



INTERVIEW

THE STRENGTH OF OUR PARTNERSHIPS IS THE KEY TO OVERCOME CURRENT ECONOMIC AND SOCIAL CHALLENGES

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1. The global economy seems to experience challenges we have not seen in decades: very high inflation, the prospects of synchronized recession, higher and higher interest rates, and even war. In this context, how do you deal with such challenges in your business sector. The headlines all over the world include an unfavorable mix of commodity cost inflation and an increase in freight costs while still going on with product and packaging investments. How do you navigate such challenges?

Our business strategy relies on continuous adjustment. We see a clear impact in our operations and anticipate that we will face many similar challenges in the long run. Since inflation rates keep on rising and worries about future unpredictability are increasing, disposable income of Romanians is very low. This translates into a decreased demand for the market. We do not

foresee a unique winning strategy. Instead, we focus on keeping a flexible mindset dedicated on meeting burning consumer needs.

We are changing our investment strategy in order to address affordability challenges consumers face. Crossing off from our agenda nice to have plans and dedicating our resources for the immediate needs of the market is one example of how we approach these times.

2. In figures, can you share with our readers what Coca-Cola HBC represents in Romania after more than 30 years in the local economy?

One of our mottos is that we are refreshing the world, while also making a difference. Thus, I believe the best way to describe Coca-Cola HBC Romania is to say that it is a solid and sustainable business model having a strong value chain and significant socio-economic contribution.

Talking figures, Coca-Cola HBC Romania now means 1.500 employees and 3 production plants, with a maximum capacity of bottling 8.5 million liters of beverages daily. Having 25 warehouses across the country and a set-in stone supply chain, we make sure that each Romanian can enjoy the suitable beverage when and where is needed. This is only possible by partnering with more than 83.000 customers who sell our products.

In term of socio-economic impact in 2021, the value added by the entire Coca-Cola System value chain in Romania was €519 million, equivalent to 0.22% of Romania's GDP. For every euro spent by Romanians on products from our portfolio, 59 cents remained in the local economy. The number of jobs created and supported throughout our entire value chain reaches to 18,800 jobs, meaning that each job in the Coca-Cola System supports another 11 jobs in the local market.

3. With the pandemic now almost over, what was the most surprising thing for you in terms of the economy? What was the most surprising thing in the recovery that followed the pandemic?

For sure it was a surprise when COVID-19 restrictions were lifted, and we saw a great recovery of HoReCa sector. The macroeconomic and geopolitical developments did not seem to be an obstacle at the time, but, business wise, we anticipated this to be just a short peak, based on an emotional response of the consumers. It was not a sustainable growth. Very soon we saw the demand take a hit and now, as mentioned above, we adjust our strategy to tackle the current needs of the market.

4. Sustainability is "the new green" in investing. How does this transpose in your way of doing business?

First, I would say that sustainability is the base for our entire strategy and stands as main pillar for a healthy business model. Investing in our people's capabilities, in local suppliers, communities, and constantly diminishing our environmental

footprint, we ensure a durable value chain.

Second, Coca-Cola HBC Romania is the leader of the local beverage industry and I believe we are responsible for creating the proper premises for sustainable growth, both for us and our stakeholders. This transposes into constant dialogue, engagement, and support with our partners. These are key aspects that give us stability and, of course, revenue, that we reinvest in the market.

To give an example, our most recent operational investment is a €10mil decontamination line in Ploiesti plant. This is an exciting project for us and a first in Romania. The line will help us produce rPET (recycled PET) that we will use in our bottles, thus diminishing the usage of virgin PET. This is just one example of an action we take to reach our own long-term commitments, in line with circular economy model.

5. What is rPET now, and what should we expect in terms of socially responsible investing following rPET?

rPET now is a common objective on sustainability agendas in the industry. We were the first to launch a mineral natural water in rPET packaging and of course we aim for more. Currently, 20% of our entire PET portfolio in Romania is packaged in rPET and the investment previously mentioned (decontamination line) will support us in expanding rPET packaging on a large scale.

And this is just one of the streams we are working on when approaching packaging topic. Circular economy model is very complex and there are multiple projects that will ensure its objectives are reached. I will mention here the Deposit-Return System, the biggest circular economy project ever implemented in Romania. We are leading soft drinks' industry efforts in its implementation, and we are dedicated to ensuring it will have immediate results. The quantities collected through the Deposit-Return System will have the proper quality in order for them to be recycled and re-used in rPET packaging. This will support the entire

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industry in achieving packaging collection objective and decrease usage of virgin PET.

6. You are the largest company in the beverages industry in Romania. What are your perceptions right now about consumer behaviors? What do they want? What trends will follow?

When it comes to consumer behavior, we see a mix. While they are spending their money much more carefully, looking for the right value per amount spent, they also desire indulgence. Thus, our strategy is also a mix between affordability and premium categories. While our soft drinks, juices and water products tackle affordability, our premium spirits and coffee brands complement our portfolio and offer consumers the desired treat and experience.

We also foresee a growth in low & no sugar category. We are constantly expanding this category in our portfolio, and we see increases every year, even though we still have a long way to go compared to western countries.

Overall, we continue to focus on a customer-centric approach and maintain our vision of being our customers' 24/7 beverage partner. This vision means that through our portfolio, we can offer our customers the products that consumers need throughout the day.

7. What do you expect from the Romanian economy in 2023? What is your main message for each category of consumers, customers, and communities regarding challenges and opportunities for the short and medium term?

I expect it is going to be hard for all industries in Romania and across Europe. It will still be difficult to predict developments of the economy very accurately, and we need to use data and technology better. Our mindset stays the same and we remain confident that with everything we have built so far, we can go through difficult times, just as we do in good times.

We continue to contribute to change for the better. All our initiatives start from acting responsibly for the future: whether it's about the impact of our operations on the environment, the efficient use of natural resources, the portfolio we offer to consumers, our people and how we can support their development, but also how we can bring value to the communities where we operate.

My advice is to remain flexible and most importantly, to continue to invest in partnerships. It is hard for everyone, and I believe that only together we can overcome challenges and minimize as much as possible a negative impact.

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