

CCH – 2019 third quarter trading update

Conference call script – 13 November 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 the Coca-Cola HBC's conference call for the 2019 third 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 Wednesday, November 13, 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 everyone. Welcome to our third quarter trading update call.

Today, I am joined by our CEO, Zoran Bogdanovic and our CFO, Michalis Imellos.

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 Zoran and then open the floor to your questions. As always, kindly ask your questions one at a time, waiting for us to answer one question before then moving on to another. The operator will keep your line open, until we have answered all your questions.

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Finally, I must also 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.

And with that I will turn the call over to Zoran.

Zoran Bogdanovic – Coca-Cola HBC AG - CEO

Thank you, Joanna. Good morning everyone.

This quarter we have delivered solid results against a very challenging backdrop in which unusually bad weather impacted industry volumes in several of our key markets. We estimate the impact of this was a negative 1.7 percentage points on Q3 revenues. 1.5 percentage points on volume and a further 20 basis points on price/mix.

Overall third quarter revenue growth was 5% on a reported basis, 3.4% on a currency-neutral basis and 2.3% excluding the impact of the acquisition of Bambi and FX. This is comprised of currency-neutral revenue per case growth of 2.4%, offset by a marginal 10 basis point decline in volumes. Our transactions are consistently growing ahead of volume across all major categories.

Despite the challenging backdrop we continue to execute successfully on our strategic priorities. We made strong progress on our key areas of strategic focus through the quarter, maintaining or gaining share in the majority of our markets. The pace of innovation in our portfolio continues to be strong and our execution in the market is successfully getting that portfolio into the hands of our consumers. Innovations contributed 3.7 percentage points of volume growth in the quarter. We continue to see positive developments from several of our key categories which will drive our performance, including Trademark Coke, Zeroes, Adult Sparkling and Energy.

Our revenue growth management initiatives are driving improved pack, category and price mix. And this quarter the pace of expansion of price/mix accelerated by more than one percentage point to 2.4%, excluding the impact of Bambi and FX. We delivered this strong performance on price/mix despite the conscious actions we took in Nigeria to adjust pricing down. Excluding Nigeria, FX-neutral revenue per case expansion in the quarter was 3%, another indication that our revenue growth management and premiumization initiatives are working well.

Turning to volumes.

As I mentioned at the start, we witnessed a quite significant impact of poor weather in several of our key markets over the summer period. The industry as a whole saw volume declines in the third quarter of between low to high-single digits in Austria, Switzerland,

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Poland, Hungary, the Czech Republic, Slovakia and Russia, to name the most important ones impacting our results. While our volumes were clearly impacted by this, we are pleased to see that we still gained or maintained share in the majority of our markets.

Let me now take you through the main drivers of FX neutral revenue growth on a segmental basis.

Established markets currency-neutral revenue grew by 1.5%, with volume growth of 1.2% and price/mix expansion of 30 basis points. We continue to deliver strong momentum in volume growth in Italy and Ireland, while volumes were weaker in the rest of the segment, but with positive price/mix across the vast majority of markets.

Developing markets currency-neutral revenue grew by 40 basis points as strong price/mix improvements of 4.6% offset a volume decline of 4%. Volume was impacted by challenging comparatives this quarter, as well as very poor weather this summer which drove declines in the NARTD industry in our largest countries in the segment. Despite this, volumes are still growing on a high single digit base in the quarter over the past two years. Price/mix development has been strong, driven by improved pack and category mix as well as pricing initiatives.

Emerging markets currency-neutral revenue grew by 6.5% or by 3.9% excluding impact of Bambi. Decomposing this 3.9% underlying revenue growth, we saw volume contribution of 80 basis points and price/mix of 3.1%. Strong volume growth in Romania and Ukraine, as well as positive ongoing developments in Nigeria, were partially offset by volume declines in Russia. The NARTD industry in Russia saw volume declines of just under 7% in the third quarter. Against this backdrop, we are pleased to have gained value share in Sparkling and have succeeded in driving very strong price/mix in the quarter, which is now fully visible in our results after lapping the impact of Brown Forman in the first half.

More broadly, we are very encouraged to see similarly strong performance on price/mix across the segment, which was up 4.9% excluding Nigeria.

Now let me spend some time on Nigeria. The consumer environment in the country remains stable, albeit weak, while the competitive dynamic is intense. As you know we started making pricing investments in the fourth quarter of 2018, initially in our returnable glass package type and in September we concluded that work with a further investment in PET pricing. We have been encouraged by the results from this strategy throughout the year, and the early signs from September's action are extremely positive with strong double-digit volume growth. We believe that with this investment we have created a very solid base for growth in the fourth quarter and beyond.

Innovation continues to play a strong role in driving growth. It is central to our strategy that our portfolio continues to improve and become more consumer and customer-centric. This portfolio is giving us the opportunity to go after additional high-value occasions and channels and is driving growth. New categories, brands, flavours and

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packages, launched in the last 12 months represented 3.7 percentage points of volume growth in the quarter.

The majority of these launches are new package types, which help drive improvements in pack-mix while providing the consumer with the right-sized, convenient choice they want. It is this type of innovation, together with our diligent execution focus on smaller packs of core categories, that is helping to drive 260 basis points of improvement in single serve mix in the quarter.

Innovation is also giving the consumer more choice, be it new flavours or completely new brands, like AdeZ plant-based beverages which is now available in 17 of our markets, Smartwater, now available in 11 markets or Coke Energy, now available in 13 markets.

More specifically on category growth, we saw higher growth in Sparkling volumes increasing by 1.3% with continued strong growth from our areas of strategic focus like Trademark Coke up 4%, low and no sugar variants up 21.4% and Adult Sparkling up 7.7%.

Still drink volumes declined by 40 basis points, with mixed performances from the key categories as you will have seen in the press release. In general, categories like Water and Ready-to drink tea tend to be particularly sensitive to weather trends and this has had an impact in the third quarter.

We are making positive strides when it comes to Sustainability, and during the third quarter added Croatia as our fourth market to sell water bottled in 100% recycled PET packaging. We remain committed to having 35% of PET sourced from recycled PET by 2025. And I am very proud that Coca-Cola Hellenic has been named Europe's most sustainable beverage company by the Dow Jones Sustainability Index for the sixth time in seven years.

We remain focused on implementing and delivering our strategy – focusing on partnering with our customers and continuously strengthening our route to market with segmented execution to capture the growth opportunities in every channel, while offering a product portfolio that is stronger, broader and more consumer and customer-centric than ever. This focus on the customer is central to the way we want to work at CCH, and our culture is evolving to meet this goal head on.

In conclusion, we are pleased with the strategic progress we have made in the third quarter. Although the volume results were impacted by unusually poor weather dynamics, we are encouraged by the good performance on market shares in most of our markets and the acceleration of our price/mix development.

This, together with the return to strong performance that we have seen across our territories as the weather impact normalizes, gives me confidence in an acceleration in Q4. Overall, we expect FX-neutral top-line growth of 4 to 4.5%, including a 70 basis point

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benefit from Bambi, solid in light of the weather impact. We have benefited from a better than expected FX environment, and this combined with our continual efforts to improve efficiency lead us to expect another year of good profit and margin expansion.

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

Q&A

[Q&A transcript will be available on the Company's website on Thursday 14th November]