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COKE FINDS ITS BRIGHT SPOTS IN FARAWAY PLACES

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By Melanie Warner

Coca-Cola's headquarters may be in Atlanta, but its but its business is increasingly dependent on what happens halfway around the world.

In its first-quarter earnings announcement yesterday, Coke reported sales growth in Asia, Africa and Latin America that far outweighed growth in the United States and Europe. While revenue in North America and Europe was flat for the quarter versus the period last year, sales leaped 28 percent in Africa, 12 percent in Latin America and 8 percent in Asia.

These positive results allowed Coke's chief executive, E. Neville Isdell, to project a note of optimism amid otherwise lackluster results. Coke's overall earnings declined 6 percent, to $1.5 billion, and revenues increased 4 percent, to $5.3 billion. The results were slightly ahead of Wall Street forecasts.

Coke's stock finished the day's trading up $1.43, or 3.5 percent, at $42.40.

Cautioning investors that 2005 is still a "transitional year," Mr. Isdell explained that part of the decline in earnings was attributable to the previously announced increases in marketing and innovation spending. Coke's general, sales and administrative expenses rose 12 percent in the quarter.

In her first earnings conference call, Mary E. Minnick, recently named to head marketing, innovation and growth strategy, described the importance of Asia to Coke's future growth. "Our star is China," she said. "We've had double-digit growth there over the last few years."

Having spent the last seven years in Asia, most recently living in Hong Kong as Coke's president for Asia, Ms. Minnick said she was looking forward to importing ideas from Asia to her new role in Atlanta. She noted that in Japan, which is Coke's most profitable market, 34 percent of the company's volume comes from drinks that are not sodas, versus 17 percent in the company as a whole.

"I believe our market development will resemble Japan, rather than some other markets," Ms. Minnick said.

Ms. Minnick also highlighted Coke's propensity to be what she called "a bit risk-averse" and vowed to help change that.

Events in distant and developing markets were also the centerpiece of Coke's annual shareholder meeting, held yesterday in Wilmington, Del. The two-hour meeting was dominated by a vocal group of shareholders and political activists who accused Coke of complicity in human rights abuses in Colombia and irresponsible water use in India.

Press Releases:

Controversial Coca-Cola Plachimada Facility Denied License [April 29, 2005]

Activists Challenge Coca-Cola Over Water Abuses at Annual Shareholders' Meeting [April 19, 2005]

High Court Rules in Favor of Coca-Cola [April 8, 2005]

Youth Leaders Challenge Coke to Stop Draining Water from World's Poorest Communities [January 13, 2005]

In his first annual meeting since taking over as chief executive last May, Mr. Isdell listened to impassioned criticisms from more than a dozen people who got up to speak. Each time, he denied the accusations.

Ray Rogers, director of a group called the Campaign to Stop Killer Coke, said that the company, through its Latin American bottlers, was complicit in the deaths of eight union leaders who worked as employees in several of Coke's bottling plants in Colombia. A shareholder resolution from the group called on Coke to conduct an independent investigation into the murders and what they say is continued harassment of unionized employees.

Mr. Isdell responded: "As a former student activist, I came to the Colombia issue with an open mind." He added: "But ultimately I came to the conclusion that the allegations are not true."

Mr. Isdell highlighted findings from a report the Cal Safety Compliance Corporation completed last week for Coke. The report found no violations or abuses of labor or human rights in Coke's bottling plants in Colombia. "Our system has collective bargaining agreements with all 12 unions in Colombia," Mr. Isdell said. "Thirty percent of our workers are unionized, whereas only 4 percent are unionized in the country as a whole."

Cal Safety's investigation examined current conditions and did not address the eight murders, which occurred from 1989 to 2002. **Coke also came under fire from the activist group Corporate Accountability International, which claims that the company has contributed to water shortages in several regions throughout India.**

Corporate Accountability International said that since Coke started its bottling operations in the late 1990's, several villages have experienced lower groundwater levels, sharply reducing water for irrigation and the drying up of public wells.

"In India, your bottling facilities have had devastating impacts on local communities," said Gigi Kellett, a representative from Corporate Accountability International, addressing Mr. Isdell. "Your operations have drained so much water that at least five Indian communities face severe water shortages and health problems."

Mr. Isdell denied any link between Coke's bottling operations and water shortages in India. In Kerala, a state in southern India, he said, "The depletion of the water table continued at the same pace even though our plant has been closed for the past year."

Throughout the criticism, Mr. Isdell remained calm, avoiding a repeat of events at last year's meeting, when Mr. Rogers of the Stop Killer Coke group got into a shouting match with Douglas N. Daft, then chief executive, and wound up being tackled by security officers.
