

# CCH – 2017 Third-quarter trading update

## Conference call script – 9 November 2017

### **CORPORATE PARTICIPANTS**

**Michalis Imellos - Coca-Cola HBC AG – Acting CEO and Group CFO**

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

#### **Operator**

Thank you for standing by ladies and gentlemen, and welcome to Coca-Cola HBC's conference call for the 2017 third-quarter trading update. We have with us Mr. Michalis Imellos, Acting Chief Executive Officer and Group Chief Financial Officer, and Ms Basak Kotler, Investor Relations Director. At this time all participants are in listen only mode. We will have a brief update on 2017 third-quarter trading and then we will open the call to questions. If you wish to ask a question, please press star one on your telephone keypad at any time and wait until your name is announced. I must also advise that this conference is being recorded today Thursday, November 9, 2017. I now pass the floor to one of your speakers, Ms Basak Kotler. Please go ahead.

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

#### **Forward-looking statements**

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 Acting Chief Executive Officer and Group 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.

Although we have added a webcast facility to our call for ease of access, there will be no slide presentation today as per our usual practice for trading updates. We will start with some brief opening remarks from Michalis and then open the floor to your questions.

Let me now turn the call over to Michalis.

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**Michalis Imellos - Coca-Cola HBC AG – Acting CEO and Group CFO**

### Third-quarter highlights

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

Before we get started, I would like to say a few words about the sudden death of our CEO, Dimitris Lois, on the 2nd of October. Dimitris was a great friend, a truly special person and colleague, and an inspiration to the whole Coca-Cola Hellenic family. I know he would have been very proud to be announcing and discussing with you this set of excellent results today.

Overall, we are very pleased with the strong revenue delivery in the quarter. We have achieved a better balance between volume growth and price/mix improvement compared to the first half of the year, while revenue growth continued its strong pace.

Let's look at the headline numbers.

Revenue performance was excellent in the quarter, with currency-neutral revenue growth of 6.0%. Group volume was up by 3.4%, with good broad-based improvements from all three segments. Currency-neutral revenue per case improved by 2.5% in the quarter with consistent positive progress in all three segments. Currencies had a small negative impact, so on a reported basis, net sales revenue grew by 5.0% compared to the prior-year quarter.

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

Established markets volume grew by 2.2% in the quarter. This year's strong performance benefited from a good tourist season and exceptionally warm weather in Italy and Greece. In this segment, low-calorie Sparkling drinks are advancing in line with our strategy, while full-sugar variants have declined. Still drinks performed well too, as a result of higher Water volumes.

Volume in Developing markets increased by 5.1%, led by Sparkling and Water. Here, we saw the already positive trends in Hungary and the Czech Republic accelerate with the warm summer weather. In Poland, where we continue to see a declining underlying Sparkling market and some weather headwinds, new launches of flavours and packages helped stabilise volumes in the quarter.

Emerging markets volume increased by 3.5%. We saw very strong growth in Romania, Serbia and Ukraine, and stable volumes in Russia. This growth was partly offset by volume decline in Nigeria, which was expected during the low season, following the significant price increases taken in the last twelve months.

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 continued to build on our good track record.

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In the Emerging markets, price increases taken earlier in the year drove a 4.2% currency-neutral revenue per case growth. Improved category and package mix also contributed to this result. The decline in the pace of growth this quarter compared to the 8.6% in the first half of the year was expected - the result of cycling price increases taken at the end of the second quarter in 2016.

In the Established and Developing segments, list price increases are not very common, but the emergence of a more inflationary environment and effective management of promotions are helping us achieve higher revenue per case. In the Established markets, currency-neutral revenue per case has been growing sequentially every quarter, and in the third quarter the growth rate reached 1.1%. In the Developing markets, currency-neutral revenue per case improved by 2.1% - a moderation from the first half trends as expected.

Now turning to the categories

The third quarter, which includes the summer months in all markets except for Nigeria, saw the culmination of our efforts to accelerate innovation in products, flavours and packages. The launches of the new recipe for Coke Zero, new variants such as Coke Zero Lemon, Coca-Cola Regular Lime and Coca-Cola with Stevia and no calories, the Fanta slider bottle, limited edition flavours of Fanta in many of our countries and Schweppes Pomegranate in Russia are part of a very long list that helped achieve Sparkling beverages volume growth of 2.7%.

In Still drinks, Water volume grew by 7.4%, with high single-digit growth in all three segments. Good summer weather, a strong tourist season in Greece and our new streamlined water business in Italy helped to deliver this excellent result.

Juice volume declined by 1.8% in the quarter. While we have positive underlying trends in most of our markets, declines in Nigeria and Russia, as well as some product eliminations in Ireland have offset the growth achieved elsewhere.

Energy maintained its growth momentum and posted an increase of 24.1%. We continue to build Monster volume, which grew by 39.3% on a like-for-like basis. Including new market launches, Monster growth was 43.8%.

We saw 5.9% decline in the ready-to-drink tea category. This is not entirely surprising, given the ongoing plans to transition from Nestea to Fuze Tea in our markets. We look forward to the launch of Fuze Tea in 2018.

In conclusion, we made good progress on many fronts in the third quarter and go into the final quarter encouraged by our progress and confident in delivering on our expectations for the full year.

With that, I will now hand over to the operator to take any questions you may have.

### **Q&A**

*[Q&A transcript will be available on the Company's website on Friday 10<sup>th</sup> November]*

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

We have a clear 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 consistently, and are pleased with the results they are delivering. We look forward to sharing more progress with you in the coming periods.

Thank you.