CCA
COCA-COLA AMATIL

# CCA SHAREHOLDER NEWS

OCTOBER 2013

## OVERVIEW

The difficult trading conditions for the Australian beverage business in the grocery channel, combined with the impact on SPC Ardmona (SPCA) earnings from imported private label products and the slowdown in the PNG economy regrettably led to a reduction in earnings for the first half of 6.9%. The positive for the half was the outstanding performance of the Indonesian business which delivered double-digit volume and earnings growth whilst improving on its return on invested capital. The Australian beverage non-grocery channel performed well, delivering volume and earnings growth, while the New Zealand and Fiji businesses also returned to solid earnings growth.

## KEY HIGHLIGHTS

- **Over 15% volume and earnings growth in Indonesia.**
  The Indonesia & PNG region delivered a volume increase of 11.8% and EBIT growth of 12.5%. Indonesia continues to grow rapidly with volumes and earnings growing by over 15% driven by faster growth of the core brand portfolio and the successful launch of a number of new products. The half also benefited from the 11 day earlier timing of the start of the festive season with pre-ordering for Ramadhan commencing in June.
  The acceleration of investment in organisational capability, manufacturing capacity and cold drink coolers in Indonesia continues to position the business well to participate in the strong and growing demand for commercial ready-to-drink beverages. After nine consecutive halves of double-digit earnings growth, PNG experienced a decline in volumes and earnings due to a slowdown in economic activity caused by falling commodity prices, reduced mining activity and increased unemployment levels;

- **Difficult trading conditions in the Australian grocery channel resulted in a 10.1% decline in Australian beverage earnings.**
  While the non-grocery channel performed well, delivering volume and earnings growth, the grocery channel was impacted by aggressive competitor pricing. As a result, CCA invested in higher levels of market support and promotional activity which impacted price realisation and profitability for the half. Volumes and earnings were also impacted by a reduction in the level of warehouse inventories of non-alcoholic beverages by grocery retailers throughout the half;

- **Material progress made in expanding the alcoholic beverages platform.**
  CCA is pleased to announce the following developments:
  - The extension of the Beam partnership agreement to a new 10 year term to December 2023;
  - The establishment of a long-term exclusive agreement to distribute the Molson Coors range of premium beers in Australia post 16 December 2013; and
  - A long-term exclusive agreement to distribute the C&C Group of beers and ciders in New Zealand and the Pacific region;

  The Fiji alcoholic beverage business is performing ahead of plan and has established an export business for the beer and Fiji rum portfolio, and we are well advanced in the development of a portfolio of Australian premium and craft beers.

- **Commencement of major operational efficiency programme in Australia.**
  A range of cost out and business restructuring initiatives were completed in the first half including the closure of bottling operations at Peats Ridge and the rationalisation of production at Smithfield, NSW. A restructure of the Australian operations has resulted in a headcount reduction of 77 full time positions.

- **Continued strength of the balance sheet and financial ratios supports a 10.4% increase in interim dividends.**
  The interim ordinary dividend has been maintained at 24.0 cents per share, franked at 75%, and a special unfranked dividend of 2.5 cents per share has been declared, taking total interim dividends to shareholders to 26.5 cents per share, an increase of 10.4% over the prior year interim dividend.

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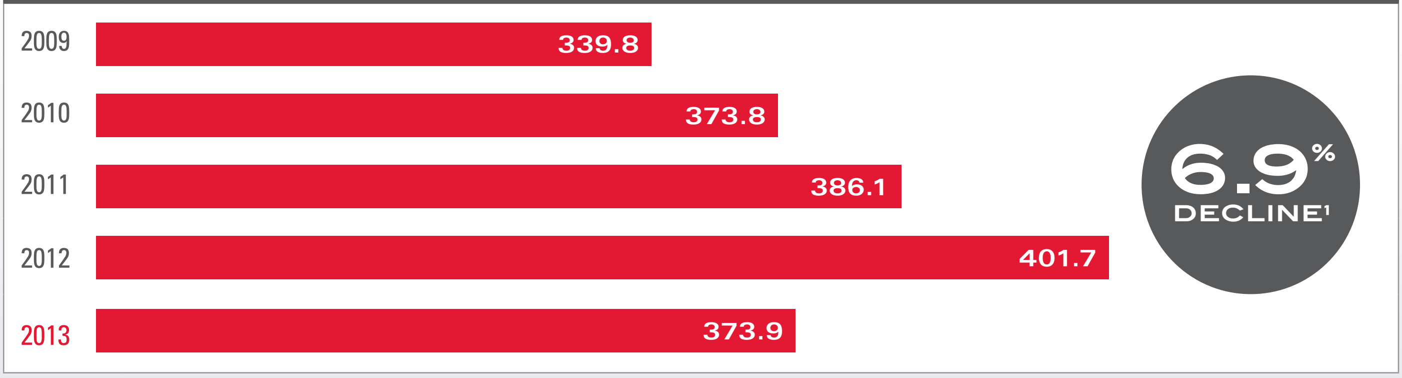
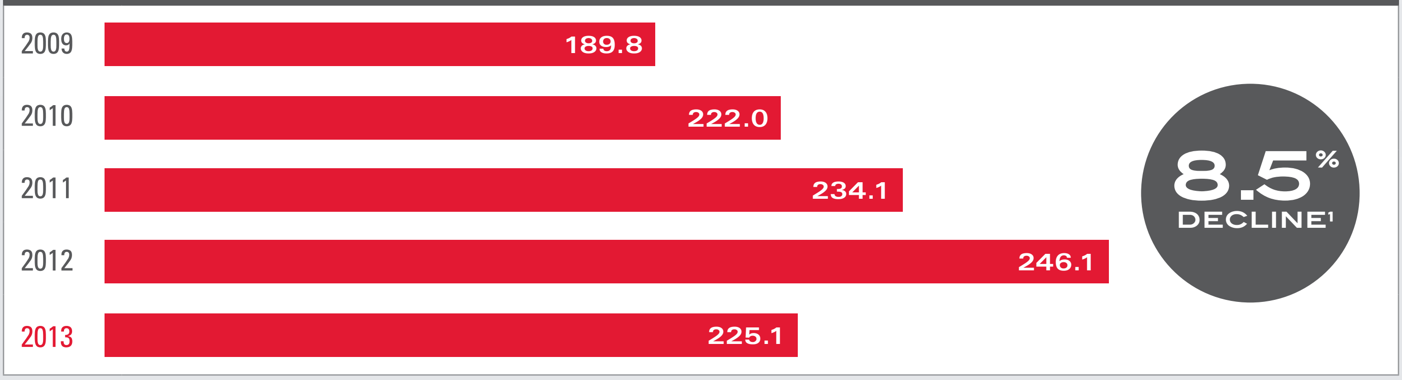
## 2013 INTERIM FINANCIAL HIGHLIGHTS

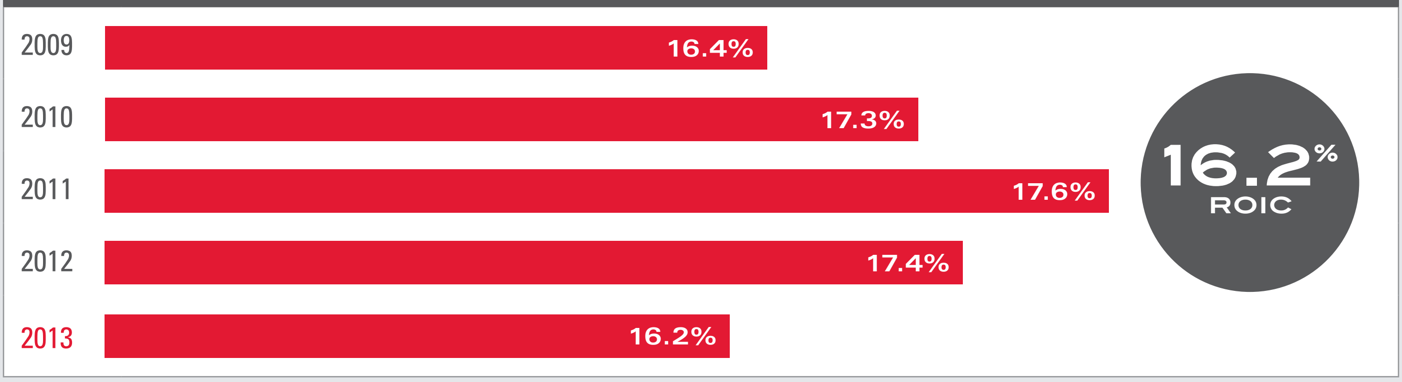
### EARNINGS BEFORE INTEREST AND TAX[1] ($M)



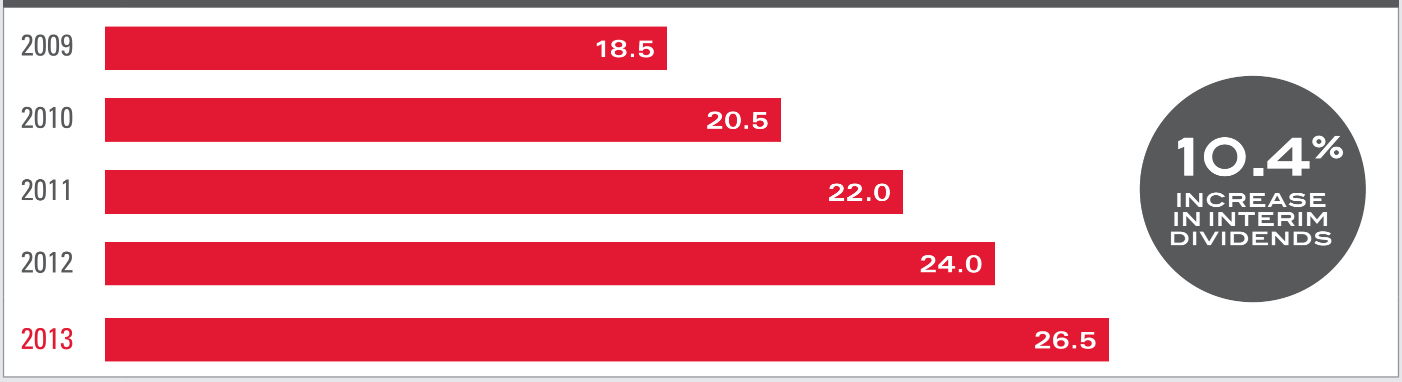

### NET PROFIT[1] ($M)




### RETURN ON AVERAGE INVESTED CAPITAL[1]




### DIVIDENDS PER SHARE (CENTS)




Please note that for comparative purposes, historical data relates to first half performance (ie: 6 months only) 1. Before significant items

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## PRIORITIES & OUTLOOK FOR 2013

At this early stage of the half, and with the major trading period of November and December still to come, CCA now expects 2013 full year Group EBIT to be within a range of flat to a 4% decline on last year, before significant items. While the Australian non-grocery business continues to perform well, the trading conditions in the grocery channel continue to be challenging. A number of initiatives are being undertaken to improve the operating performance with a strong summer promotional and marketing programme and a number of new product launches in the pipeline. We are also on track to deliver $10-15 million of cost savings and efficiency gains from programmes that commenced in the first quarter.

The momentum in Indonesia is expected to continue. We have delivered a great result for the first half and expect to achieve strong volume and earnings growth in the second half. We experienced a strong Ramadhan trading period, delivering combined June/July volume growth of over 15%, and while we expect there may be some short-term impact on demand as consumers adjust to the recent reduction in fuel subsidies by the Government and as the earlier timing of Ramadhan impacts second half growth, we remain confident of delivering within our targeted 10-15% volume growth and 15-20% local currency earnings growth in Indonesia for the full year. We do however expect trading conditions in PNG to remain challenging for the second half.

Looking forward, we remain very positive about the prospects for Indonesia and we will continue to invest ahead of the curve in production and distribution capacity and cold drink coolers. We have a very strong pipeline of new products and packs to be launched over the next 12 months and this is being supported by up-weighted investment and execution of consumer marketing by The Coca-Cola Company.

**Group capital expenditure to shift to up-weighted investment in Indonesia.**
Group capital expenditure will be around $430 million in 2013 and with the completion of a number of major investments in Australia, capex is expected to reduce to between $325-350 million in 2014. In 2013, around 50% of Group capex will be invested in Indonesia & PNG to materially increase production capacity and cold drink cooler penetration as demand for commercial ready-to-drink beverages rapidly increases. The major investments in Indonesia include the installation and upgrading of eight production lines, the commissioning of the Cibitung 32,000 square metre warehouse and the commissioning of the new Cikedokan, Jakarta beverage production facility. One-way-pack production capacity has increased by 45% since December 2012 and around 60,000 new cold drink coolers will be placed throughout Indonesia in 2013, representing a 30% net increase in the number of coolers in the market.

**CCA targeting over 1% of incremental EBIT growth from alcoholic beverages from 2014.**
Over the past 12 months we have secured access to a world-class, low cost brewery through the agreement to form a joint venture with Casella and entered into a long-term exclusive agreement to distribute Rekorderlig cider, the Number 1 cider brand in the off-premise sector in Australia. With the announcement today of the exclusive agreement to distribute Molson Coors premium beers in Australia and the C&C Group's beer and cider portfolio in New Zealand and the Pacific region, together with the development of a domestic premium and craft beer portfolio, we believe we are well positioned to hit the ground running with an expanded alcoholic beverages portfolio for 2014.

CCA is now well positioned as the only independent and large scale manufacturer, distributor and full service provider for premium international alcoholic beverage brands in Australia and we are targeting over 1% in incremental earnings growth from our alcoholic beverages business from 2014 onwards.

**On track to deliver $30-40 million of annual efficiency gains and cost out initiatives over the next three years.**
This major operational efficiency programme, announced in February, will seek to deliver sustainable savings by leveraging the investments made over the past few years on state-of-the-art production and IT infrastructure. It is expected to deliver $30-40 million of annual efficiency gains and cost out initiatives over the next three years and is on track to deliver $10-15 million in savings in the second half of 2013.

Terry Davis

Group Managing Director

COCA-COLA AMATIL

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## CONTACT DETAILS

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## SHAREHOLDER ENQUIRIES

Investors seeking information about their shareholding, including dividend statements and change of address, should contact CCA's Share Registry. Shareholders should have their Security holder Reference Number (SRN) of Holder Identification Number (HIN) available when contacting the Share Registry.

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

**Ph:** 61 2 8280 7121

**Fax:** 61 2 9287 0303

**Website:** www.linkmarketservices.com

**Email:** registrars@linkmarketservices.com.au

## SUSTAINABILITY @ CCA

CCA's sustainability report measures the Company's achievements under four pillars – Environment, Marketplace, Workplace and Community.

CCA strongly supports social and environmental activities through its community and environmental programs. These programs help to sustain business performance by strengthening the communities in which CCA operates, improving business efficiency and developing strong relationships with stakeholders, ultimately leading to increased shareholder returns.

The Sustainability@CCA report is available on our website, www.ccamatil.com.


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