

CCH – 2020 First quarter trading update

Conference call script – 7 May 2020

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 2020 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 7th 2020. 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 and welcome to our first quarter trading update call. I am joined by our CEO, Zoran Bogdanovic and our CFO, Michalis Imellos.

Although we have added a webcast for ease of access, there will be no slide presentation today as per our usual practice for trading updates. We will start with some prepared remarks from Zoran, who will then hand over to Michalis to give you more detail on financials, and then we will open the floor to your questions. Please can I ask you to ask your questions one at a time, letting us answer a question before you move on to the next, we will keep your line open until we have responded to all of your questions.

I would also like to take this opportunity to note that we will be taking a step away from our normal practice this quarter and collecting an updated consensus after the results also, which we will then, as we always do, publish on our IR website.

I must remind you that this conference call contains various forward-looking statements which should be considered in conjunction with the cautionary statements in our trading update press release, which we published this morning.

With that let me turn the call over to Zoran.

CCH – 2020 First quarter trading update

Conference call script – 7 May 2020

Zoran Bogdanovic – Coca-Cola HBC AG - CEO

Thank you, Joanna.

This crisis is beyond anything that those of us on this call today have experienced before and its effects are having a profound impact on all of our stakeholders, so let me start by saying that I hope you and your families are all well. We also owe a debt of gratitude to those healthcare workers doing such vital front line work, both across our territory and the whole world.

We are living and working in extraordinary times that will test us all. However, whilst we are experiencing significant challenges in our markets today, Coca-Cola Hellenic is a well-positioned and resilient business prepared to adapt and emerge to take on new opportunities.

At Coca-Cola Hellenic our priorities are first to ensure the safety of our people, customers, partners and communities, second to maintain business continuity through the crisis by decisive, timely and effective action, and third to prepare for the opportunities that we know will emerge once recovery is underway. We have taken a number of steps to support the physical and mental wellbeing of our people as they work tirelessly to serve our customers. Our supply chain has been fully operational every day since the start of the outbreak and all our production facilities, with even more stringent health and safety measures in place, remain open. Our sales people have been continuously serving every one of our customers who is able to operate and maintaining contact with our customers who are not. We have also adapted our customer routines to provide them the best support that we can as they face their own challenges of rapidly shifting demand patterns.

I have been inspired by the extraordinary effort, resilience and adaptability shown by my colleagues across our entire business. In unprecedented conditions, by effectively leveraging our scale and resources, we have been able to keep our people safe, serve our customers and make a difference to the communities where we operate. This is something every person in our company should be proud of. All of our actions have been guided by our values, whether it's through the system-wide partnership with the Red Cross or in Romania where 40 volunteers helped build a medical facility or in Russia where we used our 3D-printing capability to produce protective face shields. There are countless examples and in every way possible, we have and will continue to play our part in fighting this pandemic.

We entered this crisis from a position of real strength. We are a resilient business with a culture of adaptability which embraces change and challenge. When I see the speed and innovation of our response and how we are anticipating the future, I know that we will be in a strong position to capitalise on the opportunities in the 'new normal'.

And when I think about some of the business decisions we have made and insights we have acted on those have been enabled by strong collaboration with our partners across the Coca-Cola system. We have benefitted from the insights of our Chinese colleagues, and of course we were able to take early learnings from Italy and share those with the broader system.

CCH – 2020 First quarter trading update

Conference call script – 7 May 2020

Let me share some of the learnings. Although different countries took slightly different approaches with their lockdown measures, the outcome was broadly similar: in all of our markets we saw the closure of schools, hotels, restaurants, cafes, bars, entertainment and often public spaces as well as restrictions on personal travel with very few exceptions, which in turn required extensive remote working.

We saw common patterns in channel performance, with large volume declines in the Out-of-Home in the range of 70-90%. This has also had an impact on the part of wholesaler businesses that supply the out-of home channel. On the other hand, we saw varying growth trends in the At Home channels as we progressed through the weeks of the lockdown. At first, we saw double digit growth rates in the weeks of household stock-up, followed by a normalising of trends towards the end of March and then volume declines in the low-teens in April.

While the Out of Home channel has been essentially closed, the relative winners have been the discounters, supermarkets and e-commerce. These formats saw fast changing demand patterns and had to rapidly adapt their own supply chains. E-commerce for example has been growing as fast as its logistical capacity has allowed it to, since demand was practically unconstrained. We believe that the growth of online ordering and home delivery will normalize going forward, but on a significant growth trajectory compared to the pre-crisis levels and certainly here to stay.

We have also seen a shift in shopper behaviour as the crisis progressed. Shoppers who started off bulk-buying, gradually became more cautious, with consumer sentiment weakening in most of our markets. While the outbreak started with large basket sizes in large format stores, as the crisis progressed, these have shifted to smaller baskets and proximity shopping.

Within food and drink, consumers are interested in both essential products and some indulgence to make the experience of being at home more fun. We see that our products have relevance in both of those categories. And we are adapting.

Revenue growth management is critical at this time as it enables us to get the right pack at the right price for the consumer while ensuring that we are able to generate the best value possible for every case we sell. Let me share a few areas of focus: Affordability will continue to be a crucial factor, and fortunately we have a lot of experience and capability at adjusting package sizes to meet important price points. The right package formats will continue to be crucial, and we are focusing in particular on multi-packs of single serves which work for our at-home channel and can also be adapted to a shopper who is focused on hygiene, and tending to a smaller-sized basket. And finally, premiumisation will continue to be an opportunity, particularly in the increasingly important 'aperitivo at home occasion'.

We are also adjusting our route to market. We have redeployed salespeople from out-of-home to at-home and enabled remote selling for sales people who are working from home. We have stepped up our activities in e-commerce, on our own B2B sales platform, and also in partnering with food aggregators and in working with our wholesale

CCH – 2020 First quarter trading update

Conference call script – 7 May 2020

customers to develop D2C offerings. Excellent customer service remains our North Star and I'm proud of the ways that our teams have been serving our customers – for example, in some cases, in order to reduce the pressure on some supermarket customers' supply chains, we have been delivering direct to store rather than to the customers' central warehouses. And while we are reducing marketing spend, we will maintain our visibility in the store, which is even more crucial now when shoppers are making shorter and more infrequent trips.

Our out-of-home business remains central to our strategy. Our position in this segment will be a key competitive advantage for the future. Throughout the crisis, we are by the side of our out-of-home customers. We are maintaining our personal relationships with them, and wherever we can we are helping them with strategies to weather the storm, such as supporting and enabling them to deliver or to build online sales, and crucially, we will be ready to support them as they are able to open again.

Overall, our business saw currency neutral revenues decline by 1.2% in the quarter. Inevitably, the quarter we are reporting on this morning includes two very distinct periods: before and after COVID-19 became a global pandemic. As such, we believe the way we can facilitate the best understanding of our business during this crisis, as well as its potential, is to make the distinction between these two periods clear in the numbers we are reporting today.

We also need to be clear about what we know and what we don't know yet about the future. There is still a great deal of uncertainty on the nature, duration, extent and effectiveness of social distancing and other measures as we emerge from the withdrawal of lockdown across our territories. As such, we do not believe it is prudent to provide guidance for 2020 at this point. We will continue to closely review the situation as we move through the year.

We started 2020 with strong momentum following good acceleration of growth in Q4 of 2019. We saw this strength continue in January and February.

On the 21st of February, Italy put in place some limited containment measures in the North of the country, and by the last week of March, every one of our European markets was in lockdown, including the major cities of Russia. The only countries to still be operating normally at that point were Nigeria and Belarus. In April, Nigeria too went into lockdown.

We have seen organic volume declines in the month of April of 27%, and broadly, we believe that this is a good indication of the performance of the business, with all markets under some form of lockdown. With what we see and know today, we also believe that April may represent the worst of the performance that we can expect as a direct result of the lock-downs, given a few key factors:

- firstly, all of our markets, except Belarus, were in lockdown during April;
- Secondly, in April we were cycling a 'real' Easter in 2019 where people celebrated with their families compared with the very unusual Easter of 2020 that we have all just experienced;

CCH – 2020 First quarter trading update

Conference call script – 7 May 2020

- Thirdly, April also saw customer de-stocking as they reacted to normalised demand conditions;
- Fourth, we are also somewhat encouraged by the relative stability of the declines in the range of minus 25% to minus 29% over the period, as well as the trading at the start of May.

Let me also give you an understanding of what we are seeing on a segmental level.

- In our Established markets, Q1 volume was down 5.5%, with most of March negatively impacted, while in April, Established volumes declined by 41.6%.
- In our Developing markets, Q1 volumes were up 1.8% while April volumes declined by 29.3%.
- In our Emerging markets, Q1 volumes were up 5.3% while April volumes were down 19.7%, both excluding Bambi.

Finally, while short term price/mix impacts cannot be reliably measured because of the phasing of promotions year on year, we have seen that price/mix is negatively impacted by the lockdown and the social distancing measures. While price/mix was positive YTD February, it turned negative in March due to the significant channel shift as a result of the declines in out of home, the pack mix shift from Single Serves consumed out of home to Multi Serves consumed at home, the discontinuation of Lavazza and the gradual decline of Sparkling volumes in the mix, combined with the lack of pricing actions amid the crisis.

Drawing from experience across the broader Coca-Cola system, we currently believe that the full extent of the lockdowns will be in April and May, after which the easing of restrictions will allow for a gradual recovery. This process is not without risks, and of course we expect some continuation of safety and social distancing measures after this period, as well as to see the possible impacts from a weaker consumer environment and the negative impact all this will have on tourism in several markets. Overall, as you would expect, we are continually and very closely monitoring the evolving trends together with our partners from The Coca-Cola Company.

As I mentioned earlier, the future will undoubtedly present us with new opportunities. The whole management team is focused not just on managing our business through the crisis but also looking at where the new opportunities will occur and how we should position ourselves to take advantage of them. We can already see some clear areas on which we will focus:

For example, it has been impressive to see our people rise to the challenges they faced and find faster, more agile ways of working. We want to keep this sense of urgency and the positive attitude of our people which is what will sustain us through this crisis and keep us on track to our vision of being the Leading 24/7 Beverage partner.

CCH – 2020 First quarter trading update

Conference call script – 7 May 2020

Another area is digital transformation. Continuing the acceleration of our work here, be it on e-commerce solutions, data analytics or digital ways of working and collaborating, will help us and our customers to build greater joint value in new ways.

Within Revenue Growth Management, we will be adjusting our OBPPC by putting a bigger focus on affordability and winning in growing occasions like Leisure at Home. In Route to Market we will be accelerating both our physical and digital Route to Market by leveraging several B2B and D2C solutions and platforms, as well as boosting our e-commerce share. And we will also intensify our focus in Horeca by supporting our customers' operations in the new post-covid reality.

There is no doubt that the current situation is challenging, but we will weather it and are excited by the new opportunities to come.

I will now hand over to Michalis, who will share a few thoughts on our financials as we navigate through Q2 and the remainder of the year.

Michalis Imellos - Coca-Cola HBC AG – CFO

Thank you, Zoran. And good morning everyone.

As Zoran said, we do not believe it is prudent to provide guidance at this point, because the impact of the lockdown measures and their gradual withdrawal on the economies and consumption, as well as the evolution of the pandemic in the balance of the year, cannot be reasonably estimated. That said, we continuously run and update various internal scenarios, which will start converging as more is known and understood about the factors just mentioned.

At times like this, I would like to start with what we can be more confident about: the strength of our liquidity and balance sheet.

We exited April with a net cash position of 1.4 billion Euros. This is the net result of the refinancing we did last year, whereby we raised 1.8 billion Euros to meet our debt rollover and other obligations, as well as the good operational cash performance in the last 6 months. We will utilize 563m Euros to pay the remaining June bond maturity, cover our annual interest costs in the region of 70m Euros and pay the proposed dividend of some 230m Euros. We have re-prioritised capital expenditure plans by reducing our capex cash outflow this year by 100m Euros compared to our original plans, aiming to preserve our cash without sacrificing our preparedness for the recovery when it comes.

We are also managing Working Capital very closely, and it is fair to assume that this will be impacted by the reduced levels of activity and the market challenges as a result of the lockdowns. Taking all this into account, we believe we can maintain solid liquidity to operate the business under any of our stress scenarios. With our next bond repayment being in November 2024, over 900m Euros of our Commercial Paper facility unutilised, as well as the untapped 800m Euros emergency Revolving Credit Facility in place and no

CCH – 2020 First quarter trading update

Conference call script – 7 May 2020

financial covenants that would impact our liquidity or access to capital, we are in good shape to plan for the recovery period.

Turning now to the financial modelling of our P&L, where certainly more uncertainty exists at this point in time.

We have provided you with pre-COVID trading results, and an understanding of what trading has been like during the peak of the lockdowns at the end of March and April. I will now zoom into the different dynamics by channel and geographical segment.

As Zoran mentioned, April saw volume declines of approximately 27% excluding Bambi, which translated to currency-neutral revenue decline of 37%. We consider these the peak of the declines while the lockdown measures are in force, so we expect some gradual easing from mid-May onwards, subject to the success of the next phase of social distancing measures.

During the lockdown period, we saw volume declines in the Out-of-Home in the range of 70 to 90%.

In terms of revenue, this channel's contribution varies by market, but for total Hellenic, as a percentage, is in the low 40s. We can divide our footprint into three tiers, based on each country's out-of-home revenue contribution to this given country's total revenue.

- The first tier includes countries with more than a 40% revenue contribution from Out of Home. These are mostly countries in our Established segment and include Italy, Austria, Switzerland and Greece.
- In the second tier we find countries with between 30% and 40% revenue contribution from Out of Home. These are mostly our Developing markets like Poland, Czech & Slovakia and Hungary, but also include Ireland, Romania and Serbia.
- And tier 3, where less than 30% of revenues come from Out of Home, includes mainly the Eastern European countries, such as Russia, Ukraine and Belarus.

It is worth noting that Nigeria is a significant outlier, with roughly 70- 80% of revenues contributed by Out of Home outlets. Excluding Nigeria, the out-of-home channel accounts for between 35 to 40% of the Group's revenues. In terms of each tier's overall contribution to total Group revenues, excluding Nigeria, tier 1 represents 40%, tier 2 35% and tier 3 25%.

The At-Home channel on the other hand saw low-teens decline in April, affected by the cycling of last year's normal Easter consumption and some stocking-up at the end of March when the lockdown measures were starting. Zoran gave you a good overview earlier of how shopper's behaviours evolved during the lockdown, leading to this decline in April.

We benefit from a significant variable cost structure which will support our EBIT as we are dealing with the decline in revenue from the impact of the covid-19 pandemic. Nearly two thirds of our total annual cost is variable. Compared with our original plan, we have also

CCH – 2020 First quarter trading update

Conference call script – 7 May 2020

cut more than €100m of costs in areas such as marketing, seasonal labour, consultancy and contracted services, travel, meetings and events, and have put in place a general recruitment freeze.

Let me also say a few words on FX and Input costs. The recent weakness in the oil price has had a negative impact on the oil-dependent currencies such as the Russian Rouble and the Nigerian Naira, with a significantly positive impact on resin rates. Currencies-wise, we are very well hedged for transactional exposures in 2020, at favourable rates that prevailed prior to the depreciation. However, we expect a significant negative impact from currency translation and the remaining open transactional exposures. Having said that, the negative impact of currencies when netted with the significant gains from lower commodity costs, leaves us close to our original budget for the year.

To summarise, our strong balance sheet and liquidity position, significantly variable cost base and agile cost mitigation, combined with our leading market shares, unique portfolio of brands and capabilities at adjusting our packaging types to meet consumer demand, will allow us to weather this unprecedented crisis, and at the same time prepare our business and partners to win once it is over.

Thank you for your attention. Zoran and I are now happy to take your questions and I'll hand back to the operator so that they can get the Q&A session underway.

Q&A

[Q&A transcript will be available on the Company's website on Friday 8th May]

Zoran Bogdanovic - Coca-Cola HBC AG – CEO

Thank you all for your time and attention today. Let me just say that we are managing our operations for this unprecedented time by focusing on the wellbeing of our people and communities, maintaining business continuity and taking necessary actions to maintain a strong business. I strongly believe that Coca-Cola Hellenic will emerge stronger and smarter from this crisis, able to leverage our geographical footprint to its full advantage and to take hold of the immense growth opportunities ahead. Let me extend my good wishes to you and your families, and all of us at Coca-Cola HBC sincerely hope you stay safe and well. We look forward to speaking to you all again soon.

Thank you.