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## GROWTH PILLAR

# LEVERAGE OUR UNIQUE 24/7 PORTFOLIO

## KPIs

- FX-neutral revenue growth
- Volume growth
- FX-neutral revenue per case growth

## Stakeholders

-  Our consumers
-  Our customers
-  Shareholders
-  The Coca-Cola Company

## Risks

- Consumer health and wellbeing
- Geopolitical and macroeconomic
- Strategic stakeholder relationships

## Highlights in 2019

- Maintained high growth in the sparkling category, aided by the strong performance of sophisticated adult sparkling beverages
- Achieved another year of double-digit revenue growth in energy drinks and expanded the energy portfolio with Coke Energy and Predator
- Innovations supported overall growth, with 4.2pp of total volume growth in the year delivered by products and packages launched in the last 12 months

## Priorities in 2020

- Continue expanding to become a 24/7 beverage partner, creating shared value with our consumers and customers
- Consolidate the performance of product innovations by increasing distribution and repeat sales
- Continue driving growth in sparkling by leveraging light variants, flavour and pack architecture
- Bring ready-to-drink tea back to growth through a strong plan for FUZETEA
- Drive revenue growth in water by implementing our hydration portfolio strategy
- Launch Costa Coffee in at least 10 countries



**Introduction**

As lifestyles and consumer habits change, the motivations and occasions driving beverage consumption are also evolving. We are unlocking growth potential in segments beyond our core sparkling portfolio, offering a wider choice of drinks to meet consumer needs at any time of the day.

In line with growing societal concerns around environmental issues, consumers are looking for sustainably-sourced ingredients and responsible packaging. Technology, particularly social media, is changing socialising occasions and the ways consumers interact with brands. Consumers are also more focused on making healthier choices. This all leads to demand for a broader range of products, providing us with a number of new growth opportunities.

In 2019 we sold 165 million cases of new product, flavour and package innovations, and 4.2 percentage points of our volume growth was attributable to these new launches.

This is testament to how, working together with The Coca Cola Company, we are well placed to respond to market trends with an ever expanding 24/7 portfolio. We have the right brands, packaging and categories to meet the evolving needs of our consumer base.

**Percentage of Coca-Cola HBC revenue**



- Sparkling **71%**
- Water **8%**
- Juice **8%**
- RTD tea **4%**
- Energy **4%**
- Plant based **1%**
- Premium spirits **3%**
- Coffee **1%**

**Our category strategy**



Drive category value growth

Expand and premiumise



Innovate and expand

Establish right to win

Unlock total portfolio growth in HoReCa

Unlock total portfolio growth in At Work & HoReCa

## Leverage our unique 24/7 portfolio continued

### Driving sparkling category growth

Our evolving sparkling drinks portfolio is proving popular with consumers across our territories and we are seeing strong growth from new variant and flavour launches. Sparkling beverage volume grew 3.5% in 2019 compared to the prior year, fuelled by the double-digit volume growth of low- and no-sugar options, which is stimulating growth in the entire category.

Coca-Cola Zero grew 26.2% in volume during the year, delivering 10 consecutive quarters of double-digit growth. This growth reflects execution excellence and powerful assets such as our Star Wars-themed activations. We also delivered strong performance from new, low- and no-sugar sparkling beverage options such as Sprite Zero and Fanta Zero. Our light variants had value growth over four times higher than the sparkling category average in 2019. In 2019, the share of low- and no-sugar variants in our total volume increased by 3.0pp to 16.1%.

Innovations played a key role in our success for 2019. In 14 markets, we launched Coca-Cola Plus Coffee, featuring a great coffee taste with more caffeine but zero calories for consumers on the go. This innovative product has seen great initial consumer engagement. In flavours, we introduced Coca-Cola Zero Vanilla, Cherry and seasonal flavours such as Cinnamon and Ginger in many of our markets.

We are also driving packaging innovation with smaller, more convenient packages, which also serve to expand revenue per case. Single-serve packages comprised 48.5% of our sparkling sales volume in 2019, up 2.5% compared with 2018, with significant potential for additional growth.

Another high-value, high-growth segment we are prioritising is the adult sparkling category, which has revenue growth over three times that of the overall sparkling category. Adult consumers with more discretionary income are interested in superior products and experimentation. When compared to core sparkling products, this category commands significant price premiums.

We launched the Royal Bliss brand in the adult sparkling category in 2018, using the best practices developed with our Schweppes and Kinley brands. Our approach for this category involves premiumisation and segmented execution with hotels, restaurants and cafes. We also support growth by fully leveraging partnerships with premium spirits.

### Expanding value beyond sparkling beverage offerings

In energy, one of the fastest-growing segments of the beverage industry, our Monster brand products had another year of impressive growth with volume up 36% compared to 2018. In this category, we have pursued a segmentation strategy, launching a variety of brands at different price points to target different types of consumers. For consumers seeking a new taste and a taurine-free formula, we launched Coca-Cola Energy, a premium product, in 15 of our countries during 2019, attracting new users to the category. We also added the Predator brand to our portfolio in five markets, offering energy at a more affordable price point in two flavours.

Our biggest system-wide launch in 2018 was FUZETEA, and we continued to build on the successful introduction of this fresh, innovative, ready-to-drink tea in 2019. This fusion of sustainably-sourced tea extracts with fruit and herbal flavours has attracted strong competition in some markets, impacting growth. With good activation and customer coordination, the multi-layered, contemporary tea taste of FUZETEA is winning over consumers. In Italy, for example, FUZETEA doubled our market share. Our focus going forward is on adding differentiating flavours to attract more consumers to the category.

We are also focused on expanding our premium offerings in the juice and water categories. Within juice, we focused on product stratification during 2019 to capture premium revenue opportunities. In Russia, where our juice business represents a considerable proportion of our portfolio, we have a track record of continuous innovation, which supports higher price points and increased revenue per case. Bringing these juice innovations, and increased revenues, to other markets is a focus for 2020.

Within the water category, our overall focus is on accelerating value share gains with an aim to double the pace of our market share growth in the next five years. We develop market-specific maps of diverse water segments and price tiers, seeking to expand our market share and capture higher revenue per case. This hydration portfolio strategy involves a range of product offerings, execution tactics and route-to-market approaches.

We added to the premium water brands in our portfolio during the year with the acquisition of Acque Minerali S.r.l., owner and producer of Lurisia, an Italian natural mineral water and adult sparkling beverages company. This acquisition, which we made in conjunction with The Coca-Cola Company, was completed in December 2019.

### Building market share

The dramatic expansion of our product portfolio includes products in new categories for our business. Following initial product rollouts, we are continuing to take action to build our market share.

We entered a completely new category in 2018 with AdeZ, our first plant-based, sugar- and dairy-free beverage. Thus far, we have launched eight vegan-friendly flavours, including plain for the breakfast occasion and fruit flavours for snacking on the go. We extended the distribution of AdeZ across all our channels in 2019, increasing our share of the plant-based beverage category in the 17 markets where it has been introduced. We have gained 6% market share in just over a year since its launch in prioritised markets.

**“ FOR CONSUMERS SEEKING A NEW TASTE AND A TAURINE-FREE FORMULA, WE LAUNCHED SUPER-PREMIUM COCA-COLA ENERGY IN 15 OF OUR COUNTRIES DURING 2019, ATTRACTING NEW USERS TO THE CATEGORY.”**



**UN Sustainable Development Goals**

We serve our consumers with a broad range of high-quality products. In doing so, we create value by contributing to global goals for good health and wellbeing, innovation, responsible production and consumption and partnerships.

One of our biggest growth opportunities is in the coffee category. We announced in mid-2019 that we will launch Costa Coffee, a brand recently acquired by The Coca-Cola Company, in at least 10 countries during 2020. We believe this launch will address a broad range of consumer and customer needs across multiple occasions, particularly for the hotels, restaurants and cafes (HoReCa) and At Work channels. We are pleased to be the first Coca-Cola bottler to undertake such a launch in close partnership with The Coca-Cola Company. Our well-established infrastructure, processes and capabilities around coffee mean that we are well positioned to hit the ground running with this exciting opportunity.

We also benefit from the highly complementary premium spirits category, which is now available in 19 of our markets. We leverage premium spirits to create a compelling offering for HoReCa. This provides us with strong cross-selling opportunities for our core beverage portfolio in new, lucrative outlets.

**Health and nutrition**

As a company we are continuously evolving our portfolio to help create a healthier food environment. We've already reformulated many of our drinks to contain less sugar and fewer calories. To give consumers more options, we're also offering more diet, light and zero-calorie drinks in our portfolio.

Key nutritional information is visible on all of our bottles and cans. Guideline Daily Amount labels provide at-a-glance information on calories, as well as on sugar, fat, saturated fat and salt content. In several of our markets, we are trialling new front-of-pack labels which use the current European-wide Reference Intake (R.I.) monochrome model, disclosing the nutrient content per 100ml of our drinks for sugars, salt, fat and saturated fat through a simple 'traffic-light' colour scheme of red, amber and green.

The World Health Organization recommends that no more than 10% of total energy/calorie consumption come from added sugars. To help tackle consumption of added sugar we support UNESDA's pledge. In this context, we have committed to reduce calories per 100ml of sparkling soft drinks by 25% between 2015 and 2025, across all of our markets. The reduction we achieved in 2019 compared to the 2015 baseline was 12%.



**Responsible marketing**

Our advertising and promotions reach millions of consumers. While this is a core driver of our business, we take steps to ensure that marketing is responsible as well as effective. As part of the Coca-Cola System, we adhere to The Coca-Cola Company's Global Responsible Marketing policy and, together with other members of our industry, we are also signatories of the European Soft Drinks Industry Association (UNESDA) commitments.

In the EU and Switzerland, we do not offer soft drinks in primary schools or offer added-sugar beverages in secondary schools. We plan to gradually expand this approach to all our markets over the coming years. Further, we avoid engaging in any direct commercial activity in primary schools, except when requested by school authorities.

**Product quality**

Product quality is a critical priority for our business, highlighting the importance of maintaining consumer trust. The freshness of our products in trade, a key measure of quality, remained at the same level in 2019 compared to the prior year, while we introduced approximately 1,000 new SKUs across Coca-Cola HBC.

Our low rate of consumer complaints also demonstrates the high quality of our beverages and the trust consumers and customers place in our products and brands. The number of complaints declined by 5%, to 18 complaints per 100 million bottles sold. This meets our 2019 target of no more than 18 complaints per 100 million bottles sold. For 2020, we have set a target of no more than 17 complaints per 100 million bottles sold.

We offer the highest quality beverages in all markets by applying end-to-end quality and food safety standards and maintaining a strong focus on quality and safety throughout our value chain. To minimise quality risks in our supply chain, in 2019 we continued to collaborate with suppliers of key primary ingredients and packaging materials. This collaboration helped us eliminate quality incidents related to suppliers in 2019.

In 2019, we continued our strong focus on enhancing our training and capabilities in regard to product quality and food safety. As the result of best-in-class industry benchmarking, each of our markets has developed tailored plans to support and further develop our quality and food safety culture.