

CORPORATE PARTICIPANTS

Zoran Bogdanovic, Chief Executive Officer

Michalis Imellos, Chief Financial Officer

QUESTIONS FROM

Sanjeet Aujla, Credit Suisse

Chris Pitcher, Redburn

Andrew Holland, Société Générale

Richard Felton, Morgan Stanley

QUESTIONS AND ANSWERS

Telephone Operator

If you wish to ask a question please press *1 on your telephone keypad. If you change your mind and you wish to withdraw your question please press *2. You will be advised when to ask your question.

We have some questions coming through. The first one comes from Sanjeet Aujla, from Credit Suisse in London. Please go ahead Sanjeet

Sanjeet Aujla, Credit Suisse

Morning, my first question is just on the revenue growth expectations for the second half of the year Zoran. After the strong H1, do you think the business can deliver a comparable organic revenue performance in the second half of the year? And if you could perhaps just elaborate on the moving parts there? That's my first question, thanks.

Zoran Bogdanovic, Chief Executive Officer

Thank you Sanjeet. So I would like to reiterate our previous and past guidance, which says that we are looking at our full year revenues to be on the pretty same level as the revenue of last year. And as we, both Michalis and me highlighted, we do see that in the second half we do have a generation of our revenue from a more rebalanced mix between the price/mix and volume.

So that means that in the second half we do see slightly lower revenue growth, but on a full year level we are reiterating our guidance that we will be on a similar level like last year.

Sanjeet Aujla, Credit Suisse

Thanks. And just maybe on the margin dynamics, clearly you expect a step up in price/mix, input costs are a little bit more benign than what we expected, marketing spend is a bit more H1 weighted it seems. So you know do you expect - to what extent do you expect a very strong acceleration in margins for the second half of the year and perhaps if you could just help quantify that? Thanks.

Michalis Imellos, Chief Financial Officer

Yes, hi Sanjeet. We do expect acceleration of the margin growth in the second half, exactly for the reasons you outlined. The rebalancing of volume growth and revenue per case growth, in other words the acceleration of the revenue per case growth and the moderation of the volume growth is going to have a positive impact in terms of the acceleration of margin growth.

And also as I mentioned during my prepared comments there were some small one offs in terms of costs that were happening in the first half, we don't expect those in the second half. And therefore that will also boost the growth in the second half.

So overall for the full year we expect total margin growth to accelerate versus what we achieved in the first half of the year, but clearly not to the size of last year's growth, which we did say included a one off positive impact from the, let's say positive correction of the ruble.

Sanjeet Aujla, Credit Suisse

Many thanks Michalis.

Telephone Operator

Okay, we have our next question from the line of Chris Pitcher, from Redburn in London. Please go ahead.

Chris Pitcher, Redburn

Hi there, thank you for taking my questions. The first one is on Italy; could you give us a bit more colour on revenue per case development there and how that is playing out for the balance of the year?

And then maybe a comment on Russia and Nigeria pricing into the second half?

And then a specific question, the concentrate purchase from Coca-Cola seems to have increased quite significantly as a percentage of sales in the first half, is that just a timing issue or anything that we should be aware of there? Thank you.

Zoran Bogdanovic, Chief Executive Officer

Thank you Chris. First of all you asked about Italy. Italy revenue per case in the first half has been at the lower end of the single digits and we do expect that also on a full year level it is going to be on a similar level. So positive low single digit.

As to pricing in Russia and Nigeria, definitely that is something that we are evaluating. That certainly depends on the macro development, competitive play. However, I want to reiterate that in Emerging Markets we are looking into balanced growth of volume and value. And value creation is definitely critical, that's why pricing is always one of the options, but we want to be realistic in evaluating and seeing how the market will evolve in the next couple of months and then we will make decisions.

Definitely we also see that in Nigeria as a reminder, while the country is showing some of the positive signs of recovery, still we know that in the country inflation levels are around 13 to 14% and that is also a factor that we are evaluating when making those decisions.

Chris Pitcher, Redburn

Have you seen any change in behaviour of your main competitor there Seven-Up Bottling since they were taken private, or is it too early to say?

Zoran Bogdanovic, Chief Executive Officer

It's too early to say, we do see that clearly their activities are solely volume focused and that is why what we have been doing over the past 12 to 18 months by bigger proliferation of our packages, as well as brand certification that we are doing with our brand portfolio. This is enabling us - that we can, as we are doing for the last - more than 12 months, are trading at a higher price level than our key competitor, which I would say probably wouldn't be possible if we were talking two or three years ago. But with this evolution that we are consciously and purposely doing this is enabling us to focus both on the affordable segment as well as the one which can trade at a more premium level.

Michalis Imellos, Chief Financial Officer

And Chris to your third question about the concentrate purchases increase. What is different this year compared to last year is Fuze. So when we were buying Nestea last year from BPW, the joint venture between Nestea and the Coca-Cola Company those purchases were not part of concentrate, whereas now as we buy Fuze concentrate from

the Coca-Cola Company all these purchases are part of concentrate. Therefore that creates a big difference year over year.

Plus of course we have volume growth, significant volume growth and that results in growth in the purchases of concentrate. Plus the fact of course that those purchases that you see are on a cash basis, so small differences in the phasing can generate also distortions to the growth compared to cost of sales.

Chris Pitcher, Redburn

Thank you very much, very clear.

Telephone Operator

We have the next question coming from the line from Andrew Holland, from Société Générale in London. Please go ahead.

Andrew Holland, Société Générale

Hi, just two quick questions, just going back to Sanjeet's question on the margin, the current consensus is for the same growth as you did in the first half, so 60 basis points. you're saying it's going to be less than it was last year, which if I've got my modelling right was 90 basis points, so that puts the expectation for the full year in a range of 60 to 90 basis points. Do you think it's going to be nearer the 60 or the 90 is my first question?

Michalis Imellos, Chief Financial Officer

So Andy last year the full year margin growth was 120 basis points, from 8.3 to 9.5 and we had said that out of this around 50 basis points was attributable to the strengthening of the ruble. So we are saying that we will not repeat 120 basis points growth this year, but certainly on a full year basis the growth, the expectation for the margin growth is higher than what we did in the first half of the 60 bps.

Andrew Holland, Société Générale

Okay, thank you. The second question and we get rather fed up asking it, but I'll ask about CCBA, I'm wondering whether you've lost interest in pursuing that or whether that is still an ongoing project?

Zoran Bogdanovic, Chief Executive Officer

Thank you Andrew and thank you for bringing this question. You know very well that we don't comment on these things, on M&A projects. So I can only reiterate - what I always said, is that we are very open and interested in the opportunities that can be ahead. So definitely I confirm that we are very alert and open, but simply on any particular case we are not able to provide any comments. So thank you Andrew.

Andrew Holland, Société Générale

Thank you.

Telephone Operator

This is a reminder if you would like to ask a question please press *1 on your keypads now.

We have another question coming through it comes from the line of Richard Felton from Morgan Stanley in London. Please go ahead.

Richard Felton, Morgan Stanley

Hi good afternoon, thanks for taking my question. On input costs you mention in your statement that you saw a more benign environment and you've lowered your full year guidance. Can you just talk about how you see things progressing into FY'19 and how you're currently hedged for your input costs into next year?

Michalis Imellos, Chief Financial Officer

Hi Richard, although it's a little bit early for 2019 as we are drawing our plans now, first of all in terms of coverage we are in very good shape, because in terms of EU sugar we are fully contracted in at rates that are very similar to 2018. And we are also already fully covered in Russia and quite significantly in Nigeria, probably around 70% in Nigeria.

In aluminium we have made already some progress, about a third of our exposures are covered for 2019. And of course for resin there is no hedging or coverage at this point in time.

So taking all that into consideration and the expectations that we have for the commodity rates and we will confirm in February with something more accurate in terms of our expectations, probably we are looking at a low single digit increase for 2019, driven primarily by resin.

Richard Felton, Morgan Stanley

Great thanks. And then just one follow up on your Adult portfolio please, Schweppes and Royal Bliss. Can you talk about where you see the biggest opportunities for those brands please? And then also in your statement you mention that Royal Bliss has been launched in four markets currently, are there plans to roll it out across more of your markets? Thank you.

Zoran Bogdanovic, Chief Executive Officer

Thank you Richard. Indeed overall in our Adult portfolio we do see excellent growth opportunity. And that is why we are also expanding the portfolio in this area. And this is where we are also focusing lots of our innovation, both in packaging, as well as flavour extensions.

The opportunity lies in the fact that this Adult portfolio with all three brands is perfectly suitable for various mixability propositions that consumers evidently like and consume more and more in various occasions. And this is where we are consciously developing programmes around mixability where we have a quite strong capability that we are spreading across all our markets.

On top of that this portfolio is also suitable for consumption on its own and this is where various flavour innovations also are tapping and coming in very well. So now for - I would say many quarters we do see that this Adult segment is having a strong double-digit growth and I would see that we will be only more intensifying efforts and programmes around each segment rather than you know standing still.

To your question about Royal Bliss, it's an excellent product, launched this year which fits perfectly into that premium segment. That is also verified by customers and consumers. And yes, we will also see how and where we will be also possibly expanding this particular brand into other markets as well.

Richard Felton, Morgan Stanley

Great, thank you very much.

Telephone Operator

Okay, this is the final reminder, if you would like to ask a question please press *1 on your keypads now.

Yes we have one final question coming through from the line if Chris Pitcher from Redburn in London. Please go ahead.

Chris Pitcher, Redburn

Hi there, thanks for taking the follow up. I'm just looking at trying to understand Poland's development in the second half. You obviously had a very strong first half, despite - sorry strong second quarter despite the Easter timing, etc, how should we think about the second half for Poland?

Zoran Bogdanovic, Chief Executive Officer

Thank you Chris. First of all we are very pleased with the performance of Poland, which comes also on the basis of a very solid and positive economic backdrop. And also we see that in the market real wage growth which is helping the consumer and the NARTD market is growing mid single digits and we are very pleased that we see that we have been growing ahead of the market, with our growth in the first half which was double digit.

Going forward in Poland we definitely see a continuation of a strong performance in a more rebalanced way between volume and price/mix. So going forward we do see a combination of package mix, category mix, price increases are going to impact price/mix more in the second half than was the case in the first half.

In the first half, as I mentioned in my introductory remarks, we had this conscious drive behind our Water brand, Kropla, and also we did have a stronger Easter impact, which overall impacted the first half more than the first half of last year.

So overall we are looking at a very strong performance for Poland for the full year, just in the second half in a more rebalanced way - how we come to the revenue growth.

Chris Pitcher, Redburn

Thank you. It bodes pretty well for margin improvement in Poland by the sounds of it in H2 if you're putting through price and mix.

Zoran Bogdanovic, Chief Executive Officer

Yes.

Chris Pitcher, Redburn

Thank you, very clear.

Telephone Operator

There are no further questions and so I will hand you back to Zoran Bogdanovic for any concluding remarks.

Zoran Bogdanovic, Chief Executive Officer

Thank you operator. I want to thank you for joining us today and for all your questions that facilitated a good discussion. I will leave you with the following thoughts. In the first six months of the year we made another solid step towards achieving our 2020 financial targets. Looking to the full year we continue to expect to make progress in both revenue and margin growth in 2018.

Thank you all and we look forward to speaking with you again soon. Thank you.

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