CCH – 2017 full-year results
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QUESTIONS FROM

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Richard Felton, Morgan Stanley

Stamatios Draziotis, Eurobank Equities

Edward Mundy, Jefferies

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QUESTIONS AND ANSWERS

Telephone Operator

Thank you. Ladies and gentlemen as a reminder, if you have a question please press *1 on your telephone keypad.

The first question is from Sanjeet Aujla, from Credit Suisse in London. Please go ahead Sanjeet.

Sanjeet Aujla, Credit Suisse

Morning all, my first question is really on your volume growth outlook. You sound pretty upbeat, can you just elaborate a little bit more on what you're seeing which gives you the confidence and are you anticipating volume acceleration at the Group level in 2018?

And in particular you're losing Nestea which is a bit of a headwind on your volumes in 2018, can you elaborate on the early indicators on FUZE and are you confident that the FUZE launch can offset the Nestea headwinds? Thank you.

Zoran Bogdanovic, Chief Executive Officer

Thank you Sanjeet. When it comes to volume outlook for 2018 we feel positive as we see that economies are showing slight improvements in the right direction across all markets and for that reason we expect volume to continue to grow in all three segments. The underlying economic conditions are expected to be broadly similar and on top of that we have a strong pipeline of innovations and package launches.

Now if I can give you some more detail on each segment. As I mentioned we had a notable improvement in our volumes in the Established segment in 2017, compared to 2016. And as you'll remember the summer volumes were particularly strong due to very good weather. This will present a difficult comparison for 2018. Now we will work hard to repeat our 2017 volume performance in the Established segment.

Now in the Developing segment we do see ongoing good economic conditions and with that background we think that our teams can deliver an equally good year of volume growth.

In the Emerging segment where we delivered strong volume growth, even though Russia and Nigeria saw marginal declines. Now we think that in 2018 we will see a better performance from Russia and Nigeria, while a few markets such as Ukraine and Romania, which delivered really exceptional volume growth in 2017 may see a slight slowdown. So overall we think that volume growth in the Emerging segment has room to accelerate.

Now when it comes to the switch and launch of FUZE Tea we feel very excited having in the portfolio such a brand as FUZE Tea as it's a great tasting product. It offers exciting and innovative flavour combinations; it is the fastest growing billion dollar brand from the Coca-Cola Company portfolio. And early signs from the launch from all of our markets are very encouraging. So with that I remain quite confident that with FUZE Tea we will be able to reshape the ice tea category. Thank you.

Sanjeet Aujla, Credit Suisse

My follow up question is really on some of the investments that you've been putting through. Can you just elaborate in particular on the investments in the revenue growth initiatives which were a margin headwind, where exactly are those investments going?

And also on capex, can you just elaborate on the increase in capex and is that the sort of new run rate we should think about given your faster top line growth?

Zoran Bogdanovic, Chief Executive Officer

Now in particular with revenue growth management over the last two years we've been stepping up quite a bit the way we do things, increasing our capability and all of that resulted in targeted initiatives that we have implemented last year and that we will continue this year and in the years to come.

This relates to the targeted focus behind our prioritised occasions, behind single serve packages, which have higher value as you know, behind targeted channels where we are exploring where are the revenue pools that we want to go after. So also playing with new categories - that is also part of our revenue growth management when it comes to category mix.

So targeted actions which are focusing on category, package mix, high value products, occasions, adult propositions, these are some of the things that I would highlight as a part of our revenue growth management agenda.

Capex, as we mentioned, as you see we have increased capex last year, which increased from 5.3% of revenue to 5.8%. And this increase of capex spending has been behind the revenue generating activities. And one of the examples of that is our acceleration behind coolers which we started last year, but even more we will continue this year.

Sanjeet Aujla, Credit Suisse

Thank you.

Telephone Operator

And the next question is from Richard Felton from Morgan Stanley in London. Please go ahead Richard.

Richard Felton, Morgan Stanley

Good morning, thank you for taking my questions. First of all on Nigeria you mentioned in your pre-prepared remarks that you expect a return to volume growth in FY'18. I was wondering if you could perhaps be a little bit more specific on that, should we expect just a modest recovery, or a return to the kind of growth rates that we saw in 2015 and 2016?

Zoran Bogdanovic, Chief Executive Officer

Thank you Richard. Indeed we do expect Nigeria to come back to positive volume growth, even in 2017 bearing in mind that we have done pricing in excess of 30%, delivering this minor decline in volume we find that is a very good result.

Now as the conditions in Nigeria have stabilised in the course of and progressively in 2017, we need to remind ourselves that Nigeria stays our significant growth engine, with demographic opportunity, urbanisation, it's a country with low per capita, so it is a growth opportunity. And we have seen that with our OBPPC strategy that we have executed last year and that we will continue doing this year where we see more of our SKU, or our package proliferation that helps us to position our products at the magic price points, which helps us to capture the volume growth in the market that is there.

To your point, which level of growth we would see, I would say that you know we see something in the low single digits. We have to also bear in mind that we will be cycling very strong Q1 last year. And that's why we do see that the start of the year will be more soft, however then, progressively it is going to pick up and accelerate. Thank you.

Richard Felton, Morgan Stanley

Thanks and then my one follow up question, in the Developing markets region, F'17 was obviously impacted by the bad debt provision in Croatia. You mention in your statement that without that bad debt provision EBIT would have been up year on year, can you also say whether EBIT margin would have been up year on year? Thank you.

Michalis Imellos, Chief Financial Officer

Thanks Richard, this is Michalis. Yeah so absolutely EBIT would have been up, EBIT margin would have been marginally down and that's because we have in the Developing segment the biggest increase in terms of input costs per case currency neutral, compared to the other two segments. So that had a negative impact on the margin.

And in addition to that we had in a couple of countries some significant increases in terms of the tariffs in logistics, which have not been fully absorbed yet through revenue growing actions. And also we had some promo pressures which had an unusually higher impact in terms of the revenue per case and overall the margin.

So a small decrease if you exclude the impact of the Croatian bad debt provision, very confident that we can resume margin growth in 2018 in Developing.

Richard Felton, Morgan Stanley

Great, thanks very much.

Telephone Operator

And we have a question from Stamatios Draziotis, from Eurobank Equities in Athens. Please go ahead Stamatios.

Stamatios Draziotis, Eurobank Equities

Hi there, thank you very much for taking my questions. Three questions if may please? Firstly, on the volume outlook, just a follow up mainly regarding Russia, could you tell us based on the research that you may have done what sort of boost to volumes similar big football events have had in the past and the extent to which you expect this sort of volume boost to materialise in Russia in 2018?

The second question would be on …

Basak Kotler, Director Investor Relations

Stam, hi it's Basak, can I remind you and perhaps those who may have dialled in late to the call that we suggest you ask your questions one at a time.

Stamatios Draziotis, Eurobank Equities

Yes, sorry about that Basak.

Basak Kotler, Director Investor Relations

Let us answer one question because you ask another, we will make sure the operator will keep your line open until we exhaust your questions. Thank you.

Zoran Bogdanovic, Chief Executive Officer

So thank you Stam, so in Russia we see that the signs of economic recovery are continuing. You know so far we have not seen growth in the NARTD market, last year it was low single digit negative and the summer weather was in particular poor in Russia last year. Now all of that makes underlying conditions difficult to judge.

Our volume, to remind you, last year was minor, 0.3 down, almost flat and the volume momentum in our business has improved through the year. So we really think that volumes can return to growth in 2018. As also inflation levels can come down to a healthy level, that will allow for better balance between volume and price mix.

Now commenting on FIFA World Cup, rightly so and we are very happy that this event is happening in one of our territories. Now the World Cup as such gives us the opportunity and the assets to do lots of brand building and in store activation where we work closely with the Coca-Cola Company. Now we view these properties as a long term investment, rather than a pure volume booster for the year of the event, because after all you know that the event only lasts a month.

So the bottom line is that we do see that this event is going to make an impact in Russia, not only for this year where the impact might not be huge and is not going to be the sole driver of the growth in Russia. However, it will have certain impact for sure. But we also see that as an impact for the next years to come. Thank you.

Stamatios Draziotis, Eurobank Equities

That's very clear, thank you very much. Secondly just on price mix, which you're basically saying you expect to register a further improvement in 2018? If you could just comment on the drivers of that, mainly pricing and mix and if you could just focus primarily on channel mix and whether you expect improvements mainly in Established and Emerging markets please?

Zoran Bogdanovic, Chief Executive Officer

Thanks, now for price mix outlook for 2018, well first of all in the Established, as you know we have seen good process on the FX neural NSR per case expansion in '17, where we were up 0.7%. We had an even better second half.

Now this has been driven by better promo effectiveness as inflation improves, positive package mix and category mix, which was aided by our RGM initiatives which I talked about earlier and negative channel mix.

Now the outlook here in this segment where we are seeing better momentum is that some of our revenue growth management initiatives will play a role and with a supportive macro backdrop we think that we can maintain this improving trend and deliver a bit more FX neutral NSR per case growth in '18.

In the Developing where we've seen a slowing down of FX neutral NSR per case expansion throughout 2017 and this was as you might have heard before, when we finalised our Half1 actions in Poland. This was driven by better category and package mix, also aided by our RGM initiatives. Here we had also worse channel mix.

So the outlook - we do not expect this moderating trend in price mix to continue and we think that for 2018 we think we will see slightly better FX [neutral] NSR per case.

Lastly in the Emerging, price mix has moderated in the second half of '17, as we have cycled the price increase taken in Russia in Q2 of 2016. The majority of the increase has come from pricing in Nigeria. Positive category mix also helped us, while package mix has deteriorated.

The outlook in this segment is that we will see a slowdown in the pace of NSR per case FX neutral growth, which is driven by a slowdown in Nigeria and Russia as we cycle the price increases taken in Nigeria and as we continue to experience a lower level of inflation in Russia.

Now in particular to the channel mix impact that you asked, we do not expect you know that this channel mix is going to be better in the future and is going to be in the dynamic as we have seen it so far. Thank you.

Stamatios Draziotis, Eurobank Equities

Thank you for the granularity and the last question would be on your balance sheet and if I can say your re-leveraging options. Assuming there is no transformational M&A, which you obviously cannot comment on, I'm just wondering what sort of leverage do you intend to target? Would you want to go to the high end of the previously guided range through a special dividend distribution for example, or would you intend to keep some headroom anyway so that you can use it for bolt-on acquisitions in the future?

Michalis Imellos, Chief Financial Officer

Hi Stam, it's Michalis, it's too early really to say exactly where in the range we might consider going to. It will depend on the timing, what are the opportunities on bolt-on acquisitions as you mentioned exist at the time. So really it will be a decision we will be taking and considering as and when we reach that point.

Stamatios Draziotis, Eurobank Equities

I understand, thank you very much Michalis. Thank you.

Telephone Operator

And the next question is from Edward Mundy from Jefferies in London. Please go ahead Edward.

Edward Mundy, Jefferies

Morning everyone, my first question is around the 30m of adverse currency impact for 2018. Are you able to split up the difference between the translation and transaction within that?

Michalis Imellos, Chief Financial Officer

Hi Ed it's Michalis, yes first of all the 30m is based on the current level of spot rates for the major currencies. And looking at things historically we have seen a significant hit from FX in the last couple of years, before '17 I mean, so 2015 it was 174m, in 2016 it was 101m. We had a positive impact in '17. I think now we are getting more towards a more normalised situation where we will have some normal currency depreciation.

The 30m is driven primarily by two countries and that's Nigeria and Russia. In Nigeria we have a stable situation I would say now with the currency, so the naira to the dollar being at around 360, it generates the biggest I would say negative impact for 2018, but not so dramatic.

It's the ruble which is interesting in the sense that the spot rate against the dollar is pretty much flat versus 2017. So from a transactional impact perspective that generates probably a muted impact, whereas due to the strengthening of the euro against the dollar the cross rate is very high and therefore the euro to the ruble is significantly weaker than last year and that is going to have a bigger impact on translation.

So overall for this 30m next year we see that potentially two thirds are going to be translational impact and one third is going to be transactional, considering all the hedges that we have already in place and as I said the current spot rates.

We are in a good place with regard to the coverage of ruble to the dollar, around 60% we are already hedged at good rates, whereas euro to the ruble we are only 33% exactly because the window has not been favourable due to the strength of the euro against the dollar.

Edward Mundy, Jefferies

Great thank you. My second question is looking at slide 14 where you give a very helpful breakdown of the margin bridge, if I do a similar analysis for 2018 with your starting margin 9.5, to that you should at the one off costs of 0.7. It seems like the volumes should be at least as good, if not better, so you're probably going to get another 50 bps. From a revenue perspective it sounds like it's going to be slightly weaker as the Emerging Markets come off a little bit, but assuming you may well get another 150 bps. FX is broadly similar from an input cost perspective and you just flagged that 10 of the 30 is transaction so that's another 15 bps.

It does feel like you're going to be bashing through your 11% margin quite comfortably in 2018. Am I missing anything on that?

Michalis Imellos, Chief Financial Officer

Okay, so first of all let me start with the one offs that you mentioned, with the exception of the bad debt provision in Croatia, all the rest are items that we expect to see also in 2018, for example the revenue growth management investments, Zoran mentioned also earlier that we will continue to invest behind them because they support the accelerated growth in the top line. So these go hand in hand.

We highlighted them in 2017, because we didn't have these investments in 2016 and they were relevant in the bridge so that you can understand the evolution of the margin. So that's one, so we will have a significant part of that built in in the margin evolution also in 2018.

When it comes to volume and revenue as Zoran was saying earlier, we are looking at potentially a rebalancing with some acceleration of the volume growth compared to 2017 and some potentially small slowdown in the revenue per case currency neutral growth, compared to 2017 again. So that means that because there is one to three in terms of impact in terms of the factors and the contribution to the EBIT margin growth overall this impact will be a little bit weaker than the positive impact that we saw in 2017. And then you have the input costs which are still growing, but potentially at half the pace than that in 2017. And FX, based on the current spot rates being the 30m impact.

So with that and also if you consider looking at it from a completely different angle that the 120 basis points growth in 2017 incorporates what I would consider an exceptionally positive impact from the ruble. And if you look at the combined effect of this positive FX impact from the ruble and the fact that we slowed down dramatically the pricing that we took in Russia compared to our original plans, exactly because the currency was helping quite a lot, I would say that the combined impact without this being extremely scientific is probably around 50 basis points. So out of the 120 I would say that 50 basis points is if you like the exceptional performance of the ruble in 2017.

So that gives you a little bit of guidance as to which way we expect a normal EBIT margin progression to be in 2018.

Edward Mundy, Jefferies

Okay thank you. And my final question for Zoran, at the 2016 investor event you presented on value growth from recollection and as you say you're very fortunate to have taken over a business performing well, where do you see the biggest opportunities for Coca-Cola Hellenic as we stand today?

Zoran Bogdanovic, Chief Executive Officer

Thank you Ed. Well you know there are a couple of things I would like to say on this question and this gives me the opportunity just to say that I first of all feel very privileged and delighted to have taken over a business which is in excellent shape and has a growth momentum as it is witnessed by the set of results that we are presenting today.

Our strategy is clear, fully understand and endorsed by our people who are actually driving its successful execution and implementation. Being part of the company for quite some time I was also part of the team that has worked on the creation of our strategic plan and I strongly believe our strategic choices are the right ones to help us drive sustainable growth.

If I may just say that also the period ahead of us I see as a period of continuity and evolution. And like any successful company that aspires to improve every single day we will continue evolving our capacity and capability to deliver sustainable, profitable growth.

I feel quite optimistic and excited about the future because there are limitless possibilities that are ahead of us. We are evolving as a total beverage company and that gives us the opportunity to provide and serve to consumers, shoppers, you know, a beverage range that satisfies the needs across the full 24/7 during the day.

In a number of categories we don't have a leading position, in a number of occasions we are at the lower end. So there are lots of revenue pools out there that are ahead of us to tap into. And actually it's a matter of our prioritisation and excitement and how to channel it and smartly drive it forward, because the opportunities are enormous. And that's why these are some of the top things that I would tell you are where I see the opportunities to create value are.

Edward Mundy, Jefferies

Okay, thank you.

Telephone Operator

And we have a question from Fernando Ferreira, from Bank of America Merrill Lynch in London. Please go ahead Fernando.

Fernando Ferreira, Bank of America Merrill Lynch

Thank you, good morning, I have two questions please. First one on your very strong performance from your innovation as I recall, can you give us a number of what percentage of your growth is coming from your new products in the last 12 or 24 months?

Zoran Bogdanovic, Chief Executive Officer

Thank you Fernando. Now, the very short answer is a big majority of our growth is actually coming from a variety of innovations that we have done last year. Whether that's various reformulations, new flavour variants, whether that's new packages, so all of that - well a big majority of our growth is driven by these innovations.

Fernando Ferreira, Bank of America Merrill Lynch

And in the energy segment particularly Monster, how relevant is that of your sales today, that segment and that brand specifically?

Zoran Bogdanovic, Chief Executive Officer

Today this part is around 1% of our total volume. We find it very important because while it is 1% of the volume it is 2% of the revenue, and that also shows importance of it for value creation and that's one of the pillars in our strategy where we communicate how we drive value. So very relevant category, we are very passionate about it, happy with the portfolio range we have and we only see that with this category we will be growing and driving more value in the years to come.

Fernando Ferreira, Bank of America Merrill Lynch

Great thank you. Maybe just one last question if I may, going back to the margin discussion but thinking about more from a regional perspective. I mean all of your margin expansion came from EM last year and as you saw this unusual benefit right from FX. Do you expect a more balanced margin expansion within your regions thinking about this year?

Michalis Imellos, Chief Financial Officer

Hi Fernando it's Michalis. So indeed we saw in 2017 significantly all the margin expansion coming from the Emerging. That's very normal because with Russia and Nigeria going through very challenging macro situations in the last two to three years we had lost ground there, and also in some of the other emerging countries closely linked to particularly the Russian economy. So going forward it's also normal to expect that this is the segment where we expect the lion's share of the margin expansion to come from.

In Established we have already reached a level of margin which is above 10% and we have stabilised quite well there. This is a good level of margin for these types of markets, and therefore we will continue to work towards expansion of margin in Established although we don't expect that we will see significant movements in this particular segment.

Developing has a little bit more room to grow. We had also the bad debt provision that affected the performance in '17 so we do expect also Developing to continue to contribute. However Emerging will continue to be the lion's share of the growth.

Fernando Ferreira, Bank of America Merrill Lynch

That's great, thank you.

Telephone Operator

We have a question from Andrew Holland from Societe Generale London. Please go ahead Andrew.

Andrew Holland, Societe Generale

Hi, I've got two possibly three so let's start off with the first one. Could you actually tell us how big this Croatian bad debt is because with the various clues you've given us I'm getting various different slightly conflicting numbers so it would be quite helpful if you could just tell us how big that bad debt is please?

Michalis Imellos, Chief Financial Officer

Hi Andy it's Michalis. I wouldn't like to give a figure. It's quite a sensitive piece of information, particularly for the local market. So we will not giving a specific number.

Andrew Holland, Societe Generale

Okay. So does that suggest I heard it wrong when I thought I heard you say that it accounted for 40 basis points of margin erosion, have I got that wrong?

Michalis Imellos, Chief Financial Officer

40 basis points was the total opex one off so investments in revenue growth management, some other items that were going on and the bad debt provision. So it's not 40 basis points of the total Group revenue.

Andrew Holland, Societe Generale

Okay, that's clearer although not quite there.

Second question actually arising from the last one. You say that the 10% margin you're getting in Established markets is a pretty good level and your other European bottler competitor CCEP looks like it's heading more for about a 13% margin across its equivalent territories if we think of them in that way. So are you saying that you can't sort of move that 10% up further?

Michalis Imellos, Chief Financial Officer

We can move the 10% further, not to the tune of 13 or those figures that you mentioned. We have some specific structural differences with the countries that you are mentioning and you are benchmarking against. It's a completely different level of per capita consumption, completely different level of revenue per case as an absolute. These two factors drive a much more efficient supply chain structure and overall cost. So we will as I said earlier continue to grow Established margins but not to the tune of those countries that you just mentioned.

Andrew Holland, Societe Generale

Okay and just a final one just on pricing prospects for 2018 in Nigeria. I mean you say that the naira has sort of stabilised. I think it took a bit of a lurch down towards the end of 2017. Presumably your anticipated volume performance and pricing performance takes account of that, it just feels like you might need more pricing than perhaps you might have thought a few months ago in Nigeria if you're going to recover that latest currency devaluation?

Zoran Bogdanovic, Chief Executive Officer

Thank you Andrew. So starting point is to say that you know that from Q4 of '16 and then through January and then April price increases, we have taken more than 30% price increase. We said that inflation which is our important compass when we make pricing decisions is going to be mid teens. We equally stay alert to constantly pulse the market and monitor dynamic competitively what is going on and understanding that today we have quite some price premium versus the competition. We have certain thoughts what we want to do in the course of the year. It's still early to say however I can say that already as of the beginning of January we have done like a small single digit smart pricing in Nigeria which shows that whenever we see the opportunity we react to it because we are committed to our value creation and not value destruction.

Now in the course of the year as I said we have some thoughts. It's still early. I mentioned earlier on my previous answer that with our OBPPC strategy and bigger package proliferation we see the opportunity to do a balanced way of driving volume as well as price mix.

Andrew Holland, Societe Generale

Okay that's very helpful, thank you.

Telephone Operator

And we have a question from Piotr Ossowicz from IronShield in London. Please go ahead Piotr.

Piotr Ossowicz, IronShield

Good morning. Congratulations on strong results and thank you for taking my questions. Just starting with Russia and Nigeria so the markets where we have seen the most movement in the last years, can you please give us a bit more colour on how you have seen volume performance in those two geographies and how do you see 2018 starting and what you envisage for the full year?

Zoran Bogdanovic, Chief Executive Officer

Thank you Piotr. So as we said both for Russia and Nigeria we see - and our outlook is that these two countries will come back into a positive volume growth area with signs of economic recovery. We take that into account, that's an important element in both of the markets. On top of that with all the initiatives, revenue growth management plans, marketing plans, example also is that I talked earlier about FIFA World Cup importance for Russia. However this doesn't play only a role in Russia itself, because Nigeria is also a good example of a country where we make good leverage of such property. One of the big passions of that country is football. Together with Coca Cola Company we are a proud sponsor of the national football team and it is obvious that we will be leveraging that also in our marketing and activation calendar in the course of this year as we go forward.

Also another reason for confidence is that in both countries we have a level of innovation that we started doing last year and especially this year we will be doing more as a part of the overall umbrella in which 2018 is going to be a strong innovation pipeline year for Coca Cola Hellenic, probably strongest ever. And that's I believe - I hope that gives you more colour on where we are sourcing our belief. Thank you.

Piotr Ossowicz, IronShield

Have you seen any of this happening either in Q4 or in January February looking at that and how the market is performing now?

Zoran Bogdanovic, Chief Executive Officer

Yes we mentioned earlier that we were very encouraged with Q4 performance of Russia and that gave us also the signs and reasons for belief that Russia is going to have a good 2018.

In Nigeria realistically we have to be fair to say that end of last year and Q1 of this year we are cycling strong performance of last year, knowing that we are cycling that with a sizeable price premium versus the market. That's why we see that is going to be a softer start but definitely with a strong positive outlook as we move forward in the year.

Piotr Ossowicz, IronShield

And in Russia and also to some extent in Nigeria - in order for you to capture this growth what's the level of capex or merchandising spend or do you need to do anything to capture this growth?

Michalis Imellos, Chief Financial Officer

As we were saying earlier we are accelerating our revenue generating assets, investment in those revenue generating assets both in Russia and Nigeria. In Russia this is more towards accelerated placement of coolers. In Nigeria we are looking at all the opportunities where we can increase capacity, particularly in PET lines because the market is moving very quickly towards this part. And as you saw in 2017 we have a significant acceleration of the capex as percent. of revenue considering also that revenue is growing quite fast. And we will continue with further acceleration of capex as precent. of revenue also in '18 driven by Russia and Nigeria.

Piotr Ossowicz, IronShield

Just following up on this you mentioned coolers but when I look at your cooler expense I mean they seem to be much lower in the second half of this year so you have spent more in the first half than in 2016, but in second half your cooler expense was about 20%, 25% down. So help me reconcile this because it doesn't really seem to be in line with your strategy of spending more for revenue generating assets?

Michalis Imellos, Chief Financial Officer

You can't look at the phasing within a year, it's really not indicative. You need to look at whole years only because the phasing of orders and when exactly the payments are taking place is not indicative in terms of splitting it by half years or quarters.

Piotr Ossowicz, IronShield

Okay so overall we should be looking at you spending more on the coolers or on capex in general in 2018. Can you give us roughly the capex guidance for 2018?

Michalis Imellos, Chief Financial Officer

There is an acceleration. We had acceleration in 2017 overall from 5.3 to 5.8 in the total capex. And we will be north of 6% is our expectation also in 2018.

Piotr Ossowicz, IronShield

And lastly to wrap up on Russia, how much growth do you expect, should we expect - now you are about 15% below the 2014 peak in terms of volumes? So should we expect that you will be going back to 2014, 2015 levels or that will stabilise somewhere lower?

Zoran Bogdanovic, Chief Executive Officer

So briefly our expectation is that Russia would be low to mid single digit for the year.

Piotr Ossowicz, IronShield

Okay. And do you see this - if you go beyond this year do you see that the volumes coming back to where they used to be at the peak or are there some reasons for them to be lower?

Zoran Bogdanovic, Chief Executive Officer

The recovery it takes a bit of time, especially because of the recent crisis etc. was not an easy one. So definitely we see that year by year with current visibility that we have of Russia is that it is going to be - you know continue growing and that is just going to take - it's going to be a paced growth.

Piotr Ossowicz, IronShield

And just my last question was on sugar prices. You have mentioned that you managed to lock in the 2015 prices but looking at sugar performance, we've had high prices in 2016 then 2017 was much weaker, 2018 seems to be shaping up, I'm thinking world sugar, seems to be shaping up even lower than 2017. Can you discuss how long your sugar prices are locked in now and whether you are going to benefit from the lower sugar prices, and maybe even talk a bit about your sugar sourcing strategy?

Michalis Imellos, Chief Financial Officer

Okay so the view is exactly as you mention. For 2018 this low single digit increase overall in the input costs is going to be driven by sugar, both the EU sugar and the world sugar. So specifically on the world sugar, to your question, we expect high single digit decline in 2018 compared to '17, and we have good visibility on that because we are fully covered in Russia and we are more than 70% covered in Nigeria already. So we feel quite confident about this outlook. Same with EU sugar where the abolition of the quota regime in the European Union and also the oversupply generally in the market has helped us to lock into contracts for 2018, and 2019 for that matter, at prices that are high single digit down compared to 2017. So some strong benefits in the input costs expected from sugar.

The flipside of this is in resin where we expect a high single digit increase which is driven both by the higher oil price environment and also the fact that the resin market is experiencing a tight demand situation - an increased demand situation - so high single digit increase.

And just to conclude the picture in terms of 2018 input costs, when it comes to aluminium for 2018 we are more than 50% covered already at good rates compared to '17. So even with the increased spot rate that we experienced we expect that considering all this, the hedged, the non-hedged exposures, we will be flattish versus 2017. And all this drives in total the input cost per case currency neutral for '18 to low single digit increase.

Piotr Ossowicz, IronShield

Okay so on the sugar front do you expect to benefit from those lower contracts starting January or that will take in later in the year?

Zoran Bogdanovic, Chief Executive Officer

Yes start in January.

Piotr Ossowicz, IronShield

Okay perfect. And just to understand and I know that of course you don't disclose the exact number but should we think about your contracted sugar prices somewhere around the current spot or they are still a little bit above the current spot state, there will be further benefits to you in 2019?

Zoran Bogdanovic, Chief Executive Officer

Without going into too much detail let's say at the level that the sugar costs that we will experience on a per case basis currency neutral will be high single digit down compared to the cost that we experienced as a Group in 2017.

Piotr Ossowicz, IronShield

Okay so that would look like there's a further benefit in 2019? Is that fair? Assuming that the current spot persists.

Basak Kotler, Director Investor Relations

Hi Piotr I think this is getting into a lot of detail that we can best handle on the phone. Shall I give you a call after this analyst call and we can look into the numbers you're wanting to get the detail on?

Piotr Ossowicz, IronShield

That's okay, we'll do it. Thank you.

Basak Kotler, Director Investor Relations

Thank you.

Telephone Operator

And we have a question from Tristan van Strien from Redburn. Please go ahead Tristan.

Tristan van Strien, Redburn

Thank you guys. A few from my side. The first one just on your key accounts of modern trade, just looking at the year ahead are there are any risks for de-listing that you see currently?

And secondly within that are you able to fully implement your Easter programmes in markets like Poland and Italy or is there anything that would prevent you from doing that at the moment?

Zoran Bogdanovic, Chief Executive Officer

Basically we don't see anything on our radar screen which would show the risk of any de-listing or as you referred to. And equally also no obstacle in activating and executing our Easter plans across all of our markets. So we are heading and fully ready.

Tristan van Strien, Redburn

Good stuff. Just secondly in Nigeria is it safe to assume you made a profit this year?

Michalis Imellos, Chief Financial Officer

Tristan as you know we don't disclose profitability by market. But everything you heard I hope points to the fact that it was a good year in Nigeria.

Tristan van Strien, Redburn

Got it. And just lastly all the revenue management initiatives seem to have really worked for you the last few years but now as you say it's taken a few one offs as you're making a few changes. So what exactly - maybe give a bit more colour as to what you feel that needs to change going forward? And I assume the one off costs are purely consultancy fees or is there anything more structural that needs a bit of investment behind your new RGM programme?

Zoran Bogdanovic, Chief Executive Officer

This was a conscious choice and effort and approach to step up our capability as we have recognised that it is something that we need to improve and that's why over the last two years we started. We started with a rollout in '17, we continued that in the course of '18. And as for any capability development that means people, profile, skills, tools, all of that requires investment to set it up and elevate it. We have also done with the extra help that has helped us through the process so that has been what the background of what has been driving our investment. And as Michalis also reiterated earlier, we see that as an important investment for our future growth and how we fuel it. Thank you.

Tristan van Strien, Redburn

Great, thank you very much.

Telephone Operator

And the final question we have coming through is from Komal Dhillon from JP Morgan in London. Please go ahead Komal.

Komal Dhillon, JP Morgan

Good morning. Just two questions from me please. The first one is a follow up on the revenue management strategy. I'm just checking so obviously you've had a very successful OBPPC strategy that you've deployed over many years. So I'm just curious to know what exactly the difference is with this new strategy? And also from that an idea of how much incremental improvement we can expect on mix going forward? That's the first one please.

Zoran Bogdanovic, Chief Executive Officer

Thank you Komal. Truth is revenue growth management has been always there and present and as a part of it our OBPPC. Now we also recognise that in all of our markets we see the opportunities how we really evolve it, how we make it more sharp and specific to really address the prioritised opportunities. And the part of the RGM process and the way we do it is to recognise very concretely where we want to play in the market, and then second part is how we want to play it and how we then commercialise it. So that means that we might pay more attention to specific occasions in certain territories in a new way, in a stepped up way. Maybe we pay attention to occasions that we didn't pay attention to so far, for example socialising away from home or socialising at home in some markets have been on a lower level or hasn't been part of the focus.

Also in some of the markets as a conscious way going forward or what we started doing is paying more dedicated focus and drive behind single serves as we also see that in a number of our markets there is opportunity to do that. Now that requires a new set of actions and initiatives so I hope these are some of the examples that give you more flavour for what that really means.

When you say what is the exact impact, look I can't put an exact number on it but it's an ingredient in the whole meal if you will which contributes to drive our price and mix. And which has elements of category mix, package mix, that we drive, of course part of the RGM is also pricing for which we are ready to take it whenever there is opportunity to do it. So we said that we see the opportunity that our price mix improvement in the year it is between 2% and 3% over years, and RGM is just an integral part of that. Thank you.

Komal Dhillon, JP Morgan

That's very helpful, thank you. And then just a second and last question from my side on leverage. So obviously your balance sheet is quite ungeared now, 0.8 times net debt EBITDA. How should we be thinking about capital deployment and then the timeline of that please?

Michalis Imellos, Chief Financial Officer

Hi Komal. So as we have said in the past the position hasn't changed. We obviously look for first of all to invest in the business. We are accelerating the level of capex investment behind revenue generating activities and assets. From then on bolt on acquisitions for locally relevant brands in the stills area, basically water and juice, and we are very actively looking for such opportunities.

Now you know we cannot do extensive buybacks because of the level of free float so for us to optimise the balance sheet in the absence of any transformational M&A it would be a special dividend. Now exactly the timing we cannot comment right now, however as and when the time comes, as I was saying earlier with an earlier question, we will assess where we are at that point. We have a range of 1.5 to 2 of net debt to comparable EBITDA gearing ratio where we want to be in the long term, and therefore with these parameters in mind and what potentially is the landscape of any potential bolt on acquisitions we will make a decision around a potential special dividend.

Komal Dhillon, JP Morgan

Thank you very much.

Telephone Operator

We have no further questions so I'll hand you back to Mr Zoran Bogdanovic to conclude the call. Thank you.

Zoran Bogdanovic, Chief Executive Officer

Thank you operator. I want to thank you for joining us today and for all your questions that facilitated a good discussion so thank you very much. I will leave you with the following thoughts. We are very pleased to be delivering well against our 2020 strategic plan. The progress we have made is testament to the dedication of our people to a strategy they understand and drive. Looking forward we are confident that the unique strength of our business combined with our proven strategy, position us well towards our 2020 objectives.

Thank you and we look forward to speaking with you again. Thank you.

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