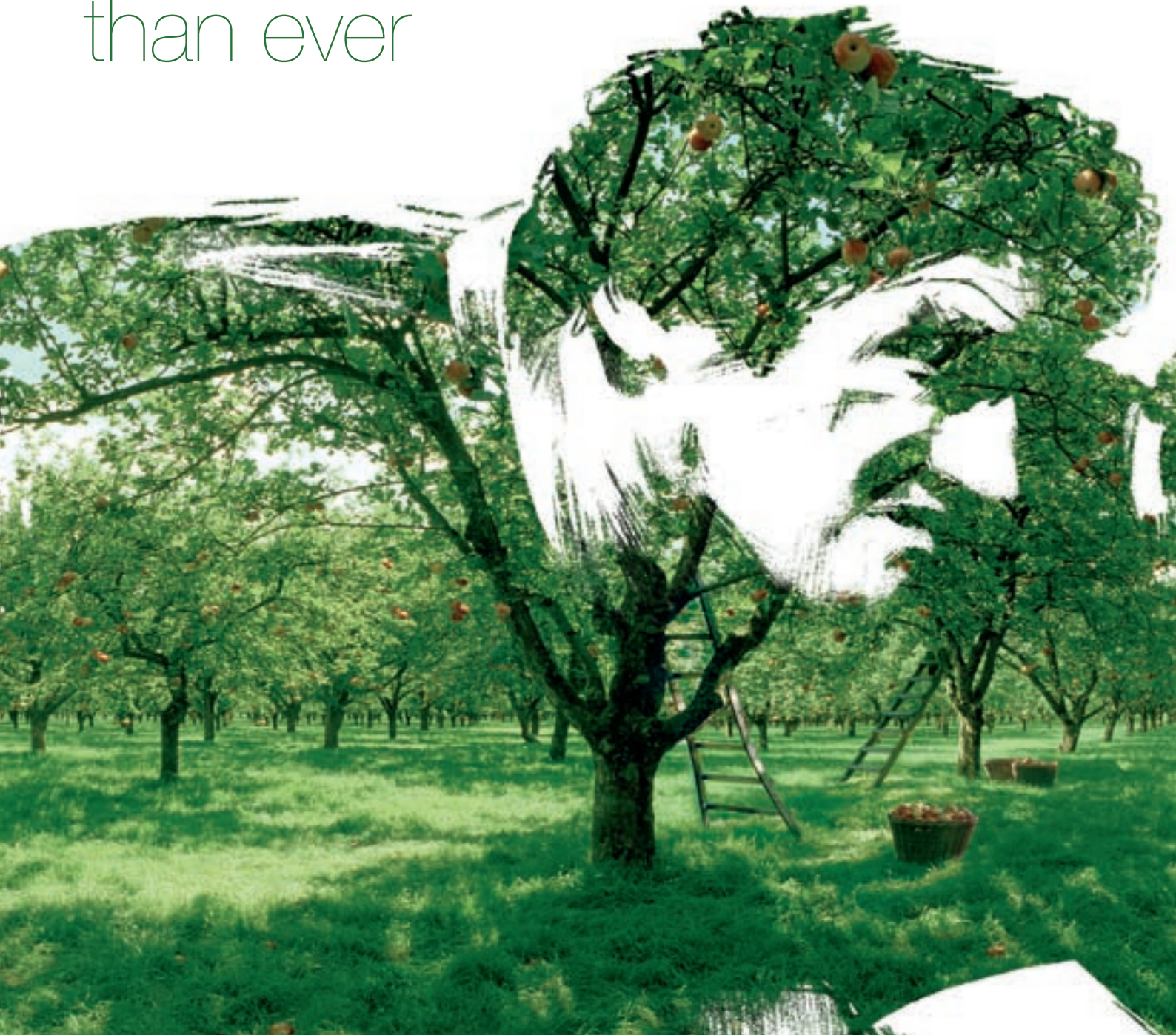


Chief executive's review

leaner &
more committed
than ever





C&C Group faced into exceptionally strong headwinds during 2007/08 and revenues and profitability suffered as a result. However, we responded promptly and effectively. We continued our clear and strong focus on developing Magners, our premium cider product, into a successful international brand, while our whiskey brand, Tullamore Dew, enjoyed another exceptionally good year. We ended the year wiser, leaner and more committed than ever to growing our business across a range of markets.

The effects of a number of factors combined to make 2007/08 an extremely challenging year for us. Great Britain and Ireland endured exceptionally wet and cold weather during the summer months, the peak sales opportunity for Magners and Bulmers. Our competition reacted aggressively to the success of Magners since its launch in Great Britain four years ago. The smoking ban in pubs in Great Britain depressed the on-trade and consumer confidence and spending began to weaken.

We responded promptly and effectively to these developments. We implemented an extensive re-organisation and cost reduction programme that is expected to achieve annualised savings of €10 million. More fundamentally, we completely reconfigured the way we are organised to do business, integrating our head office and cider management structures and moving to a supply and demand business model. This approach sharpened our focus and delivery in key areas of our business, including marketing and support for our customers, as well as establishing more effective linkages between the demand and supply dimensions of our business. Our new streamlined leadership team includes two senior appointments, Aidan Murphy as Managing Director, Supply Chain and John Holberry as Managing Director, Magners - Great Britain.



Chief executive's review

continued



Financial Results

Turning to the financial outcomes, Group Revenue declined by 8.1% to €679 million. A decrease in the volume of sales of cider, allied to an increase in costs, was the main reason for a reduction in our overall Operating Margin from 27% to 18.4%. Operating Profit before exceptional items decreased by 37.3%, from €199.6 million to €125.2 million.

Cider

Overall volume sales of cider declined by 11%. As a result, cider Revenue on a constant currency basis decreased by 8.2% to €470.5 million. Operating Profit in the division was down by 39.5% on a constant currency basis while Operating Margin declined to 22.8%.

Magners

Despite all the challenges, at the end of the year Magners had consolidated a solid share of the on-trade market for Long Alcoholic Drinks (LAD) in Great Britain. We are now moving to leverage the strong platform we achieved for premium packaged cider into the broader and larger market for draught cider. In February 2008, we signed a five year contract with Coors under which they will keg, distribute and sell Magners draught to the ontrade in Great Britain. We will provide the brand expertise, marketing direction and investment. This initiative considerably widens our addressable market for cider in Great Britain.

In a clear signal of our intent, we maintained our high marketing spend in Great Britain. The brand was in the top three spenders on consumer marketing within the LAD market. Our overall marketing investment on cider increased from €48.1 million to €67.9 million, an increase of 41%, and it is our intention to maintain a high level of consumer advertising to reinforce the consumer equity the brand has attained.

We continued to develop the presence we have established for Magners in markets in southern Germany and Catalonia, in Spain, based around the cities of Munich and Barcelona. This investment has provided valuable insights. There is definite consumer interest in the Magners proposition and we are extending the tests into a second year, with a greater emphasis on consumer sampling and targeted distribution building.

Bulmers

Bulmers achieved record volume share in both the on-trade and off-trade in Ireland in a year when the overall trading environment was becoming more difficult. The on-trade volume decline in LAD accelerated and the growth in the off-trade slowed appreciably.

Bulmers increased its share of the on-trade and off-trade. The brand recovered very strongly after the bad weather in the summer period. This outcome underlines the maturity of the Irish cider market and the brand's inherent strength and resilience.

Spirits & Liqueurs

Revenue, on a constant currency basis, in our spirits & liqueurs business increased by 12.3%, to €87.5 million, mainly driven by the sales volume of Tullamore Dew, which was up 22%. Higher investment in marketing and an increase in raw materials costs for Carolans Irish Cream reduced Operating Profit, on a constant currency basis by 5.4%, to €15.8 million.

Tullamore Dew, our premium whiskey brand, continued to go from strength to strength and consolidated its clear position as the number two Irish whiskey in the world. We continued to invest strongly in marketing this brand in a number of opportunity markets. Up to now, we have enjoyed considerable success in markets right across Europe and now the United States is beginning to respond particularly well and the prospects there look promising.

Distribution

Our distribution business throughout the island of Ireland saw the loss of a number of wine distribution agreements as a result of Fosters acquisition of the Penfolds and Rosemont brands. Consequently on a constant currency basis Revenue declined by 13% to €121 million. In Northern Ireland, we distribute the Coors brands and they have been performing very well.

Capital Investment

Supporting our continued drive for expansion is our highly efficient, state-of-the-art and environmentally friendly production and bottling complex at Annerville, near Clonmel, Co. Tipperary. Over the last two years, we have invested approximately €170 million in modern production capacity, increased storage capacity as well as greatly augmented bottling and packaging facilities. The effect of our investment programme to date has been a significant increase in our cider production capacity. This gives us the headroom and freedom to grow the international markets for cider in the medium term and within a cost structure that will readily translate volume growth into profit.

Workforce

2007/08 was a difficult year for everyone in C&C. We said farewell to many valued employees in circumstances where the business clearly had to take action to make ourselves more efficient, but our actions were also important and necessary to ensure we could continue to provide valuable and secure employment. We re-organised our business to lower costs and sharpen our competitive focus and we reduced total employee headcount by 150. We incurred a once off cost of €15.6 million before taxation to fund the rationalisation and redundancy programme which will deliver €10 million in annualised savings, after taking account of sharply rising input costs.

Soft Drinks

In August 2007, we completed the sale of our soft drinks business to Britvic plc for a consideration of €246.6 million, achieving a full price. This sale underscored our strategy of focussing on the higher shareholder returns provided by cider and spirits and liqueurs.

Balance Sheet Management

We re-financed our debt at a very advantageous time in the market as part of our ongoing management of the balance sheet. We actively manage the ratio of debt to shareholders' funds on our balance sheet. In the early part of the year we announced and commenced a share buyback programme. However as the trading environment became much more challenging, we suspended the programme as we deemed it inappropriate in the circumstances. In aggregate we expended €139.9 million in buying back and cancelling 17.7 million shares (5.4% of the Company's share capital) at an average price of €7.84. We will continue to monitor the issue closely particularly in the light of the ongoing uncertainties in financial markets worldwide.

Dividends

We have made a commitment to our shareholders, subject to approval of the final dividend at the AGM, to pay a total dividend of 27 cent in respect of the 2007/08 fiscal year. The payment also reflects our confidence in how our future cash flows will evolve.

Currency

As currency markets became more volatile and the Euro strengthened appreciably against Sterling and the Dollar, we managed our currency exposure to ensure we retained value in our translated Euro earnings. As a result we are almost fully hedged for the next fiscal year at overall rates comparable to 2007/08. In closing out surplus hedge contracts during the 2007/08 fiscal year we made an exceptional profit of €9.1 million.

Outlook and Strategy

Our strategy is to continue to increase Bulmers' share of the LAD market in Ireland. Outside of Ireland, we plan to continue and deepen our focus on establishing Magners as a premium cider not only in Great Britain but in other international markets as well. Even as the LAD market in Great Britain was in decline last year, the total cider market continued to grow. Our belief is that with continued high marketing investment, packaged cider, in particular, will return to growth. We are confident that the embedded nature of the Magners brand in Great Britain will allow us to exploit exciting growth opportunities arising from our partnership with Coors for draught Magners, together with expansion into other products such as Magners Light. On the basis of a return to average summer weather, we expect the premium cider category to return to growth in 2008.

In spirits & liqueurs, we will continue to pursue our successful strategy of investing in marketing and distribution in selected markets in Europe and North America, leveraging the favourable connection that consumers increasingly make between quality whiskey and Ireland.

Aside from the exceptional market headwinds we encountered last year, we recognise that all consumer markets are confronted by rapidly rising raw materials costs and weakening consumer sentiment. Taken together these conditions require us to remain extremely vigilant in managing our cost base and ensuring we deliver shareholder value for money.

Maurice Pratt
Chief Executive Officer