CORPORATE PARTICIPANTS

Zoran Bogdanovic – Coca-Cola HBC AG - CEO

Ben Almanzar - Coca-Cola HBC AG – CFO

Joanna Kennedy - Coca-Cola HBC AG - IR Director

1.Title slide

Operator

Thank you for standing by ladies and gentlemen, and welcome to Coca-Cola HBC's conference call for the 2021 half-year results. We have with us Mr. Zoran Bogdanovic, Chief Executive Officer, Mr. Ben Almanzar, Chief Financial Officer, and Ms Joanna Kennedy, Investor Relations Director. At this time all participants are in listen only mode. There will be a presentation 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, August 12, 2021. I now pass the floor over to one of your speakers, Ms Joanna Kennedy. Please go ahead. Thank you.

Joanna Kennedy - Coca-Cola HBC AG - IR Director

Good morning. Thank you for joining the call today to discuss Coca-Cola HBC's half year 2021 results.

Zoran and Ben will present the results and following that we will open the floor to questions.

We have about 1 hour and 15 minutes available for the call today and we will therefore ask you to keep to one question and one follow up before joining the queue again.

2. Forward looking statements

Before we get started, I would like to remind everyone that this conference call contains various forward-looking statements. These should be considered in conjunction with the cautionary statements on the screen. This information can also be viewed in our press release issued today.

Now let me turn the call over to Zoran.

Zoran Bogdanovic - Coca-Cola HBC AG – CEO

3. Operational review and strategy

Thank you, Joanna. Good morning everyone and thank you for joining the call.

Before we get going, I want to flag the announcement just made on our agreement to acquire Coca-Cola Bottling Company of Egypt.

We wanted to announce this along side our results but that simply was not possible as we were finalising the last but critical details of the transaction. We're very excited about the opportunities we have in front of us in this market and I'll discuss this in greater detail shortly.

Let me then give you an update on strategy, the CCBCE acquisition plans, and business performance in the first half of the year, after which Ben will talk you through the financials in more detail before handing back to me for some comments on the rest of the year and beyond.

4. Growing share and accelerating momentum as markets reopen

The numbers we released this morning show a strong recovery across all aspects of our business. H1 like for like revenues were up 23.1% year on year. Very importantly, revenues were 4% above H1 2019 levels, and volumes 5% above on the same comparative basis - giving us confidence about progressively returning to normality following the disruption caused by COVID in 2020.

Year to date we have gained 50 basis points of value share, improving the performance from 2020. Meanwhile, EBIT margins expanded 340 basis points while EPS is up 82%.

The agility with which the business has been able to respond to the reopening of our markets is clearly visible in the strength of our financials and the continued expansion of our value share performance. This has been enabled by the bold investments we have made into capacity and prioritised capabilities to deliver best in class execution, be that new lines in Nigeria or digital tools to allow our sales people to offer our customers a more targeted, better service. This is also fuelled by our tight partnership with The Coca-Cola Company team, and our aligned and effective way of doing business.

We continue to invest in our sustainability commitments, launching 100% recycled packaging in mineral water in Czech and Slovakia, which adds to our existing portfolio of 100% recycled Water brands. In Q2 we also added 100% recycled Sparkling single serve packs in Italy.

The pandemic is not yet behind us. In this operating context, the safety of our people and ongoing service of our customers remains central. The people of CCH have shown continued commitment and care and I am also proud of the speed and adaptability I witness in this business every day. I want to thank them wholeheartedly, its inspiring to see, and I'm excited for us to continue growing together with our customers, creating value for our stakeholders.

5. Delivering our strategy

In 2019 we laid out a clear strategy to drive the business towards our vision of being the leading, 24/7 beverage partner. This strategy is called Growth Story 2025 and it is under-pinned by 5 growth pillars.

- Leveraging our unique, 24/7 portfolio;
- Winning in the marketplace with our customers;
- Continuing to focus on efficiency and fuelling investments with careful prioritisation;
- Developing our people, particularly by accelerating critical capabilities; and
- Earning our license to operate by delivering on our Mission 2025 sustainability commitments

These pillars are positioning the company for sustained success. They have guided our investment choices and actions and we are making very good progress. I believe that continued focus on this strategy over the last 2 years has readied us for the strong performance we are now seeing in the recovery.

6. Recovery in the out-of-home

Let me give you an update on the trends we are seeing during the first half of the year.

The easing of restrictions across our markets during Q2, combined with increased mobility, is fuelling a strong recovery in the out-of-home channel and 'on-the-go occasions'.

Volume growth in out-of-home accelerated sharply in Q2, and we have seen that while volumes in that channel remain slightly below 2019 levels, the gap narrowed in the second quarter. Given the constrained capacity in the hospitality sector, this suggests a healthy underlying demand for available out-of-home experiences. While we continue to monitor new emerging variants, we are also cautiously optimistic for much of this positive momentum in the out-of-home channel to continue throughout the summer months and into Q4.

Throughout the pandemic, we have worked hard to support our out-of-home customers - sharing our consumer insights, providing targeted programmes and offering practical support. This has ensured they, and we, are well positioned to capture the growth opportunities together as markets reopen.

Even as the out-of-home channel has reopened, we have continued to deliver a strong performance in the at-home channel. We are benefiting from favourable comparatives in Q2, but looking at the performance on a two year stack, it is reassuring to see volumes consistently high-single digit to mid-teens ahead versus 2019.

We are seizing opportunities around premiumisation in the at-home channel. Consumers have developed rituals, recreating out-of-home experiences in their houses and we believe that some of these trends will stick, propelling our performance in Adult Sparkling.

7. Improvement in single-serve mix

As a company we have been focused on selling increasing volumes of high-value single-serve packages for many years. Our track record is confirmed by improved single-serve mix - which we grew by over one percentage point per year between 2015 and 2019.

In 2020, COVID negatively impacted that by limiting volumes in the out-of-home channel where single-serve packs predominate. In 2021 we are seeing that the recovery in the out-of-home channel has driven a quick turn-around in package mix, which in turn, is helping to drive healthy price/mix.

Through deliberate actions, we continue to fuel single-serve consumption. We consciously focus innovations on single serve formats, while in the at-home channel we have targeted growth in multi-packs of single serves. These package formats grew by 18% in the at-home in H1.

What is particularly notable and encouraging is that single serve mix in H1 is already1.8pp above the 2019 level, even without a full recovery in the out-of-home channel.

8. Prioritisation of opportunities is driving momentum

Careful prioritisation of the opportunities across our 24/7 portfolio continues to drive momentum.

The Sparkling category was resilient throughout the pandemic and now, as we are seeing markets recover, volume growth is accelerating further. Activation of the most valuable, high-potential occasions such as Coke with meals across our markets is bringing strong results. Trademark Coke volumes are also benefiting from the roll out of the new Coke Zero which was launched in April and is now available in 24 of our markets.

Growth is broad-based across brands, with Fanta volumes up 17% and Sprite up 22%, but we are also really pleased to see the strongest performance is from our strategic focus areas, namely low and no sugar variants and Adult sparkling.

Low and no sugar now makes up 22% of Sparkling category volumes and is growing faster than full sugar across the segments. We see no signs of slowdown in this performance.

In Adult sparkling we focus on the key occasions of socialising, both at-home and now also out-of-home. We have a well-established play book, developed with the Coca-Cola Company team, to elevate the position of Schweppes and Kinley in the market through new visuals, packaging, flavours and execution, which builds on the product as a premium mixer.

Energy closed with exceptional results: volumes up 66% in H1. Here we are benefiting from the continued pace of innovation in the category as well as the range of our portfolio which effectively targets the most attractive market partitions: mass premium with Burn, mass with Monster, as well as an affordable offering with Predator.

9. Coffee strategy strengthened

We continue to make progress on rolling out Costa Coffee which is now live in 16 markets.

We are building depth and breadth of distribution in the at-home channel in our markets and seeing good early results, with Nielsen data showing clear progress in Q2 versus Q1 both in terms of share as well as distribution.

However, the at-home is only a part of this opportunity.

Having had the experience of selling a full portfolio of coffee in several of our markets through our previous coffee partnership, we believe we are uniquely positioned as a partner of The Coca-Cola Company to target all channels across our markets with Costa Coffee. We believe we can offer a breadth of portfolio as well as level of service, enabled by technology, to our out-of-home customers that is compelling. Early feedback and take up is good and we are accelerating the roll out of Coffee in the out-of-home channel in 2021.

We are also delighted to have strengthened our coffee portfolio with an agreement to acquire a 30% stake in Caffè Vergnano, one of the oldest Italian coffee roasters with an exceptional product and brand, and a truly premium positioning. As part of our minority stake, we will acquire exclusive rights to distribute Caffè Vergnano in all of our markets outside of Italy. We intend to hit the ground running by early 2022.

10. Expanding into Egypt – strategic rationale

You will have seen this announcement on our expansion into Egypt with the acquisition of CCBCE.

We are excited to welcome this growth market to our group. We see huge potential for Egypt. The country has Africa's second largest NARTD market by volume with very attractive demographics.

To put that into some context - with the addition of Egypt, CCH would have access to the two largest NARTD markets in Africa and a combined 25% of the population of the whole continent. The acquisition would increase the population we serve by 100 million, taking it to a total of 715 million people.

We also see opportunity to accelerate growth by increasing the penetration of our products and per-capita consumption. CCBCE is currently the number two player in the market allowing room for further share expansion.

The business has achieved volume growth of 5% CAGR over the past decade and we believe there are significant opportunities to unlock further growth and value creation for all stakeholders through deploying our best-in-class execution capabilities, commercial expertise and leading approach to sustainability and communities.

11. Expanding into Egypt – Financial rationale

You will have seen some of the key financial metrics on the release.

Let me highlight that while we expect this acquisition to be accretive to EPS in the near term, we also believe there is an opportunity to create further value by moving CCBCE's margins towards our Group average over time, predominantly through seeing operational leverage as revenue expands.

We expect the transaction to close in late Q4 and look forward to being able to share more on our plans in the future.

12. Emerging markets

Moving from one growth market to our others in the Emerging segment.

We continue to see sustained, strong performance in the Emerging segment with like for like revenue up 30.3% in H1. Emerging market FX-neutral revenues are now 19% above 2019 levels.

We are benefiting from continued momentum in Russia and Nigeria, as well as the recovery seen in several other markets, such as Romania and Serbia, where the return to trading in the out-of-home has accelerated results.

Nigerian volumes continue to expand double-digit, growing over 30% in the first half. We are seeing underlying strength in the categories where we play, but importantly we are growing ahead of these categories and we accelerated our share gains in Q2. We're also pleased to see the healthy price/mix trajectory in the market in the first half. As you know we have been investing to build both capability and capacity in Nigeria over several years. This investment is set to continue to unlock the potential of the market.

In Russia, we are delivering like-for-like growth of in the mid twenties, led by Sparkling where growth was nearly 30%. We continue to believe that Adult Sparkling is a real opportunity in this market with Schweppes volumes up over 60% in the first half. This strong performance is a result of targeted investments to elevate the Schweppes' offering and we anticipate significant headroom for the brand in Russia, particularly when activated alongside premium spirits. Energy is also a notably strong performer with volumes up nearly 60%.

13. Developing markets

The Developing segment's currency-neutral revenue increased by 17.6% with price/mix expanding 16.9%. Developing segment FX-neutral revenues are 2% below 2019 levels.

Performance was impacted by the Polish Sugar tax. Excluding Poland, the segment's price/mix growth was 5.6% as package and price mix improved.

Poland's performance is evolving in line with our expectations following the implementation of discriminatory taxation. We experienced some recovery in Q2 volumes as prices settled in the market. We are also pleased with the market share gains and the excellent performance from low and no-sugar variants which were up 36% in the period. This all gives us confidence that our mitigation strategies, including pricing and promo adjustments, are allowing us to handle this tax in the best possible way.

It is helpful to look at the performance of the segment excluding Poland where this tax is the key driver of trends. The markets excluding Poland saw volume growth of 11.5% benefiting from continued good results in the at-home channel and the reopening of the out-of-home.

14. Established markets

Established segment FX-neutral revenues grew by 16.6% and are now 8% below 2019 levels.

The segment benefited from the reopening of the out-of-home channel which started in most markets in May. Performance was led by the recovery in Italy where we saw better momentum in Q2 with volumes towards the end of the period exceeding those in 2019. By contrast, Greece's recovery in Q2 has been impacted by ongoing weakness in tourist arrivals.

We are pleased by the continued positive momentum in price/mix which was up high-single digits in Q2. We are benefiting from better package mix as the out-of-home reopens, ongoing good category mix as well as pricing.

15. Earning our license to operate

As we see recovery in our markets we are also ensuring that we continue to meet the key milestones on our Mission 2025 sustainability commitments. During the first half we have made progress on our packaging agenda with investments in recycled PET production. I already mentioned our launches of new 100% recycled PET packages. We have also swapped plastic shrink wrap on multi-packs for a paperboard solution called Keelclip in

10 of our markets with plans to roll this out across all our EU markets by early 2022. This progress on packaging is a critical part of how we will meet our bold science-based emissions targets since packaging is the single largest contributor to emissions in our value chain.

I will now hand over to Ben to take you through some more detail on the financials.

Ben Almanzar - Coca-Cola HBC AG – CFO

16. Financial review

Thank you Zoran, and good morning everyone.

In line with our practice, unless specifically stated, I will refer to comparable figures which exclude the impact of restructuring costs, the mark-to-market valuation impact of commodity hedges and specific non-recurring items.

17. Revenues accelerate

Zoran has already taken you through our top-line performance, so I will just recap the highlights before digging into the drivers of our profitability and cash flow.

Like-for-like volume accelerated in Q2, up 26.5%, ensuring that we close the first half above 2019 levels.

Price/mix also improved markedly in Q2. Here we are activating all the levers: a healthy category mix amplified by a sharp recovery in package mix. We have now successfully taken pricing in over 90% of our markets.

All of this drove price/ mix up 6.2% in H1 or +4.4% excluding the price increase we made in Poland to offset the discriminatory tax on beverages.

Like for Like revenues expanded 23.1%. Let me take you through the bridge back to reported euro revenues. Foreign exchange translation had a negative impact of 6.1 percentage points and the reorganisation of the structure of the Multon juice business in Russia further decreased revenue growth by 2.3 percentage points, taking reported revenues to €3.2 billion, a 14.7% increase on the prior year period.

18. Cost savings drove stable opex

First half gross profit margins were down 70 basis points year on year. This was in line with expectations considering that in 2020 our gross profit margin benefited from the combination of lower commodity prices and opportunity to hedge the Rouble at favourable rates at the start of the year.

Our base case for 2021 was that the commodity and FX environment would pose considerable headwinds, and that is indeed what is materialising.

It is worth noting that there are two one-offs in the gross profit margin which have a net impact of negative 20 basis points and which are detailed on this slide. The first is the Polish Sugar tax. We pay this tax out of COGS, with the result being that revenue is inflated by the quantum of the tax with minimal impact on gross profit. The result is a mathematical reduction in margin due to a higher revenue number in the denominator. This had a negative impact of 70basis points on Gross Profit margin in H1 and we can expect a similar impact in H2.

The second is the extension of the useful economic lives of some of our production assets. The impact of that has been lower depreciation with a benefit of approximately 50 basis points on Gross Profit margins.

Leaving these 'one-offs' aside, we are pleased to have seen the benefits of positive production and overhead leverage as well as ongoing productivity initiatives in our supply chain which are driving continued efficiencies over time.

We also benefited from the strong improvement in price mix as well as our solid hedging policy in H1 which helped to ensure that raw material costs per case were up only 2.3% in the period.

Moving to OPEX: we have been able to keep it flat vs. 2020 during the first half - even as revenue expanded 23%. I'd like to reiterate the message that we expect to retain €15 to €20 million over the full year of the €120 million saved in 2020. And while in 2020 the cost saves were delivered with equal weight in H1 and H2, in 2021 we would expect the return of these costs to be in H2 as we step up marketing investment and items like travel resume as mobility improves.

19. Emerging segment more resilient

Turning now to the margin drivers on a segmental basis.

We have seen the fastest expansion of margins in our Established markets due to strong operational leverage as revenues recovered.

In the Developing segment, that underlying margin improvement driven by operational leverage was partially offset by the negative impact of approximately 2 percentage points from the Polish Sugar tax.

The Emerging market segment continues to see strong margin performance as sustained top line growth is driving consistent operational leverage.

20. Profitability protected; Strong EBIT and cash flow

At a Group level, comparable EBIT increased by 67.8%, driving a 340 basis point increase in EBIT margins.

We are pleased by this strong performance but also aware that it is partly driven by the aforementioned cost savings we retained in H1 which we expect to return to the business in H2. We also face a much more challenging comp on gross profit margins in H2 as well as higher commodity prices. As a result, while we expect that we can achieve a 20-30bps EBIT margin expansion this year, that implies that the second half 2021 EBIT margin will be below second half 2020 EBIT margin.

[pause]

The strong performance in H1 on EBIT, combined with broadly stable finance charges and tax rate drove EPS up 82%

Free cash flow improved markedly, driven by the higher profitability and another improvement in working capital.

Capex of €218 million reached 6.7% of revenues. We will continue to invest behind capacity expansions in selected markets and categories, cooler placements which are a key driver of improved single-serve mix and also our digital agenda. We will also allocate investment to our sustainability commitments, for example our in-house recycled PET lines. Finally, our growth plans for Coffee will require investment, although this is a very small proportion of overall CapEx.

With all of these opportunities we expect to be at the upper end of our capex guidance range for the full year 2021.

21. Capital allocation priorities

Our net debt to EBITDA position at the half year point was at 1.1 times.

Assuming that the acquisition of Coca-Cola Bottling Company of Egypt goes ahead in Q4 as planned we expect the balance sheet to be within the 1.5-2X range by year end.

With the continued strength of the balance sheet we retain a lot of optionality for our capital allocation priorities.

We've already discussed organic investment.

Our second priority is our progressive ordinary dividend policy. We target a payout ratio of 35 to 45%. In 2020, in order to keep increasing the dividend in a year impacted by COVID-19, we were above that range. We expect to maintain the progressive nature of our dividend in the future, while also seeing that payout ratio move back into range over time.

Our third priority is value creating M&A. You have seen good examples of the two main types of opportunity for with both CCBCE and Caffè Vergnano.

We remain interested in either selective bolt-on acquisitions of strong local brands to complement our existing portfolio or expansion into new markets as and when that is a possibility.

Of course, investment discipline remains central. We will only invest if it makes strategic and financial sense and as you know we are happy to return capital to shareholders in the event that we do not see value adding opportunities on the horizon.

With that, let me pass the floor to Zoran for the year's outlook.

Zoran Bogdanovic – Coca-Cola HBC AG – CEO

22. 2021 outlook

Thank you, Ben

We are encouraged by our strong H1 performance and, while conscious of the risks, remain cautiously optimistic about the rest of the year.

We continue to expect a strong recovery in FX-neutral revenues and we now believe that we can achieve an EBIT margin expansion of between 20 to 30 basis points in FY 2021.

Looking further ahead, beverages continue to be a high potential industry and we see many growth opportunities leveraging our evolving portfolio. We are also blessed by the markets we operate in and now expect to be able to add another growth market to the Group. This is why we do believe that once trading conditions normalise the business can return to the growth algorithm we set out at our Capital Markets Day in 2019, which was for FX-neutral revenue growth of 5-6% with 20-40 basis points of EBIT margin expansion per year on average.

23. Q&A

Thank you for your attention, I will now hand over to the operator, and Ben and I will be happy to take any questions you may have

----- Q&A------

Zoran wrap up

Thank you for the time today. And for the patience with our technical disruption. We are very pleased by this performance and our progress on our strategy. We continue to build on our strengths and I am confident our portfolio, market execution focus, our customer relationships, our people and our partnerships with the Coca-Cola Company and beyond ensure that we will continue to capture the recovery. We are also very excited with this opportunity to expand our footprint in Africa bringing 100 million more consumers into the population we serve, and we look forward to updating you on this soon.

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.