2012 AGM – Managing Director's Address

Terry Davis Group Managing Director

15 May 2012

Thank you David, and good morning ladies and gentlemen….

It's a pleasure to be able to present to you again on another strong operating result for the Company in 2011.

Given the tougher trading conditions and unseasonal weather patterns which regrettably persisted right throughout last year, it was a commendable performance and notwithstanding the obvious challenges, we still managed to grow our business last year.

Revenues increased by a healthy 6.9% to $4.8 billion, and net profit increased by 5% to a record $532 million.

There were a number of highlights that I would like to call out…

- We delivered our fifth consecutive year of very strong growth from the Indonesian and PNG business with earnings up 17.5%. The decision we made to progressively up-weight our investment in Indonesia is paying off with earnings growth of over 400% since 2006.

- In 2011, the successful execution of Project Zero capital investment programs continued to provide us with a competitive edge and a meaningful earnings buffer for the business. There has been a lot of talk in Australia about lack of productivity growth, but we can report with confidence that over the past four years, these investments have provided us with a platform not only to reduce our cost of doing business, but to also drive productivity and innovation,

  while still allowing us to invest some of those lower costs back into the marketplace to protect and grow our market leadership position.

- The execution of a new 10 year partnership with the Beam spirits business has further strengthened our alcoholic beverage business and will provide a key platform for the Company's longer term growth in alcohol;

- The generation of $170.3 million in after tax profit from the agreement to sell the 50% share of the Pacific Beverages joint venture to SABMiller. This was an excellent outcome as it arose from our decision to not participate in the acquisition of the Foster's beer business as we could not see how sufficient return from the acquisition would be generated for CCA shareholders.

- The very strong balance sheet and global brand recognition we have achieved enabled us to refinance all maturing debt for the next two years at what I understand are credit margins significantly below similarly rated corporations in Australia;

- And finally, the strong free cash flow generation supported an 8.2% increase in full year dividends and an increase in the dividends paid to shareholders in 2011 to nearly 75% of net profit.

There is no doubt that our strategy of continuing to reinvest in our business and focusing on organic growth over the past six years has been validated by the strong returns we have delivered.

More importantly for you, our shareholders, is that over a 10 year period, annual dividends have increased nearly 275% – from 14 cents per share in 2001 to 52.5 cents today.

It has always been a core objective in my time at CCA for the organisation to consistently deliver results ahead of our peer group in both absolute and relative terms, and as you can see from the chart, we have been able to achieve this.

CCA's earnings per share has also performed strongly when compared to the broader market with a compound annual growth rate of close to 11% per annum since 2001 – more than 50% higher than the 6.9% achieved by the average growth of ASX100 companies and more than double that of the 5% per annum generated by Industrial stocks.

So whilst that history is relevant, what is more important is the direction we expect to take the business over the next three years.

First, I expect that the majority of our growth will still be organic as I still see many opportunities to strengthen our business through organic growth.

Our key priorities remain the same, and that is to...

- Continue to invest and grow the core Australasian non-alcoholic beverage businesses;
- To take advantage of the rapid economic growth in Indonesia and PNG by accelerating the levels of investment in infrastructure and people; and
- Continue to leverage the competitive advantage we have with our sales and distribution infrastructure to grow our alcoholic beverages business.

I also expect the business model we apply will also remain generally the same and that is:

- To drive product and packaging innovation in order to deliver on our goal of a market leading beverage in each core consumption segment.
- To maintain and grow demand for our brands through innovative marketing and great in-market execution.
- To increase the penetration of Coke coolers in the market so more of our beverages are available to the consumer.

And finally, I've spoken many times in the past about Project Zero, which continues to deliver cost savings as well as customer service improvements. We started this program some six years ago when we recognised that we were able to make more profit – at much less risk – by reinvesting our surplus capital into organic growth projects in infrastructure and technology development rather than by chasing expensive acquisitions.

The success of Project Zero has provided a real boost to our financial returns with these efficiency gains helping to grow our return on capital to around 24% per annum before tax by the end of last year.

Cost savings from Project Zero now consistently contribute over 20% of Australia's earnings growth. Over the past 5 years we have spent over $1.6 billion on capital investments across CCA, with about a third of that spend on Project Zero initiatives. We have over a billion dollars of fully costed projects out to the end of 2015 and if implemented, we would expect them to contribute strong returns.

I'd now like to give you some further insights into the range of operational projects we are investing in. In this short video you'll see some of the great initiatives we have been implementing to give you a better understanding of the business.

DVD – OPERATIONAL HIGHLIGHTS

As you can see Indonesia in particular is delivering on its potential. I remain very optimistic about our future there.

Another key focus within the business has been on innovation. We are not only investing in our own R&D, we are doing everything we can to harness the potential of all our employees – as you can see from this video:

DVD – INNOVATION & PEOPLE

Thank you, and I hope I hope that was a useful insight into how far the business has come. I am particularly proud of our project team who each year manage to find innovative ways to improve our service levels to our customers while still reducing our cost of doing business.

Now moving on to how the trading outlook is looking for the balance of this year...

Firstly, the Australian business expects to deliver an improved volume and revenue performance in 2012 with volume growth of 1-2% expected for the first half.

With significant revenue generated from cold beverages, the business was heavily impacted in January and February by the wettest summer in over 50 years which affected NSW and Queensland throughout the peak trading season. It is of course self-evident in the media every day that the macro environment in Australia remains challenging, with weaker demand particularly notable for our business in key holiday destinations along the Eastern seaboard.

On a brighter note, we did enjoy a solid Easter trading period and price realisation in the year to date has been positive. Looking forward, there is a strong consumer and trade promotional programme in the lead up to the Olympics, with Coca-Cola a key sponsor.

Turning to New Zealand & Fiji…

The New Zealand economy has continued to soften. Consumer confidence and retail sales have weakened in the year to date. While CCA's business has gained market share this year, the overall beverage category has declined and as a result, New Zealand & Fiji would expect to record a decline in volume and earnings for the half.

As to the Indonesian business, the economic fundamentals continue to be robust with GDP growth expected to be over 6% this year supported by positive government financial reforms that are encouraging much needed investment in infrastructure.

We will once again up-weight our investment in the region as the growth outlook for both countries remains promising.

In 2011 we spent $100 million and this year we will increase our capital expenditure to $120m, or around 25% of Group capex. This will deliver a 15% increase in our beverage production capacity and a more than 10% increase in cold drink coolers in the market.

Both Indonesia and PNG has made a very strong start to the year with volumes growing at over 10% in the first four months so we would again expect to deliver strong first half volume and earnings growth.

We would also expect our Alcohol, Food & Services business to record an improvement in earnings for the half. The Beam business has performed strongly and will benefit from a full six month earnings contribution for the half.

As for SPC Ardmona, trading conditions continue to be difficult. After having to manage through four years of drought followed by a year of floods, we are now having to reposition the business in order to compete against the cheap, lower quality private label imports by the major retailers which continue to flood into Australia.

There is no doubt that for SPCA – and for the other food manufacturers in this country – that given the continuation of a high Australian dollar, it is becoming more difficult to compete against cheap imported low cost private label products. Many of these come from countries that do not have the same stringent quality standards or the same favourable labour conditions as Australia.

The flow on affect to local communities and regional employment is devastating.

We have taken a stand as a business to remain firmly committed to sourcing our fruit for SPCA locally wherever possible, but this has come at a cost, and our food business is smaller than it was five years ago.

My personal view is that ultimately Australian consumers – and in turn major Australian retailers – will have to make a choice – lift their support for domestically produced brands or support imported private label products, and face the consequence of having a diminished Australian food industry.

We will continue to lobby the government to review investment allowance incentives for Australian manufacturers to help level the playing field against imported products.

And finally, a few words around the development of our alcohol business which I believe remains a core growth opportunity for CCA.

The alcoholic beverage market in Australia is highly profitable and the profit pool of more than $1.2 billion is greater than the profit pool for non-alcoholic beverages, so it remains a logical extension for us to capitalise on our core strengths – being the manufacture, sales and distribution of beverages – into this adjacent category.

A lot of progress has been made.

- Firstly, and as I mentioned earlier, we re-signed a 10 year sales and distribution agreement with Jim Beam in March last year.
- Then last month we announced that we will be acquiring the Fiji Breweries and distillery in Fiji and Samoa from Foster's which provides us with the Fiji beer brand and Bounty Rum, which we believe have both Australian and international growth opportunities
- And finally, we have very recently entered into multi-year agreements with Grupo Modelo, Carlsberg and Molson Coors to distribute their portfolio of premium beer brands, including the best-selling Corona and Carlsberg brands, across Fiji, Papua New Guinea and the Pacific Islands.

  These new agreements are all very important steps in developing our beer strategy and will complement our plans to acquire the Foster's Fiji business, strengthening our total beverage portfolio offering across the Pacific region.

As to earnings guidance for the first half to June 30, I can report that the Group operating performance in the year to date has been solid given the headwinds the business has faced, particularly given the impact of the cool and wet summer across the Eastern seaboard of Australia.

Subject to no deterioration in trading conditions, we would expect to achieve 4 to 5% growth in net profit for the first half of 2012, before significant items, and we are certainly hoping that the recent decision by the Reserve Bank to make a material cut to official interest rates will go some way to improving consumer confidence, and then to improve consumer spending.

In closing, I hope we have been able to give you a better insight into the organisation and I would like to join David and thank the CCA Team for their efforts that have driven strong results over a sustained period and created the very strong financial and market position that your company is in today.

Thank you and I'll now hand back to the Chairman.