Duration: 00:51:53

Gerald Corbett: Good morning ladies and gentlemen. Welcome to our interim results. It's a difficult world out there, and I guess that's one reason why we're pleased to be able to report a set of results where the revenues are up, and the profits, and the earnings, and an increase in the dividends, which is all positive stuff. You know Paul and John, and they're going to take you through now, the detail of the results and why we're pretty confident, or they're pretty confident, that we can keep things going.

John Gibney: Thank you Gerald, and good morning. Today we report our interim results as at 28 weeks, to the 12th April 2009. We'll take you through the slides in hopefully what's a familiar format for you, and I'll give you a sense of why Britvic has performed so strongly in the first half, despite Britvic Ireland continuing to face tossed market conditions. Paul will then put the market side of performance in context, when he gives you a sense of the market dynamics, as well as why our brands have performed so strongly. Before we get into the detail, just to make you aware, we will be making a transcript of today's presentation available to you. That should be available some time tomorrow.

Group revenue is up 6.3% on last year, and has accelerated since our Q1 trading statement in January, when we reported revenue growth of 2.1%. GB Stills is up over 4%, and carbonates are showing at over 10% revenue growth. The Irish business has seen a revenue growth of 1.6% in Sterling terms, but in Euros, that represents a decrease of around 13.8%, and that compares to a Q1 performance of around 17%'s decline. Despite the first half challenges in Ireland, Group operating profit has increased by nearly 2%. Within that GB and International's strong performance has seen its operating profit increase by over 17%, with an improvement of EBIT margin of around 70 basis points. Leveraging has grossed down the P&L account. We have delivered earnings growth of over 13%, given the broad confidence to increase the dividend at the interim stage, by nearly 8%.

Group revenue growth of 6.3% was driven by improved volumes, which are up by over 5%, but also our brand strength and increase in promotional effectiveness, which has driven our overall average realised price up by 2%. EBIT has grown by nearly 2%, although margins show a decline on consolidation. This is purely driven by the performance of our business in Ireland, with our underlying GB margin continuing to grow. Moving through the categories, first of all with stills, we've demonstrated a very solid performance in this category. Our volumes are up 6%, against a market which is down by 6%. Key drivers of growth in this area have been Robinson's squash and Robinson's Fruit Shoot. Our revenue is up 4.3%, and that means that our average realised price is back into growth in Q2 despite the drag effect of the on premise sector. As previously disclosed, raw materials, inflation this year, will be between 4 and 4.5% overall, and the impact of this you can see in the first half numbers here, where total brand product cost are up by 3.5% per litre, and that results in the slight brand contribution decline at 0.6%. However, our aim is to mitigate that brand contribution margin erosion in the second half, as we continue to build our ARP growth.

Moving on to carbonates, we've seen a particularly impressive performance this year from Pepsi and 7Up. As you'll recall, we declared a Q1 volume growth of 2.8%, and revenue growth of 5.2%. This has accelerated at the half year, resulting in an overall performance of volume up by 7.5% and revenue up by 10.2%. That volume performance of 7.5% compares to a market which is only marginally up. Key drivers of this are the performance of Pepsi and 7Up which have enjoyed significant growth and share gains. Even in the challenging environment Licensed On-Premise market we've continued to see Pepsi grow and Pepsi has now become the number one cola in this Channel. As with stills, brand contribution margin ahs been impacted by a level of increase in raw materials, with direct product costs here up by 4.7% per litre. Again, as with stills, we expect to have to mitigate a lot of that decline in the second half with ARP growth.

Moving on to international, despite a marginal drop in our volumes in our international division, we are to report another strong set of results for this business, which whilst it is small, continues to grow strongly. Declines in air passenger numbers are influencing our travel business, whereas you know we are particularly strong; to give an example, passenger arrivals into Euro zone areas from the UK were down 11% year-on-year in March and therefore that will be reflected in our numbers.

Counteracting that however, is the strength of our business in the Nordics and Holland, which continue to grow significantly and drive ARP growth, results being a revenue growth of nearly 13%.

We've also seen growth in the small, though emerging markets, from export perspective of Turkey, Bulgaria and the Middle East. This reduction in A&P spends means that our brand contribution is up by 20% over last year, with a margin improvement of over 200 basis points.

At this point I'm going to share with you the performance of the Irish business in Euros – we normally only do this in Sterling. However, you will see that the Euro/Sterling impact is quite severe, so this is important, so that you can fully understand the dynamics of the business in Ireland at the moment.

We continue to see a significant trading downturn, with our own brand volumes down by 5%, although that's very much in line with the market read from Nielsen.

Our revenue decline of 14% reflects a Q1 decline of 17; so the second quarter is down by about 11%. The two most recent months of March and April are down by about 9% year-on-year, so we do see an improving trend.

Our ARP has been significantly impacted here by channel mix, with higher ARP channels of imports and Licensed On-Premise bit fairing much worse than grocery.

Third party products have been particularly badly hit, as they are sold in the challenged licensed wholesale market, with this part of our business down by 22% in the period.

Overall brand contribution is down 12.6%, although we've seen an improvement of 40 basis points in the margin and this really reflects the impact of the synergy benefits flowing from centralised procurement along with production and distribution rationalisation.

Despite this difficult first half, the incremental synergies of around €11 million, which are weighted very much towards the second half, will support the operating profit in the full year.

So if I move onto the Sterling based comparison you can see the impact that currency translation has. For an example, the Euro brand contribution that you saw in the previous slide of 12.6% decline has turned into a growth here of 3%.

Also the gap between brand contribution and EBIT, which is effectively accounted for by fixed costs, implies that fixed costs have increased significantly year-on-year. This isn't the case as you will have seen on the previous slide and again, it's purely down to the translation impact. Bear that in mind also, when we come onto the Group fixed costs. There will be an impact on this translation also, which will suggest a higher than actual inflation, as a result of that currency fluctuation.

Although reported EBIT for Ireland at the half year is nil, we remain confident that the plans we're executing in this marketplace will position us strongly to win ultimately.

Looking now to our fixed costs, this slide covers as I said both GB and Ireland. In terms of advertising and promotions, we continue to see effective use of our spend, both through lower media rates and our increased use of non-traditional advertising. Because of this, A&P spend as a proportion of revenue, has remained at 6.3%, that's in line with both our guidance and also the full year outcome for 2008.

On our other fixed costs elements, we have also broadly seen inflationary increases, although as I said, the impact of the translation of costs in Ireland within that line, means that the real cost control may not be as apparent as it really is.

The other issue to understand here, is that clearly we're driving a lot more volume through essentially the same cost base and that's one of the things that we're clearly using to drive the profit down the P&L account.

Moving down the Profit and Loss account, first half week is a 28-week period, but bear in mind that typically only delivers between 25-30% of our full year operating profit. Interest year-on-year is 16% lower, given the lower Libor costs that we were incurring prior to the refinancing of our bank facilities, which have pretty much done right on the half year. So we therefore, would see that trend reversing in the second half.

A blended group tax rate of 26% has increased on last year, due to the different balance of profits between our GB and Irish businesses; despite this, profit after tax is up nearly 14%, a very strong result in the current climate.

Turning to our exceptional items, these mainly centre around the one-off business restructuring of the Group that we announced back in January. The outcome of the strategic review in Ireland, where we expect to lose around 145 roles as we restructure the business ready for the growth, accounts for around £10 million of the cost.

A smaller number of roles were lost in GB and that accounts for a further £2 million. Additionally, 2008 saw the end of the transitional share award scheme and the remnants of this flow through into the 2009 financial year in line with vesting time scales.

Our 2009 exceptional costs are very much weighted towards the first half and therefore, we don't see exceptional increasing materially for the full year.

Moving onto cash flow, we continue with our track record of strong balance sheet management as we pay down debt by a further £2 million to £443 million. This would have been down a further 11 million, had it not been for the adverse Forex impact on our Euro debt.

The adjusted net debt of £443 million, represents an annual net debt to EBITDA of 3.2, down from 3.3 this time last year, as we work back towards our gearing level in the second half of around 2.5 times. Bear in mind of course that the half year is a working capital high for our business as opposed to the year end, which is much more of a working capital low.

Working capital in the period is very much in line with our performance last year. The apparent improvement accounted for by one-off payments in 2008, related to the Irish acquisition.

Capital expenditure of £26.5 million is in line with our full year guidance, but clearly much more front loaded this year than it was in 2008.

The additional pension contributions remain unchanged, following the outcome of our tri-annual review, with the next review due to commence with a valuation in March 2010. The other cash outflows were up by 5.5 million primarily due to the timing of the tax payments issue versus last year.

Since our last trading statement, we have successfully concluded the re-negotiation of our bank facility, for those of you who didn't see our announcement last month. We have secured a new £283 million facility, which includes five of our six current banks.

In May 2010, Fortis Bank will leave the facility and we welcome Abbey Santander as one of our new banking partners. The facility has been secured on a forward stop basis, which effectively means in the short term between now and May 2010; that our facility available to us is £333 million reducing back to £283 million from May 2010.

Previously, our interest charge was based on Libor plus around 65 basis points. This has now been increased to reflect the current market dynamics. Under our new arrangement, the margin is anticipated to be in the region of Libor plus 250 basis points.

As a reminder, the second element of our financial security, is the US private placement, we put in place in February 2007. This funding equates to around £229 million of Sterling and has a fixed all-in coupon cost of around 6%. The first maturity date of that is 2014, with further instalments in 2017 and 2019. The combination of these two facilities provides us with a strong balance sheet for further growth in this business.

A slide on guidance, aside from the organic GB growth, our innovation and product launch programme announced in March along with the new EBA for Lipton Ice Tea we anticipate adding around a further 1% to GB revenue in this year. Our cost guidance remains broadly unchanged from that we gave you in November and the business reorganisation changes announced in March, position us strongly for future growth with real savings both this year and next year.

Interest in the full year we believe will be approximately in line with the charge for 2008, whilst our effective tax rate is anticipated to be around 26%.

It is a well invested business and that means that capital expenditure guidance remains unchanged. However, we continue to lease where appropriate and therefore our net capital expenditure in GB is anticipated being in the range of 35 to 40 million, with a further €18 million for Ireland.

Despite the pressures on bank contribution margin, our ability to strip further costs out of the business, together with our ability to leverage both our asset and overhead base, means that we still expect to deliver on our annual ambition to increase GB and international EBIT margin by 10 to 15 basis points.

So in summary; against a backdrop of a challenging consumer and cost environment, we continue to make strong progress. Recessionary pressures have not interrupted our growth. We have strong plans in place in Ireland to counteract the very difficult economic conditions. In GB, we continue to outpace the market with further evidence of ARP growth coming through. We have the continued support of our banking partners reflected in a strong result in our refinancing. Our confidence in the outcome for the year is demonstrated by a further increase in our interim dividend payment, by 8%.

I'd now like to hand over to Paul, who will give you further colour around our first half performance and our balance of year plans.

Paul Moody: Thank you John. Good morning everybody. As John mentioned earlier, I will focus on the soft drinks market, both in the UK and in Ireland. As these markets have had contrasting fortunes in the last few months, I'll explain the key differences as well as what is driving them. I'll then give you a brief update on why our brands continue to perform so strongly throughout each of the sales channels in which we operate.

This will be I know a very familiar chart. This is the GB soft drinks market. In volume terms, the soft drinks take home market was down 3% in our first half compared to the previous year, with value down just over 2%.

Encouragingly in the last 12 weeks, has seen a market volume decline of only 2% and the most recent four weeks of data saw volumes flat year-on-year with value growth of 2%.

As I'm sure you can see from the chart, the red line which represents the 08/09 year, the market performed behind last year in the run-up to Christmas, although this partially recovered in the following week. As we moved into calendar year 2009, the red line certainly begins to move at more closely tracking the last two years.

Again, the driver of the decline in the market across the period, was stills, where market volumes fell by 6% in our first half, driven by the ongoing reducing popularity of smoothies, deferred water for consumption at home rather than on the go and pure juice. Carbonates continue to grow in the first half of the year, although only by 0.2%. Although we would normally expect the market for stills growing ahead of carbonates, consumer behaviour in the current environment, continues to focus on big brands with value propositions, especially so within carbonates.

In take-home, we have grown our share of volume by a full one per cent. In the Licensed On-Premise market, where there is a longer lag on the data, the market for soft drinks fell by 6% in the three months to the end of January. I can give you a stop press update, which is in the three months to the end of March, the licensed market declined by just 3%; so a material recovery in that market.

However, in what has been a tough environment, we've delivered an exceptional volume share growth of 4.1%. This is primarily driven by our strong presence in the managed retail sector, where we are a clear number one with the brands such as Pepsi and J2O and indeed Pepsi now, as John mentioned, is the number one cola in the on-trade.

These key family and food outlets have proved more resilient throughout the consumer downturn, a view that has been reinforced in the last month, as several of the key pub groups have released trading updates.

Usually we would supply the carbonates and stills volume data in the appendix at the back of your packs. But I thought it would be helpful to show just how the stills category starkly compares to previous years. As you can see from the chart, the current year represented by the red line, is tracking significantly below last year and the year before and has been in decline since August 2008. However, the most recent 12-week period and especially with the most recent 4-weeks, shows an improving picture as we begin to lap the start of the macro driven slowdown last year.

Again, a chart that will be very familiar to you, I'll talk in more detail on the key categories in which we operate, shortly. But it's worth noting which categories are instrumental in driving the 3% volume decline in the take-home market. Cola continues to drive carbonates growth as consumers return to those categories and big brands that they know and that they trust. As we reported last year, the Plain Water and Pure Juice categories continue to decline as consumers make value base choices when narrowing their soft drinks repertoire.

Back in November, we shared the category performance data for the year to September 2008. At that time, Pure Juice had declined 1.3%, Plain Water by 5.9% and this has subsequently accelerated to 8 and 6.7% respectively.

Fruit Carbonates has fallen by 4%, although Lemon and Lime within that is doing very well. The already commoditised Lemonade categories declined 7.1% compared to the 1.6% in September. Squash has declined a further 4.9% driven by the introduction of Super Concentrate from Private Label; while the Juice drinks category which was previously in growth of 2%, has now shown a decline of 0.8%. Only three categories are showing growth. Currently that is Cola, Glucose Stimulant and Dairy.

So to give you a sense on our performance; I thought I'd share with you some of the dynamics of the GB trading channels and how we are performing within them. In Take-Home, our largest sales channel, we continue to take volume in value share, up a further one per cent in the first half. In Licensed On-Premise, our division has recently return to overall volume growth, despite the ongoing declines in the market. Our number one position has been consolidated this year as the consumer in managed retail focuses on value and food and family outlets, where soft drink consumption tends to be stronger.

In Convenience and Impulse, our investment here in recent years has delivered further growth, despite this market being under significant pressure, especially within top-up shopping.

Lastly, Foodservice has seen a number of new business wins this year and a significant increase in the distribution of our brands, as we focus on making them available to consumers at every available point of purchase.

Vending is an area under pressure in the current climate, whilst our strong presence in key fast food chains, such as McDonalds and KFC has delivered growth this year.

I'll now cover a brief review of our core and our seed brands. As you will recall, 2008 was a hugely successful one for Pepsi, with a five year high share of the cola category. This trend has continued in 2009, with an impressive 7.9% volume out-performance of the category; all three variants continue to grow, with Regular and Max performing particularly well. This has resulted in a 1.7% volume share gain in the first half of the year.

Likewise, 7Up has seen a 21.5% out-performance of its category. This exceptional performance has seen a volume share gain of 1.5% of the entire Fruit Carbonates category. The sub-category of Lemon and Lime is in growth and it is 7Up that is the fastest growing Lemon and Lime brand.

Finally, Tango a brand that perhaps lost its way with consumers in recent years, has benefited from re-focussed attention and advertising spend in the period. Volume share growth of 0.4% in the most recent 12-week period reverses the medium term trend of share and volume decline.

While Tango gets back to its edgy route, it's seen real growth in On the Go, a successful save Tango campaign that reached 200 million consumers and design and a pack refresh. The vision to make Tango a teen icon again, it's being enabled through the effective use of digital and viral marketing and an entertaining summer campaign is aimed fairly and squarely at that target audience.

So moving to our core still brands, J2O retains its position as the number one packaged drink in Licensed On-Premise, outselling not only packaged soft drinks but also beer and flavoured alcoholic beverages. In the grocery channel, has marginally grown in the period but in Licensed On- Premise its premium positioning means that it's come under some pressure.

As a core brand, we continue to invest behind J2O through significant brand activity this year, with a new limited edition Grape and Kiwi flavour for the Licensed On-Premise channel and the recently announced 750ml and 250ml pack formats, which will provide new opportunities and new occasions in our other channels.

Robinsons Squash continues to go from strength-to-strength and as the categories declined 4.9%, the Robinsons brand has again grown. An impressive performance in the first half of the year has delivered a category volume out-performance of 8.2%. The larger 2, 3 and 4 litres packs have performed particularly well. Although the growth has been in larger added value packs we have still achieved revenue growth ahead of volume growth. Encouragingly the more recent 12-week data has seen an even more impressive market out-performance of over 13%.

Fruit Shoot retains its position as the largest children's grocery brand in the UK, not just in soft drinks. A brand worth more than £100 million of retail value has seen a pack and flavours re-formulating, refresh upgrade across the range with the re-launch programme aimed to broaden and strengthen its appeal to both parents and kids. All three variants of Fruit Shoot have seen volume share gains over the last year, in particular Fruit Shoot H2O.

Moving to our seed brand, Drench has again outperformed the category this year, so far. According to Nielsen it has in the first half of the year, outperformed the category by 225%. As we stated at the recent investor seminar it has brought in 700,000 new homes into the category, as indeed 1.5 million homes have left other brands. The early signs for Juicy Drench are very positive in what is a key category in which we had no material presence. Already, it has in the 12-weeks since launch achieved a rate of sale that makes it the number two in the adult juice drinks On the Go category.

Clearly the nurture plan we have in place will be crucial to ensure longer term success. We are pleased with its initial performance and are confident that we will establish it as a key player. The brand is already pretty much available everywhere, particularly in accounts such as WH Smith and Superdrug.

As some of you were at the investor seminar earlier this year and we showed you a working version of the new Juicy Drench advert. I'll now take the opportunity to show you the final version that is indeed already on television.

[Video]

...to match the success of brains.

Gatorade appeal marches on. We're now a year on from the full scale launch of Gatorade and we've seen the brand rapidly become identified as a credible offering for sports athletes. This has been reinforced by the continuing sponsorship of the Guinness Rugby Premiership, Triathlon and Iron Man events across the country, as well as establishing close links with sports science institutes such as Loughborough University.

Gatorade has achieved a 6% share already and has enjoyed a promotional peak share of nearly 11%. We are well on track to reach our ambition to be the number two sports drink, by the summer of 2011.

Pepsi Raw continues to grow, after successful launching on Licensed last year. The introduction of new single serve cans and multi packs in take-home will help drive the brand as we increase its availability to consumers, wanting a more natural and great tasting cola. V-Water has recently seen production brought in-house, new packaging has been introduced, the new advertising campaign will commence shortly. To be frank, in the current consumer downturn, the functional water category will face limited opportunity to grow. However, V-Water consumers have shown loyalty to the brand and we believe that the brand will offer a longer term growth opportunity when the potential for premium soft drinks recovers.

We have now also successfully integrated Lipton Iced Tea into our distribution network, since the award of the franchise in January this year.
This year will be one of consolidation into our overall portfolio. We will be actively communicating with consumers across the summer and we are confident we can deliver growth going forward, in another category that we believe we can help build.

Moving to innovations, so far this year we have launched our two major innovations of Juicy Drench and Robinsons "Be Natural" and the early signs are very positive. We've brought Lipton into the portfolio and have launched a third flavour of Gatorade and also launched new 250ml and one litre packs of Pepsi and 7Up.

In the second half, we'll see further innovation as we launch new packs for J2O, as well as the new flavour. We will also have in Tango a new 440 ml can and the Pepsi Raw multipacks of 300ml glass, 250ml can and 150ml cans will be widely available. We believe these new packs, flavours and brands will add value to the soft drinks category and will have a positive impact on our ARP and our margin.

But as we head into the summer we will continue to support our core and seed brands, and here we highlight just a sample of what you can expect from us and what will be one of the busiest marketing years ever. With J_2O it's back on TV already with a new contemporary campaign of its "Metter to Bix Things Up". We'll see great in-store execution of the brand as we work with key retailers to deliver great feature and display, and offer consumers the opportunity to win with J_2O. The 20/20 cricket activity just started for Pepsi offering consumers to Max it for a million with great cash prizes daily to be won. Following the cricket we'll be linking up with Nokia and offering consumers a chance to win the latest handsets with music downloads. We will be on TV with a very specific ad for the 20/20 campaign which, I think, has just broken. If you haven't seen it let me show you now the Pepsi ad for the 20/20 cricket

[Video]

Our association with Wimbledon continues once more and this year's on-pack activity offers the general public to the chance to win tickets to next year's championships. As you may have seen, we've also Laura Robson, last year's Ladies and or Girls Junior Champion to be a brand ambassador for Robinsons. Last year's Junior Final attracted 4.5 million viewers, more in fact that the Ladies Final itself. Alongside this major campaign we're also on TV to support the launch of "Be Natural" an all natural squash offering. Let me now show you the current "Be Natural" ad.

[Video]

Finally we'll be broadening the appeal of Gatorade as we take it on TV. This will be supported by both a cinema and poster campaign as we focus on building it's credibility with serious sports athlete. We continue to work with major sport science institutes and we have signed Olympic gold medallist Tim Brabant as an ambassador and we will be partnering with a major fitness group to deliver the Gatorade message through sponsorship initiatives.

Let me now move onto Ireland. It was across March and April last year that the market went into decline. In the six months to March soft drink volumes have declined by over 5%. That's the total market and as you can see from the chart volumes have lagged all year and currently show no material sign of improvement; within this challenging the environment the convenience channel, which saw significant growth during the construction boom, has declined by 15%. The license has market has seen a 20% fall in the last year although the decline has eased somewhat recently. The grocery channel and discounters have benefited from the consumer focus on value, growing by 5 and 15% respectively.

All key categories in the Irish soft drinks market are suffering, with the Cola category the only one not showing a decline. Water continues to decline down 6.2% as does Lemon and Lime down 5.1, Fruit Carbs down 12.1 and Sports down 16.1.

Looking now to Britvic Ireland, we continue to invest in both the fundamentals of the business and our brands. Our synergy plans benefits are on track as we restructure the business and implement SAP and invest in both the production facilities and our people. In Ireland, as in GB, we're a business that sells brands. Here are just two examples of the campaigns that we have in place for Ballygowan and Club. With Ballygowan we are the number one water brand with a proud heritage. We aim to protect its position and retain its territory through both innovation, marketing and sponsorship. Club Orange, the number one orange carbon is back on TV with a series of humours ads that focus on the zany Irish humour that only Club can be associated with.

As I move to a summary, what we're seeing in our First Half of core and seed brands, they are getting stronger. We're seeing channel growth across all four our channels and innovation, both that which we launched last year and the newly introduced this year, continues to deliver and deliver successfully. We're seeing a stabilising market in GB and, of course, Ireland is still challenged by the macro economic but we believe is in great shape for growth as that economy eases. Crucially, we have a brand portfolio that runs from everyday to premium and pretty much meets the need of all of our consumers pretty much for every one of their occasions. Clearly, we're delivering on the clear strategy that we set out almost three and a half years ago and have delivered, in our view, a strong set of results for the half.

That concludes the formal presentation, we're now be very happy to take questions. The form, as normal, will be Gerald will dish the questions out depending on the nature of them but as you ask your question if you could announce your name and the business you're with that would be very helpful. Thank you.

Andy Ford: Morning, its Andy Ford from Cazenove. Two questions; firstly given increased use of non-traditional media should we take the new – well the 6.3% level for A&P as a percent of sales as a new longer term run-rate or is the prospect of a good Summer meaning that number could edge back up towards 7% for the full-year. Secondly the glucose and stimulant category continues to be a very good performer, might you consider doing something as well as Red Devil in that category.

John Gibney: I'll take the first part and Paul will take the second question. I think in terms of, what we're guiding to at the moment, Andy, we're saying 6.3% to net revenue is probably the right number for this year. I think that will give us a better share of voice for two reasons. One is the fact that clearly media costs are down, secondly I think the fact that we're deploying our media in different, more non-traditional areas particularly around digital and web advertising. Obviously the revenue growth we're seeing as well because we're going to use a percentage of revenue if we continue to see that growth and that will increase the Pound [note number we'll] put behind that as well. I think longer term whether it returns to 7% or not will fundamentally probably depend on where media costs go in the medium-term.

Paul Moody: With regard to the glucose stimulant, that clearly is a category that we don't have a strong presence although Red Devil forms a role. It's an area that we're looking at. I would not expect to see anything material in the current calendar but it's certainly an opportunity that we're looking at very closely.

Jason DeRise: Hi, it's Jason DeRise at UBS. I just wanted to ask about the margin outlook for H2. Excluding Ireland the margins are up very good in H1 but the guidance was kept the same. What are seeing that's going to be a pressure or are you just being very conservative?

John Gibney: I guess you're referring to the fact that we're 70% basis points up at the Half Year, just bear in mind the cost year-on-year then part of that benefit is the fact that A&P spend was 6.3% of revenue in the First Half of this year compared to 6.8 last year. Clearly that will swing back in the Second Half. I think overall we would seek to restore a lot of the margin erosion of bank contribution level you've seen in the First Half. That will be driven to some degree through cost efficiencies; through initiatives like PVO but fundamentally it would reflect the trend that you're seeing on average realise price and particularly the improvement that we're seeing in Q2 compared to Q1 in the stills area. As Paul highlighted the drag from on-premises has reduced somewhat but it is still a reasonable significant drag on stills ARP so the other key factor there is obviously the price rounds of increase that we've been through since the last set of results we talked about.

Gerald Corbett: Ian.

Ian Shackleton: Ian Shackleton from Nomura. I think, Paul, on the video conference you released this morning you talked about your M&A ambitions remaining the same. I just wonder how the moves by PepsiCo to attempt to move to buy-in PPG and Pepsi Americas or perhaps influencing them and the opportunities that might come out of that move for you.

Paul Moody: I think it's pretty well recognised that the PepsiCo move in the US is actually very North America centric activity. They've got some challenges there that they think they can best address by potentially consolidating the network. I've not seen any evidence that at the moment they're considering the European position. From our perspective the ambition remains the same insofar as we've always talked about Northern and Western Europe as opportunity. I think it's well understood about the fragmented nature of the bottling network there. None of those territories are PPG or PAS territories, as you now they operate in places like Spain, Turkey, Russia and some of the ex-Yugoslav areas. I think it's an interesting development. I think that Pepsi will have, and this is pure a personal observation, a huge challenge in trying to integrate those businesses assuming the deal goes through. From our perspective we still see ourselves in the prime position to act as a consolidator. Clearly, when the opportunity arises then we'll look at that very closely.

Ian Shackleton: Do you think there's a long-term ambition at Pepsi to become more integrated outside North American ultimately?

Paul Moody: On occasions like these, Ian, it's very difficult for me to speak on behalf of Pepsi so I won't.

Jamie: Just on the input cost guidance which you've maintained, could you give us a steer on to what extent that is due to Sterling weakness, to contracts which you're still locked into and whether looking out to the next financial year you could actually see some tailwinds developing as one or two brewers have recently alluded to.

John Gibney: Jamie, overall we've maintained the guidance around 4-4.5% and of that around half of that increase was actually Forex movement. Whilst we've seen some increase there actually because of our hedging policy then the effective conversion rate there of Dollars and Euros is much more attractive than the current spot market is. What that says is that if input costs remain the same as they are then we would have some exposure to next year driven by Forex movement. That would equate, we think, to around 2.5% increase on our input costs. It's difficult, I think, to call the market at this stage for next year. Pretty much all of our suppliers are or most suppliers are now locked for the current financial year through mainly around 12-month contracts. The point at which we'll sit down and negotiate most of those again is not probably until the summer, so probably from our point of view quite early to be giving any real guidance at the moment.

Gerald Corbett: That was a hell of a question wasn't it?

Jonathan Cook: Thanks, it's Jonathan Cook from RBS. Just on the Carbs volume, how much if any of that volume growth was from new distribution gains or new contracts? Secondly on the working capital you have a good benefit in the First Half. Should we expect the same benefit or improvement year-on-year at the full-year? Thanks

Paul Moody: Jonathan, I'll take the first half and then I'll hand over to John for the second half. The overall performance on Carbs is about, as it were like-for-like business performance. Whether that's on license, whether there's been no material shift in our contract base or in Take-Home where there's been no material shift in our distribution, then that's about just the growth of the brand in execution of the plans. The one exception to that would the be over the last 12 months we've really driven very hard in distributing into convenience and impulse particularly in the half-litre. What that does is two things, clearly it drives volume but also advances ARP because of the relative profitability of half-litre versus 2-litre but there's been no material, as it were, step-change in any aspect of the business. If you will, it's organic rather than by acquisition if we can use that language.

John Gibney: On the working capital question, the apparent improvement you can see at the half-year, Jonathan, was primarily down to the fact that in 2008 we perhaps on Ireland cost accrued on the balance sheet so underlying actually performance is pretty similar. I think for the full-year we wouldn't anticipate any significant increases in the working capital performance. You're probably aware that we benchmark ourselves quite regularly using Hackett and they would have our performance at around world class already at the moment. Where we do see some opportunities longer term is through Ireland but that will probably come on the back of the implementation of SAP.

Gerald Corbett: Here in front.

Charles Pick: Thanks. Charles Pick at FinnCap, two questions please. Do you feel that you might have to revisit the cost base front in Ireland given the market trend? I appreciate it, relatively recently you looked at that anyway and secondly there's a reference in the statement to €10.4 million of incremental synergies guidance for this year. But I thought in the March investor presentation you talked of €15.9 million moving to €24.5 million which gives an incremental €8.6 million. Just wondered why the slight different there. Thanks.

Paul Moody: Do you want to tackle the…

John Gibney: Yes, I'll take the synergy one. The 10.4 million is the incremental synergies on top of what we delivered last year so it's about 4.5 million, so that will bring the current year to within around 15 to 16 so 15.9 is probably the right number. The 10.4 is purely the incremental this year, the balance of the €26.5 million will be delivered then over the next two financial years. Our guidance on synergies remains unchanged.

Paul Moody: With regard to the cost base, really developing on John's point, the upgrade we put around the synergies was driven as much by system and process implementation so bringing forward execution of SAP in the Irish market. But in terms of material cost management over the last 12 months we've closed one factory; closed several distribution centres as, I think John mentioned 145 roles have gone out of the headcount. We continue to drive costs down and certainly we will practice in Ireland the same discipline that we have in GB which is about a constant review around fit for purpose. I think, at the moment we're comfortable that we've got a consolidated manufacturing base in Dublin for everything but water. We have a plant in Newcastle West that [clearly] delivers Ballygowan. We have a much leaner distribution network now, so at the moment whilst we wouldn't be complacent and assume the job has been done. I think, we're now in a period of implementation, consolidation before we then move on because clearly we're not guiding to €27 million benefit by the end of 2011 which is a substantial shift on the initial business case.

Andrew Holland: Yes, it's Andrew Holland here from Evolution. A couple of questions, just going back to your earlier answer on the margins and noting that the brand contribution margin was down quite a lot in the First Half. You're saying that you're going to put that right by pricing. Can you give us an idea of what your pricing discussions have been so far this year? Secondly, I think, your depreciation charter is slightly down in the First Half versus last year but your Capex is trending up. Can you give us a clue on what you expect your depreciation to be for the full-year?

John Gibney: The first question around margin, the reason the margin is down at Group level in the First Half, Andrew, is the consolidation impact. With Ireland effectively at zero EBIT then it's quite an impact of consolidation there. The underlying margin in GB and international is actually up by 70 basis points. I think as we go forward and the margin rebuild I was talking about was also the brand contribution level. I think there are a number of actions we are taking but if you look at the ARP's trend we're continuing to sustain the improvements in Q2 that we saw in Q1. Around carbon it's the performance of ARP in Q2, in stills is much stronger than it was in Q1 and there's no doubt an element of that is, as we said previously, than the price around negotiation which we're targeted with recovering some of our raw material increases took place firstly around December. Most of the on-premise increases went through and they're pretty formulaic in that they were linked to our PI. Then around February time we renegotiated with the grocery [multiples]. Clearly the result would suggest that we did get some price increases wherein you can certainly see that in on-shelf pricing as well. The challenges, as always, will be as we go through the year based on discussions around investment and promotional mechanics that we make sure that we hang on to that. But that's the ambition to maintain that guidance or that trend so that we can mitigate the raw material increases.

The second question around depreciation, the reason the depreciation charge has fallen off of this year is that we've started to see the impact of the first wave of investment and we made around our SAP implementation about five years ago fall away. That's just a reflective of the fact that we've now effectively fully depreciated that initial investment. The level of depreciation, I think for this year would still be around the £54 million level.

Gerald Corbett: Yes, last question.

John: Pretty impressive performance from Drench to say the least, can you talk a bit about when you'd expect to see that start to slow down? How far have you gone in terms of the roll-out distribution and accounts that you want covered with that brand now? What's your medium and longer term ambition in terms of where share gets to in water for you?

Paul Moody: I think in terms of opportunity there's certainly still more opportunity. We wouldn't argue that we have ubiquitous distribution by any means. The opportunity there is significant; clearly what we're competing with is a market that's drag so although we got a very impressive performance we are still relatively small within the overall category. In terms of our ambition we always said that we wanted to get the brand to something approaching a 10% share over a 3 to 5-year horizon and that was reflective of the scale of the brands that we're competing with. In terms of our track we're pretty comfortable with the progress that the brand has made and interestingly the launch of Juicy Drench, which was always part of the overall Drench strategy to bring a high value, higher ARP sub-brand, we believe will help drive the overall Drench brands. The two working in concert, we think, will work pretty well. So far so good, I think, for the Drench brand particularly in the context of the water market itself but still more potential for the brand.

Gerald Corbett: Thank you for coming. John and Paul and the rest of the team are around to answer any questions you might have. Thank you.

John Gibney: Thank you.

Paul Moody: Thank you.