through careful forecasting and regular monitoring of market conditions and their impact on the Group's profitability and by maximising operating efficiency.
- The decline in the number of, and revenue from, on-trade premises in Ireland and the United Kingdom, and the increase in the size of the off-trade relative to the on-trade, may adversely impact revenue and profits. Financial difficulties within the customer base, particularly in the on-trade where the Group has exposure through trade loans and advances of discounts, may also adversely impact revenue and profits. The Group monitors the level of its exposure carefully.
- An increase in the buying and negotiating strength of the Group's customers through gains in market share or consolidation could force the Group to lower its prices, with an adverse effect on the Group's revenue and profits. The Group seeks to offset this risk by developing new markets and customers for its products and through product innovation.
- The entry of new competitors into the Group's markets, a change in the level of marketing undertaken by competitors or in their pricing policies, consolidation of the Group's competitors and/or the introduction of new competing products or brands could have a material adverse effect on the Group's market share, sales volumes, revenue and profits. The Group has a programme of brand investment to maintain and enhance the market position of its products.
- Consumer preferences may change and demand for existing products may decline or be replaced by other products affecting sales volumes, revenue and profitability. The Group seeks to respond to changes in consumer preferences through a programme of product innovation and the renovation of established brands, to retain existing customers and to recruit new ones.
- The Group's cider divisions are impacted by seasonal fluctuations in demand, with demand highest during the summer months. An unseasonably bad summer, particularly in Ireland and the UK, could have an adverse impact on the Group's sales volumes, revenue and profits.
- The Group's operations involve the sale and purchase of goods denominated in currencies other than the euro, principally pounds sterling and the US dollar. As a result, fluctuations between the value of the euro and these currencies could have an adverse effect on the value of the Group's reported revenue and profits. Increases in interest rates may also impact profitability. The Group seeks to mitigate these risks through currency and interest rate hedging and structured financial contracts to hedge a portion of the Group's foreign currency transaction exposure and to fix a portion of the Group's variable rate interest exposure.
- Volatility and continued inflationary effects linked to input costs could have an adverse impact on profitability or continuity of supply of raw materials and ingredients to the Group. The weather and other factors may affect the availability of raw materials. The Group seeks to mitigate some of these risks through trade relationships with suppliers and by entering into fixed price supply agreements. The Group does not seek to hedge its exposure to commodity prices by entering into derivative financial instruments.
- The Group may not be able to fulfil the demand for its products due to circumstances such as the loss of a production or storage facility or disruptions to its supply chains. This would adversely affect sales volumes, revenue and profits. The Group seeks to mitigate the financial impact of such an event through business interruption and other insurances, and the operational impact by the availability of multiple production facilities, and through fire safety standards and disaster recovery protocols.
- The Group may be adversely affected by changes in government regulations including changes in excise duty or taxation on cider and beer in the UK, Ireland and other territories, or restrictions on alcohol pricing or

advertising. Within the context of supporting responsible drinking initiatives, the Group supports the work of its trade associations to present the industry's case to government.

- The Group's operations are subject to extensive regulation. The Group is subject to stringent environmental, health and safety and food safety laws and regulations which could result in increased compliance or remediation costs which would adversely affect profitability. For the purposes of competition law certain of the market segments in the principal jurisdictions in which the Group is active could be considered concentrated, restricting the ability of the Group to take advantage of acquisition and other opportunities. Additionally, failures to comply with all legislation could lead to prosecutions and damage to the Group's brands and reputation. The Group has in place a permanent compliance monitoring function addressing these issues and provides training to its employees.
- The Group is vulnerable to contamination of its products or base raw materials, whether accidental, natural or malicious. Contamination could result in a recall of the Group's products, the Group being unable to sell its products, damage to brand image, negative consumer perception or civil or criminal liability, which could have a material adverse effect on the Group's reputation, sales volumes, revenue and profits. The Group has established protocols and procedures for incident management and product recall and mitigates the financial impact by appropriate insurance cover.
- The Group's continued success is dependent on the ongoing services of its executive Directors and senior employees and on its continued ability to attract highly qualified personnel. The loss of, or the inability to recruit, senior personnel could have an adverse effect on the Group's ability to run its business and, accordingly, its revenue and profits. The Group seeks to adequately reward, motivate and retain its senior personnel through appropriate remuneration policies and the Remuneration Committee's terms of reference require it to make recommendations on remuneration to the Board.
- Whilst relations with employees are generally good, work stoppages or other industrial action may have a material adverse effect on the Group's ability to manufacture its products and, accordingly, on the Group's revenue and profits. The Group seeks to ensure good employee relations through engagement and dialogue.
- The solvency of the Group's defined benefit pension schemes may be affected by a fall in the value of their investments. The liability structure of the pension obligations will be subject to market and interest rate volatility and other economic and demographic factors. Each of these factors may require the Group to increase its contribution levels. The Group is consulting with members and trustees of the schemes to achieve a reform of these obligations.

The Group continues to consider that the most significant risks to its results and operations for the next 6 months are (a) the decline in the size of the on-trade and the switch in consumer purchasing to the off-trade and (b) the entry of new competitors and new competing products in the Group's principal markets.

STATEMENT OF THE DIRECTORS RESPONSIBILITIES IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm our responsibility for the half yearly financial statements and that to the best of our knowledge:

- the condensed set of financial statements comprising the condensed income statement, the condensed statement of other comprehensive income, the condensed balance sheet, the condensed cash flow statement, the condensed statement of changes in equity and the related notes have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Group's auditor has not reviewed these condensed financial statements.

On behalf of the Board⁽ⁱ⁾

Sir B. Stewart
Chairman
19 October 2011

J. Dunsmore
Chief Executive Officer

(i) The Board of Directors is as disclosed in the Annual Report for the financial year ended 28 February 2011.

**Group condensed income statement
for the six months ended 31 August 2011**

	Notes	Six months ended 31 August 2011			Six months ended 31 August 2010 (restated)		
		Before exceptional items €m	Exceptional items (Note 6) €m	Total €m	Before exceptional items €m	Exceptional items (Note 6) €m	Total €m
Revenue	4	399.3	-	399.3	440.0	-	440.0
Excise duties		(130.6)	-	(130.6)	(150.2)	-	(150.2)
Net revenue	4	268.7	-	268.7	289.8	-	289.8
Operating costs		(201.3)	(5.1)	(206.4)	(226.3)	(3.9)	(230.2)
Operating profit	4	67.4	(5.1)	62.3	63.5	(3.9)	59.6
Finance income		0.4	-	0.4	0.5	-	0.5
Finance expense		(3.0)	-	(3.0)	(5.3)	-	(5.3)
Profit before tax		64.8	(5.1)	59.7	58.7	(3.9)	54.8
Income tax expense	5	(9.7)	1.4	(8.3)	(8.2)	0.5	(7.7)
Profit from continuing activities		55.1	(3.7)	51.4	50.5	(3.4)	47.1
Discontinued operations (Loss)/profit from discontinued activities	7	(0.1)	(1.8)	(1.9)	3.8	225.2	229.0
Profit for the period attributable to equity shareholders		55.0	(5.5)	49.5	54.3	221.8	276.1
Basic earnings per share (cent)	8			15.2c			86.4c
Diluted earnings per share (cent)	8			14.8c			84.2c
Continuing operations							
Basic earnings per share (cent)	8			15.8c			14.7c
Diluted earnings per share (cent)	8			15.4c			14.3c

**Group condensed statement of comprehensive income
for the six months ended 31 August 2011**

		31 August 2011	31 August 2010
	Notes	€m	€m
Other comprehensive income and expense			
Exchange differences arising on net investments in foreign operations		(11.7)	20.6
Foreign currency reserve recycled to income statement on disposal	7	0.7	-
Net movement in cash flow hedging reserve		0.7	1.4
Deferred tax on cash flow hedges		(0.1)	-
Actuarial losses on defined benefit pension obligations	13	(10.7)	(28.5)
Deferred tax on actuarial losses on defined benefit pension obligations		0.8	3.6
Total other comprehensive expense		(20.3)	(2.9)
Profit for the period attributable to equity shareholders		49.5	276.1
Comprehensive income and expense for the period attributable to equity shareholders		29.2	273.2

**Group condensed balance sheet
as at 31 August 2011**

	<i>Notes</i>	31 August 2011	31 August 2010	28 February 2011 (audited)
		€m	€m	€m
ASSETS				
Non-current assets				
Property, plant & equipment	10	177.1	191.3	187.2
Goodwill & intangible assets	9	461.6	468.4	466.3
Deferred tax assets		9.4	15.9	8.7
Trade & other receivables		18.9	20.5	20.0
		667.0	696.1	682.2
Current assets				
Inventories		31.6	46.2	40.7
Trade & other receivables		136.4	150.8	105.5
Derivative financial assets		0.5	0.1	0.4
Cash & cash equivalents		134.6	263.1	128.7
		303.1	460.2	275.3
TOTAL ASSETS		970.1	1,156.3	957.5
EQUITY				
Equity share capital		3.4	3.3	3.4
Share premium		88.0	77.5	86.3
Other reserves	14	43.5	55.1	52.9
Treasury shares	14	(17.2)	(17.4)	(17.4)
Retained income	14	548.2	489.8	518.5
Total equity		665.9	608.3	643.7
LIABILITIES				
Non-current liabilities				
Interest bearing loans & borrowings	11	-	184.6	99.8
Derivative financial liabilities		-	2.2	0.7
Retirement benefit obligations	13	23.7	49.7	15.3
Provisions		11.2	6.8	11.5
Deferred tax liabilities		5.7	4.6	5.9
		40.6	247.9	133.2
Current liabilities				
Interest bearing loans & borrowings	11	74.9	53.8	35.2
Derivative financial liabilities		1.5	3.2	1.4
Trade & other payables		176.5	230.2	139.1
Provisions		2.0	3.6	4.2
Current tax liabilities		8.7	9.3	0.7
		263.6	300.1	180.6
Total liabilities		304.2	548.0	313.8
TOTAL EQUITY & LIABILITIES		970.1	1,156.3	957.5

**Group condensed cash flow statement
for the six months ended 31 August 2011**

	6 months ended 31 August 2011 €m	6 months ended 31 August 2010 €m
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period attributable to equity shareholders	49.5	276.1
Finance income	(0.4)	(0.5)
Finance expense	3.0	5.3
Income tax expense	8.3	8.3
Depreciation of property, plant & equipment	10.5	10.9
Exceptional loss/(profit) from discontinued activities, after tax	1.8	(224.8)
Profit on disposal of property, plant & equipment	(0.4)	-
Charge for share-based employee benefits	1.8	1.8
Pension contributions paid less amount charged to income statement	(2.3)	-
	<hr/> 71.8	<hr/> 77.1
Decrease in inventories	7.1	3.9
Increase in trade & other receivables	(36.4)	(33.5)
Increase in trade & other payables	38.6	67.8
Decrease in provisions	(2.0)	(2.2)
	<hr/> 79.1	<hr/> 113.1
Interest received	0.4	0.1
Interest paid and similar costs	(2.2)	(4.6)
Income tax paid	(0.3)	(3.0)
Net cash inflow from operating activities	<hr/> 77.0	<hr/> 105.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(6.1)	(11.8)
Sale of property plant & equipment	0.6	-
Net proceeds on disposal of discontinued operations	4.7	299.0
Net cash (outflow)/inflow from investing activities	<hr/> (0.8)	<hr/> 287.2
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	0.8	0.4
Proceeds in relation to Joint Share Ownership Plan	0.2	-
Dividends paid	(9.6)	-
Repayment of debt	(58.6)	(245.0)
Net cash outflow from financing activities	<hr/> (67.2)	<hr/> (244.6)
Net increase in cash & cash equivalents	9.0	148.2
Cash & cash equivalents at beginning of period	128.7	113.5
Translation adjustment	(3.1)	1.4
Cash & cash equivalents at end of period	<hr/> 134.6	<hr/> 263.1

**Group condensed statement of changes in equity
for the six months ended 31 August 2011**

	Equity share capital €m	Share premium €m	Other reserves					Treasury shares €m	Retained income €m	Total €m	
			Capital redemption reserve €m	Capital reserve €m	Cash flow hedge reserve €m	Share-based payments reserve €m	Currency translation reserve €m				Revaluation reserve €m
At 1 March 2010	3.3	77.1	0.5	24.9	(5.7)	4.8	2.7	5.9	(21.3)	237.2	329.4
Profit for the period attributable to equity shareholders	-	-	-	-	-	-	-	-	-	276.1	276.1
Other comprehensive income	-	-	-	-	1.4	-	20.6	-	-	(24.9)	(2.9)
Total	3.3	77.1	0.5	24.9	(4.3)	4.8	23.3	5.9	(21.3)	488.4	602.6
Exercise of share options	-	0.4	-	-	-	-	-	-	-	-	0.4
Reclassification of share-based payment reserve	-	-	-	-	-	(1.4)	-	-	-	1.4	-
Joint share ownership plan	-	-	-	-	-	(0.4)	-	-	3.9	-	3.5
Equity settled share based payments	-	-	-	-	-	1.8	-	-	-	-	1.8
At 31 August 2010	3.3	77.5	0.5	24.9	(4.3)	4.8	23.3	5.9	(17.4)	489.8	608.3
Profit for the period attributable to equity shareholders	-	-	-	-	-	-	-	-	-	24.3	24.3
Other comprehensive income	-	-	-	-	2.5	-	(7.4)	-	-	25.1	20.2
Total	3.3	77.5	0.5	24.9	(1.8)	4.8	15.9	5.9	(17.4)	539.2	652.8
Dividend on ordinary shares	-	8.1	-	-	-	-	-	-	-	(20.2)	(12.1)
Exercised share options	0.1	0.7	-	-	-	-	-	-	-	-	0.8
Reclassification of share-based payments reserve	-	-	-	-	-	0.5	-	-	-	(0.5)	-
Equity settled share based payments	-	-	-	-	-	2.2	-	-	-	-	2.2
At 28 February 2011	3.4	86.3	0.5	24.9	(1.8)	7.5	15.9	5.9	(17.4)	518.5	643.7
Profit for the period attributable to equity shareholders	-	-	-	-	-	-	-	-	-	49.5	49.5
Other comprehensive expense	-	-	-	-	0.6	-	(11.0)	-	-	(9.9)	(20.3)
Total	3.4	86.3	0.5	24.9	(1.2)	7.5	4.9	5.9	(17.4)	558.1	672.9
Dividend on ordinary shares	-	1.1	-	-	-	-	-	-	-	(10.7)	(9.6)
Exercise of share options	-	0.8	-	-	-	-	-	-	-	-	0.8
Reclassification of share-based payment reserve	-	-	-	-	-	(0.4)	-	-	-	0.4	-
Joint share ownership plan	-	(0.2)	-	-	-	-	-	-	0.2	-	-
Equity settled share based payments	-	-	-	-	-	1.8	-	-	-	-	1.8
Reclassification on disposal	-	-	-	-	-	-	-	(0.4)	-	0.4	-
At 31 August 2011	3.4	88.0	0.5	24.9	(1.2)	8.9	4.9	5.5	(17.2)	548.2	665.9

**Notes to the financial report
for the six months ended 31 August 2011**

1. Basis of preparation

The Group Condensed Interim Financial Statements should be read in conjunction with the Group's Annual Financial Statements in respect of the year ended 28 February 2011 as they do not include all the financial statement disclosures required by International Financial Reporting Standards (IFRSs).

The interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. The accounting policies and methods of computation adopted in preparation of the financial information are consistent with recognition and measurement requirements of IFRSs as endorsed by the EU Commission and those set out in the Group's consolidated financial statements for the year ended 28 February 2011. The Group has considered all new and amended IFRS and IFRIC interpretations, none of which impacted the financial statements or performance of the Group in the period.

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses together with disclosure of contingent assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The interim financial information for both the six months ended 31 August 2011 and the comparative six months ended 31 August 2010 are unaudited and have not been reviewed by the auditors. The financial information for the year ended 28 February 2011 represents an abbreviated version of the Group's financial statements for that year. Those financial statements contained an unqualified audit report and have been filed with the Registrar of Companies.

The financial information is presented in euro, rounded to the nearest million. The exchange rates used in translating sterling Balance Sheet and Income Statement amounts were as follows:-

	6 months ended 31 August 2011	6 months ended 31 August 2010	Year ended 28 February 2011
Balance Sheet (closing rate)	0.884	0.827	0.849
Income Statement (average rate)	0.879	0.854	0.853

2. Accounting policies

The accounting policies and methods of computation adopted in the preparation of the Group Condensed Interim Financial Statements are consistent with those applied in the Annual Report for the financial year ended 28 February 2011 and are described in those financial statements on pages 63 to 71.

3. Prior period reclassification

Following the transfer of the Tennent's business off the Transitional Services Arrangement with AB InBev, a classification error was noted with respect to Excise duties which has resulted in the restatement of Net revenue, Excise duties and Operating costs for the prior period. This reclassification has no impact on the Operating profit for the period 31 August 2010 as shown below:

	Excise duties €m	Net revenue €m	Operating costs €m	Operating profit €m
Previously reported	(146.1)	305.5	(242.1)	63.4
Discontinued operations	-	(11.6)	11.7	0.1
	(146.1)	293.9	(230.4)	63.5
Impact of change	(4.1)	(4.1)	4.1	-
Current classification	(150.2)	289.8	(226.3)	63.5

The prior period results for the reportable segments, Cider GB and Cider Export, have also been restated following more detailed information becoming available on transfer of the Gaymers business off the Transitional Services Arrangement with Constellation Europe. The financial results from the sale of the Gaymer cider brands to territories outside of Great Britain are now correctly classified within Cider Export whereas previously these had been classified as Cider GB. This reclassification has no impact on the total Revenue, Net revenue or Operating profit reported by the Group.

The impact of both the reclassification of Excise duties on the previously reported Tennent's segmental disclosures and the reclassification of Gaymers export sales to Cider Export from Cider GB are outlined below:-

	Revenue	Net revenue	Operating profit
	€m	€m	€m
<u>Tennent's</u>			
Previously reported (Tennent's Ireland and Tennent's GB)	123.3	59.6	9.1
Impact of change	-	(4.1)	-
Current classification	123.3	55.5	9.1
<u>Cider GB</u>			
Previously reported	172.5	119.0	21.3
Impact of change	(1.6)	(1.6)	(0.8)
Current classification	170.9	117.4	20.5
<u>Cider Export</u>			
Previously reported	11.8	11.8	1.9
Impact of change	1.6	1.6	0.8
Current classification	13.4	13.4	2.7

4. Segmental analysis

C&C's business activity is the manufacturing, marketing and distribution of Alcoholic Drinks and six operating segments have been identified; Cider Republic of Ireland ('ROI'), Cider Great Britain ('GB'), Cider Northern Ireland ('NI'), Cider Export (previously Cider Rest of World ('ROW')), Tennent's (previously Tennent's GB and Tennent's Ireland) and Third Party Brands. This basis corresponds with the Group's organisation structure, the nature of reporting lines to the Chief Operating Decision-Maker (as defined in IFRS 8 *Operating Segments*), and the Group's internal reporting for the purpose of managing the business, assessing performance and allocating resources.

The identified business segments are described below:-

(i) Cider ROI

This segment includes the results from sale of the Group's cider products in the Republic of Ireland, principally Bulmers.

(ii) Cider GB

This segment includes the results from sale of the Group's cider products in Great Britain, with Magners, Blackthorn and Gaymers the principal brands.

(iii) Cider NI

This segment includes the results from sale of the Group's cider products in Northern Ireland, with Magners the principal brand.

(iv) Cider Export (previously Cider – ROW)

This segment includes the results from sale of the Group's cider products, principally Magners and Gaymers, in all territories outside of the Republic of Ireland, Northern Ireland and Great Britain.

(v) Tennent's (previously Tennent's GB and Tennent's Ireland)

This segment includes the results from sale of the Group's 'owned' beer brand – Tennent's primarily in the Republic of Ireland, Northern Ireland and Great Britain. This differs from that presented in the prior year when the performance of the Tennent's beer brand in Ireland and Great Britain were separately disclosed however the combination of both better represents the current internal reporting structure for the purposes of managing the business, assessing performance and allocating resources. Comparative amounts have been restated to reflect this change.

(vi) Third Party Brands

This segment relates to the distribution of agency products, including AB InBev brands in the Republic of Ireland, Northern Ireland and Scotland.

Information regarding the results of each reportable segment is disclosed below for the Group's continuing business while the relevant information in relation to the Group's disposed wholesaling business in Northern Ireland (Quinns of Cookstown), which has been accounted for as a discontinued activity, and the prior period discontinued Spirits & Liqueurs business are disclosed in note 7.

The analysis by segment includes both items directly attributable to a segment and those, including central overheads, which are allocated on a reasonable basis in presenting information to the Chief Operating Decision-Maker.

Inter-segmental revenue is not material and thus not subject to separate disclosure.

Analysis by reporting segment (continuing operations)

	31 August 2011			31 August 2010 (restated)		
	Revenue €m	Net revenue €m	Operating profit €m	Revenue €m	Net revenue €m	Operating profit €m
Cider – ROI	73.3	53.2	26.3	78.9	58.1	27.8
Cider – GB	147.4	102.3	18.6	170.9	117.4	20.5
Cider – NI	8.6	6.8	2.1	8.9	7.2	2.1
Cider Export	16.0	16.0	3.8	13.4	13.4	2.7
Tennent's	112.2	50.9	12.8	123.3	55.5	9.1
Third Party Brands	41.8	39.5	3.8	44.6	38.2	1.3
	399.3	268.7	67.4	440.0	289.8	63.5
Unallocated items:						
Exceptional expense	-	-	(5.1)	-	-	(3.9)
	399.3	268.7	62.3	440.0	289.8	59.6

Total assets for the period ended 31 August 2011 amounted to €970.1 million (2010: €1,156.3 million).

Geographical analysis of revenue by country of destination (continuing operations)

	31 August 2011	31 August 2010
	€m	€m
Republic of Ireland	81.6	86.5
United Kingdom	301.7	340.1
Rest of Europe	4.7	4.9
North America	4.8	5.7
Rest of World	6.5	2.8
	399.3	440.0

Cyclicality of interim results

Operating profit performance in the drinks industry is not characterised by significant cyclicality. Operating profit for the first half is considered to represent approximately 60% of the full year's anticipated operating profit performance.

5. Income tax charge

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 15% (6 months ended 31 August 2010: 14%).

6. Exceptional items

	31 August 2011			31 August 2010		
	Continuing operations €m	Discontinued operations €m	Total €m	Continuing operations €m	Discontinued operations €m	Total €m
Restructuring costs	(1.5)	-	(1.5)	(2.1)	-	(2.1)
Retirement benefit obligations	-	-	-	0.1	0.4	0.5
Recovery of previously impaired inventory	0.1	-	0.1	-	-	-
Integration & IT implementation costs	(3.7)	-	(3.7)	(1.9)	-	(1.9)
(Loss)/profit from discontinued operations	-	(1.8)	(1.8)	-	224.8	224.8
Total before tax	(5.1)	(1.8)	(6.9)	(3.9)	225.2	221.3
Income tax expense	1.4	-	1.4	0.5	-	0.5
Total after tax	(3.7)	(1.8)	(5.5)	(3.4)	225.2	221.8

(a) Restructuring costs

Restructuring costs, comprising severance and other initiatives arising from management reorganisations and cost cutting initiatives resulted in an exceptional charge before taxation of €1.5 million (2010: €2.1 million).

(b) Retirement benefit obligations

In the current period, an exceptional defined benefit pension scheme curtailment gain of less than €0.1 million arose following the Group's disposal of its Northern Ireland wholesaling business (Quinns of Cookstown) and the consequential reclassification of these employees from active to deferred members. The exceptional gain of €0.5 million in the prior period relates to a curtailment gain of €0.4 million following the Group's disposal of its Spirits & Liqueurs business and a further curtailment gain of €0.1 million following restructuring initiatives in Northern Ireland on integration of the acquired business and the consequential reclassification of employees from active to deferred members.

(c) Recovery of previously impaired inventory

During the financial year ended 28 February 2009, the Group's stock holding of apple juice of circa 36 months of forecasted future sales was deemed excessive in light of anticipated future needs, forward purchase commitments and useful life of the stock on hand, accordingly the Group recorded an impairment charge in relation to excess apple juice stocks. During the current period, some of the previously impaired juice stocks were recovered and used by the Group's acquired Gaymers cider business. As a result this stock was written back to operating profit at its recoverable value.

(d) Costs associated with integrating the acquired businesses

During the current period, the Group completed the second and final phase of the IT systems implementation project with respect to the migration of the Gaymers cider business onto a new IT system, allowing the business to fully integrate with the existing Magners business. The 'first phase' of the systems implementation moved Gaymers off the transitional services arrangement onto a standalone IT system platform, this phase together with the transfer of the Tennent's business onto a new IT systems platform was completed and accounted for in the six month period ending 31 August 2010.

The costs associated with integrating these businesses have been classified as exceptional on the basis of materiality. These costs primarily relate to external consultant fees and other costs associated with the implementation of the new IT systems platform and which both, in accordance with IAS 16 *Property, Plant and*

Equipment, and in the opinion of management, were not appropriate for capitalisation within Property, plant & equipment in the balance sheet.

(e) Profit from discontinued operations

The current period loss of €1.8 million relates to a €0.6 million loss arising on the disposal of the Group's Northern Ireland wholesaling business (Quinns of Cookstown) to Britvic Northern Ireland Limited for a gross consideration of £4.3 million and a loss of €1.2 million in relation to a working capital settlement to reflect 'normalised' working capital' as set out in the Sale Purchase Agreement following the prior year disposal of the Group's Spirits & Liqueurs business.

7. Discontinued operations

On 30 June 2011, the Group completed the disposal of its Northern Ireland wholesaling business (Quinns of Cookstown) to Britvic Northern Ireland Limited for a consideration of £4.3 million, while on 30 June 2010 the Group completed the disposal of its Spirits & Liqueurs division to William Grant & Sons Holdings Limited for a gross cash consideration of €300.0 million.

The Directors, having considered IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* para 32, believe that the classification of the Group's disposed Northern Ireland wholesaling business as a discontinued activity and as a consequence the provision of directly comparable information better assists the users of these interim financial statements in evaluating both the financial performance of the Group and more specifically the financial performance of its third party brand distribution activities.

In line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, depreciation was not charged on property, plant & equipment held in these businesses from the date the assets were classified as 'held for sale' and the businesses are presented as discontinued operations for all periods presented and are shown separately from continuing operations.

Results of discontinued operations

	31 August 2011			31 August 2010		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	€m	€m	€m	€m	€m	€m
Revenue	5.2	-	5.2	32.9	-	32.9
Excise duties	-	-	-	-	-	-
Net revenue	5.2	-	5.2	32.9	-	32.9
Operating costs	(5.3)	-	(5.3)	(28.5)	0.4	(28.1)
Operating (loss)/ profit	(0.1)	-	(0.1)	4.4	0.4	4.8
Income tax expense	-	-	-	(0.6)	-	(0.6)
Trading (loss)/profit from discontinued operations	(0.1)	-	(0.1)	3.8	0.4	4.2
(Loss)/gain on sale of discontinued operations	-	(1.8)	(1.8)	-	224.8	224.8
(Loss)/profit from discontinued operations	(0.1)	(1.8)	(1.9)	3.8	225.2	229.0

The exceptional income of €0.4 million reported in the prior period relates to curtailment gains on the Group's defined benefit pension scheme arising as a result of the disposal of the Group's Spirits & Liqueurs business.

	31 August 2011	31 August 2010
	€m	€m
Cash flows from discontinued activities		
Net cash outflow from operating activities	(4.7)	(1.9)
Net cash inflow from investing activities	4.7	296.1
Net cash derived from discontinued operations	-	294.2
Depreciation	-	0.1
Effect of disposal on financial position of the Group		
Property plant & equipment	0.9	2.6
Goodwill	-	49.6
Inventories	1.2	6.5
Trade & other receivables	2.5	16.9
Derivative financial liabilities	-	(3.0)
Trade & other payables	-	(4.3)
Foreign currency reserve de-recognised on disposal	0.7	-
Net assets and liabilities disposed of	5.3	68.3
Consideration receivable	4.8	302.1
Costs of disposal payable	(0.1)	(6.0)
Working capital settlement*	(1.2)	-
Net proceeds receivable	3.5	296.1
Fair value of derivative financial liabilities transferred from cashflow hedge reserve to income statement	-	(3.0)
(Loss)/profit arising on disposal	(1.8)	224.8

*The working capital settlement relates to a refund of sales price to reflect 'normalised' working capital as set out in the Asset Purchase Agreement for the disposal of the Group's Spirits & Liqueurs business.

8. Earnings per ordinary share

	Six months ended 31 August 2011	Six months ended 31 August 2010
	€m	€m
Earnings as reported	49.5	276.1
Adjustments for exceptional items, net of tax	5.5	(221.8)
Earnings as adjusted for exceptional items, net of tax	55.0	54.3
	Number	Number
	'000	'000
Number of shares at beginning of period	337,196	334,068
Shares issued in respect of options exercised	381	162
Shares issued in lieu of dividend	317	-
Number of shares at end of period	337,894	334,230
Weighted average number of ordinary shares, excluding treasury shares (basic)	324,828	319,471
Adjustment for the effect of conversion of options	8,775	8,277
Weighted average number of ordinary shares, including options (diluted)	333,603	327,748

Basic earnings per share	Cent	Cent
Basic earnings per share	15.2	86.4
Adjusted basic earnings per share	16.9	17.0
Diluted earnings per share		
Diluted earnings per share	14.8	84.2
Adjusted diluted earnings per share	16.5	16.6
<u>Continuing operations</u>	€m	€m
Earnings from continuing operations as reported	51.4	47.1
Adjustments for exceptional items, net of tax	3.7	3.4
Adjusted earnings from continuing operations, net of tax	55.1	50.5
Basic earnings per share	Cent	Cent
Basic earnings per share	15.8	14.7
Adjusted basic earnings per share	16.9	15.8
Diluted earnings per share		
Diluted earnings per share	15.4	14.3
Adjusted diluted earnings per share	16.5	15.4
<u>Discontinued operations</u>	€m	€m
Earnings from discontinued operations as reported	(1.9)	229.0
Adjustments for exceptional items, net of tax	1.8	(225.2)
Adjusted earnings from discontinued operations, net of tax	(0.1)	3.8
Basic earnings per share	Cent	Cent
Basic earnings per share	(0.6)	71.7
Adjusted basic earnings per share	-	1.2
Diluted earnings per share		
Diluted earnings per share	(0.6)	69.9
Adjusted diluted earnings per share	-	1.2

Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased/issued by the Company and held as treasury shares (at 31 August 2011: 12.5 million shares; at 31 August 2010: 12.6 million shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period of the year that the options were outstanding.

Employee share options, which are performance-based, are treated as contingently issuable shares because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time. In accordance with IAS 33 *Earnings per Share*, these contingently issuable shares (totalling 227,244 at 31 August 2011 and 324,534 at 31 August 2010) are excluded from the computation of diluted earnings per share where the vesting conditions would not have been satisfied at the end of the reporting period. Vesting of certain Interests awarded under the Joint Share Ownership Plan (totally 375,000 at 31 August 2011) are also contingent upon satisfaction of specified performance conditions and these have also been excluded from the computation of diluted earnings per share.

In addition, the potentially dilutive impact of 4,552,130 employee share options have been excluded from the diluted earnings per share calculation on the basis that they are anti-dilutive as at 31 August 2011 (31 August 2010: 4,390,268).

9. Goodwill & intangible assets

	Goodwill €m	Brands €m	Other intangible assets €m	Total €m
Cost				
At 1 March 2010	424.0	82.1	1.6	507.7
Disposal of Spirits & Liqueurs business	(49.6)	-	-	(49.6)
Fair value adjustment	0.8	-	-	0.8
Translation adjustment	2.5	6.9	0.1	9.5
At 31 August 2010	377.7	89.0	1.7	468.4
Fair value adjustment	1.6	-	-	1.6
Translation adjustment	(1.2)	(2.4)	-	(3.6)
At 28 February 2011	378.1	86.6	1.7	466.4
Translation adjustment	(1.2)	(3.4)	(0.1)	(4.7)
At 31 August 2011	376.9	83.2	1.6	461.7
Amortisation				
At 1 March 2010 and 31 August 2010	-	-	-	-
Charge for the period ended 28 February 2011	-	-	(0.1)	(0.1)
At 28 February 2011	-	-	(0.1)	(0.1)
Charge for the period ended 31 August 2011	-	-	-	-
At 31 August 2011	-	-	(0.1)	(0.1)
Net Book Value at 31 August 2011	376.9	83.2	1.5	461.6
Net Book Value at 28 February 2011	378.1	86.6	1.6	466.3
Net Book Value at 31 August 2010	377.7	89.0	1.7	468.4

Goodwill relates both to that previously capitalised under Irish GAAP, treated as deemed cost on transition to IFRS on 1 March 2004, and that which arose on the acquisition of the Tennent's and Gaymer cider businesses during the financial year ended 28 February 2010 which was capitalised at cost and represents the synergies arising from cost savings and the opportunity to utilise the extended distribution network of the Group to leverage the marketing of the Group's acquired products. Goodwill relating to disposed businesses has been written off to the Income Statement in the year of disposal. All goodwill is regarded as having an indefinite life and is not subject to amortisation under IFRS but is subject to regular impairment assessment.

The Group's capitalised brands, Tennent's, Gaymers, Blackthorn and Olde English, which were valued at fair value on acquisition, are regarded as having indefinite useful economic lives and consequently have not been amortised. The brands are protected by trademarks, which are renewable indefinitely in all major markets where they are sold and it is the Group's policy to support them with the appropriate level of brand advertising. In addition, there are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. Accordingly, the Directors believe that it is appropriate that the brands be treated as having indefinite lives for accounting purposes and be assessed for impairment on a regular basis as opposed to being subject to an annual amortisation charge.

Other intangible assets comprise 20 year distribution rights for third party beer products. These were valued at fair value on the date of acquisition in accordance with the requirements of IFRS 3 *Business Combinations* by independent valuers. Other intangible assets have finite lives and are subject to amortisation on a straight line basis over the length of the distribution agreements. The amortisation for the six month period to 31 August 2011 was less than €0.1 million.

Brands and goodwill are subject to an impairment test on an annual basis and more frequently if an indicator of impairment is considered to exist. The value of brands and goodwill was assessed for impairment at 31 August

2011. The Group, having performed the impairment testing, is satisfied that the carrying value of brands and goodwill has not been impaired and is confident that there continues to be significant headroom in the recoverable amount of the related cash generating units compared to their carrying value.

10. Property, plant & equipment

Acquisitions and disposals

During the six months ended 31 August 2011, the Group acquired assets with a cost of €6.1 million (six months ended 31 August 2010: €11.8 million). In addition to the disposal of land & buildings as part of the sale of the Group's Northern Ireland wholesale business as outlined in note 7, the Group disposed of equipment with a net book value of €0.2 million realising a profit of €0.4 million.

Capital commitments

At 31 August 2011, the Group had entered into contracts to purchase property, plant & equipment that were outstanding at the period end totalling €5.7 million (31 August 2010: €1.6 million).

Impairment

The carrying value of items of property, plant & equipment are reviewed and tested for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying values may not be recoverable. The Board is satisfied that the carrying values have not been impaired and consequently no impairment charge has been recorded in the six month period ended 31 August 2011.

11. Borrowings

	31 August 2011 €m	31 August 2010 €m	28 February 2011 €m
Maturity analysis			
<i>Non-current</i>			
Unsecured bank loans repayable by bullet repayment on maturity	-	184.6	99.8
<i>Current</i>			
Unsecured bank loans repayable by instalment	74.9	53.8	35.2
	74.9	238.4	135.0

Unamortised issue costs of €0.1 million (28 February 2011: €0.3 million, 31 August 2010: €1.0 million) have been netted against outstanding bank loans.

12. Analysis of net debt/(cash)

	1 March 2011 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	31 August 2011 €m
Interest bearing loans & borrowings	135.0	(1.7)	(58.6)	0.2	74.9
Cash & cash equivalents	(128.7)	3.1	(9.0)	-	(134.6)
	6.3	1.4	(67.6)	0.2	(59.7)
Interest rate swaps	2.0	-	0.8	(1.3)	1.5
	8.3	1.4	(66.8)	(1.1)	(58.2)

	1 September 2010 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	28 February 2011 €m
Interest bearing loans & borrowings	238.4	(0.9)	(103.2)	0.7	135.0
Cash & cash equivalents	(263.1)	0.7	133.7	-	(128.7)
	(24.7)	(0.2)	30.5	0.7	6.3
Interest rate swaps	3.9	-	1.4	(3.3)	2.0
	(20.8)	(0.2)	31.9	(2.6)	8.3

	1 March 2010 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	31 August 2010 €m
Interest bearing loans & borrowings	478.4	4.2	(245.0)	0.8	238.4
Cash & cash equivalents	(113.5)	(1.4)	(148.2)	-	(263.1)
	364.9	2.8	(393.2)	0.8	(24.7)
Interest rate swaps	4.9	-	1.6	(2.6)	3.9
	369.8	2.8	(391.6)	(1.8)	(20.8)

The non-cash changes relate to amortisation of issue costs and movements in the fair value of interest rate swaps. In the prior period, the non cash changes also included the fair value of derivative financial instruments disposed of as part of the sale of the Group's Spirits & Liqueurs business, as outlined in note 7.

The Group manages its borrowing ability by entering into committed borrowing agreements. During the period, the Group repaid its maturing sterling debt facility from surplus cash resources; the amount drawn under the terms of this facility was £30.0 million at 28 February 2011.

The Group's remaining debt facility, a euro five year committed revolving loan facility, is repayable on the 8 May 2012, and is subject to variable Euribor interest rates plus a margin, the level of which is dependent on the net debt:EBITDA ratio which for the period ended 31 August 2011 was 35bps (period ended 31 August 2010: 55bps). The Group may select an interest period of one, two, three or six months.

Under the terms of the facility agreement, net proceeds arising from the disposal of part of the Group's business, in excess of an agreed de minimis, must be applied to repay outstanding loans. Accordingly in the prior period, a portion of the net disposal proceeds (€245.0 million) arising from the Group's disposal of its Spirits & Liqueurs business was used to part repay the facility and the available committed facility was cancelled by the same amount.

Voluntary repayments of €55.0 million, €30.0 million and €25.0 million were completed in January, February and August 2011 respectively from surplus cash resources.

The total euro facility available to the Group at 31 August 2011 was €185.0 million of which €75.0 million was drawn (2010: €185.0 million fully drawn).

All bank loans are guaranteed by a number of the Group's subsidiary undertakings. The loan facility agreements allow the early repayment of debt without incurring additional charges or penalties. All bank loans are repayable in full on change of control of the Group.

The Group's euro debt facility incorporates two financial covenants:

- Interest cover: The ratio of EBITDA to net interest for a period of 12 months ending on a half year date will not be less than 3.5:1
- Net debt/EBITDA: The ratio of net debt on each half year date to EBITDA for a period of 12 months ending on a half year date will not exceed 3.5:1

13. Retirement benefit obligations

As disclosed in the Annual Report for the year ended 28 February 2011, the Group operates a number of defined benefit pension schemes for employees in the Republic of Ireland and Northern Ireland, all of which provide pension benefits based on final salary and the assets of which are held in separate trustee administered funds. Membership of all schemes is closed to new entrants and there are no active members of the Group's Executive Defined Benefit Pension scheme. The Group provides permanent health insurance cover for the benefit of its employees and separately charges this to the Income Statement.

The Actuary, Mercer Human Consulting, to the defined benefit schemes in the Republic of Ireland completed an actuarial valuation of both schemes as at 1 January 2009 and submitted Actuarial Funding Certificates to the Pensions Board confirming that the Schemes did not satisfy the Minimum Funding Standard at that date. As a result of the schemes' failure to meet the Minimum Funding Standard, the Group is obliged and committed to present Funding Proposals to the Pensions Board outlining the actions the Trustee and Group have agreed to take with the objective of putting the Schemes in a position to satisfy the funding standard over an agreed term. In mid-October 2010, the Pensions Board deferred the deadline for the submission of funding recovery plans and has yet to issue a revised date. The Group continues to actively work with Trustees to achieve defined benefit pension reform and has made good progress in negotiating changes to scheme obligations with the view to managing the financial risks associated with the ongoing funding of the Group's defined benefit pension schemes.

The Balance Sheet valuation of the Group's defined benefit pension schemes' assets and liabilities have been marked-to-market as at 31 August 2011 to reflect movements in the fair value of assets and changes in the assumptions used by the schemes' actuaries to value the liabilities. The valuation of scheme liabilities increased following a market reduction in discount rates (ROI: reducing from (5.3% - 5.5%) to (5.2% - 5.4%); NI reducing from 5.5% to 5.25%), the impact of which on the Northern Ireland scheme was only partially offset by a reduction in assumed future inflation. All other significant assumptions applied in the measurement of the Group's pension obligations at 31 August 2011 are consistent with those as applied at 28 February 2011 and as set out in the Group's last Annual Report.

	31 August 2011	31 August 2010	28 February 2011
	€m	€m	€m
Retirement benefit deficit at beginning of period	15.3	21.2	21.2
Translation adjustment	-	-	0.1
Current service cost	0.3	0.6	1.2
Net finance cost	0.5	0.8	1.6
Curtailement gain	-	(0.5)	(2.0)
Actuarial losses/(gains)	10.7	28.5	(0.2)
Company contributions	(3.1)	(0.9)	(6.6)
Retirement benefit deficit at end of period	23.7	49.7	15.3

The actuarial losses incurred in the period predominantly relate to asset returns earned being less than those expected (€7.5 million loss) and a reduction in discount rates used to value scheme liabilities (€2.5 million loss).

The negative impact of the above on the valuation of the scheme's deficit has been partially offset by the decision of the Group to commence paying its annual pension contribution commitment on a monthly as opposed to an annual basis.

14. Other reserves

Capital redemption reserve and capital reserves

These reserves initially arose on the conversion of preference shares into share capital of the Company and other changes and reorganisations of the Group's capital structure. These reserves are not distributable.

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred together with any deferred gains or losses on hedging contracts where hedge accounting was discontinued but the forecast transaction is still anticipated to occur.

Share-based payment reserve

The reserve relates to amounts expensed in the Income Statement in connection with share option grants falling within the scope of IFRS 2 *Share-based Payment* plus amounts received from participants on award of Interests under the Group's Joint Share Ownership Plan less reclassifications to retained income following exercise/forfeit post vesting or lapse of such share options and Interests.

Currency translation reserve

The translation reserve comprises all foreign exchange differences from 1 March 2004, arising from the translation of the net assets of the Group's net investment in its non-euro denominated operations, including those arising on long term intra group loans for which settlement is neither planned nor likely to happen in the foreseeable future and as a consequence are deemed quasi equity in nature, and the translation of the profits of such operations from the average exchange rate for the period to the exchange rate at the balance sheet date, as adjusted for the translation of foreign currency borrowings designated as net investment hedges. All movements that have arisen since 1 March 2004, the date of transition to IFRS, are recycled through the Income Statement on disposal of the related business.

In the current period, all movements arising on the translation of the net assets of the Group's Northern Ireland wholesaling business (Quinns of Cookstown) since 1 March 2004 were recycled to the Income Statement following disposal of that business.

Revaluation reserve

This reserve comprises the gain which arose on the revaluation of land & buildings by external valuers during the financial year ended 28 February 2009 and as outlined in that year's annual report. In the current period, the component of the original gain relating to land & buildings disposed of as part of the disposal of the Group's Northern Ireland wholesaling business (Quinns of Cookstown) was transferred from the revaluation reserve to retained income within the Statement of Changes in Equity.

Treasury shares

This reserve arises when the Company issues equity share capital under its Joint Share Ownership Plan, which is held in trust by the Group's Employee Benefit Trust. The consideration paid, 90% by a Group company and 10% by the participants, in respect of these shares is deducted from total shareholders' equity and classified as treasury shares on consolidation until such time as the Interests vest and the participant acquires the shares from the Trust or the Interests lapse and the shares are cancelled or disposed of by the Trust. The current period movement relates to the exercise of Interests by a Participant.

15. Dividend

A final dividend of 3.3 cent per ordinary share (2010: 3.0 cent) was paid to shareholders on 13 July 2011. An interim dividend of 3.67 cent per share for payment on 16 December 2011 is proposed to shareholders registered at the close of business on 28 October 2011.

Dividends declared but unpaid at the balance sheet date are not recognised as a liability at the balance sheet date.

16. Related parties

The principal related party relationships requiring disclosure are as identified in the 2011 Annual Report and pertain to the existence of subsidiaries, transactions entered into by the Group with these subsidiary undertakings and the identification and compensation of key management personnel. There have been no related party transactions that could have a material impact on the financial position or performance of the Group for the first six months of the financial year ending 29 February 2012.

For the purposes of the disclosure requirements of IAS 24 *Related Party Disclosures*, the Group has defined the term "key management personnel", as its executive and non-executive Directors.

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Executive Directors participate in the Group's share option programmes whereas Non-executive Directors do not receive share-based payments or post employment benefits. No other non-cash benefits are provided. Key management personnel received total compensation of €1.8 million for the six months ended 31 August 2011 (six months ended 31 August 2010: €2.1 million).

In the prior financial period, John Dunsmore and Stephen Glancey both exercised their interests in 1,706,666 ordinary shares (being one third of their restricted interest in 5,120,000 ordinary shares held under the C&C Joint

Share Ownership Plan that vested on the first anniversary of acquisition) on 21 June 2010 at a value of €3.29. The shares were purchased by their respective wives.

17. Events after the balance sheet date

There were no material events subsequent to the Balance Sheet date (31 August 2011) which would require disclosure in this report.

18. Board approval

The Board approved the financial report for the six months ended 31 August 2011 on 19 October 2011.

19. Distribution of interim report

This report and further information on C&C is available on the Group's website (candcgroupplc.ie). Details of the Scrip Dividend Offer in respect of the interim dividend for the financial year ending 29 February 2012 will be posted to shareholders on 9 November 2011.