Agenda

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Executive Summary

Global Industry

- The global beverage industry has reached a value of US$1,581.7 billion, witnessing a CAGR of 2.6% over 2005-09 and is forecasted to decelerate, with an anticipated CAGR of 2.3% for the five year period 2009-2014, which is expected to drive the industry to a value of $1,775.3 billion by the end of 2014
- In 2009, Food was the largest segment of the global food, beverage and tobacco industry, accounting for ~67% of the industry's total value while the beverage industry formed 25% of the total industry value
- The European and Asia-Pacific industries grew at a CAGR of 1.8% and 5.1% respectively, between 2005 and 2009, to reach respective values of US$806 billion and US$306.4 billion in 2009
- Seven out of ten global food and beverage companies are based out of US- reflecting the country’s strong capabilities in both food products and beverages segments
- Consumers of the beverage industry are shifting their focus towards health and wellness, convenient and innovative products such as nutrient-enhanced energy drinks, and companies are looking at inorganic growth options to achieve the capabilities for the same
- The industry has been heavily relying on technology and IT solutions to attain efficiency in packaging, and distribution management systems

Regional Industry (US)

- The total US food, beverage and tobacco shipments reached US$793.2 billion in 2010, growing at a CAGR of 3.8% over the period spanning 2005-2010
- Food product shipments in the US reached US$667.3 billion in 2010, witnessing a CAGR of 4.6% over the period spanning 2005-2010
- Beverage shipment in the US reached US$90.3 billion in 2010, witnessing a CAGR of 2.1% between 2005 and 2010
- Gains in the US beverage industry are expected to be boosted by new product introductions with novel ingredients that contribute to a healthy lifestyle
- Though carbonated soft drinks constitute the maximum share in the beverages segment, they are slowly losing this share to non-carbonated sports and health-boosting drinks
- Almost six out of ten leading food and beverage companies in the US are headquartered at the East Coast adjacent to the shore

Coca-Cola

- Coca-Cola is a leading non-alcoholic beverage company with revenues of US$35.12 billion, 500+ brands, 1.7 billion servings per day and presence in nearly 200 countries
- The company operates in seven business segments- Eurasia and Africa, Europe, Latin America, North America, Pacific, Bottling Investments and Corporate. The North America Segment is the largest contributor to the revenue while the Europe segment is the largest contributor to the operating income
- Diverse geographical presence and strong brand equity offers Coca-Cola a distinct competitive advantage. However, high competition and government regulations pose a threat to the company’s profitability
- The company’s strategic priorities include driving global beverage leadership; accelerating innovation; and leveraging its balanced geographic portfolio
- Coca-Cola has been using information systems extensively in all aspects of the business, including RFID in touch-screen vending machines, supply chain management solution, VOIP technology in distribution system, and sales force automation
## Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR</td>
<td>Compounded Annual Growth Rate</td>
</tr>
<tr>
<td>CSD</td>
<td>Carbonated Soft Drinks</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning</td>
</tr>
<tr>
<td>IS</td>
<td>Information Systems</td>
</tr>
<tr>
<td>MDM</td>
<td>Master Data Management</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research &amp; Development</td>
</tr>
<tr>
<td>RTD</td>
<td>Ready-To-Drink</td>
</tr>
<tr>
<td>SaaS</td>
<td>Software As A Service</td>
</tr>
<tr>
<td>CCE</td>
<td>Coca-Cola Enterprise’s</td>
</tr>
<tr>
<td>DSP</td>
<td>Dr Pepper Snapple</td>
</tr>
</tbody>
</table>
Industry Profile
Global Food & Beverages Market
Global Industry Overview
The global beverage industry’s value has increased from US$1,428.4 billion in 2005 to US$1,581.7 billion in 2009, representing CAGR of 2.6% over the four years.

Global Food & Beverage Industry Market Trends

- Food is the largest segment of the global food, beverage and tobacco industry while the beverage industry contributes 25% to the total market.
- The beverage industry grew by 2.2% Y-o-Y in 2009 to reach a value of US$1,618.4 billion at a CAGR of 2.5% over 2005-10
  - The European and Asia-Pacific industries grew with CAGR of 1.8% and 5.1% respectively, over the same period, to reach respective values of US$806.0 billion and US$306.4 billion in 2009.
- The industry is forecasted to decelerate, with an anticipated CAGR of 2.3% for the five year period 2009-2014, which is expected to drive the industry to a value of $1,775.3 billion by the end of 2014.
  - The European and Asia-Pacific industries are expected to grow with CAGRs of 1.5% and 4.9% respectively, over the same period, to reach respective values of $867.3 billion and $388.2 billion in 2014.

Source: Datamonitor – Global Food Product – March 2010, European Securities Network- SNS Securities- Nestle
Competitive Landscape - Global

Seven out of ten global food and beverage market companies are based out of US- reflecting the country’s strong capabilities in both food products and beverages segments

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Country</th>
<th>Revenues (US$ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nestle SA</td>
<td>Switzerland</td>
<td>100.6</td>
</tr>
<tr>
<td>2</td>
<td>Archer-Daniels</td>
<td>USA</td>
<td>61.7</td>
</tr>
<tr>
<td>3</td>
<td>Unilever</td>
<td>UK</td>
<td>58.7</td>
</tr>
<tr>
<td>4</td>
<td>Pepsico Inc.</td>
<td>USA</td>
<td>57.8</td>
</tr>
<tr>
<td>5</td>
<td>Kraft Foods Inc.</td>
<td>USA</td>
<td>49.2</td>
</tr>
<tr>
<td>6</td>
<td>Coca-Cola</td>
<td>USA</td>
<td>35.1</td>
</tr>
<tr>
<td>7</td>
<td>Tyson Foods</td>
<td>USA</td>
<td>28.4</td>
</tr>
<tr>
<td>8</td>
<td>Danone</td>
<td>Spain</td>
<td>22.6</td>
</tr>
<tr>
<td>9</td>
<td>General Mills</td>
<td>USA</td>
<td>14.8</td>
</tr>
<tr>
<td>10</td>
<td>Kellogg Co.</td>
<td>USA</td>
<td>12.4</td>
</tr>
</tbody>
</table>

Source: Bloomberg - Financial Year 2010 Data

Food & Beverage Industry Geographic Segmentation

<table>
<thead>
<tr>
<th>Region</th>
<th>Food Products²</th>
<th>Beverages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>22.6%</td>
<td>27.8%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>37.2%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Europe</td>
<td>31%</td>
<td>51%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>9.2%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Food & Beverage Industry Geographic Segmentation

Key Highlights

- The Coca-Cola Company is the leading player in the global beverages industry, generating a 16.1% share of the industry’s volume
- Kraft Foods Inc. is the leading player in the US and second biggest player globally in the food products industry

Note: 1) Includes companies in pure-beverage category; 2) Includes agricultural raw materials also
Regional Industry Overview: US

The total US food, beverage and tobacco shipments reached US$793.2 billion in 2010, growing at a CAGR of 3.8% over the period spanning 2005-2010.

- The overall food industry in the US witnessed total shipments of US$793.2 billion in 2010, witnessing a CAGR of 3.8% over the period of 2005-2010, and an annual growth of 4.9%.
  - This includes 84.1% of food products, 11.4% of beverages and rest 4.5% of tobacco products.
  - Food products are further broadly categorised as meat & related products, dairy products, grain and oilseed products and other products.
  - Beverage products are further broadly classified as soft drinks and ice, breweries, wineries, distilleries and tea & coffee products.
  - Tobacco products are broadly classified as tobacco stemming and re-drying, cigarettes, other tobacco products.
- US food consumption and shipments are affected by macroeconomic variables such as population size and distribution patterns, disposable personal income levels and the overall health of the economy.

Source: US Census Bureau
Segmental Overview: US (1/2)

Food product shipments in the US reached ~US$667.3 billion in 2010, at an annual increase of 4.9%, witnessing a CAGR of 4.6% over the period spanning 2005-2010

- Food shipments in the US reached ~US$667.3 billion in 2010, at an annual increase of 4.9%
  - The market has witnessed a CAGR of 4.6% over the period spanning 2005-2010
- Shipments of meat and related products totaled ~US$189.5 billion in 2010, based on growth of ~10% from 2009
  - This segment includes fresh and frozen meat, poultry and seafood processed and prepared packaged foods
- Other Food products reached US$293.6 billion in 2010, growing at a steady rate over the years
  - This segment includes sugar products such as chocolates, non-chocolate candies, chewing gum and miscellaneous items such as nuts, peanut butter, dressings and other packaged sauces
- Dairy product shipments reached US$91.0 billion in 2010
  - Includes packaged milk, cheese, yogurt, ice cream, condensed milk and similar packed products
- Shipments of grain and oilseed mill products were US$94.5 billion in 2010 based on the fastest annual pace among the segments
  - This segment includes rice, corn and flour milling; cereals; breads, cookies, baking mixes and certain oils

Source: US Census Bureau
Beverage shipment in the US reached US$90.3 billion in 2010, witnessing a CAGR of 2.1% between 2005 and 2010.

- Gains have been boosted by new product introductions of beverages with novel ingredients that contribute to a healthy lifestyle.
- Soft drinks continue to account for the largest share of beverage production despite eroding market share due to competition from sports drinks and a range of ready-to-drink (RTD) beverages such as energy drinks.
- In 2009, the leading producers of beverages for the US market were Coca-Cola and PepsiCo. Both are expanding their product lines to include beverages that appeal to health-conscious consumers.
- Production volume of beverages in the US grew 1.1% per annum between 2004 and 2009 to reach 43.2 billion gallons.
- Production of carbonated soft drinks (CSDs) totaled 14.4 billion gallons in 2009 based on yearly declines of 1.6% from 2004.
- Carbonated beverages have slowly lost market share to non-carbonated drinks as younger consumers are opting for the perceived health benefits of bottled water, and energy and sports drinks, which are largely un-carbonated.
- Fruit beverages suffered the sharpest declines among all beverages due to ongoing concerns about their high caloric and sugar content.
- Sports drinks posted growth of 4.4% per year in the 2004-2009 period, boosted by their ability to speed rehydration.

Note: 1) Breakdown of 2010 shipments is not available.
Source: US Census Bureau, Freedonia- US Food Industry Overview 2010
Competitive Landscape - Regional

Most of the leading food and beverage companies in the US are concentrated in the region of Northern East Coast

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>HQ Location</th>
<th>Revenues (US$ billions)</th>
<th>Asset Turnover Ratio</th>
<th>R&amp;D Expenditure (US$ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pepsico Inc.</td>
<td>New York</td>
<td>43.2</td>
<td>1.07</td>
<td>0.488</td>
</tr>
<tr>
<td>2</td>
<td>Kraft Foods Inc.</td>
<td>Illinois</td>
<td>40.4</td>
<td>0.61</td>
<td>0.583</td>
</tr>
<tr>
<td>3</td>
<td>Coca-Cola</td>
<td>Georgia</td>
<td>35.1</td>
<td>0.58</td>
<td>NA</td>
</tr>
<tr>
<td>4</td>
<td>Tyson Foods</td>
<td>Arkansas</td>
<td>26.7</td>
<td>2.66</td>
<td>NA</td>
</tr>
<tr>
<td>5</td>
<td>General Mills</td>
<td>Minnesota</td>
<td>14.6</td>
<td>0.83</td>
<td>0.218</td>
</tr>
<tr>
<td>6</td>
<td>Kellogg Co.</td>
<td>Michigan</td>
<td>12.5</td>
<td>1.08</td>
<td>0.187</td>
</tr>
<tr>
<td>7</td>
<td>ConAgra Foods</td>
<td>Nebraska</td>
<td>12.4</td>
<td>1.06</td>
<td>0.078</td>
</tr>
<tr>
<td>8</td>
<td>Sara Lee Corp.</td>
<td>Illinois</td>
<td>10.8</td>
<td>1.18</td>
<td>NA</td>
</tr>
<tr>
<td>9</td>
<td>H.J. Heinz Co.</td>
<td>Pennsylvania</td>
<td>10.0</td>
<td>1.06</td>
<td>NA</td>
</tr>
<tr>
<td>10</td>
<td>Campbell Soup</td>
<td>New Jersey</td>
<td>7.5</td>
<td>1.24</td>
<td>0.123</td>
</tr>
</tbody>
</table>

Note: *Financial Year 2010 Data
Industry Trends & Drivers (1/2)

Consumers of the beverage industry are shifting their focus towards health and wellness, convenient and innovative products, as companies are looking at inorganic growth options to achieve the capabilities for the same

**Trends**

**High Focus On Health And Wellness**
- Consumers are looking for health and energy drinks to counter poor health caused by insufficient exercise and to get instant high energy levels
  - Global sales for food and drink in the ‘naturally healthy’ category reached US$103 billion in 2004

**Changing Consumer Preferences**
- Producers are faced with finding ways to meet ever-changing consumer demands, while at the same time controlling costs and maintaining high quality and safety standards

**Rise In Mergers & Acquisitions**
- To avoid constraining effects of economic uncertainty in increasingly matured carbonated drinks markets, expansion into other markets has been essential in the beverage industry

**New Product Development**
- Beverage manufacturers are increasingly investing in new product developments in light of better economic prospects

**Business Impact**

**Trends**

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**Technology/IT Impact**

**High Focus On Health And Wellness**
- Opportunities for technology players to develop solutions that accurately measure the nutrient value in beverages, and also retain the nutritional content during the shelf-life of the product

**Changing Consumer Preferences**
- Beverage companies leverage the market analytics solutions to take effective decisions about their product mix

**Rise In Mergers & Acquisitions**
- ERP technology providers can help by providing smooth process integration of merged companies and change management processes

**New Product Development**
- Opportunities for technology companies to focus on solutions that increase the shelf-life of beverages, such as controlling the gas mixture to preserve its quality

Source: Fonterra, Report Linker News, Research and Markets, Multisorb, Bakery and Snacks, Scientist Live, HKTDC Info
Industry Trends & Drivers (2/2)
The beverage industry is moving its attention to higher technology adoption, R&D and nutrient-enhanced energy drinks

<table>
<thead>
<tr>
<th>Trends</th>
<th>Business Impact</th>
<th>Technology/IT Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Product Pricing</td>
<td>• To offset cost pressures in the economic slowdown, Beverage companies are raising their product prices or decreasing the size of the beverage</td>
<td>• Technology solution providers can help by providing customized analytics solutions to gain insights on consumer preferences and competitive pricing</td>
</tr>
<tr>
<td>Rise In Technology Adoption</td>
<td>• Beverage companies are increasingly depending on technology and IT solutions across functions to achieve cost optimization and efficiency</td>
<td>• Growth in opportunities for technology and IT companies to provide innovative solutions that cater to the beverage industry</td>
</tr>
<tr>
<td>More Focus On R&amp;D</td>
<td>• As consumers are shifting their preferences towards health-drinks and energy beverage companies are enhancing their R&amp;D skills to address their requirements</td>
<td>• Beverage companies are implementing special technologies to develop new products at a faster rate to capitalize on the growing market</td>
</tr>
<tr>
<td>Introduction Of nutrient-enhanced energy drinks</td>
<td>• Leading beverage companies are increasingly investing in nutrient-enhanced energy drinks and teas, to pioneer a new industry between beverages and pharmaceuticals</td>
<td>• This has required them to invest largely in high-end research and development systems in order to treat chronic conditions such as diabetes and obesity</td>
</tr>
</tbody>
</table>

Source: Fonterra, Report Linker News, Research and Markets, Multisorb, Bakery and Snacks, Scientist Live, HKTDC Info
Industry Challenges (1/2)

The food processing industry suffers from rising costs of raw materials, stringent regulations and counterfeit goods market - all of which are directly affecting its sales and revenue

<table>
<thead>
<tr>
<th>Trends</th>
<th>Business Impact</th>
<th>Technology/IT Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase In Input Costs</strong></td>
<td>▪ The food industry is subject to rising costs of its raw materials with the increase in the prices of agricultural products and energy &lt;br&gt;   - Owing to the perishable nature of most raw materials, food product companies are pressurized to maintain their inventory and order management very critically</td>
<td>▪ Opportunities for ERP players to automate and control end-to-end processes within the packaged food industry, including management of procurement process of raw materials, customer orders, inventory management etc</td>
</tr>
<tr>
<td><strong>Stringent Regulatory Environment</strong></td>
<td>▪ The food industry is characterized by strict government regulations, such as those from US Food and Drug Administration (FDA), Department of Agriculture, the Environmental Protection Agency etc &lt;br&gt;   - In 2009, lawsuit was filed by the Food safety Law Firm against Nestle for concerns over food contamination at its Danville Plant, resulting in product recall by the company</td>
<td>▪ Technology solutions can assist in accurate batch control for safety compliance &lt;br&gt;   ▪ Track-and-trace capability of IT solutions can also help to find and recall a defective batch that may have been already delivered to a customer and trigger batch-specific returns processing</td>
</tr>
<tr>
<td><strong>Rising Counterfeit Goods Market</strong></td>
<td>▪ The food industry may be affected by the rising influx of counterfeit products in the market which leads to a drop in the sales as well as the image of the established brand &lt;br&gt;   - The US Chamber of Commerce estimates a cost of US$500-600 billion a year on the global economy due to counterfeiting and piracy activities in food &lt;br&gt;   - The global anti counterfeit food and medicine packaging market is expected to be worth US$79.3 billion by 2014, growing at a CAGR of 8.6% from 2009</td>
<td>▪ Opportunities for technology players to enhance their solution offerings on food quality checks, authentication packaging and track and trace packaging technologies</td>
</tr>
</tbody>
</table>
Industry Challenges (2/2)

The industry is characterized by ever-changing consumer preferences and need to innovate rapidly to address such needs.

<table>
<thead>
<tr>
<th>Trends</th>
<th>Business Impact</th>
<th>Technology/IT Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changing Consumer Preferences</td>
<td>§ Producers are faced with finding ways to meet ever-changing consumer demands, while at the same time controlling costs and maintaining high quality and safety standards</td>
<td>§ Food companies leverage the market analytics solutions to take effective decisions about their product mix</td>
</tr>
</tbody>
</table>

Source: Trade and Industry Development
IT Trends & Forecast (1/3)

Beverage industry has been heavily relying on technology and IT solutions to attain efficiency in packaging and distribution.

Focus Area

**Beverage Packaging Technology**

- The critical business requirement to develop beverages which would not lose their freshness on the store shelves, if kept for long, has driven the use of technology in packaging
- Beverage industry are looking at deploying nanotechnology embedded in sensors to detect temperature, pressure, moisture, bacterial content, and to build special anti-fungal surface coatings and films for their product packaging

**Transport & Distribution Systems**

- To gain visibility into shipping capacity and costs, Be companies are actively deploying Transportation Forecasting Systems
- These systems are aligning themselves with Warehousing Solutions and Sales & Operations Planning, to yield the most accurate forecasts and promotions by lane, mode, temperature, class and carrier, which are synchronized with the corporate demand plan

**Warehousing Systems**

- Leading beverage manufacturers are deploying RFID technology to improve beverage inventory safety and traceability, efficiency in ordering and inventory, and for improved visibility into inventory status

**Short Term IT Implication (2010)**

- Lead to more sophisticated technology in beverage packaging by deploying their own environment test control units

**Long Term IT Implication (2011-12)**

- Drive the development of special technology solutions that could be integrated with those of transport and distribution companies, as well as with systems of retail and wholesale units, to estimate the future demand volumes
- Beverage companies would create the need for more data storage capacity, translating in higher number of servers
- They would also be able to better forecast the demand and sale of specific products through historic inventory level data

IT Trends & Forecast (2/3)

Cloud computing, Account Management Systems and Market Analytics solutions provide operational efficiency, cross-selling opportunities and consumer insights to the beverage industry

Focus Area

Cloud Computing & SaaS

• Beverage companies are turning to SaaS and cloud solutions to implement their integration needs through Enterprise Resource Planning (ERP)
• Companies are integrating their procurement, production, financial, pricing and other-related departments for operational efficiency
  - These systems are used as management tools in decision-making and strategy formulation to improve business results

Account Management Systems

• With the growing need to manage relationships with clients, suppliers and other business partners, beverage companies are using Account Management Systems
• These systems are also helping the companies identify areas of business process improvement, and opportunities to cross-sell and up-sell services

Market Analytics & Modelling Technologies

• Beverage companies are implementing business intelligence and analytics solutions to gain insights from large consumer databases to offer services such as marketing campaigns, direct-to-consumer marketing solution and permission-based email marketing services, depending on user demographics and preferences
• Require the beverage companies to expand their IT setup in terms of data storage and processing to save and track the growing data

Short Term IT Implication (2010)

• More integration projects which deliver infrastructure utility and consulting projects, comprehensive of business and IT advisory services

Long Term IT Implication (2011-12)

• Agile technology solutions that can be integrated with the systems of the business partners to enhance the service opportunities

Source: Company website, Epsilon
Company Overview

Coca-Cola is one of the world’s largest non-alcoholic beverage company, with nearly 500 brands in more than 200 countries

Business Description

- Coca-Cola is engaged in the manufacturing and global distribution and marketing of non-alcoholic beverage concentrates and syrups
- The company owns two types of beverages, under 500 brands
  - Sparkling beverages - Non-alcoholic carbonated drinks such as energy drinks and carbonated waters and flavored waters
  - Still beverages - Non-alcoholic beverages without carbonation such as enhanced waters, juices and juice drinks
- The company has operational reach in 200+ countries at a rate of 1.7 billion servings a day

Company History

- In 1886, Coca-Cola was founded as a soda fountain beverage
- In 1894, the company began selling bottled Coca-Cola using a common glass bottle called Hutchinson
- In 1919, the company was incorporated
- In 1960, the company launched new brands, Fanta, Sprite, Minute Maid, Fresca and TaB
- In 2008, the company entered into an agreement for the distribution of Monster Energy beverages in Canada, the US and six West European countries
- In 2006, the company acquired Fonti del Vulture S.r.l., a mineral water company in Italy and Apollinaris GmbH, a mineral water brand in Germany

Recent Developments / News

- Feb. 2011 - Coca-Cola and Heinz announced strategic partnership to expand use of innovative PlantBottle packaging
  - To produce PET plastic bottles which are made partially from plants and have a lower reliance on non-renewable resources
  - Coca-Cola first launched PlantBottle in 2009
- Feb. 2010 - Coca-Cola acquired Coca-Cola Enterprise’s (CCE’s) North America’s bottling operation - Entered into a contract valued at US$3.4 billion, in order to have direct control over 90% of North America operations

Geographic Presence

- Headquarters: Georgia, USA
- Presence: Global
- Employees: 139,600 (as on 31 December 2010)

Website

- www.thecoca-colacompany.com

Financial Performance – Latest Quarterly*

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Q4 2009</th>
<th>Q4 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7.51</td>
<td>10.49</td>
</tr>
<tr>
<td>Net Income</td>
<td>1.58</td>
<td>5.78</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>1.78</td>
<td>1.16</td>
</tr>
<tr>
<td>EPS</td>
<td>0.67</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Note: *Numbers in US$ billions, except per share data in US$
Source: Company website, OneSource, Bloomberg, Datamonitor, Globaldata
Financial Performance

The company reported revenues of US$35 billion for 2010, an increase of 13% over 2009. The net income reached US$12 billion, registering an annual growth rate of 73%.

Source: Bloomberg
Segmental Performance: Overall

The company operates in seven geographic segments: Eurasia and Africa, Europe, Latin America, North America, Pacific, Bottling Investments and Corporate.

Revenue by Geographic Segments*, 2010

Operating Income by Geographic Segments*, 2010

Coca-Cola Per Capita Consumption, 2010

Key Highlights

- North America segment was the largest contributor to the company’s revenues while Europe was the largest contributor towards company’s operating income in 2010.
- Coca-Cola sold approximately 25.5 billion unit cases of its products in 2010, an y-o-y increase of 5%
  - Nearly 80% of the unit case volume were generated outside of North America.
- In 2010, the company’s per capita consumption stood at 394 in US. The highest per capita consumption was witnessed in Mexico (675) and the lowest in India (11).

Note: *Total revenue by geography is not equal to company revenue as intersegment eliminations are not subtracted while calculating revenue by geography; Total operating income by geography is not equal to company operating income as operating income from the Corporate segment was negative and thus, it is not included in operating income by segment.

Source: Company Website, Bloomberg
Segmental Performance (1/3)

Europe was the largest contributor to the group’s operating income while being the fourth largest contributor to the revenue in 2010.

In 2010, the Eurasia and Africa segment held a 7% share to the total revenue and was the fifth largest contributor to the group’s operating income (10%) while Europe was the largest contributor (29%) to the group operating income and the fourth largest contributor (14%) to the revenue.

The contribution to the total revenue from Eurasia and Africa has remained the same in 2006 and 2010 (7%) while for Europe it has decreased from 18% in 2006 and to 14% in 2010.

In Eurasia and Africa, unit case volume increased 12% in 2010, which consisted of 10% growth in sparkling beverages and 21% growth in still Beverages.

— The unit case volume growth was primarily attributable to 17% growth in India, which included growth of 15% and 23% in sparkling and still beverages, respectively.

In 2010, unit case volume in Europe was flat, which reflected the impact of continuing difficult macroeconomic conditions in some regions of Europe.

Source: Company Website, Bloomberg
Segmental Performance (2/3)

North America was the largest contributor to the group’s revenue while being the fourth largest contributor to the operating income in 2010

In 2010, the Latin America segment was the second largest contributor (24%) to the operating income and held a 11% share in the group’s revenue while North America contributed 15% to the group’s operating income and the largest share (30%) to the revenue.

The contribution to the total revenue from Latin America has increased from 10% in 2006 to 11% in 2010 while it has increased from 28% in 2006 to 30% in 2010 for North America.

In Latin America, unit case volume increased 5% in 2010, which consisted of 4% growth in sparkling beverages and 9% growth in still Beverages.

The unit case volume growth was primarily led by 11% growth in Brazil and 3% growth in Mexico.

In 2010, unit case volume in North America grew by 2%, due to the sale of Dr Pepper Snapple (DSP) brands under the new license agreements.

The company had reached an agreement with DSP to distribute its brands where DPS brands had been distributed by CCE prior to the CCE transaction.

Key Highlights

- In 2010, the Latin America segment was the second largest contributor (24%) to the operating income and held a 11% share in the group’s revenue while North America contributed 15% to the group’s operating income and the largest share (30%) to the revenue.
- The contribution to the total revenue from Latin America has increased from 10% in 2006 to 11% in 2010 while it has increased from 28% in 2006 to 30% in 2010 for North America.
- In Latin America, unit case volume increased 5% in 2010, which consisted of 4% growth in sparkling beverages and 9% growth in still Beverages.
  - The unit case volume growth was primarily led by 11% growth in Brazil and 3% growth in Mexico.
- In 2010, unit case volume in North America grew by 2%, due to the sale of Dr Pepper Snapple (DSP) brands under the new license agreements.
  - The company had reached an agreement with DSP to distribute its brands where DPS brands had been distributed by CCE prior to the CCE transaction.

Source: Company Website, Bloomberg
Segmental Performance (3/3)

The share of the Bottling Investments segment to the total revenue has grown while that of the Pacific segment has fallen over the last four years.

- In 2010, the Pacific segment was the third largest contributor to the revenue (14%) and operating income (20%) while the Bottling Investments segment contributed 23% to the group revenue and 2% to the operating income. The corporate segment contributed just 0.25% to the company’s revenue.

- The contribution to the total revenue from the Pacific segment has declined from 16% in 2006 to 14% in 2010 and it has increased from 20% in 2006 and to 23% in 2010 for Bottling Investments.

- For the second quarter of 2010, the company reported a 5% increase in worldwide volume growth, boosted by its World Cup sponsorship and the “Open Happiness” marketing campaign.

Source: Company Website, Bloomberg
Competitor Financial Performance - Annual

The US beverage industry is dominated by two large companies with global distribution networks and resources - Coca-Cola and PepsiCo.

### Revenue

- **Dr Pepper Snapple**: US$5.53 billion (2009), US$5.64 billion (2010)
- **PepsiCo Inc.**: US$43.23 billion (2009), US$57.84 billion (2010)
- **Nestle SA**: US$92.90 billion (2009), US$100.64 billion (2010)

### Net Income

- **Coca-Cola**: US$6.82 billion (2009), US$11.81 billion (2010)
- **Dr Pepper Snapple**: US$0.56 billion (2009), US$0.53 billion (2010)
- **PepsiCo Inc.**: US$5.95 billion (2009), US$6.32 billion (2010)

### Operating Profit

- **Coca-Cola**: US$8.23 billion (2009), US$8.45 billion (2010)
- **Dr Pepper Snapple**: US$1.09 billion (2009), US$1.02 billion (2010)

### EBITDA

- **Dr Pepper Snapple**: US$1.29 billion (2009), US$1.25 billion (2010)

Source: Bloomberg
Stock Performance and Credit Ratings

While Coca-Cola stock has underperformed the S&P 500 index by 2.1% in the last year, it has outperformed the index in the last five years by over 50%. The company has received stable ratings from major credit rating agencies.

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<th>Previous Rating</th>
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Note: *Rebased to 100 as on Feb 16, 2006 (5-year performance) and Feb 16, 2010 (52 week performance); Stock Price updated on March 16, 2011

Source: Bloomberg
Strategic Direction

The company’s strategic priorities include driving global beverage leadership; accelerating innovation; and leveraging its balanced geographic portfolio.

**Disciplined Marketing Strategies**

- Marketing investments to focus on enhancing consumer awareness and increase in consumer’s preference, to lead to long-term growth in unit case volume, per capita consumption and company’s share of worldwide nonalcoholic beverage sales.
- For building consumer brand, company relies on packaging research, brand positioning and consumer feedbacks.
  - In emerging markets, company is investing in infrastructure programs that drive volume through increased access to consumers.
  - In developing markets, company’s focus is on differentiating its brands.

**Collaboration with bottling partners**

- To leverage recent acquisitions to expand the volume base and enhance margins.
- Collaboration with bottling partners to produce differentiated beverages and packages that are appropriate for the right channels.
- To build a supply chain network that leverages the size and scale of the Coca-Cola system to gain a competitive advantage.

**Drive customer preference for brands**

- To build new beverage consumption occasions through unique and innovative consumer experiences, product availability and delivery systems, and beverage merchandising and displays.
- Participate in joint brand-building initiatives with customers in order to drive customer preference for its brands.

**Consolidated Bottling and Distribution Operations**

- Over the last several years, the company has acquired a number of bottling and distribution operations to own a controlling interest in bottling operations.
  - This helps to focus the bottler's sales and marketing programs; assist in the development of the bottler's business and information systems; and establish an appropriate capital structure for the bottler.

Source: Company Website
Business Challenges

The company has recorded good revenue growth in 2010; however, rising health concerns among consumers, scarcity of water and government regulations seem to be major concerns.

Rising health concerns among consumers

- Public health officials, government, researchers, public and nutritionists are becoming increasingly concerned about the health consequences associated with obesity, particularly among young people and are encouraging consumers to reduce consumption of sugar-sweetened beverages.
- Increasing public concern about these issues could result into:
  - Possible new taxes and governmental regulations concerning the marketing, labeling or distribution of company’s beverages.
  - Negative publicity resulting from actual or threatened legal actions against the company or other companies in its industry.

Scarcity of main raw-material: Water

- Water is the main ingredient used in the production of beverages manufactured by Coca-Cola.
- As the demand for water is increasing and its supply is limited, Coca-cola would need to incur increasing costs to maintain its capacity and procure water as an input.
- The increasing production costs due to limited water availability might adversely affect company’s revenues in the long-run.

Government Regulations

- Coca-Cola is exposed to stringent government regulations in terms of taxes in US and other operating areas.
  - Changes regarding taxation policy on foreign earnings of multinational companies are speculated in US.
  - These could adversely affect Coca-Cola’s revenues as it earns a substantial portion of its income from foreign countries.
- A proposal to impose federal excise tax on beverages sweetened with sugar, HFCS or other nutritive sweeteners was also initiated in March 2010. However, it was not included in the healthcare legislation signed into law on 2010.
  - Such impositions may arise in future and have a significant impact on the company’s profitability.

Source: Company Website
SWOT
Diverse geographical presence and strong brand equity offers Coca-Cola a distinct competitive advantage. However, high competition and government regulations may negatively impact the company's revenues and margins.

- Strong brand equity
- Global presence
- Good marketing strategies
- Efficient utilization of resources

- Dependence on bottling partners
- Liquidity is low as per industry standards

- Acquisitions leading to growth
- Launch of new and improved products
- Plans to enter into new markets like global confectionery markets

- Fluctuating costs of inputs
- Changing tastes and preferences of customers
- Market becoming more competitive
- Exposed to many government regulations

Source: Datamonitor – SWOT Analysis, OneSource, Factiva
### IT Initiatives (1/3)

Coca-Cola had implemented touch-screen technology in its vending machines and SAP for supply chain management.

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**RFID tags on touch-screen vending machines**

- In 2009, Coca-Cola launched sophisticated, interactive and user-friendly touch-screen vending machines, designed by Bsquare Corporation.
- These vending machines were designed to allow consumers to select more than 100 different flavors and have desired mixed flavor drinks.
- RFID scanners are used to match cartridges to dispensers and internal data collection devices were enabled to electronically send demographics information to and from the Atlanta, GA-based Coca-Cola headquarters, including favorable locations, what flavors are the most popular among a range of ages/sexes, etc.
  - The machines could also provide information on the beverage consumption, peak times, and popular locations.
  - The company could also talk back to the machine, letting it know if a particular flavor needed to be discontinued or recalled.

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**Supply Chain Management**

- In 2011, Coca-Cola implemented SAP Business Objects Supply Chain Management Application, provided by ITC Infotech and SAP Consulting.
  - A project team of 12 experts was involved in the implementation, focusing on the supply chain, business warehouse, enterprise portal, delivery and project management.
  - The software was deployed to effectively align supply chain goals with business goals, providing visibility into end-to-end supply chain processes to drive process consistency.
  - “SAP Business Objects Supply Chain Performance Management aligns very well with the guiding principles of our project: focusing on metrics that need little manual intervention, focusing on metrics that help drive process consistency, and focusing on metrics that are in line with industry standards.” - Russ Rodal, metrics program manager at Coca-Cola.
- Coca-Cola had earlier implemented SAP NetWeaver Business Warehouse, which captured significant details about business transactions.

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Source: Company website, News releases
IT Initiatives (2/3)

Coca-Cola leveraged technology for its sales force automation and its delivery process in warehouses and distribution.

**Server Infrastructure**
- Oracle Database implemented at Coca-Cola Femsa, S.A. de C.V. to achieve high performance

**Challenges**
- Boost performance of application server infrastructure
- Assure the availability of the new enterprise resource planning system

**Solution**
- Implemented Oracle Database, integrating information from the company’s Latin American operations onto a single central processor
- Reduced order generation from two days to a few minutes
- Improved the flexibility of the database; enlarged the database from 10 terabytes to 15 terabytes without changing hardware
- Standardized the way in which satellite applications from the company’s SAP ERP system (including customer relationship management, business warehouse, strategic enterprise management and enterprise portal), making communication with the database easier and facilitating access by 8,000 users

**Sales force automation solutions**
- Coca-Cola selected CAS to provide sales force automation solutions to its bottler network under its Program Sales Scale Mobile Customer Management (MCM) initiative
- Program Scale was designed to provide company owned and franchise bottlers with a common set of business processes under the Coke One operating model, using the SAP platform
- MCM is designed to take the power of Scale to the next level - extend Coke One to include advanced customer facing capabilities, particularly in the area of mobile customer management
- CAS’s front office solution in co-ordination with company’s back-office SAP applications enabled the company to serve its bottlers by helping their field sales force get closer to the customers, increase revenue and improve sales efficiency

Source: Company website, News releases
In order to revitalize its distribution system, Coca-Cola Refreshments (US) implemented VOIP voice technology in 2007.

CCR investigated different technologies that would improve accuracy without sacrificing efficiency.
- There was a wide variety of facilities in terms of age, sophistication and layout, they needed a solution that was flexible enough to adapt to all of the largest 100 facilities it planned to implement this technology.
- After investigating voice, pick-to-light, RFID and bar code scanning, they agreed that they wanted a solution that allowed for heads-up, hands-free operation by the order selectors, voice made the most sense.
- Once the voice team began talking to SAP, Cisco and Avaya, CCR's strategic partners for its voice infrastructure, they decided to create their own solution.
- CCR decided to implement Datria's voice technology.
- Where many voice solutions use proprietary mobile computing devices and headsets, a VoIP solution works with off-the-shelf handsets. These are considerably less expensive than traditional voice hardware.

The bottler launched two 60-day pilots to pit VoIP against traditional voice: a pilot in Jacksonville, Fla., got underway on June 15, 2007.

By the end of 2008, the voice system was up and running in an additional 75 facilities, bringing the total to 100.

The system uses wide area and local area networks to direct operations on the floor of warehouses across the enterprise.

Source: Company website, News releases.
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