COCA-COLA AMATIL

2015 AGM – Chairman & Group MD's Address

12 May 2015

David Gonski Chairman

Ladies and gentlemen….

2014 earnings have come under significant pressure as we have contended with structural changes in the marketplace. For the full year, CCA reported net profit after tax of $375.5 million, before significant items, a decline of 25.3% on the 2013 full year result. After including the impact of significant items, reported net profit after tax increased by 240.6%.

The business continued to generate strong cash flows and the balance sheet and financial ratios remain strong. As a result, full year ordinary dividends of 42 cents per share were declared, representing a payout of 85.4% of net profit, before significant items.

2014 has been a year of transition for CCA.

In March we welcomed our new Group Managing Director Alison Watkins. Alison and her team commenced – and completed – a strategic review of the business in response to deteriorating market conditions across the Group. Concrete progress has already been made in implementing strategies to strengthen the market leadership position of the Company in its two major markets, Australia and Indonesia, which we believe will enable us to return to growth and generate attractive and sustainable returns for our shareholders over the next few years.

In Australia, we strengthened the leadership team of the Australian business and commenced restructuring activities which saw us address pricing across our sales channels, increasing the level of marketing spend to support brand equity building activities as well as implementing cost savings initiatives. By the end of the year we had delivered some improved momentum with our small customer account numbers back in growth and the launch of 250ml cans tracking above expectations. In addition, the business has identified over $100 million in cost savings to be delivered progressively over the next three years.

In Indonesia, we developed a joint system plan with The Coca-Cola Company to strengthen our market position. We will broaden our product offering with new products, new consumption occasions and a greater range of affordable packs. In February shareholders approved a proposal which has resulted in an equity injection of US$500 million from The Coca-Cola Company in our Indonesian operations. These funds will support up-weighted investment in our production, warehousing and cold drink infrastructure over the next three to four years.

SPC delivered a significant improvement in earnings to deliver a close to breakeven result, driven by improved ranging, successful new product launches and productivity improvements.

And finally, we re-entered the beer and cider market in Australia following the expiration of a non-compete agreement we had with SAB Miller following the sale of our joint venture interests with them two years prior.

We believe the initiatives we have put in place will strengthen our business, returning our earnings to a sustainable growth trajectory over the medium term. To achieve these targets, the Board and the Group Managing Director recognise the importance of having a strong and accountable leadership team to deliver on our strategy and to drive the necessary focus on category leadership, productivity and market execution essential to build a solid platform for the return to sustainable growth.

Throughout 2014 several changes were made to the leadership team and reporting lines were altered to strengthen the executive structure. In April we announced the appointment of Martyn Roberts as the Group's Chief Financial Officer, following the departure of Nessa O'Sullivan. An accomplished CFO with 20 years' experience in senior finance roles, Mr Roberts joins CCA from Woolworths Australia where he has held various senior executive positions, most recently Finance Director – Supermarkets.

I would like to take this opportunity to thank Nessa for the significant and lasting contributions she has made to CCA in her many years with us. On behalf of the Board, I thank Nessa for her valuable service and wish her well for the future.

I would like to now discuss executive remuneration.

The Board believed it was appropriate to review the Company's approach to executive remuneration in order to ensure that it is aligned with our strategic review goals, is keeping pace with contemporary market practice and is aligned with shareholder expectations. The Company reviewed its remuneration strategy with assistance from independent external advisors. A phased implementation of this revised remuneration strategy will commence in 2015, with the overall direction being to make a higher proportion of executive remuneration at-risk.

This will reinforce performance differentiation, incentivise high performance and reward the behaviours which will deliver sustainable growth.

In relation to the 2014 year the Board worked with the Group Managing Director to ensure that the executive framework was aligned to the dual objectives of returning to sustainable growth whilst still focussing on the 2014 financial result.

The 2014 remuneration outcomes recognise the need for effective incentive programs to motivate, reward and retain a newly formed leadership team, whilst aligning executive reward with shareholder outcomes. Long term incentives failed to vest in 2014 for the second consecutive year.

Turning now to corporate social responsibility.

Despite the difficult year, we believe it is important to remain focused on doing what is right for our Company for the long term and our commitment to our chosen areas of focus has been unwavering. We are committed to long term sustainability which means the business decisions we make take into account the best outcomes not only for our shareholders and employees but also for our environment and the communities in which we operate. Our sustainability strategy focuses on accountability, targets, transparency and ethical performance.

I would like to share with you today a short video that captures the work we have undertaken over the last 12 months in the area of sustainability.

VIDEO – Sustainability

To conclude I would like to acknowledge the contribution of each of our 15,000 employees who have continued to demonstrate great dedication and commitment despite the very difficult trading conditions we operate in. As a Board and on behalf of you, our shareholders, we acknowledge the work of the senior management team as well as all of our employees. We are very fortunate to have such a passionate and committed team of people.

I now welcome Alison who will provide some more detail on the results of the strategic review conducted by the business.

Alison Watkins Group Managing Director

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

I would like to start by recognising the importance of the energy and commitment of our people. Over what has been a challenging 12 months – and a time of much change – within the business, the enthusiasm and commitment of everyone has been remarkable and I would also like to extend my heartfelt appreciation to the team here at CCA.

I am well supported by a strong and re-invigorated leadership team. I'd like to introduce you to a number of those who are here today – Managing Director for Australian Beverages - Barry O'Connell, MD for Alcohol & Coffee - Shane Richardson, our incoming Group CFO Martyn Roberts, HR Director Libbi Wilson, George Forster, Group General Counsel, who you have already met, and finally, our Head of Investor Relations Kristina Devon.

When I addressed you at last year's AGM, I talked to you about some of the challenges the business has been facing, particularly in the Australian beverage and Indonesian markets. As a consequence, of these structural changes, our earnings have come under significant pressure in recent years.

In response to these deteriorating market conditions we announced that we would conduct a comprehensive strategic review of the business with the aim of returning the business to generating attractive, sustainable returns for shareholders. The review took around six months with the results of that review announced last October.

Some of the key outcomes of the review included:

Strengthening the leadership team with a flatter management structure and an experienced and accountable group leadership team.

Defining reality for each business unit. This is never an easy task for a business to undertake. We needed to really challenge ourselves and establish where our competitive strengths lay and make a number of tough decisions as to how best structure ourselves for the future. While we could confirm our strong competitive advantages, it meant acknowledging and defining the headwinds for our businesses, particularly Australia & NZ, Indonesia and SPC.

We needed to develop a set of comprehensive plans to restore performance. These plans reflect the strategic themes of:

» Strengthening our category leadership position in each of our markets
» Making a step-change in our productivity and efficiency of in-market execution, and
» Building better alignment with The Coca-Cola Company
» It also resulted in the establishment of a new joint system plan for Indonesia to expand our market presence to realise that market's potential

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And finally we determined the optimal business mix for the Group. This we believe should comprise of a:

- Strong base of developed market franchise territories – being Australia & NZ – which generate strong free cash flows
- Delivering on the potential of our developing markets – Indonesia & PNG
- Delivering incremental growth from alcoholic beverages and SPC, while maintaining a
- Strong balance sheet to enable us to continue to pay a high level of dividends while being able to fund growth opportunities in the longer-term

At the same time we've sought to re-energise our people by defining a clear and exciting vision for the future. This vision is underpinned by a set of values that set the foundation for the culture that we want for our business.

The Australian beverage business was our immediate priority given its size and importance to the Group's overall earnings. While there is no doubt that we have a great portfolio of brands and unrivalled production and distribution capability, we had been relying too heavily on price lead volume growth. In an environment where we had reduced the level and effectiveness of our marketing investment and where consumer behaviour was changing, we could see that this was no longer sustainable.

What was required was a more balanced strategy. We needed to address the consumer desire for more packaging options, particularly smaller portion sizes. There needed to be a step up in product innovation, to provide consumers with even more choice around reduced calorific intake and we needed to strengthen our brand equity by re-connecting with existing and lapsed consumers to our brands.

In essence, we have developed a strategy based on extending our franchise to many more consumers through product and package innovation and re-igniting the magic of our brands.

So what have we done so far?

To address the decline in single serve carbonated beverage transactions, we introduced a smaller can – a 250ml can – at an attractive price and backed it up with the highly-visible "colour your summer" campaign which saw Coke for the first time in the world launched in six bright colours. We promoted the cans through social media and outdoor in a way that had not seen before.

Colours and portion size may seem like a simple thing but it's led to an increase in the number of consumers coming back into the franchise, with an improvement in particular in teen consumers who have drunk a Coke in the past four weeks.

Single serve PET bottle transactions remain a key driver of our business and this year we are lucky to be celebrating the 100th anniversary of the contour bottle. We will be leveraging this with a significant Coca-Cola campaign in the second half of this year. Single serve PET contour will be at the heart of this campaign and we have been conducting several live in-market tests on both bottle size and pricing strategies during the past three months.

Consumer relevance is central to our success and the issue of calorie intake in the Australian diet is very relevant. The launch of Coke Life is therefore another critical element in our efforts to recruit new and lapsed consumers back to the category. We know that artificiality and taste are preventing the more health conscious consumers from migrating from full sugar to diet Cola and that sugar is stated as the primary reason for reduced Coca-Cola consumption among consumers.

Coke Life is a naturally sweetened version of Coca-Cola, with 35% less kJ, that unlike a few attempts by others in the past, does not compromise on taste. Coke Life is just the first of a number of naturally sweetened options that we will launch across our portfolio during 2015 – 2017.

Coke Life was launched in April so it has only been in the market for a few weeks. The launch itself has been a great success with unprecedented support from our customers. Our Grocery customers accelerated their supply chain to ensure Coke Life was available on shelf nationally less than 24 hours after leaving our warehouses. They backed this up with great in-store execution and investment in their own media. Within the first 10 selling days we also achieved penetration in over 50% of our cold drink customer base. With the help of over 1,300 of our employees who were re-deployed from their desk jobs to fill fridges with Coke Life, we managed to activate over 20,000 fridges and paint our customers green by placing over 250,000 pieces of point of sale materials.

This has been backed by our 'Let Life Surprise You' marketing campaign and sampling program which has given over 235,000 consumers a taste of Coke Life

We're currently tracking above target with Coke Life. It's our second most bought pack in 1.25L and 250ml packs sizes and has gained a 13% share of the Sugar Cola segment. Longer term, our expectations would be for Coke Life to represent 1-2% of total brand coke volumes, which is about the levels achieved in the UK market.

The halo effect of Coke Life in the UK was incredibly powerful, with overall brand Coke volumes growing strongly in the months following its launch in August last year. The real test for us will be over the coming 6-8 weeks as we see repeat purchase patterns as this is will be the true indicator of consumer take up of the brand

So far I've talked a lot about Coca-Cola and CSDs but with over 30% of our volume sourced outside of carbonated beverages, we have also moved to broaden our consumer relevance in other categories.

In 2014, we have driven strong results in both the sports and energy categories with a mixture of innovation, marketing and pricing support leading to significant share increase and absolute profit growth. We will continue this strategy into 2015.

We entered the dairy category using new aseptic technology which provides us with a great tasting product and a significant advantage in terms of shelf life versus our competition. Our Barista Bros brand has surpassed our expectations taking 3% share in a very short period of time. Encouraged by these results we will expand this range later in the year.

We also entered into the coconut water category with Zico. So far this has only been in grocery where it has taken 15% share and we have been so encouraged by these results we fast tracked expansion into the route market.

In addition to activities around brand Coke there are two other very important initiatives. We will leverage the lemonade and water categories to capture ongoing trends towards healthier and more permissible products - re-engaging and recruiting consumers through increased brand investment and stronger new product development and by maximising opportunities in price, pack architecture.

As one of the most permissible segments in the carbonated beverage category, Lemonade and in particular Sprite has significant upside. Thus we will dramatically increase support of the lemonade category through significant and sustained brand and marketing investment complemented by a swing to lower calorie offerings. Sprite Zero will be subject to increased focus and we are close to cracking the solution to a naturally sweetened lower calorie Sprite – again with absolutely no taste compromise.

Structural changes in the water category continued through 2014. We will continue to develop and utilise Pure Springs as a branded value water offering where value is the primary purchase driver. Furthermore, 2015 will see Mount Franklin under-go a major brand relaunch supported by a new proprietary bottle and look in market and a significant up weight in media activity. We are also undertaking a full price, pack architecture review of our entire water portfolio to ensure we are suitably placed to benefit from the ongoing growth in the water category.

That gives you an idea as to what direction we are going and what we have done with our brands.

In addition, we are rolling out a next-generation digital technology platform which will significantly enhance the route-to-market model and deliver a step change in customer service.

And we are restructuring the cost base to deliver ongoing productivity gains and continue to expect to achieve savings of over $100 million progressively over the next three years providing us with the ability to fund increased brand building and revenue management initiatives.

So overall for Australia, we are targeting to stabilise earnings in 2015 and return the business to growth by strengthening our category leadership position with a particular emphasis on rebuilding brand equity in Coca-Cola. At this early stage of the year we are encouraged by volume growth, however low food inflation and continued challenging market conditions are constraining price realisation.

Let me move on now to Indonesia.

Indonesia is an exciting growth market for CCA. With consistent growth in demand from Indonesia's emerging middle class we now have the opportunity to increase our appeal to a broader range of consumers to ensure we continue to be a leading player in the market over the longer-term. To achieve that position will require significant levels of investment into the market to capitalise on the growing demand.

In order to strengthen our market position, we have developed a joint system plan with The Coca-Cola Company to broaden our product offering with new products, new consumption occasions and a greater range of affordable packs. At the same time we will transform our route-to-market model to increase our relevance and availability to the traditional trade and broaden our customer base. We will also be targeting improved productivity and efficiency in production and logistics by better leveraging our scale. And we have accelerated the focus on developing capability within our local teams, strengthening our local talent and leadership.

As David mentioned to you, a critical enabler for this plan has been the US$500 million equity injection into CCA Indonesia by The Coca-Cola Company. This provides them with a 29.4% equity interest in CCA Indonesia and the funds will be used to up-weight capital expenditure over the next 3-4 years to fund expansion of our production, warehousing and cold drink infrastructure. The objective is for CCA Indonesia to be able to self-fund growth from operating cash flows from 2020. The plan has targets to progressively improve returns on capital over and above CCA Indonesia's cost of capital over the medium term. The joint system plan was approved by CCA shareholders in February with Indonesian regulatory approvals received in March.

2014 was a challenging year for the business. We are however pleased with the progress we have made in broadening the reach of our product portfolio and the improvements in market share we have recorded across categories.

The economy has slowed into 2015 as a result of softening global demand for commodities and government policy changes, particularly the reduction in fuel subsidies. This is impacting our volumes however our earnings growth targets remain in line with expectations.

In alcoholic beverages we will continue to build our alcoholic beverage portfolio in Australia and New Zealand by strengthening our product offering and customer servicing capability to the licensed channel. We will do this by leveraging the Group's large-scale sales, manufacturing and distribution infrastructure assets. We have a number of strong alcoholic beverage brand owner partners as well as the opportunity to develop our CCA brands. Growth needs to be paced and our medium term focus will be to build credibility by winning with our existing partners.

And finally, for SPC, we will invest to restore SPC to a profitable, modern food business. After many challenging years and restructuring initiatives, SPC delivered a close to break-even result in 2014 and we are confident it will continue to improve.

For a while there it was very hard to see a future for SPC without a significant injection of capital to reinvent the business. SPC plays a huge role in the Goulburn Valley in Victoria, with many growers and SPC employees dependant on it for their livelihoods. The SPC brands are well known and loved in Australia and consumers rallied behind the company and produced support from the Victorian government and the major retailers. Simultaneously our team created a plan, supported by our Board, which required a substantial $100 million in capital to improve productivity, quality and enable the business to innovate and grow.

We're now at the exciting stage of rolling out innovations like Perfect Fruit - a fruit-based soft serve - and our SPC and Goulburn Valley snack packs - thanks to the $15 million we've already invested to create vastly improved capability.

We now believe we are on track to return SPC to profitability. We have a strong pipeline of innovative fruit-based snack products still to come which is backed by a disciplined capital investment plan that will modernise our production facilities and establish a lower cost position.

I would like to take the opportunity to formally farewell Peter Kelly who has recently left the business. Peter took on the challenge to turnaround SPC two years ago. In that time he has done a fabulous job, restoring the confidence of consumers, customers and shareholders in this wonderful Australian company and leaves a strong leadership team who are well positioned to continue the positive momentum of SPC.

In terms of our **financial outlook**…

This is a great company with very strong foundations and we are confident we can restore CCA to growth.

At our strategic review in October last year we told investors that we are targeting to return the business to mid single-digit growth in earnings per share over the next few years with no further decline expected after 2014. We are confident that the combination of revenue and cost initiatives we have underway will restore the business to growth. The pace of recovery will however depend on the success of revenue initiatives in Australia and Indonesian economic factors.

The balance sheet remains in a very strong position and our net debt position will further reduce by the US$500 million received from The Coca-Cola Company in exchange for their equity injection into the Indonesian business. With free cash flow generation also expected to remain strong, the business is well-placed to target a dividend payout ratio of over 80% over the next three years. We expect to maintain a conservative balance sheet position which provides us with flexibility to fund future growth opportunities.

So, in closing, I believe we have made concrete progress in implementing strategies to strengthen the market leadership position of the Company which we believe will enable us to return to growth and generate attractive and sustainable returns for our shareholders over the next few years. While we are pleased with the progress we have made to date, we cannot however become complacent. We absolutely recognise that we still have a long way to go and we need to continue to challenge ourselves.

I continue to be excited by the opportunity we have to shape a strong future for CCA.

Thank you all, and I will now hand back to David.