CCH – Annual General Meeting – CEO's presentation 21 June 2016

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Good morning and thank you for joining our Annual General Meeting.

Following my brief presentation, we will open the floor to questions.

Before we get started, I would like to remind everyone that this presentation contains various forward looking statements. These should be considered in conjunction with the cautionary statements on the screen.

Full-year highlights

I will start by giving an overview of 2015. I will then discuss our operational performance, and the outlook.

I am pleased with our progress in 2015. Our results demonstrate that our commercial initiatives are delivering strong top line growth. This, coupled with our ongoing efficiency efforts, has also significantly improved our profitability.

Starting with the top line, we achieved 2.6% volume growth in the year, with contributions from all three segments.

Our revenue growth management initiatives enabled us to grow our currency-neutral net sales revenue per case for the fifth consecutive year.

Favourable input cost environment, volume leverage as well as our revenue growth and cost management initiatives helped us significantly improve our operational profitability, leading to a 100 basis point expansion of EBIT margin.

Comparable earnings per share was 86 Euro cents, a 14% increase on the prior year.

Furthermore, our consistent focus on disciplined working capital management led to further improvements in working capital balance sheet position and days.

Looking at our overall performance in the face of challenging macroeconomic and trading conditions in many of our markets, we are pleased to have taken an important step in returning our business to sustainable growth and higher margins.

Financial performance overview

Let me take you through our performance in a bit more detail.

Net sales revenue declined by 2.5% in the full year, negatively affected by the significant currency headwinds, particularly in our Emerging markets segment.

Currency-neutral net sales revenue per unit case improved marginally.

Favourable input cost environment and volume leverage helped expand our gross profit margin, while the foreign currency impact was a negative factor. The net result was a 100 basis point expansion in the gross profit margin.

Our optimisation initiatives supported by restructuring, led to a stable performance in operating expenses as a percentage of revenue, despite the substantial negative impact of currency on revenues. I will come back to this later in my presentation.

Comparable operating profit increased in the full year by 11% versus the prior year and comparable operating profit margin expanded by 100 basis points. Favourable input costs and operating leverage more than offset the adverse currency impact that reached €174 million in the year.

Comparable EPS reached 86 Euro cents, 14% higher than prior year.

We achieved a triple-digit negative working capital balance for the first time ever.

We generated strong free cash flow of 412 million Euros in the full year, up 79 million compared to the prior year.

Fifth consecutive year of FX-neutral net sales revenue per case growth

Turning to the revenue performance in more detail:

FX-neutral net sales revenue per case improved marginally in comparison to the prior year. The key driver was our revenue growth management initiatives including pricing in order to mitigate adverse foreign currency movements in markets impacted by currency depreciation.

In our **Established** markets, FX-neutral net sales revenue per case declined by 2.4%. This decline was driven by deterioration in price mix, given deflationary pressures, as well as negative category mix.

In **Developing** markets, improved category mix was not enough to offset unfavorable price and channel mix, leading to a 2.4% decline in FX-neutral net sales revenue per case.

The **Emerging** markets saw a 4.0% improvement in FX-neutral net sales revenue per case. This was mainly the result of our pricing actions put in place to mitigate the FX headwinds in countries facing currency depreciation and the associated inflation.

Favourable input cost environment

Turning to input cost:

FX-neutral input cost per case declined by 9% in the full year, in line with our expectations.

The key drivers for the decline were mostly lower EU and World Sugar prices, as well as improved PET resin prices, which are correlated to declining oil prices.

Good growth in most categories

Looking at our performance by category:

- **Sparkling beverages** volumes increased by 2% in the year. This performance was driven by a number of elements. Firstly, execution of initiatives at the point of sale. Also, our focus on targeted and better-quality marketing such as Share a Coke in Nigeria.
- Within the category, Trademark Coca-Cola increased by 3% and Coke Zero by 24% supported by the launch in Russia.
- **Juice** continued its positive momentum, delivering growth of 8%. Russia was the main contributor to this growth as a result of the drive behind our expanded juice portfolio in the country with Moya Semya. We also delivered good growth in juices in Nigeria, Greece, Bulgaria and Serbia.
- **Water** grew by 5% in the year, demonstrating good performance in most of our countries, particularly Ukraine, Poland and Romania.
- **Energy** maintained its growth, with volumes up 7% driven by Hungary, Poland and Ireland.
- **RTD Tea** performance remained weak except in certain markets such as Ukraine and Romania

Acting responsibly - Promoting health and wellness

We believe that our business can only be as strong as the communities in which we operate.

We provide products and services that generate income for employees, payments to suppliers and tax revenue for governments. One job at Coca-Cola Hellenic generates, on average, 8 jobs in the wider economy in most of our countries.

Our community programmes focus on four areas: youth development, environmental protection, water stewardship and promoting active, healthy lifestyles. We invested 2.5% of our profit before tax in community programmes in 2015.

We are addressing the continuous change of consumers' preferences, providing and shaping choice, listening, while proactively and transparently engaging with the industry, policy makers and experts to contribute to the well- being of our communities.

We have a balanced portfolio of sparkling and still beverages, with still beverages accounting for 31% of our volume. Within our sparkling drinks, the proportion of low and no-calorie sparkling drinks are gaining share. We are also working on smaller pack sizes and innovation with The Coca-Cola Company.

We promote packaging, with color-coded nutritional labelling rolled out voluntarily for Coke in markets, where this is relevant.

We encourage active lifestyles. In 2015, 1.4 million people participated in our sports programmes, and our goal is to involve 6.7 million people by 2020.

Acting responsibly - Minimising our environmental impact

Sustainability is integrated into all aspects of our business and we are reducing our environmental footprint by reducing consistently our water, energy and carbon emissions.

We are proud of our achievements in this area, being the European & Global Industry leader in DJSI, and 13 of our plants being awarded the highest recognition in Water Stewardship. We aim at raising the bar higher!

In 2015, we introduced Accounting for sustainability methodology through which we evaluate the capital expenditure to reduce water, energy and carbon footprint.

Having made a lot of progress in the reduction of energy, water and gas emissions, we set new, more ambitious targets. We aim to achieve the new target levels by 2020.

First quarter highlights - A good start to the year

Now, going back to our operational and financial performance, we've had a good start to the year. Q1 trading was in line with our plans, and we continued to see underlying momentum in our business after a strong 2015.

Reported volume was stable in the quarter.

Revenue growth is a key objective for the business, and we are pleased to see delivery in this respect excluding the impact of currencies. Improvement in package mix, coupled with implementation of pricing initiatives, drove FX-neutral net sales revenue per case up by 2% in the quarter.

Looking briefly at the segments:

Established markets volumes declined by 2.7%. We are pleased to see that Italy maintained positive momentum

Developing markets volumes grew in nearly all categories and countries. This resulted in overall volume growth in the segment of 1.9% despite tough comparatives

Emerging markets volumes were robust overall.

Nigeria was the key driver with low-teens percentage volume growth in a seasonally important quarter

In Russia, we outperformed in a declining market with our volumes continuing to decline across the categories.

Looking ahead

We are happy with our performance in 2015 which we consider as the first step on our journey to return to growth both in the top as well as the bottom line. We are encouraged by the slowly improving conditions in many of our markets. Our business is strong, and our track record gives us confidence to address the challenging conditions in some of our geographies.

Looking at 2016 we expect:

Further volume growth in all segments.

A substantial improvement in FX-neutral net sales revenue per case, more in line with our performance prior to 2015. Currency depreciation and the associated inflation will remain a key feature in some of our markets.

At current oil price levels, input costs are expected to be a low single-digit headwind in a year mainly driven by World Sugar.

Our actions in cost management are expected to result in a significant reduction in operating expenses as a percentage of net sales revenue, supporting EBIT margin growth.

Before I close, I would like to mention that we hosted an investor day a couple of weeks ago, sharing with the market some medium-term initiatives for growth as well as some mid-term financial targets. I urge you to view the material from the event, which you can access on our website.