

Financial Review

Coca-Cola Amatil Limited

For the financial year ended 31 December 2007

The following commentary summarises the Company's debt position, capital employed, capital expenditure, cash flow position, COGS and significant items.

Net Debt & Interest Cover

Net debt was significantly reduced during the year primarily as a result of the continued strong operating cash flow and the receipt of the net proceeds from the sale of the South Korean business. CCA has total committed debt facilities of approximately \$2,200 million with an average maturity of 6.5 years, with total net debt of \$1,607.3 million as at 31 December 2007.

Following the sale of the South Korean business, CCA's financial ratios have been further strengthened and the Company remains in a very strong position to continue the development of its multi-beverage strategy in 2008. EBIT¹ interest cover increased from 4.0 times at 31 December 2006 to 4.7 times at year end. CCA expects to be able to maintain an EBIT interest cover of 4.0 to 5.0 times in 2008.

\$A million	2007	2006	Chg
Net Debt	1,607.3	2,074.6	(467.3)
Net debt / equity	111.6%	141.1%	(29.5 pts)
Interest cover (EBIT ¹ / net interest)	4.7x	4.0x	0.7x

¹ Before significant items

Capital Employed

Group capital employed decreased by \$497.3 million since December 2006, primarily due to the reduction in the trading asset base, a result of the divestment of the South Korean business.

Working capital increased by \$98.0 million primarily due to higher trade receivables resulting from increased trading activity; the inclusion of the \$38.6 million escrow amount in respect of the sale of the South Korean business as a receivable; and higher inventory levels in Australia and SPC Ardmona.

Higher inventory levels were carried in November and December in Australia to provide higher levels of service to CCA's customers over the Christmas period. Significant improvements were made in out-of-stocks, return rates and delivery performance. CCA's quality score in Australia also placed the Company in the top ten for Coca-Cola bottlers in the world.

The net reduction in property, plant & equipment (PP&E) of \$197.3 million was driven by the sale of the South Korean business. There was, however, an increase in Australian PP&E due to the automated warehouse development and increased beverage production capacity.

Capital Employed (\$A million)	2007	2006	\$ Chg
Working capital	895.8	797.8	98.0
Property, plant & equipment	1,302.6	1,499.9	(197.3)
IBAs & intangible assets	1,441.6	2,001.3	(559.7)
Deferred tax liabilities	(153.3)	(327.9)	174.6
Derivatives – non-debt	15.6	(31.1)	46.7
Other net assets / (liabilities)	(454.3)	(394.7)	(59.6)
Capital Employed	3,048.0	3,545.3	(497.3)
Return on average capital employed (ROCE) % ¹	19.0%	16.3%	2.7 pts

¹ Before significant items

Other material movements in investments in bottling agreements (IBA) and other intangible assets, deferred income tax liability, derivatives – non-debt and other net assets / (liabilities), were as a result of the sale of the South Korean business in October 2007.

Group ROCE increased by a very strong 2.7 percentage points to 19.0% from the full year 2006 result of 16.3% primarily due to the strong growth in earnings and the impact of the part-year reduction in capital employed as a result of the disposal of the South Korean business.

Capital Expenditure

Capital expenditure increased by \$19.3 million to \$300.3 million or 6.8% of trading revenue. The increase in capex in Australia was primarily due to the first stage of construction of the new automated warehouse facility at the Northmead manufacturing operation, additional beverage can production capacity in South Australia and New South Wales, a new hot-fill beverage line in Queensland and the initial spend on the development of the SAP integrated systems project announced in April 2007.

The decrease in the Food & Services Division capital expenditure was due to cycling the high first half 2006 investment in cold drink equipment for the Australian beverage operations and the completion of the warehouse at SPC Ardmona. The reduction in New Zealand & Fiji is largely due to the increased capital expenditure in the first half of 2006 on the automated warehouse project in Auckland, while the reduction in Indonesia & PNG reflects a similar first half 2006 up-weighted investment in cold drink equipment and returnable containers.

Capital expenditure / trading revenue	2007	2006	% Chg
Australia	5.4%	2.8%	2.6 pts
New Zealand & Fiji	10.6%	14.0%	(3.4 pts)
Indonesia & PNG	7.1%	8.2%	(1.1 pts)
Food & Services	12.0%	18.8%	(6.8 pts)
South Korea	3.8%	2.5%	1.3 pts
CCA Group	6.8%	6.5%	0.3 pts

CCA remains committed to a significant capital investment program in order to drive organic growth. Major infrastructure projects, including the Melbourne, Sydney and Auckland automated distribution centres and increased beverage production capacity across all regions further strengthen the growth capability of the business.

Cash Flow

Operating cash flow was very strong, increasing by \$55.5 million to \$523.9 million, with much of the improvement driven by improved earnings.

Free cash flow remained very strong at \$271.0 million. Higher levels of capital expenditure and the cycling of the sale of properties in Australia and South Korea in 2006 drove the broadly flat free cash flow result.

Cash Flow (\$A million)	2007	2006	\$ Chg
EBIT (before significant items)	653.1	580.5	72.6
Depreciation & amortisation	176.8	201.2	(24.4)
Cash impact of Significant Items	11.9	(41.1)	53.0
Change in working capital	(98.0)	(69.2)	(28.8)
Net Interest paid	(139.8)	(150.9)	11.1
Taxation paid	(141.5)	(129.4)	(12.1)
Other	61.4	77.3	(15.9)
Operating cash flow	523.9	468.4	55.5
Capital expenditure	(300.3)	(281.0)	(19.3)
Proceeds from sale of PP&E & other	47.4	84.2	(36.8)
Free cash flow	271.0	271.6	(0.6)

Cost of Goods Sold

Higher commodity input costs continued to impact on CCA's beverage manufacturing cost base. On a constant currency basis and excluding South Korea, beverage COGS per unit case increased by 6.3% for both the second half and the full year, driven by the higher cost of aluminium and PET resin, partially offset by a stronger Australian dollar.

Significant Items – South Korea

For 2007, CCA reported significant item charges of \$59.4 million before tax and \$55.6 million after tax in relation to the 2006 extortion threat and impairment of the South Korean business in the first half and the disposal of the business in the second half.