



Thursday 16th October 2008

DAILY COMPANY NOTE — Coca - Cola See page 2 & 3 for full details

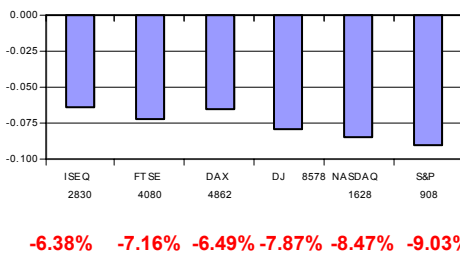
Daily Market Comment

Yesterday's Summary : The ISEQ yesterday closed down 6.4% at 2,830, as investors grew concerned that recent global government attempts to bolster the current state of the financial system may fail. Both AIB and Anglo Irish Bank posted relatively quiet days, while shares in Irish Life & Permanent gave back some of its recent gains closing down 4% at €3.84. Bank of Ireland fared the worst of the banks as it slid 14% to close at €2.02. CRH also fell considerably closing down 10.5% at €15.25.

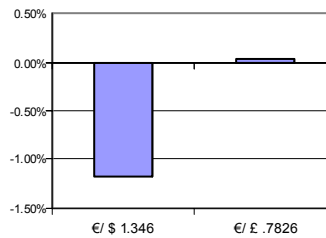
Overnight News : US indices plummeted once more during yesterday's session; the S&P 500 recorded its worst day since the 1987 crash. Poor US retail sales before the open sparked investor fears which led to the sell off. Negative sentiment was further buoyed by Fed Chairman Ben Bernanke's comments that the US economy still faces a "significant threat" from the persistent lack of liquidity in credit markets. Most major US bell weathers such as Caterpillar, which fell 11.4% to \$42.06, fared poorly as a result. Dow Jones: -7.9% at 8,577, S&P 500: -9% at 907, NASDAQ: -8.5% at 1628.

Breaking News : **Rio Tinto** announced yesterday that it is to revise its expansion plans due to a slowdown in Chinese demand. The warning triggered a sharp global sell-off in sector stocks. Rio also said that the "challenging financial markets" meant it would miss its target of selling \$10bn of non-core businesses by the end of the year. **Iceland's** central bank slashed interest rates from 15.5% to 12% on Wednesday, citing the 'grave situation' facing the country, whose banking system collapsed last week. In a deeply pessimistic statement, the central bank said the collapse of three big banks would be "extremely burdensome, and the accompanying economic contraction very sharp." **EDF** has abandoned its plans to counterbid for **Constellation Energy**, blaming credit turmoil for its decision.

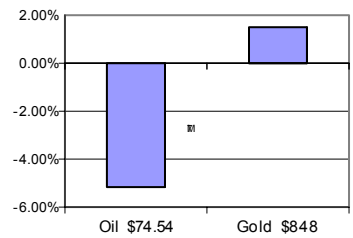
Equity Indices change on day



Currency daily % change



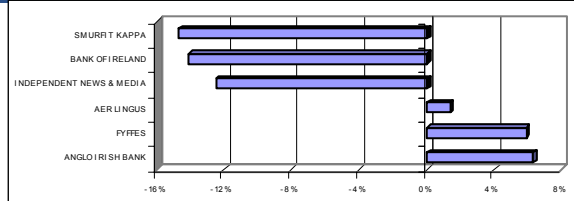
Oil/Gold daily % change



News

- "Banks to pay €1bn for cover by state guarantee"-(The Irish Times)
- "ECB takes radical steps to boost bank funding"-(The Irish Times)
- "European inflation slows, leaving room for more cuts from the ECB"-(I.I)
- "Shares plummet as dire US retail sales data panic"-(Irish Independent)
- "Hedge funds in Lehman call"-(Financial Times)

ISEQ Performers/Losers 15/10/08



Market Themes & Movers

Irish government guarantee : The department of finance has confirmed that the governments guarantee scheme will cost the banks included at least 10% of annual profits and that two government directors will be appointed to each bank's board to oversee the scheme. The two year Credit Institutions scheme 2008 will guarantee deposits, covered bonds, senior debt and dated subordinated debt of over €485bn for six Irish institutions and five units of foreign owned institutions. Furthermore Brian Lenihan will appoint a three person independent committee, named the Covered Institution Remuneration Oversight Committee to oversee the remuneration plans of bank executives. Bonuses will be linked to the long term sustainability and the reduction of risks in the banks. On potential capital injections, the Minister for Finance said the government has "no immediate plans" to take equity stakes in any financial institution.

Bernanke hints at further monetary policy action : Ben Bernanke provided his latest assessment of the US economy last night and the Federal Reserve Chairman continued to speak of a "significant threat" to the US economy, suggesting it will take some time to restore capital flows. Bernanke addressing the Economic Club of New York did say that inflation risks were subsiding, but that the troubles in the credit markets have spilled into the real economy and that its recovery will not happen right away. With the Fed again indicating it will use all tools available to improve market liquidity and that the central bank will act aggressively to fight the crisis, market futures are now pricing in a 40% chance of a 50 basis points cut at the next Fed meeting on the 29th October.



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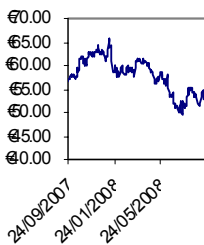
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Coca-Cola

Dow Jones
Beverages
Company Profile

Coca-Cola is the world's largest brand and manufacturer of soft-drinks and syrups. The group enjoys a 50% share in the world's carbonated soft drinks market and continues to expand its portfolio of non CSD brands. Key brands include Coca-Cola trademark, Sprite, Fanta, Minute Maid, Powerade, Dasani and Nestea.

Statistics
Price Performance

Revenue by Region


■ North America 26%

■ Rest of World 74%

Fundamental view

- Last night the Dow Jones fell by 733 points with only one stock in the index, Coca-Cola, trading higher by 1%. Coca-Cola's robust performance was as a result of its strong third quarter earnings released yesterday that came in well ahead of expectations. We continue to favour Coca-Cola due to its international exposure, in particular emerging markets which were the main driver of its strong results. Coca-Cola reported a 17% increase in EPS to \$0.83, well ahead of the \$0.77 expected by analysts. Revenue increased by 9% to \$8.4bn. This marked the eight consecutive quarter of double-digit earnings growth for the company in what is a very difficult economic environment. The group acknowledged that the macroeconomic environment will continue to remain volatile for the foreseeable future, however the fundamentals of its business remain strong.
- Coca-Cola's continued expansion into emerging markets has been the main driver of growth for the company. International unit volumes increased by 7% during the quarter, with China, Turkey, India, Southern Eurasia, Pakistan, Nigeria and Korea delivering double-digit growth, with Brazil, Eastern Europe, North and West Africa achieving high single digit volume growth. North America continues to be weak with unit volumes declining by 2% year on year, while Europe held up relatively well producing unit growth of 3%.
- Not only has Coca-Cola increased its diversity through its geographic expansion but also through its product offering in particular with a renewed focus on healthier drinks. Last year the company purchased vitamin drinks group Glaceau for \$4.1bn while earlier this year the group purchased SABMiller's Columbian bottled-water business for \$92m. Coca-Cola is also currently on track to purchase China Huiyuan Juice group for \$2.4bn.

Valuation

- Coca-Cola's strong results highlight its defensive characteristics in what is a very difficult operating environment. We believe that Coca-Cola will continue to outperform the market throughout the rest of the year and retain our buy recommendation. Our new 12-month price target of \$58 is based on the company trading at 17.5x forecasted 2009 EPS of \$3.33. The group also offers an attractive dividend yield of 3.3%.

Chart view: Coca - Cola

Support Primary: \$39.54
 Support Secondary: \$38.41
 Resistance Primary: \$49.45
 Resistance Secondary: \$54.93

Stock's accelerating downtrend is approaching key support level of \$39.54. Daily momentum suggests price is attempting to bottom out around current levels while coming towards the end of this 5th Elliott wave. Current price levels have also occurred on the back of higher than average volume. Go long with a target at \$49.45.

Major Shareholders	%	Peer Group Multiples			
Berkshire Hathaway	8.65%	Company name	P/E 08	P/E 09	EPS Growth 08-09
National Indemnity	5.93%	Coca-Cola	14.26	13.28	12.75%
Suntrust Banks	3.22%	Pepsi	13.9	12.9	7.89%
Barclays Global	3.18%	Danone	15.3	13.5	13.33%

Shares Outstanding 2312m

Share Data	Financial Data	2007	2008e	2009e
Current Price (\$)	Revenue (\$m)	28,857	32,792	34,505
Mkt Cap (\$m)	Pretax Profit (\$m)	8,064	9,284	9,781
Reuters	EPS (\$)	2.70	3.10	3.33
Bloomberg	P/E(x)	16.37	14.26	13.28
Sector	DPS (\$)	1.36	1.49	1.68
CEO	Dividend Yield	3.08%	3.37%	3.80%
Chairman				
Website				





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