

# CCH – Q3 2016 trading update

## Conference call script – 3 November 2016

### **CORPORATE PARTICIPANTS**

**Dimitris Lois - Coca-Cola HBC AG – CEO**

**Michalis Imellos - Coca-Cola HBC AG – CFO**

**Basak Kotler - Coca-Cola HBC AG - IR Director**

**Basak Kotler - Coca-Cola HBC AG - IR Director**

Good morning. Thank you for joining our call today to discuss Coca-Cola Hellenic Bottling Company's third quarter trading update.

Today, I am joined by our Chief Executive Officer, Dimitris Lois, and our Chief Financial Officer, Michalis Imellos.

Before we get started, let me remind everyone that this conference call contains various forward-looking statements. These should be considered in conjunction with the cautionary statements in our trading update press release, which we published this morning.

As per our usual format for trading updates, Dimitris will make some brief opening remarks before we open the floor to your questions, which Dimitris and Michalis will take together.

Let me now turn the call over to Dimitris.

**Dimitris Lois - Coca-Cola HBC AG – CEO**

Thank you Basak. Good morning everyone and thank you for joining our call.

Overall, third quarter trading developed as expected, against a backdrop of trading conditions broadly consistent with the first half of the year.

Let's look at the headline numbers.

Group volume was down by 1.0% compared to 5.4% growth in the prior-year quarter when the exceptionally hot summer in some of our countries boosted demand, mainly for Water. Taking this into account, the underlying growth in our business remains robust.

We continued to focus on revenue growth management, while improving both package and category mix. These initiatives, combined with the price increases taken mainly in

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Emerging markets, delivered a 3.8% improvement in revenue per case on an FX-neutral basis.

As a result, FX-neutral net sales revenue growth in the quarter was 2.8%. Currencies remained a headwind in the quarter. Factoring in the 4.5% currency impact on our top-line, net sales revenue declined by 1.9% compared to the prior-year quarter.

Let me now take you through the main drivers of volume and revenue per case.

In the Developing and Established markets, the volume declines you see for the quarter, 4.2% and 2.5% respectively, are a result of the tough prior-year comparatives of 10.4% for Developing markets and 7.4% for the Established markets. We continue to take advantage of opportunities for growth in these markets with new launches such as Coke Life and Fanta flavours, new packs such as glass contour bottles, and excellent execution capitalising on the Taste the Feeling campaign and the Coke with Meals occasion.

In Emerging markets, we are very happy to see Nigeria and Romania leading the growth with double-digit and mid single-digit increases, respectively. The economy is stabilising gradually in Russia, with lower inflation rates and a better consumer outlook.

As a result, the rate of decline in the quarter slowed compared to the prior-year quarter, resulting in a growth rate for the segment of 1.3%.

As you are aware, we have a consistent focus on improving the value we get from every case we sell, and in this quarter we have accelerated the pace of growth.

In the Emerging markets, price increases drove 8.1% FX-neutral revenue per case growth, accelerating our progress compared to the first half of the year. Improved category and package mix contributed to this result, as the share of single-serve packages increased in our package mix by 1.9 percentage points.

In the Developing markets segment, effective management of promotions and reduced deflationary pressure drove FX-neutral revenue per case up by 3.5%, reversing the negative trend seen in the first half of the year. In the Established markets, promotional pressures and adverse channel mix impacted FX-neutral revenue per case performance, which was down marginally.

Looking at the categories, we are pleased with Sparkling beverage performance where we've seen volumes grow by 1.3% in the period despite cycling 4.0% growth in the prior-year period. Good performances in Nigeria, Romania, Ukraine and Ireland more than offset the declines in some of our Established and Developing markets and in Russia. Within the category, Coca-Cola Regular led the growth in trademark Coca-Cola, while Fanta posted 6.7% growth, with good contributions from all segments.

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The water category had a very high comparative base, having grown by 12.4% in the prior-year quarter. Against this, Water volume declined by 8.0%. Juice volume increased in the period by 2.0%. This was driven by the continued growth in Romania and Nigeria as well as the gradual recovery of our juice business in Russia. Energy volume grew by 24.0% with strong performances across our markets. New launches of the Monster brand in our countries and the subsequent expansion in distribution were behind this excellent growth rate.

We delivered a very good performance from package mix in the quarter. Single-serve contribution improved by 1.7 percentage points with good performances from the smaller packs in all segments. Sparkling single-serve packs improved by 1.1 percentage points while Water improved by 3.4 percentage points.

In conclusion, we are pleased with this quarter's performance and look forward to finishing the year with another good quarter, in which we will benefit from one additional selling day. The underlying growth in our business remains robust, and we are confident in meeting our expectations of modest volume growth and a substantial improvement in FX-neutral net sales revenue per case for the full year.

With that, I will now hand over to the operator, and Michalis and I will take your questions.

***Q&A transcript will be available on the Company's website on 4 November.***

### **Closing remarks**

I want to thank you for joining us today and for all your questions that facilitated a good discussion around our third quarter performance.

At our investor day in June we shared with you our roadmap for top-line growth and margin expansion as well as the strategic initiatives that will get us there. We have been implementing these initiatives, and we will continue to drive the business forward and deliver on our promises for the benefit of our stakeholders.

We look forward to sharing the results with you in the coming periods.

Thank you.