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Special Issue: Coke Names New Head of Its North American Business.

Sandy Douglas Will Run Coke North America. Knauss Leaves Company.

Coca-Cola Co names Sandy Douglas president of its North America Group, as Don Knauss leaves to run what Coke in its press release calls "a major company outside the Coca-Cola system." As BD went to press with this special edition, it had not been announced where Knauss is headed, but Wall St. sources and headhunters told BD that it's likely Clorox. That company's CEO recently resigned for health reasons.



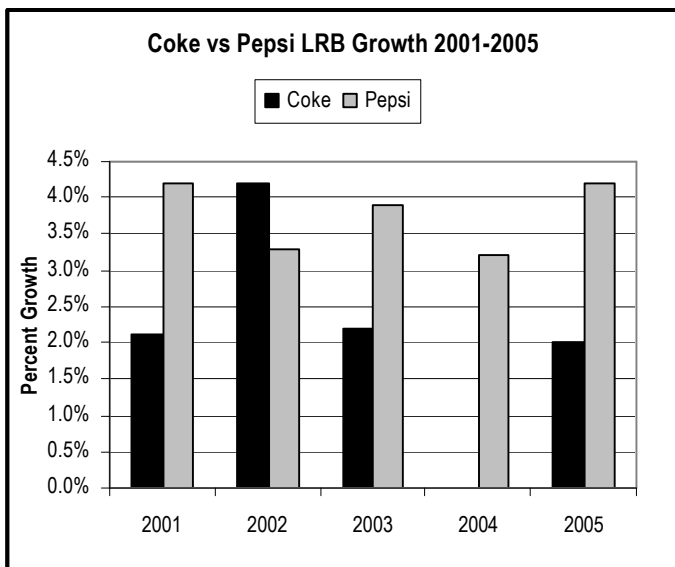
Sandy Douglas

Plus. Douglas is a highly regarded Coke executive who has held multiple jobs in his career at the company. Most recently, since 2003, he has been Coke's global chief customer officer. Before that, he ran Coke's North American bottle/can business. He has also been serving on the board of CCE. In recent years, Douglas has traveled extensively, working with bottlers and customers around the world. Though Knauss' departure is a surprise, elevation of Douglas is not, as sources inside Coke in recent years have talked about "Douglas' star rising," and several predicted he'd get this job eventually.

Douglas. Age 45, Douglas joined Coke in 1988, after working at Procter & Gamble. He held various positions on both the U.S. bottle/can and fountain sides of the business. Douglas ran bottle/can during the time when Jeff Dunn ran North America (2000-2003). Dunn departed in late 2003. It was earlier that year when Douglas moved to the chief customer job. Douglas is well-liked inside Coke, though he is said to have had struggles with former Coke president Steve Heyer. Recent years. Coke system sources praise Douglas both for his contributions and how he handled himself in recent years. Many sources say that running North America was a job that Douglas long wanted -- and now has. According to one

source, he "has hip-pocket knowledge" of the U.S. bottling system. Plus, sources say that his years traveling the globe and working with bottlers and customers have made him -- in the words of one source -- "a very well-rounded executive."

Knauss; well-liked; challenging market. Coke sources say Knauss is leaving because he wants to be CEO of a company and saw that as unlikely at Coke. He has held the North American top job since 2004. Before that, he ran bottle/can, Minute Maid and company's southern Africa division. He was with Coke since 1994. Before joining Coke, he worked at PepsiCo's Frito-Lay business. He was generally well-liked both inside and outside the company. However, he has presided over the North American business during a difficult time. Coke CEO Neville Isdell has referred to



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North America as one of company's challenging markets and in April of this year said re North America: "I'm not happy with where we are yet." Results. In four of the five past years, Coca-Cola Co has under-performed PepsiCo in the U.S. in total liquid refreshment beverage (LRB) growth. Chart (page 1) shows Coke vs Pepsi LRB growth rates 2001-2005. (In 2004, Coke's growth was flat which is why there is no vertical bar in the graph for Coke that year). In 2005, Coke's LRB volume was up +2% vs PepsiCo's growth of +4.2%. Lawsuit; innovation. Early this year, about 50 U.S. Coke bottlers sued Coke and CCE in a dispute over warehouse delivery of Powerade at Wal-Mart. Additionally, some bottlers are less than satisfied with Coke's U.S. non-carb innovation and have begun talking about taking on non-Coke brands. Some bottlers, who were very positive on Knauss when he first took job, have been less so in recent months. Nonetheless, he is generally respected and seen as a decent person and a hard-working executive. He is said to have many fans inside the company.

Ahead. As Douglas takes over the Coke North American business, it faces challenges. They include the lawsuit, calls by bottlers for more non-carb innovation and a rapidly changing retail landscape. Sources tell BD that Douglas -- given his knowledge of the bottling system and his recent intense work with customers -- should be well-equipped to deal with these issues.

Views. Coke system. John Brock, CEO of CCE: "We wish Don Knauss well in his future endeavors, and we welcome Sandy Douglas in his new role as we work together to create a path for growth in our North American business." Adds: "Given Sandy's experience in the Coca-Cola system and his involvement on our Board of Directors, he is well suited for this leadership role at The Coca-Cola Company." Claude Nielsen, CEO of Coke United: "I've known Sandy for many years. He's a talented executive. He knows the North American Coke system very well." Adds: "He and I have had some very successful customer interactions in the past, and I look forward to working with him to reinvigorate our system." Other bottlers: 1) "Sandy is a very good strategist. He'll be good for the system. He has a broad range of experience and his recent work with customers has deepened that." 2) "I've always been positive on Sandy. I was disappointed when he moved out of the (bottle/can) position." 3) "Don will be missed for the relationships that he built up. Sandy is the logical choice. He'll make a contribution. This is good for continuity."

Wall Street. Morgan Stanley analyst Bill Pecoriello: "While Coke is losing a talented executive in Don Knauss, Sandy's background in dealing with key customers and his prior positions within the North American division will be key in dealing with the challenges Coke currently faces in North America." Adds: "Those challenges include quickly improving Coke's disadvantaged non-carb portfolio, dealing with Coke's bottlers where tensions are high on several fronts and evolving go-to-market strategies to deal with the changing retail landscape." J.P. Morgan analyst John Faucher: "Sandy's close work with customers should give him a better insight in terms of what brands the bottlers need to fill out their own portfolios and better serve their customers."