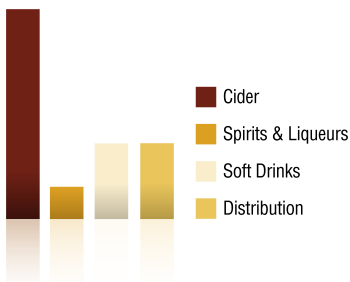


# Chief executive's review

It was a year of strong growth and significant progress for C&C Group giving us a robust platform from which to grow our business successfully into the future. There was exceptional growth in our cider business, coupled with double digit growth in sales of our premium international whiskey, Tullamore Dew, and in a challenging marketplace, a satisfactory performance for our soft drinks business.

**Revenue**  
by Division



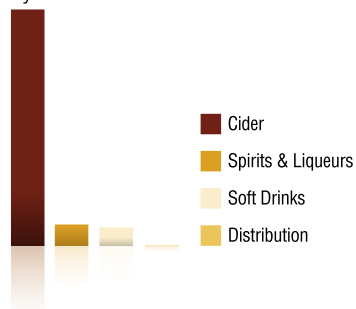
We played to our inherent underlying strengths – marketing and brand management expertise - skilfully managing a major capital investment programme in production facilities and developing further opportunities for sales growth, and we got the results.

We had a clear focus too on continuous improvement in how we manage the people and environmental dimensions of our business. All of this was done within a framework of a sustained commitment to corporate social responsibility.



Excluding the (disposed) snacks business, Revenue in our continuing operations grew by 27% to reach €981 million. At €213 million, Operating Profit represented an Operating Margin of 21.7% for the Group.

#### Operating Profit by Division



This was an improvement of just over six percentage points, despite a significantly increased investment in the marketing of our premium international brands.

Revenue in the cider business increased by 86 % to €517.9 million, underpinned by overall volume growth of 82%. We achieved volume growth of 232% for our international cider brand, Magners, reaching 1.7% of the British on-trade market for Long Alcoholic Drinks (LAD). Our Irish cider brand, Bulmers, significantly outperformed the LAD market with a volume growth rate of 6%. Magners showed strong growth in Northern Ireland recording a 16% increase in volume and an increase in LAD on-trade market share from 6.4% to 7.5%.

Sales of Tullamore Dew increased by a highly satisfactory 16%, mainly through exceptional growth in Europe while sales of Carolans cream liqueur in the marketplace increased by 8%.

We sold our snacks business in September 2006 for a net €59.8 million thereby increasing our strategic focus on our drinks business. We achieved a sale price which reflected the iconic status of the brands. The proceeds of the sale were used to pay down debt and to enhance our business development strategy.



# Chief executive's review continued

## Cider

This year saw Magners in Great Britain move from being a regional success to being an established national brand available in more than 60% of the licensed trade there. A key factor in this achievement was our major investment in marketing to drive consumer awareness and trial, which saw us take a 10 -11% Share of Voice in the marketplace.

We are continuing that consumer-driven and marketing-led approach in Great Britain. It worked well for us in Ireland, North and South, and initially on a regional basis in Great Britain. The twin pivots of our strategic success have been significant marketing investment in developing new regional markets coupled with a premium positioning which delivers category leading margins. Using that approach, we have established a sound foundation from which we aspire to grow the Magners brand internationally.

Success in achieving that aspiration requires major investment in marketing and we are committed to that investment. In addition, it requires significant capital investment in additional world-class production facilities and in building up stocks of fresh apple juice. Our recent capital expansion programme has effectively doubled our cider-making capacity at the Clonmel plant to 500 million litres. Following last year's enormous success, we have pursued the expansion goal vigorously to ensure that production capacity would exceed demand throughout 2007.

## Spirits & Liqueurs

Tullamore Dew premium Irish whiskey and Carolans cream liqueur are both delivering very strong growth.

For Tullamore Dew, our strategy is to achieve further growth and market success through increased market investment in geographies where we have already built up strength. At only 4% share, Irish whiskey is a small part of the worldwide market for whiskey. However, Irish whiskey as a category is growing in double-digit numbers and Tullamore Dew has outperformed the category growth rate. This has enhanced our standing as the number two Irish whiskey internationally.

In line with our strategy, Tullamore Dew has built on its position as the most popular Irish whiskey in Germany and Denmark. In several other significant European markets we are in a strong second position.

Based on our successful experience in Northern and Central Europe, we believe Tullamore Dew is well positioned to take up a leading position in opportunity markets such as the Ukraine and Russia where there is an increasing demand for Irish whiskey. We also foresee more limited but nevertheless interesting prospects for growth in the US.

Carolans, our biggest single spirits & liqueurs brand by volume, outperformed the market for cream liqueurs and increased its sales by 8%. We enjoyed a good recovery in sales in the US despite a challenging year. The purchase of Allied Domecq by Pernod Ricard meant that we changed to Campari/Skyy as our US distributor and already this has proved to be a very successful partnership.

Against the background of a strong, solid growth rate there, we are placing a renewed focus on the brand's opportunities in selected markets in the US.

Frangelico, our premium Italian hazelnut liqueur, and our whiskey liqueur, Irish Mist, continued to perform in line with their market categories.

## Soft Drinks

The market for soft drinks is extremely competitive and is seeing considerable shift in consumer behaviour. There is a noticeable move away from carbonated and "full sugar" drinks towards water, juices, cordials, and "no added sugar" variants. Consumers have an increasing interest in health and wellness. We continued to reflect these changes in our product portfolio through new product development and marketing. 7UP Free was a notable success. We benefited from other behavioural changes by consumers which saw increased consumption of soft drinks in the licensed trade. At the same time, we maintained a clear focus on improving efficiency in the business.

The loss of the Danone water brands early in the year resulted in a 1% decrease in overall Revenue. We began replacing these products with our own family brand, Ballygowan, which continues to be the market leading brand by some distance. Across all market segments, except cola, we remained in the lead position and with increased sales of our soft drinks and waters we outperformed the overall market. On a like with like basis, we achieved solid growth in our underlying profit performance.

### Distribution

The continuing consolidation internationally in spirits and liqueurs manufacturers resulted in the loss of the distributorship for the Allied Domecq brands following their purchase by Pernod Ricard. Revenue in our distribution business declined by 15% and Operating Profits were reduced from €5.3 million to €0.7 million.

There was a very solid performance by WKD in the Ready To Drink market where it is number 1 in the off-trade and number 2 in the on-trade in the Republic of Ireland and has approximately 30% market share in its category.

### People

Good assets require good people to make them function well. It is people who produce and manage our brand assets. We continued to focus on helping our people develop their level of skills and knowledge. This is very important in the context of growing our business internationally. We anticipated and planned for a business of increasing scale by investing in our existing people and by recruiting new talent.

We have long enjoyed a deep sense of commitment to our business from our employees. Together, I believe we can achieve the ambitious internal goals we have set.

On behalf of the Board, I want to thank all our people for the disciplined hard work they have put in during this past year and I look forward to working with them to deliver further success in the future.

### Strategy and Outlook

Through the success of Magners we have developed a new premium packaged category within the Long Alcoholic Drinks category in Great Britain. We have helped rejuvenate cider and repositioned it to new consumers. A market that had been declining annually by 1% grew last year by 20% and Magners has developed a considerable brand equity in what had been seen as an extremely mature market.

Our strategy is to consolidate and build further on the success of Magners in Great Britain. The platform we have established will allow us to develop further opportunities around the brand.

Building on that achievement is what gives us the opportunity to extend the Magners brand internationally. This year, we will commence structured market testing in Barcelona in Spain and Munich in Germany. This approach constitutes the initial steps towards the internationalisation of Magners as a premium LAD brand.

With Tullamore Dew, we will continue to develop growth opportunities in the whiskey market internationally.

Our recognised marketing and brand expertise, together with our track record in the successful management of major capital investment projects will help us to deliver superior returns to our shareholders.

Following the further capacity expansion we will maintain a strong internal focus on improving all round efficiency. Our production base in Ireland is operating in a high cost growth environment, which will require us to maintain a vigorous control of costs and leverage our volume growth to deliver efficiency gains across the business.

### Sale of Soft Drinks

On 14 May, we announced that C&C had entered into an agreement to sell its soft drinks division to Britvic plc for a consideration of €249.2 million, payable in cash upon completion. Subject to Competition Authority approval, completion of the sale is expected to occur before 31 August 2007.

The strong price realised for the business recognises the value of its iconic brands and position in the Irish beverage market. Following this disposal, we will have a sharper business focus and we will continue to capitalise on the exciting growth potential presented by our Cider and Spirits & Liqueurs brand portfolio.

**Maurice Pratt**  
Chief Executive Officer