Britvic Preliminary Results

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Delivering on Our Strategic Priorities and Vision

Simon Litherland

CEO, Britvic

Good morning and welcome everybody. Today I am going to talk about how we have delivered our commitments in F17. Matt will then come up and update on our financial performance and I will come back and close by reflecting on our strategic delivery to date and sharing some of the highlights that will be coming up in F18.

2017 Another Year of Strong Progress

So, 2017 has been another strong year for Britvic, demonstrating once again that we can deliver in the short term while continuing to invest in long term growth. Highlights include strong revenue in profit growth, successfully innovating into a rapidly changing category, continued organic margin growth through combining price realisation with a continued focus on cost reduction, completing and integrating two acquisitions during the year, one in Brazil and one in Ireland, progressing our investment in the GB supply chain and our wider business capability programme and continuing to internationalise the business with 41% revenue now generated outside of GB.

Growing Revenue across Our Core Markets

Despite the headwinds facing all FMCG businesses, we have delivered revenue growth across our core markets in 17. In GB, growth came from successful revenue management and the carbonates brands. We led promotional price movement in the market. Pepsi grew both revenue and market share thanks to Max and the relaunch of R White's drove double digit growth.

Whilst GB stills have improved, there is still more work to be done but I am confident that we have strong plans that I will share with you later.

In France, we also successfully executed a revenue management plan this year despite continued pressure from grocery buying groups. Our investment in the brand portfolio has continued to pay off with brands now accounting for over 60% of revenue compared to 50% at the time of acquisition. I am particularly pleased with the growth in our juice brand Pressade, which grew 32% this year making it the third largest contributor to soft drinks revenue growth in France 2017.

Finally, in Ireland, we also grew revenue despite a highly competitive pricing environment, particularly in carbonates. Our portfolio of leading low and no sugar brands has continued to resonate with Irish consumers seeking healthier choices. In the off trade, our Counterpoint wholesaling businesses has delivered further growth, both expanding distribution of our soft drinks range and also increasing our share of alcohol and snacks that accompany it. In addition, it has benefited from the East Coast acquisition, which has significantly improved our route to market in Dublin.

Investment in Innovation Is Delivering Growth

Innovation was identified in our strategy as a key long-term growth driver for the business. We have therefore over the last three years increased investment in our innovations capability in areas such as insight, liquid development and packaging technology. The benefits of this are now coming to fruition. We are successfully launching new products that meet the

growing consumer trend of healthier and more premium drinks. We often utilise the strength of our core brands to innovate from. For example, we launched Robinsons Squash'd to make it easier for people to drink squash when out of their homes and last year we launched Robinsons Refresh'd to enable the enjoyment of a national low calorie ready to drink Robinsons while on the go.

We also continue to target our brands towards new sources of growth, such as the growing energy market with our natural energy drink Purdeys. Finally, we target all of our innovation to be long term margin accretive and the vast majority will be below the sugar levy.

Compared to 2010 when own brand innovation accounted for 1.5% of total revenue, we are now generating 5.4%. We hold ourselves to a strict definition of innovation as the launch year +3, which means that the contribution from innovation will fluctuate over time as some products drop out and new ones come in. However, we anticipate that over the long term a similar level of contribution to that which we have achieved this year.

Innovation Delivering Growth across Kids, Family & Adult Categories

Some of our recent innovation successes are shown on this chart. We have expanded the presence of Fruit Shoot into flavoured water with a still and sparkling Hydro range, which has increased revenue by 17% this year. In Ireland, Mi Wadi Zero drove growth in the squash category and increased its revenue by 40%. IN France, our organic based Pressade increased revenue by 32% following the launch of the Bon Jour breakfast juice range. This year, we continued to utilise the strength of the Robinsons brand, expanding it by launching Refresh'd, a low calorie all-natural juice and spring water drink that has delivered 4 million in retail sales value in the 19 weeks since launch. As I said early, R Whites has grown revenue by 13% thanks to the addition of a premium range featuring new more sophisticated flavours and premium packaging that leverages its heritage credentials. Finally, Purdey's, a natural energy drink made with natural juice and botanicals without caffeine, taurine or added sugar has grown revenue by 29%.

Brazil – Successfully Navigating Current Challenging Conditions

So, after a successful first year in Brazil, we have experienced the anticipated adverse impact of the macro environment and consumer spending. Our focus has been wo-fold. Firstly, we have protected and indeed grown margins and profitability in the short term, which we believe will leave us in a much stronger position as a consumer environment becomes less challenged. We have taken price to offset double digit input cost inflation, yet continued to take share through strong in-store execution. Secondly, we have continued to invest in the long-term opportunity by expanding our brand portfolio and geographic reach. We have recruited additional commercial resource and acquired Bela Ischia, the leading concentrates brand in Rio. The business has been successfully integrated this year and our guidance of R$10 million in cost synergies will be exceeded.

In terms of innovation, last year we launched Mega Fruit Shoot towards the end of the year and we continue to roll out and nurture the brand and are starting to extend the distribution into the five most populous regions on the East Coast. We have also extended our portfolio further into other categories, such as tea and coconut water. In the USA, Fruit Shoot has made steady progress this year.

Steady Progress for Fruit Shoot in the USA

We have delivered double digit revenue increase and reduced our losses. The singles format has increased its market value share, cementing its opposition as the number two brand in the channel overall and number one in some states. We continue to focus on building distribution, for example, on in dollar general where we now have two variants of Fruit Shoot being listed in the chiller in over 8,000 outlets. IN the grocery channel, we are now lapping the first year of multipack coming to market. Weighted distribution has continued to increase and now stands at 37%. We have retained all our major listings and are expanding our on-shelf presence in selected retailers. The feedback from retailers is positive and we are encouraged by the steady progress we have made. Our focus is to continue to build consistent quality in-store execution where we are listed so that we may drive the rate of sale.

We continue to see enough proof points to support our belief that there is a meaningful opportunity for Fruit Shoot in the USA, but it is still too early to call it a long-term success.

Now I will hand over to Matt to take you through the detail of our financial performance.

Financial Performance

Mat Dunn

CFO, Britvic

Good morning everyone. Before we dive into the detail of our financial performance, I thought it would be useful to provide context on the market conditions where we operate. In our European markets, the soft drinks category performed resiliently in 2017 with value growth in GB, Ireland and France. Encouragingly, after a number of years of deflation we have seen value grow ahead of volume in all of our markets this year. The numbers quoted here are for the off-trade grocery and convenience sector rather than the total market, but they give you a flavour of the resilience that underpins the category.

As you can see from the slide, growth in the year was constrained by a weaker fourth quarter, particularly in GB and France where the weather in the school summer holiday period was a damp squib following a great start to the summer in June and Early July. In Brazil, the soft drinks category has been hit by the fall in consumer spending, a shave many other FMCG categories with a double digit drop in volume translating to around 6% drop in retail value. whilst the environment undoubtedly remains difficult and the outlook remains uncertain, we have seen signs of improvement more recently.

A Strong Financial Performance

In the context of these market conditions, Britvic has delivered another strong set of results in 2017. Our organic performance has been good with revenue up 2.5%, EBITA up 5.6% and margin up by 30 basis points. These results reflect the successful execution of our strategy with both revenue growth and our cost management activities playing a role in this performance.

Reported margin has declined 30 basis points due to the stronger euro increasing the contribution from France where we have a private label business, Ireland where we have a large wholesale business and the inclusion of Bela Ischia in Brazil. Adjusted EPS has increase by 7.3% to 52.9p. This benefited from the strong EBITA growth as well as lower interest costs

reflecting our refinancing activities in the earlier part of the year, as well as a lower than anticipated tax rate due to the one-off benefits of the reduction in future French corporation tax rates on our deferred tax liabilities.

Given our strong performance and the confidence in future prospects, we have declared a final dividend of 19.3p resulting in a full year increase of 8.2%.

Despite our continued investment in our GB supply chain and the completion of two acquisitions this year and net debt EBITDA ratio of 2.0x is in the middle of our stated range and at the lower end of our expectations at the start of the year. The investments we have made will no doubt strengthen our business and our strong cash flow generation has allowed us to make these investments whilst retaining our strong funding platform and financial flexibility.

Business Unit Performance

Turning now to our business unit segmental performance. GB carbonates generated strong growth led by Pepsi Max and R Whites, as Simon has already referenced. ARP increased due to the implementation of new promotional price points in the off trade and positive mix from a 13% increase in revenue from on-the-go consumption packs. Brand contribution margin declined 120 basis points because of increase A&P investment, cost and foreign exchange pressures, as well as increased sourcing of product from Ireland as we managed through our line change overs in the supply change.

Improving Performance for GB Stills

As you all know, the second half of the year benefited from the changes we made to our price and promotions framework in the spring. GB stills volume grew for the first time since 2010. Revenue declined in the year primarily due to price deflation in Robinson in what remained a competitive squash category. Robinsons declined in the final quarter against a strong comparative last year. This is particularly pronounce given the strong promotional programme we executed in the third quarter and the longer consumption time of squash when compared with our other products. J2O also declined in the year as it transitioned to new promotional price points in the off trade. Whilst the Fruit Shoot brand was flat, the focus on the Hydro variant resulted in further growth as it captured an increased share of the flavoured water category.

Pepsi Continued to Outperform the Category and Gain Share

Underpinning our strong GB performance was the continued success of our partnership with Pepsi and in particular the continued success of brand Pepsi and Max. Pepsi has continued to drive category and growth in gain share this year, driven by Max. It remains the number one black cola variant in blind taste tests and it outperforms against all other no sugar variants. In recent years, we have broadened its appeal further with the introduction of cherry and ginger variants and the brand has benefited from a long-term focus on investment we have continued to put behind it.

Improving Performance for GB Stills

GB still performance is improving; however, it fell behind our expectations this year largely due to a disappointing Q4. In squash, a deflationary environment has persisted. However, whilst core range Robinsons volume declined marginally this year, it benefitted from the

launch of Refresh'd and its brand health measures have improved. Brand awareness is high and the attributes of real fruit in every drop and the link to healthy hydration are resonating with consumers, with more consumers considering the brand than a year ago.

As I referenced earlier, J20 has declined this year. A key factor has been the loss of feature and disciplinary in grocery resulting from the implementation of high promotional price points. In the coming months, we are introducing new pack formats to regain promotional slots with retailers. Alongside this, we have just refreshed the look of both core J20 and J20 Spritz with new packaging across the range. Fruit Shoot has performed better and our focus on the Hydro variant is paying off. Despite the category the core brand plays in remaining challenging, we have again seen an improvement in overall brand health with Fruit Shoot being front of mind for more shoppers than it was a year ago.

In France, our performance was strong in a difficult market and we took market share. After a good first nine months of the year, the poor late summer weather led to a weak soft drinks category performance in the final quarter and had a particularly high impact on syrups. The continued focus on the brand portfolio generated a 5% increase in branded revenue, partly offset by decline in private label. Pressade and Fruit Shoot continue to deliver growth, more than offsetting the subdued syrups performance.

The consolidation of buying groups has continued to create challenges, particularly in the syrups category pricing, although pricing improvements were realised in juice in order to protect profitability. The weaker performance in the last quarter combined with up weighted A&P investment and cost pressures resulted in a reduction in brand contribution on a constant currency basis, with a growth in lower margin juice further impacting margins.

In Ireland, performance was excellent despite intense price competition, particularly in carbonates. Growth in own-brand products was led by the predominately low and no sugar stills portfolio. Counterpoint benefitted from an improved offering across its alcohol and snacks range as well as from the acquisition of East Coast earlier in the year. The margin decreases as a result of both the price competition and the growth in the sale of third party brands in the wholesales business, which generates a lower margin.

In Brazil, the underlying organic constant currency performance across the year was impacted by the well-publicised macro-economic challenges. However, we anticipated these to a certain extent and in what has been an incredibly tough environment, the team have delivered an outstanding result, executing robust price realisation to protect margins and taking share to grow brand contribution by 7.5%. International has continued to generate revenue growth and increased margin. The USA benefited from the launch of the Fruit Shoot multipack last year, resulting in a 21% increase in revenue. In Benelux, there was a continued focus on improving margin and mix. We continue to invest in our international business for long term growth, but as is evident from the strong contribution and margin improvement, we have seen our efforts to improve the profitably of the business unit delivering results.

Unrelenting Focus on Cost Efficiency

We have also continued our relentless focus on cost efficiency and this has delivered good results. A&P spend declined by 3.6 million on a constant currency basis. Whilst branded spend did decrease marginally, a large element of the overall reduction was the result of efficiencies in our non-working A&P spend. This continues to reduce as a percentage of our overall

investment, driven by efficiencies in agency fees, research and production cost, enabling us to direct spend into consumer facing activity or point of purchase activation.

Fixed supply chain costs have increased due to incremental depreciation from our GB investment programme whilst selling and other costs have benefited from our rigorous approach to cost control.

We took proactive cost action by extending our business capability programme to incorporate 5 million of overhead savings in 2017. This includes a flattening of our structure in some areas, as well as reducing duplication between our business units through the combination of some roles. A total fixed cost base has also benefited from gains in our proactive foreign exchange hedging programme.

Our focus on cost efficiency has underpinned the progress we have made in containing to grow our margin. Since 2013, we have increased our EBITA margin 230 basis points from a low 10.4 to 12.7% today. This year we added 30 basis points of organic margin but whilst reported margin, as I mentioned earlier, did decline by 30 basis points due to FX translation and acquisition dilution.

Whilst we are still below best in class levels, we have identified six clear drivers of margin growth that you can see here on this slide. The GB supply chain programme in particular will deliver substantial benefits and Simon will take you through this in more detail shortly.

As well as our track record of margin improvement, we have worked to achieve a strong balance sheet and long-term funding platform to support long term sustainable growth. We have generated free cash flow of £54.5 million despite investing £147 million in CAPEX in our business and in particular our businesses capability programme. This has been supported by a more rigorous approach to cash management and our working capital management in particular. We have also looked at opportunities to dispose of non-productive assets and as indicated at the start of the financial year, we have disposed of property for a consideration in excess of £17 million.

As a result of our strong cash management this year, adjusted net debt to EBIT DA has come in at the lower end of our guidance range. As we head into next, we are coming to the end of the elevated CAPEX spend driven by the GB supply chain programme and we will see a significant step up in free cash flow generation from 2019. We have also completed a number of refinancing activities which have further strengthened our long-term funding platform.

The improving cash flow conversion from FY19 I just referred to will provide a number of options. We have been consistent over a number of years in our capital allocation priorities across three key areas. Offering a progressive dividend policy based on a 2x cover, investing back into our business where we see an attractive return, such as with our GB supply chain programme, and lastly executing selective M&A as we have with the recent acquisitions of Bela Ischia in Brazil and East Coast in Ireland.

Our long-term objective is to ensure we have sufficient financial flexibility to pursue these goals in concert. Our net debt to EBITDA target range of 1.5 to 2.5x achieves this aim whilst providing cover for unforeseen risks or shocks to the business. It remains an appropriate range for us in the medium term.

Accounting for Soft Drinks Levies and IFRS15

Turning now to next year, both the introduction of the soft drinks levies in the UK and Ireland and IFRS15, which we intend to implement in 2018 will affect our reported results. From an accounting perspective, for the soft drinks levy our reported ARP will increase to reflect the passing on of the soft drinks levy to retailers which we will do in full. Our costs of goods will also increase to reflect the levy which we pay over to the government. Whilst the net P&L impact of the accounting is 0, we anticipate it will reduce both reported brand contribution and EBITA margin percentages. The implementation of the IFRS15 accounting standard requires us to make two reclassifications. Firstly, some of our customer related investment spend will be reclassified from selling and distribution costs and will be instead treated as an offset to revenue. Secondly, we will reclassify certain incentives received from suppliers from revenue to cost of sales. As a result, our reported revenue will reduce and so will our cost base with 0 impact on profit. Our reported EBITA margin will increase because of this change.

With these two changes happening in the same year, we will look to provide as much disclosure as possible. To improve comparability, we have drafted a restatement of the 2017 financials for the IFRS15 change. The full restatement will be made available on Britivic.com in a few weeks and well ahead of the Q1 trading statement.

In terms of guidance for 2018, we anticipate input inflation this year will be in the low single digits from a combination of underlying commodity inflation and FX as hedges roll off. Capital spend for the year is proposed in the range of £144 to 150 million subject to consultation surround our Norwich site. This figure, as I have already mentioned, represents the last year of elevated capital spend as we complete the GB supply chain investment element of the business capability programme. Taking into account the proposed elevated capital spend, and our commitment to a progressive dividend policy, we anticipate that debt leverage at the end of the year will remain within our target operating range and it is likely to come somewhere in the range of 2.1 to 2.3 times.

Our effective tax rate for the year should be in the range of 22.5 to 23.5%, depending on our mix of profits, whilst our interest charge will be marginally higher than F17 due to increased debt levels and rising interest rates in the UK.

I will now hand back to Simon, who will give you a perspective on our strategy and plans for 2018.

Clear Priorities For 2018

Simon Litherland

CEO, Britvic

Thanks Mat. Mat has shared the 2017 results and I would like to take a moment to remind you of the progress we have made in delivering the strategy we have shared in 2013 and some highlights for 2018.

Our Strategy Remains as Appropriate Today as in 2013

The four strategic pillars you see on this slide are as relevant today as they were in 2013 and we believe they will counties to deliver strong returns for shareholders going forward.

Our Strategy Has Consistently Delivered Profitable Growth

Over the last four years we have delivered consistent growth and created significant shareholder value. On average, revenue has increased by nearly 4% per annum and our revenue outside of GB has increased from 35% to 41% as we internationalise our business. EBITA is up over 9% per annum and we have expanded EBIT margin by 230 basis points over the four years. This is translated into EPS growth of nearly 11% per annum and DPS growth of 9.5% for our shareholders. We are proud of our track record and it gives us confidence in the validity of our strategy.

For 2018 we have comprehensive plans in place against all four pillars of the strategy. However, today in the interest of time, I will just share some of the key highlights against each pillar with you before we close and move to Q&A.

As Mat has already highlighted, 2017 has been another outstanding year for Pepsi Max in a highly competitive category. 24 years on from its launch, Pepsi Max has a retail value of £280 million in the take-home channel. In the last four years alone, that value has grown by over £100 million and Pepsi's share of cola has increased by 6% to over 28% driven by Max. In 2013 we launched Pepsi Max Cherry, which continues to grow, with its 2017 retail sales value increasing by over 20% to £53 million. In 2017, we launched Pepsi Max Ginger, which has generated another £6 million in retail sales value, of which 52% was incremental to the category. Cherry and Ginger have both broadened the appeal of Max, attracting 1.1 million new consumers into the brand in 2017. We have a comprehensive plan for Pepsi Max this year, with our Christmas activation now happening and as we head into 2018 we will see major marketing campaigns across the year. This will include a continued focus on taste through the 'If you don't love it, you haven't tasted it' campaign and on leveraging Pepsi's long-standing relationship with football through Champions League activation. The Pepsi portfolio will also benefit from our investment in the business capability programme as we step change our ability to bring new pack formats to market, which will be particularly important with the advent of the soft drinks levy in April.

Continuing the Reinvigoration of The Robinsons Brand

Robinsons is the number one squash brand in GB and the nation's most trusted soft drinks brand. However, in 2015 we recognised that Robinsons faced a number of challenges and commenced the reinvigoration of the brand. We reformulated the liquid to create clear preference versus own label and de-listed the added sugar variant. We also began to broaden the shoulders of Robinson into new consumption occasions, starting in 2015 with the launch of Squash'd to target usage out of home and followed in 16 by taking it into Dispense and Subway, and subsequently KFC. Finally, in 2017 we launched Refresh'd as a ready to drink all-natural product for on the go consumption.

We are now embarking on the next stage with the reset of the squash category into good, better and best. The launch of the better fruit creations, which has twice the fruit content of the good range and carefully blended flavours such as pear and blueberry aimed at older families. In addition, we are launching a premium cordials range in a 500ml glass bottle aimed at adults and sweetened by naturally sourced stevia and sugar with combinations of real fruit and botanicals, such as crushed lime and mint. Both ranges are margin enhancing, continue our commitment to lead on health and are exempt from the sugar levy.

As we have evolved the brand over the last three years, we have maintained Robinsons quality and heritage while adapting and responding to changing consumer needs and tastes. Performance is gradually improving and the customer response to the upcoming propositions has been positive.

Looking now at Fruit Shoot, while we recognise that the kids' category as currently defined faces more scrutiny from parents, we also know that kids are actually drinking more, not less. We are confident by utilising our insights into what parents and kids really want, we continue to develop a proposition that appeals to both the gatekeeper as well as to parents themselves. Since launching the brand in 2000, we have been developing Fruit Shoot in different ways. Taking it internationally into all of our markets and developing local flavours to suit local tastes, developing Hydro and Hydro Sparkling and sugar free flavoured spring water drink intended for older children, we have taken out added sugar and reduced sweetness and are adding vitamins to the core range and are launching the first ever global Fruit Shoot campaign 'It's My Thing', which celebrates real kids doing their thing, whatever that may be.

We have also had a strong innovation pipeline and we are currently taking an all-natural product called Juiced into the trade in GB. It's 50% water and 50% juice and sweetened only with real fruit, and is schools compliant. While we are some months away from launch in mid-2018, feedback has been positive from all of mums, kids and customers, so we believe this will help create further momentum being the Fruit Shoot brand.

Investing to Grow Our International Footprint

In 2018, we will continue to invest in growing our international footprint. In Brazil, while it's much too early to call a turn in the market, we are seeing signs of stabilisation. We will continue our innovation programme in 2018 with further launches in our existing categories of concentrates and ready to drink juice. Our innovations are designed to promoted easier consumer use, such as our pre-sweetened Uno concentrate and to offer healthier options such as Mega A with stevia. We are also broadening the portfolio into other categories through the continued national rollout of Fruit Shoot and the development of our ice tea brand Natural Tea and our coconut water Pura Coco. Bela Ischia is now fully integrated, and we are taking advantage of an enhanced route to market in and around Rio to build further distribution of Fruit Shoot and the broader portfolio.

In the USA we are working closely with Pepsi to expand singles distribution beyond its heartland of convenience and gas into front of store grocery and looking for targeted opportunities in food service. In the multipack, we continue to focus on driving a consistently high standard of execution in store to build the rate of sale, which will be helped by an expanded range. We have also taken the opportunity in the backend of 2017 to bolster our team with the appointment of a new senior specialist in the commercial activation space. Finally, in Benelux, Mat spoke earlier about our success and building margins, we continue to invest behind the established Teisseire and Fruit Shoot business, but just as importantly we are also testing the appeal of some of our other brands such as Purdey's and our premium adult portfolio in those markets.

Since 2013, we have led the industry in taking steps to help consumers make healthier choices through targeted reformulation, 'better for you' innovation and responsible marketing, meaning that we have not had to knee jerk following the announcement of the soft drinks

levy. We believe in choice and offer a uniquely strong and broad portfolio which delivers both great taste and 'better for you' options. By next April, 72% of our total portfolio and 94% of our own brands will be under the levy in GB. In Ireland, 69% of the total portfolio and 79% of our own brands will be exempt. While we cannot go into too much detail with regard to our commercial strategy due to competitive sensitivity, our workplace portfolio is underpinned by a clear commercial plan in F18. We will be transparent on price and while we do not set retail prices, we will always pass on the levy for products where it applies as the government intended. We will update our promotional activity to accelerate consumer purchase towards low and no sugar variants and we are actively working with our customers in both the on and off trade on how to best merchandise the fixture to ensure the best outcome for the category. Of course, the introduction of a levy of this nature creates a level of short term uncertainty but we are confident that we face into this uncertainty from a position of strength.

BCP On-Track to Deliver Sustainable Long-Term Benefits

Our business capability programme as implemented to date is firmly on track to deliver sustainable long-term benefits. In GB, we have continued to make significant progress a tour production sites with new lines and warehousing coming on stream as well as ground works for the final phase. At last year's preliminary results, we announced a 5 million cost saving initiative, which we have delivered by streamlining our group management structure and we have also outsourced distribution and warehousing in Ireland. In October, we announced a proposal to transfer production of Robinsons and Fruit Shoot from our Norwich site to our manufacturing sites in East London, Leeds and Rugby. As a result, we are proposing to close the Norwich manufacturing site towards the end of 2019 and we remain in consultation with impacted colleagues. We are committed to a full and proper consultation with those impacted employees and we are very grateful for their hard work. Our proposal is in no way a reflection of their performance or commitment.

On Completion the GB Supply Chain Investment Will Step-Change Our Capability

On completion, our GB supply chain investment will have truly step-changed our supply capability. We will have reduced production and distribution costs and created a platform to deliver long term sustainable growth. Our capacity will have increased with more efficient lines, more warehousing space and a reduced need for project capital when we introduced new pack formats or innovation in the future. For example, our new can lines in Rugby give a 40% increase in capacity compared to the old lines and our sites in East London has now doubled its storage capacity. Our new liens also offer greater flexibility of packaging. We can make PET carbs and stills on the same lines, use different material such as steel and aluminium cans and produce different sized packs to help us differentiate across channels and hit key price points, such as 3 litre carbonates value pack or a 1.5 litre contour bottle.

We have also increase efficiency with faster more efficient liens which have shorter changeover times, and which are sited closer to the point of demand. The three new can lines in Rugby are the fastest in the world and the new larger PET lines in London and Leeds are twice as fast as the liens they have replaced. Finally, once fully commissioned, our new lines will reduce our water and energy consumption. For example, in East London the new PET line is 30% more energy efficient than its comparable old lines. As a result of all the new equipment commissioned to date, we have already eliminated over 300 tonnes of plastic

bottle packaging in GB in 2017. From a financial perspective, we remain on track to achieve our previously stated guidance subject to consultation at Norwich.

Summary

So, in summary, despite input cost inflation and macro uncertainty, we have delivered another strong performance in F17 and are well placed to navigate the headwinds in 2018. We have maintained our focus on cost and efficiency and demonstrated our ability to realise price, grow organic revenue and margins and we believe we have the best positioned portfolio to face into the forthcoming soft drinks levy from position of strength.

Our investment in the long-term growth drivers of innovation and internationalisation is bearing fruit. The contribution to revenue from our own brand innovation is growing, demonstrating our ability to effectively innovate and to grow in consumer segments. An increasing proportion of our business is generated outside of GB.

Our business capability programme is entering its financial phase. It is delivering end year benefits ahead of guidance and will deliver further benefits going into 2018 and 2019. We are confident of further margin growth over the long term and of improving cash flows as the business capability programme nears completion. Overall, we approached 2018 with confidence and expect to deliver continued progress.

Thank you for listening to us and Mat and I will now take questions.

Q&A

Chris Pitcher (Redburn): Thank you. Mat, I was wondering if you could hazard a stab at what the sugar levy may mean to cost of goods inflation because you have guided to low single digit input cost inflation but obviously, that is only part of the story. Then also on A&P spend at 4.5% of sales, could you give us a feel for where that is going to progress in terms of delivering the innovation targets. Final one, could you have a stab at fiscal 19 CAPEX to understand what the drop offs are likely to be.

Simon Litherland: So, on A&P 4.5%, we generally have made some good progress at reducing our non-working spend but I would expect A&P to pick up over time as we bring more brands to market and invest behind our core brands. Having said that, you will notice that a good majority of our innovation is actually off the shoulders of our core brands, so we get the benefits of advertising and marketing behind, for example, Robinsons Refresh'd flowing over into Robinsons in totality. So, I think we have been quite efficient with our spend as well.

Mat Dunn: So, let me deal with the CAPEX one first. I guess I am hazarding a guess in terms of it is very early to be talking about FY19 but if you look at the level of elevated spend in the region of £70-80 million, that will give you a feel for what our underlying CAPEX is on an ongoing basis but that would be a very indicative view just based on taking out what we have been investing over and above, and we would expect to get some maintenance CAPEX benefits over time but exactly what comes through in F19 – and it also slightly depends on the exactly the conclusion of the consultation process in terms of whatever may happen and over what timeframe.

From a sugar levy perspective, you are quite right to say effectively commodity costing guidance excludes the impact of the sugar tax. In terms of the potential impact, I guess the rates are well known and one can estimate the impact that that would have based on our current volume in mix, but I guess the biggest uncertainty is what is going to happen to that volume and mix and therefore it is very hard to give you a specific number. I think as well as the uncertainty we face, we need to understand competitive reactions, what a retailer is going to do and what a consumer is going to do before we will see a firm picture of what impact the sugar tax has on our business.

Chris Pitcher: – working assumption you are comfortable that the net effect of price increases and levy means it will be gross profit neutral.

Mat Dunn: From an accounting perspective, yes. In terms of what happens to the volume and where that goes, that is where the uncertainty comes through.

Richard Felton (Morgan Stanley): Two questions please. First of all, when you think about the sugar tax next year, clearly on Robinsons you have done a lot of work removing the no added sugar variants. Could you give us a little bit of colour about your competitors and private label, how they are positioned? Have they taken similar steps to remove sugar from their brands or do they still remain above the sugar tax levy currently?

Secondly, a quick question on London essence, seeing it increasingly at more bars in London, it has a decent shelf space in the off trade, any comment on how that brand is progressing and your plans going forward.

Simon Litherland: Okay, thank you Richard. I do not know all the competitor plans, I have to say but I think it is some and some. I do think it is important that there is still choice for consumers. We have seen some own-label take out any added sugar, so Tesco I think was the first retailer to do that in a strong way and some other competitors have indicated that they will change the formulation of some of their brands; some have been done, some are yet to be done so we kind of have to see how that plays out. However, I think it will be some and some.

On your second question, in terms of London Essence, we are kind of pleased the progress. It is obviously a slow build with a premium brand like London Essence, but we are in about 200 premium outlets across London and the brand is really well-received by barmen in particular, in terms of mixing them; we are pleased with the progress we are making, and we move into premium off-trade over Christmas, so you will start to see London Essence appearing in Waitrose, for example, for the Christmas period, so we will see how that progresses.

Andrea Pistacchi (Deutsche Bank): Two or three questions, please. First, value is returning to UK soft drinks, as you were saying, in part driven by the cost pressures, yet you are still seeing a lot of deflationary pressures, because of private label, impacting Fruit Shoot and Robinsons, so how sustainable do you see this situation, this deflation, in private label from their point of view? The second question, on J2O: a lot of innovation plans across your portfolio, I think except we did not hear anything on J2O; I think even 2017 was a little light in terms of J2O innovation, so what is the long-term ambition for this brand? The third one, on the on-the-go, I think you said double-digit growth in Carbs for on-the-go. The summer

clearly did not help from that point of view, so what specific plans have you been doing to enhance the on-the-go, which is, of course, high-margin?

Simon Litherland: Yes, so we are seeing value come back. Obviously, we had two or three years of deflationary pricing, I think raw materials and the impact of foreign exchange has meant that pricing has started to come back into our category and we have successfully taken price. We have done it on a selective basis, both through headline price and through promotional effectiveness and have been quite choiceful where we have done it. However, in totality, we have successfully taken the price that we wanted, and we will do that again in 2018. One of the reasons specific brands, like Robinsons Fruit Shoot, are attractive to the discounts is because of the depth of penetration and consumption that the categories have. You will see the price point in those brands moving up, particularly through promotional strategies but also what we are trying to do is put value back into our brands, so the things I have talked about in the presentation; reformulation: we are really confident that core Robinsons tastes great and tastes better than the competitive set and tastes better than own-label; things like Creations at the better and Cordials at the premium range will be at higher price points, will be at better margin for us and our customers. So, we will start to put value back into the category in that way. Likewise, margins are accretive on Hydro for customers and ourselves and Juiced will be a premium-priced offer, so we will start to tread customers up if they are looking for healthier, 'better for you' options. So, it is a journey, but I am comfortable we will start to create more space between ourselves and own-label, which is a big competitor for those categories.

On J2O, we did not do a specific slide on it but there is lots still happening on that brand. It is still a massive brand and we successfully took price this year, albeit with some volume downside, mainly because we lost feature and display; it is a brand that really does respond well to being visible and being seen in store, people buy more, drink more. You will notice in store a new pack livery, which significantly increases stand-out and makes it look more premium because the J2O competitive set has grown significantly over the last few years. We have also changed the Spritz packaging. The Spritz liquid is fantastic; it is really well-liked by consumers. I think the packaging has probably not been optimal, so we have a good step. Going forward, you will start to see that come into store in the coming weeks and months, aligning Spritz closer to the core but also making it look more premium and more special. On top of that, we have a new marketing campaign that will come to market in the new year which we are very excited about, so lots happening on J2O. The penetration of Spritz is still quite low, so there is still lots of distribution opportunity and I think if we can get trial behind J2O Spritz, it will appeal to older, more sophisticated consumers and drinking occasions and will certainly benefit the brand.

Mat Dunn: I think the first thing to say is that there is an underlying consumer shift to shopping on-the-go. I think we see that trend continuing. In addition, we have been focused on trying to extend our distribution and reach. We have invested a little bit in incremental sales activity to do that, trying to penetrate some of the smaller convenience stores, for example, because we continue to under-trade in that area relative to some of traditional core grocery, for example. We have also been looking to extend our contracts in food service and obviously in food service the draught product is a big feature of what is consumed but the packaged product plays a critical role. If we take something like Subway, or using KFC as an

example, they will benefit our on-the-go consumption as well, both draught and packaged. So, there is a lot of activity, but it is driven by, I guess, being as well-distributed as possible and visible as possible where people are shopping on the go and therefore capitalising on the trend. The efforts we have already made in the business capability programme give us the pack flexibility to do that and to make sure that we can service that channel fully.

Patrick Higgins (Goodbody): Just two questions from me, please, firstly on cost efficiency phasing from the GB capability programme. Obviously, you delivered a few extra million this year; how should we think about the phasing of that over the next three years? Secondly, just on Brazil, obviously you have highlighted the macroeconomic challenges there in FY2017; how has trading been in the last couple of months and should we anticipate an improvement next year? Thank you.

Mat Dunn: I think, for cost efficiency phasing, I think you should see the additional delivery this year as a pull-forward of benefit from FY2018, i.e. delivered early. I think, in terms of the overall guidance, given we are still in consultation with regard to Norwich, it is hard for me to comment, other than to confirm what Simon has already said which is that our stated guidance, in terms of our expectations for the end of the programme, remain in place subject to that consultation and the conclusion of it.

Simon Litherland: On Brazil, I think we are seeing signs of stabilisation. It is a brave man to call it in a market like Brazil, I guess but in the last 2–3 periods, our business has performed better, which gives us some confidence, but I always say one swallow does not make a summer.

Laurence Whyatt (Société Générale): Hi, I had three questions on the sugar tax, if that is alright? Could you give us an update on 7UP and whether that will be reformulated ahead of the sugar tax being introduced? We understand that Sprite is going to be. Could you also give us an update on the percentage of your own brands that are affected by the sugar tax and also your not-own brands? Finally, we have seen some evidence, in the on-trade, of people splitting their menus out between sugary drinks and non-sugary drinks and pricing appropriately. Are you seeing any evidence, among your large contracts, of anyone suggesting they may change their menus or make it clear if any of the products contain sugar or not and therefore pricing differently in the on-trade?

Simon Litherland: Okay. Yes, we will reformulate 7UP; it will be in the mid-tier. So, it will go from above eight to between 5–8, with a Stevia formulation. 94% of our own brands are unaffected by the levy, so the core brands that are Pepsi full-sugar and 7UP full-sugar. Obviously, those brands have no-sugar equivalents and obviously Pepsi Max is the brand that we have focused on and marketed behind since 2005. I think the on-trade has actually got quite a way to go, actually, to evolve their portfolio, their offering and the way they offer their brands to consumers. We know that we under-trade in Max, for example, in the on-trade, so there is significant opportunity for us to sell more no-sugar in the on-trade. I think you will see differential pricing starting to come through more in how they segment their menus and their offers. However, I think that is a positive step forward.

Carl Walton (UBS): Hi, one on Pepsi Max. In terms of the performance of Ginger so far, how has that compared to your expectations and the first year of Cherry? How should we think about the initial performance of that brand and the future potential? Secondly, on

international profitability, I think we have heard in the past it is international total around 5 million negative, but I think you mentioned maybe the US has improved, so is that now a different number and any guidance on how that might move going forward? Thank you.

Simon Litherland: Okay, I will do the first one. I do not know if you have tasted Pepsi Max Ginger, but it is more polarising than something like Cherry. I personally like it; others do not. It has 6 million retail sales value, so not as successful as Cherry but what it does is it is more interest in the brand, it has brought more consumers into the Max franchise. The key thing about Max is, when you taste it, you love it. So, net-net, it is a positive contributor to the growth of Max.

Mat Dunn: I guess 50% of Ginger's consumption comes from consumers who do not traditionally drink cola.

Simon Litherland: Yes.

Mat Dunn: So, I guess it makes Simon's point. From an international profitability perspective, we have been in a net investment phase for a while. I think we have previously talked about the fact that we were probably investing to the tune of about 100 basis points into the business. That has reduced but we would still be in net investment mode and it would be slightly ahead of the number you were referring to, Carl, in terms of what our net investment is into the whole international division.

Andrea Pistacchi: Given the tax increase in April, how do you think of the timing of the negotiations and potential price increases that you will put through in the grocery channel? Will it all be delayed, do you think, because of the tax increases?

Simon Litherland: We will keep it separate. So, any price grocery that we do, we will do early and then the tax will come through at the time of the tax.

Andrea Pistacchi: Second question was for Mat, if you could just provide a little more granularity please on the input cost guidance? Whether that low single digit includes – is there still a delayed negative impact on FX here, given your hedges, you are still getting a bit of a hit there, therefore is an underlying raw material inflation actually better than that?

Mat Dunn: There is an FX impact in that number. As, effectively, our hedges roll off and I guess we ultimately tend towards spot over time, although we are still obviously hedging forward, so there is an impact. I think, within low-single-digits, I guess that if you took that out it is certainly still low-single-digits. I guess it is where it sits in that range that FX would add to, rather than saying if you took out FX there is not inflation; there definitely is on a number of the underlying raw materials.

Damian McNeela: Thank you. A couple of questions on GB Stills. I think, obviously, the overall group margin has been pretty strong but if we were to look at GB Stills, that performance has not been that great over recent years. I hear what you are saying about the new launches; should we expect GB Stills' contribution margin to improve next year and beyond? Just specifically on the Creations and Cordials, you said you got a good customer response; are you getting additional shelf space for those launches? Finally, on the international side of the business, I think you were sort of quoting how much of your business is outside of the GB; can you give us sort of a sense of how you think about the size of GB on a five-year view for Britvic and what the potential drivers of that are, please?

Simon Litherland: Sure. The intention certainly is to get incremental shelf space for Robinsons in totality and that is the way conversations are going with customers. However, it is important that we kind of reset the category as well and we generally want to try and create good, better and best; the conversations that we are having with customers are positive in that regard. We will see, probably, more cannibalisation between good and Creations because some of the flavours we will actually swap out of good and put them into the Creations offer. We would expect Cordials to be more incremental. However, net-net it will be positive for the brand read overall. Just as importantly, I think it will have a positive impact on the category for our customers.

On the second one, we have not actually set a target for the proportion of our business that we want outside of GB. However, obviously, within our strategy one of the four pillars is internationalising our core brands and that in itself will mean that it will increase over time. I guess it will not necessarily be linear either because we have said it will either be done organically or through acquisition. So, I suspect it will be a bit of a journey but directionally we should see more business outside of GB over time.

Mat Dunn: From a margin perspective, I guess the first thing I would say is your point is absolutely right, Damian; actually, the margin decline that we saw in Stills this year was actually lower than we saw in Carbonates. I think that reflects some of the activities that Simon has spoken about. I guess, in terms of looking forward, there are a number of actions that give us confidence that we are doing the right thing to build Stills' margin, whether it is the good, better, best strategy, whether it is the innovation, which is margin-enhancing; we have taken price on J2O, etc., etc. At the same time, we have persistent deflation in the category and so those two things are both at play in the margin. I guess it is the extent to which those two things play out over the course of the next year which will dictate exactly where the margin lands.

Komal Dhillon (JP Morgan): Just a quick question on the sugar tax again, unfortunately. What demand elasticity are you assuming at this point for Stills and Carbonates separately going into April next year, please?

Mat Dunn: We have looked at the elasticity, but I think there are two challenges with using elasticity models effectively. Because we have never had differential price points, the exact effective elasticity and effectively cross-elasticity and therefore switching, it is very hard to get any level of statistical confidence in any of the modelling. So, the absolute elasticities that one would normally look at in terms of soft drinks pricing I do not think are particularly reliable indicators. I guess we think about the levy more from a consumption point of view than we do from an absolute elasticity point of view. However, we cannot model that effectively.

So, as a result of that, I think we would expect there to be an elasticity impact, but it is the degree to which switching happens which will dictate what I think the final outcome is.

Simon Litherland: Of the things that affect that, one is consumer choice.

Mat Dunn: Yes.

Simon Litherland: Do they switch within a category? Do they stay and pay the price? Do they switch into water? Do they switch into juice? So where do they go? That will have a

difference. What our competition do, from a pricing and a strategy point of view and also how our customers react, how they lay out the menus, to the earlier question, or how they lay out the shelves in store will also have an impact. None of that is defined yet, so it is very hard to predict exactly how our volumes will be impacted.

Andrew Holland (Société Générale): Just coming back, Simon, to something you said around Pepsi's share, you said it was 28% value share; was that share of cola or share of your –

Simon Litherland: Share of cola.

Andrew Holland: Share of cola.

Simon Litherland: Yes.

Andrew Holland: How do you think that has changed and how do you think Max's share has changed, say in the last five years?

Simon Litherland: I think we have grown six percentage points in the last four years; that 280 million is in the last 24 years. However, we have constantly taken about 100 basis points of share, I think, per annum; that is probably the average. In 2017, Max actually took 150 basis points of share, Pepsi 40 basis points overall, which meant that obviously Pepsi full-sugar and Diet Pepsi lost some share.

Andrew Holland: Unrelated to that, you also were talking about reducing non-working spend in A&P.

Simon Litherland: Yes.

Andrew Holland: Presumably you do not set out to spend money that does not work; can you give us some examples of non-working spend that you are successfully reducing?

Simon Litherland: Yes, we can, certainly.

Mat Dunn: Yeah, it is probably not the best-named spend in the world. What we mean by non-working spend is spend that does not directly touch a consumer. However, that would include, for example, producing adverts. Our measure is what directly touches a consumer at the point of spend versus something that goes into our ability to market our products effectively. So, when we call something non-working, we do not mean it is not effective; we mean it is not directly targeting a consumer. So, it would include spend with agencies, production of adverts, creative –

Simon Litherland: Research.

Mat Dunn: – bottle design, research, those kinds of things. So obviously we believe they add value, otherwise we would not do them at all but what we look to do is obviously generate efficiencies in that. So, we have rationalised our agency roster, for example; we have changed the people that do some of the production of our adverts but also there are efficiencies by using the same collateral consistently, which is a good thing from a consistency point of view; it obviously means you have to do less re-work and less development of copy. So, there are lots of ways to try and make that efficient. What we are looking to do is shift the balance to make sure that we are closer to 80% working and 20% non-working; we were probably above that historically. So, it will never be zero and it never should be; it will vary

year by year, potentially but somewhere between 15–20% on an ongoing basis of our total A&P spend.

Simon Litherland: Alright, thanks Mat. Okay, thanks everybody for coming. Good to see you all and see you soon. Thanks for your questions.

[END OF TRANSCRIPT]