

CCH – 2019 First quarter trading update

Conference call script – 2 May 2019

CORPORATE PARTICIPANTS

Zoran Bogdanovic – Coca-Cola HBC AG - CEO

Michalis Imellos - Coca-Cola HBC AG – CFO

Joanna Kennedy - 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 2019 first quarter trading update. We have with us Mr. Zoran Bogdanovic, Chief Executive Officer, Mr. Michalis Imellos, Chief Financial Officer, and Ms Joanna Kennedy, Investor Relations Director. At this time all participants are in listen only mode. There will be some prepared remarks, followed by a question and answer session. 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 2, 2019. I now pass the floor to one of your speakers, Ms Joanna Kennedy. Please go ahead.

Joanna Kennedy - 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 you 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 all of your questions.

Now let me turn the call over to Zoran.

CCH – 2019 First quarter trading update

Conference call script – 2 May 2019

Zoran Bogdanovic - Coca-Cola HBC AG – CEO

First-quarter highlights

Thanks, Joanna. Good morning everyone and thank you for joining our call.

We are happy to report a strong performance during the quarter, with several notable positives which give us confidence that we can achieve our plans for the year.

Let me share the highlights.

Our revenue growth was up 4.7% on a currency-neutral basis driven by strong volume growth of 3.5% and a 1.1% expansion in currency neutral revenue per case.

This puts us on-track to deliver on our expectations for the year, given that in 2019, the sell-in for the Easter period shifts from the first into the second quarter, and that we still have the impact of the discontinuation of our distribution of the Brown Forman brands in Russia in our numbers in the first quarter. The negative impact of these two factors in the first quarter was 150 basis points, 90 basis points on volumes and 60 basis points on price/mix.

Volume growth was broad-based across our markets and we saw growth from all our segments. Let me give you some detail.

Established markets volumes grew by 0.2% in the quarter. We are pleased with these results for the segment given the timing of Easter.

As well as ongoing good results from Ireland and Greece, we are particularly happy to have delivered another quarter of volume growth in Italy. We are seeing a positive impact from the changes we made to our pack/price architecture in Sparkling in the country, while improvements to our route to market, particularly in Out of Home, are driving strong performance from new categories and occasions in that channel. FUZE tea continues to perform very well in Italy, more than doubling volumes compared to the prior year quarter.

In the Developing markets, volumes grew by 2.6%. As in the Established segment, the timing of Easter impacted volumes and we estimate that adjusting for this, volume growth would have been in excess of 4%. Growth was broad-based across the segment and particularly strong in Energy and Water.

Emerging markets volumes grew by 5.7%, with ongoing good growth in Russia, Romania and Ukraine, and a notable improvement in Nigeria in the quarter. We are seeing good results from our route to market changes in Nigeria. At the same time, our competitive response, which includes a new widened pack/price architecture, is protecting our performance in Sparkling. Stills volumes in Nigeria grew double-digits, with Juices continuing to benefit from the additional PET packs we launched in the market in 2018.

Turning now to price and mix.

CCH – 2019 First quarter trading update

Conference call script – 2 May 2019

Price/mix in the Established markets expanded by 1.2%, with positive impacts from package mix as well as selective price increases, including pricing taken to offset the Irish sugar tax. This was partially off set by negative country mix due to volume declines in Switzerland.

In the Developing markets we are seeing positive results from our plans to drive more revenue growth in this segment from price and mix, with the 3.8% expansion being a notable improvement compared to the prior year period. This was driven by broad-based improvement across the markets in the segment, and came from package and category mix, as well as price increases.

Price/mix in the Emerging markets was up 1.1%, and was impacted by the discontinuation of our distribution of the Brown Forman brands in Russia. Excluding this impact Emerging segment price/mix would have been up 2.5%. We benefited from pricing in Russia, Ukraine and Serbia, while in Nigeria, our widened price architecture across our Sparkling brands, impacted price/mix in the quarter.

Let me move on to some highlights by category.

We continue to see encouraging growth from Sparkling, with volumes up 2.8% in the quarter. Growth was led by strong trends in low- and no-sugar variants, which grew by 43%, while full sugar variants declined by 2.5%. Coke Zero growth continues to have excellent momentum, with volumes expanding in all our markets leading to Group level volumes up 40%. This is the 8th consecutive quarter of growth above 20% for the brand. Schweppes, Kinley and Royal Bliss, which together comprise our Adult Sparkling portfolio, saw very good performance, with combined volumes for Adult Sparkling up 8.8%. These brands form an important part of our mixability programmes across our markets, and they are complemented by the creation of dedicated teams in relevant markets, to serve premium hotels, restaurants, cafes and bars, which is helping to deliver these positive results.

The energy category continues to see strong growth with volumes up 31.8%. This is the 13th quarter of double-digit volume growth in the category.

Moving to Stills, volume growth of 4.3% is an acceleration from the pace of expansion in the prior year, which was up 0.4%. We are seeing strong volume growth in Water, which was up 7.3%, with volume growth in all of our segments. However, Juice volumes declined by 0.8%.

Ready-to-drink Tea declined in the quarter, down 5.1%, as we cycle the first few months of the pipeline which was built to allow for a successful launch of the FUZE brand last year. The exit rate from the quarter is positive with volumes up 6.4% in March and we have an exciting year of new flavour and package launches in the category.

So in short, we have had a good start to 2019, in line with our expectations, and we are energised by the plans we have in place. This, combined with the fact that for the rest of the year we will leave behind the negative impacts of Easter phasing and the cycling of the Brown Forman distribution, give us confidence that we will see faster revenue growth for the rest of 2019.

CCH – 2019 First quarter trading update

Conference call script – 2 May 2019

Having discussed our results let me turn to another topic. You will have seen that today we have announced that the Board will be proposing a special dividend of 2 euros per share.

We have been on an exciting journey over the last few years at CCH. We restructured the company during the challenging years after the financial crisis, creating the right base for growth. Since then, with our increasingly consumer-centric portfolio, our customer focused execution, and the economic recovery in our markets, we have made significant progress towards our 2020 objectives. Since we set out our 2020 objectives in 2016, we have grown currency neutral revenues at an average of 5% per annum and have expanded comparable EBIT margins by 270 basis points. The special dividend announced today reflects the value created by this excellent progress, our strong cash position and our financing plans.

I would like to take this opportunity to thank our shareholders for their trust and support of our company.

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

Q&A

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

[Q&A transcript will be available on the Company's website on Friday 3rd May]

Closing remarks

Thank you for joining our call today, and for your questions and discussion of our first quarter performance.

We have a clear roadmap for top-line growth and continued margin expansion, which is underpinned by the strategic initiatives to drive that. We continue to partner with our customers and strengthen our route to market to capture the growth opportunities in every channel. I look forward to sharing more progress with you in the coming periods.

Thank you very much.