CCH – Results for the full year ended 31 December 2014
Financial Results Conference Call – 18 February 2015

CORPORATE PARTICIPANTS

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Michalis Imellos - Coca-Cola HBC AG – CFO

Basak Kotler - Coca-Cola HBC AG - IR Director

Operator

Thank you for standing by ladies and gentlemen, and welcome to the Coca-Cola HBC's conference call for the 2014 full year results. We have with us Mr. Dimitris Lois, Chief Executive Officer, Mr. Michalis Imellos, Chief Financial Officer, and Ms Basak Kotler, Investor Relations Director.

At this time all participants are in listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, please press star one on your telephone keypad at any time and wait until your name is announced. I must also advise that this conference is being recorded today Wednesday, February 18, 2015.

I now pass the floor to one of your speakers, Ms Basak Kotler. Please go ahead.

Forward-looking statements

Basak Kotler - Coca-Cola HBC AG - IR Director

Good morning. Thank you for joining our call today to discuss Coca-Cola Hellenic Bottling Company's results for the fourth quarter and full year of 2014.

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

Following the presentation by Dimitris and Michalis, we will open the floor to questions.

Before we get started, I would like to remind everyone that this conference call contains various forward looking statements. These should be considered in conjunction with the cautionary statements on the screen. This information can also be viewed in our press release issued today.

Now let me turn the call over to Dimitris.

Dimitris Lois - Coca-Cola HBC AG – CEO

Fourth quarter and full-year highlights

Thank you Basak. Good morning everyone and thank you for joining our call.
I will start by giving an overview of the fourth quarter and full year of 2014 before Michalis takes you through our financial performance. I will then discuss our operational performance, and the outlook for 2015.

Conditions in 2014 were difficult and I am pleased with how we have managed the business and with the decisions we made. Our team has worked very hard to ensure our consumer offering and cost base reflect the market environment.

In the fourth quarter, we've seen the benefits of our efforts, growing volume by 1% - in line with the growth rate in the prior-year quarter.

We continue to build on our market leading positions. As a result in 2014, we ended the year with higher or stable share in volume and value in 16 markets out of 24 in Sparkling beverages and in 10 markets out of 21 in NARTD.

A well executed commercial strategy delivered another year of growth in currency neutral net sales revenue per case. This, together with our disciplined approach to improving operational efficiency and a more favourable input cost environment acted as a partial offset to the prevailing market conditions.

Looking at our performance overall and in what has proven to be a tough year, in 2014 we have improved our comparable gross profit margin and delivered a broadly stable EBIT margin. This is despite the significant volume and currency headwinds and the concentrate cost increase.

Furthermore, building on last year's historic milestone, we continue to focus on disciplined working capital management, leading to further improvement in working capital balance sheet position and days.

Finally, I would like to highlight that we have a strong track record of returning value to our shareholders. To this end, for the financial year 2014, we will seek shareholder approval for a 36 Euro cent dividend per share in line with our progressive dividend policy.

With that, I will turn the call over to Michalis.

Michalis Imellos - Coca-Cola HBC AG – CFO

Financial review

Thank you Dimitri and hello everyone.
In line with our practice, as I take you through our financial results for the fourth quarter and the full year, I will refer to comparable figures which exclude the impact of restructuring costs, the mark-to-market valuation impact of commodity hedges and specific non-recurring items.

I would also like to take this opportunity to inform you that we have decided to move from quarterly to half-year and full-year results announcements. For the first and third quarters we will be issuing trading statements followed by a conference call. This change in the company's communication will be effective from the Q1 2015 trading statement in May.

Financial performance overview

As Dimitris mentioned, our volume increased by just under 1% in the fourth quarter, resulting in a 2.8% decline for the full year.

Net sales revenue declined by 4.1% in the quarter, negatively affected by the significant currency headwinds, particularly in our Emerging markets segment. For the full year, net sales revenue declined by 5.3%, impacted by the currency translation hit, as well as the volume shortfall.

Currency-neutral net sales revenue per unit case grew by 2% in the quarter, helped by positive pricing, as well as favourable category mix. For the full year, currency-neutral net sales revenue per unit case increased by 2.5%, in line with our expectations to improve on 2013. This was supported by positive pricing, as well as favourable package mix.

In the fourth quarter, the rate of improvement in currency-neutral net sales revenue per case, the favourable input cost environment and the positive volume performance more than offset the significant negative foreign currency impact and the concentrate cost increase, leading to a 20bps expansion in the gross profit margin. In the full year, gross profit margin also improved by 20 bps.

Our operating expenses continue to improve year on year on an absolute basis, reflecting our optimisation initiatives supported by restructuring. Specifically in this quarter, the impact from increased marketing investments in some of our markets and certain one-off items, led to a 75bps increase of operating expenses as a percentage of revenue, resulting in a 30bps deterioration for the full year.

Comparable operating profit margin contracted by 50bps in the quarter. Currency-neutral net sales revenue per case growth and favourable input costs were more than offset by the significant adverse currency impact and the deterioration of comparable operating expenses as a percent of net sales revenue.

On a full-year basis, our operating margin was broadly stable, despite the impact of volume deleverage and the significant headwinds from currency movements. The full-year negative currency impact amounted to €100m, higher than previously communicated, due to the significant depreciation in some of our key Emerging markets currencies since the latter part of November.

Full-year comparable EPS closed at 76 Euro cents, 6% lower than prior year. Benefits from our debt refinancing moderated the net profit decline.

We maintained our focus on tight working capital management with the working capital balance and working capital days continuing to improve substantially year on year.

We generated solid free cash flow of 333 million Euros in the full year, down 80 million compared to the prior year. I will cover this in more detail later in my presentation.

14th consecutive quarter of growth in currency-neutral net sales revenue per case

Let's take a closer look at our top line performance during the fourth quarter and the full-year periods, focusing on the evolution of currency-neutral net sales revenue per case, which increased by 2% in the fourth quarter and 2.5% in the full year, in line with our expectations.

The key drivers for the quarter were positive pricing impact, related to the incidence rate increase and the mitigation of adverse foreign currency movements, as well as favourable category mix.

In our Established markets, currency-neutral net sales revenue per case accelerated the positive trend in the fourth quarter, growing by 3.1%. This growth was driven by improved price and package mix, more than offsetting unfavourable category mix. For the full year, currency-neutral net sales revenue per case increased by 1.5%.

Developing markets sustained their growth momentum, albeit at a slower pace, posting a 0.4% increase in the quarter, supported by the benefits of improved price and category mix, which more than offset unfavourable channel mix. For the full year, currency-neutral net sales revenue per case increased by 2.8%.

The Emerging markets segment also maintained its growth trend, with currency-neutral net sales revenue per case increasing by approximately 3% in the quarter, driven by the favourable price and category mix. For the full year, currency-neutral net sales revenue per case increased by 3.5%.

Favourable input cost environment

Turning to input cost. Currency-neutral input cost per case declined by 7.2% in the quarter and by 4.8% in the full year, slightly better than our expectations.

The key drivers for the decline were lower EU and World Sugar costs, in line with expectations, as well as better than expected resin prices, which followed the sharp decline in oil prices as the year progressed.

Efficiency improvements impacted by marketing investment and certain one-offs

Our action plans to control our operating cost base continued to deliver in the quarter, leading to an 8 million Euro reduction in comparable operating expenses.

However, comparable operating expenses as a percentage of net sales revenue deteriorated in the quarter, increasing by 75 bps to 30.5%. On a segmental basis, the deterioration was driven by the Established segment, which increased by 170 bps, as well as the Developing, which increased by 140bps. In our Emerging markets, comparable operating expenses as percent of net sales revenue improved by 50bps.

In Established the main driver for the deterioration was certain one-off items and to a lesser extent operational deleverage, whereas in Developing the negative impact is mainly attributed to increased marketing investments and, to a lesser extent, certain one-off items.

For the full year comparable operating expenses as a percentage of net sales revenue increased by 30bps, as the benefits from our optimisation initiatives supported by restructuring were eroded by the top line deleverage and certain one-off items in Q1 and Q4 of the year.

Cost efficiency remains a key priority across our business and we are confident that we can resume improvements in operating expenses as percent of net sales revenue this year.

Mixed segmental trends in comparable operating profit, driven by FX

Turning to operating performance, we recorded comparable operating profit of 57 million Euros in the fourth quarter, 11 million lower than in the prior year. Overall, positive developments in price/mix, lower input costs and slightly positive volume, were more than offset by the impact of unfavorable foreign exchange movements and increased concentrate costs.

Turning now to the comparable EBIT performance of the three reporting segments in the quarter:

Established markets contributed positively, as they improved by 3 million Euros compared to the same period last year. Price/mix improvement and lower input costs more than offset lower volume, higher concentrate and operating costs.

Our Developing markets improved by 3 million Euros compared to the prior year. Favourable price/mix, lower input costs and volume growth more than compensated for the impact of the concentrate costs increase, higher marketing investment and, to a lesser extent, unfavourable currency movements.

Our Emerging markets segment was the negative contributor, declining by 17 million Euros year on year. Benefits from our revenue growth initiatives, lower raw material costs and higher volume were more than offset by the significant impact from negative currency movements, higher concentrate cost and operating expenses.

This led to a comparable operating profit for the full year of 425 million Euros, 29 million lower than in the prior-year period.

Restructuring update

We incurred restructuring charges of 31 million Euros in the quarter and 62 million Euros in the full year. This was slightly higher than our previous communication, as we identified additional restructuring opportunities towards the end of the year, with the related benefits expected to materialise in 2015.

Annual restructuring benefits coming from 2013 and 2014 initiatives amounted to €35m.

For 2015, we expect restructuring costs of approximately €45 million. The estimated annualised benefits from 2015 initiatives will reach €30 million from 2016 onwards. The savings in 2015 from initiatives taken in 2014 and those that will be taken in 2015, are expected to reach €44m.

Solid free cash flow generation in the full year

Turning now to free cash flow. In the full year we generated 333 million Euros, 80 million lower than the prior-year period.

Cash generated from working capital improvements was lower than the prior year, in line with our expectations that the pace of working capital improvement would be slowing down, as we approach triple-digit negative balance territory. Our discipline in working capital management remains intact and is evident in the working capital days, which have improved across all segments on a year-on-year basis.

Capex spend was lower than in the prior year, in line with the revenue slow down and at the low end of our capex guidance range.

The acceleration of the adverse currency headwinds in the latter part of 2014 and the current level of spot rates in some key Emerging markets have led us to revise our Free Cash Flow expectations for the 2013 – 2015 period in the range of €1.1 to €1.2bn Euros. We are confident in our ability to generate solid free cash flow in the short to medium term, despite the macroeconomic and currency headwinds.

Diversified financial profile

Let me now touch upon the financing of our business.

Total fourth quarter comparable net financing costs amounted to 18 million Euros, decreasing by 5 million compared to the prior-year period. For the full year, comparable net financing costs amounted to 73 million Euros, 11 million lower than the prior year. This improvement was driven by the lower cost of the successful bond refinancing that took place in 2013, partly offset by foreign exchange remeasurement losses, primarily from the Ukrainian Hryvnia and the Nigerian Naira.

For the full year, our net debt to comparable EBITDA ratio was 1.9, in line with our expectations. We remain committed to maintaining a conservative and diversified financial profile, translating to a Net Debt to comparable EBITDA ratio in the range of 1.5 to 2.0.

2015 Financial Outlook

Before I conclude, I would like to take you through the financial outlook for 2015, which, as you all know, remains very volatile.

This year, unlike in 2014, we expect a positive EBIT contribution from operational leverage.

We will continue our revenue growth management initiatives, including pricing in order to grow our top line.

We also expect input costs to remain a significant tailwind in the year.

Furthermore, within the framework of "self help" initiatives we will continue to implement our plans to optimise our cost base and efficiency.

All of these drivers are expected to be supportive to our profitability.

However, FX will remain a significant headwind in 2015. In fact, we estimate that at current spot rates, the full-year P&L impact of foreign currency translation and transaction will be approximately 200 million Euros.

Overall, we expect our combined initiatives to help mitigate the FX impact.

2015 – Management of foreign currency movements

At this point, there is still significant FX volatility in certain Emerging markets, so I would also like to share with you the plans we have in the event that such foreign exchange rates fluctuate further from the current spot rates.

Our business is highly sensitive to certain Emerging markets currencies. Having said that, we also have levers we can pull in order to mitigate the effect of such foreign exchange movements.

Taking the scenario of further FX deterioration:

Firstly, to the extent that this deterioration is linked to oil prices, this will have a positive impact on our input costs, mainly resin. In addition, in the medium term, lower oil prices are expected to positively impact the economies and the disposable income of many of our European countries, supporting our top line performance.

Secondly, we have contingency plans to take more pricing, proportionately to the inflation increase that will result from potential further currency depreciation. Of course additional pricing may, to some extent, adversely impact our volume.

Finally, our "self help" measures can be accelerated to offset an additional portion of the potential FX deterioration.

Obviously, in the opposite scenario, where FX rates improve from the current spot rates, most of the dynamics I just described will develop in the opposite direction.

I would like to conclude by pointing out that it is extremely difficult to foresee what exactly will happen in 2015, but we believe we have the focus and the action plans to tackle the difficulties, just as we did in 2014.

And with that, let me now pass the floor to Dimitris, who will give you some more colour on our operational performance in the quarter and the full year.

Dimitris Lois - Coca-Cola HBC AG – CEO

Operational review and strategy

Thank you Michali - I will now turn to the operational highlights for the period.

Sequential improvement in volume trends in all segments in the quarter

Overall, volume increased by just under 1% in the quarter, cycling a similar growth trend in the same period last year. This brought the full-year decline to -2.8%, which came in better than expected.

All three segments beat their nine-month volume trend. Emerging and Developing markets were the main growth drivers, while decline in the Established markets decelerated. The year-on-year improvement in the quarter was predominantly driven by Nigeria, Russia, Poland, Austria, Hungary and Greece.

In the Established markets, volume declined by 3%, following a stable performance in the prior year. Volume growth in the majority of our countries in the segment, supported by a good performance in Water, was outweighed by declines in Italy and Switzerland.

Declining trends in the Developing markets reversed. We achieved 1% growth in the quarter, cycling a 5% decline in the prior-year quarter. Performance was helped by good Sparkling growth in Hungary and improving volumes in Poland.

In the Emerging markets, volume grew by 3%, cycling a 4% increase in the same period last year. Volume performance in the quarter was driven by continued growth momentum in Nigeria, strong organic growth in Russia, supported by both Juice and Sparkling, as well as the addition of Moya Semya, our newly-listed juice brand.

<u>All categories gained pace in the quarter</u>

Looking at our performance by category:
Sparkling beverages and Trademark Coca-Cola growth trends improved to a stable performance in the quarter. The good performance in the majority of our markets was offset by the poor performance in Italy, Romania and Switzerland. In the full year, the sparkling category declined by 3%.

Coke Zero resumed its growth momentum, growing by 8% in the quarter and reaching a 6% growth rate in the full year.

Juice accelerated its growth trend to 10% in the quarter and 5% in the full year. This marks the 6th consecutive quarter of volume expansion in the category, benefiting from the continued good performance of the Multon brands and Cappy Pulpy, as well as the addition of the Moya Semya brand to our portfolio in Russia.

Water in the fourth quarter grew by 1%, helped by positive contributions from Greece, Austria and Poland, bringing the full year decline to 2%. In a year that was impacted by continued SKU rationalisation in some of our big countries, our strategy delivered 2% growth in Water single-serve packages, with package mix improving by 1.6 percentage points.

Our energy brands grew marginally in both periods. Good performance in the majority of our countries was offset by lower volumes in Czech, Poland, Ukraine, and to a lesser extent in Russia. The TCCC and Monster transaction is expected to be completed in early Q2, and this will allow us to execute our plans in this profitable and niche segment by giving us the opportunity to launch Monster in a number of additional markets during the course of this year.

RTD Tea performance remained weak across the board, with volumes declining by 3% in the quarter and 7% in the full year.

Established markets
Gradual deceleration of negative volume trends

Turning now to some of our bigger countries in each of our reporting segments.
Volume decline decelerated in our Established markets segment, reaching 3% in the quarter and 5% in the full year.

For Italy, 2014 was a year characterised by weak underlying macroeconomic and trading environment with near record high unemployment, compounded by pressure on disposable income and tight liquidity in the trade. As such, volume decline in the full year reached 10%. The decline came from both Sparkling and Water. We have continued to drive improvements in single-serve contribution in both categories, as part of our broader revenue growth management initiatives. More importantly, we maintained our Sparkling volume share in the year. Looking ahead, we expect the environment to remain challenging, yet not to the extent we experienced in 2014.

In Greece our performance turned positive in 2014, growing by 2% in the full year and registering the first annual growth in five years. Water was the key growth driver, while Trademark Coca-Cola decline decelerated to 1.5%. Looking ahead, we are encouraged by the good 2014 performance, while remaining cautious of the fact that underlying trading conditions are fragile and contingent on the political developments.

In Switzerland, volume decline decelerated in the quarter, helped by good performance in Water. This resulted in a 7% decline in the full year. Although Sparkling was the main underperformer, we gained share in volume. Overall, we maintained our NARTD value share for the full year.

Overall, package mix improved throughout the year in our Established markets, driven by both Sparkling and Water, reflecting our continuous focus on OBPPC implementation.

Developing markets
Focus on value

In our Developing markets, volume in the quarter returned to growth after nearly two years of negative volume trends and closed the year with an overall decline of 6%.

Volumes in the quarter, were helped by good Sparkling performance in Hungary and Poland, where we have started cycling the early stages of our value-accretive volume strategy, and a stable performance in the Czech Republic.

In 2014, our focus in this segment was behind sustainable value-accretive volume mainly in Poland and Czech Republic, improvement in route-to-market and infrastructure optimisation and automation. At the same time, in Hungary, volume performance throughout the year remained volatile, albeit at a decelerating pace, as we have been witnessing some early signs of stabilisation both in the economy and the trading environment.

Collectively, these initiatives have helped us deliver a 1 percentage point improvement in single-serve package mix, a 2.8% growth in currency neutral net sales revenue per case and as Michalis mentioned earlier, it contributed to the 40% improvement in the segment's comparable EBIT. Looking ahead, we will continue with our strategy, while it is important to note that we will gradually cycle the majority of our value-accretive strategy as we go through the year.

Emerging markets
Stable performance in a volatile environment

Volume in our Emerging markets segment grew by 3% in the quarter, delivering a stable performance in the full year.

In a very volatile year, volumes in Russia increased by 1%, with an accelerated growth in the last quarter of the year. Trademark Coca-Cola grew by 1% and Fanta by 11%. This performance in Sparkling was augmented by impressive growth in Juice, which organically grew by 6%- or 12% including the addition of Moya Semya in Q3. This growth in Russia comes despite the continued adverse developments in general macroeconomic trends, disposable income and consumer sentiment. In such a year, our volume share in Sparkling remained stable, while we gained value share in both Sparkling and NARTD. Looking ahead, we remain cautious. Recent consumer confidence data point towards a decline in the index, as macroeconomic developments filter through to the end consumer.

In a seasonally important quarter, we are pleased to see Nigeria maintaining its good growth momentum, delivering high single-digit growth and reaching 4% growth in the full year. Looking ahead, we expect Nigeria to remain a key growth engine, supported by our strong activation plans and continued investment in fast-growing PET packs market. Nevertheless, we are mindful of the severe oil price decline and the consequent currency deterioration, ahead of the postponed elections, which may influence macroeconomic trends.

In what remains a highly competitive environment, Romania maintained the negative trend for most of the year, with the decline reaching 6% in the full year. Juice was the key category growth contributor growing by 50%, driven by Cappy Pulpy. In the full year, we gained volume and value share in Sparkling, while we maintained share in NARTD.

Looking ahead

In 2015, we will continue to pursue our strategy with our planned actions.

Firstly, we aim to improve volumes through marketing initiatives and focusing on affordability. Volume leverage and favourable country mix are key to our profitability. Improved volumes should also improve our market leadership positions in the sparkling category as well as overall non-alcoholic ready-to-drink beverages. Also, we will implement revenue growth management initiatives. The main driver will be OBPPC and single-serve packages. This will be accompanied by pricing in countries where we need to mitigate currency headwinds. And lastly, our proven self-help measures will continue.

We also see materially reduced input costs, mitigating the remaining negative impacts of currency volatility and the related uncertainty in some key markets.

Overall, we anticipate a challenging year and are optimistic that our business will prove its strengths in adversity.

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

QUESTIONS AND ANSWERS

Telephone Operator

Thank you. Ladies and gentlemen if you'd like to ask a question please press *1 on your telephone keypad, if you change your mind and want to withdraw your question please press *1 again. You will be advised when to ask your question.

The first question is from the line of Carl Walton from Bank of America Merrill Lynch in London. Please go ahead.

Carl Walton, Bank of America Merrill Lynch

Good morning everyone, just three questions if I may? The first one on volume growth assumptions for FY'15, you sort of made some comments that I guess we can expect developed and Established overall to look a little bit more flattish? And then Emerging markets overall is that also a kind of flattish outlook? I guess difficulty in Russia and Ukraine you've flagged, on Nigeria in particular though is your base case assumption that the oil price decline and FX volatility make things difficult, or do you still think you can achieve sort of mid single or maybe even higher growth in that market?

Just on the second question, on FX neutral revenue per case, I mean given obviously we're cycling tougher mix comps, but on the other side you've signalled you know higher pricing, net/net do you think we should expect similar to the sort of 2.5% you achieved in FY'14, or higher or lower?

And then the final question, just in terms of the FX impact, as you say very difficult to guide on with the volatility, but if we take the base case of 200 million headwind on current rates which you mentioned, is there any way you can quantify how much of an offset we might expect from that from the measures you've mentioned in terms of obviously input costs, some of your self-help and the pricing, is there any way you can quantify that for us? Just because I look at input costs and it seems like taking high single digit decline I could come to sort of around 140, 150 million, but I'm just not sure how much to sort of quantify from the rest. Many thanks.

Dimitris Lois, Chief Executive Officer

Let me take your first question with regards to the overall volume outlook for next year. So we are working to have stable, or even growth next year. This will come from Established and Developing countries. I would like to give you a bit more colour so I will split our territory in three or four buckets.

Let me start first with Emerging and I'll start with Russia. We see that the overall external environment is very, very challenging, both because of consumer confidence filtering through. Additionally we see the FX volatility and obviously the low oil prices. With this environment we have very strong plans, very strong plans in all of our categories, starting with sparkling, with new SKUs, to address recruitment.

Also investing a lot behind marketing and especially investing behind packs that will facilitate the organised trade. We have strong plans behind juice, not only the organic part and I'm referring to Dobry and Rich, but also expanding substantially distribution behind Moya Semya. And then following the conclusion of the deal from the Coca-Cola Company and Monster one of the first markets that we will enter is Russia. So very good news in terms of all the segments. With this right now we see that overall the market is going to decline and we are right now working to hold this decline to a mid single digit.

Moving to Nigeria, we have seen Nigeria doing very well both in Q3 and continuing the growth trajectory in Q4, high single digit, and cycling another high single digit last year. We have very strong plans for Nigeria and that includes sparkling. We have just launched Share Coke and that the first early signs are very positive. We are building PET capacity and the PET pack is doing extremely well. We have very strong plans behind juice, both behind product and pack innovation. We are expanding our water capacity, and then also towards the very end of the year again looking at the conclusion of the Coca-Cola Company with Monster, that's another market that we would like to get with energy.

With this in mind we are also conscious of what's happening in the external environment. I'm referring to the oil price; I am also referring to the currency devaluation. And as you probably know we have elections towards the end of March for President, and then we have also governance election. So we could see some volatility. Balancing all of our plans in the external environment we are working to improve this year trend which was 4%. The rest of the Emerging I would also say have an overall positive momentum and positive trend, and we are working overall to see Emerging flattish.

So with this in mind the good news and the growth will come from a combination of Established and Developing. We have very strong plans behind both Established and developments. We are working together with our partners in growth to improve our DME investment in the market. We have targeted elements behind affordability and promo intensity, and we are working to see both Established and Developing flattish and even positive.

So here we see both a quantitative positive element going from the minus 2.8 where are today to flattish and positive, and there is a very strong qualitative element because all this will come mainly from Established and developed that have better profitability. And with this let me pass to Michalis to cover your second question.

Michalis Imellos, Chief Financial Officer

Hi Carl, so on revenue per case, currency neutral for 2015 growth. First of all taking 2014 we closed the year with 2.5% growth, and within that there is an element of pricing that was taken to offset the concentrate incidence increase in 2014. So if you strip that out which is around 60 basis points of growth more or less, the real underlying revenue per case currency neutral growth in 2014 was 1.9.

So for 2015 against this 1.9 I would separate Established and Developing from Emerging, they are two different cases. Established and Developing very much in a kind of deflationary environment, so pricing is more difficult in this market. So the improvements should come more from mix rather than pricing. So there there will be if you like a challenge to outgrow 2014. And in Emerging we have a totally different story with the significant forex headwinds. There will be scope for more pricing, and therefore there you should expect an acceleration of the growth for currency neutral net sales revenue per case. So overall I would say that the pace of growth for '15 will be lower than that of 2014, primarily because we will be cycling this incidence increase in 2014. So somewhere potentially in the region of 1.5% to 2% in terms of growth for 2015 overall, total Group.

Now on FX, we flagged the 200 million based on current spot rate negative impact. And what I tried to outline in my presentation was that those four big groups of actions are going to offset pretty much this 200 million hit for 2015. So volume leverage, particularly coming from Established and Developing markets, is one of the most important of the pillars that I outlined.

The second one clearly input cost improvements, further improvements in 2015 and I would say at a slightly accelerated rate compared to 2014. Then of course all the revenue per case currency neutral growth that I just spoke about and of course the self-help measures which are continuing in 2015. And I would say there is also built into this a factor to do with the country mix that is improving because obviously we are expecting better results as it started to demonstrate from quarter four 2014, better results from Established and Developing. And therefore you have a positive if you like tailwind coming from a better country mix overall. So where we can see things right now with the current spot rate, 200 million FX negative hit, counterbalanced by our actions in these four pillars.

Carl Walton, Bank of America Merrill Lynch

Very clear, thank you so much.

Telephone Operator

Okay the next question is from Andrea Pistacchi from Citigroup in London. Please go ahead Andreas.

Andrea Pistacchi, Citigroup

Hi, thank you for taking my question. It's two actually. The first one please, what gives you confidence that you can stabilise volume growth in your Established markets in 2015? What will be the main swing factor there?

And the second question, just if you could please split the 200 million expectation on currency hit. If you could split that between translation and transaction that would be helpful, thank you.

Dimitris Lois, Chief Executive Officer

There are a couple of elements behind our view on Established. First let me start with the overall macro. We have seen that the overall macro year on year, and I'm referring also now to '14 and the expectation for '15, is overall positive. We also believe that the quantitative easing will shift to some extent from deflationary to healthy inflationary.

We have strong targeted marketing activities, especially in some of our big countries, and I'm referring to Italy. Also we are cycling very negative weather in the most important months and that's July and August, and we do not believe that it can get worse. Eventually this year we will not proceed with the incidence related pricing, so affordability is also going to be a tailwind. And we have at least, depending on the country, very strong OBPPC initiatives that would allow us to address the price points and affordability while at the same time support also the revenue per case.

So those are the key elements behind our optimism on Established, and also I would like to give the same spin for Developing. And in Developing the additional element is that we started cycling the value accretive volume. Obviously this is something that we will see gradually developing along the year, so this is going to be an additional tailwind for the overall volume.

Andrea Pistacchi, Citigroup

Thanks. So if I can just sort of follow up on that. So the main swing factor really would have to be Italy and you'd expect Italy therefore to only be in maybe slight decline in 2014 if not stable - in 2015 if not stable. Is that fair?

Dimitris Lois, Chief Executive Officer

Well Italy is one of the markets and obviously we see a significant improvement from the minus 10 that we have seen this year. But that's not the only market. We also see improving trends in Switzerland. We also see improving trends in Austria and Ireland. So all of the markets we see behind the initiatives that I have just shared with you, improving trends. Let me pass now to Michalis for your second question.

Michalis Imellos, Chief Financial Officer

Yes Andrea the transactional forex hit will be around 70% out of this 200 million, and the other 30% translational. And also I would say that out of this 200 million 80% is coming just from Russia. Just to give the magnitude of the impact.

Andrea Pistacchi, Citigroup

Very helpful, thank you.

Telephone Operator

Okay the next question is from the line of Edward Mundy from Nomura in London. Please go ahead Edward.

Edward Mundy, Nomura

Morning gents. A couple of questions from this side. First of all on Russia and Nigeria they both had a very strong finish to the year. I was just wondering whether you could provide a bit more context there. Was that ahead of a price increase or was there a little bit more commercial activity going on in the final quarter?

And secondly really regarding the net foreign exchange losses of 10.9 million in 2014. Given where currencies have moved to, I'd be interested in your best guess as to what that might look like for 2015 based on current spot.

Dimitris Lois, Chief Executive Officer

Ed on your first question yes we are very happy for Q4, both for Nigeria and for Russia. So let me start with Nigeria. As expected and as we said with you in our Q3 results, we have very strong plans across all of our segments. So we grew sparkling well. Also we have seen juice growing extremely well. On water we were a little bit behind but we were cycling I think 22% or 23% growth last year. So very strong plans although we have noticed that from late Q3 the consumer confidence was getting a little bit weaker. So very happy to see this momentum. And as I've shared a little while ago, we have extremely strong plans for 2015.

Now for Russia again you will recall that in Q3 we said that we were optimistic. Eventually to be totally honest with you the results were better than our expectation. We had a very strong Christmas activation plan. This was focusing a lot on organised trade with targeted promo activation. We were very happy to see juice both on organic level, Dobry is doing extremely well. Also we have been step changing distribution in Moya Semya and that's why we have seen Moya Semya increasing by 19%. So eventually in a quarter where seasonably is a strong quarter for juice, this helped overall a lot. So those are the key elements behind the good performance on those big markets.

And I will pass to Michalis to take your second question.

Michalis Imellos, Chief Financial Officer

Sorry Ed I didn't quite get your second question so if you can repeat please.

Edward Mundy, Nomura

Yeah. In 2014 you had a net foreign exchange loss within your total finance costs of 10.9 million. You know based on where our current spot prices are today I would appreciate your best estimate of what that might look like for 2015.

Michalis Imellos, Chief Financial Officer

Okay, you are talking about the impact of the measurement of certain financial liabilities, primarily in Ukraine and Nigeria. At this point in time obviously this loss depends very much on where the rate would close. Right now based on where we are on the current spot rate the impact is very small, it's 1 or 2 million additional to what happened in 2014.

Edward Mundy, Nomura

Okay, thank you. And just as a final follow up, on slide 15 you lay out some of the key talking points on margin. Just on the self-help that could be intensified, I'd appreciate a little bit more colour on what potential measures you could undertake if FX deteriorates from here on?

Michalis Imellos, Chief Financial Officer

Yeah, as you know the focus so far of the self-help has been on Established markets. And I would say that on average 80% to 85% of the initiatives were focusing on the Established markets. Clearly we have gone quite far down the road in terms of production infrastructure optimisation in the Established. Also on optimising logistics, there is still some work to be done on route to market, and we have been working hard on the back office optimisation which I would say we are two thirds of the way with our shared services initiative. So there is still some work to be done in Established, and we believe that there is quite a lot of opportunity to relook at some of those areas also in Emerging, in light of the situation with the currencies and the impact on inflation and generally the macroeconomic environment. So going forward still some work to be done in Established and to a lesser extent Developing. Also shifting the focus towards Emerging as well.

Edward Mundy, Nomura

Okay, thanks.

Telephone Operator

I have a question now from the line of Andrew Holland from SG in London. Please go ahead Andrew.

Andrew Holland, SG

Yeah hi, just on your pricing expectations, presumably if your input costs were going up not down you would be going to your customers and saying you want to get your prices up to pass that on. They will be very aware that your input costs are coming down, and presumably they'll be putting pressure on you to pass that onto them, that benefit onto them. How do you think you can keep that benefit which is obviously a fairly integral part of mitigating the 200 million negative FX impact?

Dimitris Lois, Chief Executive Officer

Yes Andrew, going back on the overall FX neutral revenue per case, this mainly will come from Emerging. So the two markets, the Established and Developing, we do not see pricing as a key element. We see there continuation of our OBPPC and the pack mix, the single serve. So what we see overall as pricing will mainly come from Emerging, and out of the Emerging the biggest by far contributors will be the key countries that suffer strong headwinds with regards to currency, and I'm referring to Russia, I'm referring to Ukraine, I'm referring to Belarus, so countries like that. So that's where we see the vast majority of the revenue per case FX neutral contribution in 2015.

Andrew Holland, SG

Okay but am I right in thinking some of those benefits from lower input costs will come through in Established and Developing markets? So if you're expecting let's say flat pricing, is that actually going to prove to be optimistic when you come to have those discussions with your supermarket customers?

Dimitris Lois, Chief Executive Officer

Yes we will have input cost benefits in our Established and Developing, and we are working with our overall OBPPC to mitigate for potential higher promo and promo intensity in some of our channels. So with this promo intensity obviously the consumer will benefit.

Andrew Holland, SG

Okay, thank you.

Telephone Operator

We have a question now from Charles Pick from Numis in London. Please go ahead.

Charles Pick, Numis

Thanks very much gentlemen. I've actually got four questions I'm afraid. Firstly can you clarify please those one offs in the opex ratio in Q4, what the sort of scale and nature of them was?

Secondly, when Reckitts had their presentation last week and were talking about their Russian operations, they were saying that the consumer and the trade brought forward in Q4 pull in some sales forward from Q1 of 2015. Has that been your experience anywhere?

Thirdly can you clarify please the A&P spend as a percentage of sales year on year? Was it lower because I noticed your share of contributions from the Coca-Cola Company was down about almost 21% for the year?

And the final question, you haven't mentioned any terrorism situation in Nigeria. What percentage of your sales were in the north of the country please?

Dimitris Lois, Chief Executive Officer

Let me take the last and the consumer on Russia, and then Michalis will take the one offs and the overall DME. So starting from Nigeria, obviously the Boko Haram is an element that has been negatively affecting the whole nation and us for more than a year and a half now. We are very strong in the north. The north is approximately a quarter of our sales, a little bit less than a quarter of our sales, between 20% and 24%. We have a very, very strong position. And obviously there are parts, especially the northeast, that has been affected the most, and that's the Maiduguri area. This is something that has been going on for quite some time, so first of all the number one priority is the safety of our people and our assets, and then availability to the extent we can of our products. The north has been a key element of growth and we strongly believe that it will continue to be a key element of growth.

On your second question with regards to Russia in Q4, no we have not seen our customers stocking in Q4. So with that let me pass to Michalis to cover the one offs and the DME.

Michalis Imellos, Chief Financial Officer

Yes Charles, on the one offs in quarter four it was around €8m. And that was primarily some real estate impairments in Established and Developing markets because of the general market conditions. But as we do on an annual basis we had to take - we had to run the exercise, the impairment exercise and take some write downs. Overall in the full year the level of one offs was around 20 million. We had flagged in quarter one that was €12m of one offs, various bits and pieces, plus this 8 million that I just mentioned for quarter four.

In terms of your question on the DME, I would say that these numbers that we disclose in the related party transaction section, I believe this is where you are taking this minus 21%. This, as I have said before, it's on a cash basis and they are not very reliable indicators as to how the real P&L charge during the year has moved. That's one if you like technical factor to take into account. The other one is the fact that the way that we work with the Coca-Cola Company and the promotional incentives that we receive can take many forms. It can be also an element which is against discounts, so really here you see only one part which is to do with the opex DME, and not necessarily the full picture.

Charles Pick, Numis

Right okay. So was A&P lower as a percentage of sales year on year then, or higher? I mean can you sort of clarify that?

Michalis Imellos, Chief Financial Officer

Only slightly lower as a percent of revenue, but nothing unusual considering also the fact that during the year we also had - and last year we had quite a lot on Sochi Olympics spend.

Charles Pick, Numis

Okay, that's very helpful. Thank you very much indeed.

Telephone Operator

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

I believe we have another question from Charles Pick.

Charles Pick, Numis

Sorry about this, just regarding the 100 million FX debit last year, is it possible to clarify how much of that was transactional please? And also when we look at the associates, presumably you include your share on an after tax basis so we simply debit out the gain that you're showing to get a 3.9 million inclusion for the full year from associates?

Michalis Imellos, Chief Financial Officer

Okay so forex for 2014 around two thirds was transactional and one third translational. On your second question, I'm not clear what you were asking. Yes it is after tax in the - but what's the second question?

Charles Pick, Numis

That clarifies it then. Because you're saying in note nine that the gain was net of tax, so yeah that clarifies it. Okay. And presumably at the Q1 and Q3 stage will you still give the volume and the Emerging Established etc. market splits?

Michalis Imellos, Chief Financial Officer

Yes.

Charles Pick, Numis

Okay, thanks very much.

Telephone Operator

And we have a question now from Tristan van Strien from Deutsche Bank in London. Please go ahead Tristan.

Tristan van Strien, Deutsche Bank

Good morning gentlemen, two questions if I may. The first one just a little bit more on your cost guidance. I'm just wondering what is offsetting the 40% decline of both PET and European sugar; because I expected your guidance to actually be even lower than that. So just what is offsetting that? And if you can just remind me whether you guys lock in the pricing once a year, or it's a rolling hedge, 12 month hedge on those inputs?

And then the second bit, on Nigeria SABMiller did that deal with Coca-Cola to form Coca-Cola Beverages Africa. And during that they were forced to sell some of their own brands including Voltic water in Nigeria. And I was wondering if you guys have been offered Voltic water to add to your portfolio in that market? Thank you.

Dimitris Lois, Chief Executive Officer

Tristan I'll take the Nigerian question and then Michalis will take your first question. Yes you're absolutely right, that is the concept. So far that's work in progress, so I cannot give you something more concrete, it's work in progress with regards to their water.

Tristan van Strien, Deutsche Bank

Thank you.

Michalis Imellos, Chief Financial Officer

Tristan in terms of 2015 input costs the majority of the benefits will come from the EU sugar. We see a decline in excess of 20% for 2015. And we have already entered into contracts for all EU sugar exposure in 2015 so you can consider this closed 100%. When it comes to world sugar we see a flattish situation in terms of prices, and there we are 100% covered for Russia, and practically fully covered for Nigeria, around 80% covered.

PET, we see obviously a low single digit decline for 2015 based on more or less the current levels of oil price. There as you know we cannot hedge, but in certain markets we have engaged in extensive pre-buying. So I would say at this point in time we are about 20% covered on the PET, and it's the only commodity where we are not substantially covered in the beginning of the year.

And finally on aluminium overall a flattish situation also. We are covered by around 70% and the dynamic there is that the underlying price is expected to improve, but now with higher delivery premiums and conversion costs this is what brings the overall price to flattish.

Tristan van Strien, Deutsche Bank

Okay. Thank you very much gentlemen.

Telephone Operator

Okay I'll now hand you back to your host to conclude today's call.

Long-term growth drivers

I want to thank you for joining us today and for all your questions that facilitated a good discussion around our fourth quarter and full-year results.

Over the last few years we have set in motion a number of important strategic initiatives, which we believe leave us in good shape to successfully respond to the challenges in the marketplace and capture the growth ahead.

In an increasingly volatile external environment, we continue to focus on the elements we can control, becoming stronger, leaner and more efficient.

We have a clear strategy and we know that, when executed with excellence, it works. Our main objectives are:

- Winning at the point of sale, every day and in every occasion.
- Growing currency-neutral revenue per case consistently while continuing to address affordability.
- Cost leadership in every aspect of our business as we work on improving efficiencies and optimising our cost base.
- And finally, focusing on working capital improvement and continuing to generate strong free cash flow.

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

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