

Media Release

23 August 2017

COCA-COLA AMATIL 2017 HALF YEAR RESULTS

Result Overview

- Strong earnings performances in New Zealand & Fiji, Indonesia & Papua New Guinea and Alcohol & Coffee
- A challenging start to the year for Australian Beverages as identified in our 21 April trading update, with performance improving since Easter
- Underlying¹ earnings before interest and tax (EBIT) of \$312.7 million and underlying net profit after tax (NPAT) of \$190.1 million representing declines of 4.3 per cent and 4.1 per cent respectively
- Significant progress on share buyback program with 26.7 million shares bought back for total consideration of \$247.8² million; \$102.2 million of funds still available to utilise post release of HY17 results
- As a result of the reduced number of shares on issue, underlying earnings per share (EPS) decline contained to 3.5 per cent
- Previously identified non-trading items relating to cost optimisation projects in Australian Beverages of \$71.4³ million (before tax) or \$50.0 million (after tax)
- Statutory EBIT of \$241.3 million and statutory NPAT of \$140.1 million
- Increase in net debt of \$274.0 million to \$1,266.8 million from FY16 due primarily to the share buyback program
- Interim dividend declared of 21.0 cents per share (1H16: 21.0 cents per share), franked to 70 per cent, representing an underlying payout ratio of 81.4 per cent for the period. It is anticipated that franking will continue to be at a lower level than prior years

Additional Developments

- Entered into agreements for the sale and leaseback of the Richlands manufacturing and warehousing facility in Queensland, with a one-off gain in the second half to offset one-off costs from Australian Beverages' cost optimisation initiatives for the year; proceeds of approximately \$156 million and resulting in a one-off gain of approximately \$100 million before tax in the second half; expected that this will be substantially realised as profit after tax due to the utilisation of capital losses
- Coca-Cola Amatil is a partner in Exchange for Change – the industry joint venture which has been appointed as Scheme Coordinator in the NSW Container Deposit Scheme; progressing towards scheme commencement on 1 December 2017

¹ Underlying refers to statutory results adjusted to exclude non-trading items, refer to Coca-Cola Amatil's 2017 Half Year Report for further details

² To 23 August 2017

³ Non-trading items relating to Thebarton site closure and restructuring costs related to cost optimisation programs in Australian Beverages, totalling to \$50.0 million after tax

Coca-Cola Amatil today reported its half year results for 2017, with strong earnings before interest and tax ("EBIT") performances in New Zealand & Fiji, Indonesia & Papua New Guinea and Alcohol & Coffee, improved EBIT in SPC, and continued challenging conditions in Australian Beverages.

Overall the Group experienced a decline in underlying EBIT of 4.3 per cent and a decline in underlying EPS contained to 3.5 per cent as a result of the reduced number of shares on issue.

Coca-Cola Amatil Group Managing Director, Alison Watkins said, "Our April 21 trading update identified challenging conditions in Australia and their impact on the overall Group result for the year.

"That said, it's pleasing to see Australian Beverages' performance has been improving since Easter. This is alongside the continued delivery of results from our identified growth businesses, especially Indonesia & PNG, and Alcohol & Coffee.

"Again, we're seeing the advantages of a diverse portfolio of products – our growth segments have performed well and partially offset challenging conditions in Australian Beverages," said Ms Watkins.

Australian Beverages revenue declined by 5.1 per cent and volume declined by 3.9 per cent with performance impacted, particularly during the Easter period, by volume and price pressure across all channels due to competition and category trends, and subdued consumer spending across the board.

"Since Easter we have seen pricing pressure in Sparkling Beverages ease compared to the prior half, and volume in branded water has grown with investment in price in the last few months.

"We also delivered positive performance in energy and dairy for the half, reflecting the strong and expanding position we have in these important growth categories.

"We are progressing well with redevelopment of our Richlands facility, including new glass and dairy lines and state-of-the-art fully automated warehousing. Sale and leaseback of our Richlands land and buildings will generate a \$100 million before tax one-off gain in the second half. We are also working with the New South Wales Government on the introduction of the container deposit scheme, and are part of the industry joint venture appointed as the Scheme Co-ordinator," said Ms Watkins.

In other markets, we delivered strong EBIT performances in our identified growth markets of **Indonesia, Papua New Guinea, Fiji** and **Alcohol & Coffee**, and another good performance in **New Zealand**.

"Indonesia improved its profitability despite soft economic conditions. While the business experienced revenue and volume declines in both the modern and traditional trade, delivery of further cost optimisation initiatives resulted in double-digit EBIT growth.

"Momentum in our Alcohol & Coffee business has continued with Alcohol achieving revenue, volume and EBIT growth as our Spirits portfolio continued its solid performance and beer volumes increased significantly with the addition of new brands.

"New Zealand achieved revenue growth on consistent volumes through strong performances in energy and juice, offsetting some challenges in sports and water.

"We expect underlying NPAT for the full year to be broadly in line with last year. Our medium term target continues to be mid-single-digit EPS growth in line with our shareholder value proposition. Our level of performance will depend on the success of revenue initiatives in Australia, Indonesian economic factors and regulatory conditions in each of our markets. We do acknowledge that the roll-out of container deposit schemes in Australia will challenge us over the next couple of years given the inherent uncertainty of their impact across the industry.

"Our balance sheet remains strong and together with our ability to generate strong cash flow, continues to provide us with flexibility to fund future growth opportunities as they arise.

"We are focused on what we need to do to deliver a strong and sustainable business for today and tomorrow and are confident in our plans to achieve this," said Ms Watkins.

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ABOUT COCA-COLA AMATIL

Coca-Cola Amatil is one of the largest manufacturers and distributors of ready-to-drink non-alcohol and alcohol beverages, coffee and ready-to-eat food snacks in the Asia Pacific region. Coca-Cola Amatil is also the authorised manufacturer and distributor of The Coca-Cola Company's beverage brands in Australia, New Zealand, Fiji, Indonesia, Papua New Guinea and Samoa. Coca-Cola Amatil directly employs around 14,000 people and indirectly creates thousands more jobs across the supply chain, partnering with key suppliers to manufacture, package, sell and distribute its products. With access to more than 270 million potential consumers through more than 850,000 active customers Coca-Cola Amatil is committed to leading through innovation and building a sustainable future and delivering long-term value to shareholders.