

## C&C Group plc

### RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2016

**Dublin, London, 27 October 2016:** C&C Group plc ('C&C' or the 'Group'), a leading manufacturer, marketer and distributor of branded cider, beer, wine and soft drinks announces results for the six months ended 31 August 2016 ("H1'17").

#### Significant progress against operational priorities for FY2017

- *Stabilise trading in Ireland and Scotland*
  - Bulmers volumes up +6% supported by category growth and commercial initiatives
  - Tennent's volumes up +2% in the Scottish IFT and regaining share
- *Invest behind Magners Original brand to grow volume and share as category rationalises*
  - Magners brand volumes +11% and market share +140bpts (H1-on-H1)
  - Magners Original apple now 84% of total brand volumes with small pack +13% and draught +50%
- *Sustain International volume growth and develop increased contribution to Group*
  - Export markets +10% volume growth; now 4% of Group volumes
- *Transition to Pabst partnership and begin the process of recovery in the US*
  - Integrated Pabst/VHCC sales, marketing and distribution platform now in place
  - Targeting national account wins in the key Spring 2017 "sets"
- *Expand premium and speciality portfolio to complement key brands strategy*
  - +24% volume growth across our portfolio of premium and speciality beers and ciders comprising Heverlee, Menabrea, Clonmel 1650, Drygate, and Chaplin & Cork's
  - Portfolio progressing towards target of 5% of Group branded revenues
- *Deliver €15m of cost savings and efficiency gains*
  - Consolidation of production by end of calendar year
  - Utilisation rates and costs savings on track; but benefit weighted to the second half

#### Financial headlines

- Net revenue in our domestic markets for the combined Bulmers, Tennent's and Magners brands saw a modest decline of 0.8% in the first half
- Reported operating profit before exceptional items for the first half of €55.1m, down 7.9%<sup>(vi)</sup>. Incremental investment in marketing (+€3.6m in core brands) and price support are significant factors
- Operating profits<sup>(ii)</sup> stabilised in Ireland following a challenging FY16
- The fall in the value of sterling particularly following the Brexit vote had an adverse impact on reported revenues and operating profits of €24.4m and €2.8m, respectively
- Cash generation remains strong with FCF of €56.3m in the first half representing 89.8% of EBITDA<sup>(i)</sup>. Net debt<sup>(v)</sup> was €155.2m representing 1.4x EBITDA<sup>(i)</sup>, having completed a further €21.1m of buy-backs in the period.
- Adjusted diluted EPS 13.9 cent down 6.1% reflecting lower operating profit<sup>(ii)</sup> and the beneficial impact of c. €128m of share buy-backs over the last two years

#### Outlook and interim dividend

- First half financial performance defined by currency headwind and investment in marketing and price support to drive momentum in our core brands
- H2 will benefit from
  - Second-half weighting of cost reduction plans and efficiency gains
  - H1-weighting of increased marketing spend
  - Improving Tennent's rate performance in Scotland, against easier prior year comparatives
- However, we are seeing some volatility in consumer behaviour across our industry as a result of the heightened economic uncertainty following the Brexit vote and subsequent devaluation in sterling
- Interim dividend increase of 5% to 4.96c per share (H1'16: 4.73c), maintaining prior commitments to a progressive dividend policy and commensurate with good cash generation and a strong balance sheet.

## Summary financials

	H1'17	Constant Currency <sup>(vi)</sup> % change	% change
Net Revenue	€307.0m	(8.1%)*	
Operating profit <sup>(ii)</sup>	€55.1m	(7.9%)	
<b>Free cash flow/EBITDA (% conversion)</b>	<b>89.8%</b>		<b>(1.7ppts)</b>
Adjusted EBITDA <sup>(i)</sup>	€62.7m		(13.6%)
Free cash flow <sup>(iii)</sup>	€56.3m		
<b>Basic Earnings per Share (EPS)</b>	13.8 cent		0.7%
Adjusted diluted EPS <sup>(iv)</sup>	13.9 cent		(6.1%)
<b>Dividend per share</b>	4.96 cent		5.0%

\*The accounting policy changes in the US following commencement of our partnership with the Pabst Brewing Company on 1<sup>st</sup> March 2016 accounts for 1.4ppts of the 8.1% constant currency net revenue decline.

### Stephen Glancey, C&C Group CEO, commented:

*"In the first half Bulmers grew by 6%, Tennent's by 2% and Magners by 11% supported by increased brand investment and organisational focus. It is also pleasing to note continued growth in export with Tennent's volumes particularly strong up 50% in the period. While reported earnings have been impacted by a combination of accelerated investment and currency we believe that this level of investment ultimately underpins long term brand values.*

*Our portfolio of premium and craft beers and ciders such as Heverlee, Menabrea and Chaplin & Cork's is developing well, growing volumes by 24% in the first half. This portfolio supports our three core brands by providing customers with an authentic, compelling and differentiated range tailored towards increasing experimentation amongst modern consumers. Our local manufacturing and route to market capability make C&C an attractive distribution partner for local craft producers and International brands alike.*

*Our consolidation and efficiency programme is going to plan with minimum disruption to the broader business. This is testament to the skill, professionalism and hard work of our people. As part of the operational consolidation we invested €9m in a new PET bottling line at Clonmel in the first half and sold our bottling operations in Shepton for €9m. Last week we also completed the disposal of our cidery in Shepton Mallet. We remain on track to deliver the €15m of targeted cost savings and efficiency gains. With improving utilisation rates and stable input cost environment, we now have a well-invested, low cost manufacturing platform that will enable our brands to compete effectively in price sensitive markets.*

*In the first half we have seen some variability in consumer demand and are cautious on forward consumer reaction to political and economic conditions in our core markets. However, we have a business that is capable of weathering these challenges and our confidence in the medium to long term outlook is based on the strength of our key brands, our business model and leading positions in Ireland and Scotland – where fundamentals remain strong. We also have a growing export business; a broadening portfolio of premium and speciality beers and ciders; and the right partner for our US brands. Our cash generative nature and balance sheet strength should ensure attractive returns for shareholders. We are well placed to either capitalise on the opportunities which may arise from the current phase of consolidation in our industry or return capital to shareholders.*

*We note the recent decision of the Scottish courts to support the Government's plan to introduce minimum pricing on alcohol as one of a range of initiatives to reduce the harmful effects of irresponsible consumption. C&C is a supporter of this initiative and we will work with the relevant authorities in Scotland and Ireland to ensure that we meet our obligations to the consumers and communities we serve."*

## Conference Call Details | Analysts & Institutional Investors

C&C Group plc will host a live conference call and webcast, for analysts and institutional investors, today, 27 October, at 8.30am BST (3.30am ET). Dial in details are below for the conference call. The webcast can be accessed on the Group's website: [www.candcgroupplc.ie](http://www.candcgroupplc.ie)

Ireland	+353 1 696 8154
UK & Europe	+44 203 139 4830
USA	+1 718 873 9077

**Pin Code:** 16255334#

For all conference call replay numbers, please contact FTI Consulting.

## About C&C Group plc

C&C Group plc is a premium drinks company which owns, manufactures, markets and distributes branded beer, cider, wine, soft drinks and bottled water. C&C Group brands include: Bulmers the leading Irish cider brand; Tennent's, the leading Scottish beer brand; Magners the premium international cider brand; Tipperary Water; Finches soft drinks, as well as a range of niche, premium and craft ciders and beers. C&C Group also owns and manufactures Woodchuck, a leading craft cider brand in the United States and manufactures and distributes a number of 3rd party international beer brands in Scotland and Ireland. C&C is also a leading drinks wholesaler in Scotland and Ireland, where it operates under the Tennent's and C&C Gleeson brands respectively. C&C Group is headquartered in Dublin with manufacturing operations in Co.Tipperary, Ireland; Glasgow, Scotland; and Vermont, US. C&C Group plc is listed on the Irish and London Stock Exchanges.

## Note regarding forward-looking statements

This announcement includes forward-looking statements, including statements concerning current expectations about future financial performance and economic and market conditions which C&C believes are reasonable. However, these statements are neither promises nor guarantees, but are subject to risks and uncertainties, including those factors discussed on page 13 that could cause actual results to differ materially from those anticipated.

## Contacts

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### C&C Group plc

Stephen Glancey | Group Chief Executive  
Kenny Neison | Chief Financial Officer  
Joe Thompson | Head of Investor Relations  
Tel: +44 7980 844 580  
Email: [Joe.Thompson@candcgroup.com](mailto:Joe.Thompson@candcgroup.com)

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### FTI Consulting

Mark Kenny  
Jonathan Neilan  
Tel: +353 1 663 3686  
Email: [CandCGroup@fticonsulting.com](mailto:CandCGroup@fticonsulting.com)

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### Novella Communications

Tim Robertson  
Toby Andrews  
Tel: +44 203 151 7008  
Email: [TimR@novella-comms.com](mailto:TimR@novella-comms.com)

**IRELAND**  
**Operations Review**

Constant Currency <sup>(vi)</sup>	Ireland		
	H1 '17	H1 '16	Change
	€m	€m	%
Revenue	186.7	190.9	(2.2%)
Net revenue	133.1	138.2	(3.7%)
- Price / mix impact			+0.4 %
- Volume impact			(4.1%)
Operating profit <sup>(ii)</sup>	29.8	29.7	+0.3%
Operating margin (Net revenue)	22.4%	21.5%	+0.9ppts
Total volume – (kHL)	899.8	938.4	(4.1%)
- of which Bulmers – (kHL)	229.7	215.8	+6.4%

Overall, the LAD market (in the ROI) was up 5% in the period reflecting strengthening macro-economic conditions and improved consumer confidence<sup>(vii)</sup>. The cider category was up +9%, registering a second year of share growth relative to LAD<sup>(viii)</sup>. The performance of cider was buoyed not only by better weather, but through new product development helping to expand the category and bring in new millennial consumers.

The trade enjoyed a strong June as both Northern Ireland and the Republic of Ireland football teams progressed from the group stages of the European Championships. By contrast, July was poor across the industry. Volumes improved again in August, helped by some better weather.

*Operational performance*

After a challenging FY16, our priorities in Ireland for FY17 were to stabilise trading and return our key brands to volume growth. With Bulmers recording positive volume growth of +6.4% and operating profits flat in the period, we have made good progress in this initial stage of our recovery plan.

*Republic of Ireland:* The Bulmers performance reflected category growth, a strong performance in packaged in the on-trade (Bulmers smallpack: +10%) and an increased share in the off-trade to 51% (MAT June 15: 49%). Packaged product accounts for 71% (MAT- June 16) of on-trade cider and Bulmers retains an 89% share in this key category. However, we have ceded some share in draught cider. Within the period we introduced a number of new trading initiatives to support our key accounts and on-trade customers. Our marketing focus is now on taking advantage of the category expansion and meeting the challenge from new entrants. In the off-trade, whilst we maintained a price premium in Bulmers to Long Alcohol Drinks, there has been a narrowing of the gap. This, and the increased weighting of the off-trade in the channel mix for Bulmers, had a negative impact on revenues and margin in the period.

*Northern Ireland:* Performance in Northern Ireland was very encouraging, with Tennent's +3% by volume and Magners +6%. The strength and breadth of our premium beer and craft portfolio, together with our increased on-trade investment to €29m (February 16: €27m), is helping us win new accounts in geographies where we have traditionally been under-represented.

*Portfolio:* C&C is uniquely placed to benefit from increased experimentation amongst Irish consumers and the proliferation of LAD brands across premium, craft and speciality categories. As an independent, local brand-owner, manufacturer and distributor with excellent customer reach, we are flexible enough to attract and successfully develop: (i) premium international agency brands such as Corona; (ii) partner arrangements with some of the best emerging local craft brewers such as Whitewater in the North and 5 Lamps in Dublin; and (iii) our own specialist brands such as Heverlee, Roundstone and Clonmel 1650. In the first half, Corona, which we distribute on behalf of AB InBev, continued its strong run, with volumes up 21%. Our own-brand boutique beer portfolio of Heverlee, Clonmel 1650 and Roundstone Ale all enjoyed volume growth of over 30%. Innovation and portfolio freshness are key to sustaining success for our model. Our pipeline is strong with the launch of Pana Lager into Cork and the introduction of our Dowds Lane franchise in the period.

*Financial performance and outlook*

After a challenging year in FY16, operating profits for the first half at €29.8m are stable (H1'16: €29.7m). Despite the volume growth across many of our brands, a shift in channel mix meant net revenue was down 3.7% on a constant currency basis. The revenue decline also suffered from the loss of some low margin private label activity in 2015. This disappears from the comparatives in H2.

We have made good progress in the period, but have more work to do to ensure that all parts of our portfolio remain compelling and relevant to the modern Irish consumer. We are monitoring closely the impact of Brexit and currency movements on trading flows on the island of Ireland and any long term implications for cross-border activity.

**SCOTLAND**  
**Operations Review**

Constant Currency<sup>(vi)</sup>

	Scotland		
	H1 '17	H1 '16	Change
	€m	€m	%
Revenue	153.2	159.3	(3.8%)
Net revenue	100.3	106.8	(6.1%)
- Price / mix impact			(3.7%)
- Volume impact			(2.4%)
Operating profit <sup>(ii)</sup>	17.9	19.8	(9.6%)
Operating margin (Net revenue)	17.8%	18.5%	(0.7ppts)
Volume – (kHL)	726.1	734.3	(1.1%)
- of which Tennent's – (kHL)	553.2	551.7	Level

Beer volumes were +1% in Scotland in the first half, stabilising following a c.7% structural decline linked to the drink-driving legislative changes in Scotland in December 2014<sup>(vii)</sup>. Trading conditions were stable through the period except for a weak July, where double-digit volume declines were evident across the industry. Trading in August and into H2 has improved, suggesting the July dip was temporary.

*Operational performance*

Tennent's brand volume in the all-important Independent Free Trade channel was up 2% in the period, gaining market share. Including off-trade and national accounts, overall volume for Tennent's was level year on year.

Competitive and pricing pressures remained elevated in Scotland into Q1 as all brand owners sought to protect/rebuild absolute volumes after the drink-driving related challenges. We were not immune and suffered rate decline in the first quarter, which did help to recover accounts and rebuild share. A stabilisation of the trading environment and improved discipline around pricing enabled us to build both volume and rate through Q2 and into the second half. We are confident we can further recover value over time as we leverage the strength of the Tennent's brand, our fast-growing premium portfolio and our integrated wholesale offering.

Magners enjoyed good volume growth of +6% in Scotland and our portfolio of premium own and agency beers and ciders continue to make progress. Heverlee and Menabrea both saw double digit growth, and are achieving traction in the Scottish on-trade. Drygate, our joint venture with local craft brewers Williams Bros Brewing, achieved 10 kHL and is now exceeding original brewery capacity. In H2 we have the launch of Pabst into Scotland and a new range of Caledonia Best speciality bottled beers: Whisky Oak; IPA; Porter; and Citrus Hop Lager.

During the period our wholesale business made some progress in recovering the volumes and accounts lost due to the service issues experienced last year. Adoption of our on-line order platform is ahead of plan, with 9% of sales now coming through e-commerce.

*Financial performance and outlook*

Net revenues were down 6.1% to €100.3m reflecting our rate performance in Tennent's in Q1 and wholesale volumes still tracking below the same period last year, particularly in soft drinks. Margins were down 0.7ppts to 17.8% delivering operating profit of €17.9m, 9.6% below last year.

Looking at H2 and beyond, our service issues are behind us, we have rebuilt our share of the key channel for Tennent's and rate is recovering as we start to lap a period of weaker comparatives.

**C&C BRANDS**  
Operations Review

Constant Currency <sup>(vi)</sup>	C&C Brands		
	H1 '17	H1 '16	Change
	€m	€m	%
Revenue	83.9	90.6	(7.4%)
Net revenue	48.5	53.4	(9.2%)
- Price / mix impact			(5.0%)
- Volume impact			(4.2%)
Operating profit <sup>(ii)</sup>	4.4	7.5	(41.3%)
Operating margin (Net revenue)	9.1%	14.0%	(4.9ppts)
Volume – (kHL)	687.5	717.6	(4.2%)
- of which Magners – (kHL)	276.8	248.6	11.3%

The overall cider category was down in the period with volume -1.8%<sup>(vii)</sup>. A number of weaker brands have come under pressure as a result of de-listing by major retailers. We expect this retailer driven supplier rationalisation to continue over the coming months. Competitive pressures in the UK grocery channel are translating into real retail and wholesale price deflation for all LAD brand owners. One of the emerging features of the retailers' pursuit of value for consumers whilst protecting their margins is the growth of aluminium as a pack format rather than bottle.

The on-trade was in moderate growth over the period, buoyed by city-centres and growth in casual dining.

*Operational and strategic performance*

As discussed at our Capital Markets Day in March, with the cider category entering a period of retailer-led rationalisation, our focus this year was to up-weight our investment behind the Magners brand to drive growth and share, cementing Magners Original's position as the No.1 bottled apple cider brand in the UK. In the period we increased our marketing spend on Magners by €2.7m primarily through the "Hold True" campaign. We also invested a further €0.7m of margin in price support.

The market response to the Magners "Hold True" campaign has been positive to date. Magners brand volume is +11% in H1, and our share of cider is up 140bpts at 6.2% for the half year (rising to 6.9% in August). The focus of the campaign was around Magners Original apple, which now accounts for 84% of brand volume. The iconic Magners Original pint bottle volumes were up +13% in the off-trade and draught was up +50%. Our brand health check data suggests that the campaign put the brand back on the radar of our target audience and instilled our core message of Magners' authenticity. Prompted awareness increased to 48% amongst our key demographic. The high-profile investment behind the brand and impact helped secure new national contracts in the on-trade.

Our premium propositions in cider and beer, Chaplin & Cork's and Menabrea, more than doubled volume in H1. Menabrea, our authentic imported Italian lager made good progress in the licensed restaurant trade and secured a first grocery multiple listing. This should help underpin brand awareness and volume growth going forward.

With the focus of our investment and activity on Magners Original and the seeding of speciality premium brands, the volume and revenue decline in Magners fruit extensions, other secondary brands and own-label activity was not a surprise. Magners Berry and Fruit declined 35% but are becoming less relevant to brand equity performance.

*Financial performance and outlook*

Net revenue and operating profit were down in the period, at €48.5m and €4.4m respectively. Both were adversely impacted by our planned investment in marketing and price support, the product mix shift towards cans and large packs and channel mix towards the multiples. Changes in pack-type accounted for three-quarters of the negative (5.0%) price/mix impact on net revenue. The additional investment in brand marketing and mix changes impacted operating margin in the first half which dropped to 9.1% (H1'16: 14.0%).

Our brand investment is delivering both volume and share gains, plus revitalising customer engagement with our core Magners Original proposition. This positions us well to take advantage of any further retailer-driven rationalisation in the category.

## NORTH AMERICA Operations Review

Constant Currency <sup>(vi)</sup>	North America		
	H1 '17	H1 '16	Change
	€m	€m	%
Revenue	12.7	24.0	(47.1%)
Net revenue	12.0	22.8	(47.4%)
- trading impact			(16.0%)
- accounting treatment impact			(31.4%)
Operating profit <sup>(ii)</sup>	0.5	0.6	(16.7%)
Volume – (kHL)	91.7	139.4	(34.2%)

### *Accounting treatment changes arising from Pabst partnership*

Under the terms of the trading arrangement with Pabst Brewing company (“PBC”) which came into effect on 1st March 2016, C&C’s reported revenues now comprise Cost of Goods Sold at production cost plus a royalty payment representing one-third of the gross profit of the partnership. C&C contributes one-third of marketing spend. All sales costs are borne by PBC.

The change in accounting treatment for our US revenues would have had the effect of reducing our reported revenues for the comparative period (H1’16) by €5.3m had the partnership been in effect from 1st March 2015.

### *Market*

The cider category in the US suffered further declines in the period as the focus for many consumers, retailers and distributors switched to the alcoholic soft-drinks segment. Cider sales by volume for the period were down 11.6% year-to-date<sup>(x)</sup>.

It is clear that after a period of rapid growth in the cider category, investment and activity has moved into new adjacent spaces of flavoured malt beverages and fruit beer. The sweetness of these propositions has no doubt taken some consumers, temporarily at least, out of the cider category. However, past experience suggests that once the category is through these short-term cyclical challenges, it will resume its long term growth trend. In the near term, there should be opportunity for our brands to recover share and volume as competitor focus, activity and investment fades.

### *Update on Pabst distribution partnership*

The long term distribution partnership between our US subsidiary – Vermont Hard Cider Company (“VHCC”) and PBC took effect from 1 March 2016. Focus in the first six months was on transitioning VHCC’s sales and marketing operations into the Pabst distribution platform and integrating our domestic US and import cider brands into their broader portfolio. At the same time, the work on new branding and packaging completed. Progress has been slightly slower than anticipated, but we now have the platform in place and detailed marketing, promotional and sales plans for our cider brands within the wider Pabst portfolio. The focus now switches to delivering some modest improvement in H2 and securing national account listings for the important Spring “sets”. Both parties are cautiously optimistic that the plans in place can deliver some market share recovery in FY18.

### *Financial performance and outlook*

Total volumes were down 34% in the half year reflecting the overall declines in the US cider market and the inevitable disruption from bringing the two distribution networks together.

Despite the decline in volume and revenue in the period, reported operating profit was broadly flat at €0.5m (H1’16: €0.6m), with PBC bearing a greater share of a reduced marketing spend.

It has been a challenging six months for the category and the business but, collectively, there is no loss of belief or enthusiasm for the long-term prospects of cider in the US or in the quality of the Vermont assets. We remain convinced of the strength and commercial logic of our combined PBC/VHCC platform.

**EXPORT  
Operations Review**

**Constant Currency<sup>(vi)</sup>**

	Export		
	H1 '17	H1 '16	Change
	€m	€m	%
Revenue	13.3	13.0	2.3%
Net revenue	13.1	13.0	0.8%
- Price / mix impact			(9.4%)
- Volume impact			10.2%
Operating profit <sup>(ii)</sup>	2.5	2.2	13.6%
Operating margin (Net revenue)	19.1%	16.9%	2.2ppts
Volume – (kHL)	102.7	93.2	+10.2%

Export markets for C&C are all markets outside of the UK, Ireland and North America. Our strategy is to build volume through our portfolio of authentic British and Irish cider and beer brands across Europe, Asia/Pac and Africa through partnership arrangements with the right local distributors and manufacturers.

*Operational and strategic performance*

We are half way through another year of good growth for our International division, with volume up 10% in H1 with net revenue and operating profit up 1% and 13% respectively.

In Europe, our more established markets enjoyed a good summer trading season. Spain was particularly positive for Magners (+15%), benefiting from increased tourist numbers. Trials of Clonmel 1650 as an authentic Irish import lager into ex-pat areas in Spain suggest some potential. Tennent's continues to do well in Italy as a speciality/premium lager (+25%). We expanded our footprint in Eastern Europe, with Magners now the first draft cider available in the nascent but fast growing Russian cider market.

In Asia/Pac, our new agreements with ThaiBev in Singapore and San Miguel in Thailand and Taiwan are bedding in and we are exploring whether these arrangements can be extended to other fast growth markets in the region. In India, our arrangement with San Miguel Mahou to brew locally a range of Tennent's beers is obtaining the necessary regulatory approvals and we expect to be in production by the end of the year. Taken together the volume growth coming from the new distribution agreements signed in Asia/Pac in FY2016 was 1.4kHL (+70% on prior year).

The Tennent's brand is proving that its distinct Scottish heritage, supported by localised product innovation, can resonate in export markets alongside Magners. As well as its long-standing success in Italy, the brand has been well received in India, South Korea, and Poland. Volume was up nearly 50% in the first six months and it now accounts for approximately one third of international volumes.

*Financial performance and outlook*

Volume for H1 was +10%, running modestly behind our long term targets. This was due to the discontinuation of certain lines with our previous Indian distributor and slower volume build in some of our new contract wins and a 42% decline in an Australian market that continues to be volatile. We expect volume growth in line with H1 for full year FY17 and a return to our +20% long term target growth rates thereafter, assisted in part by Sterling weakness.

Net revenue was up 0.8% to €13.1m in the half year. The lag to volume growth is a factor of country mix and increased price support in certain territories. Operating profit was up 13.6% to €2.5m with operating margins improving to 19.1% (FY2016: 16.9%).



## FINANCIAL REVIEW

A summary of results for the six months ended 31 August 2016 is set out in the table below.

	Period ended 31 August 2016 €m	Period ended 31 August 2015 €m	CC <sup>(vi)</sup> Period ended 31 August 2015 €m	Change %	CC <sup>(vi)</sup> - Change %
<b>Net revenue</b>	<b>307.0</b>	358.6	334.2	(14.4%)	(8.1%)
<b>Operating profit<sup>(iii)</sup></b>	<b>55.1</b>	62.6	59.8	(12.0%)	(7.9%)
Net finance costs	(3.7)	(4.5)		17.8%	
<b>Profit before tax</b>	<b>51.4</b>	58.1		(11.5%)	
Income tax expense <sup>(viii)</sup>	(7.6)	(8.2)			
<b>Effective tax rate*</b>	<b>14.8%</b>	14.1%			
<b>Profit for the year attributable to equity shareholders<sup>(ii)</sup></b>	<b>43.8</b>	<b>49.9</b>			
<b>Basic EPS</b>	13.8 cent	13.7 cent		0.7%	
<b>Adjusted diluted EPS<sup>(iv)</sup></b>	13.9 cent	14.8 cent		(6.1%)	

\*The effective tax rate is calculated based on the profit before tax excluding exceptional items and excluding the Group's share of equity accounted investees' loss after tax.

C&C is reporting net revenue of €307.0m, operating profit<sup>(iii)</sup> of €55.1m and adjusted diluted EPS<sup>(iv)</sup> of 13.9 cent. On a constant currency<sup>(vi)</sup> basis, net revenue decreased by 8.1% while operating profit<sup>(iii)</sup> declined by 7.9% reflecting an increased investment in the period in both marketing and price support. The key drivers are summarised in the segmental review.

## FINANCE COSTS, INCOME TAX AND SHAREHOLDER RETURNS

Net finance charges of €3.7m (31 August 2015: €4.5m) were incurred in the period. These reflect continued low levels of variable interest rates and the preferential underlying margin of the Group's current multi-currency facility, post the negotiation of the Group's 2014 multi-currency facility.

The income tax charge for the period amounted to €7.6m. This excludes the tax implication of exceptional. In line with IAS 34 *Interim Financial Reporting* this represents an effective tax rate of 14.8% and reflects the current estimate of the average annual effective income tax rate for the year ending 28 February 2017. This forecasted effective tax rate reflects the fact that the Group is established in Ireland and as a result it benefits from the 12.5% tax rate on profits generated in Ireland.

The Board declared a final dividend of 8.92 cent per share for the financial year ended 29 February 2016 resulting in a full year dividend for that financial year of 13.65 cent per share and representing a payout of 56.4% (FY2015: 42.3%) of adjusted diluted earnings per share. The dividend was paid to shareholders on 13 July 2016 and was settled €23.5m in cash and €4.2m by way of a scrip alternative.

In line with the Group's progressive dividend policy, the Board has declared an interim dividend of 4.96 cent per share for the financial year ending 28 February 2017. This is an increase of 5.0% on the FY2016 interim dividend. Payment will be on 16 December 2016 to shareholders registered at the close of business on 4 November 2016. A scrip alternative will be offered to shareholders. Dividends declared but unpaid at the date of approval of the financial statements are not recognised as a liability at the balance sheet date.

## EXCEPTIONAL ITEMS

The Group has incurred net exceptional costs of €1.1m in the current period. Restructuring costs, comprising severance, an IT impairment and other initiatives arising from the Group's recent acquisitions in Ireland and Scotland, and other cost cutting initiatives, resulted in an exceptional charge before tax of €4.6m in the current period. The Group also recognised an exceptional gain of €3.5m in the current period due to the disposal of property, plant and equipment resulting from the rationalisation of the Group's manufacturing footprint.

## CASHFLOW GENERATION

Management reviews the Group's cash generating performance by measuring the conversion of EBITDA<sup>(i)</sup> to Free Cash Flow<sup>(iii)</sup>. The Group generated Free Cash Flow<sup>(iii)</sup> of €56.3m in the period representing 89.8% (2015: 91.5%) of adjusted EBITDA<sup>(i)</sup> and ended the period in a net debt<sup>(v)</sup> position of €155.2m.

Summary cash flow for the six months ended 31 August 2016 is set out in the table below.

	Six months ended 31 August 2016	Six months ended 31 August 2015
	€m	€m
Operating profit before exceptional items	55.1	62.6
Depreciation and amortisation charge	7.6	10.0
Adjusted EBITDA <sup>(i)</sup>	62.7	72.6
Net capital expenditure	(2.2)	(5.4)
Advances to customers	(7.8)	(0.5)
Working capital movement	20.0	17.2
	72.7	83.9
Exceptional items	(0.4)	(7.5)
Net finance charges/ tax paid	(7.6)	(8.3)
Other <sup>(ix)</sup>	(8.4)	(1.7)
Free Cash Flow <sup>(iii)</sup> (FCF)	56.3	66.4
<b>FCF<sup>(iii)</sup>/Adjusted EBITDA<sup>(i)</sup></b>	<b>89.8%</b>	<b>91.5%</b>
Free Cash Flow <sup>(iii)</sup> (FCF)	56.3	66.4
Exceptional items	0.4	7.5
Free Cash Flow before exceptional cash outflow	56.7	73.9
<b>FCF<sup>(iii)</sup>/Adjusted EBITDA<sup>(i)</sup> before exceptional cash outflow</b>	<b>90.4%</b>	<b>101.8%</b>
Free Cash Flow <sup>(iii)</sup> (FCF)	56.3	66.4
Acquisition of financial asset	(1.7)	-
Acquisition of businesses/deferred consideration paid	-	(3.4)
Proceeds from exercise of share options	0.5	0.1
Shares purchased under share buyback programme	(21.1)	(1.1)
Dividends paid	(23.5)	(21.1)
Drawdown of debt	35.0	25.0
Repayment of debt	(43.2)	-
<b>Net increase in cash &amp; cash equivalents</b>	<b>2.3</b>	<b>65.9</b>

## PENSIONS

In compliance with IFRS, the net assets and actuarial liabilities of the various defined benefit pension schemes operated by Group companies, computed in accordance with IAS 19(R) *Employee Benefits*, are included on the Group balance sheet as retirement benefit obligations.

At 31 August 2016, the Group is reporting a net retirement benefit obligation deficit on the revised IAS 19 basis of €30.5m (31 August 2015: €17.8m / 29 February 2016: €28.0m). All schemes are closed to new entrants. There are 4 active members in the Northern Ireland ('NI') scheme and 63 active members (less than 10% of total membership) in the Republic of Ireland ('ROI') schemes. The Group has an approved funding plan in place, the details of which are disclosed in note 11. We finalised the actuarial valuations of the defined benefit schemes in FY2016. As a result of these updated valuations new funding arrangements have been put in place. For the staff defined benefit scheme, these arrangements commit the Group to funding contributions at 22.2% of pensionable salaries per annum to meet the cost of future service benefits for active members. In addition, there will be a lump sum deficit funding contribution of €3.1m per annum until the next valuation date. For the NI defined benefit pension scheme, currently in surplus, we have committed to ongoing contributions of £0.1m per annum until the next valuation date.

The decline in the financial position of the Group's defined benefit pension schemes as computed in accordance with IAS 19(R) *Employee Benefits* is primarily as a result of the decrease in discount rates.

	€m
Deficit at 1 March 2016	(28.0)
Employer contributions paid	2.0
Actuarial gains	12.7
Actuarial losses	(23.7)
Charge to the Income Statement	6.8
Translation adjustment	(0.3)
<b>Net deficit at 31 August 2016</b>	<b>(30.5)</b>

All other significant assumptions applied in the measurement of the Group's pension obligations at 31 August 2016 are consistent with those as applied at 29 February 2016.

#### FOREIGN CURRENCY AND COMPARATIVE REPORTING

		Six month period ended 31 August 2016	Six month period ended 31 August 2015
Translation exposure	Euro:Stg£	£0.807	£0.719
	Euro:US\$	\$1.121	\$1.103

As shown above, the effective rate for the translation of results from sterling currency operations was €1:£0.807 (period ended 31 August 2015: €1:£0.719) and from US dollar currency operations was €1:\$1.121 (period ended 31 August 2015: €1:\$1.103). Comparisons for revenue, net revenue and operating profit before exceptional items for each of the Group's reporting segments are shown at constant exchange rates for transactions by subsidiary undertakings in currencies other than their functional currency and for translation in relation to the Group's sterling and US dollar denominated subsidiaries by restating the prior period at current period effective rates.

The impact of restating currency exchange rates on the results for the period ended 31 August 2015 is as follows:-

	Period ended 31 August 2015 €m	FX Transaction €m	FX Translation €m	Period ended 31 August 2015 Constant currency comparative €m
<b>Revenue</b>				
Ireland	195.8	-	(4.9)	<b>190.9</b>
Scotland	178.7	-	(19.4)	<b>159.3</b>
C&C Brands	101.8	-	(11.2)	<b>90.6</b>
North America	24.4	-	(0.4)	<b>24.0</b>
Export	13.2	(0.2)	-	<b>13.0</b>
<b>Total</b>	<b>513.9</b>	<b>(0.2)</b>	<b>(35.9)</b>	<b>477.8</b>
<b>Net revenue</b>				
Ireland	142.3	-	(4.1)	<b>138.2</b>
Scotland	119.9	-	(13.1)	<b>106.8</b>
C&C Brands	60.0	-	(6.6)	<b>53.4</b>
North America	23.2	-	(0.4)	<b>22.8</b>
Export	13.2	(0.2)	-	<b>13.0</b>
<b>Total</b>	<b>358.6</b>	<b>(0.2)</b>	<b>(24.2)</b>	<b>334.2</b>
<b>Operating profit</b>				
Ireland	30.0	0.6	(0.9)	<b>29.7</b>
Scotland	22.2	-	(2.4)	<b>19.8</b>
C&C Brands	7.8	0.6	(0.9)	<b>7.5</b>
North America	0.5	0.1	-	<b>0.6</b>
Export	2.1	0.1	-	<b>2.2</b>
<b>Total</b>	<b>62.6</b>	<b>1.4</b>	<b>(4.2)</b>	<b>59.8</b>

\* See Note 2 of the condensed financial statements on page 20.

#### Notes

- (i) Adjusted EBITDA is earnings before exceptional items, finance income, finance expense, tax, depreciation, amortisation charges and equity accounted investees' profit/(loss) after tax. A reconciliation is set out on page 33.
- (ii) Operating profit and profit for the year attributable to equity shareholders excludes exceptional items.
- (iii) Free Cash Flow is a non IFRS measure that comprises cash flow from operating activities net of capital investment cash outflows/(inflows) which form part of investing activities. Free Cash Flow highlights the underlying cash generating performance of the on-going business. A reconciliation of Free Cash Flow to Net Movement in Cash & Cash Equivalents per the Group's Condensed Cash Flow Statement is set out on page 10.
- (iv) Adjusted basis/diluted earnings per share ('EPS') excludes exceptional items. Please see note 5 of the condensed financial statements on page 23.
- (v) Net debt comprises borrowings (net of unamortised issue costs) less cash & cash equivalents.
- (vi) On a constant currency basis; the constant currency calculation is set out above.
- (vii) Per AC Nielsen/CGA.
- (viii) Excludes exceptional items.
- (ix) 'Other' primarily relates to pensions charged to operating profit before exceptional items, and share options add back, net profit on disposal of property, plant & equipment and exceptional non-cash items less exceptional items add-back.
- (x) Per IRI/Canadean.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 26 weeks of the financial year remain substantially the same as those stated on pages 24 to 26 of the Group's annual financial statements for the year ended 29 February 2016, which are available on our website, <http://www.candcgroupplc.com>. Since publication of the 2016 Annual Report, the UK vote to leave the European Union has created significant uncertainty about the near term outlook and prospects for the UK and Irish economies. It is still too early to quantify or determine with certainty the impact on the Group of the UK leaving the European Union. It will take at least two years until the UK leaves the EU. The uncertainty during this period could negatively impact the UK economy and currency, reduce demand in the Group's markets and adversely affect the financial performance of the Group. With our reporting currency as the Euro, the Group is exposed to the translation impact of a weaker Sterling. The Board and management will continue to consider the impact on the Group's businesses, monitor developments on an ongoing basis, seek, where appropriate, to mitigate currency risk through hedging and structured financial contracts and take appropriate action to help mitigate the consequences of any decline in demand in its markets.

**DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE HALF YEARLY FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 31 AUGUST 2016**

We confirm our responsibility for the half yearly financial report in accordance with the Transparency Directive (2004/109/EC) Regulations 2007 and the Disclosure and Transparency Rules of the UK Financial Conduct Authority ("FCA") and with IAS 34 *Interim Financial Reporting* as adopted by the EU, and that to the best of our knowledge:

- the condensed set of financial statements comprising the Group condensed Income Statement, the Group condensed Statement of Comprehensive Income, the Group condensed Balance Sheet, the Group condensed Cash Flow Statement, the Group 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 audited or reviewed the condensed financial statements or the remainder of the half-yearly financial report.

On behalf of the Board

Sir B. Stewart  
Chairman  
27 October 2016

S. Glancey  
Chief Executive Officer

**Group Condensed Income Statement  
for the six months ended 31 August 2016**

		Six months ended 31 August 2016 (unaudited)			Six months ended 31 August 2015 (unaudited)		
	Notes	Before exceptional items €m	Exceptional items (Note 4) €m	Total €m	Before exceptional items €m	Exceptional items (Note 4) €m	Total €m
<b>Revenue</b>	2	<b>449.8</b>	-	<b>449.8</b>	513.9	-	513.9
Excise duties		(142.8)	-	(142.8)	(155.3)	-	(155.3)
<b>Net revenue</b>	2	<b>307.0</b>	-	<b>307.0</b>	358.6	-	358.6
Operating costs (net)		(251.9)	(1.1)	(253.0)	(296.0)	(5.5)	(301.5)
<b>Operating profit</b>	2	<b>55.1</b>	(1.1)	<b>54.0</b>	62.6	(5.5)	57.1
Finance income		0.1	-	0.1	0.1	-	0.1
Finance expense		(3.8)	-	(3.8)	(4.6)	-	(4.6)
Share of equity accounted investees' gain after tax		-	-	-	-	0.1	0.1
<b>Profit before tax</b>		<b>51.4</b>	(1.1)	<b>50.3</b>	58.1	(5.4)	52.7
Income tax (expense)/credit	3	(7.6)	0.2	(7.4)	(8.2)	0.9	(7.3)
<b>Profit for the period attributable to equity shareholders</b>		<b>43.8</b>	(0.9)	<b>42.9</b>	49.9	(4.5)	45.4
<b>Basic earnings per share (cent)</b>	5			<b>13.8c</b>			<b>13.7c</b>
<b>Diluted earnings per share (cent)</b>	5			<b>13.6c</b>			<b>13.4c</b>

**Group Condensed Statement of Comprehensive Income  
for the six months ended 31 August 2016**

		<b>Six months ended 31 August 2016 (unaudited)</b>	Six months ended 31 August 2015 (unaudited)
	<b>Notes</b>	<b>€m</b>	<b>€m</b>
<b>Other comprehensive income and expense:</b>			
<b>Items that may be reclassified to profit or loss in subsequent years:</b>			
Foreign currency translation differences arising on the net investment in foreign operations		<b>(35.5)</b>	(1.5)
Foreign currency reserve recycled to Income Statement on deemed disposal of equity accounted investee		-	(0.1)
<b>Items that will not be reclassified to profit or loss in subsequent years:</b>			
Actuarial (loss)/gain on retirement benefit obligations	11	<b>(11.0)</b>	13.7
Deferred tax credit/(charge) on actuarial (loss)/gain on retirement benefit obligations		<b>1.4</b>	(1.7)
<b>Net (loss)/profit recognised directly within other comprehensive income</b>		<b>(45.1)</b>	10.4
Profit for the period attributable to equity shareholders		<b>42.9</b>	45.4
<b>Comprehensive (expense)/income for the period attributable to equity shareholders</b>		<b>(2.2)</b>	55.8



**Group Condensed Balance Sheet  
as at 31 August 2016**

	Notes	As at 31 August 2016 (unaudited) €m	As at 31 August 2015 (unaudited) €m	As at 29 February 2016 (audited) €m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant & equipment	6	173.1	218.0	180.0
Goodwill & intangible assets	7	631.0	651.5	644.1
Equity-accounted investees		0.3	0.3	0.3
Financial assets		1.7	-	-
Retirement benefit obligations	11	3.9	4.2	4.7
Deferred tax assets		4.6	3.1	4.4
Trade & other receivables		51.2	47.4	46.0
		<b>865.8</b>	<b>924.5</b>	<b>879.5</b>
<b>Current assets</b>				
Inventories		85.2	85.4	85.9
Trade & other receivables		140.3	196.5	94.1
Cash & cash equivalents		190.5	247.3	197.3
Asset held for resale		3.0	-	10.3
		<b>419.0</b>	<b>529.2</b>	<b>387.6</b>
<b>TOTAL ASSETS</b>		<b>1,284.8</b>	<b>1,453.7</b>	<b>1,267.1</b>
<b>EQUITY</b>				
Equity share capital		3.2	3.5	3.3
Share premium		132.5	125.1	127.8
Other reserves	12	86.0	139.8	121.0
Treasury shares	12	(39.2)	(39.4)	(39.2)
Retained income	12	456.8	578.3	471.8
<b>Total equity</b>		<b>639.3</b>	<b>807.3</b>	<b>684.7</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest bearing loans & borrowings	8	346.7	366.9	361.1
Retirement benefit obligations	11	34.4	22.0	22.7
Provisions		6.5	7.6	6.3
Deferred tax liabilities		5.4	7.3	5.5
		<b>393.0</b>	<b>403.8</b>	<b>395.6</b>
<b>Current liabilities</b>				
Interest bearing loans & borrowings	8	-	0.2	0.2
Trade & other payables		236.8	234.1	160.9
Provisions		10.2	1.9	12.6
Retirement benefit obligations	11	-	-	10.0
Current tax liabilities		5.5	6.4	3.1
		<b>252.5</b>	<b>242.6</b>	<b>186.8</b>
<b>Total liabilities</b>		<b>645.5</b>	<b>646.4</b>	<b>582.4</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,284.8</b>	<b>1,453.7</b>	<b>1,267.1</b>

**Group Condensed Cash Flow Statement  
for the six months ended 31 August 2016**

	<b>Six months ended 31 August 2016 (unaudited) €m</b>	<b>Six months ended 31 August 2015 (unaudited) €m</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period attributable to equity shareholders	42.9	45.4
Finance income	(0.1)	(0.1)
Finance expense	3.8	4.6
Income tax expense	7.4	7.3
Depreciation of property, plant & equipment	7.4	9.8
Amortisation of intangible assets	0.2	0.2
Gain on disposal of property, plant & equipment	(4.0)	-
Foreign currency reserve recycled to the Income Statement on disposal of equity accounted investee	-	(0.1)
Impairment of property, plant & equipment	0.7	-
Charge for equity settled share-based employee benefits	0.9	0.4
Pension contributions paid less amount charged to Income Statement	(8.8)	(2.1)
	<b>50.4</b>	<b>65.4</b>
(Increase)/decrease in inventories	(2.3)	8.0
Increase in trade & other receivables	(51.1)	(52.5)
Increase in trade & other payables	63.4	62.3
Decrease in provisions	2.2	(3.1)
	<b>62.6</b>	<b>80.1</b>
Interest received	0.1	0.1
Interest and similar costs paid	(3.8)	(3.2)
Income tax paid	(3.9)	(5.2)
<b>Net cash inflow from operating activities</b>	<b>55.0</b>	<b>71.8</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(13.0)	(5.4)
Sales of property, plant & equipment	14.3	-
Acquisition of financial asset	(1.7)	-
Acquisition of business/deferred consideration paid	-	(3.4)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(0.4)</b>	<b>(8.8)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	0.5	0.1
Shares purchased under share buyback programme	(21.1)	(1.1)
Drawdown of debt	35.0	25.0
Repayment of debt	(43.2)	-
Dividends paid	(23.5)	(21.1)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(52.3)</b>	<b>2.9</b>
<b>Net increase in cash &amp; cash equivalents</b>	<b>2.3</b>	<b>65.9</b>
Cash & cash equivalents at beginning of period	197.3	181.9
Translation adjustment	(9.1)	(0.5)
<b>Cash &amp; cash equivalents at end of period</b>	<b>190.5</b>	<b>247.3</b>

**Group condensed statement of changes in equity  
for the six months ended 31 August 2016**

	Equity share capital €m	Share premium €m	Capital redemption reserve €m	Capital reserve €m	Share- based payments €m	Currency translation reserve €m	Revaluation reserve €m	Treasury shares €m	Retained income €m	Total €m
At 1 March 2015	3.5	122.5	0.5	24.9	6.4	100.9	9.1	(39.8)	545.2	773.2
Profit for the period attributable to equity shareholders	-	-	-	-	-	(1.6)	-	-	45.4	45.4
Other comprehensive (expense)/income	-	-	-	-	-	-	-	-	12.0	10.4
Total	-	-	-	-	-	(1.6)	-	-	57.4	55.8
Dividend on ordinary shares	-	2.5	-	-	-	-	-	-	(23.6)	(21.1)
Exercised share options	-	0.1	-	-	-	-	-	-	-	0.1
Reclassification of share-based payments reserve	-	-	-	-	(0.8)	-	-	-	0.8	-
Joint Share Ownership Plan	-	-	-	-	-	-	-	0.4	(0.4)	-
Shares purchased under share buyback programme and subsequently cancelled	-	-	-	-	-	-	-	-	(1.1)	(1.1)
Equity settled share-based payments	-	-	-	-	0.4	-	-	-	-	0.4
Total	-	2.6	-	-	(0.4)	-	-	0.4	(24.3)	(21.7)
At 31 August 2015	3.5	125.1	0.5	24.9	6.0	99.3	9.1	(39.4)	578.3	807.3
Profit for the period attributable to equity shareholders	-	-	-	-	-	-	-	-	2.0	2.0
Other comprehensive (expense)	-	-	-	-	-	(19.4)	-	-	(16.5)	(35.9)
Total	-	-	-	-	-	(19.4)	-	-	(14.5)	(33.9)
Dividend on ordinary shares	-	2.3	-	-	-	-	-	-	(16.0)	(13.7)
Exercised share options	-	0.4	-	-	-	-	-	-	-	0.4
Reclassification of share-based payments reserve	-	-	-	-	0.3	-	-	-	(0.3)	-
Joint Share Ownership Plan	-	-	-	-	-	-	-	0.2	(0.2)	-
Shares purchased under share buyback programme and subsequently cancelled	(0.2)	-	0.2	-	-	-	-	-	(75.5)	(75.5)
Equity settled share-based payments	-	-	-	-	0.1	-	-	-	-	0.1
Total	(0.2)	2.7	0.2	-	0.4	-	-	0.2	(92.0)	(88.7)
At 29 February 2016	3.3	127.8	0.7	24.9	6.4	79.9	9.1	(39.2)	471.8	684.7
Profit for the period attributable to equity shareholders	-	-	-	-	-	-	-	-	42.9	42.9
Other comprehensive (expense)	-	-	-	-	-	(35.5)	-	-	(9.6)	(45.1)
Total	-	-	-	-	-	(35.5)	-	-	33.3	(2.2)
Dividend on ordinary shares	-	4.2	-	-	-	-	-	-	(27.7)	(23.5)
Exercised share options	-	0.5	-	-	-	-	-	-	-	0.5
Reclassification of share-based payments reserve	-	-	-	-	(0.5)	-	-	-	0.5	-
Shares purchased under share buyback programme and subsequently cancelled	(0.1)	-	0.1	-	-	-	-	-	(21.1)	(21.1)
Equity settled share based payments	-	-	-	-	0.9	-	-	-	-	0.9
Total	(0.1)	4.7	0.1	-	0.4	-	-	-	(48.3)	(43.2)
At 31 August 2016	3.2	132.5	0.8	24.9	6.8	44.4	9.1	(39.2)	456.8	639.3

## Notes to the condensed interim financial statements for the six months ended 31 August 2016

### 1. Basis of preparation and Accounting policies

The interim financial information presented in this report 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 Group Condensed Interim Financial Statements 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 29 February 2016 and as described in those financial statements on pages 105 to 117. There are no new or amended standards effective in the period which have had a material impact on the condensed consolidated interim financial statements.

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 on-going 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.

These condensed consolidated Interim Financial Statements should be read in conjunction with the Group's Annual Report for the year ended 29 February 2016 as they do not include all the information and disclosures required by International Financial Reporting Standards (IFRSs). The significant estimates and judgements are set out on the Group's Annual Report for the year ended 29 February 2016 and in the Directors review there have been no material changes to these for the interim financial statements.

The interim financial information for both the six months ended 31 August 2016 and the comparative six months ended 31 August 2015 are unaudited and have not been reviewed by the auditors. The financial information for the year ended 29 February 2016 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 millions, rounded to one decimal place. The exchange rates used in translating balance sheet and income statement amounts were as follows:-

	Six months to 31 August 2016	Six months to 31 August 2015	Year ended 29 February 2016
Balance Sheet (Euro: Sterling closing rate)	<b>0.848</b>	0.729	0.786
Income statement (Euro : Sterling average rate)	<b>0.807</b>	0.719	0.728
Balance Sheet (Euro: USD closing rate)	<b>1.113</b>	1.121	1.091
Income statement (Euro: USD average rate)	<b>1.121</b>	1.103	1.102

### 2. Segmental analysis

The Group's business activity is the manufacturing, marketing and distribution of alcoholic and soft drinks. Five operating segments have been identified in the current period; Ireland, Scotland, C&C Brands, North America and Export.

The Group continually reviews and updates the manner in which it monitors and controls its financial operations resulting in changes in the manner in which information is classified and reported to the Chief Operating Decision Maker ("CODM"). The CODM, identified as the executive Directors comprising Stephen Glancey, Kenny Neison and Joris Brams, assesses and monitors the operating results of segments separately via internal management reports in order to effectively manage the business and allocate resources.

The identified business segments are as follows:-

#### (i) Ireland

This segment includes the financial results from sale of own branded products in the Island of Ireland, principally Bulmers, Tennent's, Magners, Clonmel 1650, Heverlee, Roundstone Irish Ale, Finches and Tipperary Water. It also includes the financial results from beer and wines and spirits distribution and wholesaling from our Gleeson business, and the results from sale of third party brands as permitted under the terms of a distribution agreement with AB InBev.

**(ii) Scotland**

This segment includes the results from sale of the Group's own branded products in Scotland, with Tennent's, Heverlee, Caledonia Best and Magners the principal brands. It also includes the financial results from third party brand distribution and wholesaling in Scotland from the Wallaces Express wholesale business.

**(iii) C&C Brands**

This segment includes the results from sale of the Group's own branded products in England & Wales, principally Magners, Chaplin & Cork's and K Cider. It also includes the distribution of the Italian lager Menabrea and the production and distribution of private label cider products.

**(iv) North America**

This segment includes the results from sale of the Group's cider and beer products, principally Woodchuck, Magners, Blackthorn, Hornsby's and Tennent's in the United States and Canada.

**(v) Export**

This segment includes the sale and distribution of the Group's own branded products, principally Magners, Gaymers, Blackthorn, Hornsby's and Tennent's outside of Ireland, the United Kingdom and North America. It also includes the sale of some third party brands.

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 CODM.

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

**Analysis by reporting segment**

	Six months to 31 August 2016			Six months to 31 August 2015		
	Revenue €m	Net revenue €m	Operating profit €m	Revenue €m	Net revenue €m	Operating profit €m
Ireland	186.7	133.1	29.8	195.8	142.3	30.0
Scotland	153.2	100.3	17.9	178.7	119.9	22.2
C&C Brands	83.9	48.5	4.4	101.8	60.0	7.8
North America	12.7	12.0	0.5	24.4	23.2	0.5
Export	13.3	13.1	2.5	13.2	13.2	2.1
	<b>449.8</b>	<b>307.0</b>	<b>55.1</b>	<b>513.9</b>	<b>358.6</b>	<b>62.6</b>
Exceptional items (note 4)	-	-	(1.1)*	-	-	(5.5)**
	<b>449.8</b>	<b>307.0</b>	<b>54.0</b>	<b>513.9</b>	<b>358.6</b>	<b>57.1</b>

\* Of the exceptional loss in the current period, a loss of €2.3m relates to Ireland, a loss of €0.6m relates to Scotland and a net gain of €1.8m relates to C&C Brands.

\*\* Of the exceptional loss in the prior period, €2.4m relates to Ireland, €2.9m relates to Scotland and €0.2m relates to C&C Brands.

Total assets for the period ended 31 August 2016 amounted to €1,284.8 (31 August 2015: €1,453.7m).

**Geographical analysis of non-current assets**

	Ireland €m	Scotland €m	England & Wales* €m	US & Canada** €m	Other*** €m	Total €m
<b>31 August 2016</b>						
Property, plant & equipment	64.2	59.7	13.8	29.6	5.8	173.1
Goodwill & intangible assets	156.1	127.3	187.3	144.3	16.0	631.0
Equity-accounted investees	-	0.3	-	-	-	0.3
Financial assets	-	-	-	1.7	-	1.7
Retirement benefit obligations	3.9	-	-	-	-	3.9
Deferred tax assets	4.6	-	-	-	-	4.6
Trade & other receivables	22.6	27.4	1.2	-	-	51.2
<b>Total</b>	<b>251.4</b>	<b>214.7</b>	<b>202.3</b>	<b>175.6</b>	<b>21.8</b>	<b>865.8</b>

	Ireland	Scotland	England & Wales*	US & Canada**	Other***	Total
	€m	€m	€m	€m	€m	€m
31 August 2015						
Property, plant & equipment	63.4	80.2	37.9	30.8	5.7	218.0
Goodwill & intangible assets	156.2	144.5	191.3	143.5	16.0	651.5
Equity-accounted investees	-	0.3	-	-	-	0.3
Retirement benefit obligations	4.2	-	-	-	-	4.2
Deferred tax assets	3.1	-	-	-	-	3.1
Trade & other receivables	15.4	30.4	1.4	0.2	-	47.4
<b>Total</b>	<b>242.3</b>	<b>255.4</b>	<b>230.6</b>	<b>174.5</b>	<b>21.7</b>	<b>924.5</b>

\* England & Wales reflects the C&C Brands segment.

\*\* US & Canada reflects the North America segment.

\*\*\* Other reflects the Export segment, being all other geographical locations excluding Ireland, the United Kingdom, the US and Canada.

The geographical analysis of non-current assets, with the exception of Goodwill & intangible assets, is based on the geographical location of the assets. The geographical analysis of Goodwill & intangible assets is allocated based on the country of destination of sales at date of application of IFRS 8 *Operating Segments* or date of acquisition, if later.

### Cyclical analysis of interim results

The drinks industry is not characterised by significant seasonality however trading profit is higher in the first half of the year due to consumption patterns of our brands, and external forces such as weather & significant sporting events which traditionally take place in summer months.

### 3. Income tax charge

Interim period income tax is accrued based on the estimated average annual effective income tax rate for the full financial year in respect of operating profit before exceptional items, which for the year ending 28 February 2017 is estimated at 14.8% (31 August 2015: 14.1%; year ended 29 February 2016: 14.6%).

### 4. Exceptional items

	Six months to 31 August 2016 €m	Six months to 31 August 2015 €m
Restructuring costs	(4.6)	(2.9)
Acquisition & integration costs	-	(2.6)
Gain on disposal of property, plant & equipment	3.5	-
<b>Loss before tax</b>	<b>(1.1)</b>	<b>(5.5)</b>
Foreign currency reclassified on deemed disposal of equity accounted investee	-	0.1
<b>Total loss before tax</b>	<b>(1.1)</b>	<b>(5.4)</b>
Income tax credit	0.2	0.9
<b>Total loss after tax</b>	<b>(0.9)</b>	<b>(4.5)</b>

#### (a) Restructuring costs

Restructuring costs of €4.6m have incurred in the current period (31 August 2015: €2.9m). These restructuring costs primarily comprise of severance, an IT impairment and other initiatives arising from the Group's announced consolidation of its production sites in Borrisoleigh and Shepton Mallet into the Group's manufacturing site in Clonmel.

**(b) Acquisition & integration costs**

During the prior financial period, the Group incurred €2.6m of acquisition and integration related costs, primarily with respect to the integration of the previously acquired Wallaces Express Limited in Scotland, and other professional fees associated with the consideration of strategic opportunities by the Group during the period.

**(c) Disposal of property, plant & equipment**

During the current financial period, the Group disposed of property, plant and equipment in Shepton Mallet, as a result of the consolidation of its production sites in Borrisoleigh and Shepton Mallet, into the Group's manufacturing site in Clonmel, realising a gain of €3.5m.

**(d) Deemed disposal of equity accounted investee**

During the prior period, the Group acquired the remaining 50% equity share capital of Thistle Pub Company Limited. This purchase followed the acquisition of an initial 50% stake in the business in November 2012. Under IAS 28 *Investments in Associates and Joint Ventures* this necessitated the deemed disposal of the Group's initial 50% investment which was classified as an equity accounted investee and the recognition of the acquisition of control of the business under IFRS 3 *Business Combinations*. In the prior period, the Group recognised a cumulative gain of €0.1m in the foreign currency reserve from date of initial investment which was recycled to the Income Statement following the deemed disposal.

**5. Earnings per ordinary share****Denominator computations**

	<b>31 August 2016 Number '000</b>	<b>31 August 2015 Number '000</b>
Number of shares at beginning of period	<b>329,158</b>	348,547
Shares issued in respect of options exercised	<b>217</b>	41
Shares issued in lieu of dividend	<b>1,067</b>	664
Share buyback and subsequent cancellation	<b>(5,532)</b>	(325)
<b>Number of shares at end of period</b>	<b>324,910</b>	348,927

Weighted average number of ordinary shares, excluding treasury shares (basic)

**310,400**      332,306

Adjustment for the effect of conversion of options

**5,503**      5,317

Weighted average number of ordinary shares, including options (diluted)

**315,903**      337,623

**Profit for the period attributable to ordinary shareholders**

	<b>Six months to 31 August 2016 €m</b>	<b>Six months to 31 August 2015 €m</b>
Earnings as reported	<b>42.9</b>	45.4
Adjustments for exceptional items, net of tax	<b>0.9</b>	4.5
Earnings as adjusted for exceptional items, net of tax	<b>43.8</b>	49.9

**Basic earnings per share**

	<b>Cent</b>	<b>Cent</b>
Basic earnings per share	<b>13.8</b>	13.7
Adjusted basic earnings per share	<b>14.1</b>	15.0

**Diluted earnings per share**

	<b>Cent</b>	<b>Cent</b>
Diluted earnings per share	<b>13.6</b>	13.4
Adjusted diluted earnings per share	<b>13.9</b>	14.8

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 accounted for as treasury shares (at 31 August 2016: 16.4m shares; at 31 August 2015: 16.4m 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 awards (excluding awards which were granted under plans where the rules stipulate that obligations must be satisfied by the purchase of existing shares), 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 and continuous employment. In accordance with IAS 33 *Earnings per Share*, these contingently issuable shares 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. If dilutive other contingently issuable ordinary shares are included in diluted EPS based on the number of shares that would be issuable if the end of the reporting period was the end of the contingency period. Contingently issuable shares excluded from the calculation of diluted earnings per share totalled 3,173,077 at 31 August 2016.

## **6. Property, plant & equipment**

### **Acquisitions and disposals**

During the current financial period, the Group acquired assets of €11.8m (31 August 2015 total additions: €9.3m, including assets of €6.0m acquired as part of the acquisition of Thistle Pub Company Limited on 3 August 2015). Total cash outflow in the period in relation to property, plant & equipment amounted to €13.0m as a result of a reduction in capital accruals. Total cash outflow in the prior period in relation to property, plant & equipment; excluding assets acquired on acquisition of Thistle amounted to €5.4m.

There were disposals of €10.3m of property, plant & equipment during the period (31 August 2015: €nil).

### **Impairment**

The carrying value of items of land & buildings and plant & equipment are reviewed and tested for impairment at each reporting date or more frequently if events or changes in circumstances indicate that their carrying value may not be recoverable. In light of the disposal of the manufacturing plant at Shepton Mallet, a decision was taken to impair a surplus IT system by €0.7m no longer in use. This charge is included as part of the exceptional restructuring costs in note 4.

There was no impairment of fixed assets during the prior period.



## 7. Goodwill & intangible assets

	Goodwill €m	Brands €m	Other intangible assets €m	Total €m
<b>Cost</b>				
At 1 March 2015	487.1	310.9	5.0	803.0
Translation adjustment	(0.1)	(0.4)	-	(0.5)
At 31 August 2015	487.0	310.5	5.0	802.5
Translation adjustment	(3.3)	(3.8)	(0.2)	(7.3)
At 29 February 2016	483.7	306.7	4.8	795.2
Translation adjustment	(3.0)	(9.7)	(0.2)	(12.9)
<b>At 31 August 2016</b>	<b>480.7</b>	<b>297.0</b>	<b>4.6</b>	<b>782.3</b>
<b>Amortisation and impairment</b>				
At 1 March 2015	(76.2)	(73.8)	(0.8)	(150.8)
Charge for the period ended 31 August 2015	-	-	(0.2)	(0.2)
At 31 August 2015	(76.2)	(73.8)	(1.0)	(151.0)
Charge for the period ended 29 February 2016	-	-	(0.1)	(0.1)
At 29 February 2016	(76.2)	(73.8)	(1.1)	(151.1)
Charge for the period ended 31 August 2016	-	-	(0.2)	(0.2)
<b>At 31 August 2016</b>	<b>(76.2)</b>	<b>(73.8)</b>	<b>(1.3)</b>	<b>(151.3)</b>
<b>Net Book Value at 31 August 2016</b>	<b>404.5</b>	<b>223.2</b>	<b>3.3</b>	<b>631.0</b>
Net Book Value at 29 February 2016	407.5	232.9	3.7	644.1
Net Book Value at 31 August 2015	410.8	236.7	4.0	651.5

Goodwill consists both of goodwill capitalised under Irish GAAP which at the transition date to IFRS was treated as deemed cost and goodwill that arose on the acquisition of businesses since that date which was capitalised at cost and subsequently at fair value 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 acquired products. All goodwill is regarded as having an indefinite life and is not subject to amortisation under IFRS but is subject to regular impairment assessment.

Capitalised brands are regarded as having indefinite useful economic lives and therefore 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.

Other intangible assets comprise the fair value of trade relationships, acquired as part of the acquisition of Wallaces Express during the financial period ended 31 August 2015, the Gleeson trade relationships acquired during the financial period ended 31 August 2013 and 20 year distribution rights for third party beer products acquired as part of the acquisition of the Tennent's business during the financial year ended 28 February 2010. These were valued at fair value on the date of acquisition in accordance with the requirements of IFRS 3 (2004) *Business Combinations* by independent professional valuers. The intangible assets have a finite life and are subject to amortisation on a straight line basis. The amortisation charge for the period ended 31 August 2016 with respect to intangible assets was €0.2m (31 August 2015: €0.2m).

Brands, goodwill and other intangible assets considered to have an indefinite life, are reviewed for indicators of impairment regularly and are subject to impairment testing on an annual basis unless events or changes in circumstances indicated that the carrying values may not be recoverable and impairment testing is required earlier. The value of brands, goodwill and other intangible assets considered to have an indefinite life was assessed for impairment at 31 August 2016. The Board is satisfied that the carrying value is appropriate as at 31 August 2016.

## 8. Interest bearing loans & borrowings

	31 August 2016 €m	31 August 2015 €m	29 February 2016 €m
<b>Current assets</b>			
Unamortised issue costs	(1.0)	-	(1.0)
<b>Non-current liabilities</b>			
Unsecured bank loans repayable by one repayment on maturity*	346.7	364.9	359.3
Secured bank loan repayable in instalments**	-	2.0	1.8
	<b>346.7</b>	<b>366.9</b>	<b>361.1</b>
<b>Current liabilities</b>			
Secured bank loan repayable in instalments**	-	0.2	0.2
<b>Total borrowings</b>	<b>345.7</b>	<b>367.1</b>	<b>360.3</b>

\* Group's multi-currency revolving loan facility

\*\* Acquired in prior period on acquisition of Thistle Pub Company Limited and balance repaid in full in current period

Outstanding non-current unsecured bank loans are net of unamortised issue costs which are being amortised to the Income Statement over the remaining life of the Group's multi-currency facility. The value of unamortised issue costs at 31 August 2016 was €1.6m (29 February 2016: €2.1m, 31 August 2015: €2.6m) of which €0.6m was netted against non-current unsecured liabilities (29 February 2016: €1.1m, 31 August 2015: €2.6m) and €1.0m (29 February 2016: €1.0m, 31 August 2015: €nil) is included in trade & other receivables on the Balance Sheet.

In December 2014, the Group amended and updated its committed €450m multi-currency five year syndicated revolving loan facility with seven banks, namely Bank of Ireland, Bank of Scotland, Barclays Bank, Danske Bank, HSBC, Rabobank, and Ulster Bank, repayable in a single instalment on 22 December 2019. The facility agreement provides for a further €100m in the form of an uncommitted accordion facility and permits the Group to avail of further financial indebtedness, excluding working capital and guarantee facilities, to a maximum value of €150m, subject to agreeing the terms and conditions with the lenders. Consequently the Group is permitted under the terms of the agreement, to have debt capacity of €700m of which €347.3m was drawn at 31 August 2016 (29 February 2016: €360.4m, 31 August 2015: €367.5m was drawn under the Group's 2012 multi-currency facility).

Under the terms of the agreement, the Group must pay a commitment fee based on 40% of the applicable margin on undrawn committed amounts and variable interest on drawn amounts based on variable Euribor/Libor interest rates plus a margin, the level of which is dependent on the net debt: EBITDA ratio, plus a utilisation fee, the level of which is dependent on percentage utilisation. The Group may select an interest period of one, two, three or six months.

The Group's multi-currency facility is guaranteed by a number of the Group's subsidiary undertakings. The facility agreement allows the early repayment of debt without incurring additional charges or penalties and the facility is repayable in full on change of control of the Group.

The Group's multi-currency debt facility incorporates two financial covenants:

- Interest cover: The ratio of EBITDA to net interest for a period of 12 months ending on each 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 that half year date will not exceed 3.5:1

## 9. Analysis of net debt

	1 March 2016 €m	Debt arising on acquisition €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	31 August 2016 €m
Interest bearing loans & borrowings	360.3	-	(6.9)	(8.2)	0.5	345.7
Cash & cash equivalents	(197.3)	-	9.1	(2.3)	-	(190.5)
	163.0	-	2.2	(10.5)	0.5	155.2

	1 September 2015 €m	Debt arising on acquisition €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	29 February 2016 €m
Interest bearing loans & borrowings	367.1	0.2	(7.4)	(0.1)	0.5	360.3
Cash & cash equivalents	(247.3)	-	8.2	41.8	-	(197.3)
	119.8	0.2	0.8	41.7	0.5	163.0

	1 March 2015 €m	Debt arising on acquisition €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	31 August 2015 €m
Interest bearing loans & borrowings	339.7	2.2	(0.3)	25.0	0.5	367.1
Cash & cash equivalents	(181.9)	-	0.5	(65.9)	-	(247.3)
	157.8	2.2	0.2	(40.9)	0.5	119.8

The non-cash changes in the current and prior periods relate to the amortisation of issue costs.

## 10. Financial assets and liabilities

The carrying and fair values of financial assets and liabilities at 31 August 2016 were as follows:

	Other financial assets €m	Other financial liabilities €m	Carrying value €m	Fair Value €m
<b>Financial assets:</b>				
Financial asset investment	1.7	-	1.7	1.7
Cash & cash equivalents	190.5	-	190.5	190.5
Trade receivables	99.4	-	99.4	99.4
Advances to customers	67.6	-	67.6	67.6
<b>Financial liabilities:</b>				
Interest bearing loans & borrowings	-	(345.7)	(345.7)	(346.8)
Trade & other payables	-	(236.8)	(236.8)	(236.8)
Provisions	-	(16.7)	(16.7)	(16.7)
	<b>359.2</b>	<b>(599.2)</b>	<b>(240.0)</b>	<b>(241.1)</b>

## Determination of Fair Value

### *Financial asset*

The carrying value of the financial asset is deemed to reflect fair value at the balance sheet date as the financial asset has been acquired in the last six months.

### *Short term bank deposits and cash & cash equivalents*

The nominal amount of all short-term bank deposits and cash & cash equivalents is deemed to reflect fair value at the balance sheet date.

### *Trade receivables/payables & other payables*

The nominal amount of all trade receivables/payables after provision for impairment is deemed to reflect fair value at the balance sheet date with the exception of provisions which are discounted to fair value.

### *Advances to customers*

The nominal amount of advances to customers, after provision for impairment, is considered to reflect fair value.

### *Interest bearing loans & borrowings*

The fair value of all interest bearing loans & borrowings has been calculated by discounting all future cash flows to their present value using a market rate reflecting the Group's cost of borrowing at the balance sheet date. All loans bear interest at floating rates.

## 11. Retirement benefit obligations

As disclosed in the Annual Report for the year ended 29 February 2016, the Group operates a number of defined benefit pension schemes for certain employees, past and present, in the Republic of Ireland (ROI) and in Northern Ireland (NI), all of which provide pension benefits based on final salary and the assets of which are held in separate trustee administered funds. The Group closed its defined benefit pension schemes to new members in April 2007 and provides only defined contribution pension schemes for employees joining the Group since that date. The Group provides permanent health insurance cover for the benefit of certain employees and separately charges this to the income statement. There are no active members remaining in the Group's Executive Defined Benefit Pension scheme while there are 63 active members, representing less than 10% of total membership, in the ROI Staff defined benefit pension scheme and 4 active members in the NI defined benefit pension scheme.

Independent actuarial valuations of the defined benefit schemes are carried out on a triennial basis using the attained age method. The most recently completed formal actuarial valuations of the ROI schemes were carried out with an effective date of 1 January 2015 while the most recent actuarial valuation of the NI scheme was 31 December 2014. The actuarial valuations are not available for public inspection; however the results of the valuations are advised to members of the various schemes.

The funding requirements in relation to the Group's ROI defined benefit pension schemes are assessed at each valuation date and are implemented in accordance with the advice of the actuaries. Arising from the formal actuarial valuations of the main schemes the Group has committed to contributions of 22.2% of pensionable salaries along with a deficit contribution of €3.1m per annum until the next valuation date for the Group's Staff defined benefit pension scheme. For the NI defined benefit pension scheme, currently in surplus, we have committed to ongoing contributions of £0.1m per annum until the next valuation date.

In the prior financial year and current financial period the Group offered deferred members of its two ROI defined benefit schemes an opportunity to transfer out of the schemes, giving the deferred member greater control and flexibility over their pension arrangements. The closing liability of the two ROI defined benefit pension schemes as at 29 February 2016 included an obligation to pay €10.0m to deferred members who opted to transfer out of the 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 2016 to reflect movements in the fair value of assets and changes in the assumptions used by the schemes' actuaries to value the liabilities.

The key factors influencing the change in valuation of the Group's defined benefit pension scheme obligations are as outlined below:-

	Period ended 31 August 2016 €m	Period ended 31 August 2015 €m	Year ended 29 February 2016 €m
Retirement benefit deficit at beginning of period (ROI schemes)	32.7	37.3	37.3
Retirement benefit asset at beginning of period (NI scheme)	(4.7)	(3.7)	(3.7)
Current service cost	0.6	0.8	1.1
Past service gain	(2.4)	(0.4)	(0.8)
Net finance cost	0.1	0.3	0.6
Gain on settlement	(5.1)	-	(5.4)
Actuarial losses	23.7	14.9	15.4
Actuarial gains	(12.7)	(28.6)	(10.3)
Company contributions	(2.0)	(2.8)	(6.5)
Translation adjustment	0.3	-	0.3
<b>Retirement benefit deficit at end of period (ROI schemes)</b>	<b>34.4</b>	<b>22.0</b>	<b>32.7</b>
<b>Retirement benefit asset at end of period (NI scheme)</b>	<b>(3.9)</b>	<b>(4.2)</b>	<b>(4.7)</b>

The decline in the financial position of the Group's defined benefit pension schemes as computed in accordance with IAS 19(R) *Employee Benefits* is primarily as a result of a decrease in discount rates. Discount rates decreased from 1.95% - 2.15% as at 29 February 2016 with respect to the Group's ROI retirement benefit obligations to 1.35% - 1.60% as at 31 August 2016, and from 3.9% as at 29 February 2016 with respect to the Group's NI retirement benefit obligations to 2.1% as at 31 August 2016. The negative impact on the Group's retirement benefit obligations as a result of the movement in discount rates was partially offset by a favourable past service gain and net finance gain.

All other significant assumptions applied in the measurement of the Group's pension obligations at 31 August 2016 are materially consistent with those as applied at 29 February 2016 as set out in the Group's Annual Report of that date.

## 12. Other reserves

### **Capital redemption reserve and capital reserve**

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. The movements in the current and prior financial periods relate to the on-market share buyback programme undertaken by the Group during the current and prior financial periods.

### **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 Group's net investment in its non-Euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the period/year to the exchange rate at the Balance Sheet date, as adjusted for the translation of foreign currency borrowings designated as net investment hedges and 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 are therefore part of the Group's net investment in foreign operations.

### **Revaluation reserve**

This reserve originally comprised the gain which arose on the revaluation of land by external valuers during the financial year ended 28 February 2009. A subsequent external valuation of freehold properties and plant & machinery was completed as at 29 February 2012. In the prior financial year, an external valuation was completed at the Group's freehold properties and plant & machinery assets in Shepton Mallet and Borrisoleigh. In the financial year ended 28

February 2015, an external valuation was completed of the Group's freehold properties in Clonmel, Wellpark and Shepton Mallet and of the Group's plant & machinery assets in Clonmel, Wellpark, Shepton Mallet and Vermont.

### **Treasury shares**

Included in this reserve is where the Company issues equity share capital under its Joint Share Ownership Plan, which is held in trust by the Group's Employee 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. Also included in the reserve is the purchase of 9,025,000 shares at an average of €3.29 per share under the Group's share buyback programme during the financial year ended 28 February 2015.

## **13. Dividend**

A final dividend of 8.92 cent per ordinary share (2015: 7.0 cent) was paid to shareholders on 13 July 2016 equating to a distribution of €27.7m, of which €23.5m was paid in cash and €4.2m as a scrip alternative. At the 2012 AGM shareholder approval was given to a proposal that awards made in or after 2012 and that vest under the LTIP (Part I) incentive programme should reflect the equivalent value to that which accrues to shareholders by way of dividends.

An interim dividend of 4.96 cent per share for payment on 16 December 2016 is proposed to be paid to shareholders registered at the close of business on 4 November 2016. Using the number of shares in issue at 31 August 2016 and excluding those shares for which it is assumed that the right to dividend will be waived this would equate to a distribution of €15.7m.

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

## **14. Related parties**

The principal related party relationships requiring disclosure under IAS 24 *Related Party Transactions* pertain to the existence of subsidiary undertakings and equity accounted investees, transactions entered into by the Group with these subsidiary undertakings and equity accounted investees and the identification and compensation of, and transactions with, key management personnel.

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. Executive Directors participate in the Group's equity share award schemes and death in service insurance programme and in the case of UK resident executive Directors are covered under the Group's permanent health insurance programme. The Group also provides private medical insurance for UK resident executive Directors. No other non-cash benefits are provided. Non-executive Directors do not receive share-based payments or post employment benefits.

Key management personnel received total compensation, including income statement charges/credit for share-based payments, of €1.9m for the six months ended 31 August 2016 of which €1.4m pertains to non share-based payment compensation, and €0.5m to share-based payment compensation (31 August 2015: €1.4m pertains to non share-based payment compensation and the value of the share-based payment compensation amounts to less than €0.1m).

On 28 November 2012, the Group acquired an equity investment in Thistle Pub Company Limited, a joint venture with Maclay Group plc. The Group subsequently acquired the remaining equity share capital of the Thistle Pub Company Limited business in the prior financial year on 3 August 2015. The Group therefore accounted for the Thistle Pub Company Limited as a related party from date of the initial equity investment, on 28 November 2012, to date of deemed disposal of this initial investment and subsequent acquisition of 100% Thistle Pub Company Limited on 3 August 2015.

On 21 March 2012, the Group acquired a 25% equity investment in Maclay Group plc. The Maclay Group plc went into administration in the financial year ended 28 February 2015 and the Group consequently impaired its investment in this entity in that period, however continues to account for it as a related party.

During 2013, the Group entered into a joint venture arrangement with Heather Ale Limited, run by the Williams brothers who are recognised as leading family craft brewers in Scotland, to form a new entity Drygate Brewing Company Limited. The joint venture, which is run independently of the joint venture partners existing businesses, operates a craft brewing and retail facility adjacent to Wellpark brewery.

A subsidiary of the Group holds a 33% investment in Shanter Inns Limited with which the Group trades.

The Group also holds a 50% investment in Beck & Scott (Services) Limited (Northern Ireland) and a 45.61% investment in The Irish Brewing Company Limited (Ireland) following its acquisition of Gleeson. The Group had no transaction with

Beck & Scott (Services) Limited during the period nor had it any transactions with The Irish Brewing Company Limited which is a non-trading company.

Loans extended by the Group to equity accounted investees are considered trading in nature and are included within advances to customers in Trade & other receivables.

All outstanding balances with equity accounted investees, which arose from arm's length transactions, are to be settled in cash within one month of the reporting date.

Details of transactions with equity accounted investees during the period and related outstanding balances at the period end are as follows:-

	<b>Net revenue</b>		<b>Balance outstanding</b>	
	<b>Six months to August 2016</b>	<b>Six months to August 2015</b>	<b>August 2016</b>	<b>August 2015</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Sale of Goods to Equity accounted investees:</b>				
Maclay Group plc	-	0.5	-	-
Drygate Brewing Company Limited	0.1	0.2	-	0.1
Thistle Pub Company Limited	n/a	0.4	n/a	-
Shanter Inns Limited	0.1	0.1	-	-
	<b>0.2</b>	<b>1.2</b>	<b>-</b>	<b>0.1</b>

	<b>Balance outstanding</b>	
	<b>August 2016</b>	<b>August 2015</b>
	<b>€m</b>	<b>€m</b>
<b>Loans to Equity accounted investees:</b>		
Drygate Brewing Company Limited	2.3	2.3
	<b>2.3</b>	<b>2.3</b>

	<b>Purchases</b>		<b>Balance outstanding</b>	
	<b>Six months to August 2016</b>	<b>Six months to August 2015</b>	<b>August 2016</b>	<b>August 2015</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Purchase of Goods from Equity accounted investees:</b>				
Drygate Brewing Company Limited	0.3	0.2	0.1	0.1

There have been no other 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 28 February 2017.

**15. Events after the balance sheet date**

There were no material events subsequent to the balance sheet date of 31 August 2016 which would require disclosure in this report.

**16. Board approval**

The Board approved the financial report for the six months ended 31 August 2016 on 27 October 2016.

**17. Distribution of interim report**

This report and further information on C&C is available on the Group's website ([www.candcgroupplc.com](http://www.candcgroupplc.com)). Details of the Scrip Dividend Offer in respect of the interim dividend for the financial year 28 February 2017 will be posted to shareholders on 14 November 2016.



## Supplementary Financial Information

### Alternative Performance Measures

The Directors have adopted various alternative performance measures ("APMs") to provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements. The key Alternative Performance Measures ("APMs") of the Group are set out below:

- **Adjusted earnings or operating profit before exceptional items:** Profit for the period attributable to equity shareholders as adjusted for exceptional items.
- **EBITDA:** EBITDA is earnings before finance income, finance expense, tax, depreciation, amortisation charges and equity accounted investees' profit/(loss) after tax.
- **Constant currency:** Prior period revenue, net revenue and operating profit for each of the Group's reporting segments as restated to constant exchange rates for transactions by subsidiary undertakings in currencies other than their functional currency and for translation in relation to the Group's non-Euro denominated subsidiaries. Refer to page 12 for constant currency table.
- **Exceptional items:** Significant items of income and expense within the Group results for the period which by virtue of their scale and nature are disclosed in the income statement and related notes as exceptional items.
- **Free Cash flow:** Free Cash Flow is a non IFRS measure that comprises cash flow from operating activities net of capital investment cash outflows/(inflows) which form part of investing activities. Free Cash Flow highlights the underlying cash generating performance of the on-going business. Refer to page 10 for free cash flow workings.
- **Net debt:** Net debt comprises borrowings (net of unamortised issue costs) less cash & cash equivalents.
- **Net debt/EBITDA:** A measurement of leverage, calculated as the Group's net debt, divided by its adjusted EBITDA.
- **Net revenue:** Net Revenue is defined by the Group as Revenue less Excise duties. Excise duties, which represent a significant proportion of Net Revenue enhances the transparency and provides a more meaningful analysis of underlying sales.
- **Operating margin:** Operating margin is based on operating profit before exceptional items and is calculated as a percentage of net revenue. Refer to segmental review for operating margin calculations.

Reconciliation of adjusted profit to EBITDA	H1'17 €m	H1'16 €m
Profit for the period	42.9	45.4
Income tax expense	7.4	7.3
Net finance expense	3.7	4.5
Share of equity accounted investee profit	-	(0.1)
Intangible asset amortisation	0.2	0.2
Depreciation	7.4	9.8
EBITDA	61.6	67.1

  

Adjusted EBITDA	H1'17 €m	H1'16 €m
EBITDA	61.6	67.1
Exceptional items before tax	1.1	5.5
Adjusted EBITDA	62.7	72.6

  

Net revenue	H1'17 €m	H1'16 €m
Revenue	449.8	513.9
Excise duties	(142.8)	(155.3)
Net revenue	307.0	358.6

  

Adjusted profit before tax	H1'17 €m	H1'16 €m
Profit before tax	50.3	52.7
Exceptional items before tax	1.1	5.5
Share of equity accounted investees' gain after tax	-	(0.1)
Adjusted profit before tax	51.4	58.1

  

Adjusted profit after tax	H1'17 €m	H1'16 €m
Profit after tax	42.9	45.4
Exceptional items after tax	0.9	4.5
Adjusted profit after tax	43.8	49.9

  

Net debt	H1'17 €m	H1'16 €m
Interest bearing loans & borrowings	345.7	367.1
Cash & cash equivalents	(190.5)	(247.3)
Net debt	155.2	119.8
EBITDA (rolling)	112.7	131.5
Net debt to EBITDA	1.4	0.9