

ASX Announcement

11 April 2014

CCA PROVIDES TRADING UPDATE & ANNOUNCES COMMENCEMENT OF STRATEGIC REVIEW

CCA's new Group Managing Director, Alison Watkins, today advises that she has completed an initial review of the business. Ms Watkins said, "I am delighted to be on board and have covered a lot of ground in my first six weeks having visited each of CCA's major businesses and met with many of our key stakeholders. I am impressed with the calibre of the people at CCA, the strong competitive position we enjoy in our businesses and the strength of the relationship we have with The Coca-Cola Company.

"It is however clear that CCA is facing a number of immediate challenges, particularly in the Australian beverage and Indonesian markets. At the full year result in February, we highlighted that we were concerned by the generally weak consumer confidence and spending environment in Australia and that we faced challenges in Indonesia with substantial cost inflation.

"With the first quarter of trading now complete it is important to provide an update on trading and provide guidance on earnings expectations for the six months to 30 June 2014. The Group has experienced comparative weakness in both Australian beverages and Indonesia and at this stage expects first half 2014 Group EBIT before significant items to decline by around 15% over the prior comparable period. At this early stage of the year, expectations would be for challenging trading conditions to continue."

Australian Beverages

The Australian beverage business has had a disappointing start to the year across both the grocery and non-grocery channels. Ms Watkins said, "The grocery channel continues to be challenging with aggressive pricing activity which has limited CCA's ability to recover cost increases while consumer demand in the non-grocery channel has been soft in the first quarter and there has been a mix shift to lower margin customers." The Australian beverage business expects to deliver a decline in first half EBIT consistent with the Group EBIT decline.

New Zealand

Positive momentum has continued in New Zealand. Ms Watkins said, "Overall market conditions in New Zealand have continued to improve and our business has increased earnings and achieved market share gains."

Indonesia & PNG

The PNG business has performed strongly in the first quarter delivering volume and earnings growth. While the Indonesian business continues to expect volume growth of over 10% in 2014, the business is facing significant cost inflation resulting from the 20% depreciation of the Rupiah in 2013, as well as legislated material increases in wages and fuel costs. Ms Watkins said, "The commercial beverage market continues to grow rapidly, however the competitive landscape is intensifying, limiting the ability to recover cost increases through pricing." In light of the market challenges in Indonesia, CCA expects the Indonesia & PNG region to deliver only a modest positive contribution to Group earnings in the first half.

SPC Ardmona

Strong consumer and retailer support for SPC Ardmona (SPCA) has continued since the announcement of Victorian State Government support for SPCA with sales revenue increasing by over 10% in the first quarter. The business is on track to deliver an improvement in earnings which should see a result close to breakeven for the first half. Management is finalising details of the significant capital investment and innovation program and implementation will commence in the second half of the year.

Commencement of Strategic Review

The CCA Board has requested Ms Watkins lead a comprehensive review of the CCA Group strategy, which has already commenced. Ms Watkins said, "CCA has leading market positions in each of its businesses supported by a strong balance sheet. We do however need to challenge our model thoroughly in light of the low growth and competitive markets in which we operate in order to deliver long-term sustainable growth.

"Over the next few months we will challenge and review our business plans and strategies across the Group to drive growth and value while targeting a step-change in our fixed costs and productivity. We will provide further details on our approach at the AGM in May. I am excited by the opportunity we have to shape a strong future for CCA."

Teleconference details

Group Managing Director Alison Watkins and Group CFO Nessa O'Sullivan will host a Q&A session at 10am this morning Sydney time to discuss the announcement. Teleconference dial in details are as follows:

Australia Toll Free: 1800 220 860
International Toll: +61 2 9008 9005

The teleconference will be recorded and will be available on the website www.ccamatil.com

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