

CCH – 2018 First-quarter trading update

Conference call script – 10 May 2018

CORPORATE PARTICIPANTS

Zoran Bogdanovic – Coca-Cola HBC AG - CEO

Michalis Imellos - Coca-Cola HBC AG – 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 2018 first-quarter trading update. We have with us Mr. Zoran Bogdanovic, Chief Executive Officer, Mr. Michalis Imellos, 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 2018 first-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, May 10, 2018. I now pass the floor to one of your speakers, Ms Basak Kotler. Please go ahead.

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 first quarter trading update.

Today, I am joined by our Chief Executive Officer, Zoran Bogdanovic 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.

Although we've 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 Zoran and then open the floor to your questions.

In order to facilitate a good Q&A session, we suggest that you ask your questions one at a time, waiting for us to answer one question before you ask another. The operator will keep your line open until we have exhausted your questions.

Now let me turn the call over to Zoran.

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Zoran Bogdanovic - Coca-Cola HBC AG – CEO

First-quarter highlights

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

Today, we are pleased to report a good start to the year and a solid performance in line with our expectations against the backdrop of mixed trading conditions.

I would like to highlight a few elements.

Our revenue growth, 4.5% on a currency-neutral basis, continues to be driven by balanced growth between volume and price/mix.

Our volume growth of 2.3% in the quarter is the result of good performances in the Established and Developing markets, as well as the medium-sized Emerging markets. On a category basis, Sparkling drinks volume was strong, up 2.8%.

We are particularly pleased to see the impact of our strategy on these results including innovation in new products and flavours, revenue growth management initiatives and the effectiveness of our commercial strategies.

Let me now walk you through some of the segmental detail.

Established markets volumes grew by 1.1% in the quarter, marking the fourth consecutive quarter of growth. The shift of the Catholic Easter to the first quarter this year contributed positively to volumes in some of the countries in this segment. Volumes improved in Ireland and Switzerland, and Greece continued to make good progress, helped in part by product innovation.

The volume performance in the Developing markets is particularly strong, up 11.8%. There are a few factors at play here. For the most part, volumes in the segment were driven by mid-teens growth in Poland, where we saw strong growth in the underlying market, particularly in the organised trade, and promoted Water ahead of the peak season. Hungary and the Czech Republic also continued to grow well. Looking at the other factors, the segment benefitted from easy comparatives in 2017 and the timing of Easter, which, we estimate, contributed approximately three percentage points to the growth.

Emerging markets volume was broadly stable. Within this, strong growth in the medium-sized countries, predominantly Romania, Serbia and Ukraine was offset by volume declines in Nigeria and Russia. Nigeria volumes were down 10%, a result of the tough comparative, both in volume and price versus the prior-year quarter, and availability issues in certain packs. In Russia, the pricing environment was intensely competitive, so we chose to prioritise profitability and long-term brand equity over volumes. In both of these markets, we continue to expect a gradual improvement in volumes in the remainder of the year.

Turning now to price/mix, Group FX-neutral revenue per case increased by 2.1% in the quarter. The rollover effect of price increases we took in 2017 and mix improvements in

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the Emerging and Established segments partly offset some mix deterioration in the Developing segment, mainly driven by the Easter effect.

In the Emerging segment, the 4.5% increase in FX-neutral revenue per case was driven by the rollover effect of the price increases we took in Nigeria in 2017, as well as improved category and package mix in the majority of the markets.

FX-neutral revenue per case in the Established markets improved by 0.8%, driven predominantly by category mix. We are happy that our efforts to accelerate Sparkling drinks through reformulation and flavour extension are delivering in the Established markets.

We talked about the volume increase in the Developing markets, and especially in Poland, driven by Easter phasing. This magnitude of growth, in a country dominated by the organised trade and multi-serve packs, had an adverse effect on channel and package mix. As a result, even though we achieved better category mix and a small improvement in price in the Developing segment, overall FX-neutral revenue per case deteriorated by 1.3%.

Finally some highlights by category.

We started executing our new product and flavour launches in the quarter in addition to implementing our ongoing revenue growth management initiatives and strong commercial plans. The success of all these initiatives is evident in the growth we are seeing in our key categories.

Sparkling drinks grew by 2.8% with growth coming through in all three geographic segments. Coke Regular, Coke Zero and Fanta were particularly strong as a result of various initiatives including flavour extensions such as Coca-Cola Zero Cherry, Coca-Cola Zero Lemon and Fanta Pear, Shokata, Dragonfruit and Grape.

Water grew by 0.9% in the quarter, driven by strong growth in the Developing segment, offset by declines in some Emerging markets, mainly Russia and Nigeria. The Energy category maintained its good momentum and grew by 27.8%, with a continued strong performance from Monster in all three segments.

Juice and Ready-to-drink Tea declined in the quarter; however we are on track with our plan to revive the Tea category. As planned, we launched FUZE Tea in all of our markets apart from Nigeria, and, although it is at an early stage, we are encouraged by the success of the launch.

So in summary we are, for a number of reasons, pleased with a good start to the year. Looking ahead, we are excited about our plans for new product launches, the FIFA World Cup and seasonal preparation. These plans, combined with anticipated gradual economic recovery in Russia and Nigeria, give us confidence for faster revenue growth as the year progresses.

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

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Q&A

[Q&A transcript will be available on the Company's website on Friday 11th May]

Closing remarks

I want to thank you for joining us today and for all your questions that facilitated a good discussion around our first 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 are pleased with the results that these initiatives have delivered in the last three years. We look forward to sharing more progress with you in the coming periods.

Thank you.