Group Chief Executive's Review

Financial Performance

Reported net revenue in the year of €1,575 million has increased against previous years by the acquisition in April 2018 of Matthew Clark and Bibendum. Excluding the impact of these acquisitions our net revenue on an organic basis[i] rose 3.2% from €547 million to €564 million.

In the previous two years we have had quite a negative decline on reported revenue through currency movements, this year there was no significant impact.

Costs were well controlled although we experienced modest year-on-year input inflation on the raw materials used in the production of beer and elsewhere on packaging. The inherent strength of our key brands allowed for moderate price enhancement and accordingly operating margins on the branded side of our business increased by 20bps[ii].

Our reported operating profit in the year is €104.5 million[ii] and our overall earnings before interest, tax depreciation and amortisation was €120.0 million[ii]. The FY2019 performance represents a 20.9% increase year-on-year in adjusted diluted earnings per share and 19.6% increase in EBITDA[iii]. Basic EPS was down 9.3% year-on-year as the prior year benefitted from the recognition of €13.3m negative goodwill relating to the finalisation of the acquisition accounting for Admiral Taverns.

To ensure appropriate funding for the acquisition of Matthew Clark and Bibendum we refinanced our external debt and are very pleased with the support provided once again by your Company's bankers. The new arrangement gives surety for the next 4 years and the interest margin at +1.60-1.80% is very competitive. In addition we were given modest support by an international brewer with no linked operational conditions.

In the event our year end net debt of €301.6 million was only €64.0 million higher than last year and represents 2.51x our trailing twelve months EBITDA. Again, cash conversion (pre-exceptional items) at 80.8%[iv] was extremely strong and broadly in line with our ten year average at circa 75%.

The Company has strong inherent cash generative capability and this has allowed us to increase your dividend year on year by 5% while paying down debt arising as a consequence of the acquisitions. We collected and paid over €418 million of duty to the relevant country exchequer and €8.6 million of cash was paid in tax on profit. Our effective tax rate[v] in FY2019 is 12.1% reflective of the proportion of profits arising in the UK and Ireland and certain tax provision releases in the current year (normalised FY2019 ETR: 14.3%)[v].

Net financing costs have increased from €8.1 million to €15.6 million. There are a number of factors at play here. While the margin grid remained broadly flat, the new funding arrangement is marginally more expensive reflecting changes in reference base rates. In addition, debt levels were higher than previous years and this of course costs more in utilisation fees and interest.

Finally, we extended our receivables purchase programme to pass over a significant proportion of customer sales ledger risk at Matthew Clark and Bibendum. This improves our working capital efficiency and insulates the Company from major customer failure but comes at a cost of additional interest. In the medium term as we normalise customer and supplier payment terms and reduce stock holding this dependency will diminish. Adjusted diluted earnings per share increased on the previous year by 20.9% (Basic EPS (9.3%)) and dividend cover is now 1.7 times versus 1.5 times last year.[1]

Capital Allocations

Our capital allocation strategy remains focused on investment behind the long term development of your business in a safe and sustainable manner. We broadly target investment returns on capital deployment at above 15%.

The major capital deployment during the period was the acquisition of Matthew Clark and Bibendum on 4 April 2018. Both companies had been acquired by Conviviality plc in the preceding three years for a combined consideration of £262m but a range of factors triggered the administration of the parent company.

We ultimately acquired both assets as going concerns for the nominal amount of £1 and assumed all assets and liabilities. As at the end of the first eleven months of ownership, including the benefit of our extended receivables purchase programme, our net cash deployment is in the region of £76 million consequently we believe overall returns are well within our capital allocation target.

1. Adjusted diluted earnings per share divided by dividend per share.

In the year our cash capital expenditure spend was slightly elevated at €22.1 million as we invested in a range of projects to improve operational performance or support the sustainability of our core business activity.

IT upgrades totalled €3.4 million, including the implementation of a new enterprise wide IT system in Ireland with only minimal business disruption. This is broadly the same platform operated in the UK and has the potential to significantly enhance our digital and customer service proposition. In time we also believe that there will be good efficiencies in back office activity.

In Scotland, at the Wellpark Brewery, we spent €2.3 million in the year (out of a total €4.5 million project spend) on a new water treatment facility that will materially improve the quality of the water we put into the public drainage system with a very positive environmental impact. The system will also reduce forward effluent charges and the biogas by-product will be utilised within our heating system again reducing cost and energy use.

Five years ago we opened a small visitors centre at the Tennent's brewery and each year visitor numbers have increased. Consequently, this year we invested €1.9 million in a new interactive visitor attraction targeting 50,000 visitors annually. This was opened in November.

In both Scotland and Northern Ireland we lend on a secured basis to the independent free trade to help our customers grow their business. In some instances this is to help refurbish existing facilities, in other cases to assist in the acquisition of new premises. In return customers commit to buying our product for their outlets. Our long term support for trade customers is normally recognised through increased customer loyalty and the lifetime value is higher than for those customers that trade without a tie.

Our total loan book at the year-end stood at €51 million and we invested gross funds of €11 million (net: €0.9 million investment) in the year supporting customer's business development. We apply hurdle rates in line with our capital allocation return criteria adjusted for risk.

We also invested in a new warehouse management system as we took the Scottish logistics operation fully in house, this will support enhanced customer service and pick efficiency.

The only other cash deployment of significance was to buy back Company shares in line with our policy to minimise the dilutive impact of scrip dividends. In the year, we spent €1.9m buying back 576,716 shares at an average price of €3.18.

Our Brands

Consumers today are driven towards authentic natural product with local provenance. They rightly want to know where things are made and exactly what ingredients are used.

We are lucky to be owners of authentic local brands cherished by consumers with visibility on point of origin. Bulmers in Ireland is only ever made in Clonmel and we buy only Irish apples to create a liquid famed for its refreshment and for being 100% Irish.

The sun shone in Ireland last summer and when it did consumers returned to the country's most loved cider brand. Net revenues for our cider brands on the Island at €70.8 million increased by 3.8% year-on-year and volumes were up 1.9%. While we can't always rely on the sun to shine the resilience of the performance against newer competitors is testament to the inherent strength of the Bulmers and our other Irish brands.

Tennent's Lager was first brewed at Wellpark Brewery, Glasgow in 1885 from the finest Scottish barley using locally sourced water. Little has changed in the intervening 124 years and Tennent's Lager remains the biggest and most popular alcohol brand in Scotland.

This year we faced the challenge of the introduction of minimum unit pricing in Scotland designed to reduce dangerous alcohol consumption. However, a warm summer and the underlying strength of Tennent's drove brand revenue growth of 7.6% in Scotland as sales revenue increased from €80.5 million to €86.6 million. We grew share in the important independent free trade channel and in grocery our share of lager increased from 24% to 26%[vi] over the course of the year. So while total volume was flat given the context this is an exceptional performance.

Magners like Bulmers is 100% Irish and is only made at our cider mill in Clonmel, Co. Tipperary. We export to over 60 countries but by far the most important is the UK which accounts for 82% of brand volume. This year we benefitted from an exceptionally warm summer and the football World Cup. UK Magners sales revenue at €50.7 million was up 5.3% year-on-year and volumes grew by 4.2%.

The international performance for Magners was disappointing with sales revenue down from €20.6m to €19.8m, a drop of 4.0%. This was mainly driven by poor sales in Spain and Asia.

Consumers are of course gravitating towards authentic world beers and locally produced craft alternatives. Our strategy over the last few years has been a combination of investing or partnering in the growth of this premium category.

Five Lamps in Dublin, Drygate in Scotland and Orchard Pig cider in the UK are examples of working with others to create brands for tomorrow. In Menabrea, Heverlee and Tsingtao we also have exclusive distribution rights for these authentic premium products. Growth in volumes for our super premium and craft portfolio was 46.2% (organic: +15.0%). They now account for 5.6% of branded volumes and at 7.9% of NSV, we are moving towards our medium term target of 10%.

Group Chief Executive's Review
(continued)

Marketing

We have aligned our Brand strategies for Bulmers and Magners under the 100% Irish slogan and refreshed the packaging in Ireland to a more traditional look. The multi-year sponsorship of the Cheltenham Gold Cup is a unique partnership that has huge consumer and customer appeal on both sides of the Irish Sea. We invested heavily around the activation with ´The Road to Gold´ campaign and this included above the line investment on television in Ireland as well as integrated social media and PR activity.

In Scotland Tennent's completed the roll out of the new fount and launched a multi-channel campaign themed ´Bring It On´. This highlights the link between Scotland's rather rainy climate and the fact that we have been turning rain into beer since 1885.

The brand is the official beer sponsor to Scottish Rugby and the Scottish national football team. The new visitors centre is an important investment behind experiential marketing and provides many Instagram and Snapchat opportunities for visitors. The centre was opened in November and has hosted a number of celebrity visits including Martin Compston.

The Tennent's brand also benefits from a highly active social media presence and has its own independent fan club on Facebook ´the big juicy´ with over 18,000 followers.

Our super-premium and craft brands mainly utilise local sponsorship, social media and targeted PR to support growth and discovery. Much of this by necessity is around on premise activation and we have two in house businesses supporting this critical activity. In Scotland we own Badaboom and in the UK we have Elastic which is London based. These direct marketing organisations employ 54 colleagues and provide services not only to our own brands but to partner and supplier brands.

Focused brand investment combined with a strong social media, digital and trade marketing presence improved brand health scores on all of our key brands.

Distribution

In Ireland and in Scotland our route to market proposition is underpinned by distribution businesses as part of a multi beverage offer to our on-trade customers. This covers everything from wines and spirits, our distribution arrangements with AB InBev in respect of their beer portfolio, to soft drinks and coffee. The rationale is to provide a one-stop shop solution to customers seeking a wide range of product at competitive pricing. In Ireland we trade as Gleeson and in Scotland under the Tennent's umbrella.

In the year total wholesale distribution revenues in Ireland and Scotland at €168 million grew 6.9% on the previous year with blended operating margins at 3.7%. The procurement scale now available through Matthew Clark and Bibendum will in time improve our capability to further service this channel. Utilising our digital capability we are now capturing 37% of sales in Scotland on line up from 23.9% in the year prior. Our new investment in systems in Ireland provides the foundation for sharing this capability in the Irish market.

Operations

It was a challenging year for colleagues in operations as they faced a significant spike in demand driven by the warm summer and a European wide shortage of CO_2. The gas is produced naturally through the fermentation process of both beer and cider. Fortunately, at our cider facility in Clonmel, we have a system for capturing CO_2 but this is not in place at Wellpark in Glasgow. Through judicious management of production we managed to get through the summer without any customer impact and this coming year we intend to invest in a matching capability at the Tennent's Brewery.

In the year we brewed and packaged 4.3mhl of beer, cider and soft drinks level with the previous year.

30.7% of our production volume is contract work for other brewers and private label product for customers. Contract production and packaging revenue in the year was €48.4 million an increase from 1.2% year-on-year. We have secured new contract business on a multi-year basis and our recognised technical brewing and packaging capability is proving to be attractive to other market participants.

In our logistics operation we took the decision to bring in house the outsourced distribution operation in Scotland. This has been operated by a third party provider for three decades, but post the Wallace's acquisition management believe that we can operate both more economically and with enhanced service. The transfer of assets and employees was extremely smooth and without customer impact. We have invested in a new warehouse IT system to integrate into our own wider enterprise wide network and this is now operational. In the medium term our scale multi beverage distribution system will have real geographic competitive advantage and the capability of moving into other channels. In Ireland our logistics system is mainly in house and the new IT infrastructure provides the same benchmark capability as we have in Scotland.

Operating Review

We operate broadly decentralised business units in relevant geographies and mainly seek to share back office, IT and procurement efficiencies. While not necessarily as efficient as our international competitors we believe that the proximity to customers and consumers inherent in the model provides over the long term competitive advantage.

It also allows the Company to attract more entrepreneurial talent. We aim to minimise our head office structure and ensure that within a controlled environment the decision making is as close to our customer as possible. Our key operational geographies are marked by strong free trade customer penetration and this fragmentation requires investment in sales and distribution infrastructure. It also supports our philosophy of a one-stop shop model underpinned by ´local hero´ brands such as Bulmers and Tennent's.

Ireland

€m Ireland Constant currency[iii]	FY19	FY18	Change %
Net revenue[vii]	**219.2**	214.8	+2.0%
- Price / mix impact			(0.6%)
- Volume impact			+2.6%
Operating profit [ii],[iii]	**40.3**	40.1	+0.5%
Operating margin	**18.4%**	18.7%	(30bps)
Volume – (kHL)	**1,359**	1,324	+2.6%
- of which Bulmers	**392**	386	+1.6%

In Ireland we operate a full multi beverage model with Gleeson being the largest last mile distribution business on the Island. It sells a range of owned brands such as Tipperary Water, Finches soft drinks and of course our beer and cider brands. In Gilbey we have the largest independent wine business shipping 878k cases annually. Divisional sales in the year increased from €214.8m to €219.2m, representing revenue growth of 2.0%.

In support of the critical on trade market we switched investment from above the line brand spend to enhanced in pub activation and created a separate Bulmers branded sales team, we also up-scaled our investment in Five Lamps. Year-on-year we saw growth of 34.5% in Five Lamps and Bulmers grew by 1.6%, we also increased the proportion of pint bottles sold directly from 38% to 45%.

Over the last few years there has been huge competitive pressure on Bulmers draught taps from scale players and we ceded distribution. However, this last year this decline has stabilised and we are seeing the benefit of our dedicated sales infrastructure. On trade value was reasonable through a combination of brand strength and market pricing dynamics.

We seek to provide route to market access for as wide a possible range of craft beers, ciders and spirits and actively encourage market participation responding to both consumer and customer demand. Gleeson stock more than 368 beer and cider SKUs as well as a wide range of premium wine.

In grocery, Bulmers grew its share of total cider from 45.4% to 49.2% in a highly competitive market while maintaining a price premium over standard lager at 10%. The channel saw some further price deflation on mainstream categories.

We have exclusive distribution rights for a range of beers including San Miguel and certain AB InBev brands. Franchise arrangements provide scale and enhanced customer reach and in the last year we have taken Corona to the number one spot in packaged beer.

Customer service is of course a vital component of our proposition and in a declining pub market we maintained our reach into circa 4,250 customers in the year.

Group Chief Executive's Review

Operating Review (continued)

Great Britain

Core Brands

€m Great Britain Constant currency[iii]	GB Division*	FY2019 MCB adj.*	Group Reported	FY18	Change % Like-for-like
Net revenue[vii]	**310.0**	**(3.7)**	**306.3**	291.7	+6.3%
- Price / mix impact					+3.5%
- Volume impact					+2.8%
Operating profit[ii]	**42.1**		**42.1**	39.4	+6.9%
Operating margin[ii]	**13.6%**		**13.7%**	13.5%	+10bps
Volume – (kHL)	**2,648**	**(20)**	**2,628**	2,576	+2.8%
- of which Tennent's	**1,015**	**(11)**	**1,004**	1,017	(0.2%)
- of which Magners	**543**	**-**	**543**	520	+4.4%

*In FY2019 our GB division made intercompany sales to the value of €3.7m (20kHL) to Matthew Clark which were removed from GB net revenues/volumes on consolidation. These principally comprised Tennent's €1.9m (11kHL) and Menabrea €1.4m (7kHL). GB division sales of Magners and the Group's other cider brands through MCB in the current financial year (FY2019) were conducted via our distribution arrangements with AB InBev and are therefore accounted for as third-party sales in both divisions. MCB had net revenues of €3.9m (18kHL) from Magners and €0.8m (4kHL) from other C&C ciders in FY2019.

In Scotland there is no exclusivity on other beers or ciders, but the strength of our system means that we are a natural partner for other brand owners. Our distribution business grew net revenues by 10.0% and we expanded our customer base through increased distribution points from 3,644 to 3,882. The Tennent's brand increased penetration in the critical independent free trade and we saw value expansion matching consumer sentiment towards the Tennent's portfolio.

Again, the focus on premium beers and ciders helped enhance value with volume growth of our premium portfolio at 58.4%. On average the margin on these products is higher than the blended average for mainstream brands. The move to an in house system for logistics will lower future costs and the transition was extremely smooth from a customer perspective.

The big change this year in Scotland was the introduction on the 1 May 2018 of minimum unit pricing a policy we have unequivocally supported since it was first mooted nearly ten years ago. Trading patterns were of course disrupted somewhat by consumer behaviour in buying ahead of the introduction and then through the World Cup and warm summer. In the event our volumes in the year were flat and we gained significant share as weaker brands and private label lost ground. We had planned ahead and sourced consumer insight on likely behavioural change. This ensured that our pack sizing and linked commercial strategy delivered both value and significant share gain. We have always maintained a price premium for Tennent's over other competitor standard lagers reflecting the strength of the brand. At price parity under MUP this strength was ultimately confirmed.

The Tennent's business has a strong wine and multi beverage proposition stocking over 800 wine SKUs. Again, we saw revenue growth in this business and new account gains with volume up 18% year on year.

In the UK, AB InBev provide route to market access for our cider portfolio and we are pleased that after the initial bedding in period that Magners experienced a second year of growth with volumes growing by 4.4% ahead of the market at 2.7%. Again, at retail we maintained a price premium over the market leading apple cider brand.

International

Core Brands

€m International Constant currency[ii]	FY19	FY18	Change %
Net revenue[vii]	**38.9**	40.2	(3.2%)
- Price / mix impact			+18.0%
- Volume impact			(21.2%)
Operating profit[ii],[iii]	**6.4**	6.5	(1.5%)
Operating margin	**16.5%**	16.2%	+30bps
Volume – (kHL)	**253**	321	(21.2%)

After a period of significant geographic expansion, this year has been one of consolidation within our International division, but also some disappointment as volumes were down 21.2% and revenues fell 3.2%. Profit at €6.4m was only marginally behind the previous year reflecting loss of lower profit business and cost reduction. We experienced disruption through a distributor switch in Italy and exited a number of low volume export markets. In the US we repatriated the sales operation from Pabst and as the year progressed slowly re-established control of the distributor network. Total volumes were down 17.5% but profits were broadly stable year-on-year.

Group Chief Executive's Review

Operating Review (continued)

Matthew Clark and Bibendum

Matthew Clark and Bibendum Constant currency[iii]	Matthew Clark and Bibendum €m
Net revenue[vii]	1,010.5
Adjusted EBITDA[viii]	18.3
Adjusted EBITDA margin	1.8%
Operating profit[ii],[iii]	15.7
Operating margin	1.6%
Volume – (kHL)	2,639

Matthew Clark was established in 1810 as an importer of cognac in London. Through different phases on ownership it grew to be the largest composite distributor of product to the licensed trade in the UK. With a customer base of over 190,000 outlets, the business sells an extensive range of wines, ciders, beers, spirits and soft drinks through a network of 12 warehouses. It specialises in high service, last mile delivery supported by a digital platform and a direct field sales force of 120.

Bibendum was set up in 1982 by Michael Saunders and a group of friends. It has a more premium wine and spirit proposition and greater customer concentration in London. The Company has an enviable reputation in the industry and last year, despite the disruption, was awarded Wine Merchant of the Year. The Bibendum brand is highly regarded by customers and suppliers alike.

Last April we acquired both Matthew Clark and Bibendum from the administrators of Conviviality Group. The consideration was a nominal amount (£1) and we assumed the assets and liabilities of both businesses and a small number of associated companies.

While the acquisition was opportunistic in nature, management were reasonably familiar with both businesses through previous sale processes.

Our ability to move at speed with support from our banks, suppliers and customers differentiated our offer in a very competitive sale process. It is worth acknowledging the outstanding efforts of our small deal team in delivering this outcome for the business and shareholders in what was a highly compressed environment and of course the calm support of Board colleagues.

At the date of purchase we assumed a portion of outstanding bank debt (€116.5m) and assumed collection risk on €196.2m of customer and other debts and €274.3m of supplier and other liability, including an outstanding tax liability of €35m to the UK Exchequer. The nature of distribution operations means that most assets are leased but we took ownership of €61.2m of stock and €4.3m of other associated tangible assets.

The underlying operation of each of the companies remained fairly intact but there had been quite significant disruption to customer service and many key suppliers had put deliveries on stop. Plainly, the very public demise of Conviviality had placed huge strain on many of our 2,000 new colleagues and it is testament to their commitment and loyalty that they maintained a relentless focus on servicing customers even as fuel ran out.

The potential failure of these companies presented a material existential risk to the UK hospitality industry with many small suppliers and customers facing supply and cash flow risk. Our immediate focus was on restoring service through increasing stock availability and settling debt with small suppliers. Again, in seeking to do the right thing we received welcome support from a small number of our large customers and key suppliers - this is something that everyone in our industry should welcome

and acknowledge. Equally, the UK tax authorities recognised the contribution we had made to saving jobs and provided space on a repayment plan.

By Christmas all outstanding debt to suppliers had been settled and the historic tax bill paid. We also collected the vast majority of money owed by customers and had restored stock availability to enhanced levels.

The immediate challenge on acquisition from an operational perspective was to restore confidence with employees, customers and of course our partner suppliers. In pursuit of this agenda we were very fortunate to secure the services of Steve Thomson the former CEO of Matthew Clark and Michael Saunders the founder of Bibendum. Each has a wealth of industry experience and huge knowledge of their respective organisations. In turn they have recruited management resources tasked with leading the companies forward.

The last twelve months has been very intense for all involved. From a reputation and value perspective it was critical that we minimised customer losses and delivered on the peak trading period of Christmas. Independently of this there had been a complete breakdown in financial control triggered by a flawed IT integration project. The most basic accounting reconciliations had not been performed for some time. We also had to agree repayment plans with thousands of suppliers and ensure that cash flow controls were restored.

A cross business project team was established and activity was divided into three quite distinct phases. The first through to Christmas was stabilisation of service control and supply. The second which we entered this calendar year is seeking to simplify the organisations to somewhere near where they used to be. The final phase is themed around optimisation which will seek to secure synergies both in revenue and cost. A key part of our medium term thinking is to separate Bibendum and Matthew Clark and retain each as independent operations.

Through the hard work and efforts of many colleagues progress over the last year has been as good as we might have hoped. Service at Christmas was excellent, stock availability is at the right level and we have seen strong improvement in customer service metrics for each company. Historic audits on previous year accounts were concluded and rigorous management of cash flow and other financial controls reinstated. We believe that the control environment is now at the appropriate level for businesses of this scale and they are now compliant with C&C reporting cycles and review procedures.

Plainly, for distribution companies support from suppliers and customers is paramount to maintaining the ethos of the business model. Our long term intention is to retain Matthew Clark as a composite distributor providing brand owners access to the UK market and similarly with Bibendum but predominantly in wine.

We believe in this, that we have the support of critical suppliers and throughout the disruption customers remained remarkably loyal. Matthew Clark lost sales of low margin product mainly on national business with some brand owners going direct. Otherwise, average distribution points year on year fell by only 3.6%. Initially, Bibendum was more exposed to customer loss driven by much greater customer disruption and poor stock availability. Equally, a very small number of partners took the opportunity to exercise contractual change of control options. Consequently, in the early part of the year we lost customers and linked revenue.

However, in the latter part of the year there are welcome signs of modest momentum in high quality customer recruitment. A real issue for many market participants is the availability and cost of credit insurance for product sold to UK retail. A number of high profile business failures has somewhat restricted credit availability particularly for those with high leverage. The strength of the C&C group balance sheet and our cash generative capability we believe will give real longer term competitive advantage.

Net revenues for the combined Group since the acquisition were €1,010.5m and we are reporting net operating profits for the 11 months of €15.7m. Cash performance was strong in the second half with the business turning free cashflow positive in that period. We have also fair valued assets acquired and properly recognised in accordance with our own accounting policies.

In aggregate, we anticipate that our simplification and optimisation programmes should deliver a ‘steady-state’ operating margin of 3.0% across the combined businesses.

Group Chief Executive's Review

Operating Review (continued)

Admiral

We invested in the Admiral Pub estate in December 2017, a collection of circa 800 tenanted units mainly located in the middle and north of England. This is an equity investment in partnership with a property fund. Linked non-recourse debt is held within the entity. Wet led pubs have experienced a renaissance over the last few years and the performance of Admiral has been strong and in line with the business plan at the point of investment. Asset prices have risen linked to sector performance and we are confident in the underpinning asset value of this deployment of your capital.

We have made excellent progress on brand distribution of our own product throughout the estate and the acquisition of Matthew Clark provides optionality on wines and spirits.

Admiral is treated as an equity accounted investment and our consolidated earnings for the year were €3.8m before exceptionals.

People

The numbers employed within the Group increased from 1,185 to 3,244 during the period under review. Plainly, this represents a rather significant increase and was entirely driven by the combined acquisitions. All employees within the core C&C business are entitled to participate in a bonus scheme aligned to key financial targets. In the year gone by circa 1,000 of our colleagues received a pay-out in recognition of their contribution to the business performance. Bonus payments for local business units are aligned to their own achievement and a combination of earnings and cash. The small number of Group employees are rewarded on total profit and cash conversion.

We encourage senior management to ensure alignment with shareholder interests by owning stock in the Company. In support of this we have put in place stretch schemes for each of the key management teams over a three year horizon. This allows a portion of bonus payments to be deferred and invested in Company equity with a matching component. Given the challenges at Matthew Clark and Bibendum bonus payments for management and sales incentives were mainly unachieved. However, colleagues in distribution did receive an element of additional reward linked to service delivery. New incentive arrangements are in place for the coming year.

Climate Change

We are acutely aware and sensitive to the risks of climate change and the impact for all our stakeholders. Beer and cider are entirely reliant on the availability of high quality pure water and the output from agricultural land - protecting both for future generations is key to the long term sustainability of our commercial activity. For wine the terroir is of course hugely connected to the quality of produce sold by Bibendum and Mathew Clark.

Although we are a small company and lacking the scale of our international competitors we are as passionate as anyone in the industry on the sustainability of all our activities.

Our use of water in the manufacturing process has been reduced over the last five years by 11%. We use 3 litres of water for every litre produced which benchmarks well against the average of 3.3, for the top four global brewers.

We have a state of the art water treatment facility at our manufacturing plant in Clonmel which ensures all contaminates are eliminated from our waste water and this year we invested a further €2m on improved drainage at the site. In Glasgow at the Wellpark Brewery we will commission in April a water treatment plant at a cost of £4m and this will ensure we match exacting effluent standards. In addition the technology will draw out methane gas supporting 5% of our energy needs. On energy we have reduced consumption over five years by 9% per litre produced and in Ireland 100% of electricity consumed is generated from renewable sources. By 2025 our target is to source all energy from renewables.

In C&C manufacturing we produce 29k tonnes of carbon emissions and this has been reduced by 10% since 2014, on a per HL produced basis and by 33% at an absolute level. Given our sourcing of apples from orchards across the British Isles, the offset in carbon absorption means that the plant in Clonmel is effectively carbon neutral. At Wellpark Brewery we intend to invest this year in CO_2 capture capability and are investigating ground source energy options. We expect to be carbon neutral within three years. Again our sourcing of Scottish barley provides a degree of offset on carbon emissions.

100% of our packaging sold is in containers that can be recycled and 28% is already in returnable units, this includes keg volume and returnable bottles in Ireland. In the UK, it is estimated that 72% of cans are recycled through existing systems and 70% of glass. Our intention is to eliminate plastic packaging from our beer and cider portfolio within three years.

Distribution systems are optimised to focus on proximity to customer demand through last mile logistics, eliminating unnecessary journeys and fuel consumption. All our vehicles meet exacting European emissions standards and we are trialling catalytic converters designed to further reduce emissions. In Dublin, Five Lamps is testing electric delivery vehicles for urban customers.

In Mathew Clark we recognise the need to raise our environmental commitments with all our partner suppliers.

This year we are the headline sponsor at the inaugural Food & Beverage sustainability awards. This is aimed at sharing best practise and recognising outstanding industry achievements in support of sustainability.

Our brands are local, sourcing water and agricultural ingredients from the farms and lochs that have supported us for over 100 years. Our aim at C&C is to ensure that this can continue for many generations ahead.

Longer Term Outlook

FY2019 was a transformational year for the Company. Despite strong multi beverage brand led positions in Ireland and Scotland, access to the wider UK on-trade had always been a challenge. The acquisition of Matthew Clark and Bibendum changes this dynamic.

We are now the largest final mile distributor to the on-trade of alcohol and other drinks in the British Isles with unparalleled access to this profitable market channel. In the longer term this will provide the platform for developing our high-premium speciality beers and ciders. It will also make C&C the natural partner for others seeking a gateway through to 60 million high value consumers. As our customers seek channel differentiation and their customers look for choice as well as local authentic product, we are uniquely placed to provide the market solution.

At the heart of the business the Bulmers, Magners and Tennent's brand remain remarkably strong and relevant to today's consumers. We will continue to invest behind the long term health of these brands and innovate to ensure that we adapt to changing consumer requirements and needs. Minimum unit pricing in Scotland demonstrated the value of strong local brands against price led competitors. We are confident that the introduction of similar regulations in Ireland will be equally relevant to Bulmers.

Our super-premium and craft range has delivered stellar growth on volume and value. We will continue to nurture and grow distribution for these authentic products protecting long term equity value. The Matthew Clark and Bibendum networks, of course, will help us achieve this ambition.

In the acquired business our plan is to steadily restore the equity value rather than chase short term growth or synergy. Value and earnings from a low cost base will take priority and our focus will be on low risk, high value product and customers.

Everyone associated with Matthew Clark and Bibendum from employees through to suppliers and customers has had a pretty difficult year or so. We are very grateful for all the support we received from key stakeholders, from customers through to suppliers and of course, our colleagues. The key to restoring long term confidence is in the skill set of our managers and their colleagues, this will require shareholder support and patience.

Our capital allocation strategy will remain set at the return criteria previously described. In principle we seek to invest primarily in our existing business infrastructure and thereafter only in assets aligned to the current operation span. We aim to keep leverage contained to maintain balance sheet flexibility. Thereafter, where appropriate, we will return surplus cash to shareholders.

2019 was of course an exceptional year for trading and the weather impact is not something we can necessarily hope to repeat. There remains uncertainty ranging from the impact of geo-political events to the, as yet, unclear Brexit process. Any such event could, of course, impact upon the economic environment within our key markets and consumer confidence. This includes currency risk and the ability to trade freely across borders. Naturally, we have taken all necessary steps to plan for the worst while hoping for the most rationale outcome.

Set against this backdrop, earnings predictability is a challenge. However, we have continuing momentum across our business. The recovery and performance of Matthew Clark & Bibendum since acquisition is particularly pleasing. These factors contributed to earnings growth of 20% in FY19. Reflecting the inherent strength of our business today, we are targeting continued, double digit EPS growth in the current financial year. Thereafter, assuming 'steady state' market conditions, we will target EPS growth in a mid to high single digit range. C&C is highly cash generative and has inherent balance sheet strength to support our targeted growth range.

Stephen Glancey
Group Chief Executive Officer

Summary notes to Chief Executive's Review are set out below.

i. Organic growth (adjusting for constant currency) of the businesses owned by Group in both the period 1 March 2017 to 28 February 2018 and 1 March 2018 to 28 February 2019.
ii. Before exceptional items
iii. FY2018 comparative adjusted for constant currency (FY2018 translated at FY2019 F/X rates).
iv. Free Cash Flow ('FCF') that comprises cash flow from operating activities net of tangible and intangible cash outflows which form part of investing activities. FCF highlights the underlying cash generating performance of the ongoing business. FCF benefits from the Group's purchase receivables programme which contributed €152.6m (2018:€63.5) to year end cash in the period. A reconciliation of FCF to net movement in cash per the Group's Cash Flow Statement is set out on page 30.
v. Effective tax rate is calculated on the Group's Profit before tax, excluding exceptional items and excluding the share of equity accounted investments' profit after tax.
vi. Scotland: off-trade Nielsen scantrack week: 23 February 2019. Tennent's average share 24% in the 12 months ahead of MUP introduction; 26% as at February 2019.
vii. Net revenue is defined by the Group as revenue less excise duty paid by the Group. The duty number disclosed represents the cash cost of duty paid on the Group's products. Where goods are bought duty paid and subsequently sold, the duty element is not included in the duty line but within the cost of goods sold.
viii. Adjusted EBITDA is earnings before exceptional items, finance income, finance expense, share of equity accounted investments' profit after tax, tax, depreciation and amortisation charges. A reconciliation of the Group's operating profit to Adjusted EBITDA is set out on page 30.