

# Chairman's Review



**Coca-Cola Amatil (CCA) delivered a record net profit after tax for the 2007 full year of \$366.3 million, before significant items, representing an increase of \$42.8 million or 13.2% on 2006. Over the past five years, CCA has delivered average net profit after tax growth of 12.3% per annum (before significant items), underpinning the 13.9% per annum average increase in dividends paid to shareholders over that period.**

On a continuing operations basis, CCA delivered a record net profit after tax for the 2007 full year of \$367.6 million, representing an increase of 17.2% on 2006, while earnings before interest and tax (EBIT) increased by \$85.9 million, or 15.3%, to \$648.4 million. The strong performance delivered in the first half of 2007 was repeated in the second half. On a continuing operations basis, EBIT for the second half increased by 16.7% on trading revenue growth of 6.6% and volume growth of 3.7%.

CCA's profit result has been achieved through the strong performance of the Australian and New Zealand beverage businesses, an excellent result from Indonesia and a solid contribution from our emerging alcohol business. The result has been driven by improved pricing and product mix, a number of successful new product launches, and the incremental earnings generated by our significant capital investment program and the Trans-Tasman business integration.

Earnings per share (EPS), before significant items, increased by 12.5% to 48.6 cents per share, while on a continuing operations basis EPS increased by 16.5% to 48.8 cents per share.

CCA also delivered an excellent cash flow result for the year, with operating cash flow increasing by \$55.5 million to \$523.9 million primarily as a result of improved earnings.

Return on average capital employed (ROCE) also materially improved, increasing to 19.0% from 16.3% in December 2006. The significant improvement in ROCE was primarily due to the strong underlying earnings growth in the business and the part-year impact of the reduction in CCA's capital employed as a result of the sale of the South Korean business in October 2007.

## Dividend

Our strong financial performance enabled the Board to increase the final dividend to 20.0 cents a share, fully franked. For the full year, the total fully franked dividend was 35.5 cents a share, a 9.2% increase on last year, representing a payout ratio of 73.0% of net profit, before significant items.

## Corporate Governance

CCA has an ongoing commitment to transparency and good corporate governance. The Annual Report includes a number of statements on the robust corporate governance structure and risk management framework prevailing throughout CCA. CCA has always maintained a high level of corporate governance and we continue to refine our practices in this area each year.

## The Coca-Cola Company

The Board is pleased with the strengthening of the relationship between CCA and The Coca-Cola Company (TCCC). TCCC currently holds 30.4% of the shares in CCA, and nominates two Non-Executive Directors of the current nine member Board. CCA's Related Party Committee, comprising the Independent Directors, reviewed all material transactions between CCA and TCCC in 2007 and is an important forum for dealing with governance issues.

## Corporate Social Responsibility

CCA strongly supports social and environmental activities through its community and environmental programs. These programs help to sustain business performance by strengthening the communities in which we operate, improving business efficiency and developing relationships with stakeholders, and ultimately leading to increased shareholder returns. CCA's sustainability report, [Citizenship@CCA](mailto:Citizenship@CCA), measures our achievements under four pillars – Environment, Marketplace, Workplace and Community. I encourage you to read this report which is available on our website [www.ccamatil.com](http://www.ccamatil.com).

## Employees

One of the underlying strengths of the Group is the quality of its people. Their commitment to CCA's core values underpins the results achieved this year. On behalf of the Board, I would like to thank all employees for their special efforts and contributions in 2007.

A handwritten signature in black ink, appearing to read 'David Gonski'.

**David Gonski, AC**  
Chairman