c&c group plc

C&C Group plc
RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2017

Dublin, London, 26 October 2017: C&C Group plc ('C&C' or the 'Group'), a leading manufacturer, marketer and distributor of branded cider, beer, wine, soft drinks and bottled water announces results for the six months ended 31 August 2017 ("H1'18").

H1'18 Financial highlights €m except per share items	H1'18 Pre-exceptionals	H1'17 Constant f/x[i]	% Change[i]	H1'17 Reported
Net Revenue	**273.1**	292.9	(6.8%)	307.0
Adjusted EBITDA[ii]	**57.6**	60.4	(4.6%)	62.7
Operating profit[iii]	**50.5**	53.1	(4.9%)	55.1
Operating margin	***18.5%***	*18.1%*	*+40bps*	*17.9%*
Adjusted diluted EPS[iv] (cent)	**12.9**	13.4	(3.7%)	13.9
Dividend per share (cent)	**5.21**		+5.0%	4.96
Free cash flow (excl. exceptionals)[v]	**75.4**			56.7
Free cash flow[v]/Adjusted EBITDA[ii] (% conversion)	**130.9%**			90.4%
Net debt[vi]	**172.6**			155.2

Operational and strategic headlines

- *Strong performance in our Tennent's businesses*
  - Investment in Tennent's founts and new brand campaign is driving share growth, volumes (+0.4%) and revenues (+5%)
  - Wholesale is growing volumes and revenues
- *Total GB cider volumes flat, including first year contribution from acquired craft cider brand – Orchard Pig*
- *Transition of Magners and other cider brands to new AB InBev distribution arrangements on track with momentum building. Successful launch of Magners Dark Fruit in Scotland IFT*
  - Magners brand volumes -6%; against strong comparatives (H1'17: +11%). August MAT still +2%
- *Bulmers "100% Irish" campaign and Outcider launch are delivering volume growth in retail channel (+2%) and increased brand affinity with target consumer groups. C&C's share of off-trade cider increased to 56% (Aug16 MAT: 55%)[vii]*
  - Bulmers brand volumes -5%, reflecting reduced draught distribution, a weaker cider category[vii] (-1%) and strong comparatives (H1'17: +6%).
- *Strong organic growth in super-premium and craft with volumes +24% across our portfolio*
  - Super-premium and craft portfolio now contributes revenues of €7.8m[viii]
- *Strengthened route to market across the UK*
  - Successful transition of UK cider brands to AB InBev, the leading distributor to the UK off-trade
  - Investment in Admiral Taverns, a platform providing direct access to the UK on-trade
- *Continued growth in Export volumes +5%*
- *Investment in IT systems to drive further operational efficiencies in back office functions across the Group*

Financial headlines

- *On a constant currency basis and excluding the impact of certain Ireland AB InBev volumes now supplied directly[ix]*
  - Net revenues down 4% to €273.1m (H1'17: €283.5m)
  - Operating profits broadly unchanged at €50.5m (H1'17: €50.3m)

Financial headlines (continued)

- *Operating margins increased 40bps[(i)] to 18.5% driven by improving business mix and efficiency savings*
- *Strong free cash flow[(iii)(v)] of €75.4m and cash conversion 130.9% of Adjusted EBITDA driven by tight working capital management and on-track to return to full year conversion rate of 60-70%*
- *Acquisitions of €12.3m, share buybacks of €30.6m and dividends of €26.0m taking Net debt[(vi)] to €172.6m (1.65x Net debt[(vi)]/Adjusted EBITDA[(ii)])*
- *Interim dividend increase of 5% to 5.21c per share (H1'17: 4.96c)*
- *Post-period end, announced investment in Admiral Taverns of £37m (€40m), expected to complete by end November 2017.*

Stephen Glancey, C&C Group CEO, commented:

"During the first six months, we have continued to drive performance in Scotland, invest behind the strength of our core brands in Ireland and evolve our model in GB through our agreement with AB InBev and our planned investment in Admiral Taverns. Our continuous focus on cost, efficiency initiatives and effective working capital management have also delivered an improved operating margin and strong cash generation.

Trading patterns over the first half have been rather less predictable than we would normally anticipate. Currency and the revised commercial terms of our AB InBev arrangements have negatively impacted reported revenues and profits in the short-term. However, much of our underlying performance has been resilient.

In the UK Tennent's is one of the few standard lagers in growth outperforming in the critical independent free trade and also the grocery channel. This is supported by a new multi media campaign "Here to Serve" which has won industry recognition for the excellence of its social media performance. The Tennent's business has momentum in customer recruitment and the multi beverage wholesale and internet platform are both proving to be highly attractive to customers.

Our super premium portfolio is gaining real traction, with the Italian beer Menabrea growing at 62% and Heverlee, our Belgian beer, at 32%. Total revenue in this area, including our recently acquired craft cider brand Orchard Pig, is €7.8 million and growing organically at 27% annually.

In Ireland we have up-weighted investment in the Bulmers brand as "100% Irish" and rebranded our packaging. The campaign, together with our new product Outcider, has resonated with the targeted millennial consumer. We are growing volume and share in the grocery channel, offset by further reductions in draught distribution under competitive pressure. Rate of sale and pricing on the Bulmers brand both remain resilient.

The first six months of our new distribution arrangement in the UK with AB InBev have gone smoothly with minimal customer disruption. We are gaining new distribution for Magners and brands like K Cider particularly in the convenience channel. Indeed, with the reformulation of K Cider we have seen MAT growth of +23% in the first half. In the longer term, we believe that the route to market capability of AB InBev will provide a strong platform for growth.

Despite enhanced brand activity, operating margins improved by 40bps[(i)] reflecting strong cost control and improved business mix. We are investing in a new IT system for Ireland with a planned go live in Q1 2018. This will further enhance our operational efficiencies.

We are adopting a supportive approach to planned legislative changes in Ireland and Scotland on minimum pricing and the tightening of advertising restrictions. Particularly on the latter, however, it is important that any intervention is both proportionate and maintains a level playing field for small companies like C&C competing against International giants.

On capital allocation, our cash generation and balance sheet remain robust allowing us to fund continued investment in our brands and supplement shareholder returns through a progressive dividend.

Volatile market conditions remain across the industry. However, we are pleased our GB businesses have made a solid start to the second half of the financial year. In Ireland, where the cider category remains highly competitive, trading has been marginally slower than expected.

Looking further ahead we are increasingly confident that our brands, market positions, operational investments and now enhanced route-to-market infrastructure in GB will return the business to growth and deliver enhanced shareholder value over the medium term."

Summary notes to preliminary results are set out below.

(i) H1’17 comparative adjusted for constant currency (H1’17 translated at H1’18 F/X rates) as outlined on page 15.

(ii) Adjusted EBITDA is earnings before exceptional items, finance income, finance expense, tax, depreciation and amortisation charges. A reconciliation of the Group’s operating profit to Adjusted EBITDA is set out on page 13.

(iii) Before exceptional items of €0.7m.

(iv) Adjusted basic/diluted earnings per share (‘EPS’) excludes exceptional items. Please also see note 5 of the condensed financial statements.

(v) Free Cash Flow (‘FCF’) is a non GAAP measure that comprises cash flow from operating activities net of capital investment cash outflows/(inflows) which form part of investing activities. FCF highlights the underlying cash generating performance of the ongoing business. A reconciliation of FCF to Net Movement in Cash & Cash Equivalents per the Group’s Cash Flow Statement is set out on page 13.

(vi) Net debt comprises borrowings (net of issue costs) less cash & cash equivalents.

(vii) Nielsen Ireland Databases – ROI total cider category volumes as at August 2017

(viii) Orchard Pig was acquired in April 2017 and contributed volumes of 17.5kHL in H1’FY18.

(ix) H1’17 comparatives adjusted for: (i) constant currency (H1’17: net revenues €14.1m; operating profit €2.0m); (ii) the impact of certain AB InBev beer volumes in Ireland in the comparative period which transferred to direct supply under the terms of our revised distribution arrangements with AB InBev (H1’17: volumes 123kHl; net revenues €9.4m; operating profit €2.8m).

Conference call details | Analysts & Institutional Investors

C&C Group plc will host a live conference call and webcast, for analysts and institutional investors, today, 26 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.

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

Pin Code: **11094170#**

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 16 that could cause actual results to differ materially from those anticipated.

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IRELAND

Operations review

€'m		**Ireland**		
Constant currency[(i)]	**H1'18**	**H1'17 Underlying***	**Change Underlying***	**H1'17 CC[(i)]**
Revenue	**164.3**	174.2	(5.7%)	183.6
Net revenue	**113.0**	121.1	(6.7%)	130.5
- Price / mix impact			*+0.4%*	
- Volume impact			*(7.1%)*	
Operating profit[(ii)]	**26.0**	26.7	(2.6%)	29.5
Operating margin (Net revenue)	***23.0%***	*22.0%*	+100bps	*22.6%*
Total volume – (kHL)	**721.5**	776.8	(7.1%)	899.8
- *of which Bulmers – (kHL)*	***218.1***	*229.7*	*(5.1%)*	*229.7*

* *Underlying H1'17 comparatives adjusted for: (i) constant currency[(i)] (H1'17: revenues €3.1, net revenues €2.6m; operating profit €0.3m); (ii) the impact of certain AB InBev beer volumes in Ireland in the comparative period which transferred to direct supply under the terms of our revised distribution arrangements with AB InBev (H1'17: volumes 123kHl; revenues €9.4m; net revenues €9.4m; operating profit €2.8m).*

Market backdrop[(iii)]

Despite continued improvement in macro-economic conditions in Ireland, the LAD market (in the ROI) was down -0.4% in the period versus last year. This predominantly reflects strong comparatives (H1'17: +5%) buoyed by the European Championships and better weather, which have not featured in the current year. Within this, the cider category has fared slightly worse with overall cider volumes down -1%, against a very strong period last year of (H1'17: +9%). The weaker market conditions were most keenly felt in the on-trade, with the LAD and cider categories down -1.7% and -2.1% respectively.

However, the pricing environment has been firmer across on and off-trade with both the LAD and cider categories improving value despite reduced volumes.

Operational performance

Cider - ROI

As planned we increased our investment behind the Bulmers brand in the period. This included the launch of *Outcider* by Bulmers, our "*Newer. Sweeter. Cider-er.*" and a new marketing campaign for Bulmers Original under the tag-line "*100% Irish*". Both have been well received by Irish consumers and customers. Brand affinity and brand salience scores for Bulmers increased with our key target demographic of 18-24 year olds by 8ppts on each measure, to 40% and 54%[(iv)], respectively. Prompted awareness is now 98%[(iv)]. Outcider has taken a 2% share of cider in the off-trade in its first six months and is pouring in 307 pubs.

As anticipated, the investment has had a more immediate impact in the off-trade. Bulmers (including Outcider) grew volumes in the off-trade by +2% year-on-year, outperforming a flat market and growing Bulmers brand family share. Together with our other cider brands, such as Linden village, C&C grew its share of off-trade cider to 56% MAT (August 16: 55% MAT)[(iii)].

In the on-trade publicans and consumers have responded positively to the Bulmers "*100% Irish*" campaign as evidenced by a resilient rate of sale trend through the first half. Bulmers still enjoys a significant rate of sale advantage in draught and packaged in the on-trade against all our major competition. Bulmers on-trade market share[(iii)] in packaged remains solid at 86% MAT (Feb17: 88%)[(iii)], while share in draught softened as a result of reduced distribution to 73% MAT (Feb17: 77%)[(iii)]. The negative volume performance of Bulmers in the period therefore largely reflects our reduced draught distribution coverage together with the weaker on-trade cider category (-2.1%)[(iii)].

Overall, on and off-trade volumes for the Bulmers brand family were 5% down on last year, but should be considered against a strong brand performance in the comparative period (+6%) and a reduction in the overall cider category.

Craft and super-premium

Our craft and super-premium portfolio goes from strength-to-strength in Ireland. We increased our financial investment in the Five Lamps brewery in Dublin. It is now in 210 pubs across Ireland and significantly increased volumes to 3kHl in the period. To complement the Five Lamps range of craft lagers we launched our Dowd's Lane range of traditional craft Ales, Stouts and Cider. Our Five Lamps/Dowd's Lane business is among the largest craft businesses in Ireland. Heverlee, our premium Belgian lager, had another strong performance with volumes +19% including the successful launch of a 660ml bottle for the off-trade.

Other

Despite particularly poor summer weather, our core Northern Irish business had a solid six months with volumes ahead of a subdued market and revenues up year-on-year.

Our C&C Gleeson wholesaling business continued to experience volume declines in line with the loss of draught distribution points. However, our wine business, was up 5% in the first half at 475k cases.

Financial performance

Overall, total branded beer and cider volumes in Ireland were down 3% in the year, in LAD markets down between 1-2%. However, the financial performance of the Ireland division was principally impacted by the revised terms of our distribution agreement with AB InBev for their beer portfolio in Ireland, as well as reduced volume and margin performance in Bulmers.

As anticipated, the new distribution terms on AB InBev beer resulted in the loss of a small number of accounts in Northern Ireland which reverted to direct supply. These accounts had contributed volumes, revenues and profits of 123kHL, €9.4m and €2.8m in the prior period and therefore accounts for the significant majority of the division's volume, revenue and operating profit declines in the period.

In Bulmers, the volume decline of 5% was reflected in reduced revenues and profits, with rate and margin also softening as a result of adverse channel mix.

The impacts of weaker brand performance and reduced AB InBev activity were mitigated in part by overhead cost reductions in the period. Overall operating margins improved to 23.0% as the business mix shifted more towards owned brands and away from 3rd party distribution.

GREAT BRITAIN

Operations review

€'m	Great Britain								
Constant currency[i]	H1'18			H1'17			Change %		
	Scotland	C&C Brands	GB	Scotland	C&C Brands	GB	Scotland	C&C Brands	GB
Revenue	148.2	72.4	**220.6**	141.2	77.4	**218.6**	+5.0%	(6.5%)	**+0.9%**
Net Revenue	97.7	40.4	**138.1**	92.5	44.7	**137.2**	+5.6%	(9.6%)	**+0.7%**
- Price / mix impact							+6.3%	+4.6%	**+8.0%**
- Volume impact							(0.7%)	(14.2%)	**(7.3%)**
Operating profit[ii]	18.0	3.5	**21.5**	16.4	4.2	**20.6**	+9.8%	(16.7%)	**+4.4%**
Operating margin	18.4%	8.7%	**15.6%**	17.7%	9.4%	**15.0%**	+70bps	(70bps)	**+60bps**
Volume – (kHL)	720.9	589.6	**1,310.5**	726.1	687.5	**1,413.6**	(0.7%)	(14.2%)	**(7.3%)**
- of which Tennent's			**530.9**			**529.0**			**+0.4%**
- of which Magners			**279.1**			**295.7**			**(5.6%)**

The above divisional financials reflect our new divisional reporting structure, which is an aggregation of our former Scotland and C&C Brands divisions.

Market backdrop[iii]

Good early summer weather helped the cider category in GB to positive volume growth of +1% for the six months to 31 August 2017. Total beer volumes were down -2% for the same period, broadly reflecting the long term volume trend for the category. Within this, premium and speciality categories outperformed standard and the off-trade outperformed the on-trade. Off-trade volumes were broadly flat, but on-trade was negative as the growth seen in previous periods, particularly in city centre and food-led pubs, was not repeated.

Despite the lower volumes, the return of price inflation across the industry in all channels led to a positive value outturn for the both beer and cider categories year-on-year.

Operational performance

Tennent's

Our Tennent's business had a strong first half. Volumes were up marginally at 531kHL, significantly outperforming a total beer market that was down -2%[iii]. In the important independent free trade in Scotland our share of lager remains healthy and we grew volumes in the off-trade by +5%, taking share. The brand also had a strong NSV rate performance, reflecting a marked price/mix improvement. Accordingly, net sales revenues for the Tennent's brand for the period were up 5% in GB.

This success reflected continued investment and marketing behind the brand. We are nearing completion of our fount investment with 4,815 new Tennent's founts installed as at August 2017. The new founting produced increased rate of sale in participating stockists by 2.8%[v] and helped drive outperformance against the market. Our social media activity in Tennent's continues to win both share of mind with Scottish consumers and industry awards. The latest was 'Best Online Marketing' at UK Beer & Cider Marketing Awards in London. Brand Salience ("*A brand I've heard good things about*) scores are up 9ppts to 22% and Brand Advocacy ("*A brand I'd recommend*") up 3ppts to 36%[iv].

Our Tennent's wholesale distribution business in Scotland continued to strengthen with customer numbers in growth, as well as some larger account wins. Volumes were up 1% overall for the period, with revenues ahead by more, reflecting improved mix. This includes a good performance from our owned brands wine business which was up strongly in the period.

Magners

In the period under review, Magners and our portfolio of English cider brands transitioned smoothly to the new distribution arrangements with AB InBev. After a slow start as the brands transferred across, the Magners brand has performed satisfactorily. Magners volumes were -6% for the period, but against some very strong comparatives of +11% in H1 last year. MATs remain strong at +2% for the brand. Performance was also impacted by the unsettled weather in August 2017, but we believe momentum is building and our joint plans for Christmas and H2 anticipate a return to volume growth for the full year.

It is still early days but there is already clear evidence of the long term opportunity for our brands under this new distribution partnership. Magners performed well in range reviews in the year to date with the major supermarket groups. New distribution listings have been achieved in the convenience channel, amongst wholesalers and in the casual dining space; with Magners now available at venues as diverse as Gatwick Airport and Claridges.

Magners Dark Fruit is now in 500 outlets across Scotland with encouraging rates of sale and only minimal cannibalisation (c.13%) of Magners Original volumes. We are working with AB InBev to launch Magners Dark Fruit in the on and off-trade in H2 across the whole of GB.

Craft and super-premium

Our craft and super-premium brands had another strong half of growth in Scotland and the rest of GB. We launched Heverlee, our Belgian lager, in the Scottish off-trade in August in 660ml bottle and 330ml can. The brand was the fastest growing new launch in Tesco and distribution has already been extended beyond Scotland and Northern Ireland. The success demonstrates the value of the C&C model in Scotland and Ireland where we are able to build brand momentum in the on-trade through our distribution and trade lending infrastructure, before launching successfully into the off-trade.

Menabrea increased volumes by +65% to 8.6kHL in GB for the six months, achieving good growth across national on and off-trade accounts, casual dining as well as the Scottish IFT.

We strengthened our craft portfolio in the period completing the purchase of Orchard Pig in April of this year, having originally invested in the business back in 2012. Orchard Pig is a fast-growing craft cider brand based in Somerset which has built both a strong consumer franchise and an impressive distribution footprint across the on and off-trade, particularly in London and the Southeast of England. Orchard Pig contributed 17.5kHL in the first half.

Financial performance

The strong divisional revenue and profit uplifts were driven by our Scottish business, in particular the improvement in Tennent's rate, a positive mix in wholesale and continued high growth and margins in our craft and super-premium portfolio.

Our total branded cider volumes in GB were flat, including the part-period contribution from Orchard Pig. Our GB cider partnership with AB InBev saw volume declines of -5% (Magners -6%) in its first six months, with net revenues further impacted by the distribution margin under the new agreement. Margins were also consequently weaker, but partly mitigated by cost synergies available as a result of the new arrangements.

The volume and revenue declines in our GB business were also accentuated by the withdrawal from certain own-label contracts following the closure of Shepton in the prior period. These own label contracts contributed 87kHL of volume; £3.1m (€3.6m) of net revenue and £0.7m (€0.8m) of profit in the prior period.

INTERNATIONAL

Operations review

€'m				International					
Constant currency[i]	H1'18			H1'17			Change %		
	Export	North America	Int'l	Export	North America	Int'l	Export	North America	Int'l
Revenue	13.5	9.1	**22.6**	13.4	12.7	**26.1**	+0.7%	(28.3%)	**(13.4%)**
Net Revenue	13.4	8.6	**22.0**	13.2	12.0	**25.2**	+1.5%	(28.3%)	**(12.7%)**
- Price / mix impact							(3.7%)	(2.9%)	**(3.4%)**
- Volume impact							+5.2%	(25.4%)	**(9.3%)**
Operating profit[ii]	2.6	0.4	**3.0**	2.5	0.5	**3.0**	+4.0%	(20.0%)	**-**
Operating margin	19.4%	4.7%	**13.6%**	18.9%	4.2%	**11.9%**	+50bps	+50bps	**+170bps**
Volume – (kHL)	108.0	68.4	**176.4**	102.7	91.7	**194.4**	+5.2%	(25.4%)	**(9.3%)**

The above divisional financials reflect our new divisional reporting structure, which is an aggregation of our former Export and North American divisions.

Our International division now comprises all export markets for C&C outside of the UK and Ireland. Our strategy is to capitalise on the global growth trajectory of cider and premium beer with our portfolio of authentic British and Irish brands through partnership arrangements with local distributors.

Market backdrop[vi]

The cider category (ex.UK and Ireland) continues to expand at an estimated 2% per annum. The category is growing faster than beer, driven by both the recruitment of new drinkers in established cider countries as well as the steady evolution of new cider markets. Consumers across the globe are attracted by cider's sweeter proposition, its refreshing taste and natural, gluten-free credentials.

In Europe, cider is building on its established position in Western Europe and by increasing its share of LAD in the more traditional beer markets of central and Eastern Europe. Russia is one of the fastest growing cider markets, reaching 159kHl over the last 5 years. Asian cider markets continued to develop quickly, albeit from a low base led by China, Hong Kong, Singapore and Taiwan.

After the period of rapid expansion in 2012-2015, the US cider market continues to experience significant declines. Consumer interest has switched to adjacent categories and the category has lost both shelf space with retailers and investment from brand owners. Accordingly, cider volumes are running at low double digit declines.

Operational performance

EMEA volumes of 86kHl in the first half were up 2% year-on-year (H1'17: +19%). We saw good growth in Germany due to an expanding category and a change of distributor. Elsewhere, performance was more subdued against strong comparatives, particularly in France which hosted the European Championships in 2016, as well as in Spain and Italy. Margins and volumes were under pressure in certain European markets as the devaluation of sterling has led to increased parallel imports of Magners from the UK. This is likely to remain a feature of our business in the near term.

Our businesses in Asia Pacific grew strongly in the period up 18% to 22kHl. This was a result of a good recovery in Australia under our new distributor – Coca-Cola Amatil. In addition, we made good progress in a number of other markets including China, New Zealand and South Korea.

Our US brands were negatively impacted by the continued declines in the cider market in the US.

The Tennent's brand continues to make good progress in our export markets. Volumes were 27kHl in the first half, up 11% on the prior year (excluding the impact of the discontinued business in India). Growth came predominantly in Asia, with encouraging contributions from China and South Korea. Magners volumes were up

4% at 60kHL, with strong growth in Australia and New Zealand held back by a more muted performance in Europe. We launched Magners *Juicy Apple* across our Asian export markets, a slightly sweeter product extension, to help extend the brand's appeal with younger local consumers.

Financial performance

Operating profits for the division were broadly flat at €3.0m, despite upfront investment from entering and developing new markets. Continued volume and revenue declines in North America, have been mitigated by further cost efficiencies and some modest contract manufacturing wins. Rate/HL in other export markets declined marginally due to country and brand mix, but margins improved slightly to 19.4% due to savings in overheads and marketing.

OPERATING EFFICIENCY

The Group completed its major site rationalisation programme during 2016 and operated smoothly from its two principal manufacturing facilities at Wellpark and Clonmel. Utilisation rates across our plants were in line with expectations at 82% (H1’17: 76%) and capex requirements have returned to more normalised levels of net €4.9m in the half.

Our new distribution partnership with AB InBev on cider in the UK enabled us to make some synergy savings in sales and marketing overheads in England & Wales, and we are on track to make further savings in our physical distribution and warehousing footprint from January 2018. The AB InBev partnership (together with the Pabst relationship in the US) also enables us to streamline our divisional management and reporting structure. During the first half we have therefore combined our Scotland and C&C Brands management and administration into a single GB division and combined our Export and North American operations into a single International division. Our external segmental reporting will reflect this structure going forward.

Capex for the full year includes c.€3m of investment in IT infrastructure in Ireland that will facilitate more consolidation across our back office functions and supports our slimmed down divisional structure.

OUTLOOK

On 4 September we announced an investment of £37m to acquire a 47% stake in Admiral Taverns, a leading operator of 845 community pubs across England and Wales. The investment further strengthens our route-to-market in the UK, by providing direct access and participation for our brands in the more lucrative on-trade channel.

Volatile market conditions remain across the industry. However, we are pleased our GB businesses have made a solid start to the second half of the financial year. In Ireland, where the cider category remains highly competitive, trading has been marginally slower than expected.

Looking further ahead we are increasingly confident that our brands, market positions, operational investments and now enhanced route-to-market infrastructure in GB will return the business to growth and deliver enhanced shareholder value over the medium term.

Financial review

A summary of results for the six months ended 31 August 2017 is set out in the table below.

	Period ended 31 August 2017 €m	Period ended 31 August 2016 €m	CC[(i)] Period ended 31 August 2016 €m	Change %	CC[(i)] - Change %
Net revenue	**273.1**	307.0	292.9	(11.0%)	(6.8%)
Operating profit[(ii)]	**50.5**	55.1	53.1	(8.3%)	(4.9%)
Net finance costs	**(3.8)**	(3.7)		(2.7%)	
Profit before tax	**46.7**	51.4		(9.1%)	
Income tax expense[(ii)]	**(6.9)**	(7.6)			
*Effective tax rate**	**14.8%**	14.8%			
Profit for the period attributable to equity shareholders[(ii)]	**39.8**	43.8			
Basic EPS	**12.7 cent**	13.8 cent			
Adjusted diluted EPS[(vii)]	**12.9 cent**	13.9 cent			

**The effective tax rate is calculated based on the profit before tax excluding exceptional items.*

C&C is reporting net revenue of €273.1m, operating profit[(ii)] of €50.5m and adjusted diluted EPS[(vii)] of 12.9 cent. On a constant currency[(i)] basis, net revenue decreased by 6.8% while operating profit[(ii)] declined by 4.9%. Please see the segmental review for commentary on the performance of the business in the six month period to 31 August 2017.

Finance costs, income tax and shareholder returns

Net finance charges of €3.8m (31 August 2016: €3.7m) 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.

The income tax charge for the period amounted to €6.9m. This excludes the tax implications of exceptional items. 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 2018. 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 9.37 cent per share for the financial year ended 28 February 2017 resulting in a full year dividend for that financial year of 14.33 cent per share and representing a payout of 60.2% (FY2016: 56.4%) of the full year reported (FY2017) adjusted diluted earnings per share. The dividend was paid to shareholders on 14 July 2017 and was settled €26.0m in cash and €3.0m by way of a scrip alternative.

In line with the Group's progressive dividend policy, the Board has declared an interim dividend of 5.21 cent per share for the financial year ending 28 February 2018. This is an increase of 5% on the FY2017 interim dividend. Payment will be on 15 December 2017 to shareholders registered at the close of business on 3 November 2017. 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 exceptional costs of €0.7m in the current period. This comprised of restructuring costs of €0.5m arising from a restructure of the Group following the expansion of the Group's manufacturing and distribution agreement with AB InBev, and acquisition costs of €0.2m with respect to professional fees associated with the consideration of strategic opportunities by the Group.

Cash flow generation

Management reviews the Group's cash generating performance by measuring the conversion of Adjusted EBITDA(viii) to Free Cash Flow(ix). The Group generated Free Cash Flow(ix) of €72.2m in the period representing 125.3% (31 August 2016: 89.8%) of adjusted EBITDA(viii) and ended the period in a net debt(x) position of €172.6m.

Summary cash flow for the six months ended 31 August 2017 is set out in the table below.

	Six months ended 31 August 2017	Six months ended 31 August 2016
	€m	€m
Operating profit before exceptional items	**50.5**	55.1
Depreciation and amortisation charge	**7.1**	7.6
Adjusted EBITDA(viii)	**57.6**	62.7
Net capital expenditure	**(4.9)**	(2.2)
Advances to customers	**(0.9)**	(7.8)
Working capital movement	**29.0**	20.0
	80.8	72.7
Exceptional items	**(3.2)**	(0.4)
Net finance charges/tax paid	**(5.0)**	(7.6)
Pension contributions paid	**(0.7)**	(2.0)
Other	**0.3**	(6.4)
Free Cash Flow(ix) (FCF)	**72.2**	56.3
FCF(ix)/Adjusted EBITDA(viii)	***125.3%***	*89.8%*
Free Cash Flow(ix) (FCF)	***72.2***	*56.3*
Exceptional items	***3.2***	*0.4*
Free Cash Flow before exceptional cash outflow	***75.4***	*56.7*
FCF(ix)/Adjusted EBITDA(viii) before exceptional cash outflow	***130.9%***	*90.4%*
Free Cash Flow(ix) (FCF)	***72.2***	*56.3*
Acquisition of equity accounted investee/financial asset & transaction with equity holder	***(2.0)***	*(1.7)*
Acquisition of businesses	***(10.3)***	*-*
Proceeds from exercise of share options/equity interests	***2.1***	*0.5*
Shares purchased under share buyback programme	***(30.6)***	*(21.1)*
Dividends paid	***(26.0)***	*(23.5)*
Drawdown of debt	***35.0***	*35.0*
Repayment of debt	***-***	*(43.2)*
Net increase in cash & cash equivalents	***40.4***	*2.3*

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 Condensed Balance Sheet as retirement benefits.

At 31 August 2017, the Group is reporting a net retirement benefit deficit on the revised IAS 19 basis of €13.7m (31 August 2016: €30.5m / 28 February 2017: €17.8m). All schemes are closed to new entrants. There are 4 active members in the Northern Ireland ('NI') scheme and 60 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. Arising from the most recent formal actuarial valuations of the main schemes the Group has committed to contributions of 22% of pensionable salaries along with a deficit contribution of €1.2m per annum until the next valuation date for the Group's Staff defined benefit pension scheme. There is no funding requirement with respect to the Group's Executive defined benefit pension scheme in 2017. The funding requirement will be reviewed again as part of the next triennial valuation in January 2018. The 2014 actuarial valuation of the NI defined benefit pension scheme confirmed it was in surplus and the scheme remains in surplus.

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

	€m
Deficit at 1 March 2017	**(17.8)**
Employer contributions paid	**0.7**
Actuarial gains	**5.2**
Actuarial losses	**(2.0)**
Net gain credited to the Income Statement	**0.5**
Translation adjustment	**(0.3)**
Net deficit at 31 August 2017	**(13.7)**

The reduction in the net deficit 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 recognition of a past service gain and an increase in discount rates.

All other significant assumptions applied in the measurement of the Group's pension obligations at 31 August 2017 are consistent with those as applied at 28 February 2017.

Foreign currency and comparative reporting

		Six month period ended 31 August 2017	**Six month period ended 31 August 2016**
Translation exposure	Euro:Stg£	**£0.875**	£0.807
	Euro:US$	**$1.118**	$1.121

As shown above, the average rate for the translation of results from sterling currency operations was €1:£0.875 (period ended 31 August 2016: €1:£0.807) and from US dollar currency operations was €1:$1.118 (period ended 31 August 2016: €1:$1.121). 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 2016 is as follows:-

	Period ended 31 August 2016 €m	FX Transaction €m	FX Translation €m	Period ended 31 August 2016 Constant currency comparative €m
Revenue				
Ireland	186.7	-	(3.1)	**183.6**
Great Britain	237.1	-	(18.5)	**218.6**
previously Scotland	*153.2*	*-*	*(12.0)*	*141.2*
previously C&C Brands	*83.9*	*-*	*(6.5)*	*77.4*
International	26.0	0.1	-	**26.1**
previously North America	*12.7*	*-*	*-*	*12.7*
previously Export	*13.3*	*0.1*	*-*	*13.4*
Total	**449.8**	**0.1**	**(21.6)**	**428.3**
Net revenue				
Ireland	133.1	-	(2.6)	**130.5**
Great Britain	148.8	-	(11.6)	**137.2**
previously Scotland	*100.3*	*-*	*(7.8)*	*92.5*
previously C&C Brands	*48.5*	*-*	*(3.8)*	*44.7*
International	25.1	0.1	-	**25.2**
previously North America	*12.0*	*-*	*-*	*12.0*
previously Export	*13.1*	*0.1*	*-*	*13.2*
Total	**307.0**	**0.1**	**(14.2)**	**292.9**
Operating profit				
Ireland	29.8	0.2	(0.5)	**29.5**
Great Britain	22.3	0.2	(1.9)	**20.6**
previously Scotland	*17.9*	*-*	*(1.5)*	*16.4*
previously C&C Brands	*4.4*	*0.2*	*(0.4)*	*4.2*
International	3.0	-	-	**3.0**
previously North America	*0.5*	*-*	*-*	*0.5*
previously Export	*2.5*	*-*	*-*	*2.5*
Total	**55.1**	**0.4**	**(2.4)**	**53.1**

Notes

(i) H1'17 comparative adjusted for constant currency (H1'17 translated at H1'18 F/X rates) as outlined on page 15.

(ii) Before exceptional items.

(iii) Nielsen Ireland Databases – August 2017; GB on-trade CGA to 15/07/17; GB off-trade Neilsen Scantrack as at 12/08/17.

(iv) Company commissioned market research surveys conducted by Ipsos MRBI and Behaviours & Attitudes.

(v) Based RoS performance (in 2 months post-installation) of all stocklists receiving new fonts by 10th June 2017.

(vi) Per IRI-Canadean.

(vii) Adjusted basic/diluted earnings per share ('EPS') excludes exceptional items. Please also see note 5 of the condensed financial statements.

(viii) Adjusted EBITDA is earnings before exceptional items, finance income, finance expense, tax, depreciation and amortisation charges. A reconciliation of the Group's operating profit to EBITDA is set out on page 13.

(ix) Free Cash Flow ('FCF') is a non GAAP measure that comprises cash flow from operating activities net of capital investment cash outflows which form part of investing activities. FCF highlights the underlying cash generating performance of the ongoing business. A reconciliation of FCF to Net Movement in Cash & Cash Equivalents per the Group's Cash Flow Statement is set out on page 13.

(x) Net debt comprises borrowings (net of issue costs) less cash & cash equivalents.

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 19 to 21 of the Group's annual financial statements for the year ended 28 February 2017, which are available on our website, http://www.candcgroupplc.com.

Directors's responsibility statement in respect of the half-yearly financial report for the six months ended 31 August 2017

We confirm our responsibility for the half-yearly financial report in accordance with the Transparency Directive (2004/109/EC) Regulations 2007 and the interim Transparency Rules of the Irish Financial Services Regulatory Authority 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	S. Glancey
Chairman	Chief Executive Officer

26 October 2017

Group Condensed Income Statement
for the six months ended 31 August 2017

		Six months ended 31 August 2017 (unaudited)			Six months ended 31 August 2016 (unaudited)		
	Notes	**Before exceptional items €m**	**Exceptional items (note 4) €m**	**Total €m**	Before exceptional items €m	Exceptional items (note 4) €m	Total €m
Revenue	2	**407.5**	**-**	**407.5**	449.8	-	449.8
Excise duties		**(134.4)**	**-**	**(134.4)**	(142.8)	-	(142.8)
Net revenue	2	**273.1**	**-**	**273.1**	307.0	-	307.0
Operating costs		**(222.6)**	**(0.7)**	**(223.3)**	(251.9)	(1.1)	(253.0)
Operating profit/(loss)	2	**50.5**	**(0.7)**	**49.8**	55.1	(1.1)	54.0
Finance income		**-**	**-**	**-**	0.1	-	0.1
Finance expense		**(3.8)**	**-**	**(3.8)**	(3.8)	-	(3.8)
Profit/(loss) before tax		**46.7**	**(0.7)**	**46.0**	51.4	(1.1)	50.3
Income tax (expense)/credit	3	**(6.9)**	**0.1**	**(6.8)**	(7.6)	0.2	(7.4)
Profit/(loss) for the period attributable to equity shareholders		**39.8**	**(0.6)**	**39.2**	43.8	(0.9)	42.9
Basic earnings per share (cent)	**5**			**12.7c**			13.8c
Diluted earnings per share (cent)	**5**			**12.7c**			13.6c

Group Condensed Statement of Comprehensive Income
for the six months ended 31 August 2017

	Notes	**Six months ended 31 August 2017 (unaudited)**	Six months ended 31 August 2016 (unaudited)
		€m	€m
Other comprehensive income:			
Items that may be reclassified to Income Statement in subsequent years:			
Foreign currency translation differences arising on the net investment in foreign operations		**(30.0)**	(35.5)
Items that will not be reclassified to Income Statement in subsequent years:			
Actuarial gain/(loss) on retirement benefits	11	**3.2**	(11.0)
Deferred tax (charge)/credit on actuarial gain/(loss) on retirement benefits		**(0.4)**	1.4
Net loss recognised directly within Other Comprehensive Income		**(27.2)**	(45.1)
Profit for the period attributable to equity shareholders		**39.2**	42.9
Comprehensive income/(expense) for the period attributable to equity shareholders		**12.0**	(2.2)

Group Condensed Balance Sheet
as at 31 August 2017

	Notes	As at 31 August 2017 (unaudited) €m	As at 31 August 2016 (unaudited) €m	As at 28 February 2017 (audited) €m
ASSETS				
Non-current assets				
Property, plant & equipment	6	**136.6**	173.1	144.5
Goodwill & intangible assets	7	**526.7**	631.0	530.3
Equity-accounted investees		**3.8**	0.3	2.4
Financial assets		**-**	1.7	-
Retirement benefits	11	**4.4**	3.9	4.5
Deferred tax assets		**2.6**	4.6	3.2
Trade & other receivables		**39.8**	51.2	49.6
		713.9	865.8	734.5
Current assets				
Asset held for resale		**0.3**	3.0	1.7
Inventories		**81.7**	85.2	85.8
Trade & other receivables		**91.7**	140.3	78.5
Cash & cash equivalents		**217.7**	190.5	187.6
		391.4	419.0	353.6
TOTAL ASSETS		**1,105.3**	1,284.8	1,088.1
EQUITY				
Equity share capital		**3.2**	3.2	3.3
Share premium		**142.0**	132.5	136.9
Other reserves		**67.2**	86.0	99.1
Treasury shares		**(37.8)**	(39.2)	(38.0)
Retained income		**321.8**	456.8	337.1
Total equity		**496.4**	639.3	538.4
LIABILITIES				
Non-current liabilities				
Interest bearing loans & borrowings	8	**390.7**	346.7	358.6
Retirement benefits	11	**18.1**	34.4	22.3
Provisions		**6.6**	6.5	7.7
Deferred tax liabilities		**5.5**	5.4	6.0
		420.9	393.0	394.6
Current liabilities				
Trade & other payables		**174.9**	236.8	144.1
Provisions		**3.9**	10.2	6.5
Current tax liabilities		**9.2**	5.5	4.5
		188.0	252.5	155.1
Total liabilities		**608.9**	645.5	549.7
TOTAL EQUITY & LIABILITIES		**1,105.3**	1,284.8	1,088.1

Group Condensed Cash Flow Statement
for the six months ended 31 August 2017

	Six months ended 31 August 2017 (unaudited) €m	Six months ended 31 August 2016 (unaudited) €m
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period attributable to equity shareholders	**39.2**	42.9
Finance income	**-**	(0.1)
Finance expense	**3.8**	3.8
Income tax expense	**6.8**	7.4
Depreciation of property, plant & equipment	**6.9**	7.4
Amortisation of intangible assets	**0.2**	0.2
Net profit on disposal of property, plant & equipment	**-**	(4.0)
Impairment of property, plant & equipment	**-**	0.7
Charge for equity settled share-based payments	**0.8**	0.9
Pension contributions paid plus amount credited to Income Statement	**(1.2)**	(8.8)
	56.5	50.4
Decrease/(increase) in inventories	**2.4**	(2.3)
Increase in trade & other receivables	**(8.2)**	(51.1)
Increase in trade & other payables	**34.9**	63.4
(Decrease)/increase in provisions	**(3.5)**	2.2
	82.1	62.6
Interest received	**-**	0.1
Interest and similar costs paid	**(3.2)**	(3.8)
Income tax paid	**(1.8)**	(3.9)
Net cash inflow from operating activities	**77.1**	55.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	**(6.1)**	(13.0)
Net proceeds on disposal of property, plant & equipment	**1.2**	14.3
Acquisition of equity accounted investee/financial asset & transaction with equity holder	**(2.0)**	(1.7)
Acquisition of business	**(10.3)**	-
Net cash outflow from investing activities	**(17.2)**	(0.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options/equity Interests	**2.1**	0.5
Shares purchased under share buyback programme	**(30.6)**	(21.1)
Drawdown of debt	**35.0**	35.0
Repayment of debt	**-**	(43.2)
Dividends paid	**(26.0)**	(23.5)
Net cash outflow from financing activities	**(19.5)**	(52.3)
Net increase in cash & cash equivalents	**40.4**	2.3
Cash & cash equivalents at beginning of period	**187.6**	197.3
Translation adjustment	**(10.3)**	(9.1)
Cash & cash equivalents at end of period	**217.7**	190.5

Group condensed statement of changes in equity
for the six months ended 31 August 2017

	Equity share capital €m	Share premium €m	Other undenominated reserve €m	Capital reserve €m	Share-based payment €m	Currency translation reserve €m	Revaluation reserve €m	Treasury shares €m	Retained income €m	Total €m
At 1 March 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 comprehensive (expense)/income	-	-	-	-	-	(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 transactions with owners	(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
Loss for the period attributable to equity shareholders	-	-	-	-	-	-	-	-	(115.8)	(115.8)
Other comprehensive income/(expense)	-	-	-	-	-	17.7	(2.1)	-	12.8	28.4
Total comprehensive income/(expense)	-	-	-	-	-	17.7	(2.1)	-	(103.0)	(87.4)
Dividend on ordinary shares	-	3.9	-	-	-	-	-	-	(15.3)	(11.4)
Exercised share options	-	0.3	-	-	-	-	-	-	-	0.3
Reclassification of share-based payments reserve	-	-	-	-	(1.5)	-	-	-	1.5	-
Joint Share Ownership Plan	-	0.2	-	-	(0.7)	-	-	1.2	(0.8)	(0.1)
Shares purchased under share buyback programme and subsequently cancelled	0.1	-	(0.1)	-	-	-	-	-	(2.1)	(2.1)
Equity settled share-based payments	-		-	-	(0.2)	-		-	-	(0.2)
Total transactions with owners	0.1	4.4	(0.1)	-	(2.4)	-	-	1.2	(16.7)	(13.5)
At 28 February 2017	**3.3**	**136.9**	**0.7**	**24.9**	**4.4**	**62.1**	**7.0**	**(38.0)**	**337.1**	**538.4**
Profit for the period attributable to equity shareholders	-	-	-	-	-	-	-	-	39.2	**39.2**
Other comprehensive (expense)/income	-	-	-	-	-	(30.0)	-	-	2.8	**(27.2)**
Total comprehensive (expense)/income	**-**	**-**	**-**	**-**	**-**	**(30.0)**	**-**	**-**	**42.0**	**12.0**
Dividend on ordinary shares	-	3.0	-	-	-	-	-	-	(29.0)	**(26.0)**
Exercised share options	-	1.4	-	-	-	-	-	-	-	**1.4**
Reclassification of share-based payments reserve	-	-	-	-	(2.7)	-	-	-	2.7	**-**
Joint Share Ownership Plan	-	0.7	-	-	(0.1)	-	-	0.2	(0.1)	**0.7**
Shares purchased under share buyback programme and subsequently cancelled	(0.1)	-	0.1	-	-	-	-	-	(30.6)	**(30.6)**
Transaction with equity holder	-	-	-	-	-	-	-	-	(0.3)	**(0.3)**
Equity settled share-based payments	-	-		-	0.8	-	-	-	-	**0.8**
Total transactions with owners	**(0.1)**	**5.1**	**0.1**	**-**	**(2.0)**	**-**	**-**	**0.2**	**(57.3)**	**(54.0)**
At 31 August 2017	**3.2**	**142.0**	**0.8**	**24.9**	**2.4**	**32.1**	**7.0**	**(37.8)**	**321.8**	**496.4**

Notes to the condensed interim financial statements
for the six months ended 31 August 2017

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 28 February 2017 and as described in those financial statements on pages 103 to 115. 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 Group is continuing to assess the potential implications of the adoption of IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 9 *Financial Instruments.* IFRS 15 and IFRS 9 will be effective for the Group's FY 2019 consolidated Financial Statements while IFRS 16 will be effective for the Group's FY2020 consolidated Financial Statements. A project team has been put in place, who in accordance with an agreed timetable will work through the assessment of the implications of the adoptions of all three standards over the coming months.

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 28 February 2017 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 28 February 2017 and in the Directors opinion 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 2017 and the comparative six months ended 31 August 2016 are unaudited and have not been reviewed by the auditors. The financial information for the year ended 28 February 2017 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 2017	Six months to 31 August 2016	Year ended 28 February 2017
Balance Sheet (Euro: Sterling closing rate)	**0.920**	0.848	0.853
Income statement (Euro : Sterling average rate)	**0.875**	0.807	0.834
Balance Sheet (Euro: USD closing rate)	**1.183**	1.113	1.060
Income statement (Euro: USD average rate)	**1.118**	1.121	1.101

Going concern

The Group has considerable financial resources and a large number of customers and suppliers across different geographic areas and industries.

Having assessed the relevant business risks, the Directors believe that the Group is well placed to manage these risks successfully and they have a reasonable expectation that C&C Group plc, and the Group as a whole, has adequate resources to continue in operational existence for the foreseeable future with no material uncertainties. For this reason, the Directors continue to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements.

2. Segmental analysis

The Group's business activity is the manufacturing, marketing and distribution of alcoholic and soft drinks. Three operating segments have been identified in the current period; Ireland, Great Britain and International.

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, assesses and monitors the operating results of segments separately via internal management reports in order to effectively manage the business and allocate resources. Due to a consolidation in the management of the business, the Group has changed its basis of segmentation in the current financial period. The previous segments of Scotland and C&C Brands are now managed by one Managing Director and are supported by the one management team. The Group has therefore now combined both, to form the new segment Great Britain. The previous segments of Export and North America are also now controlled by one Managing Director and the one management team and have therefore also been combined into the new International segment. The current basis of segmentation reflects the new business model and in all instances the changes were deemed necessary to better enable the CODM to evaluate the results of the business in the context of the economic environment in which the business operates, to make appropriate strategic decisions and to more accurately reflect the business model under which the Group now operates in these territories. All comparative amounts have been restated to reflect the new basis of segmentation. The reclassification had no impact on Revenue, Net revenue or Operating profit reported by the Group.

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, Outcider, Tennent's, Magners, Clonmel 1650, Five Lamps, Heverlee, Roundstone Irish Ale, Dowd's Lane traditional craft ales, Finches and Tipperary Water. It also includes the financial results from beer and wines and spirits distribution and wholesaling following the acquisition of Gleeson, and the results from sale of third party brands as permitted under the terms of a distribution agreement with AB InBev.

(ii) Great Britain
This segment includes the results from sale of the Group's own branded products in Scotland and England & Wales, with Tennent's, Magners, Heverlee, Caledonia Best, Blackthorn, Old English, Chaplin & Cork's and K Cider the principal brands. It also includes the financial results from AB InBev beer distribution in Scotland, third party brand distribution and wholesaling in Scotland following the acquisition of the Wallaces Express wholesale business, the distribution of the Italian lager Menabrea and the production and distribution of private label cider products.

(iii) International
This segment includes the results from sale of the Group's cider and beer products, principally Magners, Gaymers, Woodchuck, Wyders, Blackthorn, Hornsby's and Tennent's in all terrirtories outside of Ireland and Great Britain. 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.

(a) Analysis by reporting segment

	Six months to 31 August 2017			Six months to 31 August 2016		
	Revenue	**Net revenue**	**Operating profit**	Revenue	Net revenue	Operating profit
	€m	**€m**	**€m**	€m	€m	€m
Ireland	**164.3**	**113.0**	**26.0**	186.7	133.1	29.8
Great Britain	**220.6**	**138.1**	**21.5**	237.1	148.8	22.3
International	**22.6**	**22.0**	**3.0**	26.0	25.1	3.0
	407.5	**273.1**	**50.5**	449.8	307.0	55.1
Exceptional items (note 4)	**-**	**-**	**(0.7)***	-	-	(1.1)**
	407.5	**273.1**	**49.8**	449.8	307.0	54.0

** Of the exceptional loss in the current period, a loss of €0.5m relates to Great Britain and a loss of €0.2m remains unallocated.*
*** Of the exceptional loss in the prior period, a loss of €2.3m relates to Ireland and a net gain of €1.2m relates to Great Britain.*

Total assets for the period ended 31 August 2017 amounted to €1,105.3m (31 August 2016: €1,284.8m).

The impact of the reclassification of the financial results to 31 August 2016 as previously described, along with current year like for like comparatives, is outlined below. This reclassification has no impact on the Revenue, Net revenue and Operating profit reported by the Group.

	Six months to 31 August 2017			Six months to 31 August 2016		
	Revenue €m	**Net revenue €m**	**Operating profit €m**	Revenue €m	Net revenue €m	Operating profit €m
previously Scotland	**148.2**	**97.7**	**18.0**	153.2	100.3	17.9
previously C&C Brands	**72.4**	**40.4**	**3.5**	83.9	48.5	4.4
New segment - Great Britain	**220.6**	**138.1**	**21.5**	237.1	148.8	22.3
previously North America	**9.1**	**8.6**	**0.4**	12.7	12.0	0.5
previously Export	**13.5**	**13.4**	**2.6**	13.3	13.1	2.5
New segment - International	**22.6**	**22.0**	**3.0**	26.0	25.1	3.0

(b) Geographical analysis of non-current assets

	Ireland €m	**Scotland €m**	**England & Wales €m**	**US & Canada €m**	**Other €m**	**Total €m**
31 August 2017						
Property, plant & equipment	**69.9**	**51.8**	**0.1**	**8.9**	**5.9**	**136.6**
Goodwill & intangible assets	**156.0**	**118.8**	**195.0**	**40.9**	**16.0**	**526.7**
Equity-accounted investees	**0.3**	**0.2**	**-**	**3.3**	**-**	**3.8**
Retirement benefits	**4.4**	**-**	**-**	**-**	**-**	**4.4**
Deferred tax assets	**2.6**	**-**	**-**	**-**	**-**	**2.6**
Trade & other receivables	**21.0**	**18.8**	**-**	**-**	**-**	**39.8**
Total	**254.2**	**189.6**	**195.1**	**53.1**	**21.9**	**713.9**

	Ireland €m	Scotland €m	England & Wales €m	US & Canada €m	Other €m	Total €m
31 August 2016						
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 asset	-	-	-	1.7	-	1.7
Retirement benefits	3.9	-	-	-	-	3.9
Deferred tax assets	4.6	-	-	-	-	4.6
Trade & other receivables	22.6	27.4	1.2	-	-	51.2
Total	251.4	214.7	202.3	175.6	21.8	865.8

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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.

Cyclicality of interim results

Certain brands within our portfolio, particularly our cider brands, tend to have higher consumption during the summer months that fall within the first half of our financial year. In addition, external forces such as weather & significant sporting events (which traditionally take place in the summer months) will have a greater impact on our first half trading. Accordingly, trading profit is usually higher in the first half than in the second.

3. Income tax charge

Income tax charge for the period amounted to €6.8m (31 August 2016: €7.4m), comprising a €6.9m charge on profits before exceptional items and an income tax credit of €0.1m with respect to exceptional items (31 August 2016: €7.6m charge before exceptional items and a credit of €0.2m with respect to exceptional items). The interim period tax charge before exceptional items 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 2018 is estimated at 14.8% (31 August 2016: 14.8%; year ended 28 February 2017: 14.9%).

4. Exceptional items

	Six months to 31 August 2017 €m	Six months to 31 August 2016 €m
Restructuring costs	**(0.5)**	(4.6)
Acquisition costs	**(0.2)**	-
Gain on disposal of property, plant & equipment	**-**	3.5
Loss before tax	**(0.7)**	(1.1)
Income tax credit	**0.1**	0.2
Total loss after tax	**(0.6)**	(0.9)

(a) Restructuring costs

Restructuring costs of €0.5m were incurred in the current financial period (31 August 2016: €4.6m). These restructuring costs primarily comprised of severance costs arising from a restructure of the Group following the expansion of the Group's manufacturing and distribution partnership with AB InBev.

The restructuring costs in the prior financial period of €4.6m comprised primarily of severance costs, an IT impairment and other initiatives arising from the Group's consolidation of its production sites.

(b) Acquisition costs

During the current financial period, the Group incurred €0.2m of acquisition costs, primarily with respect to professional fees associated with the consideration of strategic opportunities by the Group.

(c) Disposal of property, plant & equipment

During the prior 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.

5. Earnings per ordinary share

Denominator computations

	31 August 2017 Number '000	31 August 2016 Number '000
Number of shares at beginning of period	**325,546**	329,158
Shares issued in respect of options exercised	**426**	217
Shares issued in lieu of dividend	**886**	1,067
Share buyback and subsequent cancellation	**(8,618)**	(5,532)
Number of shares at end of period	**318,240**	324,910
Weighted average number of ordinary shares, excluding treasury shares (basic)	**309,327**	310,400
Adjustment for the effect of conversion of options	**224**	5,503
Weighted average number of ordinary shares, including options (diluted)	**309,551**	315,903

Profit for the period attributable to ordinary shareholders

	Six months to 31 August 2017 €m	Six months to 31 August 2016 €m
Earnings as reported	**39.2**	42.9
Adjustments for exceptional items, net of tax	**0.6**	0.9
Earnings as adjusted for exceptional items, net of tax	**39.8**	43.8
Basic earnings per share	**Cent**	Cent
Basic earnings per share	**12.7**	13.8
Adjusted basic earnings per share	**12.9**	14.1
Diluted earnings per share		
Diluted earnings per share	**12.7**	13.6
Adjusted diluted earnings per share	**12.9**	13.9

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 2017: 11.2m shares; at 31 August 2016: 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 1,573,087 at 31 August 2017.

6. Property, plant & equipment

Acquisitions and disposals
During the current financial period, the Group acquired assets of €4.0m (31 August 2016 total additions: €11.8m). Total cash outflow in the period in relation to the purchase of property, plant & equipment amounted to €6.1m (31 August 2016 total cash outflow: €13.0m) as a result of a reduction in capital accruals.

There were disposals of €1.2m of property, plant & equipment during the period (31 August 2016: €10.3m).

Impairment
The carrying value of items of land & buildings and plant & equipment are reviewed and tested for impairment at each financial year end date or more frequently if events or changes in circumstances indicate that their carrying value may not be recoverable. There was no impairment of fixed assets during the current period. In the prior period, an IT system no longer in use was impaired by €0.7m.

7. Goodwill & intangible assets

	Goodwill €m	Brands €m	Other intangible assets €m	Total €m
Cost				
At 1 March 2016	483.7	306.7	4.8	795.2
Translation adjustment	(3.0)	(9.7)	(0.2)	(12.9)
At 31 August 2016	480.7	297.0	4.6	782.3
Translation adjustment	(0.3)	6.3	-	6.0
At 28 February 2017	480.4	303.3	4.6	788.3
Additions	5.5	4.9	-	10.4
Translation adjustment	(3.2)	(10.5)	(0.1)	(13.8)
At 31 August 2017	**482.7**	**297.7**	**4.5**	**784.9**
Amortisation and impairment				
At 1 March 2016	(76.2)	(73.8)	(1.1)	(151.1)
Charge for the period ended 31 August 2016	-	-	(0.2)	(0.2)
At 31 August 2016	(76.2)	(73.8)	(1.3)	(151.3)
Charge for the period ended 28 February 2017	-	-	(0.1)	(0.1)
Impairment charge for the year	-	(106.6)	-	(106.6)
At 28 February 2017	(76.2)	(180.4)	(1.4)	(258.0)
Charge for the period ended 31 August 2017	-	-	(0.2)	(0.2)
At 31 August 2017	**(76.2)**	**(180.4)**	**(1.6)**	**(258.2)**
Net Book Value at 31 August 2017	**406.5**	**117.3**	**2.9**	**526.7**
Net Book Value at 28 February 2017	404.2	122.9	3.2	530.3
Net Book Value at 31 August 2016	404.5	223.2	3.3	631.0

During the current period, the Group acquired Orchard Pig, a fast-growing craft cider based in Somerset which has built both a strong consumer franchise and an impressive distribution footprint across the on and off-trade, particularly in London and the Southeast of England. This resulted in the recognition of Goodwill of €4.8m at date of acquisition and the recognition of a Brand of €4.9m. Also during the current period, the Group acquired Badaboom, a marketing entity based in Glasgow, Scotland resulting in the recognition of Goodwill of €0.7m at date of acquisition.

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 annual impairment testing.

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 in FY2015, the Gleeson trade relationships acquired in FY2014 and 20 year distribution rights for third party beer products acquired as part of the acquisition of the Tennent's business during FY2010. 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 2017 with respect to intangible assets was €0.2m (31 August 2016: €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 were assessed for impairment at 28 February 2017, and, given no changes in circumstances since that date, they will be formally assessed again at 28 February 2018.

8. Interest bearing loans & borrowings

	31 August 2017 €m	31 August 2016 €m	28 February 2017 €m
Current assets			
Unamortised issue costs	**(0.4)**	(1.0)	(0.4)
Non-current liabilities			
Unsecured bank loans repayable by one repayment on maturity	**390.7**	346.7	358.6
Total borrowings	**390.3**	345.7	358.2

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 2017 was €0.9m (28 February 2017: €1.1m, 31 August 2016: €1.6m) of which €0.5m was netted against non-current unsecured liabilities (28 February 2017: €0.7m, 31 August 2016: €0.6m) and €0.4m (28 February 2017: €0.4m, 31 August 2016: €1.0m) is included within current assets, 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 €391.2m was drawn at 31 August 2017 (28 February 2017: €359.3m, 31 August 2016: €347.3m 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

The Group complied with both covenants throughout the current and prior financial periods.

9. Analysis of net debt

	1 March 2017 €m	**Translation adjustment €m**	**Cash flow €m**	**Non-cash changes €m**	**31 August 2017 €m**
Interest bearing loans & borrowings	358.2	**(3.1)**	**35.0**	**0.2**	**390.3***
Cash & cash equivalents	(187.6)	**10.3**	**(40.4)**	**-**	**(217.7)**
	170.6	**7.2**	**(5.4)**	**0.2**	**172.6**

** Interest bearing loans & borrowings at 31 August 2017 are net of unamortised issue costs of €0.9m of which €0.4m is classified on the balance sheet as a current asset*

	1 September 2016 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	28 February 2017 €m
Interest bearing loans & borrowings	345.7	(0.9)	12.9	0.5	358.2**
Cash & cash equivalents	(190.5)	0.8	2.1	-	(187.6)
	155.2	(0.1)	15.0	0.5	170.6

***Interest bearing loans & borrowings at 28 February 2017 are net of unamortised issue costs of €1.1m of which €0.4m is classified on the balance sheet as a current asset*

	1 March 2016 €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

****Interest bearing loans & borrowings at 31 August 2016 are net of unamortised issue costs of €1.6m of which €1.0m is classified on the balance sheet as a current asset*

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 2017 and 31 August 2016 were as follows:

31 August 2017	**Other financial assets**	**Other financial liabilities**	**Carrying value**	**Fair value**
	€m	**€m**	**€m**	**€m**
Financial assets:				
Cash & cash equivalents	**217.7**	**-**	**217.7**	**217.7**
Trade receivables	**51.8**	**-**	**51.8**	**51.8**
Advances to customers	**49.7**	**-**	**49.7**	**49.7**
Financial liabilities:				
Interest bearing loans & borrowings	**-**	**(390.3)**	**(390.3)**	**(391.2)**
Trade & other payables	**-**	**(174.9)**	**(174.9)**	**(174.9)**
Provisions	**-**	**(10.5)**	**(10.5)**	**(10.5)**
	319.2	**(575.7)**	**(256.5)**	**(257.4)**

31 August 2016	**Other financial assets**	**Other financial liabilities**	**Carrying value**	**Fair value**
	€m	**€m**	**€m**	**€m**
Financial assets:				
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
Financial liabilities:				
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)
	359.2	(599.2)	(240.0)	(241.1)

Determination of fair value

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 benefits

As disclosed in the Annual Report for the year ended 28 February 2017, 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 March 2006 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 60 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 pension schemes are carried out on a triennial basis using the attained age method. The most recent actuarial valuations of the ROI defined benefit pension schemes were carried out with an effective date of 1 January 2015 while the date of the most recent actuarial valuation of the NI defined benefit pension 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% of pensionable salaries along with a deficit contribution of €1.2m per annum until the next valuation date for the Group's Staff defined benefit pension scheme. There is no funding requirement with respect to the Group's Executive defined benefit pension scheme in 2017. The funding requirement will be reviewed again as part of the next triennial valuation in January 2018. The 2014 actuarial valuation of the NI defined benefit pension scheme confirmed it was in surplus and the scheme remains in surplus.

In FY2016, the Group opened the opportunity to deferred members of its two ROI defined benefit pension schemes to transfer out of the schemes, giving the deferred member greater control and flexibility over their pension arrangements. This offer has now concluded. In total 119 deferred members availed of the offer and have transferred out of the scheme.

The Balance Sheet valuation of the Group's defined benefit pension schemes' assets and liabilities have been marked-to-market as at 31 August 2017 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 2017	Period ended 31 August 2016	Year ended 28 February 2017
	€m	€m	€m
Retirement benefit deficit at beginning of period (ROI schemes)	**22.3**	32.7	32.7
Retirement benefit asset at beginning of period (NI scheme)	**(4.5)**	(4.7)	(4.7)
Current service cost	**0.6**	0.6	1.1
Past service gain	**(1.3)**	(2.4)	-
Net finance cost	**0.2**	0.1	0.4
Gain on settlement	**-**	(5.1)	(5.1)
Actuarial losses	**2.0**	23.7	(13.5)
Actuarial gains	**(5.2)**	(12.7)	9.9
Company contributions	**(0.7)**	(2.0)	(3.4)
Translation adjustment	**0.3**	0.3	0.4
Retirement benefit deficit at end of period (ROI schemes)	**18.1**	34.4	22.3
Retirement benefit asset at end of period (NI scheme)	**(4.4)**	(3.9)	(4.5)

The reduction in the carrying value of the Group's defined benefit pension schemes net liability, since 28 February 2017, as computed in accordance with IAS 19(R) *Employee Benefits* is primarily as a result of an increase in discount rates and the recognition of a past service gain. Discount rates increased from 1.70%-1.95% as at 28 February 2017 with respect to the Group's ROI retirement benefits to 1.90%-2.10% as at 31 August 2017.

All other significant assumptions applied in the measurement of the Group's pension obligations at 31 August 2017 are materially consistent with those as applied at 28 February 2017 as set out in the Group's Annual Report of that date.

12. Other reserves

Other undenominated 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. The movements in the current and prior financial periods relate to the on-market share buyback programme undertaken by the Group during both 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 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
Since 2009 the Group has completed a number of external valuations on its property, plant and equipment. Gains arising from such revaluations are posted to the Group's revaluation reserve. Any decreases in the value of the Group's property, plant and equipment as a result of external or internal valuations are recognised in the Income Statement except where there had been a previously recognised gain in the revaluation reserve as a result of the same asset, in which case, the gain is eliminated from the revaluation reserve to offset the loss in the first instance.

The movement in FY2017 is the removal of a previously recognised gain on an element of the Group's property, plant and equipment which was disposed of during that financial year.

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 9.37 cent per ordinary share (2016: 8.92 cent) was paid to shareholders on 14 July 2017 equating to a distribution of €29.0m, of which €26.0m was paid in cash and €3.0m as a scrip alternative.

An interim dividend of 5.21 cent per share for payment on 15 December 2017 is proposed to be paid to shareholders registered at the close of business on 3 November 2017. Using the number of shares in issue at 31 August 2017 and excluding those shares for which it is assumed that the right to dividend will be waived this would equate to a distribution of €16.0m.

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 Disclosures* 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 net charge for share-based payments, of €1.5m for the six months ended 31 August 2017 (31 August 2016: €1.9m) of which €1.3m pertains to non share-based payment compensation, and €0.2m to share-based payment compensation (31 August 2016: €1.4m pertains to non share-based payment compensation and €0.5m to share-based compensation).

Also during the period and pursuant to a contract for services effective as of 1 April 2014 between C&C IP Sàrl (‘CCIP’) and Joris Brams BVBA (‘JBB’), (a company wholly owned by Joris Brams and family), CCIP paid fees of less than €0.1m to JBB in respect of brand development services provided by JBB to CCIP in relation to Belgian products.

In the current financial period, the Group increased its investment in a Canadian Company by $2.5m (€1.7m euro equivalent on date of investment). This followed a similar investment of $2.5m in FY2017. The Group now owns 25% of the equity share capital of this entity. Also in FY2017 the Group acquired 25% of the equity share capital of Whitewater Brewing Company Limited (“Whitewater”), an Irish Craft brewer for £0.3m (€0.3m euro equivalent at date of transaction).

During FY2015 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.

In FY2013, the Group acquired a 25% equity investment in Maclay Group plc. The Maclay Group plc went into administration in FY2015 and the Group consequently impaired its investment in this entity in that period, however continues to account for it as a related party.

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.

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 trading 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:-

	Net revenue		Balance outstanding	
	Six months to August 2017	Six months to August 2016	**August 2017**	August 2016
	€m	€m	**€m**	€m
Sale of Goods to Equity accounted investees:				
Beck & Scott (Services) Limited (Northern Ireland)	**0.1**	-	**-**	-
Drygate Brewing Company Limited	**0.1**	0.1	**-**	-
Shanter Inns Limited	**0.1**	0.1	**0.1**	-
	0.3	0.2	**0.1**	-

	Balance outstanding	
	August 2017	August 2016
	€m	€m
Loans to Equity accounted investees:		
Drygate Brewing Company Limited	**1.7**	2.3
Whitewater Brewing Company Limited	**0.6**	-
Canadian Investment	**2.0**	-
Shanter Inns Limited	**0.2**	-
	4.5	2.3

	Purchases		Balance outstanding	
	Six months to August 2017	Six months to August 2016	**August 2017**	August 2016
	€m	€m	**€m**	€m
Purchase of Goods from Equity accounted investees:				
Whitewater Brewing Company Limited	**0.1**	-	**-**	-
Drygate Brewing Company Limited	**0.5**	0.3	**0.3**	0.1
	0.6	0.3	**0.3**	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 2018.

15. Events after the balance sheet date

On 4 September 2017, the Group announced that in partnership with Proprium Capital Partners & Admiral management, it had agreed to acquire the entire issued share capital of Admiral. The equity investment by the Group is £37m representing 47% of the issued share capital of Admiral. Admiral currently own and operate in excess of 800 pubs, mainly in England & Wales, with a broad geographic distribution. The transaction is subject to Financial Conduct Authority "FCA" approval only and is expected to complete by the end of November 2017.

There were no other material events subsequent to the balance sheet date of 31 August 2017 which would require disclosure in this report.

16. Board approval

The Board approved the financial report for the six months ended 31 August 2017 on 26 October 2017.

17. Distribution of interim report

This report and further information on C&C is available on the Group's website (www.candcgroupplc.com). Details of the Scrip Dividend Offer in respect of the interim dividend for the financial year 28 February 2018 will be posted to shareholders on 13 November 2017.

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.
- **Adjusted EBITDA or EBITDA:** EBITDA is earnings before exceptional items, finance income, finance expense, tax, depreciation, and, amortisation charges.
- **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 15 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 13 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 Revenue, are set by external regulators over which the Group has no control and are generally passed on to the consumer, consequently the Directors consider that the disclosure of Net Revenue enhances the transparency and provides a more meaningful analysis of underlying sales performance.
- **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 profit to EBITDA	**H1'18 €m**	**H1'17 €m**
Profit after tax	39.2	42.9
Income tax expense	6.8	7.4
Net finance expense	3.8	3.7
Intangible asset amortisation	0.2	0.2
Depreciation	6.9	7.4
EBITDA	56.9	61.6

Adjusted profit before tax	**H1'18 €m**	**H1'17 €m**
Profit before tax	46.0	50.3
Exceptional items before tax	0.7	1.1
Adjusted profit before tax	46.7	51.4

Adjusted EBITDA	**H1'18 €m**	**H1'17 €m**
EBITDA	56.9	61.6
Exceptional items before tax	0.7	1.1
Adjusted EBITDA	57.6	62.7

Adjusted profit after tax	**H1'18 €m**	**H1'17 €m**
Profit after tax	39.2	42.9
Exceptional items after tax	0.6	0.9
Adjusted profit after tax	39.8	43.8

Net revenue	**H1'18 €m**	**H1'17 €m**
Revenue	407.5	449.8
Excise duties	(134.4)	(142.8)
Net revenue	273.1	307.0

Net debt	**H1'18 €m**	**H1'17 €m**
Interest bearing loans & borrowings	390.3	345.7
Cash & cash equivalents	(217.7)	(190.5)
Net debt	172.6	155.2
Adjusted EBITDA (rolling)	104.9	112.7
Net debt to EBITDA	1.65x	1.38x