

## Chief executive officer's letter



### Dear Stakeholder,

I am pleased to report that we continued to make progress on our 2020 strategic objectives during 2019, putting us well on track to meet our targets.

We remain focused on implementing and delivering our strategy, leveraging a product portfolio that is stronger, broader and more consumer- and customer-centric than ever. We are continuously evolving and strengthening our route to market with segmented execution, which allows us to serve our customers better and capture the growth opportunities in every channel.

A focus on our customers is central to the way we want to work at Coca-Cola HBC, and we are embedding a growth mindset throughout our organisation to support this focus. Our willingness to cherish and leverage all our strengths, while being honest with each other, and open to identifying and addressing our gaps, underpins our progress and long-term success.

We delivered a strong set of results despite the challenging backdrop of unusually cool, wet summer weather in several of our largest markets which constrained consumption and impacted sales growth in the second and third quarter. It is when we come up against challenges that I am most impressed by the tenacity, creativity and spirit of our talented people. Due to their efforts, we gained or maintained share in the majority of our markets while also achieving solid growth and strong margin expansion.

An indispensable part of our strategy is our commitment to manage our business responsibly and sustainably.



**OUR VISION IS CLEAR: TO BE THE LEADING 24/7 BEVERAGE PARTNER."**



Read more on our performance at <https://coca-colahellenic.com/en/investors/2019-integrated-annual-report/>

I am proud that we have again been ranked as Europe's most sustainable beverage company by the Dow Jones Sustainability Index. This is the ninth year in a row that we have been ranked among the top three beverage companies globally and in Europe. However, rankings and ratings are secondary to action and impact and we continue to work to improve in this regard.

In the key area of packaging, we collected 48% of our primary packaging, launched four water brands across five markets in 100% recycled PET packaging and we have announced that we will replace plastic shrink film on can multi-packs with recyclable paperboard by the end of 2021.

We are also making progress on carbon emissions: 89% of electricity used at our production sites in the EU and Switzerland is from renewable and clean sources. Our target is to be at 100% by 2025.

I hope you will spend some time reading more about this and other initiatives on pages 42-45. We intend to be as accountable on our sustainability targets as we are on our financial ones, and you can see our comprehensive reporting against Mission 2025 on pages 48-49.

### What it takes to deliver 24/7

Since 2016, and as a part of our 2020 strategic plan, FX-neutral revenues grew at an average of 4.8%, at the upper end of the 4-5% range we targeted. At the same time, we have seen comparable EBIT margins expand by 330 basis points, leaving us well on track to achieving our 11.2% target in 2020.

We know that beverages remain a fast-growing industry, particularly in the markets in which we operate where per-capita consumption of sparkling drinks is still very low.

The sparkling category continues to have significant opportunities driven by innovation. We are seeing continued double-digit growth from low- and no-sugar variants, as well as strong growth from adult sparkling with brands such as Schweppes, Kinley and Royal Bliss.

Outside of sparkling we continue to focus on premiumisation while expanding our share. We know that we have an opportunity to continue to selectively expand our already broad product portfolio into new categories and brands as well as brand extensions where we see strong growth opportunities, today and in the future. Costa Coffee is a good example of this and we are excited to be embarking on our journey with this high-quality coffee and great brand in 2020.

In line with our improving portfolio, we are continuously strengthening our route to market with a relentless focus on execution excellence. Through segmentation, we are better able to sell our broader portfolio and serve our customers. We continue to invest to remain agile. Our investments in digital capabilities allow us to be more granular in how we slice the market to go after the highest potential opportunities. Similarly, our investments in tools for our sales force can enhance their productivity, while connected coolers can monitor both the performance and productivity of our chilled space.

This 24/7 portfolio and our execution excellence means faster growth for us, our partners and customers, more opportunities for our people and more value created for other stakeholders and the communities in which we operate.

We are energised by the ambition to deliver on this opportunity and What It Takes To Deliver 24/7 is the theme of this year's Integrated Annual Report. Throughout the report you can learn about how we aim to do this.

### Preparing for future success

As we go into the final stages of our 2020 strategy implementation, we have also looked ahead to the next stage of growth, development and opportunity for all the stakeholders connected to Coca-Cola HBC.

In June of 2019, following approval and endorsement by the Board, we introduced our new purpose, values, vision and strategy. To guide and measure our success in implementing this strategy, Growth Story 2025, we also introduced new 2025 targets.

Our vision is clear: to be the leading 24/7 beverage partner. Our success and continued growth depend on our ability to serve our customers and delight consumers in collaboration with The Coca-Cola Company. We are committed to enriching the communities where we work and delivering sustainable products with excellence. Our future success is most dependent on the passion and engagement of our people, as well as the continual development of their capabilities which will make us fit for the future. That is why nurturing talent and inspiring people to take the initiative is such a focus for us.

Our targets, by which we will judge our success, include delivering, on average, FX-neutral revenue growth of 5-6% and comparable EBIT margin expansion of 20-40 basis points from 2021 to 2025. This would place our growth above the average for the beverage industry.

Our priority remains organic growth, but we have also made some targeted acquisitions. In December 2019 we acquired Lurisia in Italy, together with The Coca-Cola Company; this acquisition adds to our premium water and adult sparkling portfolio. Earlier in the year we acquired Bambi, the leading confectionery brand in Serbia, which helps us strengthen our market leverage and route to market, while synergising our beverage and snacks portfolio through joint activations. Going forward, we will continue to look at opportunities to make complementary, bolt-on acquisitions.

As we look to 2020 and beyond, we remain committed to partnership. We know that our Company can only grow when our customers grow, and when our growth benefits all of our stakeholders.

I thank you for your interest and partnership on our exciting journey to deliver 24/7.

Yours sincerely,



**ZORAN BOGDANOVIC**  
CHIEF EXECUTIVE OFFICER

