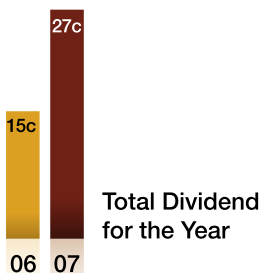


# Chairman's statement

I am pleased to report notable advances in our cider and spirits & liqueurs businesses, giving us continuing earnings growth and success against all financial measures. This outcome reflects the considerable progress we are making towards establishing Magners cider as a premium international branded drink.



## Year in Retrospect

Revenue for the year increased by 27% to €981.4 million. We achieved an increase of 77% in Operating Profit, to €212.6 million. This represented adjusted Earnings Per Share of 54.9 cent. Free cash flow of €71.1 million was generated in the period prior to disposal proceeds from the sales of our snacks business. We completed the sale of that business in September 2006 for a net consideration of €59.8 million. Importantly, we again

demonstrated ongoing commitment to our brands with a marketing investment of c.€80 million for the year.

The strong growth in earnings essentially reflects the outstanding success of our cider brands, especially Magners in the U.K. During the year, we successfully completed the first phase of a major capital investment programme at our Clonmel cider-making facility. The completion of this programme by the Summer of 2007 will, effectively, double our cider-making capacity giving us the headroom to sustain the exceptional growth of Magners in the British market and to support further international expansion. Tullamore Dew achieved a 16% increase in sales and continued to improve its relative position as the number two Irish whiskey worldwide. We continued to invest aggressively in the brand and we foresee good opportunities for further growth in Central and Eastern Europe as well as in the United States. Excluding the loss of the franchise for the Danone water brands, our soft drinks division outperformed the market in Ireland and returned solid underlying growth in profits. In the distribution division, Revenue was adversely affected by the loss of the franchise for the Allied Domecq brands following their change of ownership.



### Dividends and Dividend policy

Consistent with our progressive dividend policy we are proposing a final dividend of 15 cent per share subject to shareholder approval. If approved, the Group's full dividend will amount to 27 cent per share, an increase of 80% on the previous year. A scrip dividend will be available.

### Links with sport

Our outstanding success since we became a listed company has been built on teamwork. It has involved a range of stakeholders, not least our outstanding management team and employees. Our understanding of the importance of teamwork has led us to sponsor teams and players in several sports, all of which have an affinity with our businesses. In rugby, they include the increasingly high profile Magners League, Edinburgh Rugby and the London Wasps. In Gaelic games, we support the Gaelic Players' Association and we have been longstanding sponsors of club golf in Ireland.

We respond to the growing consumer awareness of health and wellness by researching and bringing to market new sports, health and energy drinks. Also, we are deeply involved in industry initiatives to promote more responsible consumption of alcohol.

### Disposals

It being non-core, your Board decided to dispose of our interests in snacks.

This will enable us to direct our resources and focus in particular on our Bulmers and Magners cider brands and also our Spirits & Liqueurs business. These are the core of our activities, enjoy attractive margins and offer the best prospects to enhance shareholder value. Also, we now have the security of a wider geographic base and a reduced dependence on the Irish market.

### Share buy-back

Due to our strong cash-generating capabilities, we are embarking on a share buy back programme.

### Societal

On societal change, this year will see the introduction of a smoking ban in the U.K. and while positive for the health of the nation, it is likely to have a negative impact on the pub channel. In Ireland, the smoking ban coupled with the recent introduction of random breath testing, has led to the gradual demise of the rural pub. The rural pub is unique to Irish culture and plays a pivotal role in unifying communities and preventing social isolation. The current intent by Government to extend the Rural Transport Initiative is to be encouraged.

### Board of Directors

We are fortunate to have a very able and committed Board who bring varied expertise and independent judgement to the board table. I wish to record my appreciation for their support and wise counsel during the year.

In accordance with the company's Articles of Association and the Combined Code on Corporate Governance, each year at the A.G.M. at least one third of the directors retire from the Board and submit to re-election. This year Brendan Dwan, Liam FitzGerald, Brendan McGuinness and myself will retire and seek re-election at the forthcoming A.G.M.

I can confirm that I have conducted a thorough annual performance evaluation of all directors and each of them continues to perform effectively and is committed to the task. My own performance is evaluated by the non-executive directors led by the Senior Independent Director. Based on the outcome of these processes, I strongly recommend the re-election of the above directors.

### People

Our people are at the heart of our success. They are experienced, committed and exceptionally skilful. We are working together in the transformation of C&C into a significant player in the international market for branded drinks. I thank all of them, and in particular, CEO Maurice Pratt and his team, for their contribution to the Group's continuing success.

### Strategy and Outlook

Our strategy is to maintain profitable growth through generating and exploiting higher margin growth opportunities for cider in Ireland and internationally and for spirits & liqueurs internationally.

Cider will be the predominant driver of revenue and earnings growth for the coming year. We will continue to invest strongly in marketing and brand management in support of Bulmers in Ireland and Magners' international expansion and we will bring to completion the major capital investment in production capacity needed to underpin this. We will also support the continued progress of Tullamore Dew in selected market opportunities, especially in Europe, through enhanced marketing investment.

Ultimately, our aspiration is to become a leading international branded alcohol group, relying on our superior products, outstanding marketing expertise and our considerable logistics skills.

Our expectation is that Operating Profit growth in the year to February 2008 will be in the range of 15% – 25%.

**Tony O'Brien**  
Chairman