



Interview

ROMANIA IS A SIGNIFICANT MARKET FOR COCA-COLA HBC, AS A REGIONAL INNOVATION, EXECUTION, PRODUCTION AND EXPORT HUB

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1 Many industries have faced challenges such as energy price hikes, increased taxes, and raw material cost increases. In addition, there are ongoing challenges facing the global economy, including soaring inflation, the possibility of a synchronized recession, escalating interest rates, and geopolitical tensions. How has Coca-Cola HBC Romania navigated these challenges, and what strategies have been employed to ensure resilience?

Businesses and societies have been navigating challenging times in the last three years. The pressure and uncertainty are felt by all of us, including consumers and the communities. What has been distinctive for 2022 and 2023 is the mix of many external factors we have been confronted with as a business. But, at the same time, for us, it was an opportunity to assess what works and what doesn't work in a brutally honest way.

Our strategy at Coca-Cola HBC revolves around finding the fastest, most efficient way to adapt to any context while best meeting

the needs of our consumers and customers. During these times, we improved our speed and quality of decisions based on data and insights, and we learnt how to work agilely. We looked for even more synergies between our business and our customers, who are also impacted by similar pressures. We made adjustments to our business priorities, refusing, however, to compromise on what is most important: our values and our people. Therefore, we continued to invest in sustainability, in technology and our people's growth, building new capabilities.

Looking at how all the pressure affects consumer behavior, we have adjusted our strategy to address the affordability challenges consumers face. We dedicated more resources to developing consumer promotions and ensuring better accessibility of our products.

Taxation has been a pressure factor this year for the entire soft drinks industry. It started with an increasing VAT rate, only for soft drinks, from 9% to 19% in January, which already brought a 10% market drop. The upcoming introduction of a soft drinks excise amplified the effects. We understand the need for viable measures that bring additional resources to the state budget. But we have warned – at an industry level – about the chain of adverse effects this measure will have on the industry, the consumers, the state's revenues and the overall economy. The business environment needs predictability to perform and to bring a valuable contribution to the overall economy.

Tackling each of these challenges takes its specific approach. What guides us is the strong connection to the local market, the desire to keep contributing to the local, sustainable growth and our well-trained ability to adapt in a context that is changing faster than ever.

in many ways a game changer for us, as well as for the industry. Having our rPET (recycled PET) production unit in Ploiesti plant is a pioneering project. We became the first beverage producer in Romania with the capability of producing recycled PET in their facility. This was made possible by installing a PET decontamination line using state-of-the-art technology. The investment of 55 mil. LEI, out of which 17.5 mil. LEI came from a state aid scheme, will enable us to complete the transition of our entire PET portfolio to recycled PET.

There are multiple benefits to this investment. First, the availability of food-grade rPET – a limited resource due to the high food safety standards required. On the environmental side, we're looking at a significant drop in CO2 emissions, with our entire PET portfolio transitioning to rPET. The flakes of recycled PET material used in our production process have an 80% lower carbon footprint than the PET resin. All the electric energy we employ in the rPET production process comes from 100% renewable sources, so there will be no emissions generated by this unit. Moreover, we are playing a significant role in creating a circular economy for packaging in Romania, given our active involvement in supporting the implementation of the Deposit-Return System (DRS). We are confident that DRS will provide quality raw material for the local recycling industry, driving more players to invest in it and helping us supply PET flakes from local companies.

Regarding the broader sustainability goals, Coca-Cola HBC strives to be the beverage leader in all its markets and a global leader in sustainability. Solid investments support the sustainability agenda, including achieving net zero emissions throughout the entire value chain by 2040 and contributing to tackling the challenge of packaging waste. Globally, we are working to collect back our bottles and cans for recycling and, equally important, to use more recycled material in our packaging as part of a full circular economy. We aim to eliminate waste and reduce our use of virgin PET from fossil fuels.

This investment is not only 100% aligned with Coca-Cola HBC's global sustainability approach, but it is correct to say that here in Romania, we are at the forefront of our



Our new rPET line is one of a kind, the very first installation of this type in Romania and the second within our Group.

2. Your recent investment in the PET recycling unit in Ploiești is groundbreaking. How does this initiative align with Coca-Cola HBC's broader sustainability goals, and what impact do you expect it to have on reducing the company's environmental footprint?

This fall, the Coca-Cola System in Romania proudly inaugurated an investment which is



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Group's sustainability agenda. The new rPET line is one of a kind, the very first installation of this type in Romania and the second within our Group, and we take great pride in this.

3. Sustainability initiatives often involve consumer education. How is Coca-Cola HBC Romania engaging consumers to promote sustainable practices, particularly regarding recycling?

Recycling can only be successfully achieved by working as partners, between companies, institutional partners, communities, and NGOs. For many years, the Coca-Cola System in Romania has been building partnerships and developing projects that aim to educate consumers on the positive impact of separate collection for recycling. In addition, we enabled them to collect waste separately by providing infrastructure – an essential part of the process. Under our community involvement platform – After Us – we have initiated or supported such projects together with our retail partners and with reputed NGOs, putting together capabilities, resources and our common will to make a difference. These projects, some of which go back more than 7 years, have built a good foundation for the upcoming implementation of the Deposit – Return System. We succeeded in engaging more Romanians into adopting the habit of returning the packaging after they consumed the product so it could be recycled.

4. Together with the new rPET production facility, what were the main business projects of 2023?

2023 is a big year for our sustainability agenda. In the first quarter, we introduced the new closures of our plastic bottles – with caps that stay attached to the container, for a better collection of the entire packaging. The inauguration of our rPET facility followed this fall. It's also the year in which the Deposit-Return System, the largest circular economy project ever implemented in Romania, will become operational. We have supported and continue to support the soft drinks industry's efforts to implement it and produce a significant impact on the economy and sustainability.

This year, following an investment of 62.5 million lei, we have installed a new plastic bottling line in Ploiesti plant, which will be the fastest one on the local market and will contribute to increasing water and energy efficiency. Also, in Ploiesti, we have started the expansion of the High Bay automated warehouse, which will allow us to expand our storage capacity.

This investment in state-of-the-art equipment will be reflected in operational continuity and much more efficient inventory management, especially during the summer, when sales of soft drinks and water increase exponentially and production plans must reflect demand. Thus, a much larger volume of deliveries will be operated directly from our own warehouse, which translates into an optimization of delivery times to customers, the efficiency of transport routes, costs, and, most importantly, a reduction of the generated carbon footprint.

5. Looking ahead to 2024, what are the critical strategic priorities and goals for Coca-Cola HBC Romania, and how do you envision the company's role in shaping the future of the beverage industry in the region?

Romania is a significant market for Coca-Cola HBC, as a regional innovation, execution, production and export hub. We have been present in the local market for 32 years, we have a history here, and we see a shared future with the local community. Our customer-centric approach, our business strategy based on our 24/7 portfolio, with beverages for every occasion during the day, and our ability to adjust to changing consumer behavior will remain crucial to our business performance.

Looking ahead to 2024, one of our key priorities will be the successful implementation of DRS, internally and externally. Then, we need to closely monitor the application of soft drinks excise on our portfolio. Simultaneously, we want to continue the dialogue with the Government to ensure fiscal predictability and sustainable development of the regulatory environment in the electoral year.