CCH – Q1 2017 trading update
Conference call script – 11 May 2017

CORPORATE PARTICIPANTS

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Good morning. Thank you for joining our call today to discuss Coca-Cola Hellenic Bottling Company's first quarter trading update.

Today, I am joined by our Chief Executive Officer, Dimitris Lois, and our Chief Financial Officer, Michalis Imellos.

Before we get started, let me 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.

As per our usual format for trading updates, Dimitris will make some brief opening remarks before we open the floor to your questions, which Dimitris and Michalis will take together.

Let me now turn the call over to Dimitris.

Dimitris Lois - Coca-Cola HBC AG – CEO

Thank you Basak. Good morning everyone and thank you for joining our call.

We've made a pleasing start to the year, with volume growth, coupled with substantial improvement in price and mix trends, resulting in revenue growth of 5.2% on an FX-neutral basis.

Group volume increased by 0.7% compared to 0.1% in the prior-year quarter. It is important to note that Easter fell in Q2 this year, thereby impacting our Q1 volume. Excluding this impact, we see improving trends in the majority of our countries.

In addition, our ongoing focus on revenue growth management has made a significant contribution to our overall performance. Package and category mix improvements, combined with the price increases, delivered a 4.5% improvement in revenue per case on an FX-neutral basis.

The adverse impact of currencies has moderated in the quarter as expected and represented a headwind of only 0.7% to our topline, resulting in 4.5% net sales revenue growth compared to the prior-year period.

Turning now to the main drivers of volume and revenue per case.

As I mentioned, this year the first quarter was disadvantaged by the timing of Easter, with the biggest impact on the Established and Developing markets, where in a number of big countries such as Italy and Poland, we typically see significant commercial activity during the Easter holidays. The volumes associated with Easter account for 2 to 3% of the total volume for the quarter in these two segments. Hence, the shift of this volume into Q2 is the key driver of the weakness in volumes in the Established and Developing markets, where we have seen volume declines of 2.2% and 3.6%, respectively. Volumes in these two segments were also affected by our own actions, including for example, the de-listing of low-value brands in Italy and our focus on driving value in Poland.

In contrast, Emerging markets volumes increased by 4.0% with a strong performance from almost all countries in the segment and all categories except for Juice. Our volumes in Russia showed the first signs of recovery, registering growth for the first time in eight quarters, and outperforming a weak non-alcoholic ready-to-drink market. Nigeria volumes continued to grow, albeit at a lower rate than last year, despite macro-economic challenges and significant price increases. Romania and Ukraine also grew well.

For the Group as a whole, the underlying volume growth trends we have seen in the quarter are broadly in line with our expectations and bode well for the year.

As you are aware, we relentlessly focus on improving the value we get from every case we sell, and in this quarter the pace of growth has accelerated.

An important contributor to this growth was the Emerging markets, particularly Nigeria. The price increases we have been taking since the fourth quarter in Nigeria have accelerated FX-neutral revenue per case growth to 10.3% in the quarter.

In the Developing markets segment, our revenue growth management initiatives, notably in Poland, and reduced deflationary pressure drove FX-neutral revenue per case up by 4.1%.

In the Established markets, promotional pressures and adverse channel mix more than offset positive category and package mix, resulting in marginally weaker FX-neutral revenue per case performance.

Looking at the categories, we are pleased with the good momentum in Sparkling beverage performance where we've seen volumes grow by 1.3% in the period. Good performances in Nigeria, Russia, Romania and Ukraine more than offset weakness in Italy, Poland and Switzerland. Within the category, Coca-Cola Regular, Coke Zero, Sprite and Fanta made meaningful contributions.

Volumes in the water category declined marginally, with growth in the Emerging and Established segments being offset by decline in the Developing segment. The de-listing of low-value water brands in Italy and certain variants of water in Poland had a negative impact, while many countries delivered good growth in the category.

Energy posted an increase of 12.4% in the quarter, following 23.8% growth in the prior-year quarter, with strong performance in Monster and overall growth in Energy in all segments.

We made excellent progress on improving package mix in the quarter, which has supported the FX-neutral revenue per case growth. Single-serve contribution improved by 1.2 percentage points with good performances from the smaller packs in all segments. Sparkling single-serve packs improved by 0.8 percentage points while Water improved by 1.9 percentage points.

In conclusion, we are pleased with the underlying growth in our business and encouraged by the trading we have seen in our key countries such as Russia and Nigeria. Importantly, our commercial initiatives are delivering tangible results, notably by driving the substantial growth in FX-neutral net sales revenue per case. Overall, it's been a good start to the year.

With that, I will now hand over to the operator, and Michalis and I will take your questions.

Q&A transcript will be available on the Company's website on 12 May.

Closing remarks

I want to thank you for joining us today and for all your questions that facilitated a good discussion around our first quarter performance.

Trading has started as expected and we have a number of initiatives that are delivering well for the Group. We look forward to sharing more results with you in the coming periods.

Thank you.