2016 Half year result

26 August 2016

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Martyn Roberts | Group Chief Financial Officer
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Agenda

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2016 Half Year Result Overview

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- Solid half year Group result with a **3.2% increase in Group Earnings Before Interest and Tax (EBIT) to $326.9 million** demonstrating progress on our shareholder value proposition

- Group earnings profile building on 2015 with **strong performance in our growth segments** of Indonesia & PNG (65.2% EBIT growth) and Alcohol & Coffee (33.6% EBIT growth)

- **5.4% EBIT increase** in New Zealand & Fiji

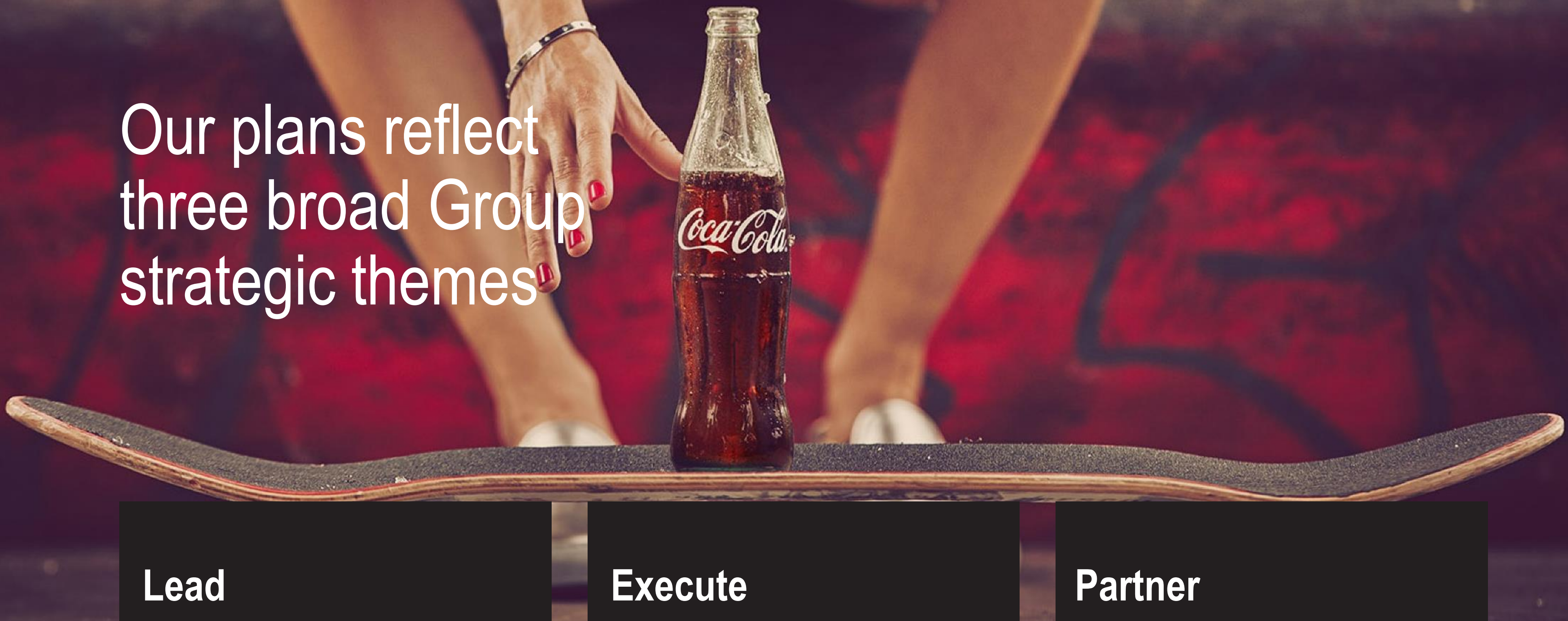
- 1.9% EBIT decline in Australian Beverages while **continuing focus on rebalancing the portfolio** to reflect consumer demands and trends

- Net operating cash flows increased to $331.7 million with **cash realisation of 98.1%**

- **Delivering** towards our target of sustainable mid single-digit Earnings Per Share (EPS) growth in the medium term with an increase in EPS of 7.8% to 26.0 cents per share in the half

- **Interim dividend of 21.0 cents** declared, franked to 75.0%, which represents an increase of 5.0% and results in a payout ratio of 80.8% for the first half

Note: Quoted growth rates are compared to the first half of 2015.



Our plans reflect three broad Group strategic themes

Lead

Strengthening category leadership position

- Leading brands in each major NARTD category in each market
- Up-weighted levels of innovative marketing to continually strengthen brand equity
- Evolving portfolio that adapts to changing consumer preferences

Execute

Step change in productivity and in-market execution

- World-class customer servicing capability
- Route to market that provides customer diversification and real competitive advantage
- Effective leverage of our large-scale, low-cost manufacturing, sales and distribution capability

Partner

Better alignment with The Coca-Cola Company and our other partners

- Shared vision of success and aligned objectives
- Joint plans for growing system profitability
- Balanced share of risk and rewards

Shareholder value proposition

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Our focus is on generating attractive sustainable returns for shareholders

Investment case	EBIT drivers		NPAT drivers	Targeting shareholder value creation
Coca-Cola franchisee with leading brands Route to Market with scale and reach Large scale, modern, low cost infrastructure Steady cash flow from core Australia and New Zealand franchises Growth opportunities including Indonesia and Alcohol & Coffee providing upside	**Targeting low single-digit EBIT growth**	Core developed market franchises (Australia and NZ)	Modest capex for developed markets	Mid single-digit EPS growth
	+		+	+
	Targeting double-digit EBIT growth	Developing markets (Indonesia, PNG and Fiji)	Growth capex for Indonesia funded via TCCC equity injection	Attractive dividend yield (>80% payout ratio)
	+		+	+
	Targeting double-digit EBIT growth	Alcohol & Coffee and SPC	Continuous working capital management	Strong balance sheet
	+		+	
	Continuous cost focus		Bolt on acquisitions	

Segment EBIT contributions

A balance of leadership and growth

EBIT $m half year	HY16	HY15	Change	% of Group EBIT
Australian Beverages	**218.0**	222.2	(1.9)%	67%
New Zealand & Fiji	**46.7**	44.3	5.4%	14%
Indonesia & PNG	**37.0**	22.4	65.2%	11%
Alcohol & Coffee	**19.5**	14.6	33.6%	6%
Corporate, Food & Services	**5.7**	13.4	(57.5%)	2%
Total	**326.9**	316.9	3.2%	

Australian Beverages

Rebalancing the portfolio to address ongoing structural adjustments in the market

$m	HY16	HY15	Change
Trading revenue	**1,300.6**	1,348.9	(3.6)%
Revenue per unit case[1]	$8.41	$8.60	(2.2)%
Volume (million unit cases)	154.6	156.9	(1.5)%
EBIT	**218.0**	222.2	(1.9)%
EBIT margin	16.8%	16.5%	0.3ppts
ROCE	**32.7%**	30.4%	2.3ppts

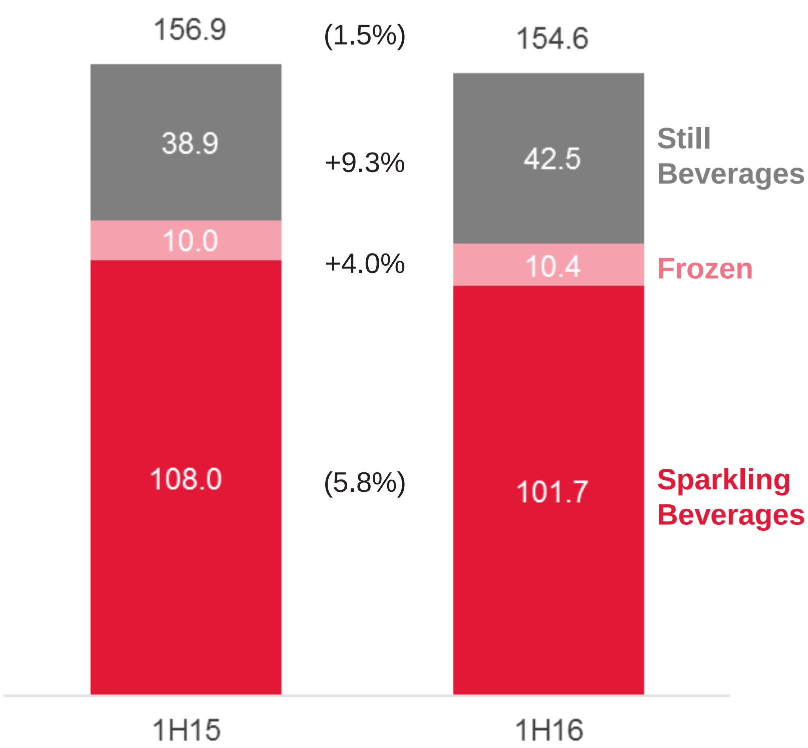
- EBIT decline of 1.9%
- Strong cost and revenue growth management enabled the ongoing rebalancing of the portfolio to assist with shaping choice, evolving with consumer trends, and positioning the business for sustainable growth in the future
- Revenue decline was driven by a 1.5% reduction in volume and 2.2% lower revenue per unit case rate reflecting pressure in channel mix and a shift in category mix from Sparkling to Still Beverages, driven by water
- Savings from the cost optimisation program are being reinvested in brand development and price to support our leadership position and to enhance business capabilities
- Strong EBIT margin and return on capital employed

1. A unit case is the equivalent of twenty-four 8 US oz (237ml) serves or 5.678 litres.

Australian Beverages

Evolving volume composition highlighting active rebalancing of the portfolio

Volume Composition By Category (muc)



Category

- Strong performance in Still Beverages with volumes increasing 9.3%
- Particularly strong performances in water, energy and dairy
- Accelerated growth in Still Beverages with the successful launch of Monster Energy and FUZE Tea
- Progress continued to be made rebalancing the portfolio in Sparkling Beverages with significant focus on portion size and product reformulations
- Overall volume decline of 1.5% due primarily to lower volumes in the cola category (including cycling of Coca-Cola Life), partly offset by growth in flavours and adult categories

Channel

- Performance in grocery was positive
- Continued to see a shift in demand from state operational accounts to national account chains and quick service restaurants
- Continued deployment of our technology enabled route to market strategy, focussed on improving customer experience

New Zealand & Fiji

Strong volume, revenue and EBIT growth

$m	HY16	HY15	Change	Change - constant currency
Trading revenue	**259.2**	249.4	3.9%	6.0%
Revenue per unit case	$7.69	$8.18	(6.0)%	(4.0)%
Volume (million unit cases)	33.7	30.5	10.5%	10.5%
EBIT	**46.7**	44.3	5.4%	7.4%
EBIT margin	18.0%	17.8%	0.2ppts	0.2ppts

New Zealand

- Strong volumes across Sparkling and Still Beverages, particularly in water
- Benefitting from the Restaurant Brands partnership although overall channel and product mix impacting realised rate

Fiji

- Strong revenue, volume and EBIT growth, underpinned by favourable economic conditions and strong local market execution

Indonesia & PNG

Significant volume increase and revenue growth

$m	HY16	HY15	Change	Change - constant currency
Trading revenue	**545.6**	486.1	12.2%	12.1%
Revenue per unit case	$4.52	$4.60	(1.7)%	(1.7)%
Volume (million unit cases)	120.7	105.7	14.2%	14.2%
EBIT	**37.0**	22.4	65.2%	71.4%
EBIT margin	6.8%	4.6%	2.2ppts	2.4ppts

Indonesia

- Very strong performance, benefiting from the Ramadan festive period being 10 days earlier this year
- Double digit revenue and volume growth across both the Sparkling and Still Beverages segments and across both the traditional and modern trade channels
- Volume growth ahead of market growth

PNG

- Double digit EBIT growth on a constant currency basis on modest volume growth, despite economic headwinds
- EBIT grew ahead of revenue as a result of strong cost management and improved efficiency

Alcohol & Coffee

Continuing strong growth trajectory

$m	HY16	HY15	Change	Change - constant currency
Trading revenue	**234.8**	177.1	32.6%	32.0%
EBIT	**19.5**	14.6	33.6%	32.9%
EBIT margin	8.3%	8.2%	0.1ppts	0.1ppts

Alcohol

- Achieved double digit revenue, volume and EBIT growth
- Sales benefited from a redesigned partnership with Beam Suntory now encompassing the Suntory range of spirits and expanding the relationship to New Zealand
- Strengthening leadership position across categories reflected in numerous local and international industry awards

Coffee

- Another solid contribution to growth through successful upgrade and repositioning of the Grinders brand and growth in capsules

Corporate, Food & Services

Modest reduction in segment earnings

$m	HY16	HY15	Change
Trading revenue	**176.9**	188.2	(6.0)%
EBIT	**5.7**	13.4	(57.5)%

SPC

- Modest loss for the period driven by lower volume and revenue
- Invested in price in a 'heavy-up' campaign but increased price competition resulted in a decline in household penetration
- Some encouraging signs in snacking fruit and tomato products
- Volume and revenue declines in traditional canned business
- Cost management remains a priority

Corporate

- Costs increase attributable to increased capability to support group strategy

Finance Update

Martyn Roberts

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Income Statement

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NPAT up 7.8% reflecting strength of growth segments and further improvement in net finance costs

$m	HY16	HY15	Change
EBIT	326.9	316.9	3.2%
Net finance costs	(35.8)	(50.8)	(29.5)%
Income tax expense	(87.0)	(78.8)	10.4%
Non-controlling interests	(5.9)	(3.4)	73.5%
Profit attributable to CCA shareholders	**198.2**	183.9	7.8%

- **Strong growth** in Indonesia & PNG, Alcohol & Coffee, New Zealand & Fiji and Still Beverages in Australia
- Lower **net finance** costs mainly driven by full half year benefit of April 2015 equity injection in Indonesia, strong cash flow and lower interest rates in Australia
- **Effective tax rate** of 29.9%
- **Non-controlling interests** increase reflecting strong performance in Indonesia

Capital Employed

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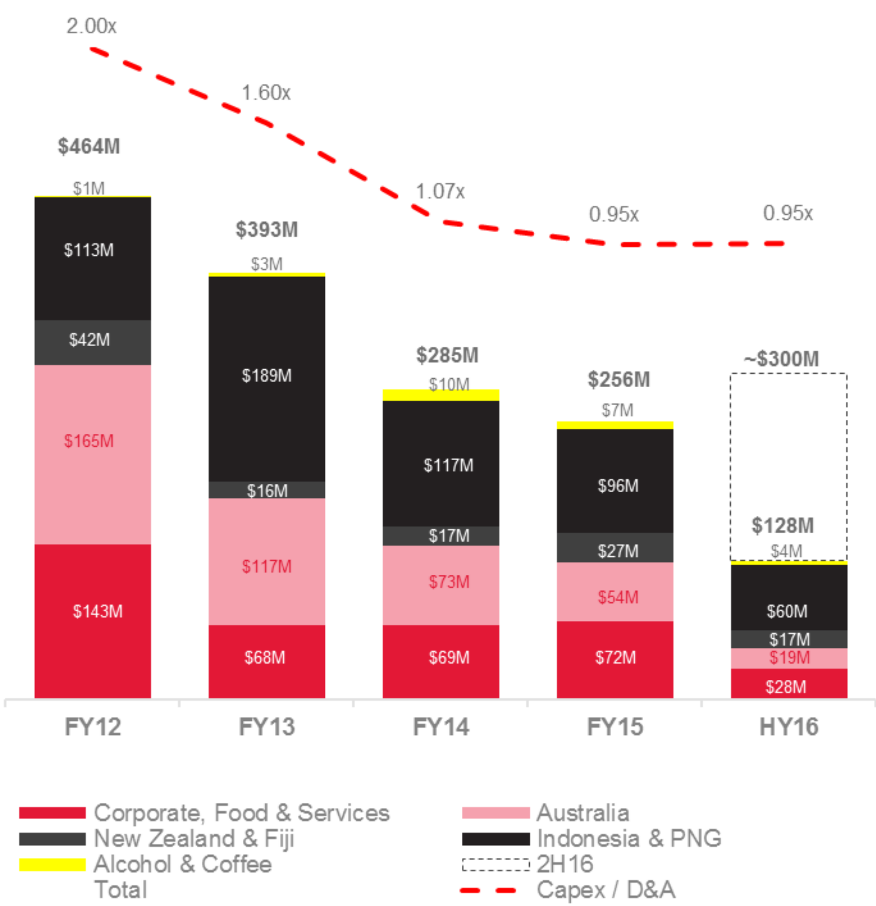
Working capital improvement of $80.0M resulting in capital employed reduced by $17.4M and ROCE improvement to 18.6%

$m	HY16	HY15	$ Change
Working capital	516.2	596.2	(80.0)
Property, plant and equipment	2,027.0	1,977.7	49.3
Intangible assets	1,264.1	1,250.0	14.1
Current and deferred tax liabilities (net)	(202.3)	(150.0)	(52.3)
Derivative assets/(liabilities) – non-debt (net)	15.8	(20.4)	36.2
Other liabilities (net)	(25.7)	(41.0)	15.3
Capital employed	**3,595.1**	3,612.5	(17.4)
Return on Capital Employed (ROCE)	**18.6%**	18.2%	0.4ppts

- **Capital employed** decreased $17.4M enabling an improvement in ROCE to 18.6%
- **Working capital** decreased $80.0M driven by the resolution of timing issues highlighted at the half year end in 2015 and improved supplier management
- **Property, plant and equipment** increased $49.3M reflecting increased capital investment in Indonesia

Capital Expenditure

Capital expenditure ahead of 1H15



- **Capital expenditure:** FY15 was lower than FY14 due to the deferral of spend on certain projects in Indonesia into 2016. This is reflected in this result with capital expenditure for the first half of 2016 increasing to $127.5M
- At the group level, this represents approximately 0.95 times depreciation and amortisation
- **Australian Beverages:** continued investment in technology to support sales and customer service programs
- **New Zealand & Fiji:** additional investment in the hotfill production facility in Auckland
- **Indonesia & PNG:** supply chain investments to increase manufacturing capacity and continued rollout of cold drink equipment. Indonesian capex funded from TCCC equity injection in 2015.
- **SPC:** upgrade of the new tomato processing line as part of the ongoing program to modernise the business
- Expecting capex of approximately $300M for 2016, lower than forecast in February as a result of potential slower spend rate on approved projects in developing markets

Cash Flow

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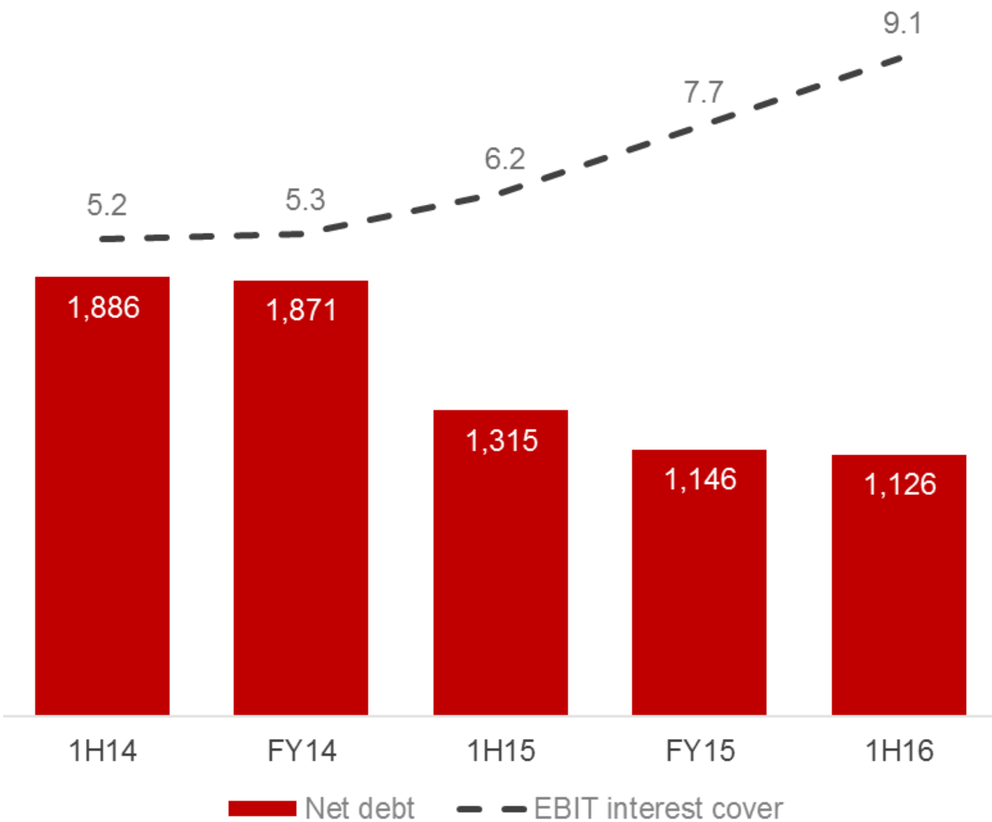
Cash realisation increased to 98.1% with free cash flow sufficient to cover dividend payments

$m	HY16	HY15	$ Change
EBIT	326.9	316.9	10.0
Depreciation and amortisation	133.9	137.0	(3.1)
Impairments charges	1.7	2.3	(0.6)
Change in adjusted working capital	18.1	(123.3)	141.4
Net interest paid	(31.1)	(64.9)	33.8
Income tax paid	(84.8)	(90.3)	5.5
Movements in other items	(33.0)	(16.5)	(16.5)
Operating cash flow	**331.7**	**161.2**	**170.5**
Capital expenditure	(127.5)	(91.6)	(35.9)
Proceeds from disposal of property, plant and equipment	2.0	1.9	0.1
Free cash flow	**206.2**	**71.5**	**134.7**
Cash realisation	**98.1%**	**49.7%**	**48.4ppts**

- Free cash flow increased from improvements in adjusted working capital and lower net finance costs
- Offset by higher capital expenditure in the half, particularly in Indonesia
- Cash realisation increased from 49.7% to 98.1%
- Lower finance costs from full half year benefit of equity injection in Indonesia and lower interest rates in Australia

Net Debt and Interest Cover

EBIT interest cover strong at 9.1x



- Net debt decreased by $189M compared to 1H15 to $1,126M
- Total available debt facilities at year end was $2.1B with an average maturity of 4.3 years
- Reduction in net debt in 2015 reflects TCCC equity injection in the Indonesian business
- Substantial proportion of cash assets is held for specific purposes

Australian Beverages Strategy Update

Barry O'Connell

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Australian Beverages

Strategy Update

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Group Strategic Themes

Lead | **Execute** | **Partner**

Australian Beverages' Targets

2014 strategic review
Stabilise earnings and return to growth

Shareholder value proposition
Low single-digit EBIT growth

Australian Beverages' Priorities

Portfolio
Accelerate Still Beverages
Focus on Sparkling Beverages

Route to Market

Revenue Growth Management & Cost Optimisation

Portfolio:

Accelerate Still Beverages

Rebalancing our portfolio with significant growth in our stills portfolio

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Water	Sports	Energy	Dairy	Tea
Strong performance in 1H16 driven by new packaging, new product innovation and a new media campaign for Mount Franklin	Introducing larger pack offering, pricing investment and promotion	With the addition of Monster, the portfolio continues to gain distribution and offtake	Strong performance of Barista Bros, continue to explore ranging opportunities	Launch of FUZE Tea with positive early signs in distribution and market share

Portfolio:

Focus on Sparkling Beverages

Rebalancing our portfolio with progress rebuilding growth platform for Sparkling Beverages

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Shaping Choice	Reformulations	Growth Categories	Engaging Marketing
Rebalancing the portfolio by offering smaller portion sizes, premium packaging and variants	Introducing variants offering lower calorie options	Realising share growth in flavours and share and volume growth in the premium adult category	TCCC global campaign – "Taste the Feeling" Local campaigns supporting flavours and adult categories

Route to Market

World class sales capability and systems driving strong executional outcomes

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Customer Service	Execution Metrics	Sales Tools	Digital Migration
Focus on delivering improved customer experience Team of new business hunters targeting opportunities	Process that focuses the efforts of the frontline sales force on driving the critical metrics that enhance business performance	Equipping the sales force with access to real time data and tools to provide value-add services to customers	Accelerate conversion to national sales centre and online channels to reduce cost to serve

GOLD & SILVER CUSTOMERS

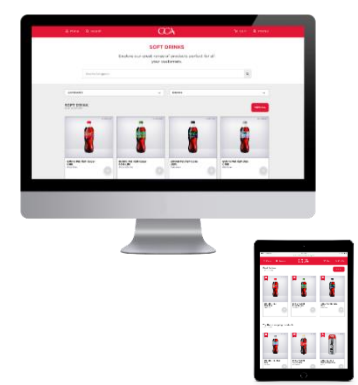
NEW BUSINESS

EVERY LEAD COUNTS

Sales Force Effectiveness & Scorecard

SaM

PicOS



Revenue Growth Management

Strong focus on building revenue growth management capability

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Portfolio

Developing a relevant and profitable pack set

- Pack Reset
- Portfolio Mix

Promotional Optimisation

Utilising data and analytics led promotional design optimisation

- Pricing
- Elasticity

Pricing, Terms, & Conditions

Delivering compelling portfolio offers to customers

- Channel
- Targeted Approach

PROFIT PARTNERSHIP PROGRAM

Technology Enabled

Best in class systems and data to improve consistency and efficiency

- Digital

Cost Optimisation

Ahead of schedule with cost optimisation program and substantial progress towards target

$100m cost optimisation plan

- Procurement optimisation
- Manufacturing overheads
- Support services

Reinvestment

Brand development and price to support our leadership position and to enhance our capabilities

We are confident that we will deliver the target ahead of schedule and are well advanced in identifying additional opportunities above the original target

Partner

Strengthening relationship with TCCC and new partnership with Monster Energy

The Coca-Cola Company	Monster Energy
1H16 highlights • Reformulations in Sparkling Beverages • Arrangements on water portfolio	**1H16 highlight** • Commenced distribution in May

Outlook & Financial Targets

Alison Watkins

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Sustainability underpinning our future performance

Our sustainability framework

- Our People
- Our Environment
- Wellbeing (consumer)
- Our Community

Our sustainability performance

Highlights include

- 50% injury reduction
- 86 million litres water saved from Australian & NZ production plants
- 594 tonnes of fair trade organic & rainforest alliance certified coffee sourced
- Low or no kilojoule options for all top selling Sparkling Beverages achieved in 2015

Our approach to reporting

- Rejuvenated reporting approach – GRI G4 framework
- Publication of standalone Sustainability Report in August 2016
- Commitment to annual reporting – targeting H1 2017

Financial targets

Group EPS

- Targeting to return to sustainable 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 during this business cycle
- 2016 capex expected to be around $300M

Dividend Outlook

- Continue to target medium term dividend payout ratio of over 80%

Balance Sheet

- Balance Sheet to remain conservative with flexibility to fund future growth opportunities

Q&A

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2016 Half Year Result

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