Preliminary Results

Paul Moody, Chief Executive

Results

Q: Setting the exceptional items to one side for a moment, you've posted a strong set of results. What's behind this underlying performance?
A: It's a continuation of the strategy that we've described several times before. Within GB we've led with some very strong innovation, closing some distribution gaps and some outstanding equity programmes - for example, Pepsi around the World Cup - but also we've continued to stretch ourselves internationally. So clearly, the acquisition of Britvic France, but also the success that we're now enjoying with Fruit Shoot in America and, most recently, Australia.

Q: But within this, carbonates have outpaced stills, where pricing has remained fairly flat...
A: Carbonates has performed better as a category we think reflective of the economic situation. But within stills in particular, Robinsons has been our best performing stills brand but relatively has the lowest average realised price. Further, the Pubs and Clubs market has continued to be under real pressure and that again flows through into our Stills category. So it's a combination of market condition, but also the strength of our execution in Carbonates.

Q: Turning then to the impairment charge relating to your business in Ireland, it's a considerable sum, but perhaps not surprising given the Irish economy in the last few months. Where does this leave your Irish business?
A: Well the business is fundamentally that which we bought. They have very good route-to-market. They have very strong brands which continue to be number one and number two in their respective categories. Our licensed wholesale business, whilst the channel itself is very challenged, is performing well.

What we're now reviewing is how can we best fit the organisation to meet the change in demands of both the customer and the consumer and we're confident that with the investment we've already made in Ireland, and that which we will make over the coming months and years, we will see the business really drive forward and as the economy improves, we're confident that we will be fit for purpose and we will be successful.

Operational performance

Q: The GB business has fared well this year with further share gains. What's behind this?
A: It's really a combination of factors that we've talked about consistently. We've been very successful with our innovation with Mountain Dew Energy and Juicy Drench continuing.

We were very focused on building our distribution in convenience and impulse and food service and we've done that very successfully with the much broader portfolio of brands that we now have, including Lipton Ice Tea.

In addition to that we've run some outstanding equity programmes. Pepsi around the World Cup, and of course we celebrated 75 years with Robinsons at Wimbledon which also proved to be very successful.

Crucially, we converted a very strong top line performance into an even stronger bottom line performance by remaining very focused on the cost of our operation.

Q: You outlined a new element of the GB strategy earlier this year; that of increasing your 'On-The-Go' presence. How has that gone and what have you done to drive it?
A: Well we've been very pleased with the success we've enjoyed with 'On-The-Go'. A combination of factors: Firstly, the portfolio has been much strengthened with the addition of Lipton Ice Tea, with Mountain Dew Energy and the continued development of Juicy Drench; But we've also developed our relationship with Compass which we referred to around a year ago and we've driven some very good in-market executions. So lots more people in stores influencing presence in chillers and on shelves generally. So what we've seen is a 20 basis point improvement both in our convenience and impulse share but also in our food service share. So we're very confident we've got a great foundation to continue building that as we move into 2011 and beyond.

Q: It's some months now since you bought the business in France. How is the integration going and are you still confident about what you acquired?
A: We're very confident about the acquisition. The integration plan is now well developed and we're now moving into execution phase. We talked about a EUR17m synergy benefit over the course of three years. We're very confident that that will be delivered and we've also had the good fortune to enjoy a very strong summer in France which directly impacted on the performance of our brands. So although only with the Group for barely four or five months, we're very pleased with the French acquisition.

Q: Britvic is expanding beyond Europe. The extension of the Fruit Shoot brand in Australia and the US, for example. Can you give us any details on this?
A: Fruit Shoot, we believe, is a brand that has international stretch. We're launching Fruit Shoot in France in the New Year. We are launching in Belgium as well. But to your question, we've also developed our relationship with a number of independent bottlers in America and we believe there is still more potential there and the first where we've signed a franchise agreement with Bickford's, which is an Australian soft drinks business, so they are now operating in a very classic franchise structure. They manufacture, market and sell the brand and we provide them with the concentrate and the brand equity. We're very pleased with the success we've enjoyed so far.

Outlook

Q: How do you think the soft drinks market will fare in 2011 and what plans have you got to drive further growth?
A: The business strategy remains the same, so you won't be surprised that I talk about innovation. We have two or three new pieces of innovation that will come to market in the spring of next year. We still have some big opportunities within channels where we can build distribution and of course our core brands will continue to get our full support.

Internationally, we still believe that in addition to Fruit Shoot there may well be potential for J2O and Juicy Drench in other markets. But of course what we will be very closely focused on is that the economic environment we believe will still be challenging, so we'll still keep a very close eye on our operating costs so that we can convert our top line growth into a very strong bottom line performance again.

Q: You've previously stated your M&A strategy is focused on Europe. Is this still the case and do you expect to remain acquisitive in 2011?
A: Well certainly our focus would be on markets that are near to home, so Northern and Western Europe would still be the focus of our attention. I think with regard to M&A, one never really knows what is available, but certainly, as we saw opportunities come along, we would look very closely at them. But at the moment we're clearly focused on ensuring that our French business is well integrated, that we drive the recovery in Ireland and we continue to build on the huge success that we've enjoyed in GB.

Q: So finally, how do you sum up 2010 and where is the focus in 2011?
A: Well 2010 was, I think, a great year. We delivered on all of our commitments to drive innovation, to build core brands, to deliver our operating margin improvement and we're very pleased with that. I think as we look at 2011, our planning assumption is that it will continue to be a relatively fragile consumer environment. We know that soft drinks fare pretty well within a downturn and we also have a very strong package of activity across all of those elements that have made 2010 a success and we believe we will execute them brilliantly well in 2011.