

CORPORATE PARTICIPANTS

Dimitris Lois - Coca-Cola HBC AG – CEO

Michalis Imellos - Coca-Cola HBC AG – CFO

QUESTIONS AND ANSWERS

Unidentified Audience Member

Hi, good afternoon. My question is regarding Nigeria. Your main competitor there is claiming they significantly increased their market share in the last few years. So do you have any thoughts on how competition is developing in this market? How significant are the market shares for your main competitor right now? And how are you going to face this challenge going forward?

Dimitris Lois - Coca-Cola Hellenic - CEO

What we have seen lately is a clear win in the market shares and I'm referring in sparkling and overall non-alcoholic ready to drink. That's evidenced also from the Canadian and Nielson results we have seen with the latest data from the market.

Now for the last couple of years this trend has not been consistent and there were parts where the competition have been leading.

But overall with the initiatives we have in place and that have sparkling and the non-carbonated beverages, we are confident that this will result in gaining shares as we have been doing in the rest of the markets. So we have very strong plans. We have seen also this year excellent results with our investments behind sparkling. Our Share a Coke initiative has been doing fantastically well.

We have been also focusing behind expanding our PET capacity and this has been one of the elements that has been holding us back the last couple of years. So with the additional capacity investments, along with the more and better marketing, we are working with the Coca-Cola Company, we are pretty confident that we are very well in place to continue what we have seen so far this year.

Unidentified Audience Member

You highlighted that your margins are obviously quite low at the moment and by comparison to other bottlers. And you also highlighted that you operate in more countries than anybody else, with a more diverse portfolio. Is the diverse nature of the markets in which you operate or the portfolio a meaningful contributor to the fact that the margins are low and would you be better off concentrating on either fewer markets or a narrower range of products, do you think?

Dimitris Lois - Coca-Cola Hellenic - CEO

A couple of things. First of all, referring to the 28 countries, this is the business model of Hellenic. Having established, developing and emerging, this is how we have been developing also our capabilities to support effectively this business model. Second point, obviously in 2013 this business model has been reconfirmed, working with the Coca-Cola Company with the extension of our bottling rights for another 10 years for the same 28 countries.

Referring to the margins, I went through a couple of points on the deterioration of this 500 basis points margin. Now comparing ourselves with other bottlers that are either focusing on established or on emerging, I believe we need to take into consideration a couple of points.

First of all, if I can give you an example that illustrates the comparison, let's assume that we have a market like UK. That's a market of approximately 550 million unit cases with a specific footprint in terms of manufacturing and logistics, and also a specific revenue per case.

If we compare that with a market like Russia, which is a bit less than 550 million cases with 13 plants and more than 50 distribution centres, and less than half of the revenue per case, obviously will give you a very good understanding of what the comparison means between countries or regions that are not compatible.

Now with this in mind, obviously we need to go back to the four major areas where we have seen the deterioration of margin, starting with the fact that we have seen the macro affecting mainly the established, which have been the most favourable in terms of profitability.

So there is a country mix element. There is a very strong input cost element, '11, '12, and '13, more than 20% on an FX neutral basis. And additionally there is a very strong FX element. So I believe consolidating from one end the comparability and from the other end the elements that were particular in our own territory, we can see the difference between our margins and the comparisons that you referred to.

We have been working a lot to take cost out, focusing a lot on our infrastructure, focusing a lot on our OpEx. Obviously, all these initiatives will continue. We have a lot more to improve in our emerging markets. We have not touched the emerging markets. With SAP, Shared Services we have started there is quite a bit we need to further develop, including Russia and Nigeria. So we have a lot of elements, along with the tailwinds that we see in input costs, that excite us with regards to going back to the pre-crisis level.

Unidentified Audience Member

Maybe Dimitris -- maybe to ask a question about Russia. It's been remarkably robust if you compare it to the brewers' performance despite all the political headwinds. What is driving Coca-Cola in Russia? Why are you performing the way you are at the moment?

Dimitris Lois - Coca-Cola Hellenic - CEO

Well, a couple of things. What we see the last couple years is the choices we have made with regards to our strategic priorities. And I'll start with sparkling. Working very closely with The Company, with our advertising campaigns, very strong and very locally relevant advertising campaigns, focusing both on fragmented trade, expanding our distribution, while at the same time having customized plans with all the top retailers in the organised trade.

And eventually extending outside the sparkling beverage category, we have been focusing a lot and we have started two years back with the integration of our Multon business with the execution of the Hellenic business, and that is the sparkling and the rest of the non-carbonated beverages, which have been doing fantastically well. For the last 13 quarters we have been growing in juice and, out of that, 10 were double digit.

This year we have very strong plans across. We are very excited with the introduction of Coca-Cola Zero. That was the end of May. We have also launched two months back an entry pack which we believe strategically will support our user base expansion, especially focusing on teens, at a very strong price point. And besides that, we are focusing on expanding further our juice through Dobriy. That has also been growing double digits. And finally, expanding our distribution to the newly-introduced brand of Moya Semiya that right now is part of our Multon brand and we have a 360 approach with regards to our consumers.

So all these elements are helping us with our performance in Russia.

Unidentified Audience Member

There is just one follow-up on that. In terms of the potential for Monster in your portfolio, when can we expect it and what markets do you think have the most potential for that?

Dimitris Lois - Coca-Cola Hellenic - CEO

First of all we are looking forward for the finalization of the deal between the Coca-Cola Company and Monster Energy, and the expectation is that this will happen within this month. From then on we are in less than half of our markets and we have been working very closely with Monster Energy for a couple of years.

Obviously top in our agenda is the big markets, starting with Russia, Italy and Nigeria. So those are the markets that we will focus on, along with other big markets. But I would say that Russia would be the first market that will introduce Monster.

Unidentified Audience Member

You've obviously done a good job of reducing the number of plants over the last five years. Now that you've got SAP installed in all of the markets, is it realistic to think that that process might accelerate?

Dimitris Lois - Coca-Cola Hellenic - CEO

Yes. What we have been doing is focusing a lot more on established and developing. That's why you would see that the footprint there went down by 34%. And I would say we are two-thirds of what the whole objective is for this market. We haven't really touched the emerging markets.

So obviously the next phase for the next three years is to conclude established and developing and accelerate emerging. And here the target is to optimize capacity. It's not obviously to sacrifice capacity. And we will be doing that by more lines per plant and faster and more flexible lines per plant.

So this is what we have ahead in the next three years, starting obviously with the two big emerging markets, and that's Russia and Nigeria, and continuing with the rest of established and developing, along with the rest of the emerging markets. And that's our plan.

Tristan van Strien - Deutsche Bank - Analyst

Dimitris and Michalis, thank you very much.

Dimitris Lois - Coca-Cola Hellenic - CEO

Thank you.

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