Coca-Cola Amatil

2015 Interim Result

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21 August 2015

COCA-COLA AMATIL

2015 Interim Result Overview

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- The **Australian beverage** business delivered an increase in both volume and trading revenue driven by investment in pricing, brand building, innovation and route to market improvements
- **New Zealand & Fiji** earnings increased by 9.9% driven by strong performances in CSDs and water
- **Indonesia & PNG** delivered improved earnings with Indonesia delivering solid volume growth and strong market share gains in CSDs
- **Alcohol & Coffee** earnings increased by 30.4% driven by improved market share across the Beam portfolio and the launch of new products
- The **strength of the balance sheet** has supported the payment of an interim dividend of 20.0 cents, franked at 75%, which is in line with last year

Australian Beverages

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The Australian beverage business delivered an increase in both volume and trading revenue driven by investment in pricing, brand building, innovation and route to market improvements

$Am	HY15	HY14	Change
Trading revenue	1,348.9	1,342.2	*0.5%*
Revenue per unit case	$8.60	$8.79	*(2.2%)*
Volume (million unit cases)	156.9	152.7	*2.8%*
EBIT	222.2	236.7	*(6.1%)*
EBIT margin	16.5%	17.6%	*(1.1) pts*

We are on-track with the implementation of our strategic review

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1. Transaction & Mix-led revenue growth
2. Increased product and brand relevance
3. Up-weighted, focused marketing investment
4. People and technology-led route to market and RGM
5. Balanced revenue growth and cost optimisation

Portfolio

Focus on CSDs

Revenue Growth Management

Stills Categories

Route to Market (RTM)

Cost Optimisation

Portfolio: Driving transaction and mix through consumer relevance and marketing support

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Portfolio

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Route to Market (RTM)

Cost Optimisation

- We have seen **further gains in our consumer base** as we seek to **increase relevance, improve competitiveness and accelerate innovation** to capture major consumer trends
- **Single serve CSD transactions continue to grow** driven by smaller packs, premium focus and strong frozen growth
- **We continue our "Always on" marketing** for brand Coke which will be supported by **increased media spend in H2 vs last year**

Increasing relevance, stabilising transactions and re-engaging consumers

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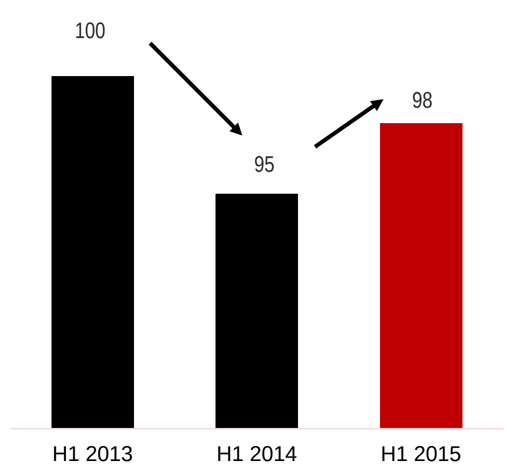
CSD single serve transactions

Units / day (indexed to H1 2013)



Sources: CCA ex-factory sales

CSD single serve transactions
+3%
H1 15 vs H1 14

Coke™ Teens P4W consumption
+1 ppt
June 15 vs June 14

Household Penetration
+1.4%
YTD 13/06

Addressing brand relevance and driving penetration and transactions

- Ongoing growth in smaller pack formats including 250ml
- Increased focus on premium glass packs
- Recruitment through Frozen formats
- Introducing lower kJ options including successful launch of Coke Life

Sources: TCCC AU B3 consumer tracker 3MMT; Nielsen Homescan

2015 will see continued focus on transactions and mix through pack price optimisation in our core CSDs

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Pack / price optimisation

- Accelerate availability of perfectly small 250ml can
- Introduce the 390ml PET contour bottle
- Accelerate premium packs such as 1lt glass, 1lt PET & mini-cans across all channels including "Premium bays" in grocery
- Launch Coke Life in more packs and across more outlets (24pack cans)
- Continue to up-weight marketing activity underpinned by our 'Always on' marketing programme

Optimising promotional investments to maximise value contribution from core CSDs

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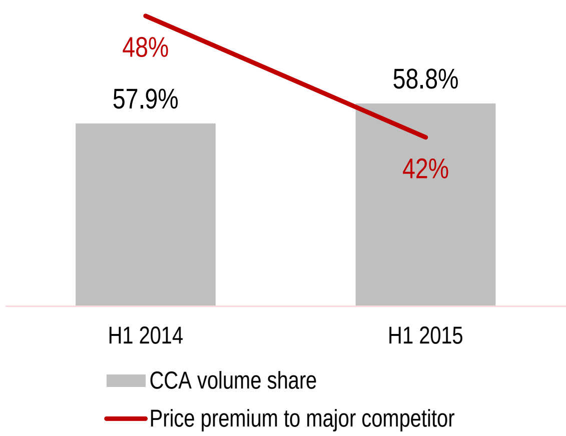
CSD share and price premium to major competitor
Grocery H1 15 vs H1 15



Proactively addressing core soft drink competitiveness to drive share and profit

- Grocery promotional program in H1 with ~1% price investment delivered overall volume and value and share gain improvements
- Improved mix with Premium Glass packs and Cold Drink programs
- H1 average price declined by ~1% resulting in reduction in price premium

Sources: Aztec (AU Grocery weighted exc. Aldi)

Leveraging revenue growth opportunities to maximise value in water category

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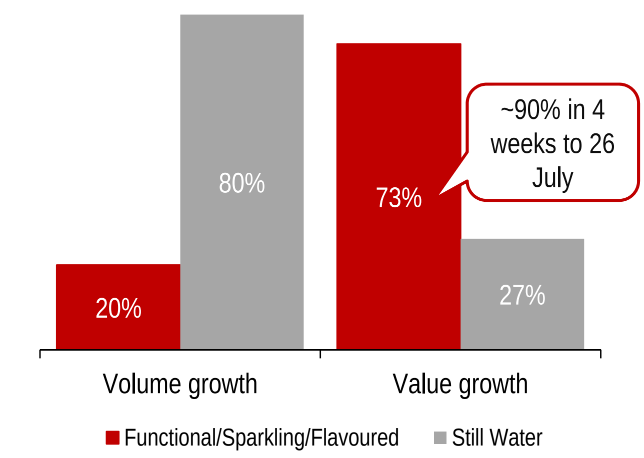
Grocery packaged water share of growth
YTD July 15 vs prior year



Source: Aztec Grocery (AU Weighted) YTD July 2015

Capturing profitable value growth

- Selectively utilising Peat's Ridge to capture share of value water segment
- New Mount Franklin pack and positioning to capitalise on its position as Australia's favourite water brand
- Accelerated innovation into functional and enhanced water segments including Zico coconut water

Further up-weighted media investment focused on priority categories

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- In H2 we will continue to up-weight our media investment to support:
  - 2 major new brand campaigns
  - 2 new product launches
  - 1 major promotion
  - Christmas and Footy Finals
- ….making this one of the fullest second half marketing programmes in many years

Route to Market: Investing in technology to improve effectiveness of our field sales organisation

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Portfolio

Focus on CSDs

Revenue Growth Management

Stills Categories

Route to Market (RTM)

Cost Optimisation

- We have **restructured our field sales organisation** and continue to invest in technology to ensure our sales force have the tools they need to be effective and efficient

Route to Market: Restructured RTM with increased focus on service levels & new business recruitment

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H1 2015: Executional excellence

- Re-organisation of sales team to deliver improved service to larger customers
- Growth vs LY in larger priority customers
- Investment in sales technology platform to optimise our cost to serve
- Simplified customer offers supported by systems investment

H2 2015: Embed and leverage increased capability

Sales Force Effectiveness

Technology Enabled Sales Tools

Customer leads system

- Ongoing executional focus to drive core range expansion
- Accelerate conversion to National sales centre and on-line channels to drive down cost to serve
- Launch Customer Leads & Opportunity System for new business

Cost: Funding brand and revenue management initiatives through productivity gains

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Route to Market (RTM)

Cost Optimisation

- We are funding increased brand building and revenue management initiatives through ongoing productivity gains and remain on track to deliver over $100m over 3 years

Cost: Remain on-track to deliver over $100m in savings over 3 years to fund marketing and innovation

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Continuing to deliver supply chain & operational efficiencies

- Disposal of surplus manufacturing assets in NSW and Victoria is underway
- Product portfolio review and simplification to reduce complexity and cost of operations
- Production line efficiency initiatives to drive output and optimise asset base
- Increased engagement with vendor partners to unlock value in the business
- Extensive process review supported by introduction of technology to reduce non-essential back office roles and improve overall levels of internal service

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Route to Market (RTM)

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Cost Optimisation

- We are funding increased brand building and revenue management initiatives through ongoing productivity gains and **remain on track to deliver over $100m over 3 years**

New Zealand & Fiji

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New Zealand & Fiji earnings increased by 9.9% driven by strong performances in CSDs and water

$Am	HY15	HY14	Change
Trading revenue	249.4	227.5	*9.6%*
Revenue per unit case	$8.18	$8.10	*1.0%*
Volume (million unit cases)	30.5	28.1	*8.5%*
EBIT	44.3	40.3	*9.9%*
EBIT margin	17.8%	17.7%	*0.1 pts*

New Zealand & Fiji

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New Zealand

- Volume growth >8% driven by strong innovation and focused market activation across a buoyant summer trading period
- Market share growth across Energy and Sports, whilst holding share in CSDs. Strong volume growth across Kiwi Blue and Pump water brands and growth in Juice volumes
- CSD transaction growth outpaced volume growth driven by small pack focus
- Successful Coke Life launch stimulated solid growth across the Coke trademark

Fiji

- Delivered very strong volume and earnings growth driven by a revitalised local economic growth environment, better ranging and broader distribution

Indonesia & PNG

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Indonesia & PNG delivered improved earnings with Indonesia delivering solid volume growth and strong market share gains in CSDs

$Am	HY15	HY14	Change
Trading revenue	486.1	432.5	*12.4%*
Revenue per unit case	$4.60	$4.41	*4.3%*
Volume (million unit cases)	105.7	98.1	*7.7%*
EBIT	22.4	15.3	*46.4%*
EBIT margin	4.6%	3.5%	*1.1 pts*

Indonesia & PNG

Indonesia

- Economic growth has slowed in Indonesia which is impacting overall consumer purchasing power
- >7% volume growth (~3% adjusted for Ramadhan impact)
- Progress made in strengthening market positioning and presence, gaining market share in CSDs
- CSD market share up 5pts driven by a combination of improved in-market execution and promotional initiatives
- Local currency price per case declined ~3% primarily the result of the mix shift to lower priced affordability packs including water and cups

PNG

- PNG delivered strong volume and earnings growth driven by a revised pack strategy, pricing initiatives and strong cost management

Alcohol & Coffee

Alcohol & Coffee earnings increased by 30.4% driven by improved market share across the Beam portfolio and the launch of new products

$Am	HY15	HY14	Change
Trading revenue	177.1	139.8	*26.7%*
EBIT	14.6	11.2	*30.4%*

Alcohol & Coffee

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- Strengthened relationship with Beam Suntory in Australia, entering into a new 10-year agreement commencing 1 July 2015 which will fully integrate the expanded Beam Suntory spirits range into our existing market-leading spirits and RTD portfolio
- Commencing 1 October 2015, the relationship with Beam Suntory will extend to New Zealand with CCA to execute the sales and distribution of the Beam Suntory spirits portfolio in New Zealand as well as the manufacture, sales and distribution of its RTD spirits portfolio
- Beer and cider ranging was expanded across the on- and off-premise channels with volumes almost doubling on last year
- Growth of the Coffee business is on track as a result of the successful expansion of the Grinders capsule range and significant wins in the core bean business in the café and hotel channels

Income Statement

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EBIT increased by 0.1% which was in line with expectations

A$m	HY15	HY14	% chg
EBIT	316.9	316.7	0.1%
Net finance costs	(50.8)	(60.5)	(16.0%)
Taxation expense	(78.8)	(73.6)	7.1%
Net profit	187.3	182.6	2.6%
Net profit attributable to non-controlling interests	(3.4)	(0.3)	
Net profit attributable to members of CCA Limited	183.9	182.3	0.9%

Capital Employed

The return on capital employed of 18.2% remains well above CCA's cost of capital

A$m	HY15	HY14	$ chg
Working capital	596.2	472.0	124.2
Property, plant & equipment	1,977.7	2,007.5	(29.8)
IBAs & intangible assets	1,250.0	1,271.8	(21.8)
Current & deferred tax balances	(150.0)	(193.7)	43.7
Derivatives – non-debt	(20.4)	(6.4)	(14.0)
Other net assets / (liabilities)	(41.0)	11.0	(52.0)
Capital employed	3,612.5	3,562.2	50.3

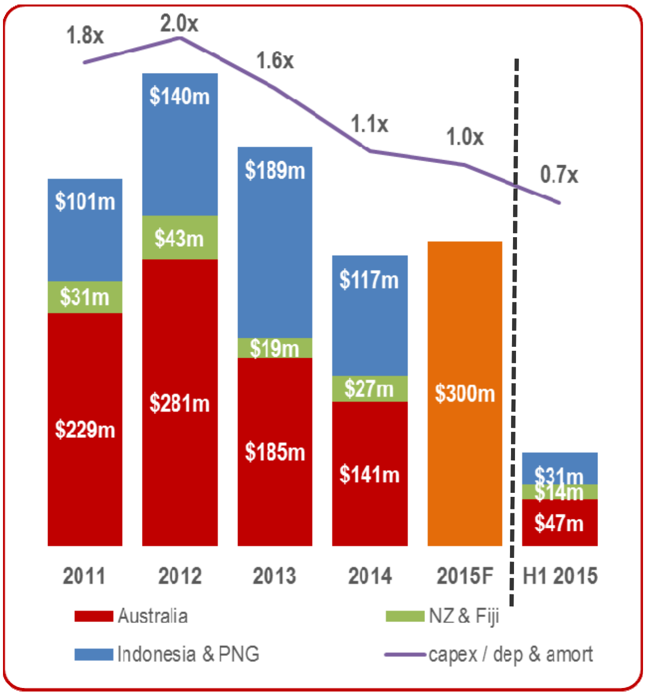
Cash Flow

Free cash flow decreased $54.4 million due to a significant - largely timing-related - increase in working capital, partly offset by lower capital expenditure requirements

A$m	HY15	HY14	$ chg
EBIT	316.9	316.7	0.2
Depreciation & amortisation	137.0	131.4	5.6
Change in working capital & other	(137.5)	(10.8)	(126.7)
Net interest paid	(64.9)	(71.2)	6.3
Taxation paid	(90.3)	(109.5)	19.2
Operating cash flow	161.2	256.6	(95.4)
Capital expenditure	(91.6)	(131.0)	39.4
Proceeds from disposal of property, plant & equipment	1.9	0.3	1.6
Free cash flow	71.5	125.9	(54.4)

Capital Expenditure

2015 Group capex is expected to be around $300m – in line with depreciation

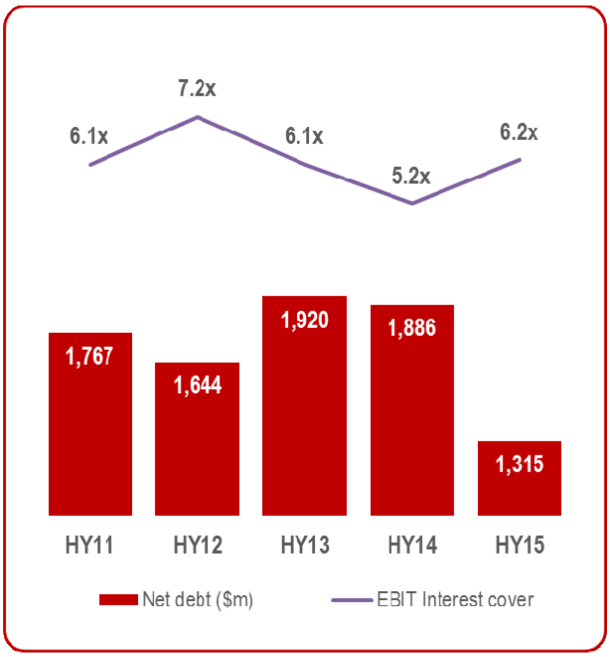


H1 capital expenditure reduced by $39.4m to $91.6m, to 0.7 times depreciation & amortisation

- Australia: completion of aseptic production line, investment in production facilities to enable the closure of sites, cold drink cooler investments and investment in IT solutions
- SPC: new Snack line, tomato production line and roll out of Perfect Fruit machines
- Indonesia: installation of 3 new production lines as well as the continued placement of cold drink coolers

Net Debt & Interest Cover

EBIT interest cover remains strong at 6.2x



- Net debt decreased by $571.2 million to $1.3 billion reflecting the receipt of US$500 million from TCCC for a 29.4% interest in CCA's Indonesian business

Priorities & Outlook for 2015-2017

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Australia – Stabilise earnings and return to growth

- Strengthen our brand portfolio to increase our appeal to a wider range of consumers
- Optimise our revenue management by optimising price, pack architecture and strengthening our promotional management
- Redesign the route to market model to improve cost to serve and better leverage our scale
- Restructure our cost base to deliver ongoing productivity gains
- Despite stronger than expected headwinds in the first half the business continues to target a stabilisation of earnings in 2015

Priorities & Outlook for 2015-2017

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Indonesia – Expand our market presence in Indonesia to realise the market's potential

- Improve product availability and affordability across different channels
- Build brand strength and channel relevance through multi-category portfolio
- Drive cost competitiveness from operating leverage, transformed route-to-market and reduced complexity
- In 2015, Indonesia economic growth has slowed with rapid cost inflation impacting consumer demand for many categories including commercial beverages
- We are confident that we will continue to deliver above-market volume growth and improved earnings for the Indonesia & PNG region in 2015

Alcohol – Continue to build our portfolio in Australia and New Zealand

- Strengthen our product offering and customer servicing capability to the licensed channel by leveraging CCA's large-scale sales, manufacturing and distribution infrastructure assets

2015-2017 Financial targets

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Group EPS	» No further decline in EPS after 2014 » Targeting to return to mid single-digit EPS growth levels » The pace of recovery will depend on the success of revenue initiatives in Australia and Indonesian economic factors
Capital expenditure	Group capex – around \$300m pa in 2015 – in line with depreciation » Australia & NZ – at or below depreciation » Indonesia – TCCC US\$500m capital injection supports up-weighted capex » SPC – \$100m over next 3 years comprising \$78m CCA investment and \$22m funding from Vic govt
Dividend outlook	» Well placed to target dividend payout ratio of over 80% given strength of cash flow generation
Balance sheet	» Maintain conservative debt levels to provide flexibility to fund future growth opportunities » Potential to pursue capital management initiatives » Bolt-on acquisitions only

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2015 Interim Result

Q&A

21 August 2015

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