

ASX Announcement

7 May 2013

CCA AGM TRADING UPDATE

Coca-Cola Amatil Limited (CCA) today is providing an update at its Annual General Meeting on trading as well as providing guidance on earnings expectations for the full year to 31 December 2013.

Based on expectations of improved trading conditions in the second half, CCA expects full year earnings before interest and tax (EBIT) for 2013 to be broadly in line with last year, before significant items. The outlook for the first half is for a decline in EBIT of 8 to 9%, before significant items, with an expected return to earnings growth in the higher volume second half.

Group Managing Director, Terry Davis said, "The first four months of trading has delivered mixed results. The highlight has been the continued strong performance of the Indonesian business which has generated volume and revenue growth of over 10% and the New Zealand and Fiji region which has recorded a return to growth, with improved results versus last year.

"In Australian beverages, the grocery channel has experienced a very difficult start to the year due to the continuation of higher levels of competitor discounting and the impact to volume from lower retailer inventory levels. In addition, SPC Ardmona earnings have been materially impacted by increased importing of private label packaged fruit by retailers. The Australian non-grocery channel has delivered a strong result with solid earnings growth and increased cold drink shelf share."

CCA expects to declare a first half dividend of 26.5 cents per share, comprising an ordinary dividend of 24.0 cents per share and a special dividend of 2.5 cents per share. The special dividend payment is expected to broadly compensate Australian shareholders for the unfranked portion of the ordinary dividend. Mr Davis said, "Given the continued strength of the balance sheet and financial ratios and reduced capital expenditure needs, the Board expects to increase the first half dividend by 10.4%, which is inclusive of the special dividend."

Australian beverages – The Australian grocery business, which generates around 50% of Australian beverage earnings, has experienced a substantial increase in the level of price competition from the major competitor since December with the retail price gap widening by over ten percentage points compared to the same time last year. In addition, category growth has been generally weak as consumer confidence and spending continues to be subdued and grocery retailers have been reducing non-alcoholic beverage inventory levels since Christmas.

The non-grocery channel has performed well and is expected to deliver earnings growth in the first half. Despite the stronger non grocery business performance, the overall consolidated Australian beverages business expects to report a decline in volume and earnings for the first half due to the poorer grocery channel performance.

Mr Davis said, "When we see competitors discounting more aggressively, we take appropriate action to protect our market position with additional market support and increased promotional activity. Whilst this has an impact

on short-term price realisation and hence profitability, we believe that in the medium to long-term, it is the right course of action.”

The Australian beverages business is expected to return to earnings growth in the second half as it will be cycling a period of lower prices and is also expected to deliver an additional \$10-15 million in cost savings and efficiency gains from Project Zero programmes that commenced in the first quarter.

Indonesia & PNG – The Indonesian business has experienced a very strong start to the year with volume and revenue growth of over 10%. Mr Davis said, “Momentum in the Indonesian business continues to accelerate driven by brand and package innovation and the widespread increase in demand for commercial ready-to-drink beverages. A number of new products and new pack sizes are being launched this year to broaden the portfolio offering as well as to target an increase in per capita consumption of the important C/D consumer group.

“Sports drink Aquarius and Minute Maid Aloe Vera have both exceeded our expectations since launch and we will also launch our first dairy product Minute Maid Nutriboost this month. We see great potential for the ready-to-drink dairy beverage category in Indonesia following the significant growth of other dairy based products across the Asian region over the past few years.”

The Indonesian business is commissioning its first high-speed bottled water line in Jakarta in May. Mr Davis said, “Bottled water capability is an important business enabler, allowing us to offer our customers a full range of commercial beverage products. Together with the rapid rollout of cold drink coolers, our market position continues to strengthen.”

After nine consecutive halves of double-digit earnings growth, PNG has experienced a slower start to the year with the softening in the growth of the economy. The medium term growth outlook for PNG however continues to remain strong with forecast GDP growth of over 5% in 2013 and 6% in 2014.

New Zealand & Fiji – The New Zealand & Fiji business has experienced a solid recovery with a return to growth following a strong summer trading season. Mr Davis said, “We are pleased with the business performance with volumes growing by around 4% in the year to date. We also expect the New Zealand economy to benefit from the \$40 billion Christchurch rebuilding programme which is expected to add around 1% to the New Zealand GDP growth rate for 2013 and 2014.”

SPC Ardmona – SPCA has experienced a decline in volume and earnings as the high Australian dollar continues to materially impact on its competitiveness against imported retailer private label packaged fruit and vegetables. The shelf prices of many imported private label products are being sold at levels well below the cost of Australian grown packaged fruit and should the retail trading outlook not improve in the second half, the SPCA earnings decline is expected to lower Group earnings by between 2-3% for 2013.

The restructuring of the SPC business continues with initiatives in place to materially reduce its cost of doing business. In addition, the business has made a request to the Australian Government to apply a temporary provisional safeguard tariff on all imported canned tomato and multi-serve fruit products to provide ‘breathing space’ to the fruit processing and canned tomato industry from the increase in imported products. At the same time, the business shall seek longer-term relief in the form of anti-dumping duties on imported packaged fruit products. This follows New Zealand’s successful application of anti-dumping duties, which resulted in the imposition of a significant tariff on imported packaged fruit products which originate from the same countries that are currently exporting to Australia.

Alcoholic Beverages – The alcoholic beverages business remains on track to deliver earnings growth from both the Beam portfolio and Paradise Beverages (Fiji & Samoa). In addition, material progress has been made in developing opportunities in beer and cider for CCA's re-entry into the Australian beer market in December 2013. Mr Davis said, "We are well advanced in our discussions with a number of international brewers and would expect to make further announcements at the half year results on our beer business. I have no doubt we will have a strong portfolio of international beer brands to kick off in 2014."

Capital expenditure outlook – For 2013, CCA expects a reduction in Group capital expenditure to around \$400 million with around \$200 million to be invested in Indonesia & PNG to materially increase production capacity and cold drink cooler penetration. The major investments in Indonesia include the installation and/or upgrading of six production lines, the commissioning of the Cibitung 32,000 square metre warehouse and the commissioning of the new Cikedokan, Jakarta production facility. One-way-pack production capacity will increase by 45% by June and 55,000 new cold drink cooler doors will be placed throughout Indonesia in 2013, representing a 20% increase.

Based on current forecasts, capital expenditure is expected to further reduce to around \$300 million per annum in 2014 and 2015.

Outlook – Terry Davis said, "CCA is in a great financial position and its balance sheet is strong. Our businesses are in good shape and well balanced. We have great confidence in the future of the Company."

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