

Chairman's Statement

OVERVIEW

For our second annual results as a listed company, I am pleased to report significant progress against all key financial measures. C&C is reporting increased revenue, earnings, operating margins, and free cash flow in testing conditions. We are also pleased to report a reduction in our net debt and an increased dividend stream for our shareholders. We are well positioned to capitalise on emerging opportunities.

PERIOD IN REVIEW

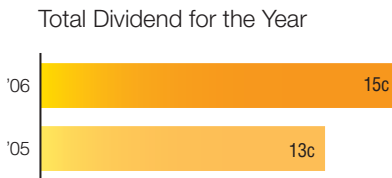
C&C reported operating profit of €124.7 million⁽ⁱ⁾ and adjusted earnings per share of 29.9 cent for the year ended 28 February 2006, an increase of 13.3% and 15.9% respectively. C&C generated free cash flow of €89 million in the period. This performance shows significant year-on-year growth. For 2006/07, we expect to deliver continued revenue and earnings growth.

C&C's growth primarily reflects the success of our cider brands in Ireland and the UK. Volume of Bulmers increased by 6% against an Irish LAD⁽ⁱⁱ⁾ market growth of 2%. Volume of Magners, the Group's international cider brand, more than doubled. To support further and sustainable growth of its portfolio, C&C invested a total of €58.5 million in marketing spend in the year. Again, this represents a significant increase on prior year spend and reflects both the premiumisation and prospects of our cider business. While cider is the primary component of our growth, C&C is progressively less dependent on the Irish market as the business continues to diversify geographically. Tullamore Dew, our premium branded Irish whiskey, also continues to show exciting growth in international markets.

Despite a reduced contribution from the soft drinks business and increased marketing spend, C&C delivered improved operating margins for the period. This, in turn, reflects strong growth in our Cider business, better than expected growth by Tullamore Dew and a continued focus on cost reduction. The performance of our Soft Drinks & Snacks division was adversely affected by challenging market conditions, loss of market share, pricing pressure and rising input costs. Difficult market conditions in carbonated soft drinks, in part, reflect changing consumer preferences towards lower calorie alternatives and an increased awareness of obesity issues. It is also clear that a competitive cost structure and continuous innovation will be required to deliver the type of performance we expect.



- (i) before exceptional items
- (ii) long alcohol drinks (beer, cider, RTD's)



DIVIDENDS AND DIVIDEND POLICY

The Directors are proposing a final dividend of 8.5 cent per share. A scrip dividend alternative will also be available. The final dividend is subject to approval by shareholders, and if approved, the total dividend for the year will amount to 15 cent, compared with last year's total dividend of 13 cent, an increase of 15.4%. It also represents a dividend payout ratio of c. 50%, which is supported by the Group's strong cash flow and reducing net debt position.

The Group introduced a scrip dividend alternative to a cash dividend at last year's AGM, and the combined take-up of the scrip alternative for last year's final dividend and this year's interim dividend was almost 34%. This is an extremely high take-up and a vote of confidence by shareholders in the Group.

The Group continues to be committed to a progressive and attractive dividend policy. While substantial capital expenditure is planned for the 2006/07 financial year in order to expand our cider capacity, this will not affect our dividend payout.

ALCOHOL MISUSE

There is continuing concern about the misuse of alcohol in society and underage drinking in particular. The Group continues to take all reasonable steps to encourage responsible drinking and continues to work with all stakeholders towards this goal. Our marketing complies with strict advertising codes of conduct and we are acutely aware of this sensitive alcohol abuse issue. Responsible drinking informs every aspect of our alcohol business.

Further information on our initiatives in this area is outlined in the Corporate Responsibility Report on pages 22 to 25.

BOARD OF DIRECTORS

I would like to record my appreciation to your Board for its support and guidance during the year. The composition of the Board reflects an effective and complementary blend of skills and expertise. Your Group continues to benefit from the quality and independence of the Board's oversight.

In accordance with the Company's Articles of Association and the Combined Code on Corporate Governance, each year at the AGM, at least one third of the Directors retire from the board and submit to re-election. This year therefore, John Burgess, Richard Holroyd, Breege O'Donoghue and Maurice Pratt, will retire and seek re-election at the forthcoming AGM.

I can confirm that I have conducted annual performance evaluations of all the Directors, and that each of them continues to perform effectively and show commitment to the role. I therefore strongly recommend the re-election of the above Directors.

STRATEGY

The Group's strategy is to deliver continued top and bottom line growth through our core strengths. These capabilities include superior marketing skills and an effective route to market. We will continue to invest for the sustainable growth opportunities presented in particular by Bulmers in Ireland, Magners in the UK, and by Tullamore Dew internationally.

PEOPLE

The performance of the Group would not be possible without the exceptional commitment of its employees. On behalf of the Board, I would like to thank Maurice Pratt, his team, and all employees for their contribution to the success and wellbeing of the Group.

OUTLOOK - SUSTAINING GROWTH

Cider should again drive overall revenue and earnings growth for the 2006/07 financial year. For our underperforming businesses the objective is to stabilise performance such that these divisions should, in time, contribute to the Group's performance.

The growth opportunity that Magners in particular presents will be supported by an effective doubling of C&C's cider capacity. Our national roll out within the UK will also be supported by a €30 million national marketing campaign. Our experience to date sustains our belief that Magners' investment-led strategy provides your group with attractive and sustainable growth prospects. We will also commence an assessment of the prospects for Magners in a broader European context.

Tony O'Brien
Chairman