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CONFERENCE CALL PARTICIPANTS

Dimitris Lois

PRESENTATION

Tristan van Strien - *Deutsche Bank - Analyst*

My name is Tristan van Strien. I'm the Beverage Analyst here at Deutsche Bank. It is my privilege and pleasure to today have Dimitris Lois, CEO of the Coca Cola Hellenic Company, as well as Michalis Imellos, CFO of the Coca Cola Hellenic Company.

Instead of doing a presentation today, we're going to do a bit of a fireside chat. We're going to cover three areas during this chat. We're going to talk about their recent strategy, we're going to talk about some of the key markets and then lastly, we'll talk about the broader Coca Cola system. After each section, I will just open up the floor for a few questions and we'll take it from there.

So, Dimitris, Michalis, please join me.

Last week, you held your Capital Markets Day, and you have a new strategy or the term of, entering the new growth era. We have some very ambitious revenue and margin targets to 2020, so before we get into the details of those targets, perhaps why was now the right time to review your strategy and put something that explicit out there?

Unidentified Company Representative

Well, Tristan, two reasons, I would start first by the environment, far more clear what's ahead, in terms of volatility. We have both the stable part, and that is the established and developing. And we have also emerging. Volatility is an inherent part of emerging. What we have seen in the last couple of years is that even the stable part -- due to the overall market headwinds -- has been destabilized.

Now, moving forward, we see some good indication of stability and on top what we have been doing the last couple of years, especially the (Inaudible - Microphone inaccessible) established and developed gives us confidence on the way forward. Also looking at IMF and the different inputs, we see that steadily we go back to the growth era. So, that's the first reason.

The second reason is a response to the need of investors and analysts. We have done a study -- a perception study -- and in this we have seen that relevant knowledge of Coca Cola Hellenic and also of our ambitions was relatively, I would say, shallow. So, we thought that reiterating our key strategic priorities while at the same time sharing a scorecard that would allow and would help the investors and the analysts follow the progress we make -- that would be very helpful. So, those are the two reasons.

Tristan van Strien - *Deutsche Bank - Analyst*

Makes my model easier. When you said at the start, because obviously one of the things you've done is - and I guess that explains your move from a free cash flow target to a much more margin revenue target explicitly -- the way you set those targets, is that in agreement with the Coca Cola Company, especially that they are one of your main shareholders?

Unidentified Company Representative

Well, first of all, going to the first part of your question, we have been focusing quite a bit on free cash flow. As we move forward, we continue to focus on free cash flow. So, that has not been a real change. Now, you heard us all during the Investors Day saying that at the end of the day, alignment is a key element of working together, of winning together and yes, the answer is we are aligned with the Coca Cola Company.

Tristan van Strien - *Deutsche Bank - Analyst*

And they're happy with your revenue target and happy with your margin?

Unidentified Company Representative

Absolutely. At the end of the day, value creation starts from the top line and then filters down to the bottom line.

Tristan van Strien - *Deutsche Bank - Analyst*

[But does it ever get some of] one year target, your first target is a 4% to 5% revenue target, which is quite punchy considering the last five years have been 1% to 2%. Before last week, consensus was sitting at 3%; that's quite a bit. Underlying that is the core assumption of volume growth - market volume growth -- of 1.5%, so what gives you that confidence? Maybe just unpack that.

Unidentified Company Representative

Okay, yes. We have this 1.5% as an average. If I can give you a bit more color on that -- in the first two years -- and that's '16 and '17 -- that's close to flattish. And then as we move '18, '19 and '20, we go close to almost 3%. Now, looking back, the last couple of years, we have seen strong headwinds. In this environment, we were able to increase our revenue [per case] on an FX-neutral on the average about 2%. So, take into consideration those assumptions, and those assumptions, in principle, will determine how fast we grow back.

We feel confident, with a list of additional actions we have that we elaborated on both on and volume and on revenue, as well as accelerating our cost initiatives, that we will achieve the 11% EBIT margin at the 2020.

Tristan van Strien - *Deutsche Bank - Analyst*

Just let me go back on the price mix side of things. And again, it's been tough the last few years around that. So what do you see changing in your environments, not assuming inflation is going to happen, but more in terms of your off-premise environment and key accounts; they put a lot of pressure on your pricing. What gives you the ability to get above that basically?

Unidentified Company Representative

Well, you're absolutely right, in the last couple of years, we have seen organized trade and in few countries, within organized trade discounters, being the winning [channel]. In this environment, we have been and taking into consideration also, the overall deflationary environment. We had an average in the last five years of 2% more or less oron an FX neutral, that's the average increase on revenue per case.

On top of that, since 2012, we have been focusing, with great results on improving our pack mix. This is something that will continue. So, take into consideration the overall external environment, take into consideration the focus behind pack mix and additionally, the initiatives that we have, with regards to value, and just to name a few the connection with occasions behind meals, behind socializing, our strong focus behind [Horeca], a very good example is what we have been doing in Italy and in a couple of others markets. What we see behind the new campaign is the [feeling] campaign, with a special focus on socializing and the immediate consumption channels, that gives us confidence that we will be able to deliver.

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Tristan van Strien - *Deutsche Bank - Analyst*

And then within that, how - you are one of the biggest - the main bottlers with the biggest non-carbonates portfolio, but when I look at some of your growth's been driven by water, as an example, and that's quite revenue dilutive on a per case basis, so how should we think about that going forward?

Unidentified Company Representative

Well, the category mix more or less in the next couple of years will not dramatically change. You're absolutely right, water would be an element of growth and that is something that we refer to. Within water, we are continuing with our focus behind single serve, so that will continue. On the other hand, we see juice growing pretty well. We see energy growing pretty well. Juice is almost twice, in terms of revenue per case, higher. Revenue is 2. - sorry, energy is 2.5 times higher on revenue per case, than the average.

And I would like to conclude that with living behind - most probably, we see two categories being the highest growth category, one is the energy that we referred, and the other is the low content of sugar or no calorie sparkling. So, those are the two categories, obviously with very contributive revenue per case.

Tristan van Strien - *Deutsche Bank - Analyst*

Now, the last element of the topline growth you presented to us was the idea [of you] - there's an opportunity for more market share still, which in the last five years has come and goes here and there, so what countries, particularly, and is that more in carbs, non-carbs, where is the opportunity to take share from your competitors?

Unidentified Company Representative

Well, first of all, it's both, sparkling and non-carbonated beverage. And here, I want to say two things, obviously having the best brands on earth plus this magic triangle for Coca Cola Hellenic, which is execution, route to market and the customer relationship. This is a triangle that we have been focusing, in terms of capability and from a very high level.

Now, referring to market share, I'll start with sparkling, we're about 40% and we have been consistently increasing our market share. In 2015, that was about 80 basis points. The second player is about 19, but I'm referring to a second player, more to share with you the overall opportunity for the rest of the market, 40% with B brand. And in the last couple of years, we have been winning equally from the second player and the B brands.

Now, in terms of market share, there are few countries that we believe could go closer to the 40%, and those are big markets. That's like Russia, Ukraine, Poland, just to name a few, Czech, Slovak Republics, so those are markets that are not at our group average, so obviously, there is an opportunity there.

Now, moving to non-carbonated beverages, here, we do see an opportunity starting with the fact that our market share is below the 40% that we have seen in sparkling, and on top, we have been very vocal, saying that we are looking for bolt-on acquisitions in juice and in water. So, there are two parallel initiatives, one with the organic initiative, and the other one which is the [bold point] that would allow us to accelerate market share in non-carbonated beverage.

Tristan van Strien - *Deutsche Bank - Analyst*

So, we can assume that a small part of your target is inorganic bolt on. --

Unidentified Company Representative

Correct.

Tristan van Strien - *Deutsche Bank - Analyst*

-- [bolt on , primarily.

Just I guess a big part and the biggest surprise on the day was just a very ambitious margin target to get back to the 11% you used to have. And again, you know, you modeled up to 9% for 2018. And I think the market had an 8.8 and kind of flattened from there. A lot of that's driven by OPEX savings, operational expenses, can you just unpack where the savings sit for you within your platform?

Unidentified Company Representative

You're right, Tristan on the OPEX as percent of revenue being a key contributor to the margin growth. What we also said on the day what is a paradox for somebody looking at this is assuming that this massive OPEX as percent of revenue improvement is driven by cost cutting or cost savings. In fact, the most important element of this OPEX as percent of revenue decline is coming for the operating leverage.

In other words, over the years, through our restructuring efforts, through our process efficiency initiatives, we have built a very efficient cost base, and now with a prospect of the volume and revenue growth, we are able to load this very efficient base with more revenue overall, and that's what will drive OPEX as percent of revenue down. So, it's not so much cost cutting program in the next five years, it's more loading this efficient base with more volume and revenue.

Tristan van Strien - *Deutsche Bank - Analyst*

So, [inaudible] volume [the better you need to] get the volume back into the system, in order to get --

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Unidentified Company Representative

The revenue overall --

Tristan van Strien - *Deutsche Bank - Analyst*

.-- yes, within the - and you're in some markets where the currencies are very volatile, how does that impact your ability to get that margin?

Unidentified Company Representative

We did refer to input costs and FX as being [if you'll] [(technical difficulty) on how input costs and FX will develop. On FX, we have some more volatility ahead of us, particularly in Nigeria. Already, we have assumed for this year, internally, that we will see some 30 to 35% transactional effects impact from a deemed devaluation because it's happening already out there in the market.

Actually, today, this afternoon, we will hear from the Central Bank of Nigeria what they are proposing, in terms of introducing some more flexibility in the - in the market, so we will see what this entails. However, we have [built a] devaluation of the currency from where the official rate is today.

And we expect that after '17, overall, there will be some stability coming back, definitely continuing depreciation, because we are talking about emerging markets, but not to the tune of $175 million for example, FX in [part that we saw] in 2015 or the $120 million that we anticipate for 2016, certainly a lot less than that continuing depreciation, but we have built depreciation of the currencies in our model.

Tristan van Strien - *Deutsche Bank - Analyst*

We'll get back to Nigeria in a second because it's obviously quite interesting, but if we - before we do that, if we just divide to OPEX, I mean where - is there also a regional opportunity there for [further, because already you have focused] quite a bit on it the few last years, but not in Russia, not in markets like that.

Unidentified Company Representative

Yes, the majority of our initiatives was in the established markets over the past few years. I would say that we are two thirds - more than two thirds of the way there. There is still some work to do, but we are getting towards the end. Now, our focus turns also to emerging, particularly in Russia and Nigeria. We started a couple of years ago, and we will be accelerating from this year onwards with our initiatives on the cost front, in these markets.

Tristan van Strien - *Deutsche Bank - Analyst*

[So] is there any questions at this point?

Unidentified Audience Member

Thank you, good morning. Look, you mentioned energy is a major driver for the business, could you give us a sense of the potential [is in - what] the mix of the business for energy, and what's driving the category in your view? And then finally, on [the upper cost] - opportunity change with the, I guess synchronization of the Coca Cola and the Monster model coming together, [if you can talk] about energy opportunity and the drivers.

Unidentified Company Representative

Yes, we referred to the energy opportunity and the energy opportunity is far more evident looking at the revenue per case. We have started the dual approach a few years back, and that is both Burn and Monster. Following the agreement between the Coca Cola Company and Monster and having Monster taking over the energy, this will allow us to move to the rest of the territory. And as we speak, we have already launched in big markets like Russia, currently also it is Italy and Romania. And we expect from our big markets to conclude with Nigeria towards the end of the year.

So, within '16, potentially the first few months of '17, we will have all our 28 markets having the dual approach, Monster and Burn. With this in mind, the opportunity here is I would say, rather more evident in the revenue per case. And I referred a little while ago to the fact that energy is 2.5 times higher revenue per case than our average. With this in mind, we expect and we look forward to see, by 2020, doubling our energy, still as a base is very low, it's about 1% of the revenue, so we look forward to see that going to 2%.

Now, the last part of your question was with regards to consumers, we see the last couple of years that there's a very good momentum, a very good [stand] with energy, and that is also very exciting, because that's a relatively high revenue category. And we do see that it's sourced potentially from sparkling, and that, in our territory, is mainly competition. And we have seen also few indications that it's sourced from other categories, and those are insights that we are also evaluating a bit more.

So, we are very excited overall, with the potential of the category, and that's why we have been accounting in the next couple of years to doubling the category in our portfolio.

Tristan van Strien - *Deutsche Bank - Analyst*

Well, everybody's very excited about Monster, but that begs the question, why dilute your efforts now? Why keep Burn? What's the difference between the two?

Unidentified Company Representative

Well, that is not diluting the efforts at all, Tristan. And we have been very, very proud of the dual approach. And I'm referring to the dual approach because each of the two brands have a role and if I could signify that that there is Burn, that mainly addresses the white collar and then Monster that mainly focuses behind blue collar. And the positioning, the communication, the connection with our consumers is very, very different - [the push back].

Tristan van Strien - *Deutsche Bank - Analyst*

Maybe let's just focus [some of your core markets as I go] back to Nigeria. So, you're expecting a 35% - or you're baking it in. What does that mean? How - can you just unpack how you think about and how do you prepare a business for a situation like that?

Unidentified Company Representative

Well, we have been working since the beginning of the year on a number of fronts. First of all, with the Coca Cola Company and our suppliers, given the fact that there was no - practically no liquidity in terms of foreign currency in the market. We have been doing quite a few pre buys ahead of the curve, particularly [in resin but also in sugar, wherever necessary - in particular with regard to CAPEX that required hard currency we were stepping in with hard currency support.

So, there were a number of initiatives that would see the business continue uninterrupted throughout the year, until we saw what measures would come into play, to restore liquidity in the market. So hopefully, with what will be announced today and gradually as the market absorbs the new regime, we will get toward the end of the year with a situation where we will have a de facto significant evaluation, which we are expecting. And in some respects, we - it would benefit us because it will restore liquidity and we can start again operating as normal.

And as I said, we have built in the impact already of that potential devaluation in our guidance, when we talked about $115 to $120 million FX in practice here, so hopefully things, before the yearend will gradually get back to normality.

Tristan van Strien - *Deutsche Bank - Analyst*

But even leading up to the situation, you guys have been remarkably robust, compared to some other categories. So, how do you look at consumer behavior over the last year in Nigeria. Everybody's complaining, how about the consumer? Yet Cokes keeps on growing.

Dimitris Lois

Yes, well, let me start by saying that we have been working and enjoying Nigeria for the last 60 years. A couple of elements here, the first, we have been really working, building capabilities and I think we are unparalleled in terms of distribution. Currently, we are covering a bit more than 80% of the total universe. And as we said in the Investors Day, we are doing a - an every dealer survey, which obviously will cover Nigeria, start from the big cities. This will [reset the action number of outlets, so this would allow us for an opportunity to increase our coverage. So, distribution and capabilities behind distribution is one thing.

Second, we have been continuously focusing [with high] innovation. Let me share a few examples. So, the first element of innovation has to do with product. You will recall, last year, we launched [Palpy]. [Palpy] has been doing fantastically well and the rest of our brands have been doing very well. Juice is most probably the highest growth category. Last year, we concluded the year with 20 plus percent growth. We were very happy to see Q1 at 45%. So, that's one element.

The second element, that has to do with pack innovation, we have been focusing a lot behind PET. If you recall a few years back, Nigeria was only glass market. And we have recently launched a 600ml PETand there are additional SKUs in PET, even this year.

A third element or the fourth element has to do with affordability. We have been focusing a lot with affordability, so obviously work with the innovation that you had, that] helps us address not only the price point, but also the revenue per case. Now, we have seen Nigeria growing very well. There are structural elements that support that like young population, growing population, growing GDP, urbanization, and obviously our own strategic priorities.

Nigeria will continue to be a key growth driver for the group. In the beginning of the year, we said that '16 is going to be another year of growth, we said [mid single digit. Today, most probably, we would say mid to high single digit. And obviously, we take into consideration the external environment that we heard a little while ago from Michalis. So, Nigeria will continue to be a key growth driver for Hellenic.

Tristan van Strien - *Deutsche Bank - Analyst*

The other side of that [being your] troubled markets, [we recall them] as Russia, and unlike normally when markets go into recession, beer tends to suffer more than soft drinks - soft drinks tend to - sorry, the other way, soft drinks tend to be hurt more than beer, but in Russia, we're seeing the opposite. You've been down but it's not been off a cliff, so how have you maintained your Russian business?

Unidentified Company Representative

Well, I don't think we should compare ourselves with beer. And I'm saying that because there were other headwinds besides and behind the macros. We are following closely Russia, you are absolutely right, in the overall [NARTT], we have been consistently and continuously outperforming the market. And that's behind our strategy, that's behind the focus on execution.

A very recent example is '15, we have seen the overall sparkling market going down double digit, and looking at the Coke trademark, we were one of the three global markets that piloted the one brand strategy and we are extremely excited. We have launched Coke Zero, and also we have launched [entry pack], so with all these initiatives and obviously the execution, Coke trademark was minus 2 versus minus double digit. So, that's one example.

Now, looking at the situation to date, not very different than what we said in the beginning of the year. We were expecting that this overall difficult external environment will continue. And we do see the first part of the year, so far, the overall market at double digit decline. We reiterate that as we move towards the second part of the year, this decline will decelerate. We reiterate that our expectation is that '16 is going to be a better year for the market. And we reiterate that we will once again, outperform the market.

And we do have some good indications. We see the oil at $50 or $50 plus and the ruble, which has the tendency to stabilize below RUB75 [and you recall] it was up to RUB85 in the beginning of the year.

Tristan van Strien - *Deutsche Bank - Analyst*

Maybe it is one last [marker or a] combination you know, going into 2008 being exposed to Greece and Italy was not a great situation to say the least. How have you - what does the business look like today, compared to 2008? What have you done through this recessionary period to stabilize it basically where we are today?

Unidentified Company Representative

Well, very different business in both Italy and Greece - well first of all starting with - in both countries, six, seven, eight years of deterioration in disposable income, peaking unemployment, in Italy around 11, in Greece around 25, and that is total unemployment and you focus in the working sort of domain, that probably in Greece is more than 50% and in Italy, it's more than 20%. So, this drove a considerable deterioration in per capita, which resulted into more or less 40% less volume in Greece and about 20% less volume in Italy.

So, what we have done as we have been saying, most of our investments in restructuring has been in established and developing, so in Greece, I would say close to 60% infrastructure optimization improvement of our planned footprint. In Italy, around 50%, so that is one area of heavy investments behind restructuring.

Second, consistently focusing on the route to market, and obviously right now, again with the [every dealer] survey, that would give us a very good accurate information on what the universe is and building on our capabilities we will reset our route to market. We have been working a lot connecting with our consumers. And obviously, working with the Coca Cola Company, we've had excellent, excellent advertising, both in Italy and in Greece.

We have been working a lot behind our OBPPC. Examples are additional launches, in Greece, we had as a major pack the 330 can. A year and a half, two years ago, we launched the 375, balancing volume per trip, while at the same time defending revenue per case.

In Italy, we have been focusing a lot on Horeca. Last year, we concluded the first phase of introduction of glass bottle in Horeca. We covered more than 140,000 outlets, so a lot of initiatives that would allow us to address the new environment. And looking forward, in Italy, we do see the external environment stabilizing. The first year that we see that disposable income is not going south. So, that obviously is very encouraging on total all of our initiatives.

In Greece, it - the external environment is difficult and continues to be difficult. We are extremely encouraged to see Greece, both in '14 and in '15 being overall, positive. That's where we are today.

Tristan van Strien - *Deutsche Bank - Analyst*

And maybe, let's just move to the broader topic about the Coke system, okay. You're a bottler who - [and you have already debated about it], you're very aligned with the Coke system. Why is that an advantage in your view? And what do you think the other guys that are less aligned, and there are a few of them out there, are missing, because you're more aligned?

Unidentified Company Representative

Well, first of all, I wouldn't want to compare ourselves with other bottlers. Alignment is part of winning together. And without alignment, we cannot win together. Now, you know, this alignment is extremely important. And we have seen strong elements of alignment.

Let me start with renewed focus on revenue. And this, right now is an integral part of our discussion. We have been step changing our investments together. Last year, in established and in developing, our marketing went up more than 20%. We are [inaudible]. Well, it's almost 50/50. The company's covering consumer, we are covering customer. But it's 20% each, so the total is substantially increased.

We're extremely excited with the new era. For us, this is a new marketing era. And I'm referring to the one brand strategy, an element for which is [the filling]. I mean we have launched that in all of our markets. We are extremely excited. So, a lot of elements that allows us to move out faster in the market, and win in the market. And a very good example was '15 and another very good example would be '16.

Tristan van Strien - *Deutsche Bank - Analyst*

You just alluded to it, and I guess you - what are the big - some of [it] - what are the big changes you're seen as a bottler in the Coke system the last five years?

Unidentified Company Representative

Well, couple of changes, I would start with what I just said, the renewed focus on revenue. That's one thing. Obviously, the focus behind cost, and that is across the boards, we are really excited with the layering, because this allows us to take - you know, faster decision at the country, where the wealth is being created. We are extremely happy with [Marco's] creating approach also. I mean we haven't seen anything like that in the last 10 years, I would say.

We believe the one brand strategy is the absolute right thing to do. We have seen elements of taste the feeling that connect extremely well with the consumer, both emotionally and functionally. James was very clear with regards to the Coca Cola - or who's behind the brand. He was very clear behind accelerating refranchising, so a lot of elements, that I believe all of them are definitely in the right direction.

Tristan van Strien - *Deutsche Bank - Analyst*

Maybe just to pick up on the refranchising part, we are seeing some unprecedented changes in the bottling system, and the commonality is an alignment of typologies. You know, CCEP is a developed market bottler, you're quite unique in the system by not - by being emerging, developing and established. Why is that an advantage? Or why [does] - you would say, well, you're missing out on the managerial synergies, basically, of having the same typology. Why do you think, you have an edge there? Or why do you think it works?

Unidentified Company Representative

Yes, we do believe it works. This is the business model of Hellenic for the past almost 20 years. And here, if you see the drivers, with regards to cash generation, that is the stable markets, so established and developing, which allows us to accelerate investments behind emerging, which allow us to drive the growth both from topline in - and expanding our market leadership in emerging. So, that's one element.

You referred to managerial synergies, well, here, you will allow me to sort of [leave two seats] behind, even within established, you see markets that are very, very different. Example, Switzerland and Italy, very different markets. Or Spain and Germany, very different markets. And we heard that yesterday also from the CCEP presentation. With this in mind, for us, it's all about leadership and we support our leaders to take the critical experiences, also the capabilities that are required to manage the countries.

So, at the end of the day, it's leadership. That's our belief. And that's what we have been doing the last 20 years.

Tristan van Strien - *Deutsche Bank - Analyst*

We touched upon the - your view that - and you've spoken about bolt-on acquisitions, so when you buy something - you bought Neptune, I think in Lithuania, it was a water brand, how does that work with your Coca Cola Company? Is this a 50/50 deal? Or how do you think about acquisitions that are for bolt ons, together with Coke?

Unidentified Company Representative

Well, looking back, in all of the cases - in some cases, the Coca Cola Company went first and we joined, or in other cases, we went first and then they joined. A very good example is Romerquelle in Austria or what we did in Russia. We went on with Neptunas - we bought Neptunas on our own, we are in the phase of integrating Neptunas, so obviously, this will be far more evident - the integration and the prospect. And we do expect that the Coca Cola Company will join.

Tristan van Strien - *Deutsche Bank - Analyst*

But now you have the opposite situation in Nigeria, where you decided not to join the Coca Cola Company on their recent acquisition.

Unidentified Company Representative

Yes, this again, was something that we have been discussing with the Coca Cola Company. And it's obvious for us, this is a minority stake and within three years, the Coca Cola Company will have 100%, so obviously we wouldn't want to be a part of the minority. We would sort of always - when we are in the market, we want to sit in the driver's seat.

Tristan van Strien - *Deutsche Bank - Analyst*

You've also been a bit more - it's not a priority, but you have been a bit more open to territorial expansion than you've been in the past. Obviously, the one that everybody's thinking about is Coca Cola Beverages Africa. If Coca Cola decides to implement a change of control clauses, would that be of an interest? Or what kind of regions would be of an interest to you?

Unidentified Company Representative

So, first of all, you're absolutely right. Our focus is and has been to go back to the pre-crisis margin levels. And there are two key areas that we have been very loud, that's topline growth and accelerating cost efficiencies. So, this has been a niche at the core of the radar screen. As we move on, and we are very much encouraged looking at our progress in '15, and also we have been discussing progressing in '16, we are open - we are open to opportunities.

Here, I would like to leave two or three things as criteria [for those] opportunities, the first one, our positioning is growth. So we have a growth position. So, the opportunity should align with this growth positioning.

The second, we really want to bring value in the table, so bringing value has potentially two elements, building on our expertise and we are more than 50% emerging and within emerging, we are very fortunate to have Russia and Nigeria. And the second thing, also you have been hearing us saying the focus behind what we call the borderless Europe, so [adjacencies], so those are two things that we believe we can really add value.

If there is and when there is an opportunity in Africa, definitely we will evaluate this opportunity, provided that it connects with the three criteria that we have been sharing.

Tristan van Strien - *Deutsche Bank - Analyst*

Very clear, then maybe - so if nothing happens, you do have some nice cash coming through your system. Your net debt is quite low and your balance sheet will start looking sloppy pretty soon. So, what are you going - what's your plan around - if nothing happens, assuming?

Unidentified Company Representative

I don't know whether sloppy's the right word. In this period of volatility, and what you described as well, certainly it gives us a lot of flexibility. First of all, our number one priority is reinvesting in the business, and thus the macros are becoming more and more of a tail wind, obviously this becomes very important.

Secondly, you touched upon it as well, the bolt-on acquisitions. We want to have the flexibility to cover such opportunities. And from then on, we do have a progressive dividend policy. We will continue to grow our dividend in line with the projected EPS growth. From then on, if at any point we do need to look into the structure of balance sheet and we want to optimize, a special dividend can be an option, cannot be ruled out.

We will not be doing buybacks because of the requirement to have at least 50% free float. Therefore, a special dividend could be a way to optimize the balance sheet.

Tristan van Strien - *Deutsche Bank - Analyst*

And maybe before we close, are there any questions?

[Michael]?

Unidentified Audience Member

Thank you. Can I just ask a point of clarification perhaps. You know, when you talked about the target, the pre-crisis margin level 11%, I think if I understood you correctly, you said that input cost fluctuations - input costs will determine when you're going to reach that target. Now, given that a lot of raw material prices are at fairly low points at this point in the cycle, I was wondering if you could - you know, tell us what your approach is towards the procurement of raw materials, what your visibility is and you know, what you have basically baked into this outlook. Thank you.

Unidentified Company Representative

So, we have built in a low to mid single digit increase per annum, all the way to 2020 in what we have described. And as I mentioned earlier, after a significant devaluation of the naira by 2017, we are assuming for all emerging market currencies, a normal depreciation like we have seen before 2014 in our market. So, we have - we have built in this model of getting to 11% by 2020, both in input cost inflation as well as, in [effect], depreciation.

Now, if things get much better or much worse, obviously there are other levers potentially, which will move as well. Inflation, for example, which will determine also the speed of pricing in some of our markets or acceleration of cost restructuring initiatives and so on. We have to see how all this will work together. And that's why we said that at the end of the day, in FX and input cost environment, which we do not control directly, we can only defend to some extent, with some hedging, will determine the speed of which we will get to 11% before or slightly after 2020. But we do have also contingency plans that we can pull if things get too far from the assumptions that I just mentioned.

Tristan van Strien - *Deutsche Bank - Analyst*

I'm told to wrap it up.

Michalis, Dimitris, thank you very much.

Unidentified Company Representative

Thank you.

Unidentified Company Representative

Thank you, Tristan.