

South Korea

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Regional Director - Asia

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Introduction

Management experience over 18 years

- TCCC roles in Planning and Field Operations
- State Roles as Sales Manager and State Operations Manager
- National Key Accounts & General Manager, Supermarkets
- Director, Business Development
- Director, Operations and Logistics

Initial Observation

- The markets are tough but with the right focus the opportunity is clearly there

Korea

- New Executive Team, focused on the simple drivers of growth that will turn the business around
- The key issues are being addressed
- Results in Qtr 3 are very encouraging – best Qtr for growth since the start of 2004
- CCA and TCCC are confident that investments being made in Korea will deliver improved performance

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Our expectations for Korea in the 2nd half...

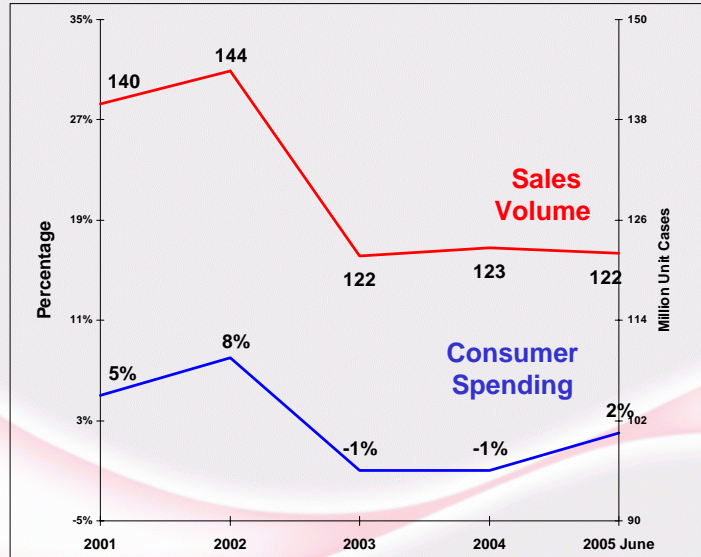
- 2005 2nd Half Volume Growth 5-7%
- 2005 2nd Half EBIT KRW broadly in line with last year
- Examples of trade execution for full year 2005
 - Net New Outlets 16,000+
 - Net Coolers placed 21,000+
 - Minute Maid 15% of 100% Juice segment

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Consumer Spending and CCA sales are highly Correlated – both are returning to growth



Source : The Bank of Korea

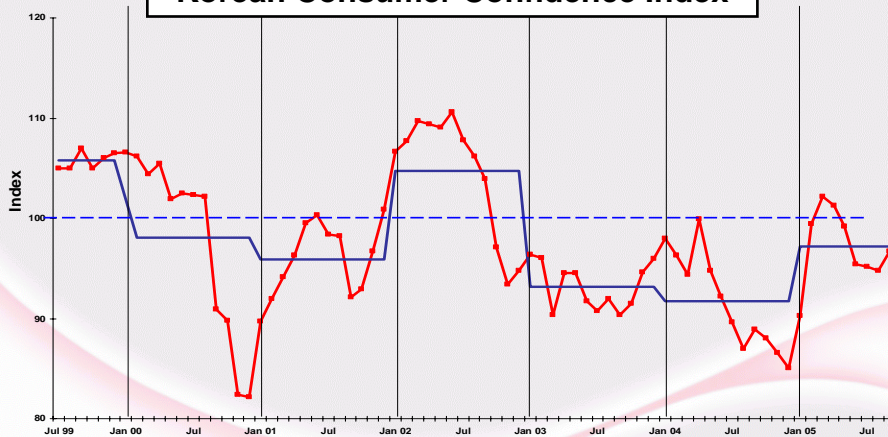
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Consumer confidence appears to be recovering

Korean Consumer Confidence Index



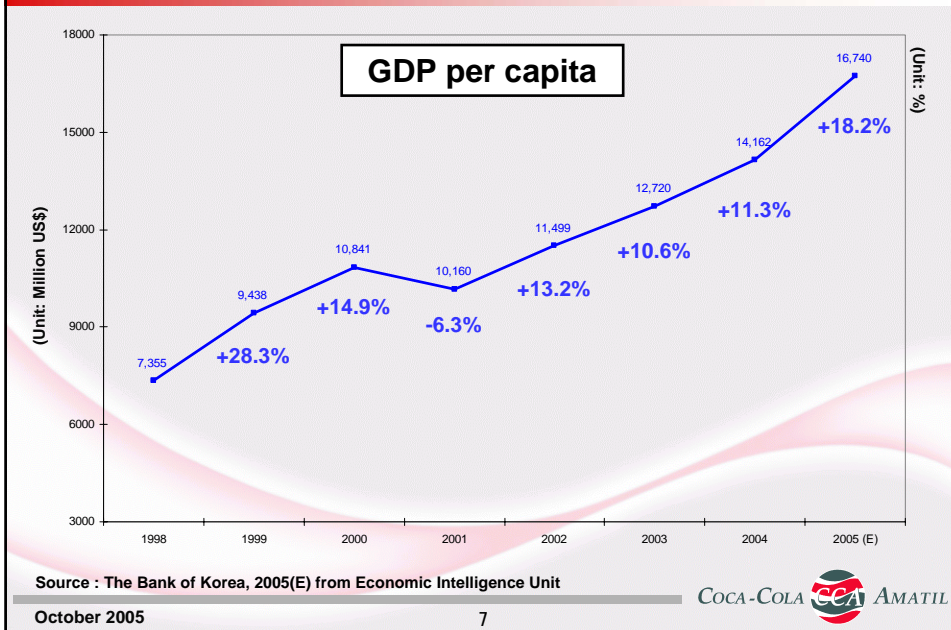
Source : Korea National Statistical Office

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GDP per capita growth, at 18% is growing faster than both consumer confidence and spending



Competitors show 10% EBIT margins are achievable

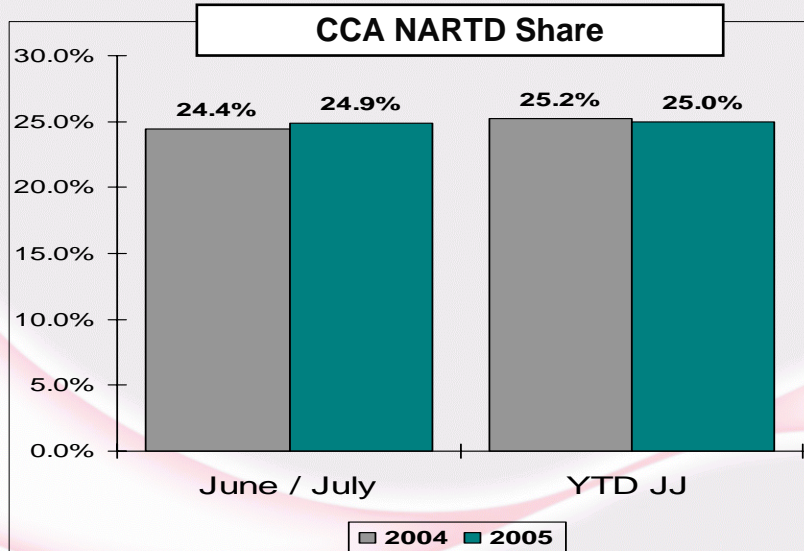
- Biggest competitor, Lotte H105 results
 - Revenue declined by -9%
 - EBIT Margin at 10% down from 16%
 - EBIT Margin decline driven by un-recovered COGS
 - Operating income down by 45%
- Implication for CCA Korea – we believe an opportunity exists to improve pricing and recover COGS increases, however we will not be uncompetitive

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It's a competitive market – CCA is holding share



(Source: AC Nielsen)

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Recap - CCA Performance in the 1st Half

	HY 05	HY 04	% Chg
Volume (m unit cases)	63	64	-1%
Sales revenue / case KRW	3,859	3,902	-1%
EBIT KRW (m)	346	10,581	-97%

- Brand Coke related volume/pricing accounts for 2/3rds of our EBIT decline. (Coke 1st Half -10% vs Qtr 3 +4%)
- We will be managing both our costs and pricing tightly in an effort to recover COGS inflation
- There is a lag in getting the benefits from our increased investments in Direct Marketing Expense and Coolers

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Significant increase in TCCC marketing investment

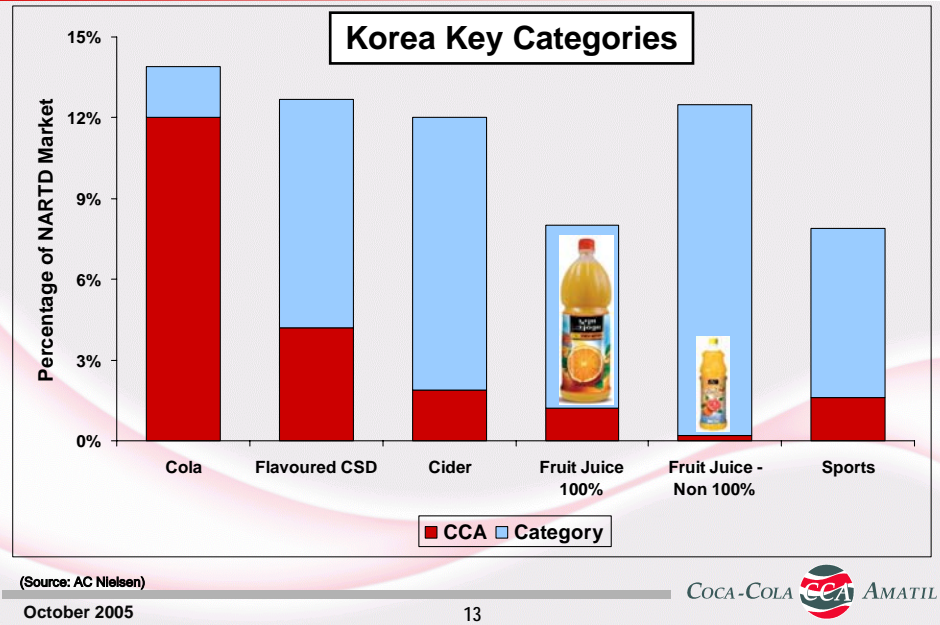
- 2005 TCCC direct marketing investment is double 2004 levels
- CCA expects at least this level of brand investment to continue for 2006
- Both companies are aligned around fewer, bigger activities on the core brands 2006

Excellent Main Media on air since April

Eg Supporting our E&D Focus



Minute Maid - We are now in all the major categories



Update on the activation of the 5 Pillars

Our trade execution results are on track for 2005 across the 5 pillars

1. Product and pack innovation
2. Non-carbonated beverage and food expansion
3. Growing product availability through cold drink placements and outlet expansion
4. Customer service improvement
5. Revenue management and cost discipline

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New Brands and Packs delivering growth

- Our brands are returning to growth and profit for our retailers
- Non-Carbonate Innovation
 - 3 New Non-Carb Brands
 - Minute Maid
 - Minute Maid Fresh Mix
 - Powerade Ionade



- 10 New Non-Carb Brand / Flavour Extensions
 - Nestea Lemon Green and Ice Rush
 - Minute Maid Tomato and Grape
 - Nescafe Mistra (6 flavours)



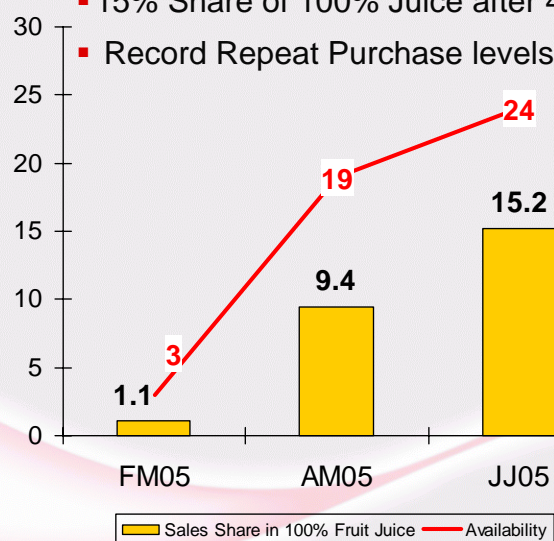
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Non Carbonates - Minute Maid doing well

- 15% Share of 100% Juice after 4 months
- Record Repeat Purchase levels



(Source: AC Nielsen)

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Minute Maid – Getting the Key Components Right



- Innovative product range and packs
- Huge sampling campaign 500,000+ Consumers
- Excellent advertising and Media weights
- Excellent execution and trade support

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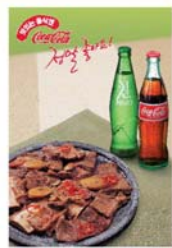
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With Food – Eating & Drinking sales up 28% YTD

- Menu boards, branding, staff incentives and Combo meals
- Building the connection between Korean Food and CSD's

메뉴	
떡갈집비(1.25L) + 프카+콜라(1.25L) 컨셉이더	15,000
고기류	
떡갈집비(1.25L)	7,000
떡갈집비(1.25L)	7,000
떡갈집비(1.25L)	7,000
식사류	
물냉면	20,000
물냉면	20,000
물냉면	20,000
물냉면	20,000



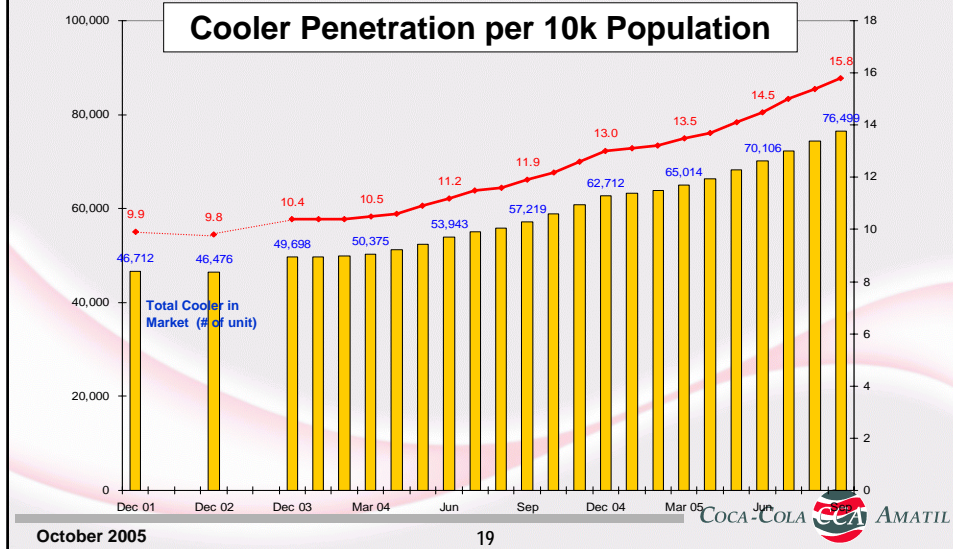
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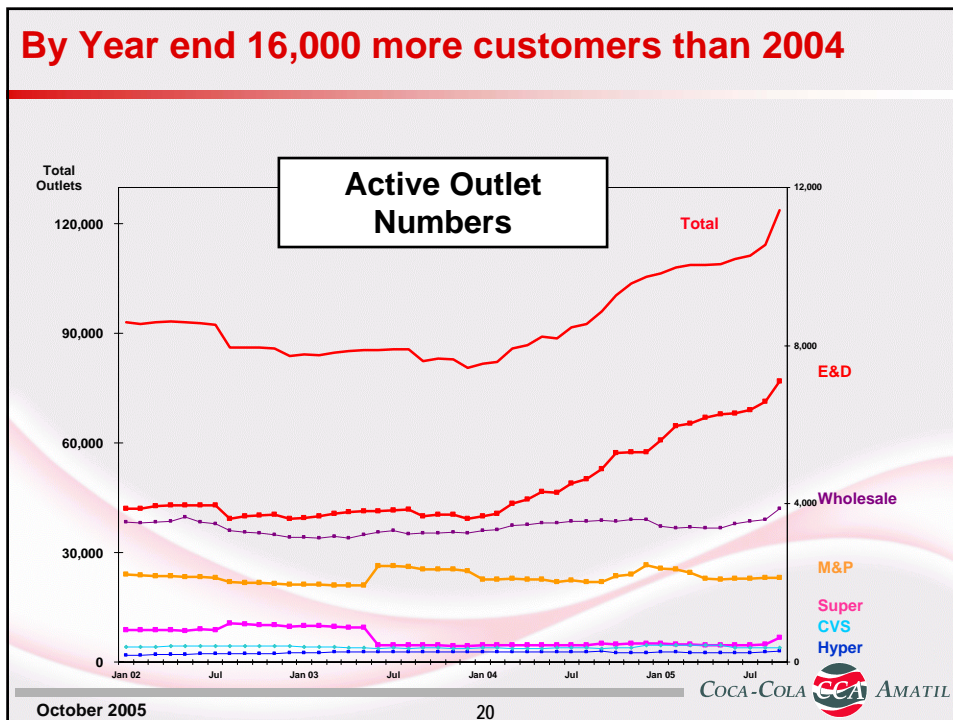
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Cold drink – By December 21,000 new coolers

- Coolers drive consumption
- More is required to capture the opportunity

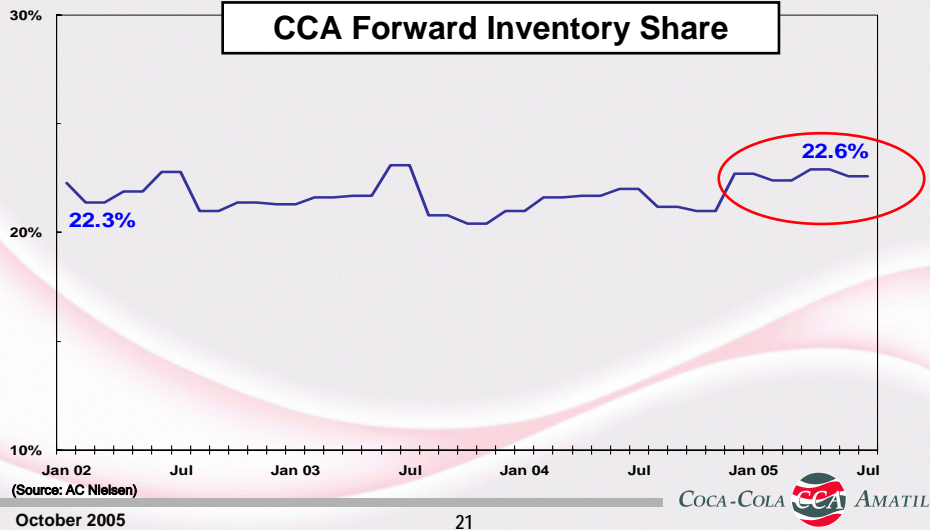


By Year end 16,000 more customers than 2004



Product availability - Forward inventory drives sales

- We have gained forward inventory share of NARTD and are targeting 10% more cases on the shop floor



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Forward Inventory- attractive merchandising



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Quality availability - 135 Model Markets +35% up

- We now have 135 model markets up and running in Korea
- They prove again that superior execution can drive incremental beverage sales for all customers in a region
- The model markets are a test bed for our trade marketing concepts and training ground for our sales employees

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Customer Service Improvements

We are focused on driving customer volume and profit and giving the customer a greater voice in our business

- Customer and category business management
- Customer Satisfaction Call program
- Servicing the needs of smaller outlet

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Efficiency and Cost Reduction – an opportunity

- When benchmarked against comparable CCA operations, Korea has a KRW 20b higher indirect cost base
- Through a combination of workplace reform, redeployment and downsizing we can begin to close this gap
- Despite the historically difficult industrial relations environment in Korea, there is a general consensus among our employees for the need for change
- Our preference is to retrain and redeploy people into market facing roles rather than dramatically downsize the organisation
- The success of our suggested workplace reforms will determine the eventual number of employees our business can sustain, any restructuring costs and the associated savings

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Korean Nationals now make up 2/3rds of the Executive Team



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Our expectations for Korea in the 2nd half...

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Our plans for 2006

- Major Investments in Marketing, Trade and Product innovation behind Coke and Minute Maid
- 1 Major Non-Carbonate New Product Launch
- Cooler penetration increasing to 20 per 10K population
- CCA executing in 18% of all outlets
- Workplace reforms targeting indirect savings
- Redeployment of up to 200 people to market facing roles

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