2016 Integrated Annual Report

Entering the growth era

Coca-Cola
Hellenic Bottling Company

About our report

The 2016 Integrated Annual Report ("Annual Report") consolidates Coca-Cola HBC AG's UK and Swiss disclosure requirements while meeting the disclosure requirements for its secondary listing on the Athens Exchange and the sustainability reporting standards. For more information about our Annual Report, see page 212.

Contents

Strategic Report

Key highlights for the year

We announced our financial results for the year ended 31 December 2016 on 16 February 2017. In addition to the reported and comparable metrics we highlight below from these financial results, we report on our progress towards our 2020 target KPIs on pages 14-15.

Volume (m unit cases)
2,058
2015: 2,055

Net sales revenue (€m)
6,219
2015: 6,346

EBIT (€m)
506
2015: 418

Comparable EBIT[1] (€m)
518
2015: 473

Comparable EBIT margin[1] (%)
8.3
2015: 7.5

FX-neutral net sales revenue per unit case[1] (€)
3.02
2015: 2.94

Comparable net profit[1] (€m)
352
2015: 314

Net profit (€m)
344
2015: 280

Comparable earnings per share[1] (€)
0.972
2015: 0.864

Basic earnings per share (€)
0.949
2015: 0.771

1. For details on APMs refer to "Alternative Performance Measures" section

Entering the growth era

Over several years and in a difficult external environment, we have created a more efficient and stronger business that is now primed for growth in improving market conditions. We are benefiting from the underlying strengths of our organisation including the flexibility to respond to evolving consumer trends and a dynamic retail landscape.

We are excited about the potential of our business and we are confident in its future. Please read our 2016 Integrated Annual Report to find out more about our new era of growth.

Dimitris Lois
Chief Executive Officer

Anastassis G. David
Chairman

We are a stronger business

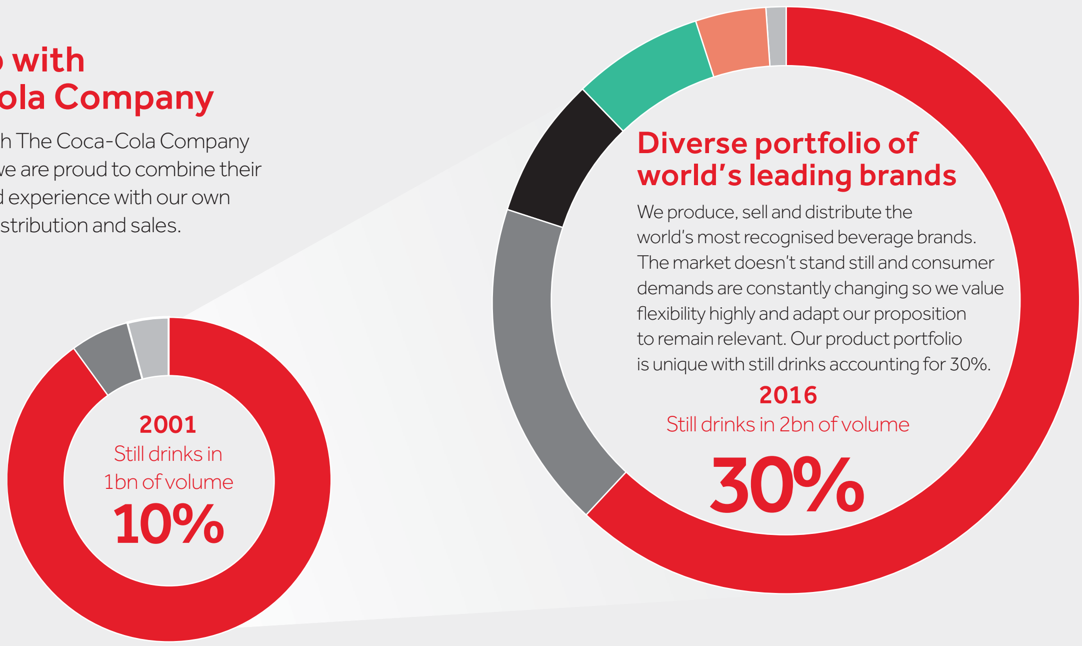
We have continuously improved, innovated and optimised our operations to create a leaner and more efficient sustainable business and can now take advantage of the improving external conditions to accelerate growth.

Relationship with The Coca-Cola Company

We have partnered with The Coca-Cola Company for over 60 years and we are proud to combine their insights, resources and experience with our own expertise in bottling, distribution and sales.

Diverse portfolio of world's leading brands

We produce, sell and distribute the world's most recognised beverage brands. The market doesn't stand still and consumer demands are constantly changing so we value flexibility highly and adapt our proposition to remain relevant. Our product portfolio is unique with still drinks accounting for 30%.



- Sparkling beverages : **90%**
- Water : **6%**
- Other : **4%**

- Sparkling beverages : **62%**
- Water : **18%**
- Low- and no-calorie sparkling beverages : **8%**
- Juice : **7%**
- RTD tea : **4%**
- Energy and other : **1%**

Engaged people

We have robust ways of assessing employee engagement regularly. Our overall score in 2016 rates highly within our peer group.

88%
Employee engagement

Strong balance sheet

With a sharp focus on working capital management and a disciplined approach to capital expenditure, combined with consistent cash conversion, we have strengthened our balance sheet.

1.25 times
Net debt to comparable EBITDA ratio

Industry leader

We are the industry leader amongst all beverage companies in the Dow Jones World and Europe Sustainability Indices and have been since 2014.

3 years

Lean manufacturing footprint

We operate in a vast territory stretching from Russia to Nigeria. While providing us with opportunity, this footprint also challenges us to continually optimise our operational infrastructure. Since the global financial crisis, our work has included significant consolidation of our production infrastructure, creating mega-plants without sacrificing capacity.

Plants across our markets	Warehouses and distribution centres	Filling lines
56	264	271
Reduction in number since 2008		
-30%	-27%	-5%

Emerging markets

Population: 428 million

GDP per capita: US$5,020

Volume

1,068m u.c.

Established markets

Population: 91 million

GDP per capita: US$36,349

Volume

607m u.c.

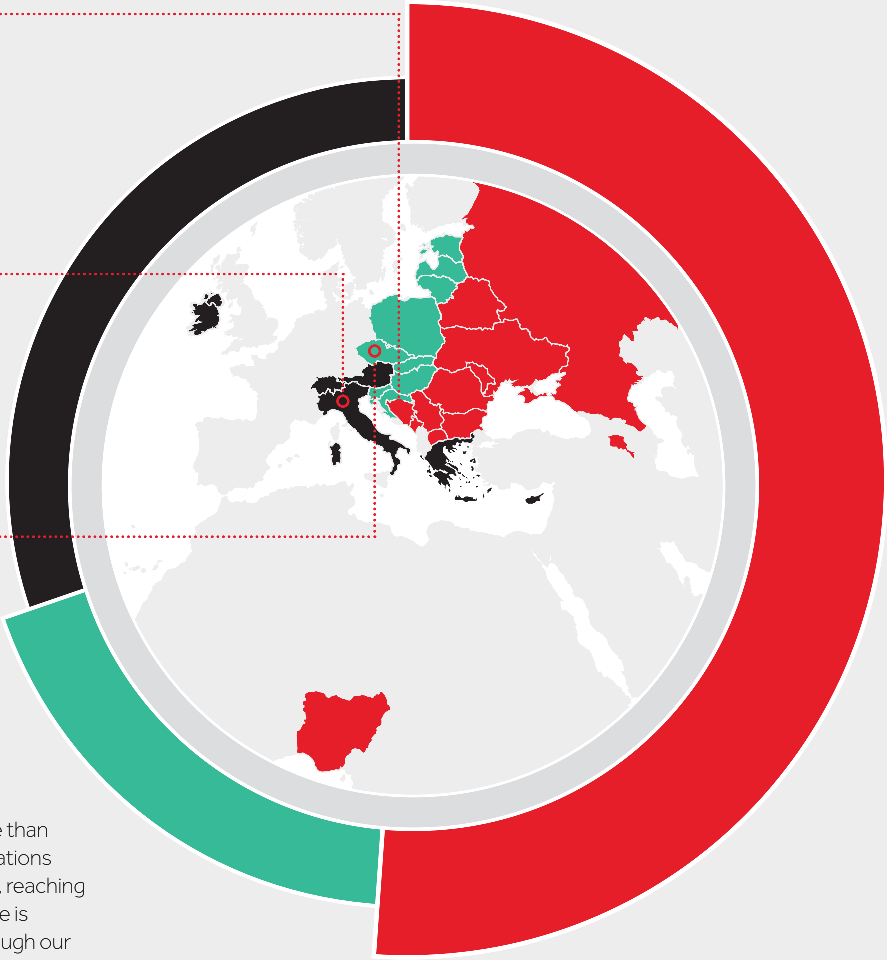
Developing markets

Population: 76 million

GDP per capita: US$13,861

Volume

383m u.c.



A leading bottler

We are a leading bottler with sales of more than 2 billion unit cases annually. We have operations in 28 countries spanning three continents, reaching 595 million people. The opportunity we see is superior business growth, particularly through our presence in fast-growing emerging markets.

Right-sized cost base

We right-sized our operating cost base, including adjusting our production and logistics infrastructure and harnessing technology and state-of-the-art systems to consolidate back office functions into shared service centres.

-260bps

Fall in comparable operating expenses as % of net sales revenue since 2008

Capability to execute in the market

By working with our customers to satisfy consumer needs and maximise demand for our products, we help grow their businesses and ours.

43%

Average sparkling drinks volume share in our territory in 2016

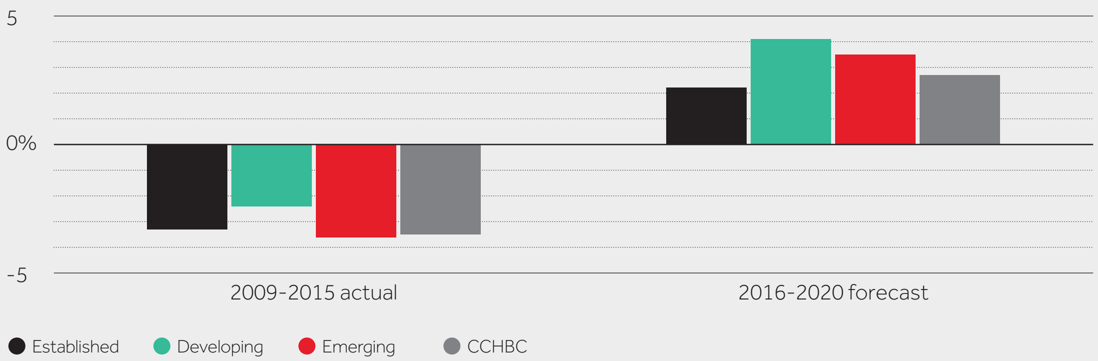
We are driving growth to new levels

The improving macroeconomic conditions in our markets mean that we can expect a volume tailwind in addition to the growth we can achieve with our efforts, and more scope for improving the price and mix of our product portfolio, creating more value to share with all of our stakeholders.

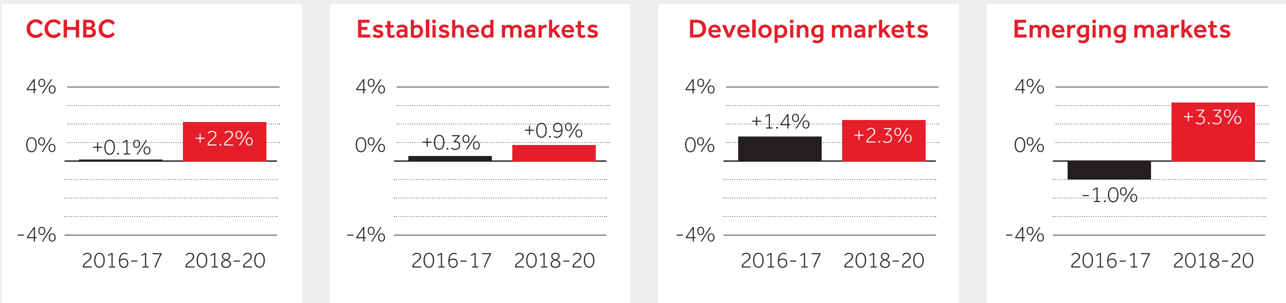
Improving macroeconomic conditions

During the 2009-2015 period, our business faced unprecedented challenges from declining economies, significantly higher input costs and adverse foreign exchange movements. According to forecasts, the economies in our footprint should improve from 2016 onwards, albeit at a slower pace than in the 2001-2008 period. Growth in the non-alcoholic ready-to-drink (NARTD) beverages industry is highly correlated with GDP per capita growth. Based on our forecasts, the non-alcoholic drinks category in our geographic footprint should grow by c.1.5% per annum on average from 2016 until 2020.

GDP per capita – CAGR (%)



Growth expected in the NARTD industry (average % p.a.)



IMF (no data for Sicily, Kosovo, Northern Ireland), Company and TCCC estimates

Our ambition and 2020 targets

Looking ahead, we expect an improving external environment to support growth in our markets over the period to 2020. In 2016, we relaunched our strategic objectives and announced medium-term growth targets.

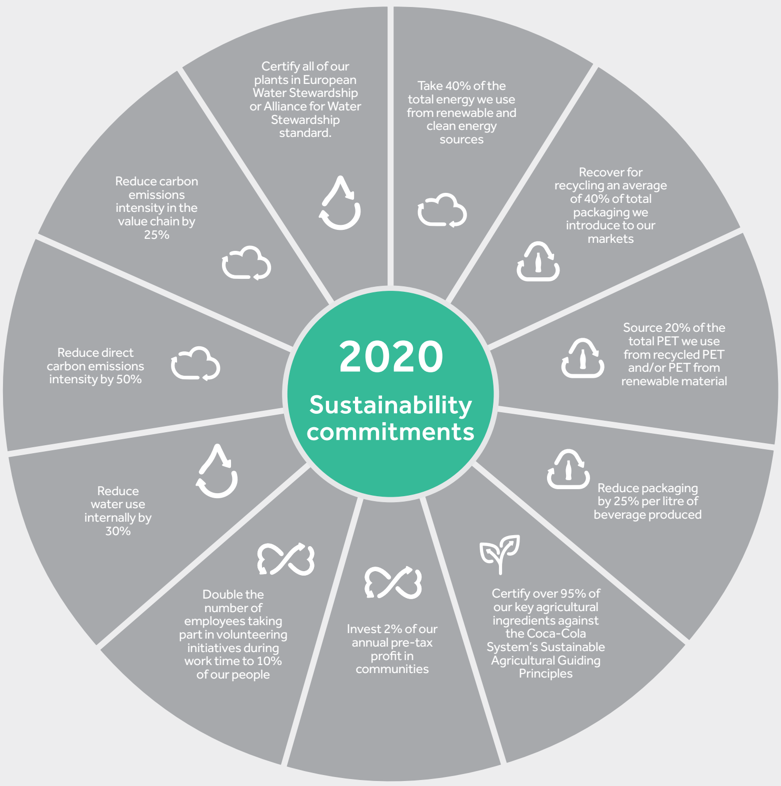
Vision	Our vision is to be the undisputed beverage leader in every market in which we compete			
Objectives	Drive volume growth	Focus on value	Improve efficiency	Invest in the business
Targets	Average currency-neutral revenue growth **4-5% p.a.**		Comparable OpEx as % of revenue by 2020 **26-27%**	Capital expenditure as % of revenue **5.5-6.5%**
	Comparable EBIT margin by 2020 **11%**			Working capital less than **-€100m**
Enablers	Engaged people		Act responsibly	

See more on pages 12-13

Sustainability commitments

Over the last few years, we have communicated sustainability-related targets with a 2020 horizon, which are relevant to almost all aspects of our business. These 2020 sustainability targets form part of our overall strategic plan that has enabled Coca-Cola HBC to become leader in sustainability among beverage companies, and reflect our determination to grow our business responsibly, profitably and sustainably.

See our progress on pages 38-53



Chairman's statement

Overseeing an era of growth

Integrating entrepreneurial drive and leadership with risk management is vital as we steer our Company through its next stage of growth.

Dear Stakeholder

In my first letter to you as Chairman, I take great pride in reporting on the good progress we have made in fine-tuning our governance and achieving sustainability and financial targets. Delivering these strong operational and financial results in the face of ongoing adversity is testament to the value of the clear strategy pursued at all levels of the business to build on the strong foundations we have established over the course of the last several years.

2016 highlights

There was a real sense of change and optimism in the business in 2016. With a renewed focus on revenue growth management, our people have a strong belief that we can improve the value we get from every case we sell by understanding our consumers' preferences and working with our customers. The recovery in our margins in our European markets strengthened our conviction to continue optimising our production, logistics and route-to-market elsewhere, particularly in Russia and Nigeria. Invigorated by another year of improvement in operational and financial results, the Board prioritised medium-term strategy, governance and risk management to steer the business through a new era of growth.

A values-based culture

Our Company has been successful by serving the long-term interests of all stakeholders while consistently delivering strong financial performance in the short term. In this report, we describe our business model and how we operate, the markets we serve and our strategy and priorities. We also explain how we serve the interests of our customers and consumers and the communities in which we operate. Our approach is integrated into how we lead and motivate our people and use our financial, physical and human assets. Effective corporate governance is about integrating entrepreneurial drive and leadership with effective oversight and monitoring, setting the corporate culture to maintain high standards of performance and conduct as well as maintaining good financial control and risk management. Within this report, we describe how we achieve effective integration of all these vital elements. We are proud to sell a wide range of excellent products from our portfolio of world-famous brands.

Our values-based culture encourages continual improvement in consumers' experience of our products, and constant focus on improving the way our business works. We set high standards for integrity, authenticity and ways of working, and our culture supports hard work, respect and taking ownership, enabling everyone associated with our business to take pride in their work. We hope that as you read the individual sections of this report you will get a strong sense of our corporate culture, and how important it is to us all.

Board priorities for 2017

- Continue oversight of regulatory and compliance risk
- Monitor the implementation of the Group's integrated supply chain infrastructure optimisation
- Aligning with The Coca-Cola Company in the implementation of the key strategic priorities of the Group
- Overseeing strategy in order to achieve the Group's 2020 growth objectives
- Continue to focus on leadership and development of talents

Making a net positive impact

The success of our business is largely dependent on the strength and well-being of the communities we are part of. We have therefore worked consistently to ensure that our business generates a positive socio-economic contribution and improves overall quality of life across our markets. To ensure our business has a net positive impact, sustainability initiatives are primarily focused in three key areas: minimising environmental impact, collaborating with our partners to develop a sustainable value chain and supporting and developing community well-being. In an effort to combat unemployment, in 2016 we embarked on an ambitious programme to empower youth in our markets. I encourage you to read about this and our other sustainability initiatives, throughout this report. Our efforts in the area of sustainability are being recognised internationally and I am particularly proud of Coca-Cola HBC being named industry leader amongst beverage companies in the Dow Jones World and Europe Sustainability Indices (DJSI) for the third consecutive year in 2016. Our Company is the only beverage company to have achieved this distinguished track record.

Changes in governance

During the year, the Board and its committees undertook an externally-facilitated evaluation in addition to monitoring and ensuring the Group's strategic progress. The Board appointed Ahmet Bozer, Bill Douglas, Reto Francioni and Ryan Rudolph as new non-Executive Directors following the retirement from the Board of George A. David, Irial Finan, Sir Michael Llewellyn-Smith and Nigel Macdonald. The Board, in recognition of his exceptional contribution and long-standing dedication to the Group, named George A. David Chairman Emeritus of the Company with effect from 24 June 2016. I would like to also personally thank Irial, Sir Michael and Nigel for their outstanding support and guidance to the Board all these years. Between them, the new Board members, Ahmet, Bill, Reto and Ryan, bring a wealth of relevant financial, legal, operational and international experience as well as diverse skills and personalities to the Board. The Board has concluded that Bill and Reto are independent in character and judgement and that they meet the independence criteria for the purposes of the UK Corporate Governance Code.

Proposed dividend reflects progress

On behalf of the Board, I would like to congratulate our employees on the excellent progress they made on all fronts in 2016 and encourage them to continue to be innovative, agile and ambitious. I would also like to thank Dimitris and his team for their efforts in driving our business forward. I am confident that we will continue our progress in 2017 in line with our 2020 strategic plan.

In light of our Company's 2016 performance and our confidence in management's ability to continue to grow the business, I am pleased to report that the Board is proposing a full-year dividend payment of 0.44 Euros per share. This represents a 10% increase compared to the dividend paid out from 2015 profits.

I would like to thank all of our shareholders for their continued confidence in our business. I look forward to seeing you at the Annual General Meeting.

Anastassis G. David
Chairman

More information

See more about managing risk and materiality p 16
See more about our culture p 34
See more about our financial performance p 54
See more information about our governance p 64

Strategic Report
Corporate Governance
Financial Statements
Swiss Statutory Reporting
Supplementary Information

Business model

Our business model is at the heart of everything we do. It supports our growth and defines the activities we engage in, the relationships we depend on and the outputs and outcomes we aim to achieve in order to create value for all of our stakeholders in the short, medium and long term.

Capitals engaged

Human

We work continually to develop the competencies, capabilities and talent of our people, a critically important asset.

See more on pages 34-37

Natural

Water, energy and other natural resources are important inputs to our value creation processes, and we seek to use them efficiently.

See more on pages 24-25 and 49-53

Social and relationship

Social and relationship capital includes our reputation and our ability to earn and maintain the trust of key stakeholders.

See more on pages 38-41

Financial

We seek to use all funds efficiently, whether obtained through financing or generated from operations or investments.

See more on pages 54-58

Intellectual

Our knowledge-based assets include our brands and brands we license, as well as proprietary technology, standards, licences and processes.

See more on pages 42-48

Manufactured

We carefully manage our stock of manufactured capital, including equipment and buildings, held to produce and distribute our products.

See more on pages 49-53

Value added by

Working with partners

Our partnership with The Coca-Cola Company gives us exclusive rights to manufacture, sell and distribute their branded products in our territory. They also produce and supply our Company with the concentrate, or syrup, that is the main ingredient for our beverages.

Marketing — Brand investment – The Coca-Cola Company

Serving customers effectively

We manage customer relationships as well as promotions and displays at the point of sale. Our customers rely on us to have a full range of quality products on the shelves every day, so that they can satisfy consumers' refreshment needs. In order to give our customers the best possible service, we segment each market and serve each customer based on size and need, taking into account prevalent market conditions.

In-market execution — Growth in category volume

Working with suppliers

We rely on our supply chain for many types of inputs to our business, including equipment and machinery and consultancy services and software. Partnering with responsible, dependable, efficient suppliers allows our Company to focus on what we do best – producing and distributing beverages that bring smiles to consumers.

Cost efficiencies — Investment in production optimisation

Use of cash — Working capital management

Leveraging our growth model

- In-store activation – Coca-Cola HBC

Create demand

Serving consumers and communities

We offer a range of beverages to satisfy evolving consumer preferences. By providing products that meet consumer needs and operating a responsible, sustainable business, we create value for the communities where we operate.

- Share gains
- Price and mix improvements

Grow the top-line

Producing cost-efficiently

Using concentrate from The Coca-Cola Company, and other ingredients, we produce, package and distribute products. We produce nearly all of the products we sell at our production facilities that also have distribution centres and warehouses. Utilising these facilities wisely helps us produce products responsibly and is key to our profitability.

- Operating expense reduction
- Leverage top-line growth
- Disciplined CapEx investment
- Enhanced EBITDA growth

Expand margins

Invest in the business

Value created

By running a profitable, sustainable, responsible business, we create value which is subsequently both retained by our business, making it stronger, and shared with all of our stakeholders.

Employees

Developing, recognising and rewarding our people secures a skilled and motivated workforce.

Direct employment
31,083

Customers

Our efforts to produce products efficiently and responsibly build value for our customers' businesses.

Met or exceeded customers' expectations
94.8%

Shareholders

Through the process of managing all inputs to our business well, we create profits which benefit shareholders through dividend payments and share value.

Net profit
€344m

Suppliers

As we create value, we support businesses throughout our value chain, and support job creation beyond our business.

Supplier spend
€3,138m

Communities

When our business is profitable, sustainable and responsible, the communities where we operate benefit through job creation, tax payments to governments, useful products and services, and minimisation of environmental impact. We also have a commitment to invest 2% of our pre-tax profits in programmes to support communities in our territory.

Total taxes
€281m

Chief Executive Officer's Q&A

Continued good progress in margin recovery

We have delivered solid currency-neutral revenue growth and another year of significant growth in margins and profits, representing a sustainable and well-established recovery.

Dimitris Lois
Chief Executive Officer

You forewarned us in last year's report about increased volatility in 2016. Did the business step up to the challenge?

There were a number of external factors that posed challenges to the business. The economy in our largest market, Russia, continued to contract, although to a lesser extent than in 2015. In addition, our Nigerian business grappled with an environment of severe hard currency shortages, a significant devaluation, ensuing high inflation and a contraction in the economy. Oil prices were volatile, not only impacting both of these economies, but also requiring careful management of PET resin prices for plastic packaging.

Our people managed this volatility very well indeed. We deployed proactive measures to manage currency exposures, increased prices to offset the foreign currency impact on our profits and continued with our restructuring programmes. I am particularly pleased that the challenges we faced invigorated our people, increasing their level of engagement again this year.

How would you summarise the operational and financial highlights of the year?

There were many highlights for me, which I will condense into three. Firstly, our people in Nigeria, with the support of Group functions and close cooperation with The Coca-Cola Company, steered the business through very rough waters this year. The achievement of 11% volume growth was a huge success given the market conditions. Secondly, our Company-wide focus on improving price and product mix has delivered well, with a 2.9% increase in net sales revenue per case on a currency-neutral basis. Finally, Group operating margins expanded considerably for the second year running despite increased marketing investment. Taking into account the strong foreign currency headwind and broadly neutral input costs, this is very much a reflection of the lean cost structure of the business and the leverage this affords us as revenues grow. The work we have done to optimise our production and operating cost base is bearing fruit.

For more about financial performance, please see the Financial review section of this report on page 54.

Any disappointments?

It is important to drive volume growth, as well as improvements in price and product mix, in order to benefit fully from the operating leverage in the business. This year, volumes grew well in a number of markets, but this was offset by the declines in Russia and some Western European markets.

With another good year behind you, what is your number one strategic priority?

Our number one priority continues to be to ensure revenue growth and margin expansion. We are working towards achieving the 2020 financial targets we disclosed in June 2016. While our plans allow for a slow start in 2016 and 2017, with the pace picking up thereafter, every year of improvement evidences the strength of the business and heralds the results we can deliver as the macroeconomic environment gets better.

Does that divert senior management's attention away from expansion through M&A?

We have always tracked certain brands in still drinks in our existing territory, which we wish to acquire and bolt on to our current distribution network – when they become available and at the right price, of course. This will continue.

As a signatory to the United Nations' (UN) Global Compact since 2005, the business has a very strong sustainability focus. Did you make further progress in the year?

We are absolutely committed to sustainable, responsible business growth. Building on improvements we have made over a number of years, our water use ratio fell by 3.2% in 2016 vs. 2015 and our energy use ratio fell by 4.7%, meaning that we need less to produce a litre of beverage. Carbon emissions from our operations have also continued to fall – by 6.2% in 2016.

To push ourselves further, we announced seven new targets in September 2016, committing us to significant improvements related to product packaging, use of renewable and clean energy, sustainable sourcing practices and more investment and involvement in our communities.

What are the vital themes for the long-term success of the business?

Firstly, it is vital that we manage our product portfolio proactively as consumer preferences evolve. In addition, markets are changing and we need to respond to mega-trends such as the development of the retail landscape. Finally, the reputation of Coca-Cola HBC and maintaining the trust of our wider audiences are also front of mind in everything we do.

- **Unlocking our talent potential**
- **Trusted by our communities**
- **Remaining relevant for our consumers**
- **Preferred supplier for our customers**
- **Remaining focused on cost efficiencies**

See more information about our stakeholders on p 34-53

Chief Executive Officer's Q&A continued

These new targets complement our existing 2020 commitments related to carbon and water intensity. Our level of ambition demonstrates how we, as a business, actively support the achievement of the Sustainable Development Goals adopted by the UN. We also continuously work to implement and promote the principles of the UN Global Compact in support of human and labour rights, corporate governance and anti-corruption and environmental protection.

You personally devote a lot of time and effort to Coca-Cola HBC's investment in people. What impact have you seen?

In 2016, we continued our efforts to identify, attract and retain the best talent by fostering the engagement and enthusiasm of our people, developing their capabilities, and rewarding a high-performance mindset. Our success is reflected in the strength of our talent pipeline and engagement survey results. As I briefly mentioned earlier, our annual employee survey showed a notable improvement in engagement again this year. Our engagement score was 88%, up from 87% in 2015. This score is two percentage points higher than the high-performing norm of companies measured by Willis Towers Watson.

I am extremely proud to be leading such a motivated and capable team and I know that it is the dedicated efforts of all of our people that drive our success, yielding the positive results we have reported again in this report. I thank them with all my heart.

For more about our engagement and talent development initiatives, please see the People section of this report on page 34.

What are your plans and aspirations if we look further out than 2017?

We expect the non-alcoholic ready-to-drink industry to grow by c.1.5% per annum on average in the next four years. We have plans to build on this and accelerate revenue growth by gaining share and driving value. Our commitment to optimising our cost base further and the operating leverage in the business should then ensure that top-line growth falls through to the bottom line, expanding margins to levels achieved prior to the global financial crisis.

And finally, what is the outlook for 2017?

In 2017, we expect slightly better economic conditions to support volume growth. We take confidence from these improving underlying trends as well as the success of both our commercial activities and cost initiatives, which will remain key focus areas in our plans. We are confident that 2017 will be a year of currency-neutral revenue growth and margin expansion as we continue to make progress towards our 2020 targets.

Dimitris Lois
Chief Executive Officer

Our strategy

Our vision is to be the undisputed beverage leader in every market in which we compete.

Our Company has a clear strategy to achieve this vision. We recognise our responsibilities to our communities, who are also our consumers, to make positive economic, social and environmental impacts. We continue to evolve our portfolio to create a balance of sparkling and still beverages and reformulate our products to reduce calories in collaboration with The Coca-Cola Company. We engage with our customers, working with them to grow their businesses and ours. Business efficiency and investments are ongoing priorities and it is vital that we continue to optimise our manufacturing cost base and logistics footprint with ongoing careful management of operating expenses.

We live by our values: authenticity, excellence, learning, caring for our people, performing as one and winning with customers. We think these values make for a culture where people have a strong sense of ownership and make decisions with purpose, confidence and speed. A values-led approach to business also makes good commercial sense, as it creates a company customers want to work with.

How we report

We focus on our four strategic pillars – Community trust, Consumer relevance, Customer preference and Cost leadership – that encompass the key areas of our business.

While these strategic pillars are fundamental to our vision and do not change, we have adapted our initiatives to take full advantage of the growth era that we believe the economy is entering. The key performance indicators (KPI) to measure our progress during the period 2016-2020 are our scorecard.

Strategic pillars

Community trust

We help our communities thrive, impacting their lives positively by making economic, social and environmental contributions

Consumer relevance
Customer preference

We work hard to remain relevant for our consumers and be the preferred supplier to our customers

Cost leadership

We aspire to be a cost leader and make the necessary investments to sustain this leadership

Objectives

Drive volume growth	Focus on value	Improve efficiency	Invest in the business

What we do to achieve our objectives

All of our operations in 28 countries work towards the same objectives: drive volume growth, focus on value, improve efficiency and invest in the business by implementing initiatives that are designed centrally. These initiatives are adjusted to respond to local demographics, economies and market characteristics in order to manage risk while driving growth.

Initiatives

Drive volume growth

1. Expand and deepen route-to-market
2. Execute in-store with excellence
3. Create joint value with customers
4. Drive the water category, focusing on value

Focus on value

1. Capitalise on meals and socialising occasions for sparkling drinks
2. Increase share of single-serve packs, driving transactions
3. Improve performance in hotels, restaurants and cafes (HoReCa)
4. Grow in the energy category
5. Drive pricing strategies

Improve efficiency

1. Continue production infrastructure and logistics optimisation
2. Capitalise on contiguous territory and Emerging markets opportunities
3. Utilise shared services to gain process efficiency
4. Drive packaging harmonisation and innovation (light-weighting)

Invest in the business

1. Invest in revenue-generating assets and innovative technology
2. Acquire water and juice brands in existing territory
3. Maintain negative working capital balance sheet position

How we measure our performance

We have five KPIs that are chosen to measure our progress. We report on these every year. Please see pages 14-15 for our 2016 KPIs.

Scorecard

Average currency-neutral revenue growth
4-5% p.a.

Comparable OpEx as % of revenue
26-27%
by 2020

Capital expenditure
5.5 – 6.5%
of revenue

Comparable EBIT
11%
by 2020

Working capital less than
- €100m

Enablers and values

Our people

Our most important enablers to growth are our people: unparalleled talent and a high-performance mindset are what we strive for.
Our people make our Company what it is and create value by growing our business responsibly and sustainably. Strengthening the capabilities of our people as well as engaging them and rewarding them appropriately are priorities at every level of our Company, enabling us to continue to attract and retain the best talent.

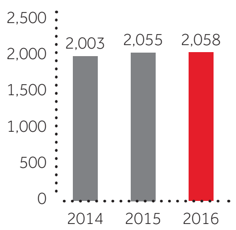
Our key performance indicators

Our strategic objectives

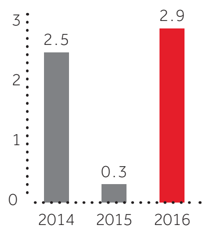
Objectives	Drive volume growth	Focus on value
How we track our progress	Volume is measured in million cases sold, where one unit case represents 5.678 litres.	Net sales revenue (NSR) comprises revenues from Coca-Cola HBC's primary activities. We report this on an FX-neutral basis. Net sales revenue generated per case sold is calculated on an FX-neutral basis.
What happened in the year	Volume increased by 0.1%, with growth led by Nigeria and Romania, offset by continuing decline in Russia and weaker volumes in Italy and Austria.	FX-neutral revenue per case grew in all geographic segments, reflecting price increases as well as better package and category mix.

KPIs

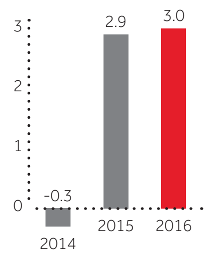
Volume (m unit cases)



FX-neutral revenue per-case growth (%)



FX-neutral revenue growth (%)



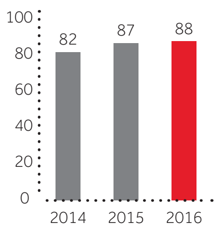
	Drive volume growth	Focus on value
Our plans for 2017	We expect volume to continue to grow in the Developing and Emerging segments and to stabilise in the Established segment.	We expect our plans to again deliver a substantial increase in FX-neutral net sales revenue per case in the full year.
Link to remuneration See page 88	Volume is a financial measure for MIP awards.	Net sales revenue is a financial measure for MIP awards.

Underpinned by our enablers and values

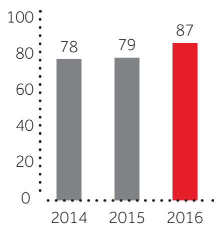
Objectives	Nurture unparalleled talent and a high-performance mindset
How we measure our performance	We track the percentage of employees responding to a Group-wide engagement survey positively. We record the number of key people in key positions and the number of women in our Company.
What happened in the year	Based on survey results, the employee engagement score was 88% in 2016. 87% of our key people were in key positions – up from 79% in 2015. Women make up 25% of our total workforce, 33% of our managers, 39% of our senior leaders and 15% of our Board of Directors.

KPIs

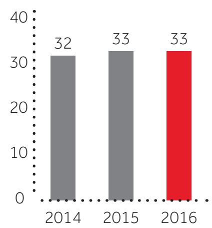
Employee engagement score (%)



Key people in key positions (%)



Women in management (%)



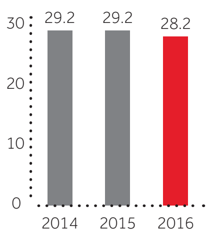
Improve efficiency

OpEx (Operating expenses) as a percentage of net sales revenue is calculated by dividing comparable operating expenses by total net sales revenue.

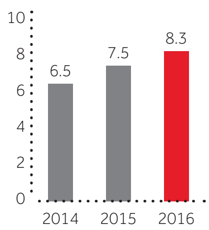
Comparable EBIT margin refers to profit before tax excluding finance income or cost and share of results of equity method investments, adjusted for certain non-recurring items divided by net sales revenue.

Cost efficiencies resulted in a considerable reduction in operating expenses which, combined with revenue growth, supported expansion in margins.

OpEx as percentage of NSR (%)



Comparable EBIT margin (%)



Our efforts to gain further efficiencies in our operating cost base continue.

OpEx as a percentage of revenue and comparable EBIT are financial measures for MIP awards.

Invest in the business

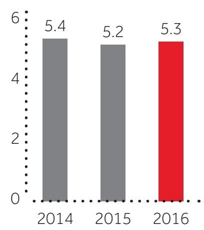
Working capital is operating current assets minus operating current liabilities, excluding financing and investment activities.

Capital expenditure (CapEx) as a percentage of net sales revenue.

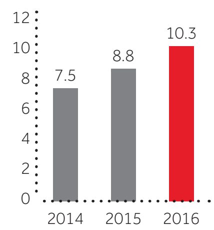
Return on invested capital (ROIC) is net operating profit after tax divided by capital employed in the business.

We met our working capital and capital expenditure targets. Improved profitability and efficient use of capital increased ROIC.

CapEx as percentage of NSR (%)



ROIC (%)



We will continue to invest in the business, while maintaining discipline to extract returns from those investments.

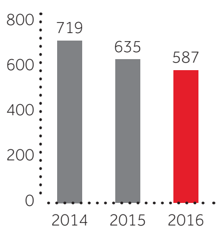
Working capital acts as a qualifier for the volume MIP payout. ROIC is a financial measure for PSP awards.

Act responsibly

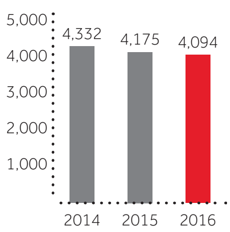
We measure direct and indirect **greenhouse gas emissions** from our operations (scopes 1, 2 and 3 as defined by the Greenhouse Gas protocol).

Our operational carbon emissions (from production and transport) amounted to 587,255 tonnes in 2016, a 7.5% decrease vs. 2015. The global carbon footprint of our products, including indirect emissions in the supply chain and for cooling, amounted to 4,094 million tonnes in 2016, a CO_2 reduction of 1.9% vs. 2015.

Greenhouse gas emissions '000 tonnes (scopes 1 and 2)*



Greenhouse gas emissions '000 tonnes (scopes 1, 2 and 3)*



* Since 2015 we report scope 2 carbon emissions using a market-based approach. All previous years' numbers have been used as a proxy since a true market-based result cannot be calculated.

Taking proactive measures to create and protect value

Our material issues and principal risks have the greatest potential to impact our ability to create and sustain value over time, and they help us ensure that our strategy is the right one for our business. We use a collaborative approach to ensure alignment on these issues across our organisation.

We examine the opportunities and threats facing our business through two complementary lenses. One is a business resilience lens which allows us to identify and respond to disruptive risk events, while leveraging growth opportunities. The other lens focuses on material issues including market, environmental and economic factors that have the potential to alter our business landscape in the medium and longer term. These two lenses enable us to understand our principal risks and material issues which, due to their importance, are considered in our business planning processes and monitored by our Operating Committee and our Board on a regular basis. In the following section we describe how they are identified, managed and reported.

Risk management and our principal risks

We continued to build on our enterprise risk management programme during 2016, further embedding the programme into our Company culture.

Effective risk management is a key factor in the way our senior management determines strategy and establishes priorities. Across our 28 countries, we integrate the way we manage risk into the operating framework and culture of our business. Our complete approach to business resilience and risk management was disclosed in our 2015 Annual Report and a description is available online at http://coca-colahellenic.com/en/about-us/business-resilience-and-risk-management/business-resilience/.

The Company's business resilience function, headed by the Group Chief Risk Officer (CRO), exists as a specialised independent risk management function that is responsible for day-to-day management of the programme and working with other specialised departments such as finance on specific business risks. The function reports directly and independently to both the Operating Committee (the Company's most senior management committee) and the Audit and Risk Committee.

British Insurance Awards 2016:

At the 2016 British Insurance Awards, the Company received the Risk Management Award for In House & Insurable Risk Managers, an award for innovative solutions recognising our ongoing work in this important area of governance.

A structured approach to risk management

The Board is ultimately responsible for the Group's risk management and internal control systems, and for reviewing their effectiveness. The Board defines the Group's risk appetite and, on a quarterly basis, monitors the Company's risk exposure to ensure that the material matters and principal risks facing the Company are managed in alignment with our strategic goals and objectives. While responsibility for overseeing these ongoing processes rests with the Audit and Risk Committee (as described later in this report), the Board as a whole is informed of outcomes and all significant issues.

In 2016, our detailed enterprise risk management process for the identification, review and escalation of risk included the following actions:

- In support of governance requirements, quarterly risk reviews were undertaken by markets and corporate office functions, with 28 of these risk assessment sessions facilitated by the CRO with these leadership teams: and
- Significant operational risks and associated management actions were evaluated and assessed quarterly. Additionally, in May and November, facilitated sessions were held to review risks on a regional level. These sessions included the Region Directors, their finance and supply chain leaders, and the CRO. Outcomes from these sessions were shared with operational stakeholders, ensuring effective risk management feedback.
- These operational and regional risks were also reviewed by the Group Risk Forum, which acts as an internal think tank on strategic risk and is headed by the CRO. The Group Risk Forum evaluated the risk trends and the strategic risk environment as part of the preparation of our Strategic Risk Register and Principal Risks.
- Drawing on all available risk data, the Operating Committee reviewed critical risk exposures in May and November with the CRO subsequently reporting the Company's risk management attitude, material changes, and mitigating actions to the Audit and Risk Committee.
- On a quarterly basis, the CRO briefed the Audit and Risk Committee on the risk management programme, material risks, and alignment and compliance with the UK Corporate Governance Code.

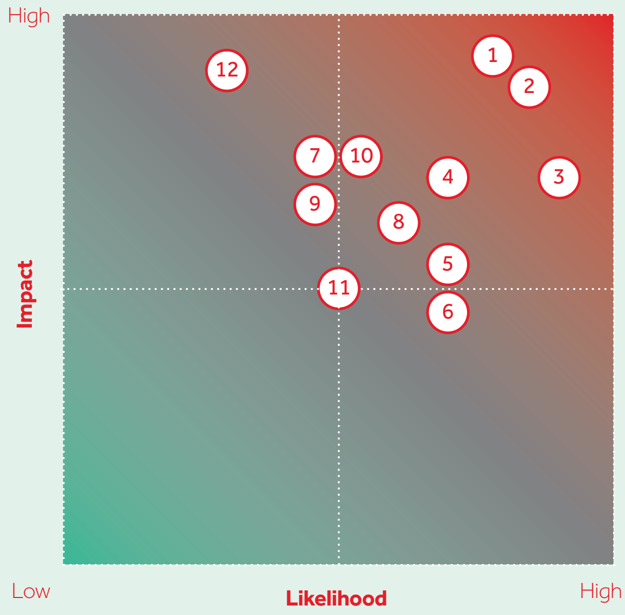
We ensure that visibility and alignment are maintained for both our material issues and our principal risks through strong functional collaboration. Because collaboration is central to the success of the risk management programme, we have established strong partnerships between risk management and the sustainability, health and safety, finance, and public affairs and communications departments.

Key features of our enterprise-wide risk management system are:

- a formalised risk management policy;
- Group statements on strategic direction, ethics and values;
- clear business objectives and business principles;
- clearly defined risk universe aligned to our strategic priorities: Community trust, Consumer relevance, Customer preference and Cost leadership;

Risk and materiality continued

Risk map



Key

1 Consumer health
2 Foreign exchange
3 Climate, carbon and water
4 Channel mix
5 Declining consumer demand
6 Discriminatory taxes
7 Quality
8 Regulatory challenges
9 People and talent
10 Cyber
11 Change management
12 Stakeholder relations

- a continuous process for the identification and evaluation of significant risks to the achievement of business objectives;
- risk management integration into the process of identification and management of material issues;
- risk management integration into our business planning processes;
- implementation of management processes to mitigate significant risks to an acceptable level;
- implementation of a cultural change programme that embeds risk management into the fabric of the business;
- focus on enhancing risk management capabilities of all future leaders across all operations and functions;
- continual monitoring of our internal and external environment for factors that may change our risk profile;
- annual evaluation of the type and amount of external insurance purchased and the role of our captive insurance entity, with reference to the availability of cover and cost, measured against the likelihood and magnitude of the identified risks.

For more information, read our Viability Statement on page 59

The Company's internal audit department conducts annual audits of the risk management programme, measuring the processes against International Accounting Standards and best practice. The Corporate Audit Director makes recommendations to improve the overall risk management programme with the audit report submitted to the Audit and Risk Committee.

Our principal risks

Our strategic priorities provide the context for guiding us in the management of both the material matters and the principal risks faced by our business. The overview of our most important risks, involving an assessment of the likelihood of occurrence and potential consequences, does not include all the risks that may ultimately affect our Company. Some risks not yet known to us, or currently believed to be immaterial, could ultimately have an impact on our business or financial performance.

We remain constantly vigilant to changes to our economic and regulatory operating environments, to ensure we proactively identify and evaluate new risks and understand threats to our business viability.

For the current reporting period, we validated the continued importance of our 12 identified principal risks. This was done through our ongoing ability to aggregate and analyse risk, our functional collaboration, and the think tank approach of the Company's Group Risk Forum.

Key for principal risks table (pp 19-21)

Increasing

Stable

Decreasing

Principal risks	Risk	Potential impact	Key mitigations	Link to material issues	Status
1. Consumer health	Failure to adapt to changing consumer health trends and address misconceptions about the health impact of soft drinks.	– Failure to achieve our growth plans – Damage to our brand and corporate reputation – Loss of consumer base	– Focus on product innovation – Expand our range of low- and zero-calorie beverages – Introduce smaller entry packs – Reduce the calorie content of products in the portfolio – Clearer labelling on packaging – Promote active lifestyles through consumer engagement programmes focused on health and wellness	Health and nutrition Responsible marketing	↑
2. Foreign exchange	Foreign exchange exposure arises from changes in exchange rates, as well as currency devaluation in combination with capital controls, which restricts movement of funds and increases the risk of asset impairment.	– Financial loss – Asset impairment – Limitations on cash repatriation	– Treasury Policy requires the hedging of 25% to 80% of rolling 12-month forecast transactional exposure – Hedging beyond 12 months may occur if forecast transactions are highly probable – Derivative financial instruments are used, where available, to reduce net exposure to currency fluctuations	Not applicable	↑
3. Climate, carbon and water	Failure to meet our stakeholders' expectations in making a positive contribution to the sustainability agenda, particularly relating to climate change, packaging waste and water usage.	– Long-term damage to our corporate reputation – Less influence in shaping the citizenship and sustainability agenda – Reduced profitability	– Water stewardship programmes that reduce our water consumption and our footprint and assure sustainable end-to-end water use – Carbon and energy management programmes – Packaging waste management programmes – Partnering with NGOs and International NGOs on common issues such as nature conservation – Partnering with local communities to minimise environmental impact – Focus on sustainable procurement	Carbon and energy Packaging, recycling and waste management Sustainable sourcing Water stewardship	↔
4. Channel mix	A continued increase in the concentration of retailers and independent wholesalers on whom we depend to distribute our products. The immediate consumption channel remains under pressure as consumers alter consumption habits.	– Reduced profitability	– Continued to increase our presence in the discounter channel during 2016 – Working closely with our customers to identify opportunities for joint value creation – Right Execution Daily (RED) strategy continues to support our commitment to operational excellence, enabling us to respond to changing customer needs across all channels	Not applicable	↔

Risk and materiality continued

Principal risks	Risk	Potential impact	Key mitigations	Link to material issues	Status
5. Declining consumer demand	Challenging and volatile macroeconomic, security and political conditions can affect consumer demand and create security risks across our diverse mix of markets.	– Eroded consumer confidence affecting spending – Inflationary pressures – Social unrest – Safety of people and security of assets	– Seek to offer the right brand, at the right price, in the right package through the right channel – Robust security practices and procedures to protect people and assets – Crisis response and business continuity strategies	Direct and indirect economic impacts	↓
6. Discriminatory taxes	Regulations on consumer health and the risk of the targeting of our products for discriminatory tax and packaging waste recovery.	– Reduction in profitability	– Proactively working with governments and regulatory authorities to ensure that the facts are clearly understood and that our products are not singled out unfairly – Shaping the sustainability agenda as it relates to packaging and waste recovery – Engaging with stakeholders including NGOs and the communities in which we operate on strategies to protect the environment	Not applicable	↑
7. Quality	The occurrence of quality issues, or the contamination of our products.	– Reduction in volume and net sales revenue – Damage to brand and corporate reputation – Loss of consumer trust	– Stringent quality processes in place to minimise the occurrence of quality issues – Early warning systems (Consumer Information Centres and social media monitoring) that enable issue identification – Robust response processes and systems that enable us to quickly and efficiently deal with quality issues, ensuring customers and consumers retain confidence in our products	Product quality and integrity	↔
8. Regulatory challenges	Inadvertent non-compliance, by the Company or related third parties, with local laws and regulations, that exist across our diverse mix of markets.	– Damage to our corporate reputation – Significant financial penalties – Management time diverted to resolving legal issues	– Annual 'Tone from the Top' messaging – Code of Business Conduct training and awareness – Anti-Bribery Policy and commercial compliance training – Internal control assurance programme with local management accountability – Risk-based internal control framework – 'Speak Up' hotline – Legal function in constant dialogue with regulators	Corporate governance, business ethics and anti-corruption Human rights and diversity	↔

Principal risks	Risk	Potential impact	Key mitigations	Link to material issues	Status
9. People and talent	Inability to attract and retain sufficient numbers of qualified and experienced employees in competitive talent markets and an inability to ensure their ongoing engagement and commitment.	– Failure to achieve our growth plans	– Focus on developing leadership talent – Right people in the right positions across the business – Focus on employee engagement ensuring support for our values – Promote operational excellence – Create shared value with the communities in which we work to ensure we are seen as an attractive employer	Employee well-being and engagement	↑
10. System availability and cyber attacks	Business stoppage due to applications or systems unavailability, or a loss of personal data, arising from data centre failure or other internal or external cyber threats and vulnerabilities.	– Financial loss – Operational disruption – Damage to corporate reputation – Non-compliance with statutory data protection legislation	– Monitoring, identifying and addressing cyber threats and suspicious internal computer activity – Training on information management and the protection of information – Disaster recovery testing and building resilience into our cyber risk programme	Not applicable	↑
11. Change management	Failure to effectively execute major business transformations, or performance issues with third-party providers that we deploy as part of our business transformation.	– Under-delivery of expected transformation results – Disengaged employees – Reduction in profitability – Market confidence in our ability to deliver on strategy is weakened – Damage to corporate reputation	– Project plans and change management strategies in place – Board and Operating Committee conduct regular tracking of the actual performance compared to business case	Not applicable	↔
12. Strategic stakeholder relationships	We rely on our strategic relationships and agreements with The Coca-Cola Company, Monster Energy and our Premium Spirits partners.	– Termination of agreements or unfavourable renewal terms could adversely affect profitability	– Management focus on effective day-to-day interaction with our strategic partners – Working together as effective partners for growth – Engagement in joint projects and business planning with a focus on strategic issues – Participation in 'Top to Top' senior management forums	Not applicable	↔

Our approach to materiality

Our strategic priorities provide the context for guiding us in the management of both the material issues and principal risks faced by our business.

Material issues for our business are those financial, economic, environmental and social issues that affect the ability of our business to create value for our stakeholders and communities over time. The cross-functional Sustainability Steering Committee assumes responsibility for our materiality process from a governance perspective, reviewing and adjusting priority issues that affect our business strategy, business model and the types of capitals our business uses or affects. When determining our material issues, we are mindful of the broader environment in which we operate, the risks and opportunities our business is exposed to, and changes in stakeholder expectations. We gain insight to what impacts our business through ongoing research, benchmarking and media monitoring and we consider market dynamics, societal issues, environmental challenges, the legislative and regulatory environment, and matters identified by our risk management process, see pp 16-21.

Determining and prioritising material issues

Assessment of material issues is an ongoing process to ensure that our strategic focus areas remain relevant to changes in the environment in which we operate and the requirements of our stakeholders. Areas that are assessed include financial, environmental, social, strategic, competitive, reputational, legislative, policy and regulatory matters.

We identify material aspects starting from a comprehensive list of various issues across the business, and then group and prioritise these based on their relevance and potential to impact our business strategy and risks and opportunities.

The Operating Committee and the Social Responsibility Committee of the Board of Directors review and endorse the material issues list and the materiality matrix, which play a key role in meaningfully and transparently reporting on how we create value in the short, medium and long term.

Stakeholder involvement

We also seek input to our material issues from key internal and external stakeholders (investors, customers, suppliers, local communities, NGOs, governments) in a systematic way. Our business leaders regularly engage with stakeholders across our markets through their work with trade associations, governments, civil organisations and alliances, in various meetings, forums and events to discuss priority issues for our stakeholders and the business. Once a year we invite a selected group of people to a Group stakeholder forum, where we present briefs on two to three material issues and seek input to these and all other material issues in plenary sessions, roundtable discussions and personal interviews. Read more on stakeholder engagement on our website.

Prioritisation of our material issues includes input from over 500 external stakeholders identified as important to our markets and the Group as a whole. Input is collected through an online survey in which we give our stakeholders the opportunity to provide recommendations, comments, and feedback. We consider matters identified during stakeholder analysis and engagement to better understand stakeholder interests and concerns, and our dependence and effects on the different types of capital we rely on.

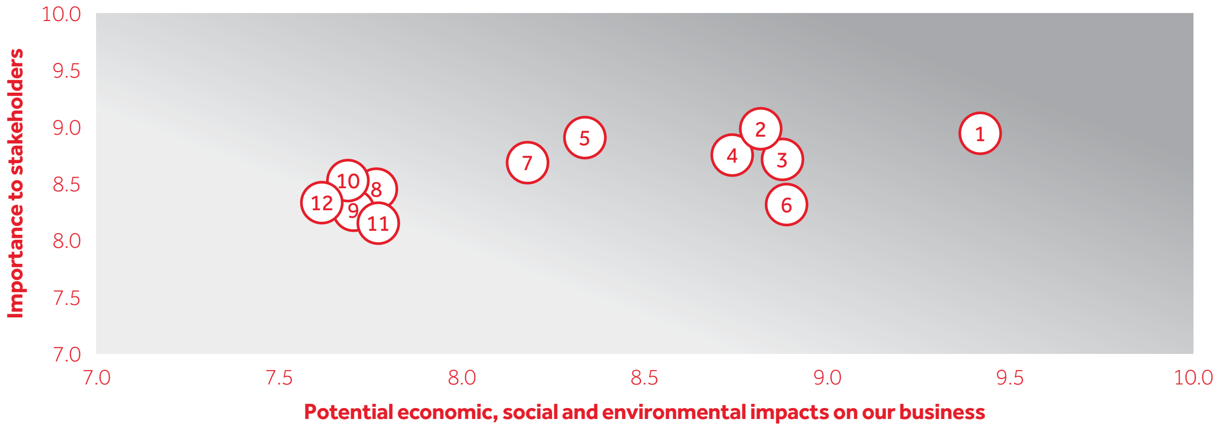
The same survey is conducted with close to 300 leaders from all business units and functions in the Group, to get representative input to our materiality matrix from internal stakeholders, including our Operating Committee.

Material issues matrix

We continue to regard the 12 material issues identified last year as the most relevant and we believe these will remain so for our business for the years to come, although the drivers behind them and their relative importance to the Group will continue to change. We are conscious of the fact that our material issues are interconnected, and they shape our strategic focus areas and actions in an integrated way.

In 2016, we initiated a standard way of assessing materiality and engaging stakeholders for all our local operations reports, which also informs the Group materiality process. Markets use the same standard set of material issues as the Group, and may amend these by adding up to three others which are of local relevance, with the endorsement of the local leadership teams. To assess the potential social, economic and environmental impact of the material issues on our business, we conduct an online survey of our top 300 business leaders, which is then vetted by our Sustainability Steering Committee and the Board Corporate Social Responsibility Committee.

Material issues matrix



Key

1. Product quality and integrity
2. Corporate governance, business ethics and anti-corruption
3. Health and nutrition
4. Water stewardship
5. Packaging recycling and waste management
6. Employee well-being and engagement
7. Responsible marketing
8. Sustainable sourcing
9. Community investment and engagement
10. Human rights and diversity
11. Direct and indirect economic impacts
12. Carbon and energy

Our material issues and how they influence our ability to create value over time

Here we describe the importance of our material issues in the business context and how we address them, including setting and disclosing targets and metrics to measure progress. We have a set of commitments disclosed in this report as well as on our website with clear targets that the business commits to achieve by 2020, and executive compensation linked to these targets.

Economic dimension

Corporate governance, business ethics and anti-corruption

Conducting all business activities with integrity and respect for society is of primary importance for Coca-Cola HBC. Being a good corporate citizen means having a strong foundation in business ethics and maintaining well-established processes and systems for managing financial and non-financial dimensions of performance, which in turn builds the trust and reputation of Coca-Cola HBC. We address corporate governance holistically, maintaining a zero tolerance culture related to breaches of our Code of Business Conduct and anti-bribery policies, while making sure all of our people are trained on these policies every two years. Our Board and its committees assume responsibility at the highest level for environmental, social and governance issues related to the business, and we disclose information about Board independence and performance, including a skills matrix. For more information, please read the Corporate Governance section of this report on pages 60-107 and our GRI communications and progress report on our website.

GRI aspects: compliance with environmental, product responsibility and societal aspects; anti-competitive behaviour; anti-corruption; public policy.

Direct and indirect economic impacts

As a business operating in 28 countries in Europe, Africa and Asia we contribute to local economies and public finances through our core business activities. These activities generate income for employees, and revenue for suppliers and contractors, improve our customers' profitability, and support public well-being and infrastructure through tax payments, dues and fees. You can find out more about our taxes paid on page 58. We also contribute by investing in community programmes to address environmental and social issues. We make sure that best business practices are successfully adapted for, and applied in, emerging markets. We employ more than 31,000 employees. Within the European Union, the Coca-Cola System supports more than 500,000 direct and indirect jobs in our value chain. We source ingredients, raw materials, equipment and services from approximately 35,000 suppliers. In 2016, our total supplier spend was €3,138 million, and we paid €281 million in taxes across all our markets.

Risk and materiality continued

We regularly conduct socio-economic impact studies to better understand our impact on local economies in all our markets. More about this can be found in the Community trust section on pages 38-41 of this report and the GRI tables on our website.

GRI aspects: economic performance; market presence; indirect economic impacts.

Health and nutrition

We recognise the rising incidence of obesity as a serious and complex global health challenge. Ensuring that our products can be part of a balanced diet combined with a healthy lifestyle is of key importance for the long-term success of our business and the overall Coca-Cola System. We are committed to supporting consumers to make more responsible choices about the beverages they consume. We offer a wide choice of beverages and package sizes, drive availability of our no- or low-sugar options, and provide clear, transparent nutritional information on all our brands. The Coca-Cola Company is responsible for product innovation, development, labelling and consumer marketing for the majority of brands we produce and sell. The Coca-Cola Company announced a series of commitments that our global business system will seek to achieve by 2020. See more details in the Consumer relevance section of this report on pages 42-45.

GRI aspect: product responsibility.

Product quality and integrity

Our products are designed to refresh our consumers and satisfy customer needs, and our business depends on product quality and integrity for market leadership, sales volumes, revenues and community trust. In addition to product functionality, quality, safety, taste and design, integrity also includes intangibles such as brand equity of the best known beverage brands in the world.

We offer the highest quality beverages in all markets, and apply end-to-end food and safety standards, whilst maintaining a strong focus on world-class mindset on food and safety in the value chain. Failures that result to reduction of quality, or product spoilage and process and packaging failures result in reduced cost for the business. A low rate of consumer complaints shows that our beverages are of high quality and people trust our products and brands, maintaining and growing the value of these intangible assets. For more information, please see our GRI communications progress report.

GRI aspect: product responsibility.

Responsible marketing

Our advertising and promotions reach millions of our consumers and this is a responsibility we take very seriously. Our approach to responsible marketing, the way we engage in direct commercial activity and the way we advertise and promote impact our sales volumes, revenues and corporate reputation.

We comply with The Coca-Cola Company's Global Responsible Marketing Policy and are signatories of the European Soft Drinks Industry Association (UNESDA) commitments, compliance with which is regularly checked by external third-party auditors contracted by UNESDA. We offer choice from mineral waters through sparkling soft drinks to 100% juices, and offer no- and low-calorie beverages in all of our markets. We consider primary schools to be marketing-free premises, while on our cans and bottles our consumers will find information about what the drink contains and how it contributes to their daily consumption. For more information, please see the Consumer relevance section of this report on pages 42-45.

GRI aspect: product responsibility.

Environmental dimension

Carbon and energy

For Coca-Cola HBC, energy and carbon management is a strategic priority. Climate change represents potential risks to Coca-Cola HBC's business, including the possibility of increased energy costs, carbon taxation, sustainable supplies of water and raw materials, and business disruption due to severe weather conditions. It is also a material issue for our business because consumption of cold beverages is impacted by weather, which also affects our suppliers, customers and the communities which we serve. In addition to reducing our exposure to climate change risks, we see business benefits resulting from ongoing investment in energy efficiency and low-carbon technologies, applying accounting for sustainability in our business planning and becoming one of the first 12 companies in the world with science-based carbon reduction targets across our value chain. Read more about our initiatives, and the cost implications and risks associated with carbon and energy, on pages 5, 15, 19, 52 and 53 of this report.

GRI aspects: energy; emissions; transport; products and services (environmental); environmental investments.

Packaging, recycling and waste management

Packaging plays a vital role in keeping our products fresh and safe. Sustainable packaging and waste management are important to our business, given the amount of packaging we use and the need to recover and recycle packaging made of a variety of materials after these have been consumed. A significant part of our sales comes from Developing and Emerging markets, where waste management infrastructure still needs to develop to avoid landfilling. Through extended producer responsibility policies, producers such as Coca-Cola HBC can be held responsible for financing waste management schemes, which increases cost.

Our ultimate goal is to close the recycling loop, converting used packaging into new. We minimise the environmental impacts of the packaging we use at every stage of the lifecycle, working on designing packaging that is lighter and minimises waste. We support 19 packaging waste management schemes that recover and recycle post-consumer packaging, and recovered for recycling 37% of packaging material in 2016 across our markets. We work with governments, other industry members, community organisations, consumers and others to fulfil our commitments and lead actions related to sustainable packaging. Through recovery organisations, we invest in consumer education about the benefits and ways of recovering packaging waste. Read more on page 52 of this report and the GRI tables on our website.

GRI aspects: materials; effluents and waste; products and services (environmental); environmental investments.

Sustainable sourcing

The sourcing of our raw materials accounts for a large portion of our economic, operational and environmental footprint and our spend with suppliers. We depend on sustainable supplies of sugar and juice bases made of fruits and vegetables to produce a number of our products. As an integral part of our business model, the performance of our suppliers directly impacts the sustainability performance and commitments of Coca-Cola HBC, encompassing a wide range of economic, environmental and social impacts. We are committed to working with The Coca-Cola Company and our suppliers to ensure that we source our key agricultural ingredients sustainably. We work with our suppliers to ensure compliance with the Sustainable Agriculture Guiding Principles (SAGP) by 2020 and we have a clear roadmap in place to achieve this goal. All our suppliers are required to adhere to our Supplier Guiding Principles, and we are members of SEDEX (Supplier Ethical Data Exchange), a not for profit membership organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains.

GRI aspects: procurement practices; supplier engagement and assessment; human rights; child and forced labour.

Water stewardship

Water is the primary ingredient of our products, is central to our manufacturing processes and necessary to grow the agricultural ingredients (sugar, fruits, vegetables) for our products. Sufficient amounts of accessible, safe, good-quality water and sanitation are essential to the health of people and ecosystems. This issue is high on the political agenda especially into our Emerging markets and areas of water scarcity, where governments may impose water-related taxes. Innovation and investment in technologies enabling more efficient water use and wastewater treatment can save costs. Community water projects such as rainwater harvesting, ecosystem preservation and wetland protection require continuous investment and dedicated staff, as well as strategic partnerships with civil and governmental organisations.

We are committed to reducing our water intensity (l/l beverage produced) by 30% between 2010 and 2020 by leveraging Accounting for Sustainability principles in our business planning and applying the full cost of water in our return on investment calculations. Further, we aim to reduce our water use ratio to reach 1.61 l/l of beverage produced, consistently focusing on and investing in water-saving initiatives, partnering with suppliers to minimise our water footprint across the entire value chain, and committing as a system to certify 100% of our plants according to the European Water Stewardship (EWS) or Alliance for Water Stewardship (AWS) standards. For details on water-related targets to date, please see the Cost leadership and Community trust sections of this report on pages 38-41.

GRI aspects: water; biodiversity; products and services (environmental); environmental investments.

Social dimension

Community investment and engagement

The success of our business depends on the strength and well-being of the communities in which we operate. Having a clear direction and focus for guiding community investment and engagement in our countries of operation enables our communities and our business to grow.

Our community investment and engagement focuses on the areas of youth empowerment, environmental and water stewardship and community well-being. We are committed to investing 2% of our pre-tax profit into our communities and increasing the number of volunteers supporting community projects in work time from 5% to 10% by 2020. For more information, please see the Community trust section of this report on pages 38-41, and our commitments.

GRI aspects: local communities.

Employee well-being and engagement

The success of our business also depends on our ability to attract and retain talented, healthy, happy and engaged people, will be working in an inclusive environment. Improvement in well-being results in improved workplace performance including financial performance, labour productivity and the quality of outputs. Sustainable engagement scores are strongly and positively linked with workplace performance and are a key business indicator for all managers leading teams within Coca-Cola HBC. Training, developing, motivating and engaging employees and providing access to employee well-being programmes and a safe working environment are at the core of our corporate culture. More about employee well-being, human capital development and health and safety can be found on pages 36-37 of the People section of this report and in the GRI communication on progress.

GRI aspects: labour practices and decent work.

Human rights and diversity

Our people are our most important asset and key to the success of our business. We seek to create a working environment that fosters diversity and inclusion, making sure that human rights are fully recognised and respected across the value chain. The issue of human rights is central to good corporate citizenship and to a healthy bottom line.

Our Human Rights Policy is guided by international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights. The percentage of women in our workforce was 25% in 2016, with women in management making up 33% of all managers, while 54% of management trainees hired in 2016 were women. More about human rights can be found on page 37 in the People section of this report, and on our website.

GRI aspects: human rights; diversity and equal opportunity; labour practices.

Staying on top by successfully addressing evolving trends and preferences

Positive macroeconomic and industry trends

After six years of operating against a very challenging macroeconomic backdrop, we now see signs of improvement, with moderate GDP growth and abating deflationary trends, despite unemployment rates being high in some of our markets. The non-alcoholic ready-to-drink category is expected to return to growth in our territory, with acceleration post 2017. With such a vast geographic footprint, trading conditions vary from market to market. However, the average forecast industry volume growth for 2016-2020 is 1.5% p.a.

+1.5% p.a.

2016-2020 NARTD volume growth

Focus on sustainable practices

Today's consumers have an inherent expectation that the companies behind the brands they choose are ethical and follow responsible business practices.

Synergies between suppliers and retailers, along with stricter regulations, help elevate product sustainability in all aspects of the supply chain.

66%

Global respondents willing to pay more for sustainable products

Source: Nielsen Global Survey of CSR and Sustainability (March 2015 – online survey to 60 countries worldwide)

Dynamic retail environment

Channel dynamics are shifting towards organised trade with gradual consolidation of retailers, the growth of discounters and weakening performance of big-box grocery stores. Retailers invest in customer loyalty with sophisticated promotion plans. Online shopping is expanding and offers a great opportunity for growth for the consumer goods industry.

15%–25%

Reduction of average assortment size in Europe by 2025

Source: Bain & Company, April 2016

Changing consumer habits

We notice a growing reliance on digital communications among our consumers, changing the way they perceive and connect with brands. Eating habits are changing as well; there is a shift towards eating quick, solitary, yet healthy meals anytime during the day instead of fixed meal times and eating with others. Limited disposable income increases focus on purchases that represent value for money and maintains the trend of shopping locally with small baskets.

55%

Individuals in the European Union aged 16-74 who have purchased online in the past 12 months

Source: Eurostat, 2016

Health concerns and regulatory environment

Consumer concerns over calorie intake, sugar and safety of artificial ingredients continue to escalate, shifting demand towards low-calorie, organic or more traditional products. Childhood obesity and diet-related health conditions are the focus of campaigns urging governments to take action. Regulatory bodies are responding with a range of measures from clear nutritional labelling to taxing products with sugar.

59%

Europeans who never or seldom play sport or exercise

Source: Eurobarometer, March 2014

We remain agile by keeping on top of macroeconomic trends and changes in customer and consumer preferences, and adjusting our product portfolio and processes accordingly.

Integrating sustainability into the way we do business

- Promoting clear facts about our products, including transparent nutritional labelling.
- Ensuring superior quality and taste in our products, as a result of rigorous controls.
- Marketing responsibly, including no advertising to children under 12 anywhere in our markets.
- Investing in community programmes that create shared value for our business and our stakeholders.
- Minimising our environmental impact by consistently reducing our water and energy use and carbon emissions.

€7.3m
Given to socially responsible programmes in 2016

Offering choice and innovation

- Promoting innovative new sparkling beverage recipes with lower calories or no sugar.
- Offering a variety of package sizes that can serve the specific needs of each consumer for every occasion, including packs for small baskets.
- Providing and shaping choice, with a balanced portfolio in which still beverages such as water and juice account for 30% of our volume.

30%
Reduction in calories in Fanta, Sprite and Nestea since 2010

Ensuring sustainable volume growth

- Expanding route-to-market, with optimal service to each customer based on their potential.
- Executing in-store with excellence in order to fully capitalise on each customer's potential.
- Creating joint value with customers by understanding and prioritising various occasions of consumption and working together to grow overall sales volume.
- Investing in water, which has excellent growth prospects for the years to come, with a continuous focus on value.

+5.5pp
RED score in 2016

Forming a lean organisation that allows for operating leverage

- Continuing production optimisation, by consolidating our production plants without losing capacity.
- Achieving logistics optimisation, by reducing the number of warehouses and distribution centres and by outsourcing.
- Leveraging the SAP platform across the Group to drive efficiency.
- Increasing productivity by harmonising formulas and packages.

-260 bps
Reduction in comparable operating expense as % of NSR since 2008

Focusing on value growth

- Capitalising on meals and socialising occasions with Meals and Coke. Value is driven by creating associations with food and activating single-serve packs.
- Improving our package mix by growing single-serve package contribution to our total volume through numerous initiatives including investment in coolers.
- Capturing the growth opportunity in hotels, restaurants and cafes (HoReCa), where we achieve higher revenue per case.
- Implementing sophisticated pricing strategies, supported by the gradual recovery we see in inflation and disposable income.

+2.9%
Growth in FX-neutral revenue per case

Established markets

Focusing on value and execution

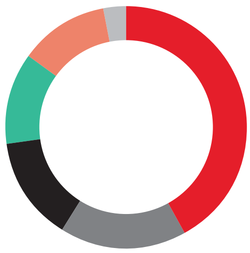
Highlights for the year

	2016	2015	% change
Volume (million unit cases)	**606.6**	621.1	-2.3%
Net sales revenue (€ million)	**2,407.8**	2,485.6	-3.1%
Operating profit (EBIT) (€ million)	**236.8**	171.3	38.2%
Comparable EBIT (€ million)	**242.3**	198.8	21.9%
Total taxes[1] (€ million)	**120.7**	105.7	14.1%
Population[2] (million)	**91.3**	90.8	0.6%
GDP per capita (US$)	**36,349**	35,843	1.4%
Bottling plants (number)	**13**	14	-7.1%
Employees (number)	**6,744**	6,642	1.5%
Water footprint (billion litres)	**5.4**	5.3	1.9%
Carbon emissions (tonnes)	**114,329**	125,859	-9.2%
Safety rate (lost time accidents >1 day per 100 employees)	**0.94**	1.14	-17.5%

1. Total taxes includes corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.
2. Population source: International Monetary Fund, World Economic Outlook Database, October 2016. Northern Ireland: NISRA (Northern Ireland Statistics and Research Agency), Office for National Statistics, UK, Northern Ireland Economic Outlook, September 2016; Italian data: Sicilian population excluded based on data from ISTAT (Italian National Institute of Statistics).

Percentage changes are calculated on precise numbers.

Established markets volume breakdown



- Italy: **42%**
- Greece: **17%**
- Austria: **14%**
- Switzerland: **12%**
- Ireland: **12%**
- Cyprus: **3%**

In our Established markets segment, volume declines and negative currency fluctuations caused sales revenue to fall. Nevertheless, profits increased, largely due to our long-term efforts to optimise infrastructure and contain costs.

Volume decline of 2.3% was primarily driven by the water category, following the delisting of our low-value water brands in Italy and cooler summer weather compared to the very hot summer in 2015 that had fuelled water category growth, as well as lower volume in the sparkling category. The launches of Monster, Coke Life and a new Fanta Slider bottle in Italy, as well as Coke Life in Austria, supported consumer choice through innovation. Coke Zero, Fanta and Schweppes sales also performed well.

While sales revenue suffered as a result of lower volume, negative currency impact, price mix deterioration in an overall deflationary environment and negative channel mix, we succeeded in improving both category and package mix. Increased sales of high-value, single-serve packs, driven by our initiatives in the immediate consumption channel, were particularly notable.

Benefits from revenue growth management initiatives, lower operating expenses and favourable input costs more than offset the negative impact of lower volume and pricing pressure. Comparable operating profit improved by 21.9% to €242.3 million, leading to a 210 basis-point expansion in the Established markets' comparable operating profit margin to 10.1%.

Volume vs. 2015

-2.3%

FX-neutral NSR per u.c. improvement

+0.3%

Comparable EBIT margin vs. 2015

+210 bps

This year, you managed to improve profitability significantly despite lower sales volume. Can you explain some of the initiatives that helped achieve this?

This performance is indicative of what we expect to happen in the Established markets. Our practice during the last few years is to focus on what we can control, so we have taken many initiatives to take cost out. Most of our infrastructure and logistics optimisation in Europe has been completed, giving us very powerful operating leverage. In addition to the above, we have been aided in achieving our profitability target by successful procurement decisions like locking sugar prices in at the right moment, commercial initiatives like delisting lower-value water brands in Italy, and our operating expense control.

How can this segment with mature Western European markets support top-line growth in the future? Do you see any risk in your sales volume growth assumptions?

In our Established markets we expect modest volume growth in the years to come, driven by improving GDP per capita and abating deflationary trends. It is true that growing health awareness and stricter regulatory environments can affect our performance. As a response, and in line with our revenue growth management strategy, we focus on innovation, both in flavours and in package options, providing consumers with more choices. Top-line growth in the Established markets is expected to come mostly from category and price mix and, to a lesser extent, from volume. We are confident that our assumptions supporting our long-term financial targets are valid.

Sotiris Yannopoulos
Region Director

Supporting cycling culture in Ireland

In Ireland, more than 15 million journeys have been taken on Coca-Cola Zero Dublin bikes since the initiative launched in 2009. Our support extends to city bike schemes in Belfast, Cork, Galway and Limerick and is part of our commitment to encourage active healthy lifestyles. Across the five initiatives, about 13,000 cycle journeys are taken on an average day.

Optimising water portfolio in Italy

Early in the year, we determined that low-value water brands should be removed from the Italian market. The decision was driven by the need to optimise our water portfolio in the country in line with our revenue growth strategy. Following this change, which was completed by the end of the first quarter, we have seen healthy growth in volume for the Lilia and Sveva brands which we continue to sell in Italy. Water sales in the country have also benefited from improvement in single-serve pack sales and higher margins.

Developing markets

Continuing volume growth

Highlights for the year

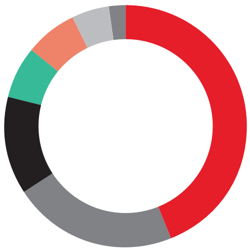
	2016	2015	% change
Volume (million unit cases)	**383.5**	378.7	1.3%
Net sales revenue (€ million)	**1,094.2**	1,092.0	0.2%
Operating profit (EBIT) (€ million)	**92.9**	87.4	6.3%
Comparable EBIT (€ million)	**97.1**	98.6	-1.5%
Total taxes[1] (€ million)	**54.0**	56.0	-3.4%
Population[2] (million)	**76.0**	76.0	–
GDP per capita (US$)	**13,861**	13,756	0.8%
Bottling plants (number)	**8**	9	-11.1%
Employees (number)	**4,980**	5,315	-6.3%
Water footprint (billion litres)	**2.2**	2.3	-4.3%
Carbon emissions (tonnes)	**89,323**	108,404	-17.6%
Safety rate (lost time accidents >1 day per 100 employees)	**0.66**	0.54	22.2%

1. Total taxes includes corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.

2. Population source: International Monetary Fund, World Economic Outlook Database, October 2016.

Percentage changes are calculated on precise numbers.

Developing markets volume breakdown



- Poland: **44%**
- Hungary: **22%**
- Czech Republic: **13%**
- Baltics: **7%**
- Croatia: **7%**
- Slovakia: **5%**
- Slovenia: **2%**

While volume and net sales revenue improved in our Developing markets segment for 2016, channel and price mix, particularly in Poland, constrained profitability.

Positive developments in package and category mix, particularly in Hungary, helped to counter the negative impact of having more sales through the organised trade.

We experienced growth in nearly all markets, driven by the sparkling and energy categories. Unit case volumes for the segment increased by 1.3% compared with the prior year. To support sparkling category growth, and offer more choice to the consumer, we relaunched Fanta in Poland, with new formula and new packaging, and Sprite Zero in Hungary, both of which did very well.

Net sales revenue increased by 0.2% driven by volume growth and favourable category and package mix. This was partially offset by unfavourable currency impact, arising mainly from the Polish Zloty, as well as unfavourable price and channel mix. On an FX-neutral basis, net sales revenue per unit case rose by 0.6% in 2016 compared to the prior year.

Improved volume with favourable brand and pack mix only partially offset the adverse currency impact, as well as the negative impact from price and channel mix. Comparable operating profit margin for the segment decreased by 20 basis points to 8.9%, while reported operating profit increased by 6.3% to €92.9 million.

Volume vs. 2015

+1.3%

FX-neutral NSR per u.c. improvement

+0.6%

Comparable EBIT margin vs. 2015

+20bps

Revenue per case has been weak in this segment. What can you do to improve this trend?

It is normal to have lower revenue per case in this segment in comparison to the Established markets as these markets have lower disposable income levels. Having said that, we are optimistic that we will see value growth in this segment supported by the favourable GDP per capita trends and abating deflation. Top-line growth is also supported by our selective pricing strategy, the trend towards single-serve packages and fast-growing categories such as Energy.

What are the retail trends in the Developing segment? What are your plans in the short term?

Retail inevitably follows shopper trends. What we see for the future is demand for greater convenience, accelerating growth in sales for the discounter, convenience and e-commerce channels. This presents an opportunity for us to increase our product availability and capture growth in smaller baskets, increasing sales transactions and sales of single-serve packages. In e-commerce, although growth is significant, it is from a small base. However, we are actively working with our customers to capture this growth, and we are very pleased to have won the National Sales Award for e-commerce in Poland. Sales at larger stores will continue to grow, although we believe this will represent a smaller share of the mix. Our focus is on partnering with our customers to improve consumers' shopping experience. A number of trends, including growing urbanisation, more people living alone and increases in disposable income mean that out-of-home consumption will become more and more important. We seek to capture this potential by ensuring a 24/7 activation of the eating out and drinking out occasions, leveraging our rich beverage portfolio and building further relevancy for our leading brands.

Keith Sanders
Region Director

Package initiative in Hungary

In Hungary, we updated our pack and price architecture to address declines in purchase frequency and market share for the at-home occasion. By modifying the PET plastic packages of our sparkling drinks from 1.0 to 1.25 litres, from 2.0 to 1.75 litres and from 2.5 to 2.25 litres, and by carefully selecting price points, we increased household penetration by more than 5% and gained 1% in market share. We also succeeded in increasing transactions faster than volume.

Emerging markets

Growing despite the decline in Russia

Highlights for the year

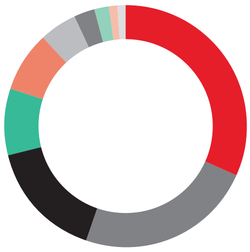
	2016	2015	% change
Volume (million unit cases)	**1,067.8**	1,055.2	1.2%
Net sales revenue (€ million)	**2,717.0**	2,768.5	-1.9%
Operating profit (EBIT) (€ million)	**176.6**	159.5	10.7%
Comparable EBIT (€ million)	**178.1**	175.8	1.3%
Total taxes[1] (€ million)	**106.4**	108.9	-2.3%
Population[2] (million)	**428.0**	426.0	0.5%
GDP per capita (US$)	**5,020**	5,393	-6.9%
Bottling plants (number)	**35**	36	-2.8%
Employees (number)	**19,359**	21,354	-9.3%
Water footprint (billion litres)	**10.5**	10.8	-2.8%
Carbon emissions (tonnes)	**383,604**	400,647	-4.3%
Safety rate (lost time accidents >1 day per 100 employees)	**0.24**	0.19	26.3%

1. Total taxes includes corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.

2. Population source: International Monetary Fund, World Economic Outlook Database, October 2016.

Percentage changes are calculated on precise numbers.

Emerging markets volume breakdown



- Russian Federation: **32%**
- Nigeria: **24%**
- Romania: **16%**
- Serbia and Montenegro: **9%**
- Ukraine: **8%**
- Bulgaria: **5%**
- Belarus: **3%**
- Bosnia and Herzegovina: **2%**
- Armenia: **1%**
- Moldova: **1%**

Our focus on customer service and pricing strategies to maintain affordability allowed us to increase sales volume and comparable operating profit and margins, despite significant currency headwinds, led by devaluations of both the Russian rouble and the Nigerian naira.

Overall unit case volume increased in our Emerging markets segment by 1.2% in 2016 compared with the prior year. This was largely due to strong growth in Nigeria, Romania and Serbia. In Nigeria, where currency issues have led to substantial inflation, we have taken a gradual approach to ensure pricing is sustainable and our products remain relevant for consumers. In Romania, rebalancing our route-to-market model and enhancing service has helped lift sales volume. Meanwhile, our volumes in Russia continued to be weak, despite excellent growth of the Energy category following the launch of Monster.

Net sales revenue declined by 1.9% in 2016 compared with the prior year. This was largely due to the difficult currency environment, which more than offset the benefits of an improved pricing environment, increased volume and positive package and category mix. FX-neutral net sales revenue per case grew by 7.1%, reflecting our strategy to implement improved pricing in markets where we face currency headwinds.

The Emerging markets segment delivered a 1.3% increase in comparable operating profit for 2016, leading to a 20 basis-point improvement in the comparable operating margin, which was 6.6%. Improved price and category mix offset the adverse currency impact as well as higher input costs. On a reported basis, our operating profit from this segment was €176.6 million in 2016, an increase of 10.7% compared to the prior year.

Volume vs. 2015

+1.2%

FX-neutral NSR per u.c. improvement

+7.1%

Comparable EBIT margin vs. 2015

+20bps

What is the latest on potential sugar tax implementation in Russia? How would the tax affect your business and your ability to achieve 2020 financial targets if imposed?

The Russian government has halted the implementation of sugar tax on certain soft drinks in 2017 and has postponed the discussion of a potential sugar tax to 2018 at the earliest. If the tax were to be implemented, it would have a negative impact on volumes for the first year. However, experience from other markets where similar taxes have been implemented, like Mexico, shows that volumes recover in year two. Our expectation, therefore, is that this will not have any long-term impact on our sales volume and we see no reason to change our 2020 targets.

With worsening macro conditions, what are your expectations for the short to medium term in Nigeria?

The macroeconomic conditions in Nigeria remain challenging, with inflation rates expected to reach 17% in 2017 and the likelihood of a further devaluation of the naira. In line with our strategy, we implemented price increases in 2016 and we will continue to adjust prices in 2017. Despite our focused approach with 'magic price points' and changes in package sizes, price increases are expected to impact sales volume growth adversely. We expect to see volume growth from 2018 onwards, supported by a return to GDP growth in the country. We will also continue with infrastructure optimisation initiatives to take cost out in order to protect profitability.

Zoran Bogdanovic
Region Director

Expanding and deepening route-to-market in Romania

Changes in the retail landscape in Romania gave us an opportunity to rebalance our route-to-market model in the country. Through the new route-to-market solution, we upgraded service to existing and new customers with the highest potential (platinum and gold), selling an additional 1.6 million cases through better execution. We also expanded distribution to an additional 10,000 outlets by better leveraging our wholesale partners, increasing sales by an additional 600,000 unit cases. We achieved all this while improving our ability to execute in-store with excellence in Romania, increasing execution performance as measured by our internal Right Execution Daily (RED) system.

Unlocking our talent potential

Our people are fundamental to our growth and our ability to create value. Their skills and expertise are critical to creating and executing strategies, and their service orientation and commitment to excellence help to deliver results, build relationships and secure our Company's reputation. We seek to offer a workplace where our people are inspired to take advantage of opportunities to learn, grow and take charge of their careers.

Direct employment	Key people in key positions	Values index
31,083	**87%**	**90%**
2015: 33,311	2015: 79%	2015: 88%

We offer opportunities to learn, grow and win together

Key highlights

- Our employee engagement score increased to 88%, which, as the chart shows, is higher than that of other high-performing companies, reflecting the commitment of our people to our business and our Company culture
- We have improved individual and team performance by simplifying and strengthening our performance framework
- We made significant progress in building our revenue growth management capabilities
- We improved the talent pool working in our key positions, aided by the commitment and effectiveness of our leaders in developing people

Three key areas supporting growth

- Maintain high employee engagement by fostering a high-performance mindset and strong Company culture
- Strengthen capabilities with special focus on revenue growth management
- Develop future leaders faster and build a learning organisation to maximise performance

By hiring the right people and supporting them to grow, deliver on our strategy and go the extra mile, we are able to connect with communities, provide excellent customer service and bring smiles to the faces of consumers. Our leadership plays an essential role in this, with every leader accountable for attracting, developing, retaining and engaging the right talent and then enabling them to execute our strategy.

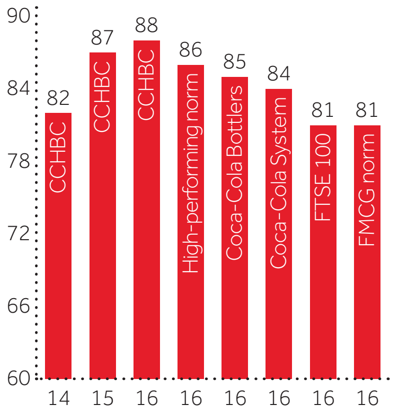
To ensure that we achieve our Company objectives, our people strategy emphasises workforce engagement and Company culture, and the development of the capabilities, leadership and talent that are necessary to pursue our strategic priorities. Our people strategy has three key areas of focus:

- maintaining high employee engagement and fostering a high-performance Company culture: We believe our Company will thrive if we all strive for best-in-class performance. To achieve this, we focus on winning together through understanding and delivering on our strategy, enjoying ownership of our work, removing organisational barriers to success and living our Company values, acting with integrity and doing what is right, not just what is easy;
- strengthening capabilities: We are focused more than ever on skills and capabilities that will make our workforce capable of winning in the marketplace today and in the future. Specifically, this means building capabilities in the crucial areas of revenue growth management, route-to-market, front-line execution and inspirational leadership; and
- developing talents: We believe that our ability to develop leaders internally is an important competitive advantage. We therefore seek to build a strong bench of inspirational leaders across all leadership levels to ensure continuity and long-term growth for our business. We will continue creating opportunities for faster development, building the correct knowledge, skills and experience, whilst embedding our values.

Maintaining high employee engagement

The extra efforts made by our people are important to our Company performance. Because we know how valuable our employees' contributions are, we invest in and closely monitor engagement levels. We conduct an employee engagement survey annually, and we partner with Willis Towers Watson to benchmark our performance against other companies in the Coca-Cola System and other high-performing companies.

Employee engagement: outperforming peer companies (%)



Data for FTSE 100 companies and high-performing companies represents those companies participating in Willis Towers Watson benchmarking. This does not include all FTSE 100 companies.

Our Sustainable Engagement Index score increased to 88% in 2016 from 87% in the prior year, with the participation of 96% of our people.

Our engagement results for 2016 were higher than those of other companies in the Willis Towers Watson benchmarking pool of high-performing companies. They are also 7% higher than the average results for FTSE 100 companies participating in this pool and higher than the results of other companies in the Coca-Cola System.

People continued

Fostering a high-performance culture

Everything in our Company starts with our six core values: authenticity, excellence, learning, caring for our people, performing as one and winning with customers.

As is the case with employee engagement, we closely monitor our progress in embedding and living our values. To further embed our values, which are an integral part of our corporate culture, we have defined important behaviours that our people are expected to demonstrate daily as they go about their work, such as treating others with respect. These behaviours represent the essential building blocks of our Company culture and high-performance framework. We have likewise identified behaviours we aim to eliminate. Our ongoing efforts have improved our people's awareness of and commitment to our values. We measure this using our Values index which was at 90% for 2016, a 2% increase from 2015.

In 2016 we refreshed and simplified our performance framework and integrated all components with the aim of increasing individual, team and Company performance, while strengthening Company culture. The revised framework links team performance and individual results, actions and skills, and aligns to our six core values.

Our team performance management system allows us to bridge strategy and its execution by aligning priorities across functions and teams and applying an iterative 'plan, act and review' cycle to improve output continuously. In 2016, we standardised our approach across our territory.

To ensure that our people balance short- and long-term objectives at individual level, in addition to assessing performance against financial objectives we also set objectives and measure achievement for innovation, fostering of partnerships, people leadership, managing resources, and compliance with policies and procedures like our Code of Business Conduct. The successful rollout of our simplified performance standards for each leadership level within the organisation creates a line of sight between our values and our results.

Strengthening capabilities and building a learning organisation

We have identified and prioritised the organisational capabilities that are important across our Company and required to execute our strategy and drive growth in each of our markets. We are building prioritised capabilities such as revenue growth management and route-to-market by improving our processes, structures and measurement system as well as the skills of our people.

We have made particularly strong progress during 2016 in acquiring and building revenue growth management capabilities.

Driven by the needs of our business strategy, we have redefined our learning architecture. We have identified when learning needs to happen to be the most impactful and what we need to develop, focusing on prioritised skills and performance differentiators that can accelerate the performance of all our people. Our new learning support application will enable us to make knowledge even more available to all our people, democratising learning, accelerating development and helping them fulfil their potential.

Developing talents

Our leaders are becoming better talent champions, increasing their commitment and effectiveness, aided by the simplified performance standards introduced in 2016 and reallocation of resources within our human resources function. We have further professionalised our approach by establishing new centres of expertise for talent acquisition and development, and leadership development and capabilities. These centres are responsible for recruitment and development across the business, going beyond policy creation. This design ensures that we support our leaders in developing future leaders in every market efficiently and effectively.

Not all positions have the same impact on the Company's performance. We have segmented our workforce and identified the key positions across all levels that have a disproportionately high impact on the Company's performance. Career progression in our Company depends on performance against standards, potential and alignment with core values.

We regularly assess the performance and potential of leaders and people in key positions. As of the end of 2016, 87% of our key positions are occupied by key people, compared with 79% at the end of 2015.

Talent pipeline improved

	2016	2015
Key people in key positions (KPo)	**87%**	79%
KPo succession rate	**0.67**	0.70
KPo bench strength	**50%**	45%
Turnover of key people	**5%**	4%
Total turnover rate	**12%**	12%
Retention of all new hires after 12 months	**82%**	69%
Management trainees	**231**	254
Participants in Fast Forward programmes	**902**	770
Promotion rate for Fast Forward programme participants	**71%**	55%
Total number of employees in leadership acceleration centres	**3,525**	2,084
% of workforce covered during annual people review	**46%**	46%

Leadership acceleration centres have been established to help our people understand their strengths and the areas of opportunity for their development in their current and future roles. Participation in these has been scaled up in the past few years, reaching 3,525 employees in 2016.

To accelerate the development of our future leaders, we offer experiential learning to help build new skills required for their next role through our Fast Forward Programmes, which reached 902 employees during the year.

Championing inclusion, diversity and human rights

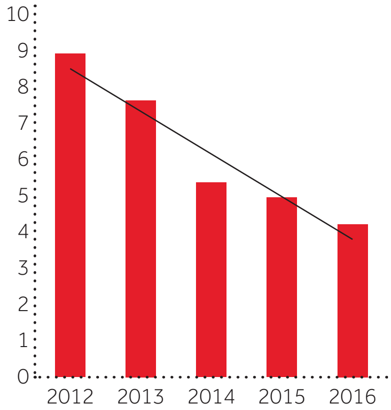
We believe that fostering a workforce that reflects the diversity of our markets is essential to remaining the strategic partner of choice for all of our customers. Our business benefits greatly from the diverse range of people who work for us, serving a broad geographic footprint and a wide spectrum of communities. This is why we actively seek to attract and retain employees from a range of backgrounds, skills and experiences.

We know that to maximise everyone's contribution, we need to ensure that every employee feels respected and heard. This is why respect for individuals is at the core of our values, and why we foster behaviours that create an inclusive culture. These behaviours are enshrined in our formal Inclusion and Diversity Policy, our Code of Business Conduct and our Human Rights Policy. To increase understanding and engagement, we encourage cross-cultural and cross-country exchanges within our talent pool.

At the end of 2016, 33% of leadership roles in our Company were held by women, which was consistent with 2015. We continue to support the diversity of our talent pipeline with a policy that ensures the recruitment of a balanced number of male and female management trainees. In keeping with this approach, 54% of the 231 management trainees we hired in 2016 were women.

In an example of our efforts to foster the success of women in management, our business unit covering Northern Ireland and the Republic of Ireland supports high-potential women to develop their business knowledge, confidence and leadership skills. The programme, called Elevating Women in Leadership, provides personal development planning and coaching support to aspiring female leaders, and has been well received by participants. We aim to introduce similar programmes in 2017 across our territory.

53% improvement on fleet accidents over the last four years



Accidents per million kilometres travelled.

Respect for human rights is fundamental to our Company's sustainability and to the communities in which we operate. Our Human Rights Policy is guided by international human rights principles and covers critical issues including diversity, collective bargaining and workplace security.

In 2016, we made our Human Rights Policy available in the 23 languages used in our 28 countries and distributed it to promote awareness and understanding of our commitment to ensure people are treated with dignity and respect.

Well-being and safety

We believe that having healthy, happy, engaged people supports our business. Our well-being framework has a range of initiatives to help support our employees' physical, emotional, social and financial health. To support our people in their efforts to live healthy and active lives, for example, we subsidise gym memberships, offer medical check-ups and encourage participation in Company and community sporting events and healthy living programmes.

While we are focused on improving the overall well-being of our people, we know this begins with providing a safe workplace.

During 2016, we achieved a 3% reduction in employee accidents, resulting in an improvement for the seventh consecutive year.

While we continue to improve our focus on health and safety and workplace conditions, we regret that one employee (in the Czech Republic) and three contractors lost their lives in fatal workplace and road traffic accidents in 2016.

After analysing the causes of these accidents, we concluded that more could be done to foster health and safety across our Company. In 2016, in co-operation with The Coca-Cola Company, we launched a new behaviour-based safety (BBS) programme to create a truly proactive safety culture.

This new programme will be piloted in locations in Italy, Hungary and Northern Ireland during 2017, and will subsequently be introduced across the Company by the end of 2018.

We continue to strengthen our vehicle safety programmes to further improve fleet safety. From 2012 to 2016, more than 15,000 employees who drive on Company business received training through an e-learning platform. We have also continued installing collision avoidance technology in fleet vehicles, and more than half of the Company's light fleet vehicles are now equipped with collision driver warning technology to avoid collisions.

As a result of these efforts, the number of accidents per million kilometres travelled fell 15% in 2016 compared to 2015. This was our fourth consecutive year of improvement, resulting in an accumulated reduction of 53%.

Number of lost time accidents (LTA>1 days)

138

3% reduction vs. 2015

Fleet accidents per million kilometres travelled

4.22

15% reduction vs. 2015

Absenteeism days per full-time employee

1.71

57% reduction vs. 2015

Community trust

Trusted by our communities

We build trust by operating a responsible, sustainable business, and we seek to continually improve by setting ambitious goals. Working in partnership with communities, governments and non-governmental organisations, we also help create win-win solutions to societal challenges.

Invested in community programmes and initiatives	Employee volunteering during work time	Investment in youth development
€7.3m	17,952h	€1.7m

Operating a responsible business, creating shared value for our communities

Key highlights

- More than 1,164 kilometres of river banks and beaches cleaned and 1,441 tonnes of waste collected
- More than 152,000 trees planted in more than 529,000 square metres of land in need of reforestation
- Partnering with 294 NGOs in 28 countries

Material issues

- Community investment and engagement
- Corporate governance, business ethics and anti-corruption
- Direct and indirect economic impacts
- Health and nutrition
- Responsible marketing
- Product quality and integrity
- Carbon and energy
- Packaging recycling and waste management
- Sustainable sourcing
- Water stewardship
- Employee well-being and engagement
- Human rights and diversity

Our business makes a positive difference in the communities where we operate. We create value and foster trust by managing our business responsibly and sustainably, and by helping to solve societal challenges. In 2016, we set new long-term sustainability targets, committing to do even more.

As a Company, we invest significant creativity, innovation and resources in community programmes. By addressing challenges where we have a strategic interest or special expertise, we increase our chance of successfully creating shared value and truly making a difference. We strive to partner with our stakeholders and communities, leveraging our combined expertise, and inspire and engage our employees and business partners to support our community investment and volunteering programmes.

Because we want to ensure that our efforts are meaningful, we seek to enhance the efficiency, scale and impact of our community programmes through strategic partnerships with civil and governmental organisations, and through setting targets and regularly assessing output and impacts, where possible. During 2016, we partnered with 294 NGOs in 28 countries, including the International Federation of the Red Cross, the International Commission for the Preservation of the Danube River, the World Wildlife Fund, the Global Water Partnership and many local NGOs.

Through strategic investments in our communities, we contribute to global efforts to achieve the 17 Sustainable Development Goals (SDGs) adopted by the United Nations. We recognise that many of the goals are interconnected. The areas where we make the most substantial contributions through our community programmes are:

Our strategic approach

We have a long history of bringing people together and working towards a shared vision through our support of community programmes. Over the years, our community initiatives have evolved from philanthropic contributions to value-adding, long-term programmes linked to the business strategy to create shared value and measurable, positive impact.

We work to support our communities by providing funds for programmes, creating lasting partnerships and encouraging employee volunteering. Our community investment focuses on three key strategic areas, which we have identified based on existing societal and environmental needs in the countries where we work. These are:

1. Community well-being

2. Environmental and water stewardship

3. Youth development

When the need arises, we are also active in emergency relief efforts in all of our markets, striving to be among the first to provide relief directly or through stakeholder partnerships.

In September 2016, we set seven new long-term targets, including a commitment to invest 2% of our annual pre-tax profit in communities by end 2020 within the three strategic areas described above.

During the year, we invested €7.3 million in our communities, equivalent to 1.6% of our pre-tax profit. This is higher than the LBG's (formerly known as London Benchmarking Group, www.lbg-online.net) average of 1.0%, and puts us in a good position to achieve the target of 2% of annual pre-tax profit by 2020. For more information about our 2020 sustainability commitments, please see page 22 and our website.

While we have a long history of facilitating employee volunteering by encouraging employees to spend work time contributing to community projects and programmes,

Community trust continued

in 2016 we introduced a new 2020 target to double the number of employees who volunteer, aiming to reach 10% of all of our people by 2020. In 2016, 8% of our employees participated in Coca-Cola HBC initiatives during work time, dedicating 17,952 hours.

On top of contributing to locally relevant community programmes, we believe that employee volunteering can also provide experiential learning and development opportunities for our employees as well as have a positive effect on employee engagement and well-being.

Community well-being

We continue to support initiatives across our 28 countries to improve community well-being. We work with our communities in every country to safeguard and enhance their well-being and quality of life, supporting events and social gatherings.

Some of the initiatives we have undertaken to encourage physical activity and support the desire for more sustainable and liveable cities and communities (SDG #11) include installation of free active zones, walking trails and paths, and implementation or expansion of bike share programmes, as well as support of movements on sports for all. For more information, please see example from Ireland on page 29.

Environmental and water stewardship

Water is the most important ingredient in our products, and we believe everyone has a right to clean, safe water and sanitation wherever they live. Our 2020 sustainability targets therefore include improving our water intensity ratio by 30% compared to 2010.

To safeguard clean water supplies and thereby contribute to SDG #6, our water stewardship programmes involve detailed source vulnerability assessments and source water protection plans, which are performed for all of our manufacturing sites.

Our target is to certify all of our plants in accordance with either the European Water Stewardship or the Alliance for Water Stewardship standard by 2020. By the end of 2016, we had achieved 22 Gold European Water Stewardship Certifications for all of our mineral water sites in Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Greece, Hungary, Italy, Poland, Romania, Serbia, Switzerland and Ukraine. In most of these countries, the certification of our production facilities is the first of its kind, which we hope sets an example and raises the bar for the whole industry.

From the protection of water sources, through wetlands, biodiversity and ecological processes at the watersheds, to waste water treatment and sanitation after our water use, all activities are done engaging local water users, authorities and other key stakeholders in the community. Our water stewardship strategy drives our partnerships with environmental ministries as well as intergovernmental and civil organisations to preserve and protect important ecosystems, such as watersheds and wetlands in key regions and river basins, such as the Danube, the Volga, and the Sava among others.

Our long-term, multi-country Green Danube initiative increases awareness of the wetland habitat, including the preservation of unique flora and fauna, to the community and the environment. In 2016, awareness-raising events to encourage citizens to protect the Danube river were held in Austria, Bosnia and Herzegovina, Bulgaria and Ukraine. The initiative's signature event, held in partnership with the International Commission for the Protection of the Danube River (ICPDR), is the wide-spread celebration of Danube Day, in collaboration with citizens, governments, civil organisations and businesses.

The global commitment of the Coca-Cola System to replenish 100% of the water used in final beverage products includes a number of water initiatives in our markets. Through the efforts of Let's Save Yelnya Bog Together, an initiative of our Belarusian operations, and other projects conducted in partnership with the World Wildlife Fund and the Global Water Partnership-Mediterranean, we replenished 182% of the water we used in our final beverages in 2016.

Type of contribution

- Charitable contribution: **11%**
- Community investment: **81%**
- Commercial initiative: **8%**

Contributions

- Cash contributions: **82%**
- In-kind contributions: **16%**
- Time contributions: **2%**

Restoring Europe's largest bog

In the Yelnya bog in Belarus, peat fires caused by too much drainage were impacting migrating bird populations, cranberry crops and the region's ability to absorb CO_2. In 2007, we began supporting restoration financially and with employee volunteers who helped build dams and close drainage. More than 50 dams have been built, enabling water levels to rise by a metre and 23,000 tonnes of CO_2 to be absorbed annually.

While we see water as a material issue for both our Company and society, we also engage in other environmental protection initiatives of various kinds in our communities. With the dedicated support of employee volunteers, we have collected 1,441 tonnes of waste at river and sea shores and cleaned more than 1,164 kilometres of river banks and beaches in 2016. During the same time period, we also contributed to reforestation by planting over 152,000 trees in more than 529,000 square metres of land.

Youth development

We passionately believe in the potential of young people and we know that they are the future leaders and change-makers of the communities that we live in.

The biggest challenge young people in our communities face is unemployment. Across the countries where we operate, about a quarter of young people are unemployed. Youth unemployment rates in our markets range from about 3% in Switzerland in 2016 to more than 60% in Bosnia-Herzegovina. In 15 out of the 28 countries we do business in, youth unemployment is 15% or more.

This is a key issue for our business because close to 13% of the 595 million consumers we serve are young people between 18 and 30 years old. We also employ many young people, and a challenge we face as a business is to ensure our ability to attract talent to support business growth over time.

Supporting education and entrepreneurship in Bulgaria

In Bulgaria, 14 professional mentors from Coca-Cola HBC worked with 900 university students to help build entrepreneurial skills, establishing 50 new workplaces through the students' start-ups. We also help to prepare young people to serve as teachers, training 128 in 2016. They reached 10,000 Bulgarian school children and helped improve performance.

We are a substantial employer, with more than 31,000 direct employees, and are also part of a large supply chain with many large and small employers, and customers which employ young people.

For many years, we have supported a range of educational programmes, offered internships and management trainee programmes, and provided skills training and access to funding for underprivileged individuals in our countries of operation.

Youth Empowered is our new centrally led, strategic initiative to help support 18-to-30-year-olds achieve their career ambitions and live a fuller life.

Supporting recent school graduates in Italy

To address high levels of youth unemployment in Italy, we've introduced #TasteYourTalent, a programme providing recent school graduates with useful workplace skills. The workshops help young adults better understand their key strengths and prepare for future careers. In 2016, 180 young Italians received training, nearly half of whom were women.

The programme targets those who are not in education, employment or training and seeks to address persistent underemployment issues in some of our markets. We aim to support young people's needs in their transition from school to meaningful employment by helping them build fundamental life and business skills and long-lasting professional and peer networks.

The rollout of our Youth Empowered programme begins in 2017 through a combination of online engagement, e-learning and in-class sessions in a number of our countries, which will be implemented across all of our markets following fine-tuning based on initial learnings.

Read more about our 2020 sustainability commitments on page 5

Consumer relevance

Remaining relevant for our consumers

To meet evolving consumer needs and preferences, we offer a diverse product portfolio and we have an exciting pipeline of new products and packaging options. By constantly improving the efficiency of our distribution, we also help to ensure that consumers are delighted by product quality.

Energy category growth	Single-serve mix improvement	Reduction in complaints vs. 2015
21%	+140bps	8%

Focus on building consumption occasions

Key highlights

- Sparkling beverages grew by 1.4% in 2016; within the category we saw 0.7% increase in Trademark Coca-Cola and Coke Zero up by 6%
- The new Coca-Cola Taste the Feeling campaign has helped grow the number of consumers drinking our products by 110 bps versus last year
- Our Energy portfolio grew by 21%, more than double the industry category growth

Material issues

- Direct and indirect economic impacts
- Health and nutrition
- Responsible marketing
- Product quality and integrity
- Packaging recycling and waste management
- Water stewardship
- Employee well-being and engagement

To excite and satisfy our consumers, we offer a diverse portfolio that meets evolving preferences. To ensure that we continue to meet consumer needs as preferences and lifestyles evolve, we focus on offering the right products, in the right packs, through the right channels for the right occasion. We call this occasion, brand, pack, price and channel architecture. To understand performance of the portfolio in local market situations, we look at revenue in Euros on an FX-neutral basis. In 2016, we continued to experience growth in all major categories with the exception of ready-to-drink tea.

Meeting consumer needs for all occasions

We offer consumers more of the products they want, including low- and no-sugar options, across categories and in more packages.

With the right products available, we drive demand by making our portfolio a meaningful part of family meals and socialising occasions. To achieve this, we use a range of activities including combination offers, credible influencers and door-to-door sampling. In Serbia, for example, we introduced new high-margin 1.0 and 1.5 litre packs for our sparkling brands and linked these to family meals. These efforts drove growth in sparkling beverage transactions by more than 6% compared to the prior year. To be relevant to consumers, our strategy for brands must be brought to life in retail outlets. We worked across channels on promotions linked to the at-home meal occasion. For example, our barbeque and the match promotion linked football to meals at home with Coke. In Switzerland, we worked with a major retailer to involve specific international football players in promotions for meals with Coke. Across 11 Central European markets, we ran a promotion with a major retailer during the UEFA European Cup in the summer.

At-home remains an important occasion, but half of all non-alcoholic drinks are consumed during socialising with friends. Consumption of non-alcoholic drinks during socialising outside of the home is expected to grow by 7% to 45% in the next 10 to 15 years. Sales in the hotel, restaurant and café (HoReCa) channel are therefore significant. With our share of sales in the channel currently at only 5% of all beverage consumption, we see an opportunity to better serve consumers and drive value through single-serve packs. We are able to sell our products in HoReCa at approximately double our average net sales revenue per case.

Across our markets, we are capitalising on this opportunity by leveraging our full product portfolio and developing a 24/7 approach to occasions.

Consumer relevance continued

We are establishing more points of reference for our products, highlighting the use of sparkling beverages as mixers with spirits, or as a desirable non-alcoholic choice for drivers. We are also promoting the delightful appeal of a 'perfect serve' Coke in a branded contour glass.

Energy is as fast growing category and commands high revenue per litre. With a strong focus on execution coupled with products consumers love, we are winning category share. Our 21% volume growth in energy drinks in 2016 is more than double the 8% annual growth in the category. In our effort to continue offering products that meet consumer demand, we successfully launched Monster Ultra while maintaining the growth of our core Monster portfolio.

We successfully relaunched Fanta, including a new slider bottle which is 22% lighter than previous packages. The new design has proven successful in the pilot markets of Poland, Italy, Romania and Serbia. Fanta sales grew more than 5% in volume and almost 7% in value in 2016.

By leveraging the global Coca-Cola 'Taste The Feeling' campaign in Central and Eastern Europe, we created a way to connect to consumers and increase shopper purchases, increasing sales by more than 1% compared to the prior year. In Romania, we focused on single-serve packs, including launching a limited edition sleeved design for 330ml glass bottles, improving transactions by 11% during the period.

Water contribution to our portfolio

18%

New Fanta bottle lighter by

22%

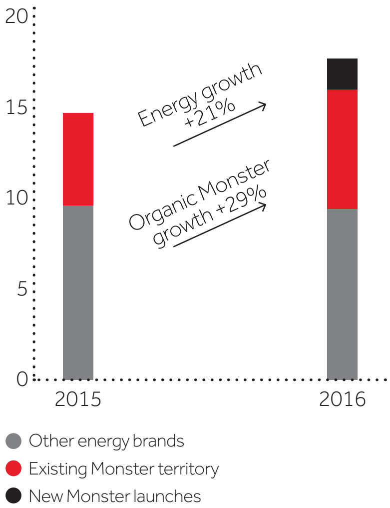
Coolers placed in the market

81,000

To achieve optimal refreshment and enjoyment, single servings should be offered to consumers cold. We partnered with a Central European retailer to increase our single-serve volume by 45% by using appropriate coolers. This initiative was particularly successful in Switzerland and Austria. In Romania, we successfully introduced the 330ml glass bottle, a pack size normally sold in the HoReCa channel, in supermarkets. New packaging and flavours for single-serve packs helped us increase sales of these packs, which produce higher revenue per litre. In Hungary, Bosnia, Slovenia and Serbia, new sleek and slim cans were introduced. This resulted in a total volume increase of cans in those countries of almost 20% compared to a 1.5% increase in other countries.

As the product and pack options increase to meet consumer needs, additional investment in coolers is required. In 2016, we placed 81,000 coolers across our markets. Where a consistent supply of power is difficult, running coolers can be challenging. In Nigeria, we use hybrid coolers which improve the availability of cold products through a combination of battery and ice. We have also purchased 10,000 smart coolers and have been placing them in Ireland and Bulgaria. Smart coolers can communicate to consumers who have a specific app on their smartphones, encouraging them to buy our ice-cold drinks.

Energy drinks volume
(m u.c.)



Increasing availability

To meet consumer needs, the right products must be available. By expanding and deepening our route-to-market, we improve market coverage across retailers and help consumers find more of the products they want. The retail landscape is dynamic and our route-to-market must be too. Due to the nature of the retail environment, outlets open and close over time. Others change from traditional 'mom & pop' stores to speciality outlets as they are impacted by the growth of organised trade, i.e. supermarkets, discounters and convenience chains. Every few years a survey, called the Every Dealer Survey (EDS), is required to ensure we have captured all relevant changes in the retail universe and incorporated these appropriately within our route-to-market solutions. In Italy, we introduced a pilot survey in Rome, which we then expanded to cover nine additional cities, accounting for 17% of the total non-alcoholic ready-to-drink business in the country. By performing a complete assessment of the outlet universe, we were able to capture incremental growth opportunities, both horizontally through new outlets and vertically through improved service to existing customers. We identified 30,000 new outlets in Rome that we were not servicing directly and 10,000 existing customers that we were not servicing optimally. The changes we made in response had an immediate impact on incremental volume, revenue and customer service. We have taken a similar approach in Greece, Romania, Hungary, Russia and Poland. With further rollouts in 2017, we believe we will achieve better segmentation and structure in Nigeria, the Czech Republic and Slovakia.

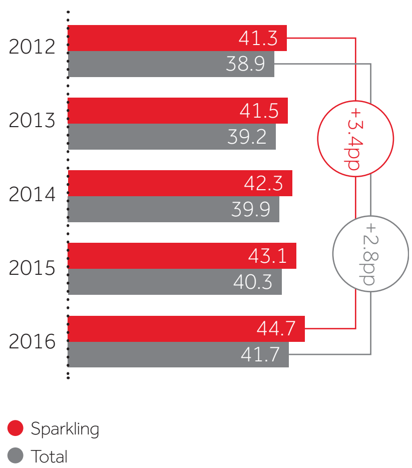
Water category growth

We are leaders in sparkling beverages, which is the most valuable category in our industry. However, water is driving industry volume growth, and this rate of growth is predicted to increase. In 2016, the industry water category grew 2% while growth for sparkling drinks was flat. Water is 18% of our volume but 56% of the industry volume, indicating we need to invest in water to grow our sales volume. We are committed to doing this in ways that focus on value and do not dilute our profits. We have a range of water offerings, from bulk water to flavoured waters in single-serve packs. We continue to increase the value of our brands through packaging. We introduced glass bottles in the shape of a drop of water in Poland, Romania and Serbia in 2016, and this package initiative generated double-digit net sales revenue growth in all three countries. In 2017, we will introduce new water products and packaging, bringing even more refreshment and enjoyment to consumers.

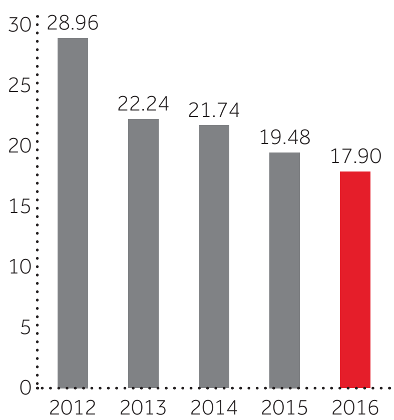
Ensuring product quality and food safety

We seek to protect consumers and ensure their trust by consistently providing safe, high-quality products. We approach the safety and quality of our products as a key objective and we stay current with new regulations, industry best practices and marketplace conditions by continually engaging with scientific and standard-setting organisations. We also re-assess and continually improve quality and food-safety requirements and standards throughout our supply chain. In 2016, we further improved our governance for quality and food safety. As a result, we now have in place an increased number of mandates and stringent quality processes to minimise the occurrence and the impact of quality and food safety issues. We also enhanced the quality of the response processes and systems that enable us to quickly address quality issues, ensuring customers and consumers retain confidence in our products.

Share of single-serve packs in volume (%)



Complaints per 100m containers



Customer preference

Preferred supplier for our customers

Everything we sell reaches our consumers through our customers. Our ability to drive pricing strategies and protect profitability is critical for our customers. Through joint value creation initiatives, and flawless execution, we nurture the customer satisfaction that is the foundation of shared success.

DIFOTAI

Deliver in full, on time and accurately invoice

97.9%

Met or exceeded customer expectations

94.8%

Employee engagement score in commercial team

88%

Working hard at customer partnership

Key highlights

- Customer satisfaction increased for another year with 94.8% of customers reporting we either met or exceeded their expectations
- Building strong relationships with customers is helped by our success in delivering in full, on time and accurately invoiced (DIFOTAI); our score of 97.9% for this is an improvement on the prior year

Material issues

- Corporate governance, business ethics and anti-corruption
- Direct and indirect economic impacts
- Health and nutrition
- Responsible marketing
- Product quality and integrity
- Carbon and energy
- Employee well-being and engagement
- Human rights and diversity

Customer preference

We continue to adapt to a changing retail landscape in many of our markets. Partnering with our customers helps us achieve win-win outcomes and shared success. To create joint value with our customers, we invest in identifying opportunities that may significantly improve their outlet sales. We normally assess these opportunities by undertaking trials. When we demonstrate concrete results, we then look at the opportunity to scale up that success to more outlets, leveraging the knowledge and capabilities of our commercial managers. We provide the training our commercial function employees need to work with customers and achieve joint success. Winning share in the non-alcoholic ready-to-drink beverages category helps our business, whilst developing the category is of benefit to our industry. Working with a major supermarket chain, we developed a joint plan to enlarge the whole sparkling soft drinks category. We started with a pilot in Hungary which generated category growth of between 4% and 6% compared to a control. By identifying an opportunity to create joint value, we were able to share the cost of implementing of the initiative across more than 400 of the customer's hypermarkets and stores in Central Europe. While we develop capabilities at Group level, the category vision is then adapted to different markets as necessary.

Building strong customer relationships

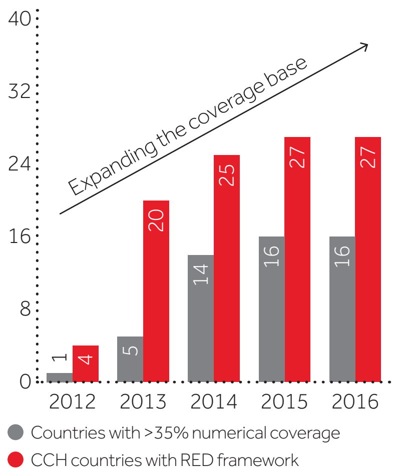
Building strong relationships and shared value with customers is only possible if we have the basics right. For our Company, this means we must deliver in full, on time and accurately invoice (DIFOTAI). We track our success in achieving this, and consistently work to improve our performance, often through greater collaboration. For example, with a major customer, we made a shelf survey three times a day for six weeks in 40 outlets across four countries. This enabled us to establish and resolve the root causes of out-of-stock products. We calculated the profit opportunity with the customer and, working together, implemented processes to improve replenishment, visuals to show placement of products on a shelf and stock delivery. We measure our DIFOTAI performance each day, for each customer. Our overall DIFOTAI score for 2016 is 97.9%, another improvement compared to the prior year.

Exceeding customer expectations

Delivering and invoicing optimally ensures that what is ordered is delivered. To ensure the right product is presented in the right location, we use an approach called Right Execution Daily (RED). This measures sales with the aim of improving availability and quality by working closely with our customers to execute in-store with excellence, a key driver of incremental volume growth. The RED system gives us real-time execution data which our team leaders and business developers use to take advantage of opportunities for growth. A very significant percentage of our customer base is included in the data, and this coverage continues to grow. We measure multiple execution elements and the data is immediately uploaded and available for action.

Right Execution Daily (RED)

An approach to execute in-store with excellence



Customer preference continued

In Russia, we even have photo recognition software which automates the process and provides real-time and accurate data. This process has been recognised by The Coca-Cola Company as best-in-class globally. We know there is a direct link between volume growth and improvement in RED system indicators. From our experience, we estimate that for every one percentage point of improvement in the RED index our sales volume will increase between 0.25% and 1%.

Customer satisfaction

As part of our efforts to continually improve and create strong customer relationships, we survey our customers annually to understand how they perceive our Company. The survey involves a sample of 15,000 customers, and is conducted for us by market research firm Growth for Knowledge (GfK). We ask customers to rank us among all beverage suppliers, including suppliers of beer and dairy products. In 2016, more than half of our customers, 56.5%, said we exceeded their expectations. The number of customers who said we met their expectations increased 1.8 percentage points to 94.8% during the year. The feedback and information we receive from customer satisfaction surveys helps direct priorities for training and development, showing us where we need to improve skills and capabilities. In 2016, our scores once again improved compared to the prior year. Our ability to drive pricing strategies and protect profitability is critical for our customers. To deliver value, we work very hard in three areas: customer partnership, improving return on investment and building future capabilities.

Customer partnership

We help to improve both our customers' bottom line and our own by partnering with them to improve the design and layout of their beverage aisle. We also make investments to support small-basket transactions and reduce out-of-stock incidents. Our alignment and collaboration success is measured with a shared data scorecard including revenue, the customer's share of the category and our share of that category. These initiatives are delivered through joint business processes, including supply chain management, which customers view as best in class.

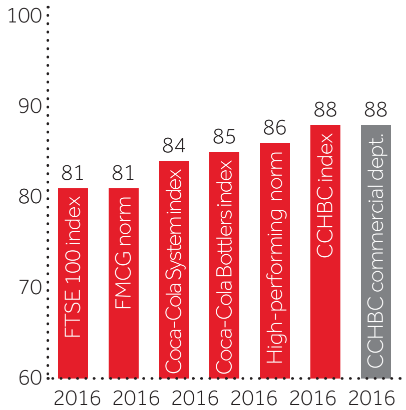
Improving return on investment

As part of building our capability to manage revenue growth, in 2016 we introduced a new Commercial Policy and simplified our approach to discounts, which halved the number of product classifications. This allows us to focus our investment on prioritised growth drivers and makes it easier for our customers to do business with us. Promotion optimisation tools inform and empower key account managers, allowing them to drive better local decisions to increase return on investment. These were implemented in 2016 in many of our major markets including Italy, Austria, Hungary, Poland, Russia, Romania and Greece.

Building future capabilities

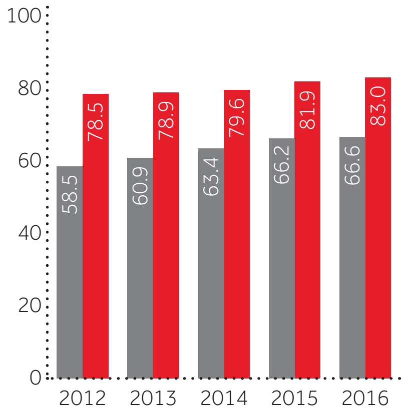
We invest in, and introduce, new technologies to improve our capabilities and develop our people. For example in Poland, we were recognised with an industry award for best e-commerce supplier, and we are replicating our winning approach in Poland across our markets. By working with customers at a Group level, we are able to provide the uniformity of product information they need. This helps us improve our online presence and ensure consistent digital presentation of our products. To support the replication of this approach, we ran internal workshops to give our key account and channel managers a greater ability to support and develop e-commerce with our customers in their countries. We look forward to continuing to meet the challenges of the shifting retail landscape and working hard to nurture the customer relationships and customer satisfaction that is the foundation of our shared success.

Engaged people in commercial execution
(%)

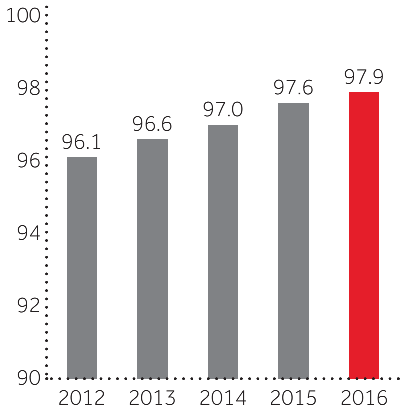


Data for FTSE 100 companies and high-performing companies represents those companies participating in Willis Towers Watson benchmarking.

Gfk independent survey of customer satisfaction
(% good and excellent)



DIFOTAI improvement
(%)



DIFOTAI is a measure of delivery in full, on time and accurately invoiced.

Remaining focused on cost efficiencies

We continually seek to make our business more efficient and leaner. By optimising our infrastructure, centralising back office functions and reducing the water and energy intensity of production processes, we are demonstrating that we can deliver excellent results with fewer resources.

Reduction in number of plants since 2008	Improvement in water use ratio	Plants that have eliminated all waste to landfill
-30%	3.2%	4

Cost leadership continued

Producing economic value with less resource

Key highlights

- Consolidated three more plants in the year
- Set up shared services for Nigeria and Russia
- Invested €4.4 million in water and €6.3 million in energy reduction initiatives
- Made five new sustainability commitments

Material issues

- Direct and indirect economic impacts
- Carbon and energy
- Packaging recycling and waste management
- Sustainable sourcing
- Water stewardship
- Employee well-being and engagement

In 2016, raw material costs were stable compared to 2015, and foreign exchange movements in certain countries continued to have an adverse impact on our profitability. However, our focus on cost control continued, and this helped to ensure that the increase in revenues due to price and product mix improvements benefited our bottom line. Our comparable operating margin increased from 7.5% for 2015 to 8.3% for 2016.

In addition to managing the cost structure of the business, we continued to improve our ability to use natural resources efficiently. We have taken additional steps to ensure that we achieve our long-term targets to reduce water and energy consumption, and contribute to the achievement of global goals regarding climate and clean water. In 2016, we invested a total of €10.7 million in water- and energy-saving initiatives during the year, and we estimate that these investments will be recouped through lower energy and water costs by 2019.

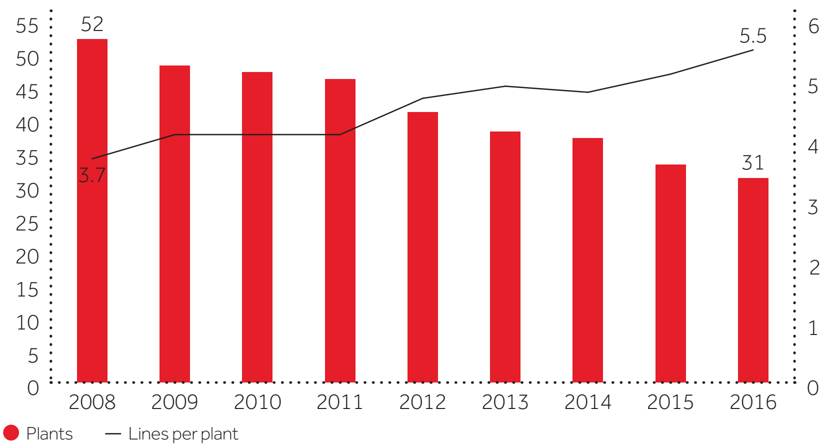
Infrastructure optimisation

The drive to optimise our infrastructure continued in 2016, with a focus on transforming existing plants into cost-efficient mega-plants that can effectively serve a country or region. After primarily focusing on our European infrastructure over the last several years, we have turned our attention to optimising infrastructure in Russia and Nigeria.

In our European markets, we closed the Luka plant in Slovakia and the Alytus plant in Lithuania. We will absorb the capacity within our existing network with higher-speed filling lines and more cross-border shipments.

In Russia, we closed the relatively small Oryel plant in the European part of Russia and transferred this production capacity to facilities in Moscow and Siberia. This change provides better geographic alignment between production and demand. While we proactively addressed the macroeconomic volatility in the country by temporarily closing 10 filling lines, we retain the option to restart production on these lines once the market improves, potentially in 2018.

Infrastructure optimisation in Europe



Work done in Europe; excluding Russia, Nigeria, Belarus and Armenia.

In logistics, we continue our drive to shift costs from fixed to variable, for instance by further outsourcing our logistics activities and using of third-party partners.

In Nigeria, we began the process of establishing future mega-plants through expansion of production facilities in locations including Asejire, Abuja and Port Harcourt. Optimisation of production and logistics will continue in the country through 2018, with less efficient plants closed in due course. We closed 14 distribution centres accounting for more than a quarter of our logistics capacity during 2016. These changes reduced our fixed costs and improved operational efficiencies. Meanwhile, we continue to invest in PET packaging as the Nigerian market shifts from returnable glass bottles to plastic bottles.

Across the Group, we focused our investments on upgrading our lines, making sure we can support our initiatives to offer consumers the right product, in the right pack, at the right price to suit every occasion. We have leveraged our scale in sparkling beverages, offering a full non-alcoholic ready-to-drink portfolio to our customers and consumers, and made significant improvements in the environmental impact of packaging. We are converting our cans from the standard 0.33 litre size to slim design cans, and we are introducing smaller can sizes to offer consumers more choices and alternatives for different occasions. Another good example of packaging that appeals to our young adult consumers is the new Fanta Slider bottle design, which features a twist in the lower half of the bottle. Within the Coca-Cola System, we have led the rollout of the new Fanta bottle, introducing it in our European markets during 2016.

Our optimisation work has resulted in a 30% reduction in the number of plants across the Group, from 80 in 2008 to 56 at the end of 2016. During the same period, we also reduced the number of our warehouses and distribution centres by 27%. As a result, the average number of filling lines per plant has increased from 3.6 to 4.8, for more efficient and flexible facilities. Our capacity utilisation across the business was 63% during peak months in 2016, giving us plenty of room for growth without the need for additional investment.

Business standardisation

We launched a shared business services organisation (BSO) in 2011 in Sofia, Bulgaria to centralise and standardise the management of general accounting, procurement and invoicing, cash collection

and allocation, master data and human resource processes. In 2016, collection and dispute management, purchasing administration and customer master data activities were successfully centralised and transferred to the BSO from all of our markets except Nigeria. We expect the BSO to assume these tasks for our Nigerian operations in 2017. In late 2016, we finalised the set-up of our Nizhny Novgorod, Russia service centre, which performs the same services as the BSO in Sofia but is entirely focused on serving our Russian operation.

Read more about our 2020 sustainability commitments on page 5

Cost leadership continued

During 2016, the BSO in Sofia achieved additional efficiencies, leading to:

- reduction in the average cost to process a vendor invoice from €3.1 to €2.8;
- increased automatic customer allocations to 78.4% of orders;
- improved accounting efficiency; and
- increased productivity of master data processes by 20%.

While carrying out this transformative work, the Bulgarian BSO continued to improve on internal customer satisfaction scores, reaching 78% in 2016. To sustain this and increase the added value for our operations, the BSO works with internal customers to improve processes, make IT systems more intuitive and build a culture of customer centricity.

The BSO also serves as a talent pool for our Company, with 59 people promoted to country operations and corporate service centre roles in 2016.

Cash generation

Our business is highly cash-generative, producing an average of c.€400 million of free cash flow per annum. In 2016, we generated €431 million of free cash flow by maintaining excellent working capital discipline, and by improving our profitability. This reflects our efforts to improve our working capital management, a significant focus of our Company from 2008 when we began experiencing a reduction in our operating profits.

Having reached a year-end working capital position less than negative €100 million, further optimisation of working capital can only be incremental. However, in line with our financial targets, we are expecting a bigger contribution of profits to free cash flow in the coming years.

Our medium-term target for capital expenditure is from 5.5% to 6.5% of net sales revenue. The majority of this is invested in revenue-generating assets such as state-of-the-art filling lines and cold drink equipment. Our net expenditures for 2016 amounted to €332 million, equivalent to 5.3% of net sales revenue. Excluding the sale of idle assets, capital expenditure was 5.9% of net sales revenue. Given our integrated capital expenditure decisions, and our disciplined approach to capital expenditure, we continue to believe our medium-term target range is appropriate for nurturing our future growth.

Partnering with our suppliers

We partner with our suppliers to provide new technologies for production and cold drink equipment and packaging, and with our logistics providers to minimise our impacts and drive our performance. Our sustainable supply joint value creation initiatives and joint ventures with our supply partners play an important role in supporting the Company to achieve this target. We place significant focus on forming partnerships with multinational suppliers that have supply points located within our countries, while also developing strong local suppliers across our territories. These efforts support our strategy for local sourcing and contributing to socio-economic development in the countries where we conduct business. For agricultural commodities, we work with multinational suppliers to source ingredients from farms located in Coca-Cola HBC countries. In September 2016, we hosted a sustainable agriculture workshop in Athens with key suppliers, to align our efforts towards a sustainable supply chain.

Integrating sustainability in business processes

Since 2015, we have required all countries to include quantitative water conservation and carbon reduction criteria in their capital expenditure investment appraisals. This work, which was recognised with a Finance for the Future Award from Accounting for Sustainability (A4S) in 2016, involves evaluating our investment projects for their impacts on people and the planet. Impacts assessed are both direct (e.g. water, energy, carbon) and indirect (e.g. jobs and taxes, capability building, environmental externalities, cultural heritage and stakeholder perception). Our Group-level carbon and water team works together with country carbon and water champions to execute carbon, energy and water reduction initiatives.

In 2016, we continued using our internal carbon price and 'true' cost of water, with water stress multiplier, to set environmental plans for our production sites. The water stress multiplier is defined per river basin using water and risk data from the World Business Council for Sustainable Development's Global Water Tool. The WWF water risk filter is also used to evaluate the water risk of our suppliers.

Water and energy reduction

In 2016, we invested more than €4.4 million in water reduction initiatives at our plants and we saved 0.74 million cubic metres of water. Our water use ratio has improved by 3.2% for 2016 compared to the prior year.

We also invested €6.3 million in 2016 to reduce 118.5 million MJ of energy, resulting in our energy use ratio improving by 4.7% compared to 2015. By mandating that our top 10 water and top 18 energy-saving initiatives be used at all sites, we achieved an implementation rate of 70.5% for water and 63% for energy, by year end.

Packaging recycling and waste management

We continue to focus on reducing packaging through light-weighting initiatives. Moreover, we published three new commitments related to packaging. In 2016 vs. 2015 we avoided 500 tonnes of PET material, and used 13,566 tonnes of recycled PET and 12,855 tonnes of plant PET material. As a result, we avoided more than 36,300 tonnes of carbon emissions.

Four of our European production sites in Switzerland, Northern Ireland and Austria have succeeded in eliminating all waste sent to landfill. We also found new solutions for some types of waste in our Developing and Emerging markets in 2016. These efforts enabled us to reduce the tonnage of landfill waste from our operations by 33.5%. Measured per litre of produced beverage, our waste ratio fell by 32.5%, from 0.76 g/litre beverage in 2015 to 0.51 g/litre beverage in 2016.

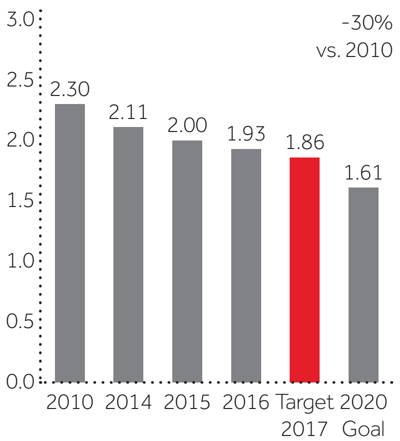
Furthermore, we continue to support 19 packaging waste management schemes that recover and recycle post-consumer packaging. In 2016 we recovered for recycling approximately 60% of packaging material placed in these countries and approximately 30% across our operations.

Our carbon reduction targets are based on climate science. The 'Science-Based Targets' initiative, a partnership between the Carbon Disclosure Project, the UN Global Compact, the World Resources Institute and the World Wildlife Fund, helps companies determine how much they must cut emissions to prevent the worst impacts of climate change. As we were one of the first companies globally to have science-based targets approved through the initiative, our business case has been published as a reference at http://sciencebasedtargets.org/case-studies/.

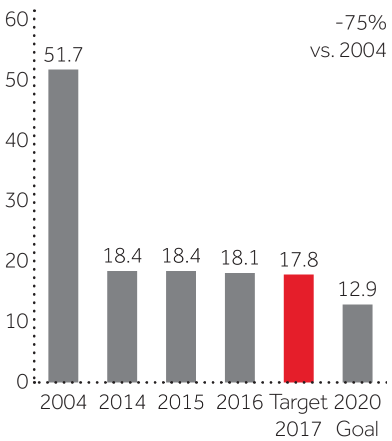
Case study

In our plant in Cracow, Poland we invested €150,000 in water reuse from backwashing and sterilisation of carbon filters. In the past water was diverted directly into the wastewater system. By collecting the water in the main water collector and tank, and sending it to the beginning of the water treatment process after chlorination, we are saving 20,000 cubic metres of water annually.

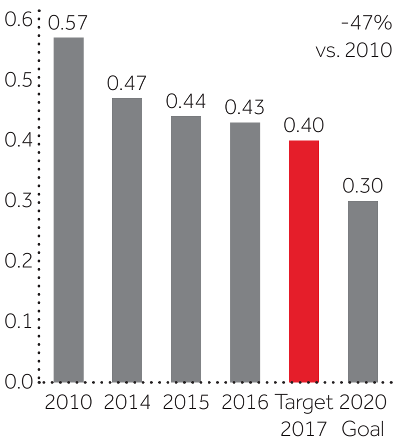
Water use ratio in plants
(litre/litre of produced beverage)



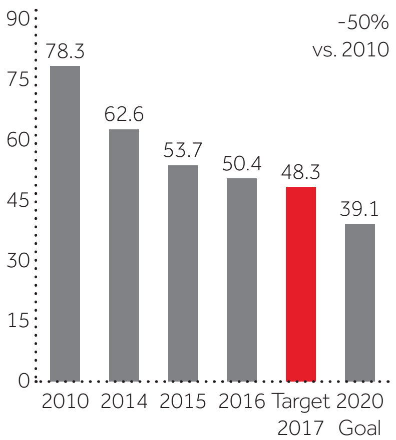
Operational water footprint
(billion litres)



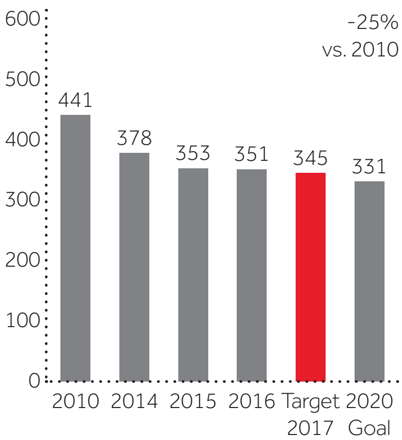
Energy use ratio in plants
(MJ/litre of produced beverage)



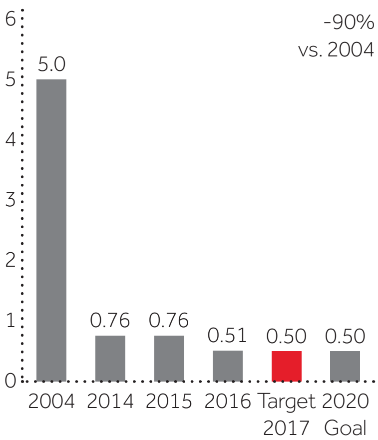
CO_2 ratio (scopes 1 and 2)
(gCO_2/litre of produced beverage)



CO_2 ratio (scopes 1, 2 and 3)
(gCO_2/litre of produced beverage)



Landfill waste ratio
(g/litre of produced beverage)



Another year of significant growth in margins and profits

Michalis Imellos
Chief Financial Officer

FX-neutral revenue growth

+3.0%

Comparable operating profit

€518m

Comparable EBIT margin improvement

+90bps

Free cash flow

€431m

We are pleased to report another year of good progress in margins, with the business developing in line with our 2020 strategic plan.

Our 2016 financial performance reflects the operating leverage we have achieved after several years of relentless optimisation, careful control of costs and effective management of financial risks. Evidence of our success includes:

- net sales revenue up 3.0% on an FX-neutral basis; taking account of currency movements, net sales revenue declined by 2.0%;
- FX-neutral revenue per case grew in all geographic segments, up 2.9% overall;
- volume increased by 0.1%;
- cost efficiencies resulted in a 100 basis-point reduction in comparable operating expenses as percentage of net sales revenue;
- comparable EBIT margin increased by 90 basis points to 8.3%; and
- comparable EPS increased by 12.5% to €0.972.

Income statement

Sales volume growth slowed during the year to a marginal increase, following a 2.6% increase in the prior year. We experienced volume decline in our Established markets segment and increases in our Developing and Emerging markets segments.

On an FX-neutral basis, net sales revenue improved by 3.0% compared to the prior year. The positive results from our revenue growth management initiatives, including pricing, were more than offset by unfavourable foreign currency movements. Net sales revenue therefore decreased by 2.0% compared to the prior year.

Key financial information

	2016	2015	% change
Volume (million unit cases)	**2,058**	2,055	0.1%
Net sales revenue (€ million)	**6,219**	6,346	-2.0%
Net sales revenue per unit case (€)	**3.02**	3.09	-2.1%
FX-neutral net sales revenue (€ million)	**6,219**	6,038	3.0%
FX-neutral net sales revenue per unit case (€)	**3.02**	2.94	2.9%
Operating profit (EBIT) (€ million)	**506**	418	21.1%
Comparable EBIT (€ million)	**518**	473	9.4%
EBIT margin (%)	**8.1**	6.6	160bps
Comparable EBIT margin (%)	**8.3**	7.5	90bps
Net profit (€ million)	**344**	280	22.5%
Comparable net profit (€ million)	**352**	314	12.0%
Comparable basic earnings per share (€)	**0.972**	0.864	12.5%

Percentage changes are calculated on precise numbers.

Balance sheet

	2016 € million	2015 € million
Assets		
Total non-current assets	**4,504**	4,665
Total current assets	**2,061**	1,868
Total assets	**6,565**	6,533
Liabilities		
Total current liabilities	**1,968**	2,491
Total non-current liabilities	**1,727**	1,218
Total liabilities	**3,695**	3,709
Equity		
Owners of the parent	**2,866**	2,820
Non controlling interests	**5**	4
Total equity	**2,870**	2,824
Total equity and liabilities	**6,565**	6,533

Figures are rounded.

Financial review continued

We achieved a 2.5% decrease in cost of goods sold in 2016. The positive impact of cost efficiencies and translation currency movements were partially offset by the adverse effect of transactional currency movements, while input costs remained fairly stable.

Comparable gross profit margin and reported gross profit margin were broadly stable in 2016 compared to the prior year. Comparable operating expenses, however, decreased by 5.3% and reported operating expenses by 6.1% in 2016 compared to the prior year, mainly reflecting the benefits of our restructuring initiatives and tight cost management, as well as the positive translation impact from exchange rate movements.

Our revenue growth management initiatives and cost efficiencies also served to improve our comparable operating profit. In addition, lower restructuring costs and unrealised commodity hedges gains augmented the growth of reported operating profit. Profitability improvements were only partially offset by unfavourable foreign currency movements. Comparable operating profit increased by 9.4% in 2016 compared to the prior year and reported operating profit increased by 21.1%.

Net finance costs decreased by €6 million during 2016 compared to the prior year period, mainly due to decreased net foreign exchange losses on remeasurement of finance leases.

On a comparable basis, the effective tax rate was approximately 25% for 2016 compared to 24% for 2015. On a reported basis, Coca-Cola HBC's effective tax rate was approximately 25% for 2016 compared to 21% for 2015. Our effective tax rate on a reported basis was positively impacted in 2015 by certain non-recurring items. The Group's effective tax rate varies depending on the mix of taxable profits by territory, the non-deductibility of certain expenses, non-taxable income and other one-off tax items across its territories.

In 2016, comparable net profit increased by 12.0% and reported net profit increased by 22.5% compared to the prior year. These improvements were mainly driven by the higher operating profitability, only partially offset by increased taxes.

Dividend

In line with the Group's progressive dividend policy and the Board's assessment of progress against the Group's strategy, the Board of Directors has proposed a dividend of €0.44 per share. This is a 10% increase from €0.40 per share for 2015. The dividend payment will be subject to shareholder approval at the 2017 Annual General Meeting.

Balance sheet

Total non-current assets decreased in 2016 by €162 million mainly due to the impact of foreign currency translation. Net current assets increased by €716 million mainly due to the repayment of the €600 million bond which matured in November 2016 and the cash and cash equivalents generated by the Group in the year. The Group's non-current liabilities also increased by €509 million largely as a result of the €600 million bond issued in March 2016, which matures in November 2024.

Cash flow

Net cash from operating activities increased by 3.2%, or €24 million, in 2016 compared to 2015, mainly reflecting the increased operating profitability, only partially offset by taxes paid and lower cash generated by the diminishing working capital improvement. Capital expenditure, net of receipts from the disposal of assets and including principal repayments of finance lease obligations, increased by 1.4% in the year and represented 5.3% (2015: 5.2%) of net sales revenue. In 2016, capital expenditure amounted to €332 million, of which 79% was related to revenue-generating investments. In 2015, capital expenditure amounted to €328 million, of which 79% was related to revenue-generating investments.

In 2016, free cash flow grew by 4.7% or €19 million, reflecting the increased cash from operating activities, which was only partially offset by increased capital expenditure.

Economic value

Efficient use of capital and higher profits resulted in an increase in return on invested capital (ROIC) from 8.8% in 2015 to 10.3% in 2016. At the same time, our weighted average cost of capital (WACC) increased from 7.4% in 2015 to 8.2% in 2016, reflecting the increased political and macroeconomic risks that affected most of our countries in the year. As a result of the ROIC outpacing the WACC, we continued to grow the positive economic value generated by our operations.

Cash flow

	2016 € million	2015 € million
Cash flow from operating activities	**763**	739
Payments for purchases of property, plant and equipment	**(348)**	(332)
Proceeds from sales of property, plant and equipment	**36**	18
Principal repayments of finance lease obligations	**(20)**	(14)
Free cash flow	**431**	412

Figures are rounded.

Financial risk management

Given the volatility in currency and commodity markets, proactively managing financial risks was critical throughout the year. We experienced significant adverse impact due to our foreign currency exposures arising from changes in exchange rates between the Euro, the US dollar and the currencies of our non-Euro countries. We incurred a total negative impact of €101 million at operating profit level due to our foreign currency exposures. 95% of this impact can be attributed to transaction exposures arising mainly from raw materials purchases.

We actively hedge transaction exposures in each foreign currency with an available active hedging market on a rolling 12-month basis. The Nigerian naira experienced double-digit devaluation against the Euro in the second half of June. We mitigated a significant part of the impact of this devaluation by pre-buying certain key raw materials at the beginning of the year. The Russian rouble depreciated against the Euro to its weakest level at the beginning of February before appreciating significantly after the first quarter of 2016. Our active hedging strategy through derivatives, provided significant protection against the Rouble during the depreciation period, securing better rates versus the market. In 2016, the Nigerian naira devalued by 35% against the Euro whereas the Russian rouble appreciated by 22% and these two currencies together accounted for approximately three quarters of our total foreign currency impact.

Our key raw materials such as PET, aluminum and sugar also experienced significant price volatility in 2016. We saw Brent prices recovering from their all-time lows following a multi-year period of decline, but PET, despite being an oil by-product, did not experience the extreme Brent volatility, as demand and supply dynamics provided a smoother price evolution in the year. We were protected against unexpected fluctuations through pre-buys and price pre-fixings. On the other hand, aluminum experienced upside volatility in 2016 but in a rather smooth fashion. Our hedged positions helped us to mitigate the underlying price risk. World sugar has been the most volatile of all key raw materials, with prices doubling through the year. We were hedged and had locked in good prices, which resulted in a positive price impact. Overall, input cost per case on an FX-neutral basis was flat year on year.

Our general policy is to retain a minimum amount of liquidity reserves in the form of cash and cash equivalents on our balance sheet while maintaining liquidity potential in the form of an unused committed €500 million revolving credit facility. We invest our excess cash at Group level primarily in short-term time deposits.

In principle, we do not keep excess cash in any of our countries except for the ones with various degrees of capital controls. We have a multi-currency zero balance automated pool structure in place for 15 of our countries.

Fund transfer restrictions exist in Belarus, Greece, Serbia and Ukraine, but these restrictions do not have a material impact on our liquidity, as the amount of cash and cash equivalents we hold in these countries is generally retained for capital expenditure, working capital and dividend distribution purposes. Fund transfer restrictions also exist in Nigeria and the tight liquidity in the local foreign exchange market in 2016 significantly limited our ability to execute payments in foreign currency, leading to a temporarily high Nigerian Naira cash balance at the end of the year.

Financial review continued

Borrowings

Our medium- to long-term aim is to maintain a ratio of net debt to comparable EBITDA in the range of 1.5 to 2.0 times and in 2016, we ended the year with a ratio of 1.25 times.

Our funding strategy in the debt capital markets involves raising financing through our wholly owned Dutch financing subsidiary, Coca-Cola HBC Finance B.V., except in the case of subsidiaries with joint control, or countries where certain legal or tax restrictions apply. In such cases, financing at lower levels in the organisation may be considered. We use our €3 billion European Medium Term Note programme and our €1 billion Global Commercial Paper programme as the main basis for our financing. We endeavour to maintain our presence and profile in the international capital markets and, where possible, to broaden our investor base. We also seek to maintain a well-balanced redemption profile. In early 2016, we issued a €600 million bond, repayable in November 2024, at an effective interest rate of 2.99%. This was utilised mainly in the refinancing of the €600 million bond maturing in November 2016 which was repaid in two tranches. The first part, €215 million, was repaid in March 2016 during the tender offer process and the remaining amount, €385 million, was repaid at maturity, in November 2016.

In June 2016, we exercised our option to extend the maturity of our €500 million syndicated revolving credit facility and the banks agreed to extend the facility for one more year until 24 June 2021. We have never drawn down on this facility which can be used for general corporate purposes and carries a floating interest rate over EURIBOR and LIBOR.

Borrowing structure

(€ million)

- Bonds issued: **1,392**
- Commercial paper: **108**
- Finance leases: **84**
- Other: **40**

Looking ahead

We are very pleased with our performance in 2016. We delivered a second year of strong growth in profitability and the trajectory of the business remains in line with the plans we outlined at our Investor Day last June.

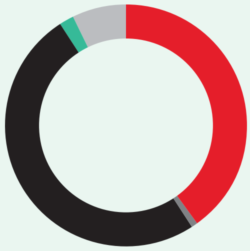
Looking at 2017, we expect volume to continue to grow in the Developing and Emerging segments and to stabilise in the Established segment. Currency depreciation and the associated inflation will remain a key feature in some of our markets, and we see inflation picking up in a number of markets. Our initiatives to improve product mix will continue, and we intend to continue with planned pricing actions in markets impacted by foreign currency depreciation and markets where deflationary pressures are abating. We expect our plans to again deliver a substantial increase in FX-neutral net sales revenue per case.

At current commodity price levels, input costs are expected to be a high single-digit headwind in the year, mainly driven by resin and higher oil prices, although taking into account our hedged positions and current spot rates, the adverse impact on our operating profit from foreign currency is expected to abate to levels of around €15 million for the full year.

Our actions in cost management and the effect of top-line operating leverage are expected to result in a further reduction in operating expenses as a percentage of net sales revenue in 2017, supporting EBIT margin growth.

In Nigeria, the continued pressure on the economy and the risk of a further devaluation of the Nigerian naira add to the existing challenges. We are continuously monitoring and assessing the conditions in this market, as well as in Russia, where we see some early signs of stabilisation, in order to ensure that timely actions and initiatives are in place to minimise potential adverse impact on our performance. The macroeconomic and financial environment in Greece also remains fragile and may further impact consumers' disposable incomes.

Tax contribution by category[1]



- Corporate income tax: **40%**
- Withholding tax: **1%**
- Payroll taxes: **50%**
- VAT (cost): **2%**
- Environmental taxes: **–**
- Other taxes: **7%**

Taxes we contribute to our communities

We create wealth in the countries where we operate, and pay taxes in these countries, which indirectly support our communities. These taxes include: corporate income tax calculated on each country's taxable profit, employer taxes and social security contributions, net VAT cost and other taxes that are reflected as operating expenses. Excise taxes and taxes borne by employees are not included.

1. In accordance with IFRS

Viability Statement

1. Business model and prospects

Our business model and strategy, as outlined on pages 8, 9, 12 & 13 of this report, constitute the factors for underpinning the understanding and evaluation of our prospects. Our strong sales and execution capabilities, attractive geographic diversity, market leadership, global brands, and diverse beverage portfolio are the fundamentals of the Group's business model. Our strategy is being adapted over time in order to sustainably create value for our shareholders, suppliers, employees, and the customers and communities we serve.

The Group's business model has proven to be effective and resilient even during the recent challenging market conditions. Our Board has historically applied a prudent approach to the Group's decisions relating to major projects and investments. From 2010 to 2016, we generated free cash flow of an average of €415 million.

The Board considers that our diverse geographic footprint, including exposure to emerging markets with low per capita consumption, and our proven strategy in combination with our leading market position offer significant opportunity for future growth.

In making this statement the Audit and Risk Committee, and the Board as a whole, carried out a robust assessment of the Group's risks that could threaten our business model, future performance, solvency or liquidity.

2. The business planning process, key assumptions and viability period

The Group has a well-established strategic business planning process which has formed the basis of the Board's quantitative assessment of the Group's viability. The business plan reflects our current strategy over a five-year rolling period. The financial projections included in the plan are based on the following key assumptions:

- key macroeconomic data, that could impact our consumers' disposable income and consequently our sales volume and revenues;
- key raw material costs;
- foreign currency rates;
- spending for production overheads and operating expenses;
- working capital levels; and
- capital expenditure.

The Board believes that a viability period of five years is the most appropriate as it aligns with the Group's strategic business planning cycle and is also consistent with the potential impact of principal risks as disclosed on pages 16-21, the Group's debt profile and our impairment review process, where goodwill and indefinite-lived intangible assets are tested based on five-year forecasts.

3. Assessment of viability

From a qualitative perspective, we analysed the output of the Enterprise Risk Management, Business Planning and Liquidity Management internal processes, to ensure that the risks to the Group's viability are understood and managed. The Board has concluded that the Group's processes continue to provide a comprehensive framework that effectively supports the operational and strategic objectives of the Group and provides a robust basis for assessment and confirmation of the Company's ability to continue in operation and meet its obligations as they fall due over the period of assessment.

Supporting the qualitative assessment was a quantitative analysis performed through the strategic business plan, including but not limited to, the Group's ability to generate cash.

We have continued to stress test the plan against several severe but plausible downside scenarios linked to certain principal risks including declining consumer demand, channel mix and foreign exchange. A combination of the following scenarios was modelled: lower estimates for sales volumes and revenues, more adverse foreign currency rates and higher raw material costs. Our stress testing showed that due to the stable cash generation of our business, the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts by making adjustments, if required, to its operating plans within the normal course of business. Following the above the Board has concluded that the Group is well positioned to effectively manage its financial, operational and strategic risks.

4. Viability Statement

Based on our assessment of prospects and viability as outlined above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue operating and meet its liabilities as they fall due over the five-year period ending 31 December 2021.

Board of Directors

Unrivalled experience in our leadership team

1 2

8

3 4 5

6 7

9 10

11 12

13

1. Anastassis G. David
Non-Executive Chairman

2. Robert Ryan Rudolph
Non-Executive Director

3. William W. (Bill) Douglas III
Independent non-Executive Director

4. Reto Francioni
Senior Independent non-Executive Director

5. John P. Sechi
Independent non-Executive Director

6. Dimitris Lois
Chief Executive Officer

7. Olusola (Sola) David-Borha
Independent non-Executive Director

8. Ahmet C. Bozer
Non-Executive Director

9. Anastasios I. Leventis
Non-Executive Director

10. Alexandra Papalexopoulou
Independent non-Executive Director

11. Antonio D'Amato
Independent non-Executive Director

12. José Octavio Reyes
Non-Executive Director

13. Christo Leventis
Non-Executive Director

Board of Directors continued

Anastassis G. David

Non-Executive Chairman

Appointment: Mr. Anastassis David was appointed Chairman of the Board of Directors of Coca-Cola HBC on 27 January 2016. He joined the Board of Coca-Cola HBC as a non-Executive Director in 2006 and was appointed Vice Chairman in 2014.

Skills and experience: Mr. David brings to his role more than 20 years' experience as an investor and non-executive director in the beverage industry. Mr. David is also a former Chairman of Navios Corporation. He holds a BA in History from Tufts University.

External appointments: Mr. David is active in the international community and serves on the International Board of Advisors of Tufts University and on the Advisory Board of the Fares Center at Fletcher School. He serves as a member on the board of directors of Aegean Airlines S.A. and AXA Insurance S.A. Mr. David is a member of the Board of Trustees of College Year in Athens and is a member of the Executive Committee of the Cyprus Union of Shipowners.

Dimitris Lois

Chief Executive Officer

Appointment: Mr. Dimitris Lois was appointed Chief Operating Officer in 2009 and Chief Executive Officer in 2011.

Skills and experience: Mr. Dimitris Lois began his career in 1988 at Grecian Magnesite S.A., where he held various managerial positions including that of business development manager. He joined Frigoglass S.A.I.C. in 1997 and after serving in various international positions he was appointed managing director in August 2003. Mr. Lois joined the Group as Region Director in 2007. He holds an MS in Chemical Engineering from Northeastern University and a BS in Chemical Engineering from Illinois Institute of Technology.

External appointments: Mr. Lois is a member of the Board of the Swiss-American Chamber of Commerce and UNESDA.

Ahmet C. Bozer

Non-Executive Director

Appointment: Mr. Ahmet Bozer was appointed to the Board of Directors of Coca-Cola HBC on 21 June 2016.

Skills and experience: Mr. Bozer retired from the position of Executive Vice President of The Coca-Cola Company in March 2016. Mr Bozer started his professional career in 1985 at Coopers & Lybrand, CPA, based in Atlanta, serving in a variety of audit, consultancy and management roles and moved to The Coca-Cola Company in 1990 as Financial Controls Manager. Four years later, he assumed a leadership role at Coca-Cola Bottlers of Turkey (now Coca-Cola Icecek), becoming its Managing Director in 1998. He returned to The Coca-Cola Company in 2000 as Division President, Eurasia, and quickly progressed to the role of Division President, Eurasia and the Middle East. In 2007, he became Group President, Eurasia, assuming additional responsibility for the India and South West Asia Division, and was soon named Group President and Chief Operating Officer, Eurasia and Africa Group. As President of Coca-Cola International, he had responsibility for operations in more than 200 countries and territories. Mr. Bozer earned a Bachelor's degree in Management from the Middle East Technical University, Ankara, Turkey, and a Master's degree in Business Information Systems from Georgia State University.

External appointments: Mr. Bozer chairs several business councils in various countries, serves as a Board member for the Coca-Cola Foundation and The Coca-Cola Turkey Life Plus Foundation, is on the Board of Advisors for Robinson College of Business at Georgia State University, and is a former member of The Turkish Educational Volunteers Foundation.

Antonio D'Amato

N R

Independent non-Executive Director

Appointment: Mr. Antonio D'Amato was appointed to the Board of Directors of Coca-Cola HBC in 2002.

Skills and experience: Mr. Antonio D'Amato began his business career in 1979 with Cartoprint in Milan, part of the Seda International Packaging Group SpA (formerly the Finseda Group), a leading European company in the production of food packaging materials. He was employed in various capacities and became president of Seda International Packaging Group SpA in 1991. Mr. D'Amato was previously president and a member of the board of directors of Confindustria, the Confederation of Italian Industry. In August 2000, Mr. D'Amato was appointed vice-president of the Union of Industrial and Employers' Confederations of Europe (UNICE). From 2000 to 2012, Mr. D'Amato was also a member of the Italian National Council for Economy and Labour (CNEL).

External appointments: In July 2001, he became president of the LUISS University in Rome, a leading private Italian university.

Olusola (Sola) David-Borha

A

Independent non-Executive Director

Appointment: Mrs. David-Borha was appointed to the Board of Directors of Coca-Cola HBC in 2015.

Skills and experience: Mrs. David-Borha was Chief Executive Officer of Stanbic IBTC Holdings plc, a full service financial services group with subsidiaries in commercial banking, investment banking, pension and non-pension asset management and stockbroking. Stanbic IBTC Holdings is listed on the Nigerian Stock Exchange. Prior to this appointment, Mrs. David-Borha served as Chief Executive of Stanbic IBTC Bank from May 2011 to November 2012. She also served as Deputy Chief Executive Officer of Stanbic IBTC Bank and Head of Investment Banking Coverage Africa (excluding South Africa). Stanbic IBTC Holdings is a member of the Standard Bank group which, in 2007, acquired a leading investment bank in Nigeria, IBTC Chartered Bank plc, where Mrs. David-Borha worked as an Executive Director prior to the merger. Between 1984 and 1989, Mrs. David-Borha worked in the credit and marketing department of NAL Merchant Bank PLC. Mrs. David-Borha holds a first-class degree in Economics, and obtained an MBA degree from Manchester Business School. Her executive education experience includes the Advanced Management Programme of the Harvard Business School.

External appointments: Mrs. Olusola (Sola) David-Borha is the Chief Executive of Standard Bank's African business excluding South Africa. Mrs. David-Borha is an Honorary Fellow of the Chartered Institute of Bankers of Nigeria (CIBN), and serves as non-executive director on the Board of CR Services Credit Bureau plc and the University of Ibadan Business School, amongst others. She is also the Vice Chairman of the board of the Nigerian Economic Summit Group.

William W. (Bill) Douglas III

A

Independent non-Executive Director

Appointment: Mr. Bill Douglas was appointed to the Board of Directors of Coca-Cola HBC on 21 June 2016.

Skills and experience: Mr. Bill Douglas is a former Vice President of Coca-Cola Enterprises, a position in which he served from July 2004 until his retirement in June 2016. Mr. Douglas has held various positions within the Coca-Cola System since 1985. In 1991, he was appointed Division Finance Manager for the Nordic & Northern Eurasia Division of The Coca-Cola Company. Mr. Douglas moved to Atlanta in 1994 as Executive Assistant to the President of The Coca-Cola Company's Greater Europe Group. In 1996, Mr. Douglas became Nordic Region Manager. In 1998, he was appointed Controller of Coca-Cola Beverages plc. From 2000 until 2004, Mr. Douglas served as Chief Financial Officer of Coca-Cola HBC. He joined Coca-Cola Enterprises in 2004 when he was appointed Vice President, Controller and Principal Accounting Officer. He was appointed Senior Vice President and Chief Financial Officer in 2005 and Executive Vice President and Chief Financial Officer of Coca-Cola Enterprises in 2008. From 2013 to 2015, Mr. Douglas was the Executive Vice President, Supply Chain. Before joining the Coca-Cola System, Mr. Douglas was associated with Ernst & Whinney, an international accounting firm. He received his undergraduate degree from the J.M. Tull School of Accounting at the University of Georgia.

External appointments: Mr. Douglas is a member of the Board of Directors and chairman of the Audit Committee of SiteOne Landscape Supply, Inc. He is also Vice Chairman of the University of Georgia Foundation.

Reto Francioni

R N

Senior Independent Non-Executive Director

Appointment: Mr. Francioni was appointed to the Board of Directors of Coca-Cola HBC on 21 June 2016.

Skills and experience: Mr. Francioni has been a Professor of applied capital markets theory at the University of Basel since 2006 and is the author of several highly respected books on capital market issues. From 2005 until 2015 Mr. Francioni was Chief Executive Officer of Deutsche Börse AG and from 2002 until 2005, he served as Chairman of the Supervisory Board and President of the SWX Group, which owns the Swiss Stock Exchange and has holdings in other exchanges. Between 2000 and 2002, Mr. Francioni was Co-Chief Executive Officer and Spokesman for the Board of Directors of Consors AG. Between 1993 and 2000, he held various management positions at Deutsche Börse AG, including that of Deputy Chief Executive Officer. From 2003 until 2005 Mr. Francioni was an Adjunct Professor of Economics and Finance at Zicklin School of Business, part of the City University of New York. He earned his Doctorate of Law at the University of Zurich.

External appointments: Mr. Francioni serves as a member of the Board of Directors of UBS Group as well as the Chairman of the Supervisory Board of Swiss International Airlines.

Anastasios I. Leventis

SR

Non-Executive Director

Appointment: Mr. Anastasios Leventis first joined the Board of Directors of Coca-Cola HBC in 2014.

Skills and experience: Mr. Leventis holds a BA in Classics from the University of Exeter and an MBA from New York University's Leonard Stern School of Business.

External appointments: Mr. Anastasios Leventis serves as a Director of the Leventis Group, a diversified international business group, and as a Trustee of the Leventis Foundation. In addition, Mr. Leventis is a Director of Alpheus Group Limited, a private asset management company managing assets of private clients and charitable foundations. Mr. Leventis is Vice President of the Council of the University of Cyprus, a member of the Board of Overseers of the Gennadius Library in Athens and a member of the Board of the World Wildlife Fund in Greece.

Christo Leventis

Non-Executive Director

Appointment: Mr. Christo Leventis was appointed to the Board of Directors of Coca-Cola HBC in 2014.

Skills and experience: Mr. Christo Leventis worked as an Investment Analyst with Credit Suisse Asset Management from 1994 to 1999. In 2001, he joined J.P. Morgan Securities as an Equity Research Analyst focusing on European beverage companies. From 2003 until March 2014, Mr. Leventis was a member of the Board of Directors of Frigoglass S.A.I.C., a leading global manufacturer of commercial refrigeration products for the beverage industry. Mr. Leventis holds a BA in Classics from University College London and an MBA from the Kellogg School of Management in Chicago.

External appointments: In 2003, Mr. Leventis started the private equity investment arm of Alpheus, a private asset management company, and he continues to serve as a member of its investment advisory committee.

Alexandra Papalexopoulou

SR R N

Independent non-Executive Director

Appointment: Mrs. Papalexopoulou joined the Board of Directors of Coca-Cola HBC in 2015.

Skills and experience: Mrs. Papalexopoulou worked previously for the OECD and the consultancy firm Booz, Allen & Hamilton, in Paris. From 2003 until February 2015 she served as a member of the board of directors of Frigoglass S.A.I.C., from 2010 to 2015 she served as a member of the board of directors of National Bank of Greece and from 2007 to 2009 she served as a member of the board of directors of Emporiki Bank. Mrs. Papalexopoulou holds a Bachelor of Arts (BA) in Economics and Mathematics from Swarthmore College, USA, and a Master in Business Administration (MBA) from INSEAD, France.

External appointments: Ms. Papalexopoulou is the Strategic Planning Director at Titan Cement Company S.A., where she has been employed since 1992 and serves as executive director since 1995. Mrs. Papalexopoulou is treasurer and a member of the board of directors of the Paul and Alexandra Canellopoulos Foundation, a member of the board of directors of the ALBA College of Business Administration Association and a member of the board of trustees of the American College of Greece.

José Octavio Reyes

SR

Non-Executive Director

Appointment: Mr. Reyes was appointed to the Board of Directors of Coca-Cola HBC in 2014.

Skills and experience: Mr. José Octavio Reyes is the former Vice Chairman of The Coca-Cola Export Corporation, a position in which he served from January 2013 until his retirement in March 2014. He was president of the Latin America Group of The Coca-Cola Company from December 2002 to December 2012. Following various managerial positions in Mexico, Brazil and in The Coca-Cola Company headquarters in Atlanta, Mr. Reyes was named President of the North Latin America Division of Coca-Cola in 2002. Prior to joining Coca-Cola, Mr. Reyes spent five years with Grupo IRSA, a Monsanto Company joint venture. Mr. Reyes holds a BSc in Chemical Engineering from the Universidad Nacional Autónoma de México and an MBA from the Instituto Tecnológico de Estudios Superiores de Monterrey.

External appointments: Mr. Reyes has been a member of the board of directors of MasterCard WorldWide since January 2008 and is a member of the board of directors of Papalote Children's Museum in Mexico City and Fundación UNAM. He is also a Director of Coca-Cola FEMSA S.A.B. de C.V. since 2016.

Robert Ryan Rudolph

Non-Executive Director

Appointment: Mr. Rudolph was appointed to the Board of Directors of Coca-Cola HBC on 21 June 2016.

Skills and experience: From 1993 until 2006, Mr. Rudolph worked at the business law firm Lenz & Staehelin in Zurich. Prior to that, Mr. Rudolph worked as a public relations consultant at the public relations agency Huber & Partner in Zurich, as marketing assistant and subsequently as manager at Winterthur Life Insurance as well as part-time with D&S, the Institute for Marketing and Communications Research in Zurich. Mr. Rudolph obtained a Master's degree in Law from the University of Zurich and is admitted to the Zurich bar. Mr. Rudolph also studied at the Faculté des Lettres of the University of Geneva as well as the Ecole Polytechnique in Lausanne.

External appointments: Mr. Rudolph is an attorney and partner at the Zurich-based law firm Oesch & Rudolph. In addition, he serves as a member of the Foundation Board of the A.G. Leventis Foundation and as a member of the board of various privately held companies.

John P. Sechi

A

Independent non-Executive Director

Appointment: Mr. Sechi was originally appointed to the Board of Directors of Coca-Cola HBC in 2014.

Skills and experience: Mr. Sechi started his career as a financial analyst and audit manager. In 1985, he joined The Coca-Cola Company as an internal auditor. In 1987, Mr. Sechi became the Finance Director for Coca-Cola Great Britain Limited based in London. The following year, he was appointed General Manager of the European Supply Point Group and in 1990 he moved to Madrid to join the Iberian Division as Chief Financial Officer. In 1993, Mr. Sechi was promoted to President of the Central Mediterranean Division of The Coca-Cola Company, based in Milan, where he was responsible for operations in Greece, Cyprus, Malta, Bulgaria, Former Yugoslavia (Croatia, Serbia, Bosnia, Montenegro, Kosovo and FYROM), Albania and Italy. In 1998, he was promoted to President of the German Division, based in Düsseldorf. Mr. Sechi was Chairman of Globalpraxis, a commercial consulting firm, from 2001 to 2008. From 2007 until 2013, he was the President, Greater Europe of The Campbell Soup Company, and from 2006 to 2011, a non-executive Board member and Chairman of the Audit Committee of Coca-Cola Içecek. Mr. Sechi has a BA in Business Management from Ryerson University in Toronto and is a Chartered Accountant (Canada) and a Chartered Professional Accountant.

External appointments: Mr. Sechi is a non-executive director and advisor to various privately-held companies and serves as executive chairman of Sechi & Sechi Properties Limited.

Board committees

Audit and Risk Committee page 80 A
Nomination Committee page 84 N
Social Responsibility Committee page 86 SR
Remuneration Committee page 88 R

Corporate Governance Report

Dear Shareholder,

On behalf of the Board, I am pleased to introduce our Corporate Governance report.

Good governance sits at the heart of our Company

We have a strong and effective governance system throughout the Group. Operating in widely differing countries, on three continents, in various economic and regulatory environments, we have long recognised that strong governance and effective leadership are of critical importance to the Group in order to achieve our strategic goals. Our commitment to best practices in corporate governance plays a key role in managing our risks and opportunities and maintaining the trust of our stakeholders. Recognising the value of effective corporate governance, we have regularly monitored and adopted best practices since the Group was formed.

The corporate governance regime applying to the Company, which is a Swiss corporation listed on the London Stock Exchange (LSE) with a secondary listing on the Athens Exchange, and our compliance with such rules for the year ended 31 December 2016, are described in detail in the section below entitled "Application of UK and Swiss Corporate Governance Codes and the UK City Code on Takeovers and Mergers".

Strategy and oversight

The Board's principal focus during the year continued to be on the execution of our strategic pillars – Community trust, Consumer relevance, Customer preference and Cost leadership – which are described in detail in the Strategic Report. We were also particularly focused on aligning strategically with The Coca-Cola Company in all of our markets and managing effectively the risks related to the external environment. These include risks associated with currency volatility, geopolitical instability and adverse macroeconomic conditions. Our governance framework is designed to ensure appropriate oversight and challenge.

The Board's meetings are split between strategy considering the longer-term vision and strategy of the Group and operational and financial updates in the markets where we operate to provide links and context for the strategic discussions as well as governance oversight. Meetings take place in Zug, Switzerland, but also in certain of our markets, in order for the Board to interact with local senior management and learn about their challenges and the way they are operating at a local level. In 2016 we chose to hold our June meeting in Russia, which represents one of our biggest markets.

Appointments and Board composition

During 2016, the Nomination Committee reviewed the composition of the Board to ensure it has the appropriate balance of skills, experience, independence and knowledge in order to discharge its duties and responsibilities effectively. As a result of this review, we appointed Mr. Ahmet C. Bozer, Mr. William W. (Bill) Douglas III, Mr. Reto Francioni and Mr. Robert Ryan Rudolph as new non-Executive Directors following the retirement from the Board of Mr. George A. David, Mr. Irial Finan, Sir Michael Llewellyn-Smith and Mr. Nigel Macdonald. Between them, Ahmet, Bill, Reto and Robert bring a wealth of relevant financial, legal, operational and industry-specific international experience to the Board. The Board has concluded that Bill and Reto are independent in character and judgement and that they meet the independence criteria of the UK Corporate Governance Code.

Board evaluation

In line with our commitment to adhere to best corporate governance practices, an external Board effectiveness evaluation was conducted in the second half of 2016. We will also run an internal evaluation in 2017 to build upon the learnings of the 2016 evaluation. Further details are set out in the Nomination Committee Report on page 84.

We will continue to keep the composition and size of the Board under review. We believe that our Board is well balanced and diverse, with the right mix of international skills, experience, independence and knowledge. Under Swiss law and our Articles of Association, the Company's Board of Directors is subject to re-election by our shareholders on an annual basis, with members being proposed by the Board's Nomination Committee, which, since June 2015, has been composed of independent Directors. We understand the importance of the Board's role in establishing the Company's 'tone from the top' in terms of its culture and values, and our Directors lead by example as ambassadors of our values in order to cascade good behaviour throughout the organisation.

Diversity

The Board is committed to recruiting Directors from different backgrounds with diverse skills, personalities and experience. We continue to make good progress in improving the diversity of the Company's senior management and have increased the number of women on our Operating Committee during 2016. We shall continue to attach importance to diversity of culture, gender and experience in our nomination processes, while at the same time seeking in candidates for Board and senior management positions the credentials that are necessary for the continuing growth of our operations within a highly competitive and specialised industry.

Further details of our approach to governance and our key achievements this year are described within our Corporate Governance Report below.

Anastassis G. David
Chairman of the Board

Strategic Report
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Board and committee attendance in 2016

The following table shows the membership of the Board committees and includes the Directors' attendance at Board and committee meetings during the period between 1 January and 31 December 2016.

		Board[1]		Audit and Risk[2]		Remuneration		Nomination		Social Responsibility	
Director	Independent	Attended	Total meetings	Attended	Total meetings	Attended	Total meetings	Attended	Total meetings	Attended	Total meetings
Anastassis G. David	No	6[3]	7								
Dimitris Lois	No	7	7								
Ahmet C. Bozer[4]	No	4	4								
George A. David[5]	No	2[6]	3							1	1
Olusola (Sola) David-Borha	Yes	7	7	8	8						
William W. (Bill) Douglas III[7]	Yes	4	4	5	5						
Irial Finan[8]	No	3	3								
Antonio D'Amato	Yes	5[9]	7			2	4	2	4		
Reto Francioni[10]	Yes	3	4			2	3	2	3		
Sir Michael Llewellyn-Smith[11]	Yes	3	3			1	1	1	1	1	1
Nigel Macdonald[12]	Yes	3	3	3	3						
Anastasios I. Leventis	No	7[14]	7							4	4
Christo Leventis	No	7[14]	7								
José Octavio Reyes	No	7	7							4	4
Alexandra Papalexopoulou	Yes	7	7			4	4	4	4	4	4
Robert Ryan Rudolph[13]	No	4	4								
John P. Sechi	Yes	7	7	8	8						

1. Includes 3 conference calls.
2. Includes 4 conference calls
3. Mr. Anastassis G. David did not attend 1 meeting discussing his appointment as Chairman.
4. Mr. Ahmet C. Bozer was appointed to the Board on 21 June 2016. He was eligible to attend 4 of the 7 meetings of the Board.
5. Mr. George A. David retired from the Board and the Social Responsibility Committee on 21 June 2016. He was eligible to attend 3 out of 7 meetings of the Board and 1 of the 4 meetings of the Social Responsibility Committee.
6. Mr. George A. David did not attend 1 meeting discussing his retirement and the appointment of Mr. Anastassis G. David as Chairman.
7. Mr. William W. (Bill) Douglas III was appointed to the Board and the Audit and Risk Committee on 21 June 2016. He was eligible to attend 4 of the 7 meetings of the Board and 5 of the 8 meetings of the Audit and Risk Committee.
8. Mr. Irial Finan retired from the Board on 21 June 2016. He was eligible to attend 3 of the 7 meetings of the Board.
9. Mr. Antonio D'Amato did not attend 1 of the Board, Remuneration, and Nomination Committees meetings due to the passing away of an immediate family member and 1 because of long-standing prior commitments.
10. Mr. Reto Francioni was appointed to the Board, the Remuneration Committee and the Nomination Committee on 21 June 2016. He was eligible to attend 4 of the 7 meetings of the Board, 3 of the 3 meetings of the Remuneration Committee and 3 of the 3 meetings of the Nomination Committee. He did not attend 1 of the Board, Remuneration and Nomination Committees meetings due to long-standing prior commitments
11. Sir Michael Llewellyn-Smith retired from the Board, the Remuneration Committee, the Nomination Committee and the Social Responsibility Committee on 21 June 2016. He was eligible to attend 3 meetings of the Board, the 1 meeting of the Remuneration Committee, the 1 meeting of the Nomination Committee and 1 meeting of the Social Responsibility Committee held prior to his retirement.
12. Mr. Nigel Macdonald retired from the Board and the Audit and Risk Committee on 21 June 2016. He was eligible to attend 3 meetings of the Board and 3 of the 8 meetings of the Audit and Risk Committee held prior to his retirement.
13. Mr. Robert Ryan Rudolph was appointed to the Board on 21 June 2016. He was eligible to attend 4 of the 7 meetings of the Board.
14. Messrs. Anastasios Leventis and Christo Leventis abstained from participating in the decision on the appointment of Mr. Anastassis G. David as Chairman.

Corporate Governance Report continued

General qualifications required of all Directors

Coca-Cola HBC's Board Recruitment Policy requires that each Director is recognised as a person of the highest integrity and standing, both personally and professionally, in senior business, academic or government circles. Each Director must have a proven record of success in his or her field and must be ready to devote the time necessary to fulfil his or her responsibilities to the Company according to the terms and conditions of their letter of appointment. In addition, each Director must demonstrate familiarity with and respect for good corporate governance practices, sustainability and responsible approaches to social issues. The Board should remain a diverse body with diversity reflecting gender, ethnic background, age, nationality and professional experience.

Business characteristics	Qualifications, skills and experience	Directors
Our business is extensive and involves complex financial transactions in the various jurisdictions where we operate.	Experience in finance, investments and accounting	13
Our business is truly international with operations in 28 countries, with different stages of development, on three continents.	Broad international exposure and emerging and developing markets experience	13
Our business involves the manufacturing, sale and distribution of the world's leading non-alcoholic beverage brands.	Extensive knowledge of our business and the fast-moving consumer goods industry as well as experience with manufacturing, route-to-market and customer relationships	8
Our Board's responsibilities include the understanding and oversight of the key risks we are facing, establishing our risk appetite and ensuring that appropriate policies and procedures are in place to effectively manage and mitigate risks.	Risk oversight and management expertise	6
Building community trust through the responsible and sustainable management of our business is an indispensable part of our culture.	Expertise in sustainability and experience in community engagement	7
Our business involves compliance with many different regulatory and corporate governance requirements across a number of countries, as well as relationships with national governments and local authorities.	Expertise in corporate governance and/or government relations	6

Summary of key Board activities for 2016 and priorities for 2016/17

2016 focused areas:

- Ongoing monitoring of the Group's key strategic priorities which include:
  - (a) people management;
  - (b) fuel sustainable growth;
  - (c) drive competitiveness; and
  - (d) lead sustainability.
- Further alignment and enhancement of strategic partnerships with The Coca-Cola Company
- Discussing the optimisation of the Group's supply chain and cost-efficiency routines
- Reviewing in detail the actuals and business outlook in Russia and Nigeria and challenging the management on currency devaluation contingency plans
- Reviewing performance of business against targets and key business indicators
- Implementing the external Board evaluation review and discussing recommendations
- Discussing succession planning for senior roles
- Reviewing and oversight on the Group's risk management programmes and controls

2017 objectives:

- Continued oversight of regulatory and compliance risk
- Monitoring the implementation of the Group's integrated supply chain infrastructure optimisation
- Aligning with The Coca-Cola Company in the implementation of the key strategic priorities of the Group
- Overseeing strategy in order to achieve the Group's 2020 growth objectives
- Continued focus on leadership and development of talent

Operation of the Board

Board governance of the Company

The governance process of the Board is set out in our Articles of Association and the Organisational Regulations. These regulations define the role of the Board and its committees, their respective responsibilities and authority, their processes and their relationship with management. The Articles and the Organisational Regulations can be found at http://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/.

Role of the Board

Our Board has ultimate responsibility for our long-term success and for delivering sustainable shareholder value. There is a clear division of responsibilities between the running of the Board and the executive responsibility for the running of our business.

Key tasks of the Board include:

- providing entrepreneurial leadership within the Company's control and risk management framework;
- determining the long-term business strategy and objectives of the Group and monitoring the implementation of the strategy and the achievement of those objectives;
- reviewing and approving the annual business plan;
- setting appropriate risk parameters and monitoring to ensure that effective risk management and internal control processes are in place;
- assessing the principal risks to the Company's business model, future performance, solvency and liquidity;
- assessing the longer-term viability of the Company;
- reviewing and approving periodic financial reports;
- performing Board and senior management succession planning;
- setting the Company's values and standards and ensuring that its obligations to shareholders are understood and met;
- monitoring the Group's compliance programmes to ensure effective corporate governance; and
- supervising management.

In addition, the Swiss Ordinance against Excessive Compensation in Listed Companies imposes certain obligations on the Board, including a requirement to prepare a remuneration report pursuant to Swiss law. The remuneration report must be made available for inspection, together with the Swiss business report and audit report, no later than 20 days prior to the ordinary shareholders' meeting at the offices of the Company. Any shareholder may request a copy of these reports when available.

Our Board has delegated specific tasks to its committees as set out in the Organisational Regulations and reports from these committees are set out in this Corporate Governance Report.

Membership of the Board and Board Committees

On 31 December 2016, our Board comprised 13 Directors: the Chairman, one Executive Director, one Senior Independent Director and 10 non-Executive Directors. The biographies of the Chairman, the Senior Independent Director, the chairmen of the Board Committees and the other members of the Board, the Audit and Risk Committee, the Nomination Committee, the Remuneration Committee and the Social Responsibility Committee are set out on pages 62-63. Mr. George A. David stepped down as Chairman of the Board on 27 January 2016 and retired as a Director with effect from the Annual General Meeting on 21 June 2016. In view of his exceptional contribution to the Board and his many years of dedication to the Group, Mr. George A. David was named Chairman Emeritus of the Company with effect from 24 June 2016.

There is a clear separation of the roles of the Chairman and the Chief Executive Officer. The Chairman is responsible for the operation of the Board and ensuring that all Directors are properly informed and consulted on all relevant matters. The Chairman is also actively involved in the work of the Nomination Committee concerning succession planning and the selection of key people. The Chief Executive Officer, Mr. Dimitris Lois, is responsible for the day-to-day management and performance of the Company and for the implementation of the strategy approved by the Board.

The Operating Committee, described on page 76, supports Mr. Lois in his role.

The non-Executive Directors, of whom six are determined by the Board to be independent, are experienced individuals from a range of backgrounds, countries and industries. The composition of the Board complies with the UK Corporate Governance Code's recommendation that at least half of the Board, excluding the Chairman, comprise independent Directors.

Corporate Governance Report continued

Governance framework

Board of Directors

Audit and Risk Committee

Responsibility

- reviewing the Group's internal financial control and anti-fraud systems as well as the Group's broader enterprise risk management and legal and ethical compliance programmes (including computerised information system controls and security) with the input of the external auditors and the internal audit department;
- reviewing and evaluating the Group's major areas of financial risk and the steps taken to monitor and control such risk, as well as guidelines and policies governing risk assessment;
- monitoring and reviewing the external auditors' independence, quality, adequacy and effectiveness, taking into consideration the requirements of all applicable laws in Switzerland and the UK, the listing requirements of the London Stock Exchange and the Athens Stock Exchange and applicable professional standards;
- providing advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess our position and performance; and
- monitoring the quality, fairness and integrity of the financial statements of the Group and reviewing significant financial reporting issues and judgements contained in them.

Remuneration Committee

Responsibility

reviewing and approving:

- the rewards for the executives of the Group (except for the Chief Executive Officer)
- company-wide remuneration and benefit plans;
- all non-cash obligations greater than €15,000 which are reportable by employees as income (except personal use of company cars, group life or health benefits);
- general policies governing the early termination of the executives of the Group; and
- the implementation or modification of employee coverage for any benefit plan resulting in an increased annual cost of €5 million or more.

Nomination Committee

Responsibility

- reviewing the size and composition of the Board;
- identifying and nominating new members to the Board;
- planning and managing, in consultation with the Chairman, a Board membership succession plan;
- ensuring, together with the Chairman, the operation of a satisfactory induction programme for new members of the Board and a satisfactory ongoing training and education programme for existing members of the Board and its committees as is necessary to deliver on our strategy. The Committee will also oversee an externally facilitated self-assessment process.
- setting the criteria for, and overseeing, the annual assessment of the performance and effectiveness of each member of the Board and each Board committee;
- conducting an annual assessment of the performance and effectiveness of the Board and reporting conclusions and recommendations based on the assessment to the Board; and
- ensuring that each committee of the Board is carrying out a self-assessment of its performance and reporting its conclusions and recommendations for change to the Board.

Social Responsibility Committee

Responsibility

- establishing the principles governing the Group's policies on social responsibility and the environment to guide management's decisions and actions;
- overseeing the development and supervision of procedures and systems to ensure the achievement of the Group's social responsibility and environmental goals;
- establishing and operating a council responsible for developing and implementing policies and strategies to achieve the Company's social responsibility and environmental goals and ensure Group-wide capabilities to execute such policies and strategies;
- ensuring the necessary and appropriate transparency and openness in the Group's business conduct in pursuit of its social responsibility and environmental goals;
- ensuring and overseeing the Group's interactions with stakeholders in relation to its social responsibility and environmental policies, goals and achievements, including the level of compliance with internationally accepted standards; and
- reviewing Group policies on environmental issues, human rights, and other topics as they relate to social responsibility.

Operating Committee

The Operating Committee, led by the Chief Executive Officer, meets 12 times each year and is responsible for:

- the day-to-day executive management of the Group and its businesses, including all matters not reserved for or delegated to the Board or other bodies;
- the development of the Group strategies and implementation of the strategies approved by the Board;
- providing adequate head-office support for each of the Group's countries;
- the setting of annual targets and approving annual business plans which form the basis of the Group's performance management, including a comprehensive programme of strategies and targets agreed between the Country General Managers and the Region Directors;
- working closely with the Country General Managers, as set out in the Group's operating framework, in order to capture benefits of scale, ensuring appropriate governance and compliance, and managing the performance of the Group; and
- leading the Group's talent and capability development programmes.

Key roles and responsibilities

The roles and responsibilities of our Chairman, Chief Executive Officer, Senior Independent Director and Company Secretary are set out in detail in our Organisational Regulations which can be found at http://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/. Their key responsibilities are as follows:

Chairman

- leads the Board, presides over its meetings and ensures its effectiveness;
- sets the agenda for Board meetings, ensures that adequate time is available for discussion and makes sure that Board members get timely, accurate and clear information;
- promotes a culture of openness and debate;
- ensures the highest standards of corporate governance;
- is the main point of contact between the Board and management;
- co-ordinates the work of the Board committees with committee chairs; and
- ensures effective communication with shareholders and stakeholders.

Chief Executive Officer

- leads the development and execution of our long-term strategy with a clear view to creating shareholder value;
- is responsible for day-to-day management and implementation of the Board's direction and policies;
- acts as a liaison between the Board and management and communicates with the Board on behalf of management; and
- communicates on behalf of the Group with shareholders, employees, government authorities, other stakeholders and the public.

Senior Independent Director

- acts as a sounding board for the Chairman;
- leads the independent non-Executive Directors on matters that benefit from an independent review; and
- is available to shareholders if they have concerns which have not been resolved through the normal channels of communication.

Company Secretary

- ensures good information flows within the Board and its committees;
- facilitates induction and assists with the Board's professional development requirements;
- assists the Board and the Chairman to co-ordinate and fulfil their duties and assignments; and
- advises the Board on governance matters.

Non-Executive Directors

The main responsibilities of the non-Executive Directors are set out in the UK Corporate Governance Code and include:

- scrutinising the performance of management in meeting agreed goals and objectives;
- challenging constructively and helping develop the Group's strategy;
- ensuring the integrity of financial information;
- ensuring that executive remuneration is at appropriate levels; and
- overseeing succession planning, including the appointment of Executive Directors.

The appointment of the non-Executive Directors is for the period from the date of their election until the next Annual General Meeting. The non-Executive Directors are required to stand for re-election on an annual basis. Upon appointment, non-Executive Directors confirm they are able to allocate sufficient time to meet the requirements of the role.

Outside appointments

The Articles of Association of the Company (article 36) set out limits on the maximum number of external appointments that members of our Board and executive management may hold. In addition, if a Board member wishes to take up an external appointment he or she must ask our Chairman's permission to do so (and the Chairman must consult the chairman of the Nomination Committee). The Chairman will assess all requests on a case-by-case basis, including whether the appointment in question could negatively impact the Company or the performance of the Director's duties to the Group. The nature of the appointment and the expected time commitment are also assessed to ensure that the effectiveness of the Board would not be compromised.

Details of the external appointments of our non-Executive Directors are contained in their respective biographies set out on pages 62-63.

Our Chairman holds positions on the Boards of Aegean Airlines S.A. and AXA Insurance S.A. He is a member of the International Board of Advisors at Tufts University and the Advisory Board of the Fares Center at Tufts University's Fletcher School of Law and Diplomacy. He is a member of the Board of Trustees of College Year in Athens and is a member of the Executive Committee of the Cyprus Union of Shipowners.

Our Chief Executive Officer is a member of the Board of the Swiss-American Chamber of Commerce and UNESDA.

Having considered the scope of the external appointments of the Directors referred to above, our Board is satisfied that they do not compromise the effectiveness of the Board in particular because less than four of the positions held by the Chairman are considered to be significant by the Board.

Corporate Governance Report continued

Independence

Our Board has concluded that Sir Michael Llewellyn-Smith (Senior Independent Director) and Mr. Nigel Macdonald, who both retired from the Board on 21 June 2016, were independent in accordance with the criteria set out in the UK Corporate Governance Code. Likewise, Mr. Antonio D'Amato and Mr. John P. Sechi are deemed to be independent, as are Mr. William W. (Bill) Douglas III and Mr. Reto Francioni, who were both appointed to the Board on 21 June 2016.

Mr. Antonio D'Amato has served on the Board for more than nine years from the date of his first election. The Board has specifically considered whether his length of service has compromised his independence and has concluded that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement, and that the independence of character and judgement of Mr. Antonio D'Amato is not affected or impaired by his length of service. Moreover, the Board has considered the performance of Mr. Antonio D'Amato and concluded that he brings unique skills, experience and knowledge to the Board and its committees. The Board is therefore satisfied with the performance and continued independence of Mr. Antonio D'Amato and considers it important that our business continues to benefit from his experience and knowledge.

The other non-Executive Directors, Mr. Anastassis G. David (Chairman), Mr. Anastasios I. Leventis, Mr. Christo Leventis, Mr. José Octavio Reyes, Mr. Ahmet C. Bozer and Mr. Robert Ryan Rudolph, were appointed at the request of shareholders of the Company: Kar-Tess Holding and The Coca-Cola Company. They are therefore not considered to be independent as defined by the UK Corporate Governance Code.

Mr. Anastassis G. David was appointed as Chairman on 27 January 2016. Mr. Anastassis David was not considered independent at the time of his appointment as recommended by the UK Corporate Governance Code. The Board has followed a thorough process for the appointment which was overseen by the Nomination Committee in 2015 and involved a broad consultation with shareholders. The Board specifically considered the question of Mr. Anastassis David's independence. Notwithstanding that Mr. Anastassis David was originally nominated to the Board by Kar-Tess Holding, the Board is satisfied that Mr. Anastassis David's appointment will promote continuity, balance and effective leadership. The Board also firmly believes that Mr. Anastassis David embodies the Company's core values, heritage and culture and that these attributes, together with his strong identification with the Company and its shareholder interests, and his deep knowledge and experience of the Coca-Cola System, will ensure an effective and appropriately balanced leadership of the Board and the Company.

Shareholders' nominees

As described in the section entitled 'Major shareholders' on page 210, since the main listing of the Company on the Official List of the London Stock Exchange in 2013, Kar-Tess Holding, The Coca-Cola Company and their respective affiliates have no special rights in relation to the appointment or re-election of nominee Directors, and those Directors of the Company who were originally nominated at the request of The Coca-Cola Company or Kar-Tess Holding will be required to stand for re-election on an annual basis in the same way as the other Directors. The Nomination Committee is responsible for identifying and recommending persons for subsequent nomination by the Board for election as Directors by the shareholders on an annual basis.

As our Board currently comprises 13 Directors, neither Kar-Tess Holding nor The Coca-Cola Company is in a position to control (positively or negatively) decisions of the Board that are subject to simple majority approval. However, decisions of the Board that are subject to the special quorum provisions and supermajority requirements contained in the Articles of Association, in practice, require the support of Directors nominated at the request of at least one of either The Coca-Cola Company or Kar-Tess Holding in order to be approved. In addition, based on their current shareholdings, neither Kar-Tess Holding nor The Coca-Cola Company are in a position to control a decision of the shareholders (positively or negatively), except to block a resolution to wind up or dissolve the Company or to amend the supermajority voting requirements. The latter requires the approval of 80% of shareholders where all shareholders are represented and voting. Depending on the attendance levels at general meetings of the shareholders, Kar-Tess Holding or The Coca-Cola Company may also be in a position to control other matters requiring supermajority shareholder approval.

Mr. Anastassis G. David, Mr. Anastasios I. Leventis, Mr. Christo Leventis and Mr. Robert Ryan Rudolph were all originally appointed at the request of Kar-Tess Holding. Mr. José-Octavio Reyes and Mr. Ahmet C. Bozer have been appointed at the request of The Coca-Cola Company.

Conflicts of interest

In accordance with the Organisational Regulations, Directors are required to arrange their personal and business affairs so as to avoid a conflict of interest with the Group.

Each Director must disclose to the Chairman the nature and extent of any conflict of interest arising generally or in relation to any matter to be discussed at a Board meeting, as soon as the Director becomes aware of its existence. In the event that the Chairman becomes aware of a Director's conflict of interest, the Chairman is required to contact the respective Director promptly and discuss with him or her the nature and extent of such a conflict of interest. Subject to exceptional circumstances in which the best interests of the Company dictate otherwise, the Director affected by a conflict of interest is not permitted to participate in discussions and decision-making involving the interest at stake.

2016 Externally facilitated Board evaluation

In 2016, we engaged Lintstock to undertake an evaluation of the performance of the Board of Directors. Lintstock is an advisory firm that specialises in Board performance reviews and has no other significant connection with the Group.

2016 Evaluation – process and areas of review

Process

The first stage of the review involved Lintstock engaging with the Corporate Secretariat to set the context for the evaluation, and to tailor survey content to the specific circumstances of Coca-Cola HBC AG. All Board members were then requested to complete an online survey addressing the performance of the Board, its committees, and the Chairman. The anonymity of the respondents was ensured throughout the process in order to promote an open and frank exchange of views.

Lintstock subsequently produced a report addressing the following areas of Board performance:

- The appropriateness of the Board's composition was assessed, as was the adequacy of the succession plans for the members of the Board.
- The Board's understanding of the views of key stakeholders and the markets in which the Company operates was considered, and the extent to which the experience of Board members is drawn upon was reviewed.
- The relationships between Board members and management, and the atmosphere in meetings, were assessed, as was the quality of the Board packs and management presentations.
- The Board's annual cycle of work and agenda were reviewed, and the balance of time between strategic and operational issues was considered. Respondents identified areas upon which they feel the Board should spend more or less time over the next year.
- The oversight of strategy and its implementation was considered, and the Board members' views as to the top strategic issues facing the Company were identified.
- The Board's focus on risk and culture was also assessed, in addition to the adequacy of succession plans for members of top management. The level of exposure the Board has to management in various settings was considered.
- The performance of the committees of the Board was also reviewed, as was the performance of the Chairman and that of individual Board members and recommendations were included.

2016 Evaluation – Recommendations

As a result of the review, among other things the Board agreed to continue to devote more time to discussions on strategic issues, and to focus more closely on the succession plans in place for top management while continuing to focus on the performance of the business.

Corporate Governance Report continued

Board effectiveness

Information and training

The practices and procedures adopted by our Board ensure that the Directors are supplied on a timely basis with comprehensive information on the business development and financial position of the Company, the form and content of which is expected to enable the Directors to discharge their duties and carry out their responsibilities. All Directors have access to our General Counsel, as well as independent professional advice at the expense of the Company. All Directors have full access to the Chief Executive Officer and the senior management, as well as the external auditors and internal audit team.

The Board has in place an induction programme for new Directors, which was followed this past year by Mr. Ahmet C. Bozer, Mr. William W. (Bill) Douglas III, Mr. Reto Francioni and Mr. Ryan Rudolph. They met individually with the Chairman, Mr. Anastassis David, Operating Committee members, and other senior executives and received orientation training from the relevant senior executives in relation to the Group and corporate governance practices. The induction programme also includes meetings with representatives of our sales force and customers, and visits to our production plants. All new Directors were appropriately briefed on strategy, financials, operations, risks and procedures in order to achieve the necessary insight into our activities.

All Directors are given the opportunity to attend training to ensure that they are kept up to date on relevant legal, accounting and corporate governance developments. The Directors individually attend seminars, forums, conferences and working groups on relevant topics. The Nomination Committee reviews our Director training activities regularly. Finally, as part of the continuing development of the Directors, the Company Secretary ensures that our Board is kept up to date with key corporate governance developments. The Board elects the Company Secretary, who acts as secretary to the Board.

Board, committee and Director performance evaluation

At least annually, on the basis of an assessment conducted by the Nomination Committee, the Board reviews its own performance as well as the performance of each of the Board committees. This review seeks to determine whether the Board and its committees function effectively and efficiently. During the year, the Chairman meets with the Directors to receive feedback on the functioning of the Board and its committees, the boardroom dynamics, and the Group's strategy. Particular focus is given to areas where a Director believes the performance of the Board and its committees could be improved. A report is prepared for the Board on its effectiveness and that of its committees. The independent Directors meet separately on a regular basis to discuss a variety of issues, including the effectiveness of the Board. An evaluation of each Director (other than the Chairman) is conducted by the Chairman and the Senior Independent Director. The Senior Independent Director leads the evaluation of the Chairman in conjunction with the non-Executive Directors (taking into account the views of the Chief Executive Officer) and, as a matter of practice, meets with the other independent non-Executive Directors when each Board meeting is held to discuss issues together, without the Chief Executive Officer or other non-Executive Directors present.

Succession planning

Our Board has in place plans to ensure the progressive renewal of the Board and appropriate succession planning.

Pursuant to our Articles of Association, the Board consists of a minimum of seven and a maximum of 15 members and the Directors are elected annually for a term of one year by the Company's shareholders. Accordingly, all Directors are subject to annual re-election by shareholders in accordance with the UK Corporate Governance Code. In case of resignation or death of any member of the Board, the Board may elect a permanent guest, whom the Board will propose for election by the shareholders at the next general meeting.

During 2016, Mr. George A. David, Mr. Irial Finan, Sir Michael Llewellyn-Smith and Mr. Nigel Macdonald resigned as Directors with effect from 21 June 2016. Mr. Ahmet C. Bozer, Mr. William W. (Bill) Douglas III, Mr. Reto Francioni and Mr. Robert Ryan Rudolph were appointed to the Board with effect from the same date. On 21 June 2016, Sir Michael Llewellyn-Smith resigned as member of the Nomination Committee, Remuneration Committee and the Social Responsibility Committee and Mr. Nigel Macdonald resigned from the Audit and Risk Committee.

On 21 June 2016, Mr. William W. (Bill) Douglas III was appointed a member of the Audit and Risk Committee and Mr. Reto Francioni was appointed a member of the Remuneration Committee and the Nomination Committee. The Board considers Mr. Ahmet C. Bozer, Mr. William W. (Bill) Douglas III, Mr. Reto Francioni and Mr. Ryan Rudolph to be valuable additions to the Board.

There were no other changes to Board or committee membership during 2016.

In accordance with the Organisational Regulations, the Board proposes for election at the shareholders' meeting new Directors who have been recommended by the Nomination Committee after consultation with the Chairman. In making such recommendations, the Nomination Committee and the Board must consider criteria including the overall balance of skills, experience, independence and knowledge of the Board member, as well as diversity considerations including gender. See the Nomination Committee report on page 84 for further information on the role and work of the Nomination Committee. Through this process, the Board is satisfied that the Board and its committees have the appropriate balance of experience, diversity, independence and knowledge of the Company to enable them to discharge their duties and responsibilities effectively.

Key investor relations activities in 2016

February
- Investor roadshow in London and Edinburgh
- Fixed income investor roadshow: London, Amsterdam, Paris and Frankfurt

March
- The Consumer Analyst Group of Europe Conference, London

April
- Investor roadshow in New York, Boston, San Francisco and Chicago

May
- J.P. Morgan Global Consumer and Retail Conference, London
- Greek Institutional Day, Athens

June
- Coca-Cola HBC Investor Day, London
- Deutsche Bank – db Access Global Consumer Conference, Paris
- Annual general shareholders' meeting, Zug

September
- Barclays Global Consumer Staples Conference, Boston
- Bank of America Merrill Lynch Global Consumer & Retail Conference, London

November
- Investor roadshow in London
- Investor roadshow in Dublin
- Citi Global Consumer Seminar, London

December
- Investor roadshow in New York
- Investor roadshow in Toronto
- Credit Suisse, 6th Annual European Business Services & Consumer Conference, San Francisco

Corporate Governance Report continued

Shareholder engagement

The Chairman, the Senior Independent Director and the Chairmen of the Audit and Risk, Remuneration and Nomination Committees will be available at the Annual General Meeting of the Company to answer questions from shareholders. The Board encourages shareholders to attend as it provides an opportunity to engage with the Board.

Pursuant to Swiss law and the Articles of Association, shareholders annually elect an independent proxy and we have adopted an electronic proxy voting system for our Annual General Meetings.

The Company has a dedicated investor relations function which reports to the Chief Financial Officer. Through its investor relations team, the Company and Board maintain a dialogue with institutional investors and financial analysts on operational financial performance and strategic direction items. As evident in the table above on page 73, to reflect our commitment to our strong shareholder base, members of our management and the investor relations team held numerous meetings with investors and shareholders during 2016, and in particular held an Investor Day in London in June 2016. The feedback from shareholders has been regularly considered by the Board and appropriate action to further engage with shareholders was decided.

Application of UK and Swiss corporate governance codes and the UK City Code on Takeovers and Mergers

UK Corporate Governance Code

Our aim is to ensure the highest level of corporate governance, accountability and risk management. Our internal policies and procedures, which have been consistently effective, are properly documented and communicated against the framework applicable to premium listed companies in the UK.

The UK Corporate Governance Code sets out the principles of good practice in relation to board leadership and effectiveness, remuneration, accountability and relationships with shareholders. As a premium listed company, we are required to comply with the provisions of the UK Corporate Governance Code or explain any instances of non-compliance to shareholders.

Our Board believes that, except as set out in the paragraphs below, the Company is in compliance with the provisions of the UK Corporate Governance Code and complied with such provisions throughout 2016. Pursuant to our obligations under the Listing Rules, we intend to continually comply with the provisions of the UK Corporate Governance Code or to explain any instances of non-compliance in our Annual Report.

The UK Corporate Governance Code is available online at https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-April-2016.pdf.

Certain differences between the Company's corporate governance practices and the UK Corporate Governance Code

As of now, the Remuneration Committee does not have sole authority to determine the compensation of the Chief Executive Officer and the Chairman as recommended by the UK Corporate Governance Code. Rather, the terms of the compensation of the Chief Executive Officer are determined by the Board upon the recommendation of the Remuneration Committee. The Company has taken the view that requiring the Board as a whole to determine compensation (excluding the participation of the CEO whose compensation is the subject of determination) allows full and rigorous analysis and debate, involving a wider number of Directors, setting a high standard of corporate governance. However, as explained in the Remuneration Report, we have considered this position in the light of best practice in the UK, and propose to bring to the 2017 Annual Shareholders' Meeting a proposal that the Remuneration Committee be authorised to decide the CEO's pay. The Remuneration Committee operates under the charter for the Committees of the Board of the Company set forthin Annex C to the organisational regulations of the Company which specifies the authority of such committee in relation to determining the compensation of the Chief Executive Officer and the Chairman; these are available on the Group's website at: http://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/

The Swiss Ordinance against Excessive Compensation in Listed Companies, which has been, subject to certain transitional rules, in effect since 1 January 2014, further limits the authority of the Remuneration Committee and the Board to determine compensation.

The effective limitations include requiring that the general meeting of shareholders approve the maximum total compensation of each of the Board and the Operating Committee, requiring that certain compensation elements be authorised in the Articles of Association and prohibiting certain forms of compensation, such as severance payments and financial/monetary incentives for the acquisition or disposal of firms. We are in compliance with the requirements of the Swiss Ordinance against Excessive Compensation in Listed Companies and have amended our Articles of Association to that effect.

Mr. Anastassis G. David, who succeeded Mr. George A. David as Chairman at the recommendation of the Board, was originally appointed at the request of Kar-Tess Holding and was not, at the time of his appointment as Chairman, independent as defined by the UK Corporate Governance Code. In view of Mr. Anastassis G. David's strong identification with the Company and its shareholder interests, combined with his deep knowledge and experience of the Coca-Cola System, the Board deemed it to be in the best interests of the Group and its shareholders for him to be appointed as Chairman to succeed Mr. George A. David, to continue to promote an effective and appropriately balanced leadership of the Group. In accordance with the established policy of appointing all Directors for one year at a time, the Board intends to continue to keep all positions under regular review and subject to annual election by shareholders at the Annual General Meeting.

Other corporate governance codes

As part of our commitment to best practices in corporate governance, we have implemented a number of measures to enhance internal controls and risk management. To ensure that our corporate governance systems remain in line with international best practices, our corporate governance standards and procedures are continuously reviewed in light of current developments and rulemaking processes in the UK, Switzerland and elsewhere in the EU.

There is no mandatory corporate governance code under Swiss law applicable to us. The main source of law for Swiss governance rules is the company law contained in articles 620 ff. of the Swiss Code of Obligations, as well as the Ordinance against Excessive Compensation in Listed Companies.

In addition, the UK's City Code on Takeovers and Mergers (the 'City Code') does not apply to the Company by operation of law, as the Company is not incorporated under English law. The Articles of Association include specific provisions designed to prevent any person acquiring shares carrying 30% or more of the voting rights (taken together with any interest in shares held or acquired by the acquirer or persons acting in concert with the acquirer) except if (subject to certain exceptions) such acquisition would not have been prohibited by the City Code or if such acquisition is made through an offer conducted in accordance with the City Code. For further details, please refer to the Company's Articles of Association, which are available on our website.

Operating Committee

The Operating Committee represents the executive leadership of the Company.


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1. Dimitris Lois
Chief Executive Officer

2. Michalis Imellos
Chief Financial Officer

3. Naya Kalogeraki
Group Chief Customer and Commercial Officer

4. Alain Brouhard
Business Solutions and Systems Director

5. Keith Sanders
Region Director: Armenia, Belarus, Estonia, Latvia, Lithuania, Poland, Russian Federation, Ukraine and Moldova

6. Sotiris Yannopoulos
Region Director: Austria, Czech Republic, Hungary, Slovakia, Italy and Switzerland

7. Zoran Bogdanovic
Region Director: Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, FYROM, Greece, Northern Ireland and Republic of Ireland, Nigeria, Romania and Serbia (including the Republic of Kosovo), Slovenia, and Montenegro

8. Marcel Martin
Group Supply Chain Director

9. Jan Gustavsson
General Counsel, Company Secretary and Director of Strategic Development

10. Sanda Parezanovic
Group Human Resources Director

1. Dimitris Lois,
(56) Chief Executive Officer

Mr. Lois is the Group's Chief Executive Officer and Chairman of the Operating Committee. Mr. Lois' biography appears on page 62.

2. Michalis Imellos,
(48) Chief Financial Officer

Senior management tenure: Appointed April 2012 (4 years)

Previous Group roles: Region finance director responsible for Nigeria, Romania, Moldova, Bulgaria, Greece, Cyprus, Serbia and Montenegro; General manager, Romania and Moldova.

Outside interests: No external appointments

Previous relevant experience: Mr. Imellos held a number of finance positions in the UK-based European headquarters of Xerox, including those of European Mergers & Acquisitions Director and Finance Director of the Office Europe Division. He managed the financial, tax and legal aspects of Xerox's sponsorship of the Athens 2004 Olympic Games as well as the finance function of the company's operations in Greece. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and started his career at Ernst & Young.

Nationality: Greek

3. Naya Kalogeraki,
(47) Group Chief Customer and Commercial Officer

Senior management tenure: Appointed July 2016 (less than 1 year)

Previous Group roles: Director of Strategy, CEO office

Outside interests: No external appointments

Previous relevant experience: Mrs. Kalogeraki joined the Company in 1998 from The Coca-Cola Company where she held a number of marketing positions up to Marketing Manager. From 1998, she built her career assuming roles of increased scale and scope including Marketing Director, Trade Marketing Director, Sales Director and Country Commercial Director, Greece. She has been heavily involved in Group strategic projects and task forces addressing mission-critical business imperatives. In September 2013, Mrs. Kalogeraki was appointed to the role of General Manager, Greece and Cyprus.

Nationality: Greek

4. Alain Brouhard,
(54) Business Solutions and Systems Director

Senior management tenure: Appointed June 2010 (6 years)

Previous Group roles: Region director responsible for Nigeria, Romania, Moldova, Bulgaria, Serbia and Montenegro (2010 to 2013), and Water and Juice business director.

Outside interests: No external appointments

Previous relevant experience: Mr. Brouhard began his career with Procter & Gamble, where he worked in four different countries and in a variety of commercial and management roles leading up to global customer team leader in 2000, when he oversaw the global account management of Delhaize and the European management of new channels, including discounters (such as Aldi, Lidl and Dia) and convenience retailing (such as petrol stations). From 2002 to 2010, Mr. Brouhard held positions at Adidas including managing director, Italy and Southeast Europe, from 2007 until he joined the Group in 2010. Prior to that, he was vice-president for commercial operations, EMEA, from 2002 to 2005, and, from 2005, took the role of managing director, Iberia, based in Spain, with responsibility for Spain and Portugal.

Nationality: French

5. Keith Sanders,
(56) Region Director: Armenia, Belarus, Estonia, Latvia, Lithuania, Poland, Russian Federation, Ukraine and Moldova

Senior management tenure: Appointed August 2009 (7 years)

Previous Group roles: General manager of the Company's operations in Russia (2004).

Outside interests: No external appointments

Previous relevant experience: Prior to joining the Group, Mr. Sanders spent 11 years within the Coca-Cola System. He started his career with The Coca-Cola Company in a regional marketing role within the Gulf Region. In 1993, he was appointed human resources and training manager for the Gulf Region. In 1994, he assumed his first bottling general manager role in Bahrain, and then moved through a series of larger country general management roles until 2001, when he was appointed director for bottling operations in the Eurasia & Middle East Division with responsibility for Saudi Arabia, Pakistan, UAE, Oman, Bahrain and Qatar. Prior to joining the Coca-Cola System, Mr. Sanders spent six years with Procter & Gamble in the United States in a variety of sales and marketing roles.

Nationality: American

Corporate Governance Report continued

6. Sotiris Yannopoulos,

(49) Region Director: Austria, Czech Republic, Hungary, Slovakia, Italy and Switzerland

Senior management tenure: Appointed July 2014 (2 years)

Previous Group roles: Mr. Yannopoulos was general manager in Serbia and Montenegro from 2009 to 2012 and country general manager in Italy from 2012 to 2014.

Outside interests: No external appointments

Previous relevant experience: Prior to joining the Group, Mr. Yannopoulos spent 12 years working at PepsiCo in various roles. He also spent five years with Star Foods, where he was the East Balkans BU manager, and seven years with Tasty Foods in Greece, where his roles included: business development director, marketing and trade marketing director, marketing manager and group brand manager. He started his career as an assistant product manager (USA/South Africa) with Colgate-Palmolive.

Nationality: Greek

7. Zoran Bogdanovic,

(45) Region Director: Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, FYROM, Greece, Northern Ireland and Republic of Ireland, Nigeria, Romania, Serbia (including the Republic of Kosovo), Slovenia, and Montenegro

Senior management tenure: Appointed June 2013 (3 years)

Previous Group roles: Mr. Bogdanovic's previous roles include: member of the Finance team of Coca-Cola HBC Croatia from 1996 to 1998; CFO and then general manager of the Croatian operations from 1998 to 2004; Country general manager of Coca-Cola HBC Croatia from 2004 to 2008; Country general manager for Coca-Cola HBC Switzerland from 2008 to 2011; and Country general manager for Coca-Cola HBC Greece from 2011 to 2013.

Outside interests: No external appointments

Previous relevant experience: Mr. Bogdanovic started his career as an auditor with Arthur Andersen before joining Coca-Cola HBC Croatia in 1996.

Nationality: Croatian

8. Marcel Martin,

(58) Group Supply Chain Director

Senior management tenure: Appointed January 2015 (2 years)

Previous Group roles: Mr. Martin joined the Group in 1993, holding positions with increasing responsibility in the supply chain and commercial functions. Since 1995, Mr. Martin has held general management assignments in several of our markets, including as General Manager for Eastern Romania, Regional Manager Russia, Country General Manager Ukraine and General Manager Nigeria. Mr. Martin became General Manager of our Irish operations in 2010 and is now our Group Supply Chain Director.

Outside interests: No external appointments

Nationality: Romanian

9. Jan Gustavsson,

(51) General Counsel, Company Secretary and Director of Strategic Development

Senior management tenure: Appointed August 2001 (16 years)

Previous Group roles: Mr. Gustavsson served as Deputy General Counsel for Coca-Cola Beverages plc from 1999-2001.

Outside interests: No external appointments

Previous relevant experience: Mr. Gustavsson started his career in 1993 with the law firm of White & Case in Stockholm, Sweden. In 1995, he joined The Coca-Cola Company as Assistant Division Counsel in the Nordic and Northern Eurasia Division. From 1997 to 1999 Mr. Gustavsson was Senior Associate in White & Case's New York office, practicing securities law and M&A.

Nationality: Swedish

10. Sanda Parezanovic,

(52) Group Human Resources Director

Senior management tenure: Appointed June 2015 (1 year)

Previous Group roles: Ms. Parezanovic's previous roles in the Group include: Public Affairs & Communications Manager, Serbia and Montenegro from 2003 to 2006; Country Human Resources and PA&C Manager, Serbia and Montenegro from 2006 to 2010; and Region Human Resources Director Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, FYROM, Greece, Northern Ireland, the Republic of Ireland, Moldova, Montenegro, Nigeria, Romania, Serbia and Slovenia from 2010 to 2015.

Outside interests: No external appointments

Previous relevant experience: Ms. Parezanovic started in 1989 as market researcher and later strategic planner working for various local research and marketing agencies in SFR Yugoslavia. Ms Parezanovic joined Saatchi & Saatchi Balkans in 1994, holding various senior management positions in several Balkan countries, including Managing Director of two start-up agencies, first in FYROM and later in Serbia. In 1999 she relocated to London, where she worked for Saatchi & Saatchi and Marketing Drive on a number of pan-European and business development projects, before she joined our Group in 2003.

Nationality: Serbian

Operating Committee

Key activities and decisions in 2016

Long-term direction-setting
- Defining Group strategic priorities and performance parameters
- Reviewing and adjusting the Group's revenue growth management framework
- Establishing the Group's sustainability priorities and commitments for the next five-year period

Business planning
- Evaluating and updating the Group's long-range business plan
- Reviewing and approving annual business plans for 2017 for all operations and central functions
- Approving Group and country talent, capabilities development and succession plans

Risk, safety, business resilience
- Evaluating the Group's business resilience strategies
- Reviewing the Group's health and safety policies and material incidents

Business case reviews and approvals
- Strategic transformation of the supply chain, human resources, commercial and business solutions and systems departments
- Optimisation of the Group's logistics and manufacturing infrastructure
- Development of the shared services organisation and its expansion to Nigeria and Russia

Policy formulation, reviews
- Commercial policy
- Human rights policy

Priority projects
- Revenue growth management
- Route-to-market
- Renewing category growth
- Engagement

Corporate Governance Report continued

Audit and Risk Committee Report

Dear Shareholder

The Audit and Risk Committee focused its work during 2016 on enhancing and strengthening the Group's existing financial controls and risk management and compliance systems, which the Board recognises as essential components of effective corporate governance.

A significant amount of time was invested in streamlining and centralising the Group's audit function. This process required an ongoing dialogue with the external auditors for the Group to make decisions regarding the scope of use for new technologies and the best role for the internal audit function in finalising the audit of the Group.

During 2016, the Audit and Risk Committee also worked closely with the internal audit department in implementing the new internal control framework, launching a new 'observation database' and developing a new Code of Business Conduct e-learning tool, and reviewing the Group's audit plan for 2017-2019. It also closely monitored the work of the business resilience function, headed by the Group Chief Risk Officer, which is described more fully on pages 16-21.

The Audit and Risk Committee Report describes in more detail the work and the achievements of the Audit and Risk Committee during 2016 and we are proud to report that the Committee addressed

the challenges the business faced during the year and ensured that we have a well-defined framework for financial controls and risk management that meets best practice standards.

William W. (Bill) Douglas III
Committee Chair

Role and responsibilities

The Audit and Risk Committee monitors the effectiveness of our financial reporting, internal control and risk management systems and processes. The role of the Audit and Risk Committee is set out in the charter for the committees of the Board of Directors in Annex C to the Company's Organisational Regulations. This is available at http://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/.

The key responsibilities of and elements of the Audit and Risk Committee's role are set out on page 68.

Members	Membership status
Mr. William W. (Bill) Douglas III (Chairman)	Member since 2016, Chairman since 2016
Mr. John P. Sechi	Member since 2014
Mrs. Olusola (Sola) David-Borha	Member since 2015

The Audit and Risk Committee comprises three independent non-Executive Directors, Mr. Bill Douglas (chairman), Mrs. Olusola (Sola) David-Borha and Mr. John P. Sechi, who were appointed by the Board for a one-year term on 21 June 2016. Mr. Nigel Macdonald resigned as a member of the Board, and member and chairman of the Audit and Risk Committee on 21 June 2016.

The Board considers that Messrs. Bill Douglas and John Sechi possess recent and relevant financial experience as outlined in the UK Corporate Governance Code. As described on page 62, Mr. Bill Douglas was formerly Executive Vice President and Chief Financial Officer, and Executive Vice President, Supply Chain of Coca-Cola Enterprises, and Mr. Sechi has held various audit and financial positions.

The Chief Financial Officer, as well as the General Counsel, external auditors, the Director of Internal Audit, and the Group Chief Accountant normally attend all meetings of the Audit and Risk Committee. Other officers and employees are invited to attend meetings when appropriate. The Director of Internal Audit, and, separately, the external auditors, meet regularly with the Audit and Risk Committee without the presence of management to discuss the adequacy of internal controls over financial reporting and any other matters deemed relevant to the Audit and Risk Committee.

Work and activities

The Audit and Risk Committee met eight times during 2016 and discharged the responsibilities defined under Annex C of the Organisational Regulations. The work of the Audit and Risk Committee during the accounting year included consideration of:

- the annual financial statements and the annual financial report for the year ended 31 December 2015 prior to their submission to the Board for approval, including consideration of the Group on a going concern basis, and compliance with Group policies;
- the interim financial statements and interim results announcement for the six-month period ending 1 July 2016, prior to their submission to the Board for approval;
- the trading updates for the three-month period ended 1 April 2016 and the nine-month period ended 30 September 2016;
- areas of significance in the preparation of the financial statements, including:
  - critical accounting judgements and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the consolidated financial statements (detailed in Notes 5 and 28 to the consolidated financial statements);
  - contingencies, legal proceedings, competition law and regulatory procedures, including cases involving the national competition authorities of Greece and Switzerland and litigation matters in Nigeria, Russia, Italy and Greece, and the impact of these on the consolidated financial statements and accompanying notes;
  - the impairment testing of goodwill and indefinite-lived intangible assets with a particular emphasis on reviewing and challenging the key assumptions used in the value-in-use calculation and the sensitivity analysis performed for the material operations with reduced financial headroom. These assumptions, and a discussion of how they are established as well as the sensitivity analysis, are described in Note 13 to the consolidated financial statements; and
  - reports from the external auditors on the annual and interim financial statements, approval of the external audit plan and pre-approval of audit fees for 2016;
- the internal control environment, principal risks and risk management systems and the Group's statement on the effectiveness of its internal controls prior to endorsement by the Board;
- review and approval of the internal audit plan, quarterly reports on the results of internal audit work and an internal and external independent quality assessment of the internal audit function in accordance with the Institute of Internal Auditors Attribute Standard 1312, including the following:
  - reassessment of overall financial risk management of the Group's operations and review of internal financial control procedures;
  - review of regulatory changes and developments and impact on risk management processes;
  - review and approval of changes to the corporate audit department, including training and development programmes;
- matters arising under the Group's Code of Business Conduct and the actions taken to address any identified issues;
- revisions to and compliance with treasury policies, including risk limits, hedging programmes and counterparty limits;
- the geopolitical developments in Greece, Russia, Ukraine and Nigeria, and their implications for the Group's operations;
- regular reports on quality assurance, health and safety, environmental protection, asset protection, treasury and financial risks, security and security enterprise risk management processes; and
- the results of the Audit and Risk Committee self-assessment process.

External auditors

PricewaterhouseCoopers AG, Birchstrasse 160, CH 8050 Zurich, Switzerland (PwC AG) has been elected by the shareholders as the statutory auditor for the Group's statutory consolidated and stand-alone financial statements. Signing partner for the statutory financial statements on behalf of PwC AG is Mike Foley who has held such role for the first time with respect to the year ended 31 December 2016.

The Board of Directors has retained PricewaterhouseCoopers S.A., 268 Kifissias Avenue – 15232 Halandri, Greece (PwC S.A.), an affiliate of PwC AG, to act as the Group's independent registered public accounting firm for the purposes of reporting under the UK rules for the year ended 31 December 2016. Signing partner for the financial statements on behalf of PwC S.A. is Marios Psaltis who has held such role for four years.

The appointment of PwC has been approved by the shareholders until the next Annual General Meeting by way of advisory vote. PwC refers to PwC AG or PwC S.A., as applicable, in this Annual Report.

During the accounting period, the members of the Audit and Risk Committee met separately with PwC on a regular basis and the Audit and Risk Committee took an active role in reviewing the scope of the audit, the independence, objectivity and effectiveness of PwC and the negotiations relating to audit fees. The Audit and Risk Committee also met with the management team, which led the discussions with PwC, including the Director of Internal Audit, to discuss the performance of PwC without PwC being present. Following this review process, the Audit and Risk Committee has recommended to the Board that a proposal to reappoint PwC be put to a shareholders' vote at the next Annual General Meeting.

PwC has acted as the Group's sole external auditor since 2003. The Company ran a competitive tender for the external auditor services in 2015 which was overseen by the Audit and Risk Committee. Following the evaluation of the proposals, the Audit and Risk Committee concluded in 2015 that the best interests of the Group and its shareholders would be served by retaining PwC as external auditor and made such recommendation to the Board. PwC was reappointed by the Board as the Group's external auditor with effect from 11 December 2015. Currently, the Audit and Risk Committee anticipates that the audit contract will be put out to tender again in 2025. There are no contractual or other obligations restricting the Group's choice of external auditor.

Corporate Governance Report continued

Non-audit services by the external auditors

The Audit and Risk Committee considers the independence, in both fact and appearance, of the external auditors as critical and has long had an auditor independence policy providing definitions of the services that the external auditors may and may not provide. The policy requires the Audit and Risk Committee's pre-approval of all audit and permissible non-audit services provided by the external auditors. Such services include audit, work directly related to audit, and certain tax and other services as further explained below. In practice, the Audit and Risk Committee applies the policy restrictively and approval for work other than audit and audit-related services is rarely granted.

Under the policy, pre-approval may be provided for work associated with: statutory or other financial audit work under IFRS or according to local statutory requirements; attestation services not required by statute or regulation; accounting and financial reporting consultation and research work necessary to comply with generally accepted accounting and auditing standards; internal control reviews and assistance with internal control reporting requirements; review of information systems security and controls; tax compliance and related tax services, excluding any tax services prohibited by regulatory or other oversight authorities; expatriates' and other individual tax services; and assistance and consultation on questions raised by regulatory agencies. For each proposed service, the external auditor is required to provide detailed back-up documentation at the time of approval to permit the Audit and Risk Committee to make a determination whether the provision of such services would impair the external auditor's independence. PwC has complied with the policy for the financial year ended on 31 December 2016 and there have been no changes to the policy during the year.

Audit fees and all other fees

Audit fees

The total fees for audit services paid to PwC and affiliates were approximately €4.5 million for the year ended 31 December 2016, compared to approximately €5.0 million for the year ended 31 December 2015. The total fees for 2016 include fees associated with the annual audit and reviews of the Group's half-year reports, prepared in accordance with IFRS and local statutory audits.

Audit-related fees

Fees for audit-related services paid to PwC and affiliates for the year ended 31 December 2016 were €0.4 million compared to €0.5 million for the year ended 31 December 2015.

Tax fees

Fees for tax services to PWC and affiliates for the year ended 31 December 2016 were €0.1 million compared to €0.1 million for the year ended 31 December 2015.

All other fees

Fees for non-audit services paid to PwC or affiliates for the year ended 31 December 2016 were €0.1 million, representing 2% of the total amount of audit fees paid to PwC and affiliates for the year ended 31 December 2016. There were no fees for non-audit services to PwC or affiliates for the year ended 31 December 2015.

Risk management

During 2016, the Company continued to revise and strengthen its approach to risk management as described in detail on page 17. The primary aim of this framework is to minimise our exposure and ensure that the nature and significance of all risks we are facing are properly identified, reviewed, managed and, where necessary, escalated. A quarterly risk assessment is undertaken by the countries and corporate office support functions, and significant risks are then reported to the Region Directors and the Chief Risk Officer. The Company's Group Risk Forum reviews the identified risks biannually and presents issues of critical exposure to the Operating Committee. The latter, after careful review, reports to the Audit and Risk Committee material risks and mitigating actions. This process is both top-down and bottom-up and is designed to ensure that risks arising from business activities are appropriately managed.

Finally, we have in place third-party insurance to cover residual insurable risk exposure such as property damage, business interruption and liability protection, including Directors' and officers' insurance for our Directors and officers as well as for the officers and directors of certain subsidiaries.

Internal control

The Board has ultimate responsibility for ensuring that the Company has adequate systems of financial control. Systems of financial control can provide only reasonable and not absolute assurance against material misstatements or loss. In certain of the countries in which we operate, our businesses are exposed to a heightened risk of loss due to fraud and criminal activity. We review our systems of financial control regularly in order to minimise such losses.

The Board has adopted a chart of authority defining financial and other authorisation limits and setting procedures for approving capital and investment expenditure. The Board also approves detailed annual budgets. It subsequently reviews quarterly performance against targets set forth in these plans and budgets. A key focus of the financial management strategy is the protection of our earnings stream and management of our cash flow.

The Board and its committees have conducted an annual review of the effectiveness of our risk management system and internal control systems in accordance with the UK Corporate Governance Code. Part of this review involves regular review of our financial, operational and compliance controls by the Audit and Risk Committee, which then reports back to the Board on its work and findings as described above. The Board confirms that it has concluded that our risk management and internal control systems are effective.

Internal audit

Our internal audit function reports directly to the Audit and Risk Committee, which reviews and approves the internal audit plan for each year. The internal audit function consists of approximately 40 full-time professional audit staff based in Athens, Budapest, Sofia, Moscow and Lagos, covering a range of disciplines and business expertise. One of the responsibilities of the internal audit function is to confirm to the Board the effective operation of our internal control framework. For this purpose, the Director of Internal Audit makes quarterly presentations to the Audit and Risk Committee and meets regularly with the Audit and Risk Committee without the presence of our management.

In addition, the internal audit function reviews the internal financial, operational, and compliance control systems across all the jurisdictions in which we operate and reports its findings to management and the Audit and Risk Committee on a regular basis. The internal audit function focuses its work on the areas of greatest risk to us, as determined by a risk-based approach to audit planning. As part of our commitment to maintaining and strengthening best practice in corporate governance matters, we also consistently seek to enhance our internal control environment and risk management capability.

The internal audit function prepares audit reports and recommendations following each audit and appropriate measures are then taken to ensure that all recommendations are implemented. Status reports on our management's implementation of internal audit recommendations are provided to the Audit and Risk Committee on a quarterly basis. Significant issues, if any, are raised at once. There were no such issues in 2016. The Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Group Chief Accountant and the region and country managers have access to the implementation status of the recommendations at all times.

Whistleblowing measures

We operate a hotline to receive, retain, investigate and act on employee complaints or concerns regarding accounting, internal control or ethical matters. This includes any matters regarding the circumvention or attempted circumvention of internal controls including matters that would constitute a violation of our Code of Business Conduct or matters involving fraudulent behaviour by officers or employees of the Group that may affect our accounts. All such allegations, complaints or concerns may be communicated in a variety of ways and on an anonymous basis, to our Director of Internal Audit. Communications received by the Director of Internal Audit, or directly through the hotline, are kept confidential. The Director of Internal Audit liaises regularly with the General Counsel and communicates all significant allegations to the Chairman of the Audit and Risk Committee.

Disclosure Committee

A Disclosure Committee has been established and disclosure controls and procedures have been adopted to ensure the accuracy and completeness of our public disclosures. The Disclosure Committee is composed of the Chief Financial Officer, the General Counsel, the Director of Investor Relations and the Group Chief Accountant.

Performance reporting

Reports on our annual performance and prospects are presented in the Annual Report following approval by the Audit and Risk Committee. We also prepare a half-yearly financial report on our performance during the first six months of the financial year. In 2015, the Group discontinued the practice of quarterly reporting. In line with UK practice, we have adopted half-year and full-year reports, and Q1 and Q3 trading updates effective from Q1 2015. Internally, our financial results and key performance indicators are circulated and reviewed by the Operating Committee on a monthly basis. This information includes comparisons against business plans, forecasts and prior year performance. The Board of Directors receives updates on performance at each Board meeting, as well as a monthly report on our business and financial performance.

Corporate Governance Report continued

Nomination Committee Report

Dear Shareholder

Due to the retirement of two independent non-Executive Directors and two non-Executive Directors during 2016, the work of the Nomination Committee focused on the composition of the Board and the important task of succession planning. To fill these vacancies, the Committee oversaw the process of identifying and recommending to the Board four new Board members, including two who are deemed to be independent. The Committee reviewed various management changes that took place in the Company during 2016 before the appointments were made. We also oversaw the performance evaluation of the Board and its committees.

In 2017, the Committee will continue to review the balance of skills, experience and diversity of the Board and will also focus on the talent development, employee engagement and gender diversity initiatives necessary to ensure that the Group has the people and skills necessary to deliver on its strategy. The Committee will also oversee an internally facilitated self-assessment process.

Mr. Reto Francioni
Committee Chair

Role and responsibilities

The function of the Nomination Committee is to support the Board in fulfilling its duty to conduct a Board self-assessment, to establish and maintain a process for appointing new Board members and to manage, in consultation with the Chairman, the succession of the Chief Executive Officer. The formal role of the Nomination Committee is set out in the charter for the committees of the Board of Directors in Annex C of the Company's Organisational Regulations. This is available online at http://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/.

Key elements of the Nomination Committee's role are set out on page 68.

Members	Membership status
Mr. Reto Francioni (Chairman)	Member since 2016, Chairman since 2016
Mr. Antonio D'Amato	Member since 2013
Mrs. Alexandra Papalexopoulou	Member since 2015

The members of the Nomination Committee are Mr. Reto Francioni, Mr. Antonio D'Amato and Mrs. Alexandra Papalexopoulou, who were appointed by the Board on 21 June 2016. All members of the Nomination Committee are independent non-Executive Directors and the Nomination Committee is chaired by Mr. Reto Francioni.

Work and activities

The Nomination Committee met four times during 2016 and discharged the responsibilities defined under Annex C of the Company's Organisational Regulations. The Chief Executive Officer and the Group Human Resources Director regularly attend meetings of the Nomination Committee. In addition, the Chairman is actively involved in the work of the Nomination Committee concerning succession planning and the selection of key people. In 2016, the General Counsel also met with the Nomination Committee on several occasions. During 2016, the work of the Nomination Committee included consideration of:

- succession planning and development of plans for the recruitment of new Board members;
- composition of the Board, including the appropriate balance of skills, knowledge and experience;
- agreeing the process for the recruitment and nomination of new Board members;
- review of the talent management framework;
- compilation of a list of potential candidates to fill roles on the Board;
- recommendation to the Board of proposed candidates for appointment to the Board;
- the performance evaluation and annual assessments of the committees and the Board;
- review of the Director induction process and training programmes; and
- review of the Group's diversity policy.

Performance evaluation of the Board

The Nomination Committee also led the external assessment of the Board's performance during the year. The key areas included in the external assessment were Board structure and diversity, timeliness and quality of information, Board discussions, committees and their operation, succession planning, risk appetite and risk management, and remuneration and performance. The scores were high in most areas and the results of the evaluation were presented at the December 2016 Board meeting. The Nomination Committee brought to the Board for discussion certain areas such as succession planning of senior management roles and more focus on discussion of strategic issues, where it was felt improvements could be made.

Diversity

All Board appointments are made based on merit, against objective criteria established by the Nomination Committee and approved by the Board, and with due regard to the benefits of diversity on the Board, including gender diversity, as well as expertise in the field of social and environmental topics. The Group is deeply committed to policies promoting diversity, equal opportunity and talent development at every level throughout the Group. The Group is constantly seeking to attract and recruit highly qualified candidates for all positions in its business, regardless of gender, nationality, ethnicity or religious belief. The Group offers training opportunities to all employees depending on their individual needs and development requirements in order to improve their skills, and encourages all employees to gain relevant experience and knowledge applicable to their position and role.

As at 31 December 2016, 15% of the Board, 30% of the executive leaders, 39% of senior leaders and 33% of all managers were women. The Nomination Committee, in conjunction with the Operating Committee, will continue to monitor the proportion of women at all levels of the Group and ensure that all appointments are made with a view to having a high level of diversity within the workplace and in leadership positions, including gender diversity.

Corporate Governance Report continued

Social Responsibility Committee Report

Dear Shareholder

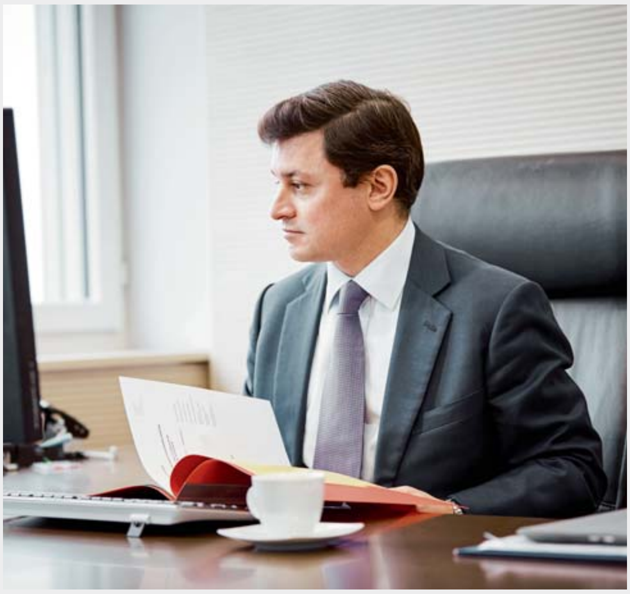
During 2016, the Committee focused on the introduction of the Group's new wave of 2020 sustainability commitments, which you can find on page 5.

These commitments are material to almost every aspect of our business and are part of our overall strategy that has made Coca-Cola HBC a leader in sustainability among beverage companies, reflecting our determination to grow our business responsibly, profitably and sustainably.

The Committee also oversaw the Group's efforts to standardise sustainability reporting at local level in order to ensure a more efficient and uniform approach to sustainability across our operations. At the same time, it continued monitoring regulatory developments in the area of sustainability, with an emphasis on the circular economy.

We were particularly proud that Coca-Cola HBC became the first beverage company to be named industry leader on both the World and Europe Dow Jones Sustainability Indices for the third consecutive year.

The Committee will continue to advance sustainability topics and ensure that these are clearly linked to our business priorities in order to create value for all stakeholders over time.



Mr. Anastasios I. Leventis
Committee Chair

Role and responsibilities

The Social Responsibility Committee is responsible for the development and supervision of procedures and systems to ensure the pursuit of the Group's social and environmental goals. The formal role of the Social Responsibility Committee is set out in the charter for the committees of the Board of Directors in Annex C of the Company's Organisational Regulations. This is available online at http://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/.

The responsibilities of and key elements of the Social Responsibility Committee's role are set out on page 68.

Members	Membership status
Mr. Anastasios I. Leventis	Member since 2016, Chairman since 2016
Mrs. Alexandra Papalexopoulou	Member since 2016
Mr. José Octavio Reyes	Member since 2014

Work and activities

The Social Responsibility Committee met four times during 2016 and discharged its responsibilities as defined under Annex C of the Company's Organisational Regulations. In addition to the members of the Social Responsibility Committee, the Director of Public Affairs and Communication attends all meetings of the Committee and the Chief Executive Officer regularly attends.

During 2016 the Social Responsibility Committee reviewed and provided guidance and insights to advance the Group's sustainability strategies in the following areas:

- Ways to expand the scope and breadth of the Group's sustainability commitments, particularly in the areas of: use of clean and renewable energy, consumption of water, carbon emissions, packaging light-weighting and recovery for recycling, sustainable sourcing, level of community investment and employee volunteering during work hours. We provided recommendations for incorporating these in our business planning and investment decision-making processes.
- Assessment of the Group's progress regarding the level of disclosure and reporting across all three dimensions of sustainability (economic, environmental and social), with particular focus on the Dow Jones Sustainability Indices and GRI G4 comprehensive level reporting requirements;
- Further discussions during the year focused on specific operational sustainability key performance indicators (KPIs), with particular emphasis on product quality and integrity and employee well-being and safety.

Notably, the Social Responsibility Committee reviewed, and endorsed, the process for the annual assessment of material issues, which combined input from both business leaders and internal stakeholders, in accordance with the framework of the International Integrated Reporting Council (IIRC), the GRI G4 guidelines for comprehensive reporting, and the guidance of the Sustainability Accounting Standards Board for the beverage industry.

Directors' Remuneration Report

Letter from the Chair of the Remuneration Committee

Dear Shareholder

As the new Chair of the Remuneration Committee elected in June 2016, I am pleased to introduce my first Directors' Remuneration Report for the year ended 31 December 2016. I would like to take this opportunity to thank Sir Michael Llewelyn-Smith on behalf of the Board for his work as Chair of the Committee up until June 2016 and his valuable assistance during our handover period.

Our primary listing is on the London Stock Exchange, and our Company is domiciled in Switzerland. We therefore ensure that we comply fully with UK regulations, except where these conflict with Swiss law.

This year, we have reworked the format of the Remuneration Report in an effort to make our remuneration policy and Annual Report on Remuneration as clear, understandable and informative as possible. As always, I welcome your feedback if there is anything we can do to make the report even clearer.

The Group's remuneration philosophy and policies are designed to attract, motivate and retain the talented people we need to meet the Company's strategic objectives, and to give them due recognition. To this end, the Remuneration Committee has worked to ensure that the remuneration policy of the Group remains fair, transparent and competitive in comparison with our peers, and that remuneration is linked to business strategy and drives sustainable performance.

2016 performance outcomes

We are delighted with our performance and sustained progress in 2016 and we continue to be developing in line with our 2020 strategic plan. Volume increased by 0.1%, net sales grew by 3.0% on an FX-neutral basis, while comparable EBIT grew by 9.5%. Our cost controls and drive to improve efficiency continue to improve our profitability and this is reflected in our operating expenditure ratio (operating expense as a % of NSR excluding direct marketing expenses) which decreased to 25.8% from 27.1% in 2015. Our decisions in relation to remuneration have been made in light of this solid 2016 Company performance.

The table below illustrates Company performance achieved against key performance indicators, and highlights those that are used in our Management Incentive Plan (MIP) and Performance Share Plan (PSP) variable pay arrangements.

Volume (m unit cases) **2,058** 2015: 2,055	Net sales revenue (€m) **6,219** 2015: 6,346
FX-neutral NSR generated per case (€) **3.02** 2015: 2.94	Operating expense as % of NSR (excl. DME) **25.8%** 2015: 27.1%
Comparable EBIT (€m) **518** 2015: 473	Free cash flow (€m) **431** 2015: 412
ROIC **10.3%** 2015: 8.8%	Comparable EPS (€) **0.972** 2015: 0.864

● Included in MIP ● Included in PSP ○ Other key performance indicators

Applying the remuneration policy for Directors in 2016

In accordance with our remuneration policy, the base salary of the Chief Executive Officer is reviewed annually after the financial results of the year are available. We took into account the positive results of 2015, the growth in volume and comparable operating net profit, the increase in free cash flow and, growth in comparable EPS; also the improved engagement results, which were one of the Chief Executive Officer's objectives for the year, and the fact that Coca-Cola HBC once more was adjudged beverage industry leader in the Dow Jones Sustainability Indices for Europe and the world. In the light of these results, we decided to recommend increasing the Chief Executive Officer's annual base salary by 3.5% effective 1 May 2016.The Remuneration Committee considered business and individual performance criteria when recommending the increase.

Our sustained business performance in 2016 has resulted in a payout of 71.2% of base salary under the MIP for the Chief Executive Officer, equivalent to an award of approx. 55% of the maximum MIP opportunity. This reflects solid Company performance, with volume and net sales revenue results between threshold and target levels and comparable EBIT and operating expenses ratio between target and maximum levels. We remained beverage industry leaders on Dow Jones Sustainability Index for the third year in a row, increased engagement results, increased EBIT and grew transactions ahead of volume.

We have committed to disclosing retrospectively the MIP targets, and you will find the 2016 performance targets and outcomes reported on page 101 of the Annual Report on Remuneration.

In March 2016 the Chief Executive Officer received a second grant under the PSP, which replaced the Employee Stock Option Plan (ESOP) in 2015. The award represented 330% of his base salary at the date of grant. These shares are subject to a three-year performance period, aligned to the Company's financial year, with performance measured to the end of the financial year 2018, and vesting being anticipated in March 2019.

Changes in 2016

The following are some of the key highlights that the Remuneration Committee focused on during 2016:

- reviewing and approving the cash Long-Term Incentive Plan (LTIP) (a plan for managers below top executive level);
- reviewing existing and new pension arrangements in the Group;
- revising the ESPP administration process; and
- reviewing and recommending changes to the governance around the approval of Director pay decisions.

The Remuneration Committee re-considered the Group's remuneration policy in 2016, as is the case every year. We continue to believe the policy is fair and transparent and supports the alignment of management with our business strategy and shareholders' interests.

No changes to the remuneration policy were therefore proposed.

We have however decided to make certain changes in the Remuneration Committee's process of making decisions in relation to the Chief Executive Officer's remuneration. By delegation from the Board, the Remuneration Committee will decide on the Chief Executive Officer's remuneration, reporting these decisions to the Board. This process we believe will conform to best practice in the UK. We also propose that in future the Chief Executive Officer and the Chairman of the Board will decide the fees for non-Executive Directors. This change will be proposed for approval by our shareholders at the 2017 Annual General Meeting. You will find further details about how we have applied the remuneration policy this year in the Annual Report on Remuneration section on page 99.

Looking ahead

The Remuneration Committee will continue to keep policies under review so as to ensure that plans and programmes relating to remuneration support the Company's business strategy and are closely linked to shareholders' interests. We value the dialogue with shareholders and welcome views on this Remuneration Report. We were pleased with the positive vote for the Company's remuneration policy and the Annual Report on Remuneration at the 2016 Annual General Meeting and trust we shall have your support again in 2017.

Alexandra Papalexopoulou
Chair of the Remuneration Committee

The role of the Remuneration Committee

The main tasks of our Remuneration Committee are to establish the remuneration strategy for the Group and to approve compensation packages for Directors and other select senior management. The Remuneration Committee operates under the Charter for the Committees of the Board of the Company set forth in Annex C to the Organisational Regulations of the Company, available on the Group's website at: http://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/.

Members	Membership status
Mrs. Alexandra Papalexopoulou (Chair)	Member since 2015 Chair since June 2016
Mr. Antonio D'Amato	Member since 2013
Mr. Reto Francioni	Appointed June 2016

In accordance with the UK Corporate Governance Code, the Remuneration Committee consists of three independent non-Executive Directors: Mrs. Alexandra Papalexopoulou (Chair), Mr. Antonio D'Amato and Mr. Reto Francioni, who were each elected by the shareholders for a one-year term on 21 June 2016. The Remuneration Committee met four times in 2016: March, June, September and December. Please refer to the "Board and committee attendance in 2016" section of the Corporate Governance report on page 65 for details on the Remuneration Committee meetings.

Directors' Remuneration Report continued

Remuneration throughout the organisation – a snapshot

Reward strategy and objective

The objective of the Group's remuneration philosophy is to attract, retain and motivate employees and incentivise desirable behaviour, ensuring that employees are fairly rewarded and that their individual contributions are directly linked to the success of the Company.

Variable pay is an important element of our reward philosophy. A significant proportion of total remuneration for top managers (including the Chief Executive Officer and the members of the Operating Committee) is tied to the achievement of our business objectives. These objectives are defined by key business metrics that are consistent with our strategy and will deliver long-term shareholder value. The variable pay element increases or decreases based on the achieved business performance. Through equity-related long-term compensation, we seek to ensure that the financial interests of the Chief Executive Officer, the members of the Operating Committee and top managers are aligned with those of shareholders.

All of our remuneration plans, both fixed and variable, are designed to be cost-effective, taking into account market practice, business performance and individual performance and experience where relevant. We pay close attention to our shareholders' views in reviewing our remuneration policy and programmes.

How we implement this

The chart below illustrates the different remuneration arrangements that apply to different employee groups in order to put our reward strategy into practice.

Chief Executive Officer and Operating Committee	**Shareholding guidelines**	Support the alignment with shareholder interests ensuring sustainable performance – Chief Executive Officer – required to hold shares in the Company equal in value to 200% of annual base salary within a five-year period. – Operating Committee – required to hold shares in the Company equal in value to 100% of annual base salary within a five-year period.
Chief Executive Officer and Operating Committee and selected senior management	**Performance Share Plan**	Performance share awards span over three years. PSP awards are cascaded down to top managers, promoting a focus on long-term performance and aligning them to shareholders' interests.
Selected middle and senior management	**Long-Term Incentive Plan**	Cash long-term incentive awards span three years. LTIP awards are cascaded down to select middle and senior management to promote a high-performance culture.
All management	**Management Incentive Plan**	Management employees may be eligible to receive an award under the annual bonus scheme. Performance conditions are bespoke to the role and business unit.
All employees	**Employee Stock Purchase Plan** (dependent on country practice)	The ESPP encourages share ownership and aligns the interests of our employees with those of shareholders.
	Fixed pay and benefits (base salary, retirement and other benefits – dependent on country practice)	Base salaries may reflect the market value of each role as well as the individual's performance and potential. Retirement and other benefits are subject to local market practice.

Note: Participants in the Performance Share Plan are not eligible to participate in the Long-Term Incentive Plan.

At-a-glance – the remuneration arrangements for the Chief Executive Officer

The table below summarises the remuneration arrangements in place for our Chief Executive Officer. See page 100 for total compensation figures.

Base salary | Retirement benefits | Other benefits | ESPP* + MIP | PSP = Total compensation

Fixed pay (Base salary, Retirement benefits, Other benefits, ESPP*)

Variable pay subject to performance (MIP, PSP)

Pay element	Detail
Base salary	The current base salary of the Chief Executive Officer is €909,000. The salary is reviewed annually and any increase is typically effective 1 May each year.
Retirement benefits	The Chief Executive Officer participates in a defined benefit pension plan under Swiss law. Employer contributions are 18% of annual base salary.
Other benefits	Other benefits include medical insurance, housing allowance, company car/allowance, cost of living adjustment, trip allowance, partner allowance, exchange rate protection, tax equalisation and tax filing support and advice. Benefit levels vary each year depending on need.
ESPP **(Employee Share Purchase Plan)**	The Chief Executive Officer may participate in the Company's employee share purchase plan. As a scheme participant, the Chief Executive Officer has the opportunity to invest a portion of his salary or MIP payments in shares. The Company matches employee contributions on a one-to-one basis up to 3% of salary and/or MIP payout. Awards are subject to potential application of malus and clawback provisions.
MIP **(Management Incentive Plan)**	The MIP consists of a maximum annual bonus opportunity of up to 130% of base salary. Payout is based on business performance targets (up to 120% of base salary) and individual performance (up to 10% of base salary). No bonus will be paid out if the Chief Executive Officer has achieved less than 50% of his individual objectives. Payments are subject to potential application of malus and clawback provisions.
PSP **(Performance Share Plan)**	The PSP is an annual share award which vests after three years and is subject to two equally weighted performance conditions: (i) comparable earnings per share (EPS) and; (ii) return on invested capital (ROIC) measured over a three-year period. Awards are subject to potential application of malus and clawback provisions.

* Under the Single figure table, ESPP is included in cash and non-cash benefits. Please refer to page 100.

Directors' Remuneration Report continued

Remuneration Policy

Introduction

In 2016 we have endeavoured to provide more clarity around our remuneration policy for Executive and non-Executive Directors. As such, we present an improved visual presentation of the remuneration policy which was put forward to shareholders on a voluntary basis and approved at the 2016 Annual General Meeting. This version does not reflect any policy changes but is intended to provide a clear presentation of our continuing approach. As a Swiss-incorporated company, we are not required to put forward our remuneration policy for a shareholder vote, but we intend to do so voluntarily at least every three years (or when there are changes). We continue to endeavour to make sure that our disclosure complies fully with UK regulations, except when these conflict with Swiss law.

Policy table

Fixed

Base salary

Purpose and link to strategy

To provide a fixed level of compensation appropriate to the requirements of the role of Chief Executive Officer and to support the attraction and retention of the talent able to deliver the Group's strategy.

Operation

Salary is reviewed annually, with salary changes normally effective on 1 May each year.

The following parameters are considered when reviewing base salary level:

- the CEO's performance, skills and responsibilities;
- economic conditions and performance trends;
- experience of the CEO;
- pay increases for other employees; and
- external comparisons based on factors such as: the industry of the business, revenue, market capitalisation, headcount, geographical footprint, stock exchange listing (FTSE) and other European companies.

Maximum opportunity

One of the relevant factors in determining the salary of the Chief Executive Officer is the increase awarded to other employees. The salary increase of the Chief Executive Officer may exceed the average salary increase to reflect business and individual performance, material changes to the business, internal promotions, accrual of experience, changes to the role, or other material factors.

Performance metrics

Individual and business performance are key factors when determining any base salary changes.

Retirement benefits

Purpose and link to strategy

To provide competitive, cost-effective post-retirement benefits.

Operation

The Chief Executive Officer participates in a defined benefit pension plan under Swiss law. There is no obligation for employee contributions.

Normal retirement age for the Chief Executive Officer's plan is 65 years. In case of early retirement, which is possible from the age of 58, the Chief Executive Officer is entitled to receive the amount accrued under the plan as a lump sum.

Maximum opportunity

The contributions to the pension plan are calculated as a percentage of annual base salary (excluding any incentive payments or other allowance/benefits provided) based on age brackets as defined by Federal Swiss legislation. This percentage is currently 18% of base salary.

Performance metrics

None.

Other benefits

Purpose and link to strategy

To provide benefits to the Chief Executive Officer which are consistent with market practice.

Operation

Benefit provisions are reviewed by the Remuneration Committee which has the discretion to recommend the introduction of additional benefits where appropriate.

Typical provisions for the Chief Executive Officer include benefits related to relocation such as: housing allowance, company car/ allowance, a cost of living adjustment, trip allowance, partner allowance, exchange rate protection, tax equalisation and tax filing support and advice. For all benefits, the Company will bear any income tax and social security contributions arising from this payment.

Maximum opportunity

There is no defined maximum as the cost to the Company of providing such benefits will vary from year to year.

Performance metrics

None.

ESPP (Employee Stock Purchase Plan)

Purpose and link to strategy

The ESPP is an employee share purchase plan, encouraging broader share ownership, and is intended to align the interests of employees and the Chief Executive Officer with those of the shareholders.

Operation

This is a voluntary share purchase scheme across many of the Group's countries. The Chief Executive Officer as a scheme participant has the opportunity to invest from 1% to 15% of his salary and/or MIP payout to purchase the Company's shares by contributing to the plan on a monthly basis.

The Company matches the Chief Executive Officer's contributions on a one-to-one basis up to 3% of the employee's salary and /or MIP payout. Matching shares vest after one year from the purchase.

Dividends received in respect of shares held under the ESPP are used to purchase additional shares and are immediately vested.

The Chief Executive Officer is eligible to participate in the ESPP operated by the Company on the same basis as other employees.

Maximum opportunity

Maximum investment is 15% of gross base salary and MIP payout. The Company matches contributions up to 3% of gross base salary and MIP payout. Matching shares vest after one year.

Performance metrics

The value is directly affected by the share price performance. It is not affected by other performance criteria.

Directors' Remuneration Report continued

Variable pay

MIP (Management Incentive Plan)

Purpose and link to strategy

To support profitable growth and reward annually for contribution to business performance. The plan aims to promote a high-performance culture with stretched individual and business targets linked to our key strategies.

Operation

Annual cash bonus awarded under the MIP are subject to business and individual performance and are non-pensionable.

The Chief Executive Officer's individual objectives are regularly reviewed to ensure relevance to business strategy and are set and approved annually by the Chair of the Remuneration Committee and Chairman of the Board of Directors.

Stretched targets for business performance are set annually based on the business plan of the Group as approved by the Board of Directors.

Performance against these targets and bonus outcomes are assessed by the Remuneration Committee, which may recommend an adjustment to the payout level where it considers the overall performance of the Company or the individual's contribution warrants a higher or lower outcome.

Malus and clawback provisions apply. Further details may be found in the Additional notes to the remuneration policy table section on page 95.

Maximum opportunity

The Chief Executive Officer's maximum MIP opportunity is set at 130% of annual base salary.

Threshold, target and maximum bonus opportunity levels are as follows:

- Threshold: 5% of base salary
- Target: 70% of base salary
- Maximum: 130% of base salary.

Maximum payout is based on business performance targets (up to 120% of salary) and individual performance (up to 10% of salary).

Performance metrics

The MIP awards are based on business metrics linked to our business strategy. These may include but are not limited to measures of volume, revenue, profit, cash and operating efficiencies.

Details related to the key performance indicators and individual objectives can be found in the Annual Report on Remuneration on page 101.

Deferral of MIP

After careful consideration of the Chief Executive Officer's pay mix, the Board decided that since long-term incentives make up a proportion of remuneration and share ownership requirements were introduced in December 2015, the Chief Executive Officer's remuneration was appropriately aligned with the interests of the shareholders and therefore would not introduce MIP deferral. However this point will be kept under consideration.

PSP (Performance Share Plan)

Purpose and link to strategy

To align the Chief Executive Officer's interests with the interests of shareholders and increase the ability of the Group to attract and reward individuals with exceptional skills.

Operation

The Chief Executive Officer is granted conditional awards of shares which vest after three years, subject to the achievement of performance conditions and continued service. Grants take place annually, normally every March.

Performance conditions and the associated targets are reviewed and determined prior to the start of each performance period to ensure that they support the long-term strategies and objectives of the Group and are aligned with shareholders' interests.

Dividends will be paid on vested shares where the performance conditions are achieved at the end of the three-year period.

Malus and clawback provisions apply. Further details may be found in the Additional notes to the remuneration policy table section on page 95.

Maximum opportunity

Normal awards have a face value up to 330% of base salary. In exceptional circumstances only, the Board has the discretion to grant awards up to 450% of base salary.

Performance metrics

Vesting of awards is subject to the three-year Group performance conditions based on two equally-weighted measures:

- Comparable earnings per share 'Comparable EPS'; and
- the percentage of net operating profit after tax divided by the capital employed (ROIC). Capital employed is calculated as the average of net borrowings and shareholders' equity through the year.

Following the end of the three-year period, the Remuneration Committee will determine the extent to which performance conditions have been met and, in turn, the level of vesting. Participants may receive vested awards in the form of shares or a cash equivalent.

For both performance measures, achieving threshold performance results in vesting of 25% of the award and maximum performance results in vesting of 100% of the award.

Performance share awards will lapse if the Remuneration Committee determines that the performance criteria have not been met. If, at the end of the vesting period, the performance conditions have been satisfied, participants become entitled to receive shares or a cash equivalent.

Holding period

The Board has judged that the Chief Executive Officer's remuneration is appropriately aligned with long-term shareholders' interests through the length of the vesting period and the use of minimum shareholding guidelines. No additional holding period will be introduced; however, this point will be kept under consideration.

Adjustments

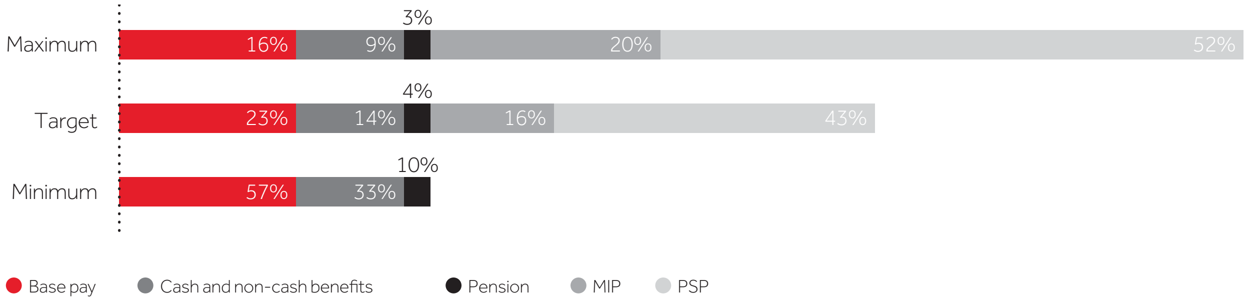
In the event of an equity restructuring, the Remuneration Committee may make an equitable adjustment to the terms of the performance share award by adjusting the number and kind of shares which have been granted or may be granted and/or making provision for payment of cash in respect of any outstanding performance share award.

Change in control

In the event of change of control, unvested performance share awards held by participants vest immediately on a pro-rated basis if the Remuneration Committee determines that the performance condition(s) have been satisfied or would have been likely to be satisfied at the end of the performance period, unless the Remuneration Committee determines that substitute performance share awards may be used in place of the previous awards.

Additional notes to the remuneration policy table

Chief Executive Officer's remuneration policy illustration



Minimum

Reflects fixed remuneration only, i.e. base salary, pension and other benefits (actual benefits figure for 2016).

Target

Reflects fixed remuneration, an MIP payout of 70% of base salary and PSP vesting at 181.5% of base salary.

Maximum

Reflects fixed remuneration, an MIP payout of 130% of base salary and PSP vesting at 330% of base salary.

	Component	Minimum (€ 000's)	Target (€ 000's)	Maximum (€ 000's)
Fixed	Base salary[1]	909	909	909
	Pension	164	164	164
	Cash and non-cash benefits[2]	529	549	565
Variable	MIP	–	636	1,182
	PSP	–	1,650	3,000
Total		**1,602**	**3,908**	**5,820**

1. Represents the annual base salary after the increase which was applied in 1 May 2016.
2. ESPP employer contributions may vary depending on the MIP payout and if the Chief Executive Officer decides to contribute a portion.

ESOP (Employee Stock Option Plan)

The ESOP was replaced by the PSP in 2015 and the last grant under the ESOP took place in December 2014. Although the Board does not intend to award under the ESOP going forward, there are still outstanding share option awards which may be exercised in future years. Awards vest in one-third increments each year for three years and can be exercised for up to 10 years from the date of the award.

Malus and clawback provision for variable pay plans

The MIP, PSP, ESOP and ESPP plans include malus provisions which give the Remuneration Committee and/or the Board discretion to judge that an award should lapse wholly or partly in event of material misstatement of financial results and/or misconduct.

The Remuneration Committee and/or Board also has the discretion to determine that clawback should be applied to awards under the MIP, PSP, ESOP and ESPP plans for the Chief Executive Officer and members of the Operating Committee. Clawback can potentially be applied to payments or vesting for up to a two-year period following the payment or vesting.

Shareholding guidelines

In order to strengthen the link with shareholders' interests, the Chief Executive Officer is required to hold shares in the Company equal in value to 200% of annual base salary. Members of the Operating Committee are required to hold 100% of annual base salary. The required shareholdings are to be achieved within a five-year period starting from the date of the first PSP grant (10 December 2015) or later based on the date of the appointment.

Policy on recruitment/appointment

Annual base salary arrangements for the appointment of an Executive Director will be set considering market relevance, skills, experience, internal comparisons and cost. The Remuneration Committee may recommend an appropriate initial annual base salary below relevant market levels. In such situations, the Remuneration Committee may make a recommendation to realign the level of base salary in the forthcoming years. As highlighted above, annual base salary "gaps" may result in exceptional rates of salary increase in the short

Directors' Remuneration Report continued

term, subject to an individual's performance. The discretion is retained to offer an annual base salary necessary to meet the individual circumstances of the recruited Executive Director and to enable the hiring of an individual with the necessary skills and expertise.

The maximum level of variable pay that may be offered will follow the rules of the MIP and is capped at 130% of the relevant individual's annual base salary. The maximum level of equity-share pay that may be offered will follow the PSP rules and is capped at 450% of the relevant individual's annual base salary. The typical award is not expected to surpass 330% of base salary. Different performance measures may be set initially for the annual bonus taking into consideration the point in the financial year that a new Executive Director joins. The above limits do not include the value of any buyout arrangements.

Benefits will be provided in line with those offered according to the Group's policy for other employees. If a Director is required to relocate, benefits may be provided as per the Group's international transfer policy which may include transfer allowance, tax equalisation, tax advice and support, housing, cost of living, schooling, travel and relocation costs.

The Remuneration Committee may consider recommending the buying out of incentive awards that an individual would forfeit by accepting the appointment up to an equivalent value in shares or in cash. In case of share exchange, the Board will approve a grant of shares under the PSP. When deciding on a potential incentive award buyout and in particular the level and value thereof, the Remuneration Committee will be informed of the time and performance pro-rated level of any forfeited award.

Termination payments

The Swiss Ordinance against Excessive Compensation in Listed Companies limits the authority of the Board to determine compensation. Limitations include the prohibition on certain types of severance compensation.

Our governance framework ensures that the Group uses the right channels to support reward decisions. In the case of early termination, the non-Executive Directors would be entitled to their fees accrued as of the date of termination, but are not entitled to any additional compensation. The Chief Executive Officer's employment contract does not contain any provisions for payments on termination. Notice periods are set for up to six months and non-compete clauses are 12 months, effective in 2016. The notice period anticipates that up to six months paid garden leave may be provided. Similarly, up to 12 months of base salary may be paid out in relation to the non-compete period.

In case of future terminations, payments will be made in accordance with the termination policy below.

Pay element	Good leaver (retirement at 58 or later / at least 10 years continued service)	Good leaver (redundancy, injury, disability)	Bad leaver (resignation, dismissal)	Death in service
Base salary and other benefits	Payment in lieu of notice is not permissible. The Company could ask the Chief Executive Officer to be on paid garden leave for up to six months.			
ESPP	Unvested shares held in the ESPP will vest upon termination		Unvested shares under the ESPP are forfeited	Available plan shares will be transferred to heirs
MIP	A pro-rated payout as of the date of retirement will be applied	A pro-rated payout as of the date of leaving will be applied	In the event of resignation or dismissal, as per Swiss Law, Chief Executive Officer is entitled to a pro-rated MIP payout.	A pro-rated payout will be applied and will be paid immediately to heirs based on the latest rolling estimate
PSP / ESOP	Unvested performance shares and options are retained and will continue to vest as normal subject to performance conditions as set out in the award agreement.	All unvested options and performance shares awards immediately vest to the extent that the Remuneration Committee determines that the performance conditions have been met, or are likely to be met at the end of the three-year performance period. Any options which vest are exercisable within 12 months from the date of termination.	All unvested options and performance share awards immediately lapse without any compensation. In the event of resignation, all vested options must be exercised within six months from the date of termination. Upon dismissal, all vested options must be exercised within 30 days from the date of termination.	All unvested options and performance share awards immediately vest subject to time and performance pro-ration. Any options which vest are exercisable within 12 months from the date of termination.

Corporate events

In the event of an equity restructuring, the Remuneration Committee may make an equitable adjustment to the terms of the performance share award by adjusting the number and kind of shares which have been granted or may be granted and/or making provision for payment of cash in respect of any outstanding performance share award.

In the event of change of control, unvested performance share awards held by participants vest immediately on a pro-rated basis if the Remuneration Committee determines that the performance condition(s) have been satisfied or would have been likely to be satisfied at the end of the performance period, unless the Remuneration Committee determines that substitute performance share awards may be used in place of the previous awards.

Service contracts

Mr. Dimitris Lois, the Chief Executive Officer, has an employment contract with the Company effective 1 January 2016 that outlines a six-month notice period. As noted in the termination payments, the Chief Executive Officer's employment contract does not include any termination benefits, other than as mandated by Swiss law. The Swiss Code of Obligations requires employers to pay severance when an employment relationship with an employee of at least 50 years of age comes to an end after 20 years or more of service.

The Chief Executive Officer is also entitled to reimbursement of all reasonable expenses incurred in the interests of the Company. In accordance with the Swiss Ordinance against excessive compensation in listed companies, there are no sign-on policies/provisions for the appointment of the Chief Executive Officer.

The table below provides details of the current service contracts and terms of appointment for the Chief Executive Officer and other Directors.

Name	Title	Date originally appointed to the Board of the Company	Date appointed to the Board of the Company	Unexpired term of service contract or appointment as non-Executive Director
Anastassis G. David	Chairman and non-Executive Director	27 July 2006	21 June 2016	One year
Dimitris Lois	Chief Executive Officer	4 July 2011	21 June 2016	Indefinite, terminable on six months' notice
Ahmet C. Bozer[1]	Non-Executive Director	21 June 2016	21 June 2016	One year
George A. David[2]	Non-Executive Director	2 January 1981	–	–
Olusola (Sola) David-Borha	Non-Executive Director	24 June 2015	21 June 2016	One year
William W. (Bill) Douglas III[3]	Non-Executive Director	21 June 2016	21 June 2016	One year
Irial Finan[4]	Non-Executive Director	23 October 1997	–	-
Antonio D'Amato	Non-Executive Director	1 January 2002	21 June 2016	One year
Reto Francioni[5]	Senior Independent non-Executive Director	21 June 2016	21 June 2016	One year
Sir Michael Llewellyn-Smith[6]	Senior Independent non-Executive Director	6 September 2000	–	–
Nigel Macdonald[7]	Non-Executive Director	17 June 2005	–	–
Anastasios I. Leventis	Non-Executive Director	25 June 2014	21 June 2016	One year
Christo Leventis	Non-Executive Director	25 June 2014	21 June 2016	One year
José Octavio Reyes	Non-Executive Director	25 June 2014	21 June 2016	One year
Alexandra Papalexopoulou	Non-Executive Director	24 June 2015	21 June 2016	One year
Robert Ryan Rudolph[8]	Non-Executive Director	21 June 2016	21 June 2016	One year
John P. Sechi	Non-Executive Director	25 June 2014	21 June 2016	One year

1. Mr. Ahmet C. Bozer was appointed to the Board on 21 June 2016.
2. Mr. George A. David retired from the Board and the Social Responsibility Committee on 21 June 2016.
3. Mr. William W. (Bill) Douglas III was appointed to the Board and the Audit and Risk Committee on 21 June 2016.
4. Mr. Irial Finan retired from the Board on 21 June 2016.
5. Mr. Reto Francioni was appointed to the Board, the Remuneration Committee and the Nomination Committee on 21 June 2016.
6. Sir Michael Llewellyn-Smith retired from the Board, the Remuneration Committee, the Nomination Committee and the Social Responsibility Committee on 21 June 2016.
7. Mr. Nigel Macdonald retired from the Board and the Audit and Risk Committee on 21 June 2016.
8. Mr. Robert Ryan Rudolph was appointed to the Board on 21 June 2016.

The Chief Executive Officer's service contract and the terms and conditions of appointment of the non-Executive Directors are open for inspection by the public at the registered office of the Group.

Directors' Remuneration Report continued

Non-Executive Directors' policy and fees

Compensation for non-Executive Directors is consistent with market practice and sufficient to attract and retain high-quality non-Executive Directors with the right talent, values and skills necessary to provide oversight and support to management to grow the business, support the Company's strategic framework and maximise shareholder value. Non-Executive Directors' pay is set at a level that will not call into question the objectivity of the Board. When considering market levels, comparable companies typically include those in the FTSE index with similar positionings as the Company, other Swiss companies with similar market caps and/or revenues, and other relevant European listed companies.

The Group's compensation of non-Executive Directors includes an annual fixed fee plus additional fees for serving on any Board committees. The Company does not compensate new non-Executive Directors for any forfeited share awards in previous employment. Non-Executive Directors do not receive any form of variable compensation, nor any other benefits in cash or in kind. They are not entitled to severance payments in the event of termination of their appointment. They are entitled to reimbursement of all reasonable expenses incurred in the interests of the Group.

Non-Executive Directors appointed during the remuneration policy period receive the same basic fee and, as appropriate, committee fee or fees as existing non-Executive Directors.

Non-Executive Director fees for 2016

In line with the Directors' remuneration policy, fee levels for non-Executive Directors include an annual fixed fee plus additional fees for membership of Board committees when applicable. As stated in last year's Remuneration Report, non-Executive Director fees have increased. These fees came into effect following the 2016 Annual General Meeting in June and are summarised below.

Non-Executive Chairman's fee	–
Non-Executive Vice-Chairman's fee	–
Base non-Executive Director's fee	€70,000
Senior Independent Director's fee	€15,000

	Audit and Risk	Remuneration	Nomination	Social Responsibility
Committee chairman fee (additional)	€27,500	€11,000	€11,000	€11,000
Committee member fee (additional)	€13,800	€5,500	€5,500	€5,500

Remuneration arrangements across the Group

The remuneration approach for the Chief Executive Officer, the members of the Operating Committee and senior management is similar. The Chief Executive Officer's total remuneration has a significantly higher proportion of variable pay in comparison with the rest of our employees. The Chief Executive Officer's remuneration will increase or decrease in line with business performance, aligning it with shareholders' interests.

The structure of the reward package for the wider employee population takes into account local market practice and is intended to attract and retain the right talent, be competitive, remunerate employees for their contribution and link to the Group's performance.

Consideration of shareholder views

Shareholder views and the achievement of the Group's overall business strategies have been taken into account in formulating the remuneration policy. Following shareholder feedback before and after the Annual General Meeting, the Remuneration Committee and the Board consult with shareholders and meet with the largest institutional investors to gather feedback on the Company's remuneration strategy and corporate governance. The Company would be happy to engage with shareholders in the future to discuss the outcomes of the remuneration policy.

In reviewing and determining remuneration, the Remuneration Committee takes into account the following:

- the business strategies and needs of the Company;
- the views of shareholders on Group policies and programmes of remuneration;
- market comparisons and the positioning of the Group's remuneration relative to other comparable companies;
- input from employees regarding our remuneration programmes;
- the need for similar, performance-related principles for the determination of executive remuneration and the remuneration of other employees; and
- Ensuring that Board members, the Chief Executive Officer and Operating Committee members play no part in determining their own remuneration. The Chairman of the Remuneration Committee and the Chief Executive Officer are not present when the Remuneration Committee and the Board discuss matters that pertain to their remuneration.

This ensures that the same performance-setting principles are applied for executive remuneration and other employees in the organisation.

Annual Report on Remuneration

Introduction

This section of the Report provides detail on how we have implemented our remuneration policy in 2016, which was approved at our 2016 Annual General Meeting. Aligned to the UK remuneration reporting regulations, this section is subject to an advisory shareholder vote at our 2017 Annual General Meeting.

Activities of the Remuneration Committee during 2016

During 2016, the key Remuneration Committee activities were to:

- review and sign off the 2015 Directors' Remuneration Report;
- review and recommend the 2016 base salary for the Chief Executive Officer;
- review and approve 2016 base salaries for Operating Committee members and general managers;
- recommend the 2015 MIP payout for the Chief Executive Officer;
- review and approve payout levels for the 2015 MIP in relation to Operating Committee members and general managers;
- set and approve 2016 PSP targets;
- review award levels for 2016 PSP awards;
- review of non-Executive Director fees;
- review and approve the redesign of the cash LTIP plan (a plan for managers below top executive level);
- revise the ESPP administration process;
- review pension plans of the Group; and
- review the governance around the approval of Executive Director pay decisions.

Non-Executive Directors' remuneration for the year ended 31 December 2016

	Base fee (€)	Audit and Risk Committee (€)	Remuneration Committee (€)	Nomination Committee (€)	Social Responsibility Committee (€)	Senior Independent Director (€)	Total (€) 2016	Total (€) 2015
George A. David[1]	–	–	–	–	–	–	**–**	–
Anastassis G. David	67,500	–	–	–	–	–	**67,500**	67,500
Christo Leventis[2]	35,000	–	–	–	–	–	**35,000**	–
Anastasios I. Leventis[3]	35,000	–	–	–	5,500	–	**40,500**	–
Irial Finan[4]	32,500	–	–	–	–	–	**32,500**	65,000
Antonio D'Amato	67,500	–	5,250	5,250	–	–	**78,000**	75,000
Sir Michael Llewellyn-Smith[5]	32,500	–	5,000	5,000	–	5,000	**47,500**	95,000
Nigel Macdonald[6]	32,500	12,500	–	–	–	–	**45,000**	90,000
José Octavio Reyes[7]	67,500	–	–	–	5,250	–	**72,750**	72,500
John P. Sechi	67,500	13,150	–	–	–	–	**80,650**	77,500
Alexandra Papalexopoulou[8]	67,500	–	8,000	5,250	2,750	–	**83,500**	37,500
Olusola (Sola) David-Borha[9]	67,500	13,150	–	–	–	–	**80,650**	38,750
Ahmet C. Bozer[10]	35,000	–	–	–	–	–	**35,000**	–
William W. (Bill) Douglas III[11]	35,000	13,750	–	–	–	–	**48,750**	–
Reto Francioni[12]	35,000	–	2,750	5,500	–	7,500	**50,750**	–
Robert Ryan Rudolph[13]	35,000	–	–	–	–	–	**35,000**	–

Non-Executive Director fees were revised in 2016 and the updated fees as presented on page 98 came into effect after the AGM in June 2016.

1. Mr. George A. David retired from the Board and the Social Responsibility Committee on 21 June 2016. For the first half of 2016, Mr. George A. David waived any fee in respect of his membership on the Board of Directors and any Board Committee.
2. For Mr. Christo Leventis, on top of the base fee of €35,000, the Group paid €2,753 in social security contributions as required by Swiss legislation. The Group has applied half year period base fee. For the first half of 2016, Mr. Christo Leventis waived any fee in respect of his membership on the Board of Directors and any Board Committee.
3. For Mr. Anastasios I. Leventis, the Group has applied a half year period base fee of €35,000 and €5,500 for the Social Responsibility Committee Chairmanship. For the first half of 2016, Mr. Anastasios I. Leventis waived any fee in respect of his membership on the Board of Directors and any Board Committee.
4. Mr. Irial Finan retired from the Board on 21 June 2016. The Group has applied a half year period base fee of €32,500.
5. Sir Michael Llewellyn-Smith retired from the Board, the Remuneration Committee, the Nomination Committee and the Social Responsibility Committee on 21 June 2016. The Group has applied a half year period fee of €5,000 for the Nomination Committee Chairmanship, €5,000 for the Remuneration Committee Chairmanship, €5,000 for Senior Independent membership fee and €32,500 base fee. For the first half of 2016, Sir Michael Llewellyn-Smith waived his membership fee on the Social Responsibility Committee.

Directors' Remuneration Report continued

6. Mr. Nigel Macdonald retired from the Board and the Audit and Risk Committee Chairmanship on 21 June 2016. The Group has applied a half year period fee of €12,500 for the Audit and Risk Committee and €32,500 base fee.
7. For Mr. José Octavio Reyes, on top of the base and Social Responsibility Committee membership fees of €72,750, the Group paid €5,722 in social security contributions as required by Swiss legislation.
8. For Mrs. Alexandra Papalexopoulou on top of the full year base fee of €67,500 and €5,250 for Nomination Committee membership, the Group has applied a half-year period fee of €2,750 for the Social Responsibility Committee, half-year period membership fee of €2,500 as member of the Remuneration Committee and half-year period fee of €5,500 as Chair of the Remuneration Committee.
9. For Mrs. David-Borha, on top of the base and Audit Committee membership fees of €80,650, the Group paid €6,344 in social security contributions as required by Swiss legislation.
10. Mr. Ahmet C. Bozer was appointed to the Board on 21 June 2016. The Group has applied a half year period base fee of €35,000.
11. Mr. William W. (Bill) Douglas III was appointed to the Board and the Audit and Risk Committee on 21 June 2016. The Group has applied a half year period base fee of €35,000 and €13,750 for the Audit and Risk Committee.
12. Mr. Reto Francioni was appointed to the Board, the Remuneration Committee and the Nomination Committee on 21 June 2016. For Mr. Reto Francioni, on top of the fees of €50,750, the Group paid €3,992 in social security contributions as required by Swiss legislation. The Group has applied a half year period base fee of €35,000, €5,500 for the Nomination Committee, €2,750 for the Remuneration Committee and €7,500 for Senior Independent membership fee.
13. Mr. Robert Ryan Rudolph was appointed to the Board on 21 June 2016. For Mr. Robert Ryan Rudolph, on top of the base half year fees of €35,000, the Group paid €2,753 in social security contributions as required by Swiss legislation.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement or other taxable benefits.

Advisers to the Committee

The Chairman of the Board, the Chief Executive Officer, the Group Human Resources Director, the Group Rewards Director and the General Counsel regularly attend meetings of the Remuneration Committee.

While the Remuneration Committee does not have external advisers, in 2016 it authorised management to work with external consultancy firm Willis Towers Watson, to provide independent advice on ad hoc remuneration issues during the year. These services are considered to have been independent and relevant to the market, and Willis Towers Watson does not have any other connection with the Group. The total cost in connection with this work was €45,400. Willis Towers Watson are members of the Remuneration Consultants Group and provide advice in line with its Code of Business Conduct.

Single figure table

Single total figure of remuneration for the Chief Executive Officer for the year ended 31 December 2016

	Base pay[1] € 000's		Cash and non-cash benefits[2] € 000's		Annual bonus[3] € 000's		Long-term incentives[4] € 000's		Retirement benefits € 000's		Total single figure € 000's	
Dimitris Lois	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Chief Executive Officer	**899**	830	**555**	1,044	**647**	857	**665**	139	**157**	143	**2,923**	3,012

1. "Base pay" includes the monthly instalments linked with the base salary for 2016. A salary increase was applied to the base salary effective from 1 May.
2. Under Cash and non-cash benefits we include the value of all benefits. These are outlined in the Cash and non-cash benefits section below.
3. Annual bonus for 2016 includes the MIP payout, receivable early in 2017 for the 2016 performance year.
4. Long-term incentives reflects share options that vested to the Chief Executive Officer in 2016. The value above reflects the number of share options multiplied by the market price at vesting minus the exercise price at grant. Performances shares were awarded for the first time in 2015 and are not due to vest until 2019.

Fixed pay for 2016

Base salary

During the year, the Remuneration Committee recommended and the Board approved a salary increase for the Chief Executive Officer of 3.5%, resulting in a base salary of €909,000, effective 1 May 2016. When approving this increase, the Committee took into consideration base salary increases across the organisation, and alignment and competitiveness versus peers in the FTSE. The salary increase rate for the Swiss-based employees is 1.7%.

Retirement benefits

The Chief Executive Officer received a retirement benefit of 18% of base salary during 2016, which is aligned to the retirement benefit provided under Swiss law and based on the age brackets defined by federal Swiss legislation.

Cash and non-cash benefits

During 2016, the Chief Executive Officer received additional benefits including: cost of living and foreign exchange rate adjustment (€310,532), private medical insurance (€19,176), Company car allowance (€22,287), housing allowance (€123,408), trip allowance (€8,856), tax assistance and filing support (€12,646), Company matching contribution related to the ESPP (€52,684 – reflecting the maximum match of 3% under the plan), tax equalisation (€ -151,530), and the value of social security contributions (€156,837). The decrease in tax equalisation in comparison to the prior year is driven by changes in effective tax rates. Cost of living and exchange rate adjustment (€310,532) have increased compared to prior year, driven by the macroeconomic conditions in Switzerland. The Company matching contribution related to ESPP has increased versus prior years, driven by the increased 2015 MIP payout award received in March 2016.

Variable pay for 2016

MIP performance outcomes – 2016

The Chief Executive Officer received a cash bonus reflecting financial and individual performance achieved during the 2016 financial performance year. The financial metrics, the associated targets and level of achievement are set out below.

	Threshold 0%	Target 15%	Maximum 30%	Actual	Payout (% of base salary)
Volume (m unit cases) 25%	1,868	2,075	2,179	2,058	13.8%
NSR (€ m) 25%	5,733	6,370	6,688	6,219	11.4%
Comparable EBIT (€ m) 25%	461	512	553	518	17.0%
OpEx % of NSR 25%	28.6	26.0	25.3	25.8	19.6%
Total Working Capital Days Qualifier to Volume performance measure	7.79	7.08	5.66	-1.14	Achieved
Total financial performance measures payout					61.8%

As outlined in the table above, 2016 financial performance was measured equally against volume (million unit cases), net sales revenue (NSR €m), comparable EBIT (€m) and operating expense ratio (% of NSR) targets, with a total working capital day performance underpin for the volume performance measure.

Above-target performance for comparable EBIT and operating expense ratio and just-below-target performance for volume and NSR results in a payout of 61.8% of base salary to the Chief Executive Officer, representing 51.5% of maximum opportunity for the business performance measures.

At the beginning of 2016, the Remuneration Committee set individual performance objectives for the Chief Executive Officer. These objectives were based on improving EBIT margin versus prior year, growing volume in established, developing and emerging countries, growing transactions ahead of volume, sustaining employee engagement levels and maintaining beverage industry leadership in relation to Corporate Social Responsibility.

During the year, the CEO achieved four out of the five strategic objectives noted above. Comparable EBIT margin improved by 80 basis points compared to a target of 20 basis points (8.3% in 2016 compared to 7.5% in 2015); Volume grew in the Developing and Emerging segments but not in the Established segment; Transactions grew faster than volume; Employee engagement survey results showed that levels were maintained compared to independently provided norms for high performing companies; The Company maintained World and European beverage industry leadership on the Dow Jones Sustainability Indices. On the basis of this individual performance, the Committee decided that there should be a payout of 9.4% of base salary for the Chief Executive Officer, equivalent to 94% of maximum opportunity for the individual performance element.

The 2016 business financial and individual achievement outlined above results in an annual cash bonus payout of 71.2% of base salary to the Chief Executive Officer, equivalent to approx. 55% of maximum MIP opportunity.

Directors' Remuneration Report continued

Employee Stock Option Plan (ESOP) outcomes – 2016

The Remuneration Committee will no longer make awards under this plan. Under the grants made in June 2013, December 2013 and December 2014, a total of 330,000 share options vested this year. We have reflected the value of stock option awards that vested during 2016, respectively, being the number of options multiplied by (market price at vest – exercise price at grant).

Performance share plan (PSP) awards – 2016

Since the discontinuation of the ESOP in late 2015, the PSP is now the primary long-term incentive vehicle. In March 2016 the Chief Executive Officer was awarded 159,876 shares under the PSP, representing 330% of base salary at date of grant. These shares are subject to a three-year performance period, aligned to the Company's financial year, with performance measured to the end of financial year 2018, and vesting anticipated in March 2019.

The following table sets out the details of the award made to the Chief Executive Officer under the PSP for 2016:

Type of award made	159,876 performance shares have been awarded under the PSP. Shares vest after three years in March 2019, subject to the achievement of performance conditions. The above award includes one grant in 2016.
Share price	€18.131 (£14.34)
Date of grant	16 March 2016
Performance period	1 January 2016 to 31 December 2018
Face value of the award (The maximum number of shares that would vest if all performance measures and targets are met, multiplied by the share price at the date of grant)	€2,898,720
Face value of the award as a % of annual base salary	330%
Percentage that would be distributed if threshold performance was achieved in both PSP key performance indicators	25% of maximum award
Percentage that would be distributed if threshold performance was achieved only in one PSP key performance indicator	12.5% of maximum award

Note: The table above specifies the number of shares awarded under the PSP. The proportion of the awards that will vest is dependent upon the achievement of performance conditions and the actual value distributed may be nil. The vesting outcomes will be disclosed in the 2018 report.

The key business indicators are strategically relevant to business performance and provide line of sight to participants.

Similar to the award made in December 2015, the 2016 award is subject to comparable earnings per share (EPS) and return on invested capital (ROIC), as outlined below.

			Threshold		Maximum	
Measure	Description	Weighting	Target	Vesting (% of max)	Target	Vesting (% of max)
Comparable EPS	Calculated by dividing the comparable net profit attributable to the owners of the parent by the weighted average number of outstanding shares during the period.	50%	1.08	25%	1.31	100%
Return on invested capital (ROIC)	ROIC is the percentage return that a company makes over its invested capital. More specifically we define ROIC as the percentage of net operating profit after tax divided by the capital employed. Capital employed is calculated as the average of net borrowings and shareholders' equity through the year.	50%	10.1%	25%	12.1%	100%

The vesting schedule for PSP performance conditions is not a straight line between the threshold and maximum performance levels. The Remuneration Committee considers that it is appropriate to place greater emphasis on achieving the target performance level than the outperformance of this level.

Dilution Limit

Usage of shares under all share plans and executive share plans adhere to the dilution limits set by the Investment Association Principles of Remuneration (10% for all share plans and 5% for all executive share plans).

Implementation of policy in 2017

For 2017, we will continue to apply our approved remuneration policy outlined on pages 92 to 98 as described above.

Base salary and fees

The Chief Executive Officer's base salary will be reviewed in March 2017 at the same time as that of the Operating Committee members and the general managers. Any base salary increase will be effective 1 May 2017 and is anticipated to be broadly in line with the increase provided to other employees.

Fee levels for the Chairman and other non-Executive Directors were reviewed in 2016 and changes were made as outlined on page 98. The fee levels for 2017 will be consistent with those outlined in this report.

Management Incentive Plan (MIP)

The target annual bonus awards for 2017 will be in line with awards in 2016. The Remuneration Committee has set the 2017 performance measures aligned to our KPIs. The performance measures are summarised below.

Performance measure	Weighting at maximum opportunity levels (% of base salary)
Business measures	120%
Annual sales volume. Incentivises sustainable growth. TWCD (total working capital days) acts as a qualifier for volume payout. (i.e. if TWCD achievement is below threshold there is no volume payout).	30%
Net sales revenue (NSR). Incentivises the Group's revenue growth objectives.	30%
Comparable earnings before interest and tax (comparable EBIT). Defined as comparable operating profit, this key performance indicator incentivises profitable growth.	30%
Operating expenditures (OpEx) excluding DME as a percentage of NSR. This key performance indicator, which excludes direct marketing expenses (DME), incentivises effective cost management and competitiveness.	30%
Individual measures	10%

The Remuneration Committee is unable to provide the 2017 bonus award performance targets on a forward-looking basis as they are deemed commercially sensitive. However, the targets will be disclosed in next year's report once the actual performance against these targets has been realised.

Performance share plan (PSP)

The levels of PSP awards for 2017 are anticipated to be in line with those awarded in 2016. The performance measures will be consistent with those detailed for the 2016 award outlined in this report. The Remuneration Committee expects to recommend an award of 330% of base salary to the Chief Executive Officer in March 2017, with performance running to the end of December 2019 and any vesting occurring in March 2020.

Changes to Chief Executive Officer and employee pay

The table below sets out the percentage change in base salary, taxable benefits and annual bonus for the Chief Executive Officer and the average pay for Swiss-based employees. We have chosen to make a comparison with employees in Switzerland as this is the market in which our Chief Executive Officer is based. MIP payouts for the Swiss workforce are primarily based on Swiss business unit results.

	Annual base salary	Benefits	Annual bonus
Chief Executive Officer % change from 2015 to 2016	+3.5%	-46.8%	-25%
Average employee % change for the Swiss workforce from 2015 to 2016	+1.7%	+25.9%	-7%

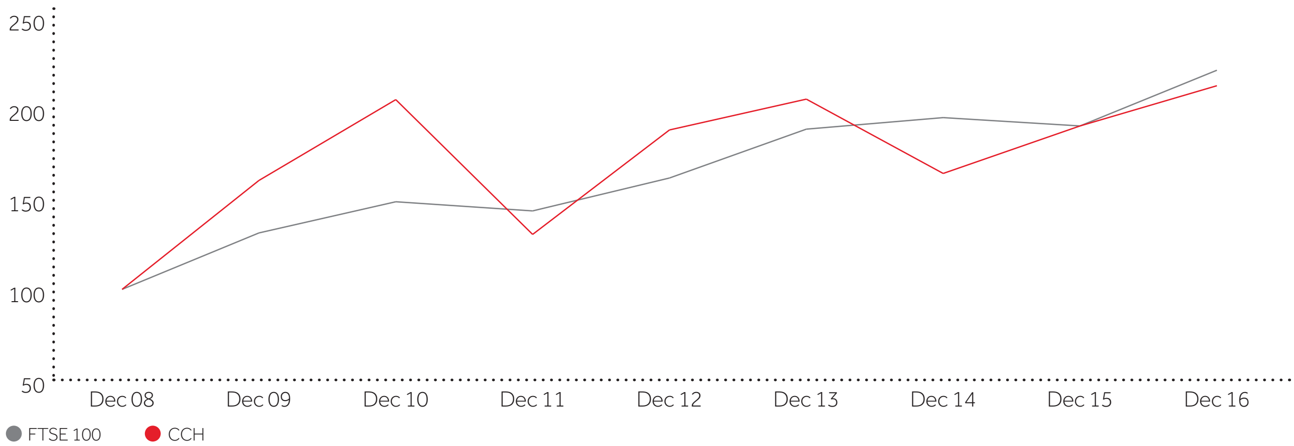
The salary increase rate is broadly in line with the salary increase for Swiss-based employees. As noted in the cash and non-cash benefits section on page 100, the decrease in benefit is related to effective tax rate changes.

Directors' Remuneration Report continued

Chief Executive Officer pay and performance comparison

The graph below shows the total shareholder return (TSR) of the Company compared with the FTSE 100 index over an eight-year period to 31 December 2016. The Committee believes that the FTSE 100 Index is the most appropriate index to compare historic performance due to the size of the Company and our listing location.

Total shareholder return versus FTSE 100



	2009	2010	2011		2012	2013	2014	2015	2016
	Doros Constantinou	Doros Constantinou	Doros Constantinou	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois
Total remuneration – single figure (€ 000's)	2,887	3,752	4,708	711	1,524	1,928	1,918	3,012	2,923
MIP (% of maximum)	63%	65%	9%	24%	68%	49%	45%	75%	55%

On 4 July 2011, the former Chief Executive Officer of the Group retired from service, and Mr. Lois succeeded him. The amounts for 2011 include the remuneration of the former Chief Executive Officer up to the retirement date and the remuneration of Mr. Lois for the remainder of the year. For 2011, the remuneration of the former Chief Executive Officer includes termination benefits due to retirement.
As the Company listed on the London Stock Exchange in April 2013, the amounts included in respect of the period before that date relate to the remuneration the Chief Executive Officer received in his capacity as Chief Executive Officer of Coca-Cola Hellenic Bottling Company S.A.

Relative importance of spend on pay

The graphic below presents the year-on-year change in total expenditure for all employees across the Group and distributions made to shareholders in the form of dividend share buy-backs and/or capital returns.

Relative importance of spend on pay(€m)

Compared to the prior year, the total staff costs have decreased by 8%, while the dividends distributed to shareholders have increased by 10%.

Shareholder voting outcomes

The table below sets out the result of the vote on the remuneration-related resolution at the Annual General Meeting held in June 2016:

Resolution	Votes for	Votes against	Abstentions	Total votes cast	Voting rights represented
Advisory vote on the UK Remuneration Report	236,914,616	18,941,964	183,352	256,039,932	70.78%
	92.53%	7.40%	0.07%		
Advisory vote on the Swiss Remuneration Report	236,911,005	18,945,575	183,352	256,039,932	70.78%
	92.53%	7.40%	0.07%		
Advisory vote on the remuneration policy	249,613,374	6,316,658	109,900	256,039,932	70.78%
	97.49%	2.47%	0.04%		
Approval of the maximum aggregate amount of remuneration for the Board until the next Annual General Meeting	255,053,386	876,791	109,755	255,930,177	70.78%
	99.66%	0.34%	0.0%		
Approval of the maximum aggregate amount of remuneration for the Operating Committee for the next financial year	254,456,899	1,085,639	497,394	255,542,538	70.78%
	99.58%	0.42%	0.0%		

The Committee was pleased that shareholders supported our remuneration-related resolutions so strongly. We value our ongoing dialogue with shareholders and welcome any views on this report.

Payments to past Directors

No compensation for loss of office was paid to any Director. When Sir Michael Llewellyn-Smith and Nigel Macdonald retired as Directors in June 2016, short-term contractual arrangements were agreed with them under which they agreed to provide advisory services and support with respect to the committees of the Board that each chaired. Payment under such arrangement was based on the remuneration of a normal non-Executive Board committee member rather than on their previous positions as Chairmen of such Committees.

Payments to appointed Directors

Mr. Reto Francioni, Mr. Ahmet C. Bozer, Mr. William W. (Bill) Douglas III, and Mr. Robert Ryan Rudolph joined in 2016, however as per the recruitment policy for non-Executive Directors, new non-Executive Directors are not compensated for any forfeited share awards or other incentives related to previous employment. Non-Executive Directors do not receive any form of variable compensation, nor any other benefits in cash or in kind. No Executive Directors were appointed in 2016, hence no payments were made.

Termination payments made during the year

No terminations were made during the year.

Outside appointments for the Chief Executive Officer

Mr. Lois serves as a member of the Board of Directors and Vice President of the Executive Committee of UNESDA and is also a member of the Board of Directors of the Swiss-American Chamber of Commerce.

Total Directors' and Operating Committee members' remuneration

The table below outlines the aggregated total remuneration figures for Directors and Operating Committee members in the year.

	2016 (€ million)	2015 (€ million)
Total remuneration paid to or accrued for Directors, the Operating Committee and the Chief Executive Officer	**24.4**	18.2
Salaries and other short-term benefits	**18.7**	12.3
Amount accrued for stock option and performance share awards	**4.9**	5.1
Pension and post-employment benefits for Directors, the Operating Committee and the Chief Executive Officer	**0.8**	0.8

Credits and loans granted to governing bodies

In 2016, no credits or loans were granted to active or former members of the Company's Board, members of the Operating Committee or to any related persons.

Directors' Remuneration Report continued

Share ownership

The table below summarises the total shareholding as of 31 December 2016, including any outstanding shares awarded through our incentive plans, for the Chief Executive Officer and other Directors.

		With performance measures			Without performance measures					
		PSP			ESOP			ESPP		
Name	Share interests	Performance shares granted in year 2016	Unvested and subject to performance conditions	Vested but unexercised	Number of stock options outstanding	Fully vested	Vesting at the end of 2017	Number of outstanding shares held[1] as at 31-Dec-16	Current shareholding as % of base salary[2]	Shareholding guideline met[2]
Dimitris Lois	Yes	159,876	298,352	0	1,700,000	1,580,000	120,000	49,142	105.6%	No
Anastassis G. David[3]		–	–	–	–	–	–	–	–	–
Reto Francioni		–	–	–	–	–	–	–	–	–
Ahmet C. Bozer		–	–	–	–	–	–	–	–	–
George A. David[4]		–	–	–	–	–	–	–	–	–
Olusola (Sola) David-Borha		–	–	–	–	–	–	–	–	–
William W. (Bill) Douglas III[5]		–	–	–	–	–	–	–	–	–
Irial Finan[6]		–	–	–	–	–	–	–	–	–
Antonio D'Amato		–	–	–	–	–	–	–	–	–
Reto Francioni		–	–	–	–	–	–	–	–	–
Sir Michael Llewellyn-Smith[7]		–	–	–	–	–	–	–	–	–
Nigel Macdonald[8]		–	–	–	–	–	–	–	–	–
Anastasios I. Leventis[9]		–	–	–	–	–	–	–	–	–
Christo Leventis[10]		–	–	–	–	–	–	–	–	–
José Octavio Reyes		–	–	–	–	–	–	–	–	–
Alexandra Papalexopoulou		–	–	–	–	–	–	–	–	–
Robert Ryan Rudolph		–	–	–	–	–	–	–	–	–
John P. Sechi		–	–	–	–	–	–	–	–	–

1. The number of shares held by Mr. Lois includes the amount of purchased and vested shares held under the ESPP on 31 December 2016 and 1,000 shares held by Mr. Lois's spouse. Out of the 49,142 shares that the Chief Executive Officer held as of 31 December 2016, 2,698 shares have not yet vested.
2. The shareholding requirement was introduced from the date of the 2015 PSP award, 10 December 2015. As such the Chief Executive Officer has a period of five years from this date to December 2020 to build up a 200% of base salary shareholding.
3. The infant child of Mr. Anastassis David being a beneficiary of a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, has an indirect interest with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.. The infant child of Mr. Anastassis David being a beneficiary of a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, has a further indirect interest in respect of 823,008 shares held by Selene Treuhand AG. Mr. Anastassis David is connected with his infant child for the purposes of rule 3 of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority.
4. Mr. George A. David retired from the Board and the Social Responsibility Committee on 21 June 2016.
5. Mr. William W. (Bill) Douglas owns 10,000 Company shares.
6. Mr. Irial Finan retired from the Board on 21 June 2016.
7. Sir Michael Llewellyn-Smith retired from the Board, the Remuneration Committee, the Nomination Committee and the Social Responsibility Committee on 21 June 2016. Sir Michael Llewellyn-Smith owns 545 Company shares.
8. Mr. Nigel Macdonald retired from the Board and the Audit and Risk Committee on 21 June 2016. Mr. Nigel Macdonald owns 1,700 Company shares.
9. The infant child of Mr. Anastasios I. Leventis, being a beneficiary of a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, has an indirect interest in respect of the 85,355,019 shares held by Kar-Tess Holding S.A.. The infant child of Mr. Anastasios I. Leventis, being a beneficiary of a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, has a further indirect interest in respect of 386,879 shares held by Selene Treuhand AG. Mr. Anastasios I. Leventis is connected with his infant child for the purposes of rule 3 of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority. By virtue of himself being a beneficiary of a private discretionary trust for the primary benefit of present and future members of the family of the late Christodoulos Papaneokleus Leventis, of which Mervail Company (PTC) Limited is the trustee, Mr. Anastasios I. Leventis has an indirect interest with respect to 623,664 shares held by Carlcan Holding Limited.
10. The infant children of Mr. Christo Leventis being beneficiaries of a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, have indirect interests with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.. The infant children of Mr. Christo Leventis being beneficiaries of a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, have further indirect interests in respect of 498,545 shares held by Selene Treuhand AG. Mr. Christo Leventis is connected with his infant children for the purposes of rule 3 of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority. By virtue of himself being a beneficiary of a private discretionary trust for the primary benefit of present and future members of the family of the late Christodoulos Papaneokleus Leventis, of which Mervail Company (PTC) Limited is the Trustee, Mr. Christo Leventis has an indirect interest with respect to the 757,307 shares held by Carlcan Holding Limited.

No performance shares vested to Dimitris Lois and he did not exercise any share options in 2016.

Statement of Directors' Responsibilities

The Directors, whose names and functions are set out on pages 60 to 63, confirm to the best of their knowledge that:

(a) The Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

(b) The consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards, as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation of the Group taken as a whole.

(c) The Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated Coca-Cola HBC Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

(d) The Directors are responsible for preparing the Annual Report, including the consolidated financial statements, and the Corporate Governance Report including the Remuneration Report and the Strategic Report, in accordance with applicable law and regulations.

(e) The activities of the Group, together with the factors likely to affect its future development, performance, financial position, cash flows, liquidity position and borrowing facilities are described in the Strategic Report (pages 1 to 59). In addition, Notes 23 'Financial risk management and financial instruments', 24 'Net debt', 25 'Equity' include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different countries. The Directors have also assessed the principal risks and the other matters discussed in connection with the Viability Statement on page 59. The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements and have not identified any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of these financial statements.

By order of the Board

Dimitris Lois
Chief Executive Officer

17 March 2017

Disclosure of information required under Listing Rule 9.8.4R

For the purposes of Listing Rule 9.8.4C, the information required to be disclosed by premium listed companies in the United Kingdom can be located as set out below:

Listing Rule	Information to be included	Reference in report
9.8.4(1)	Interest capitalised by the Group and an indication of the amount and treatment of any associated tax relief	Not applicable
9.8.4(2)	Details of any unaudited financial information required by LR 9.2.18	Not applicable
9.8.4(4)	Details of any long-term incentive scheme described in LR 9.4.3	Not applicable
9.8.4(5)	Details of any arrangement under which a Director has waived any emoluments	Page 99
9.8.4(6)	Details of any arrangement under which a Director has agreed to waive future emoluments	Not applicable
9.8.4(7)	Details of any allotments of shares by the Company for cash not previously authorised by shareholders	Not applicable
9.8.4(8)	Details of any allotments of shares for cash by a major subsidiary of the Company	Not applicable
9.8.4(9)	Details of the participation by the Company in any placing made by its parent company	Not applicable
9.8.4(10)	Details of any contracts of significance involving a Director	Not applicable
9.8.4(11)	Details of any contract for the provision of services to the Company by a controlling shareholder	Not applicable
9.8.4(12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends	Not applicable
9.8.4(13)	Details of any arrangement under which a shareholder has agreed to waive future dividends	Not applicable
9.8.4(14)	Agreements with a controlling shareholder	Not applicable

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Report on the audit of the consolidated financial statements

Our opinion

In our opinion, Coca-Cola HBC AG's (the "Company") consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiaries (together the "Group") as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

What we have audited

Coca-Cola HBC AG's consolidated financial statements included within the 2016 Integrated Annual Report comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

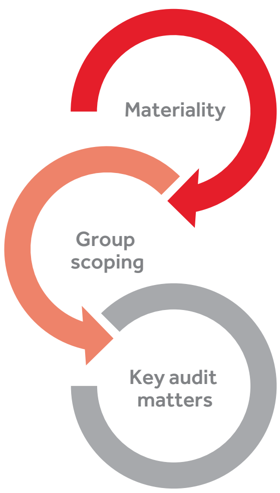
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with applicable laws and regulations regarding independence relevant to our audit of the consolidated financial statements, including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: €22.9 million, which represents 5% of profit before tax.

- We audited the complete financial information of the Company and of subsidiary undertakings in 14 countries.
- Taken together, the undertakings of which an audit of their complete financial information was performed accounted for 83% of consolidated net sales revenue, 89% of consolidated profit before tax and 85% of consolidated total assets of the Group.
- We also conducted specific audit procedures and analytical review procedures for other Group undertakings and functions.

Key audit matters comprised:
- Goodwill and indefinite-lived intangible assets impairment assessment.
- Uncertain tax positions.
- Provisions and contingent liabilities.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Independent Auditor's Report continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall group materiality	€22.9 million (2015: €17.8 million)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is one of the principal measures considered by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in generally accepted auditing practice.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above €1.0 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite-lived intangible assets impairment assessment Refer to Note 13 for intangible assets including goodwill. Goodwill and indefinite-lived intangible assets as at 31 December 2016 amount to €1,671.9 million and €206.4 million, respectively. The above noted amounts have been allocated to individual cash-generating units ('CGUs'). The impairment assessment is performed at least annually and relies on the calculation of a value-in-use for each CGU. This area was a key matter for our audit due to the size of goodwill and indefinite-lived intangible assets and because the determination of whether elements of goodwill and of indefinite-lived intangible assets are impaired involves complex and subjective estimates and judgements by management about the future results of the CGUs. These estimates and judgements include assumptions surrounding revenue growth rates, input costs, foreign exchange rates and discount rates. Furthermore, macroeconomic volatility, competitor activity and regulatory/fiscal developments can adversely affect each CGU and potentially the carrying amount of goodwill and indefinite-lived intangible assets. No impairment charge was recorded in 2016. We note however, that goodwill and indefinite-lived intangible assets held by Multon ZAO CGU and the Nigeria CGU remain sensitive to changes in the key drivers of cash flow forecasts given the macroeconomic volatility in Russia and Nigeria respectively.	We evaluated the process by which management prepared the CGU value-in-use calculations and compared them to the latest budget approved by the Board of Directors. We assessed the quality of the budgeting process by comparing the prior year budget with actual data. No material exceptions were noted from our evaluation. Deploying our valuation specialists, we challenged management's analysis around the key drivers of cash flow forecasts including price increases, short-term and long-term volume growth and the level of input costs by comparing them with either the Group's historical information or market data, as appropriate. We also evaluated the appropriateness of other key assumptions including discount rates and foreign exchange rates by comparing them to relevant market data. We found the assumptions to be consistent and in line with our expectations. We also performed sensitivity analyses on the key drivers of cash flow forecasts for the CGUs with significant balances of goodwill and indefinite-lived intangible assets as well as for CGUs with marginal headroom, including the goodwill and indefinite-lived intangible assets held by Multon ZAO CGU and the Nigeria CGU. As a result of our work, we found that the determination by management that no impairment was required for goodwill and indefinite-lived intangible assets was supported by reasonable assumptions. Management has furthermore disclosed relevant sensitivity analyses in Note 13.

Key audit matter	How our audit addressed the key audit matter
Uncertain tax positions Refer to Note 10 for taxation and Note 28 for contingencies. The Group operates in a complex multinational tax environment which gives rise to uncertain tax positions in relation to corporation tax, transfer pricing and indirect taxes. Given the number of judgements involved in estimating the provisions relating to uncertain tax positions and the complexities of dealing with tax rules and regulations in numerous jurisdictions, this was considered as a key audit matter.	In conjunction with our tax specialists, we evaluated management's judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. In order to understand and evaluate management's judgements, we considered the status of current tax authority audits and enquiries, the outcome of previous tax authority audits, judgemental positions taken in tax returns and current year estimates and recent developments in the tax environments in which the Group operates. From the evidence obtained and in the context of the consolidated financial statements, taken as a whole, we consider the provisions in relation to uncertain tax positions as at 31 December 2016 to be appropriate.
Provisions and contingent liabilities Refer to Note 20 for provisions and Note 28 for contingencies. The Group faces a number of threatened and actual legal and regulatory proceedings. The level of provisioning and/or the level of disclosure required involves a high level of judgement resulting in provisions and contingent liabilities being considered as a key audit matter.	We evaluated the design and implementation of controls in respect of litigation and regulatory procedures, and no material exceptions were noted. Our procedures included the following: – where relevant, reading external legal advice obtained by management; – discussing open matters with the Group general counsel; – meeting with local management and reading subsequent correspondence; – assessing and challenging management's conclusions through understanding precedents set in similar cases; and – circularising relevant third-party legal representatives and follow up discussions, where appropriate, on certain material cases. Based on the evidence obtained, whilst noting the inherent uncertainty with such legal and regulatory matters, we determined the level of provisioning as at 31 December 2016 to be appropriate. We assessed the appropriateness of the related disclosures in Note 28 and considered these to be reasonable.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates through its trading subsidiary undertakings in 28 countries, as set out on page 122 of the 2016 Integrated Annual Report. The processing of the accounting entries for these entities is largely centralised in a shared services centre in Bulgaria, except for the subsidiary undertakings in Russia, Ukraine, Belarus and Armenia, which process their accounting entries locally. The Group also operates a centralised treasury function in the Netherlands and in Greece and a centralised procurement function in Austria. We considered the nature of the work that needed to be performed on these entities and functions by us, as the group engagement team and by component auditors from other PwC network firms. Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those entities or functions to be able to conclude whether appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Based on the financial significance to the consolidated financial statements and in light of the key audit matters as noted above, we identified subsidiary undertakings in 14 countries (including the trading subsidiary undertakings in Russia, Nigeria and Italy) which in our view, required an audit of their complete financial information. Furthermore, the Company's complete financial information was subject to audit. Specific audit procedures on certain balances and transactions were also performed on subsidiary undertakings in 3 countries, 1 joint venture and the corporate service centres in Greece and Austria. In addition, audit procedures were performed with respect to the centralised treasury function by the group engagement team and by the component audit team in Austria as regards to the centralised procurement function. The group engagement team also performed analytical review and other procedures on balances and transactions of subsidiary undertakings not covered by the procedures described above.

Independent Auditor's Report continued

Our group engagement team's involvement with respect to audit work performed by component auditors included site visits (to Russia, Nigeria, Italy, Switzerland, Romania, Bulgaria and Greece), conference calls with component audit teams, meetings with local management, review of component auditor work papers, attendance at component audit clearance meetings, and other forms of interactions as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising. The group engagement team was also responsible for planning, designing and overseeing the audit procedures performed at the shared services centre in Bulgaria. The Group consolidation, financial statement disclosures and a number of areas of significant judgement, including goodwill and intangible assets, material provisions and contingent liabilities, were audited by the group engagement team. We also performed work centrally on IT general controls. We held a two-day audit planning workshop in Greece focusing on planning and risk assessment activities. This audit planning workshop was attended by the component teams responsible for the subsidiaries requiring an audit of their complete financial information.

Based on the above, the undertakings of which an audit of their complete financial information was performed accounted for 83% of consolidated net sales revenue, 89% of consolidated profit before tax and 85% of consolidated total assets of the Group.

Other information

The Directors are responsible for the other information. The other information comprises Coca-Cola HBC AG's 2016 Integrated Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

As explained more fully in the Statement of Directors' Responsibilities set out in the 2016 Integrated Annual Report on page 107, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Those charged with governance are responsible for overseeing the Group's financial reporting process.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report, including the opinion, has been prepared for and only for Coca-Cola HBC AG for the purpose of the Disclosure Guidance and Transparency Rules sourcebook and the Listing Rules of the Financial Conduct Authority and for no other purpose.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Listing Rules we are required to review the part of the Corporate Governance section relating to the Company's compliance with 11 provisions of the UK Corporate Governance Code (the "Code"). We have nothing to report having performed our review.

Other matters

We have reviewed the statement on going concern, included in the Statement of Directors' Responsibilities, in Coca-Cola HBC AG's 2016 Integrated Annual Report on page 107, as if the Company were a UK incorporated premium listed entity. We have nothing to report having performed our review.

As noted in the Statement of Directors' Responsibilities, the Directors have concluded that it is appropriate to prepare the consolidated financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the consolidated financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

We have also reviewed the Directors' statement in relation to the longer-term viability of the Group, set out on page 59, of the Coca-Cola HBC AG's 2016 Integrated Annual Report as if the Company were a UK incorporated premium listed entity. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Marios Psaltis

the Certified Auditor, Reg. No. 38081
for and on behalf of PricewaterhouseCoopers S.A.
Certified Auditors, Reg. No. 113
Athens, Greece

17 March 2017

Notes:
(a) The maintenance and integrity of the Coca-Cola HBC AG website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.
(b) Legislation in UK and Switzerland governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

Financial Statements

Consolidated Income Statement

	Note	Year ended 31 December 2016 € million	 2015 € million
Net sales revenue	6,7	**6,219.0**	6,346.1
Cost of goods sold		**(3,920.2)**	(4,018.7)
Gross profit		**2,298.8**	**2,327.4**
Operating expenses	8	**(1,792.5)**	(1,909.2)
Operating profit	6	**506.3**	**418.2**
Finance income		**7.4**	9.5
Finance costs		**(69.7)**	(77.7)
Finance costs, net	9	**(62.3)**	**(68.2)**
Share of results of equity method investments	15	**13.8**	7.1
Profit before tax		**457.8**	**357.1**
Tax	10	**(113.8)**	(76.4)
Profit after tax		**344.0**	**280.7**
Attributable to:			
Owners of the parent		**343.5**	280.3
Non-controlling interests		**0.5**	0.4
		344.0	**280.7**
Basic and diluted earnings per share (€)	11	**0.95**	0.77

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December			
		2016 **€ million**		2015 € million
Profit after tax		**344.0**		280.7
Other comprehensive income:				
Items that may be subsequently reclassified to income statement:				
Available-for-sale financial assets:				
Valuation (loss) / gain during the year		**(0.1)**		0.1
Cash flow hedges:				
Net losses during the year	**(48.2)**		(5.2)	
Net losses reclassified to income statement for the year	**12.8**		4.6	
Transfers to inventory for the year	**4.1**	**(31.3)**	(19.7)	(20.3)
Foreign currency translation		**(112.9)**		(65.8)
Share of other comprehensive income of equity method investments		**(7.5)**		(0.2)
Income tax relating to items that may be subsequently reclassified to income statement (refer to Note 12)		**1.1**		5.5
		(150.7)		**(80.7)**
Items that will not be subsequently reclassified to income statement:				
Actuarial (losses) / gains		**(41.7)**		11.1
Income tax relating to items that will not be subsequently reclassified to income statement (refer to Note 12)		**7.0**		(2.9)
		(34.7)		**8.2**
Other comprehensive income for the year, net of tax (refer to Note 12)		**(185.4)**		**(72.5)**
Total comprehensive income for the year		**158.6**		**208.2**
Total comprehensive income attributable to:				
Owners of the parent		**158.1**		207.8
Non-controlling interests		**0.5**		0.4
		158.6		**208.2**

The accompanying notes form an integral part of these consolidated financial statements.

Financial Statements continued

Consolidated Balance Sheet

	Note	As at 31 December 2016 € million	2015 € million
Assets			
Intangible assets	13	**1,885.7**	1,911.6
Property, plant and equipment	14	**2,406.6**	2,545.5
Equity method investments	15	**117.0**	113.8
Derivative financial instruments	23	**8.1**	6.6
Deferred tax assets	10	**57.5**	56.3
Other non-current assets	17	**28.7**	31.4
Total non-current assets		**4,503.6**	**4,665.2**
Inventories	16	**431.5**	435.8
Trade, other receivables and assets	17	**1,030.8**	909.5
Derivative financial instruments	23	**7.9**	16.9
Current tax assets		**6.1**	12.9
Cash and cash equivalents	24	**573.2**	487.4
		2,049.5	**1,862.5**
Assets classified as held for sale	18	**11.8**	5.5
Total current assets		**2,061.3**	**1,868.0**
Total assets		**6,564.9**	**6,533.2**
Liabilities			
Borrowings	24	**156.5**	781.5
Derivative financial instruments	23	**14.2**	40.9
Trade and other payables	19	**1,587.3**	1,503.6
Provisions and employee benefits	20	**118.6**	86.8
Current tax liabilities		**91.5**	78.1
Total current liabilities		**1,968.1**	**2,490.9**
Borrowings	24	**1,468.1**	923.0
Derivative financial instruments	23	**1.3**	14.5
Deferred tax liabilities	10	**124.1**	132.0
Provisions and employee benefits	20	**125.0**	141.5
Other non-current liabilities		**8.2**	7.2
Total non-current liabilities		**1,726.7**	**1,218.2**
Total liabilities		**3,694.8**	**3,709.1**
Equity			
Share capital	25	**1,990.8**	2,000.1
Share premium	25	**4,854.6**	5,028.3
Group reorganisation reserve	25	**(6,472.1)**	(6,472.1)
Treasury shares	25	**(70.7)**	(132.0)
Exchange equalisation reserve	25	**(801.8)**	(681.4)
Other reserves	25	**245.1**	260.4
Retained earnings		**3,119.7**	2,816.5
Equity attributable to owners of the parent		**2,865.6**	**2,819.8**
Non-controlling interests		**4.5**	4.3
Total equity		**2,870.1**	**2,824.1**
Total equity and liabilities		**6,564.9**	**6,533.2**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent									
	Share capital € million	Share premium € million	Group reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2015	1,998.1	5,157.6	(6,472.1)	(70.7)	(615.3)	259.7	2,529.7	**2,787.0**	4.1	**2,791.1**
Shares issued to employees exercising stock options	2.0	3.1	–	–	–	–	–	**5.1**	–	**5.1**
Share-based compensation:										
Options and performance shares	–	–	–	–	–	8.8	–	**8.8**	–	**8.8**
Movement in shares held for equity compensation plan	–	–	–	(0.6)	–	1.3	–	**0.7**	–	**0.7**
Acquisition of treasury shares	–	–	–	(58.5)	–	–	–	**(58.5)**	–	**(58.5)**
Appropriation of reserves	–	–	–	(2.2)	–	5.2	(3.0)	**–**	–	**–**
Dividends	–	(132.4)	–	–	–	–	1.3	**(131.1)**	(0.2)	**(131.3)**
	2,000.1	**5,028.3**	**(6,472.1)**	**(132.0)**	**(615.3)**	**275.0**	**2,528.0**	**2,612.0**	**3.9**	**2,615.9**
Profit for the year net of tax	–	–	–	–	–	–	280.3	**280.3**	0.4	**280.7**
Other comprehensive income for the year, net of tax	–	–	–	–	(66.1)	(14.6)	8.2	**(72.5)**	–	**(72.5)**
Total comprehensive income for the year, net of tax[1]	–	–	–	–	(66.1)	(14.6)	288.5	**207.8**	0.4	**208.2**
Balance as at 31 December 2015	**2,000.1**	**5,028.3**	**(6,472.1)**	**(132.0)**	**(681.4)**	**260.4**	**2,816.5**	**2,819.8**	**4.3**	**2,824.1**

1. The amount included in the exchange equalisation reserve of €66.1m loss for 2015 represents the exchange loss attributed to the owners of the parent, including €0.3m loss relating to the share of other comprehensive income of equity method investments.
The amount included in other reserves of €14.6m loss for 2015 consists of gain on valuation of available-for-sale financial assets of €0.1m, cash flow hedges losses of €20.3m, €0.1m gain relating to share of other comprehensive income of equity method investments and the deferred tax income thereof amounting to €5.5m.
The amount of €288.5m gain comprises profit for the year of €280.3m, plus actuarial gains of €11.1m, less a deferred tax expense of €2.9m.
The amount of €0.4m gain included in non-controlling interests for 2015 represents the share of non-controlling interests in retained earnings.

The accompanying notes form an integral part of these consolidated financial statements.

Financial Statements continued

Consolidated Statement of Changes in Equity continued

	Attributable to owners of the parent									
	Share capital € million	Share premium € million	Group reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2016	2,000.1	5,028.3	(6,472.1)	(132.0)	(681.4)	260.4	2,816.5	**2,819.8**	4.3	**2,824.1**
Shares issued to employees exercising stock options	9.1	12.5	–	–	–	–	–	**21.6**	–	**21.6**
Share-based compensation:										
Options and performance shares	–	–	–	–	–	8.1	–	**8.1**	–	**8.1**
Movement in shares held for equity compensation plan	–	–	–	(0.4)	–	–	–	**(0.4)**	–	**(0.4)**
Sale of own shares	–	–	–	3.1	–	–	–	**3.1**	–	**3.1**
Cancellation of shares	(18.4)	(40.1)	–	58.5	–	–	–	**–**	–	**–**
Appropriation of reserves	–	–	–	0.1	–	6.9	(7.0)	**–**	–	**–**
Dividends	–	(146.1)	–	–	–	–	1.4	**(144.7)**	(0.3)	**(145.0)**
	1,990.8	**4,854.6**	**(6,472.1)**	**(70.7)**	**(681.4)**	**275.4**	**2,810.9**	**2,707.5**	**4.0**	**2,711.5**
Profit for the year net of tax	–	–	–	–	–	–	343.5	**343.5**	0.5	**344.0**
Other comprehensive income for the year, net of tax	–	–	–	–	(120.4)	(30.3)	(34.7)	**(185.4)**	–	**(185.4)**
Total comprehensive income for the year, net of tax[2]	–	–	–	–	(120.4)	(30.3)	308.8	**158.1**	0.5	**158.6**
Balance as at 31 December 2016	**1,990.8**	**4,854.6**	**(6,472.1)**	**(70.7)**	**(801.8)**	**245.1**	**3,119.7**	**2,865.6**	**4.5**	**2,870.1**

2. The amount included in the exchange equalisation reserve of €120.4m loss for 2016 represents the exchange loss attributed to the owners of the parent, including €7.5m loss relating to share of other comprehensive income of equity method investments.
The amount included in other reserves of €30.3m loss for 2016 consists of loss on valuation of available-for-sale financial assets of €0.1m, cash flow hedges losses of €31.3m and the deferred tax income thereof amounting to €1.1m.
The amount of €308.8m gain comprises profit for the year of €343.5m, less actuarial losses of €41.7m, plus a deferred tax income of €7.0m.
The amount of €0.5m gain included in non-controlling interests for 2016 represents the share of non-controlling interests in retained earnings.

For further details, please refer to: Note 25 Equity and Note 27 Share-based payments.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2016 € million	 2015 € million
Operating activities			
Profit after tax		**344.0**	280.7
Finance costs, net	9	**62.3**	68.2
Share of results of equity method investments	15	**(13.8)**	(7.1)
Tax charged to the income statement	10	**113.8**	76.4
Depreciation of property, plant and equipment	14	**305.5**	308.1
Impairment of property, plant and equipment	14	**26.9**	32.1
Employee stock options and performance shares	27	**8.1**	8.8
Amortisation of intangible assets	13	**0.4**	0.4
Other non-cash items		**(1.3)**	(1.3)
		845.9	**766.3**
(Gain) / loss on disposals of non-current assets	8	**(2.9)**	1.8
Decrease / (increase) in inventories		**3.8**	(37.1)
Increase in trade and other receivables		**(122.6)**	(13.8)
Increase in trade and other payables		**131.2**	94.8
Tax paid		**(92.1)**	(72.7)
Net cash from operating activities		**763.3**	**739.3**
Investing activities			
Payments for purchases of property, plant and equipment		**(347.8)**	(331.5)
Proceeds from sales of property, plant and equipment		**35.9**	17.8
Net receipts from investments	22,26	**17.8**	120.9
Loans to related parties		**2.8**	(2.7)
Interest received		**7.3**	9.5
Payments for acquisition of subsidiaries	22	**(19.5)**	–
Net cash used in investing activities		**(303.5)**	**(186.0)**
Financing activities			
Share buy-back payments	25	**–**	(58.5)
Proceeds from sale of own shares		**3.1**	–
Payments for shares held by non-controlling interests		**(0.7)**	(1.2)
Proceeds from shares issued to employees exercising stock options	25	**21.6**	5.1
Dividends paid to owners of the parent	25	**(144.7)**	(131.1)
Dividends paid to non-controlling interests		**(0.3)**	(0.2)
Proceeds from borrowings		**679.6**	104.2
Repayments of borrowings		**(738.2)**	(524.2)
Principal repayments of finance lease obligations		**(20.2)**	(13.8)
Payments for settlement of forward starting swaps		**(55.4)**	–
Interest paid		**(72.8)**	(69.5)
Net cash used in financing activities		**(328.0)**	**(689.2)**
Net increase / (decrease) in cash and cash equivalents		**131.8**	**(135.9)**
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		**487.4**	636.3
Net increase / (decrease) in cash and cash equivalents		**131.8**	(135.9)
Effect of changes in exchange rates		**(46.0)**	(13.0)
Cash and cash equivalents at 31 December	24	**573.2**	**487.4**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Description of business

Coca-Cola HBC AG and its subsidiaries (the 'Group' or 'Coca-Cola HBC' or 'the Company') are principally engaged in the production, sales and distribution of non-alcoholic ready-to-drink beverages, under franchise from The Coca-Cola Company. The Company distributes its products in 27 countries in Europe and Nigeria. Information on the Company's operations by segment is included in Note 6.

On 11 October 2012, Coca-Cola HBC, a Swiss stock corporation (Aktiengesellschaft/Société Anonyme) incorporated by Kar-Tess Holding (a related party of the Group, see Note 26), announced a voluntary share exchange offer to acquire all outstanding ordinary registered shares and all American depositary shares of Coca-Cola Hellenic Bottling Company S.A. As a result of the successful completion of this offer, on 25 April 2013 Coca-Cola HBC acquired 96.85% of the issued Coca-Cola Hellenic Bottling Company S.A. shares, including shares represented by American depositary shares, and became the new parent company of the Group. On 17 June 2013, Coca-Cola HBC completed its statutory buy-out of the remaining shares of Coca-Cola Hellenic Bottling Company S.A. that it did not acquire upon completion of its voluntary share exchange offer. Consequently, Coca-Cola HBC acquired 100% of Coca-Cola Hellenic Bottling Company S.A. which was eventually delisted from the Athens Exchange, from the London Stock Exchange where it had a secondary listing and from the New York Stock Exchange where American depositary shares were listed.

The shares of Coca-Cola HBC started trading in the premium segment of the London Stock Exchange (Ticker symbol: CCH), on the Athens Exchange (Ticker symbol: EEE) and regular way trading in Coca-Cola HBC ADS commenced on the New York Stock Exchange (Ticker symbol: CCH) on 29 April 2013. On 24 July 2014 the Group proceeded to the delisting of its American Depository Receipts from the New York Stock Exchange and terminated its reporting obligations under the US Securities Exchange Act of 1934. The deregistration of Coca-Cola HBC shares under the US Securities Exchange Act of 1934 and the termination of its reporting obligations became effective on 3 November 2014.

2. Basis of preparation and consolidation

Basis of preparation

The consolidated financial statements included in this document are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

These consolidated financial statements were approved for issue by the Board of Directors on 16 March 2017 and are expected to be verified at the Annual General Meeting to be held on 20 June 2017.

The structure of the consolidated financial statements has been revised with the objective of being more effective in permitting the users to identify relevant information more easily. As well as re-ordering the notes, significant accounting policies, judgements, key estimates and assumptions, as well as related qualitative and quantitative disclosures, have been presented together in the same note in order to provide a more holistic discussion to the users of the financial statements.

Basis of consolidation

Subsidiary undertakings are those companies over which the Group, directly or indirectly, has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. Subsidiary undertakings are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Inter-company transactions and balances between Group companies are eliminated. The subsidiaries' accounting policies are consistent with policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when such control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

3. Foreign currency and translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the presentation currency for the consolidated financial statements.

The assets and liabilities of foreign subsidiaries are translated into Euro at the exchange rate ruling at the balance sheet date. The results of foreign subsidiaries are translated into Euro using the average monthly exchange rate (being a reasonable approximation of the rates prevailing on the transaction dates). The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are recognised as a component of the gain or loss on disposal.

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the balance sheet date. All gains and losses arising on remeasurement are included in the income statement, except for exchange differences arising on assets and liabilities classified as cash flow hedges which are deferred in equity until the occurrence of the hedged transaction, at which time they are recognised in the income statement. Share capital denominated in a currency other than the functional currency is initially stated at spot rate of the date of issue but is not retranslated.

The principal exchange rates used for transaction and translation purposes in respect of one Euro are:

	Average 2016	Average 2015	**Closing 2016**	Closing 2015
US dollar	**1.11**	1.11	**1.04**	1.09
UK sterling	**0.82**	0.72	**0.85**	0.74
Polish zloty	**4.36**	4.17	**4.40**	4.23
Nigerian naira	**279.97**	215.63	**317.95**	216.15
Hungarian forint	**311.40**	309.12	**309.22**	312.98
Swiss franc	**1.09**	1.06	**1.07**	1.08
Russian rouble	**74.36**	67.67	**64.72**	78.95
Romanian leu	**4.49**	4.44	**4.54**	4.54
Ukrainian hryvnia	**28.27**	24.52	**27.97**	26.06
Czech koruna	**27.03**	27.29	**27.02**	27.03
Serbian dinar	**123.08**	120.70	**123.30**	121.33

4. Accounting pronouncements

a) Accounting pronouncements adopted in 2016

In the current period, the Group has adopted the following standards and amendments which were issued by the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2016:

- Amendments to IFRS 11: Accounting for acquisitions of interests in joint operations
- Annual Improvements to IFRSs: 2012-2014 Cycle
- Amendments to IAS 1: Disclosure initiative

The adoption of these amendments did not have any impact on the current period or any prior period and are not likely to affect future periods.

b) Accounting pronouncements not yet adopted

At the date of approval of these consolidated financial statements, the following standards and interpretations relevant to the Company's operations were issued but not yet effective and not early adopted.

IFRS 15, *Revenue from Contracts with Customers* that will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Management has completed an initial impact assessment on areas that might be affected. The areas of focus have been the identification of material rights that should be accounted for as performance obligations, accounting for contract fulfilment costs and variable consideration. Based on the assessment, the Group believes that the adoption of IFRS 15 will not have a significant impact on its consolidated financial statements.

IFRS 9, *Financial Instruments,* which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments*: *Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The new hedge accounting requirements will align the accounting for hedging instruments more closely with the Group's risk management practices and therefore more hedge relationships are expected to be eligible for hedge accounting. Based on a preliminary assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Furthermore, the Group will assess possible changes related to the application of the new hedge accounting requirements in relation to the accounting treatment to be applied to the forward element of the forward contracts and the future time value of options in more detail in 2017.

Notes to the Consolidated Financial Statements continued

4. Accounting pronouncements continued

IFRS 16, *Leases*. The new standard supersedes IAS 17 and its objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group is currently evaluating the impact IFRS 16 will have on its consolidated financial statements.

In addition, the following amendments have been issued by the IASB and are not yet effective. The Group is currently evaluating the impact that these amendments and interpretations will have on its consolidated financial statements:

– Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
– Amendments to IAS 7: Disclosure initiative
– Amendments to IFRS 2: Classification and measurement of share-based payment transactions
– IFRIC 22 Foreign currency transactions and advance consideration
– Annual Improvements to IFRSs 2014 (2014–2016 Cycle)

5. Critical accounting estimates and judgements

In conformity with IFRS, the preparation of the consolidated financial statements for Coca-Cola HBC requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Although these estimates and judgements are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

Estimates

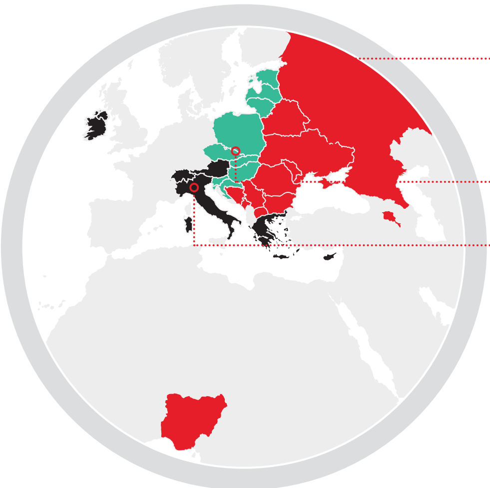
– Income taxes (refer to Note 10)
– Impairment of goodwill and indefinite-lived intangible assets (refer to Note 13)
– Employee benefits – defined benefit pension plans (refer to Note 20)

Judgements

– Joint arrangements (refer to Note 15)

6. Segmental analysis

The Group has one business, being the production, sale and distribution of ready-to-drink, primarily non-alcoholic, beverages. The Group operates in 28 countries which are aggregated in reportable segments as follows:



Emerging markets:	Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, FYROM, Moldova, Montenegro, Nigeria, Romania, the Russian Federation, Serbia (including the Republic of Kosovo) and Ukraine.
Developing markets:	Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.
Established markets:	Austria, Cyprus, Greece, Italy, Northern Ireland, the Republic of Ireland and Switzerland.

The Group's operations in each of the three reportable segments have been aggregated on the basis of their similar economic characteristics, assessed by reference to their net sales revenue per unit case as well as disposable income per capita, exposure to political and economic volatility, regulatory environments, customers and distribution infrastructures. The accounting policies of the reportable segments are the same as those adopted by the Group. The Group's chief operating decision maker is its Operating Committee, which evaluates performance and allocates resources based on volume, net sales revenue and operating profit.

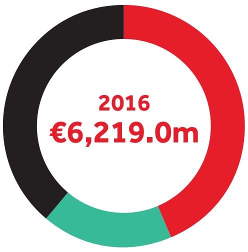
a) Volume and net sales revenue

The Group sales volume in million unit cases[1] for the years ended 31 December was as follows:

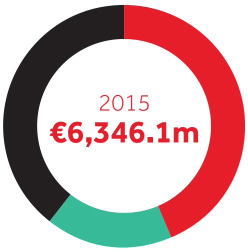
	2016	2015
Established	**606.6**	621.1
Developing	**383.5**	378.7
Emerging	**1,067.8**	1,055.2
Total volume	**2,057.9**	**2,055.0**

1. One unit case corresponds to approximately 5.678 litres or 24 servings, being a typically used measure of volume. Volume data is derived from unaudited operational data.

Net sales revenue per reportable segment for the years ended 31 December is presented in the graphs below:



- Emerging: **€2,717.0m**
- Developing: **€1,094.2m**
- Established: **€2,407.8m**



- Emerging: €2,768.5m
- Developing: €1,092.0m
- Established: €2,485.6m

There are no material amounts of sales or transfers between the Group's segments nor are there any customers who represent more than 10% of net sales revenue for the Group.

In addition to non-alcoholic, ready-to-drink beverages ("NARTD"), the Group sells and distributes premium spirits. An analysis of volume and net sales revenue per product type for the years ended 31 December is presented below:

Volume in million unit cases[2]	**2016 € million[1]**	2015 € million[1]
NARTD[3]	**2,055.5**	2,052.6
Premium spirits[2]	**2.4**	2.4
Total volume	**2,057.9**	**2,055.0**
Net sales revenue		
NARTD	**6,040.6**	6,164.3
Premium spirits	**178.4**	181.8
Total net sales revenue	**6,219.0**	**6,346.1**

1. Excluding volume, which is reported in unit cases.
2. One unit case corresponds to approximately 5.678 litres or 24 servings, being a typically used measure of volume. Volume data is derived from unaudited operational data. For premium spirits volume, one unit case corresponds to 5.678 litres.
3. NARTD: non-alcoholic, ready-to-drink beverages.

Net sales revenue from external customers attributed to Switzerland (the Group's country of domicile), Russia, Italy and Nigeria was as follows for the years ended 31 December:

	2016 € million	2015 € million
Switzerland	**423.6**	447.0
Russia	**983.0**	1,039.3
Italy	**897.7**	919.3
Nigeria	**583.3**	621.6
All countries, other than Switzerland, Russia, Italy and Nigeria	**3,331.4**	3,318.9
Total net sales revenue from external customers	**6,219.0**	**6,346.1**

Notes to the Consolidated Financial Statements continued

6. Segmental analysis continued

b) Other income statement items

Year ended 31 December	Note	2016 € million	2015 € million
Operating profit			
Established		**236.8**	171.3
Developing		**92.9**	87.4
Emerging		**176.6**	159.5
Total operating profit		**506.3**	**418.2**
Interest expense and other finance costs			
Established		**(40.1)**	(30.5)
Developing		**(4.9)**	(2.0)
Emerging		**(8.9)**	(16.0)
Corporate[4]		**(133.2)**	(131.8)
Inter segment interest expense		**117.4**	110.1
Interest expense and other finance costs	9	**(69.7)**	**(70.2)**
Finance income			
Established		**0.5**	(0.1)
Developing		**1.7**	1.9
Emerging		**21.5**	29.9
Corporate[4]		**101.1**	87.9
Inter segment finance income		**(117.4)**	(110.1)
Total finance income	9	**7.4**	**9.5**
Income tax expense			
Established		**(49.7)**	(25.3)
Developing		**(19.0)**	(19.3)
Emerging		**(35.7)**	(24.8)
Corporate[4]		**(9.4)**	(7.0)
Total income tax expense	10	**(113.8)**	**(76.4)**
Reconciling items			
Net foreign exchange losses	9	**–**	(7.5)
Share of results of equity method investments	15	**13.8**	7.1
Profit after tax		**344.0**	**280.7**

Depreciation and impairment of property, plant and equipment and amortisation of intangible assets included in the measure of operating profit, are as follows:

	Note	2016 € million	2015 € million
Depreciation and impairment of property, plant and equipment			
Established		**(95.8)**	(106.2)
Developing		**(56.6)**	(57.9)
Emerging		**(180.0)**	(176.1)
Total depreciation and impairment of property, plant and equipment	14	**(332.4)**	**(340.2)**
Amortisation of intangible assets			
Emerging		**(0.4)**	(0.4)
Total amortisation of intangible assets	13	**(0.4)**	**(0.4)**

4. Corporate refers to holding, finance and other non-operating subsidiaries of the Group.

c) Other items

The balance of non-current assets attributed to Switzerland (the Group's country of domicile), Russia, Italy and Nigeria was as follows for the years ended 31 December:

Non-current assets[5]	2016 € million	2015 € million
Switzerland	**546.0**	554.6
Russia	**578.0**	482.0
Italy	**990.7**	1,004.1
Nigeria	**439.9**	584.9
All countries, other than Switzerland, Russia, Italy and Nigeria	**1,759.3**	1,860.1
Total non-current assets[5]	**4,313.9**	**4,485.7**

5. Excluding financial instruments, equity method investments and deferred tax assets.

Expenditure of property, plant and equipment per reportable segment was as follows for the years ended 31 December:

	2016 € million	2015 € million
Established	**94.7**	76.3
Developing	**44.3**	34.5
Emerging	**208.8**	220.7
Total expenditure of property, plant and equipment	**347.8**	**331.5**

In mid-June 2016 the naira was significantly devalued against the Euro, resulting in a foreign currency translation loss of €196.8 million which was recognised within other comprehensive income of the consolidated statement of comprehensive income (refer to Note 12). In spite of the devaluation, as a result of further pressures in the economy, the official naira rate may once again not be reflecting the supply and demand rate for the currency, which may result in further volatility in the local currency. The Group is continuously monitoring the situation in Nigeria in order to ensure that timely actions and initiatives are undertaken to minimise potential adverse impact on its performance.

Tensions and market changes in Ukraine and the Russian Federation that have adversely impacted the economies of these countries and, among other things, have resulted in increased volatility in currency markets, causing the Russian rouble and the Ukrainian hryvnia to depreciate significantly against some major currencies, seem to be subsiding. Although Russia is showing signs of stabilisation of the economic environment, we continue to monitor and assess the situation in the area so as to minimise potential adverse impact on the Company's performance.

The macroeconomic and financial environment in Greece remains fragile. The continued instability of the Greek banking sector, the continuation of capital controls restricting the movement of funds out of Greece and the ongoing need for austerity measures may further impact consumers' disposable income which may adversely affect the Group's operations in Greece. Our 2016 revenue from our operations in Greece amounted to 6% of consolidated net sales revenue and as at 31 December 2016 non-current assets amounted to 4% of the consolidated non-current assets. We are continuously monitoring developments in Greece.

Notes to the Consolidated Financial Statements continued

7. Net sales revenue

Accounting policy

Net sales revenue is recognised when all of the following conditions are met: when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when the significant risks and rewards of ownership of the products have passed to the buyer, usually on delivery of goods.

Net sales revenue is measured at the fair value of the consideration received or receivable and is stated net of sales discounts, as well as listing fees and marketing and promotional incentives provided to customers. Net sales revenue includes excise and other duties where the Group pays as principal but excludes amounts collected on behalf of third parties, such as value added taxes. Listing fees are incentives provided to customers for carrying the Group's products in their stores. Listing fees that are subject to contract-based term arrangements are capitalised and amortised over the term of the contract as a reduction to revenue. All other listing fees as well as marketing and promotional incentives are a reduction of revenue as incurred.

Coca-Cola HBC receives contributions from The Coca-Cola Company in order to promote sales of their brands. Contributions for price support, marketing and promotional campaigns in respect of specific customers are recognised as an offset to promotional incentives provided to those customers to which the contributions contractually relate. These contributions are accrued and matched to the expenditure to which they relate (refer to Note 26).

Refer to Note 6 for an analysis of net sales revenue per reportable segment.

Listing fees and marketing and promotional incentives provided to customers recognised as a reduction to net sales revenue for the years ended 31 December are presented below:

	2016 € million	2015 € million
Listing fees	**485.9**	516.8
Marketing and promotional incentives	**216.6**	174.9
Total listing fees, marketing and promotional incentives	**702.5**	**691.7**

The amount of listing fees capitalised at 31 December 2016 was €11.0m (31 December 2015: €10.6m). Of this balance, €7.9m (31 December 2015: €9.2m) was classified as current prepayments and the remainder as non-current prepayments.

8. Operating expenses

Accounting policy

Restructuring expenses are recorded in a separate line item within operating expenses and comprise costs arising from significant changes in the way the Group conducts its business such as significant supply chain infrastructure changes, outsourcing of activities and centralisation of processes. Redundancy provisions are recognised only when the Group has a present constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, as well as an appropriate timeline and the employees affected have been notified of the plan's main features.

a) Operating expenses

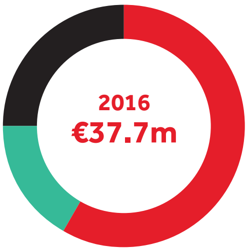
Operating expenses for the year ended 31 December comprised:

	2016 € million	2015 € million
Selling expenses	**869.9**	851.8
Delivery expenses	**483.1**	531.7
Administrative expenses	**401.8**	471.7
Restructuring expenses	**37.7**	54.0
Operating expenses	**1,792.5**	**1,909.2**

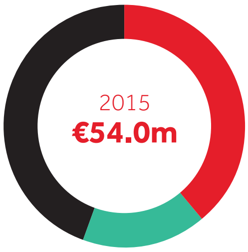
In 2016, operating expenses included net gains on disposal of property, plant and equipment of €2.9m (2015: €1.8m net losses).

Restructuring expenses

As part of the effort to optimise its cost base and sustain competitiveness in the marketplace, the Company undertakes restructuring initiatives. The restructuring concerns mainly employees' costs and impairment of property, plant and equipment (refer to Note 14). Restructuring expenses per reportable segment for the years ended 31 December are presented below:



- Emerging: **€22.0m**
- Developing: **€6.3m**
- Established: **€9.4m**



- Emerging: €21.1m
- Developing: €9.0m
- Established: €23.9m

b) Employee costs

Employee costs for the years ended 31 December comprised:

	2016 € million	2015 € million
Wages and salaries	**707.1**	760.8
Social security costs	**143.0**	151.5
Pension and other employee benefits	**112.8**	131.3
Termination benefits	**21.1**	26.2
Total employee costs	**984.0**	**1,069.8**

The average number of full-time equivalent employees in 2016 was 31,083 (2015: 33,311).

Employee costs for 2016 included in operating expenses and cost of goods sold amounted to €746.2m and €237.8m respectively (2015: €814.1m and €255.7m respectively)

c) Directors' and senior management remuneration

The total remuneration paid or accrued for Directors and the senior management team for the years ended 31 December comprised:

	2016 € million	2015 € million
Salaries and other short-term benefits	**18.7**	12.3
Stock option and performance share awards	**4.9**	5.1
Pension and post-employment benefits	**0.8**	0.8
Total remuneration	**24.4**	**18.2**

d) Fees and other services of the auditor

Audit and other fees charged in the income statement concerning the auditor of the consolidated financial statements, PricewaterhouseCoopers S.A. and affiliates, were as follows, for the years ended 31 December:

	2016 € million	2015 € million
Audit fees	**4.5**	5.0
Audit-related fees	**0.4**	0.5
Other fees	**0.2**	0.1
Total audit and all other fees	**5.1**	**5.6**

Notes to the Consolidated Financial Statements continued

9. Finance costs, net

Accounting policy

Interest income and interest expense are recognised using the effective interest rate method, and are recorded in the income statement within 'Finance income' and 'Finance costs' respectively.

Finance costs, net for the years ended 31 December comprised:

	2016 € million	2015 € million
Interest income	**7.4**	**9.5**
Interest expense	**(60.6)**	(59.4)
Other finance costs	**(1.4)**	(1.9)
Net foreign exchange remeasurement losses	**–**	(7.5)
Finance charges incurred with respect to finance leases	**(7.7)**	(8.9)
Finance costs	**(69.7)**	**(77.7)**
Finance costs, net	**(62.3)**	**(68.2)**

Other finance costs include commitment fees on loan facilities, not drawn down and other similar fees.

10. Taxation

Accounting policy

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Tax rates enacted or substantively enacted at the balance sheet date are those that are expected to apply when the deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are recognised for tax losses carry-forward to the extent that realisation of the related tax benefit through the reduction of future taxes is probable.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Critical accounting estimates

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination cannot be assessed with certainty in the ordinary course of business. The Group recognises a provision for potential cases that might arise in the foreseeable future based on assessment of the probabilities as to whether additional taxes will be due. Where the final tax outcome on these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made. The Group anticipates that were the final tax outcome, on the judgement areas, to differ from management's estimates by up to 10%, the Group's consolidated tax expense would increase (or decrease) by approximately €5.0m.

The income tax charge for the years ended 31 December is as follows:

	2016 € million	2015 € million
Current tax expense	**116.4**	93.2
Deferred tax	**(2.6)**	(16.8)
Income tax expense	**113.8**	**76.4**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016 € million	2015 € million
Profit before tax	**457.8**	357.1
Tax calculated at domestic tax rates applicable to profits in the respective countries	**105.0**	88.6
Additional local taxes in foreign jurisdictions	**8.9**	11.7
Tax holidays in foreign jurisdictions	**0.7**	(1.5)
Expenses non-deductible for tax purposes	**14.9**	14.1
Income not subject to tax	**(12.5)**	(28.3)
Changes in tax laws and rates	**(2.3)**	(10.1)
Movement in utilisation of accumulated tax losses	**(2.3)**	3.7
Recognition of previously unrecognised post-acquisition tax losses	**1.5**	(2.6)
Other	**(0.1)**	0.8
Income tax expense	**113.8**	**76.4**

Non-deductible expenses for tax purposes include marketing and advertising expenses, service fees, bad debt provisions, entertainment expenses, certain employee benefits and stock options expenses and other items that, partially or in full, are not deductible for tax purposes in certain of our jurisdictions.

Deferred tax assets and liabilities presented in the consolidated balance sheet as at 31 December can be further analysed as follows:

Deferred tax assets:	2016 € million	2015 € million
To be recovered after more than 12 months	**48.0**	59.2
To be recovered within 12 months	**86.0**	79.7
Gross deferred tax assets	**134.0**	**138.9**
Offset of deferred tax	**(76.5)**	(82.6)
Net deferred tax assets	**57.5**	**56.3**
Deferred tax liabilities:		
To be recovered after more than 12 months	**(181.9)**	(197.6)
To be recovered within 12 months	**(18.7)**	(17.0)
Gross deferred tax liabilities	**(200.6)**	**(214.6)**
Offset of deferred tax	**76.5**	82.6
Net deferred tax liabilities	**(124.1)**	**(132.0)**

A reconciliation of net deferred tax is presented below:

	2016 € million	2015 € million
As at 1 January	**(75.7)**	(97.4)
Taken to the income statement	**2.6**	16.8
Taken to other comprehensive income	**8.1**	2.6
Foreign currency translation	**(1.6)**	2.3
As at 31 December	**(66.6)**	**(75.7)**

Notes to the Consolidated Financial Statements continued

10. Taxation continued

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances pursuant to set-off provisions, are as follows:

Deferred tax assets	Provisions € million	Pensions and benefit plans € million	Tax losses carry-forward € million	Book in excess of tax depreciation € million	Leasing € million	Other deferred tax assets € million	**Total € million**
As at 1 January 2015	45.8	27.1	34.8	7.5	13.4	22.6	**151.2**
Taken to the income statement	(0.2)	1.7	(9.0)	0.3	(0.6)	0.6	**(7.2)**
Taken to other comprehensive income	–	(2.3)	–	–	–	2.4	**0.1**
Transfers between assets/liabilities	3.1	0.5	–	–	–	(3.1)	**0.5**
Foreign currency translation	(2.4)	–	(1.4)	–	(0.7)	(1.2)	**(5.7)**
As at 31 December 2015	**46.3**	**27.0**	**24.4**	**7.8**	**12.1**	**21.3**	**138.9**
Taken to the income statement	7.7	(6.0)	(9.1)	0.3	(3.3)	3.2	**(7.2)**
Taken to other comprehensive income	0.3	6.0	–	–	–	0.3	**6.6**
Transfers between assets/liabilities	6.0	(1.0)	–	0.2	–	(6.0)	**(0.8)**
Foreign currency translation	3.2	(3.9)	1.4	–	(0.2)	(4.0)	**(3.5)**
As at 31 December 2016	**63.5**	**22.1**	**16.7**	**8.3**	**8.6**	**14.8**	**134.0**

Deferred tax liabilities	Tax in excess of book depreciation € million	Derivative instruments € million	Other deferred tax liabilities € million	**Total € million**
As at 1 January 2015	(238.2)	(3.1)	(7.3)	**(248.6)**
Taken to the income statement	26.1	(2.1)	–	**24.0**
Taken to other comprehensive income	–	3.3	(0.8)	**2.5**
Transfers between assets/liabilities	–	–	(0.5)	**(0.5)**
Foreign currency translation	8.3	–	(0.3)	**8.0**
As at 31 December 2015	**(203.8)**	**(1.9)**	**(8.9)**	**(214.6)**
Taken to the income statement	13.6	(1.5)	(2.3)	**9.8**
Taken to other comprehensive income	–	1.5	–	**1.5**
Transfers between assets/liabilities	(0.2)	–	1.0	**0.8**
Foreign currency translation	2.0	–	(0.1)	**1.9**
As at 31 December 2016	**(188.4)**	**(1.9)**	**(10.3)**	**(200.6)**

Deferred tax assets recognised for tax losses carry-forward in accordance with the relevant local rules applying in our jurisdictions can be analysed as follows:

	2016 € million	2015 € million
Attributable to tax losses that expire within five years	9.8	15.6
Attributable to tax losses that expire after five years	–	5.0
Attributable to tax losses that can be carried forward indefinitely	6.9	3.8
Recognised deferred tax assets attributable to tax losses	**16.7**	**24.4**

The Group has unrecognised deferred tax assets attributable to tax losses that are available to carry forward against future taxable income of €13.0m (2015: €15.6m), which are analysed as follows:

	2016 € million	2015 € million
Attributable to tax losses that expire within five years	12.3	12.1
Attributable to tax losses that expire after five years	0.7	3.5
Unrecognised deferred tax assets attributable to tax losses	**13.0**	**15.6**

The aggregate amount of distributable reserves arising from the realised earnings of the Group's operations was €1,871.9m in 2016 (2015: €1,616.4m). No deferred tax liabilities have been recognised on such reserves given that their distribution is controlled by the Group, or in the event of plans to remit overseas earnings of subsidiaries, such distribution would not give rise to a tax liability.

11. Earnings per share

Accounting policy

Basic earnings per share is calculated by dividing the net profit attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. Diluted earnings per share incorporates stock options for which the average share price for the year is in excess of the exercise price of the stock option and there is a dilutive effect.

The calculation of the basic and diluted earnings per share attributable to the owners of the parent entity is based on the following data:

	2016	2015
Net profit attributable to the owners of the parent (€ million)	**343.5**	280.3
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**362.1**	363.7
Effect of dilutive stock options (million)	**1.4**	1.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**363.5**	365.2
Basic and diluted earnings per share (€)	**0.95**	**0.77**

Outstanding stock options that have an anti-dilutive effect and therefore were excluded from diluted earnings per share in 2016 were €4.3m (2015: €4.5m).

12. Components of other comprehensive income

The components of other comprehensive income for the years ended 31 December comprise:

		2016			2015	
	Before-tax € million	**Tax income € million**	**Net-of-tax € million**	Before-tax € million	Tax (expense)/ income € million	Net-of-tax € million
Available-for-sale financial assets	**(0.1)**	**–**	**(0.1)**	0.1	(0.1)	–
Cash flow hedges	**(31.3)**	**1.1**	**(30.2)**	(20.3)	5.6	(14.7)
Foreign currency translation	**(112.9)**	**–**	**(112.9)**	(65.8)	–	(65.8)
Actuarial (losses) / gains	**(41.7)**	**7.0**	**(34.7)**	11.1	(2.9)	8.2
Share of other comprehensive income of equity method investments	**(7.5)**	**–**	**(7.5)**	(0.2)	–	(0.2)
Other comprehensive income	**(193.5)**	**8.1**	**(185.4)**	**(75.1)**	**2.6**	**(72.5)**

The majority of foreign currency translation impact for 2016 is related to the Nigerian naira and the Russian rouble, while the majority of the impact for 2015 related to the Russian rouble and the Swiss franc.

Notes to the Consolidated Financial Statements continued

13. Intangible assets

Accounting policy

Intangible assets consist of goodwill, franchise agreements, trademarks and water rights. Goodwill and other indefinite-lived intangible assets are carried at cost less accumulated impairment losses, while intangible assets with finite lives are amortised over their useful economic lives. The useful lives, both finite and indefinite, assigned to intangible assets are evaluated on an annual basis.

Intangible assets with indefinite lives ('not subject to amortisation')

Intangible assets not subject to amortisation consist of goodwill, franchise agreements and trademarks.

Goodwill is the excess of the consideration transferred over the fair value of the share of net assets acquired. Goodwill and fair value adjustments arising on the acquisition of subsidiaries are treated as the assets and liabilities of those subsidiaries. These balances are denominated in the functional currency of the subsidiary and are translated to Euro on a basis consistent with the other assets and liabilities of the subsidiary.

The useful life of franchise agreements is usually based on the term of the respective franchise agreements. The Coca-Cola Company does not grant perpetual franchise rights outside the United States. However, the Group believes its franchise agreements, consistent with past experience, will continue to be renewed at each expiration date and have therefore been assigned indefinite useful lives.

The Group's trademarks are assigned an indefinite useful life when they have an established sales history in the applicable region, it is the intention of the Group to receive a benefit from them indefinitely and there is no indication that this will not be the case.

Goodwill and other indefinite-lived intangible assets are tested for impairment annually and whenever there is an indication of impairment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the business combination in which the goodwill arose. Other indefinite-lived intangible assets are also allocated to the Group's cash-generating units expected to benefit from those intangibles. The cash-generating units ('unit') to which goodwill and other indefinite-lived intangible assets have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount (i.e. the higher of the value-in-use and fair value less costs to sell) of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro-rata to the other assets of the unit on the basis of the carrying amount of each asset in the unit. Impairment losses recognised against goodwill are not reversed in subsequent periods.

Intangible assets with finite lives

Intangible assets with finite lives mainly consist of water rights and are amortised over their useful economic lives and are carried at cost less accumulated amortisation and impairment losses.

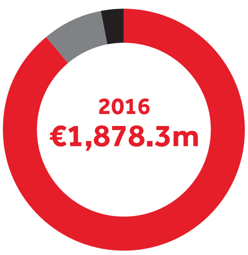
Critical accounting estimates

Determining whether goodwill or indefinite-lived intangible assets are impaired requires an estimation of the value-in-use of the cash-generating units to which they have been allocated in order to determine the recoverable amount of the cash-generating units. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

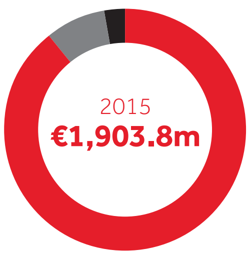
The movements in intangible assets by classes of assets during the year are as follows:

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	**Total € million**
Cost					
As at 1 January 2015	1,847.8	156.8	63.3	26.3	**2,094.2**
Foreign currency translation	34.8	(1.1)	(6.4)	(0.1)	**27.2**
As at 31 December 2015	**1,882.6**	**155.7**	**56.9**	**26.2**	**2,121.4**
Amortisation					
As at 1 January 2015	182.4	–	8.9	18.1	**209.4**
Charge for the year	–	–	–	0.4	**0.4**
As at 31 December 2015	**182.4**	**–**	**8.9**	**18.5**	**209.8**
Net book value as at 1 January 2015	1,665.4	156.8	54.4	8.2	**1,884.8**
Net book value as at 31 December 2015	**1,700.2**	**155.7**	**48.0**	**7.7**	**1,911.6**
Cost					
As at 1 January 2016	1,882.6	155.7	56.9	26.2	**2,121.4**
Intangible assets arising on current year acquisitions (refer to Note 22)	3.2	–	7.8	8.8	**19.8**
Reclassified to assets held for sale (refer to Note 18)	–	–	(7.8)	(8.8)	**(16.6)**
Foreign currency translation	(31.5)	(6.3)	9.0	0.1	**(28.7)**
As at 31 December 2016	**1,854.3**	**149.4**	**65.9**	**26.3**	**2,095.9**
Amortisation					
As at 1 January 2016	182.4	–	8.9	18.5	**209.8**
Charge for the year	–	–	–	0.4	**0.4**
As at 31 December 2016	**182.4**	**–**	**8.9**	**18.9**	**210.2**
Net book value as at 1 January 2016	1,700.2	155.7	48.0	7.7	**1,911.6**
Net book value as at 31 December 2016	**1,671.9**	**149.4**	**57.0**	**7.4**	**1,885.7**

Intangible assets not subject to amortisation amounted to €1,878.3m (2015: €1,903.8m), and are presented in the chart below:



- Goodwill: **€1,671.9m**
- Franchise agreements: **€149.4m**
- Trademarks: **€57.0m**



- Goodwill: €1,700.2m
- Franchise agreements: €155.7m
- Trademarks: €47.9m

The carrying value of intangible assets subject to amortisation amounted to €7.4m (2015: €7.8m) and comprise primarily water rights.

Notes to the Consolidated Financial Statements continued

13. Intangible assets continued

Impairment tests for goodwill and other indefinite-lived intangible assets

The recoverable amount of each cash-generating unit was determined through a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Board of Directors covering a one-year period and cash projections for four additional years. Cash flows for years two to five were projected by management based on operation and market specific high-level assumptions including growth rates, discount rates and forecasted selling prices and direct costs. Management determined gross margins based on past performance, expectations for the development of the market and expectations about raw material costs. The growth rates used in perpetuity reflect the forecasts in line with management beliefs. These forecasts exceeded, in certain cases, those expected for the industry in general, due to the strength of our brand portfolio. Management estimates discount rates using rates that reflect current market assessments of the time value of money and risks specific to the countries of operation.

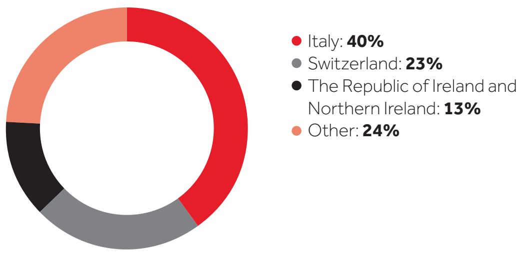
No impairment of goodwill and other indefinite-lived assets was indicated from the impairment tests of 2016 and 2015.

The following table sets forth the carrying value of goodwill and other indefinite-lived intangible assets for those cash-generating units whose carrying value is greater than 10% of the total, as at 31 December 2016.

	Goodwill € million	Franchise agreements € million	Trademarks € million	**Total € million**
Italy	625.2	126.9	–	**752.1**
Switzerland	430.2	–	–	**430.2**
The Republic of Ireland and Northern Ireland	250.4	–	–	**250.4**
All other cash-generating units	366.1	22.5	57.0	**445.6**
Total	**1,671.9**	**149.4**	**57.0**	**1,878.3**

For the above cash-generating units, cash flows beyond the five-year period (the period in perpetuity) have been extrapolated using the following estimated growth and discount rates:

Intangible assets not subject to amortisation as at 31 December 2016 (%)



	Growth rate in perpetuity (%)		**Discount rate (%)**	
	2016	2015	**2016**	2015
Italy	**2.5**	2.5	**6.5**	5.9
Switzerland	**1.5**	0.6	**6.7**	6.1
The Republic of Ireland and Northern Ireland	**3.1**	2.2	**6.8**	6.1

Sensitivity analysis

In the cash-generating units of the Multon ZAO Group of companies and Nigeria, possible changes in certain key assumptions of the 2016 impairment test would remove the remaining headroom. In the joint operation of the Multon ZAO Group of companies, which has €48.9m goodwill, the recoverable amount calculated based on value-in-use exceeded carrying value by €107.1m. In Nigeria, which has €27.1m of goodwill and franchise agreements, the recoverable amount calculated based on value-in-use exceeded carrying value by €95.2m. Changes per assumption that would eliminate remaining headroom are summarised in the table below:

	Average gross profit margin	Growth rate in perpetuity	Discount rate
Multon ZAO Group of companies	↓ 3.2%	↓ 4.2%	↑ 2.9%
Nigeria	↓ 1.7%	↓ 1.2%	↑ 0.9%

14. Property, plant and equipment

Accounting policy

All property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and impairment losses. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the operation and the costs can be measured reliably. All other subsequent expenditure is expensed in the period in which it is incurred.

Assets under construction are recorded as part of property, plant and equipment and depreciation on these assets commences when the assets are available for use.

The Coca-Cola Company, at its sole discretion, provides the Group with contributions towards the purchase of cold drink equipment. Payments are made on placement of coolers and are based on franchise incentive arrangements. The terms and conditions of these arrangements require reimbursement if certain conditions stipulated in the agreements are not met, including minimum volume through-put requirements. Support payments received from The Coca-Cola Company for the placement of cold drink equipment are deducted from the cost of the related asset.

Depreciation is calculated on a straight-line basis to allocate the depreciable amount over the estimated useful life of the assets as follows:

Freehold buildings and improvements	40 years
Leasehold buildings and improvements	Over the lease term, up to 40 years
Production equipment	4 to 20 years
Vehicles	5 to 8 years
Computer hardware and software	3 to 10 years
Marketing equipment	3 to 10 years
Fixtures and fittings	8 years
Returnable containers	3 to 12 years

Freehold land is not depreciated as it is considered to have an indefinite life.

Deposits received for returnable containers by customers are accounted for as deposit liabilities (refer to Note 19).

Residual values and useful lives of assets are reviewed and adjusted if appropriate at each balance sheet date.

Property, plant and equipment and other non-financial assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's fair value less cost to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level of separately identifiable cash flows.

Notes to the Consolidated Financial Statements continued

14. Property, plant and equipment continued

The movements of property, plant and equipment by class of assets are as follows:

	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	**Total € million**
Cost					
As at 1 January 2015	1,406.4	3,668.5	414.7	113.7	**5,603.3**
Additions	3.8	110.7	47.1	205.8	**367.4**
Disposals	(5.7)	(130.9)	(28.1)	–	**(164.7)**
Reclassified from assets held for sale (refer to Note 18)	–	0.9	–	–	**0.9**
Reclassified to assets held for sale (refer to Note 18)	(11.2)	(12.6)	–	–	**(23.8)**
Reclassifications	76.6	149.3	0.5	(226.4)	**–**
Foreign currency translation	(28.3)	(114.9)	(6.5)	(6.1)	**(155.8)**
As at 31 December 2015	**1,441.6**	**3,671.0**	**427.7**	**87.0**	**5,627.3**
Depreciation and impairment					
As at 1 January 2015	394.5	2,398.3	186.1	0.3	**2,979.2**
Charge for the year	40.8	232.9	34.4	–	**308.1**
Impairment	7.1	21.9	3.1	–	**32.1**
Disposals	(5.6)	(128.3)	(15.8)	–	**(149.7)**
Reclassified to assets held for sale (refer to Note 18)	(6.6)	(11.8)	–	–	**(18.4)**
Foreign currency translation	(6.3)	(61.6)	(1.6)	–	**(69.5)**
As at 31 December 2015	**423.9**	**2,451.4**	**206.2**	**0.3**	**3,081.8**
Net book value as at 31 December 2015	**1,017.7**	**1,219.6**	**221.5**	**86.7**	**2,545.5**
Cost					
As at 1 January 2016	1,441.6	3,671.0	427.7	87.0	**5,627.3**
Additions	4.1	119.5	43.0	173.1	**339.7**
Arising on acquisitions (refer to Note 22)	1.5	1.3	–	–	**2.8**
Disposals	(25.0)	(210.0)	(14.2)	(0.1)	**(249.3)**
Reclassified from assets held for sale (refer to Note 18)	10.4	3.0	–	–	**13.4**
Reclassified to assets held for sale (refer to Note 18)	(48.5)	(3.0)	–	–	**(51.5)**
Reclassifications	43.0	102.0	–	(145.0)	**–**
Foreign currency translation	(20.5)	(61.7)	(62.4)	(12.6)	**(157.2)**
As at 31 December 2016	**1,406.6**	**3,622.1**	**394.1**	**102.4**	**5,525.2**
Depreciation and impairment					
As at 1 January 2016	423.9	2,451.4	206.2	0.3	**3,081.8**
Charge for the year	39.5	229.5	36.5	–	**305.5**
Impairment	13.8	10.8	1.7	0.6	**26.9**
Disposals	(9.5)	(202.9)	(11.7)	–	**(224.1)**
Reclassified from assets held for sale (refer to Note 18)	6.3	2.8	–	–	**9.1**
Reclassified to assets held for sale (refer to Note 18)	(34.3)	(2.8)	–	–	**(37.1)**
Foreign currency translation	0.8	(22.6)	(21.7)	–	**(43.5)**
As at 31 December 2016	**440.5**	**2,466.2**	**211.0**	**0.9**	**3,118.6**
Net book value as at 31 December 2016	**966.1**	**1,155.9**	**183.1**	**101.5**	**2,406.6**

Assets under construction at 31 December 2016 include advances for equipment purchases of €12.5m (2015: €16.2m). Depreciation charge for the year included in operating expenses amounted to €135.0m (2015: €133.2m). Depreciation charge for the year included in cost of goods sold amounted to €170.5m (2015: €174.9m).

Impairment of property, plant and equipment

In 2015 the Group recorded an impairment loss of €12.8m, €5.0m and €17.0m and recorded reversals of impairment of €1.0m, €0.5m and €1.2m relating to property, plant and equipment in the Established, Developing and Emerging segments respectively. This resulted in a net impairment loss of €11.8m, €4.5m and €15.8m in the Established, Developing and Emerging segments respectively. Impairment recorded mainly relates to restructuring initiatives (refer also to Note 8). The impaired assets, being mainly land and buildings and production equipment, were written off based on value-in-use calculations; while assets with a recoverable amount of €36.3m were valued at fair value less cost to sell, which is considered a Level 3 measurement.

In 2016 the Group recorded an impairment loss of €3.9m, €6.1m and €20.2m and recorded reversals of impairment of €0.9m, €nil and €2.4m relating to property, plant and equipment in the Established, Developing and Emerging segments respectively. This resulted in a net impairment loss of €3.0m, €6.1m and €17.8m in the Established, Developing and Emerging segments respectively. Impairment recorded mainly relates to restructuring initiatives (refer also to Note 8). The impaired assets, being mainly buildings and production equipment, were written off based on value-in-use calculations.

Leased assets

Accounting policy

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period (refer to Note 24). Property, plant and equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease term. The useful life for leased assets corresponds with the Group policy for the depreciable life of property, plant and equipment.

Included in property, plant and equipment are assets held under finance leases, where the Group is the lessee, as follows:

	2016 € million	2015 € million
Cost	**184.9**	202.2
Accumulated depreciation	**(82.4)**	(85.6)
Net book value	**102.5**	**116.6**

Net book value of assets held under finance leases by classes of assets is as follows:		
Plant and equipment	**67.4**	78.6
Land and buildings	**35.1**	38.0
Net book value	**102.5**	**116.6**

Notes to the Consolidated Financial Statements continued

15. Interests in other entities

List of principal subsidiaries

The following are the principal subsidiaries of the Group as at 31 December:

		% of voting rights		% ownership	
	Country of registration	**2016**	2015	**2016**	2015
AS Coca-Cola HBC Eesti	Estonia	100.0%	100.0%	100.0%	100.0%
CCB Management Services GmbH	Austria	100.0%	100.0%	100.0%	100.0%
CCHBC Armenia CJSC	Armenia	90.0%	90. 0%	90. 0%	90. 0%
CCHBC Bulgaria AD	Bulgaria	99.4%	99.4%	99.4%	99.4%
CCHBC Insurance (Guernsey) Limited	Guernsey	100.0%	100.0%	100.0%	100.0%
CCHBC IT Services Limited	Bulgaria	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Austria GmbH	Austria	100.0%	100.0%	100.0%	100.0%
Coca-Cola Beverages Belorussiya	Belarus	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Ceska republika, s.r.o.	Czech Republic	100.0%	100.0%	100.0%	100.0%
Coca-Cola Beverages Ukraine Ltd	Ukraine	100.0%	100.0%	100.0%	100.0%
Coca-Cola Bottlers Chisinau S.R.L.	Moldova	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC-Srbija d.o.o.	Serbia	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia and Herzegovina	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Finance B.V.	The Netherlands	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Greece S.A.I.C.	Greece	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Hrvatska d.o.o.	Croatia	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Hungary Ltd	Hungary	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Ireland Limited	Republic of Ireland	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Italia S.r.l.	Italy	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Kosovo L.L.C.	Kosovo	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Polska sp. z o.o.	Poland	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Romania Ltd	Romania	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Slovenija d.o.o.	Slovenia	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Slovenska republika, s.r.o.	Slovakia	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Switzerland Ltd	Switzerland	99.9%	99.9%	99.9%	99.9%
Coca-Cola Hellenic Bottling Company-Crna Gora d.o.o., Podgorica	Montenegro	100.0%	100.0%	100.0%	100.0%
Coca-Cola Hellenic Business Service Organisation	Bulgaria	100.0%	100.0%	100.0%	100.0%
Coca-Cola Hellenic Procurement GmbH	Austria	100.0%	100.0%	100.0%	100.0%
Lanitis Bros Ltd	Cyprus	100.0%	100.0%	100.0%	100.0%
LLC Coca-Cola HBC Eurasia	Russia	100.0%	100.0%	100.0%	100.0%
Nigerian Bottling Company Ltd	Nigeria	100.0%	100.0%	100.0%	100.0%
SIA Coca-Cola HBC Latvia	Latvia	100.0%	100.0%	100.0%	100.0%
UAB Coca-Cola HBC Lietuva	Lithuania	100.0%	100.0%	100.0%	100.0%
CC Beverages Holdings II B.V.	The Netherlands	100.0%	100.0%	100.0%	100.0%
Coca-Cola HBC Holdings B.V.	The Netherlands	100.0%	100.0%	100.0%	100.0%
Star Bottling Limited	Cyprus	100.0%	100.0%	100.0%	100.0%

Associates and joint arrangements

Accounting policies

Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. Associated undertakings are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights.

The equity method of accounting involves recognising the Group's share of the associates' post-acquisition profit or loss for the period in the income statement and its share of the post-acquisition movement in other comprehensive income is recognised in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's interest in each associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

Investments in joint arrangements

Joint arrangements are arrangements in which the Group has contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent. Joint arrangements are classified as joint ventures or joint operations depending upon the rights and obligations arising from the joint arrangement.

The Group classifies a joint arrangement as a joint venture when the Group has rights to the net assets of the arrangement. The Group accounts for its interests in joint ventures using the equity method of accounting as described in the section above.

The Group classifies a joint arrangement as a joint operation when the Group has the rights to the assets, and obligations for the liabilities, of the arrangement and accounts for each of its assets, liabilities, revenues and expenses, including its share of those held or incurred jointly, in relation to the joint operation.

If facts and circumstances change, the Group reassesses whether it still has joint control and whether the type of joint arrangement in which it is involved has changed.

Critical accounting judgements

The Group participates in several joint arrangements. Judgement is required in order to determine their classification as a joint venture where the Group has rights to the net assets of the arrangement, or a joint operation where the Group has rights to the assets and obligations for the liabilities of the arrangement. In making this judgement, consideration is given to the legal form of the arrangement, and the contractual terms and conditions, as well as other facts and circumstances (including the economic rationale of the arrangement and the impact of the legal framework).

a) Equity method investments

Changes in the carrying amounts of equity method investments are as follows:

	Associates € million	Joint ventures € million	**Total € million**
As at 1 January 2015	20.6	206.9	**227.5**
Acquisitions	0.5	–	**0.5**
Share of results of equity method investments	4.6	2.5	**7.1**
Share of other comprehensive income of equity method investments	(1.0)	0.8	**(0.2)**
Share of total comprehensive income	3.6	3.3	**6.9**
Dividends	(1.5)	(119.6)	**(121.1)**
As at 31 December 2015	**23.2**	**90.6**	**113.8**
Capital increase	**–**	**7.9**	**7.9**
Additions (refer to Note 22)	**–**	**7.1**	**7.1**
Share of results of equity method investments	**7.8**	**6.0**	**13.8**
Share of other comprehensive income of equity method investments	**(7.4)**	**(0.1)**	**(7.5)**
Share of total comprehensive income	**0.4**	**5.9**	**6.3**
Dividends	**(1.1)**	**(17.0)**	**(18.1)**
As at 31 December 2016	**22.5**	**94.5**	**117.0**

Notes to the Consolidated Financial Statements continued

15. Interests in other entities continued

Included in investment in associates is the Group's investment in Frigoglass Industries Limited and Frigoglass West Africa Ltd. Nigerian Bottling Company Ltd holds an interest in both Frigoglass Industries Limited and Frigoglass West Africa Ltd of 23.9% (2015: 23.9%). The Group has a 100% (2015: 100%) interest in Nigeria Bottling Company Ltd, therefore the Group has an effective interest of 23.9% in both Frigoglass Industries Limited (2015: 23.9%) and Frigoglass West Africa Ltd (2015: 23.9%).

Investments in joint ventures

The Group has a material joint venture with Heineken that is conducted through a number of legal entities being the BrewTech B.V. Group of companies, which is engaged in the bottling and distribution of soft drinks and beer in FYROM, and the Brewinvest S.A. Group of companies which has minimal activity. BrewTech B.V. is incorporated in the Netherlands and the Group owns 50% (2015: 50%) of its share capital. Brewinvest S.A., parent company of Brewinvest S.A. Group of companies, which has minimal other activities, is incorporated in Greece and the Group owns 50% (2015: 50%) of its share capital. The structure of the joint venture provides the Group with rights to their net assets.

Summarised financial information of the Group's material joint venture is as follows (the information below reflects the amount presented in the IFRS financial statements of the joint venture, and not the Group's share in those amounts):

	2016 € million	2015 € million
Summarised balance sheet:		
Cash and cash equivalents	**31.1**	29.5
Other current assets	**16.8**	7.3
Total current assets	**47.9**	**36.8**
Short-term borrowings	**–**	(0.3)
Other current liabilities (including trade payables)	**(10.9)**	(10.5)
Total current liabilities	**(10.9)**	**(10.8)**
Non-current assets	**46.9**	**80.4**
Total non-current other liabilities	**(0.2)**	**(0.4)**
Net assets	**83.7**	**106.0**
Summarised statement of comprehensive income:		
Net sales revenue	**57.8**	55.1
Depreciation and amortisation	**(4.7)**	(5.9)
Interest income	**0.6**	1.0
Interest expense	**(0.1)**	(0.2)
Profit before tax	**13.2**	11.8
Tax	**(1.6)**	(1.4)
Profit after tax	**11.6**	10.4
Other comprehensive income	**–**	(0.1)
Total comprehensive income	**11.6**	**10.3**
Dividends received (refer to Note 26d)	**16.5**	**119.6**
Reconciliation of net assets to carrying amount:		
Closing net assets	**83.7**	106.0
Interest in joint venture at 50%	**41.8**	53.0
Goodwill	**16.9**	16.9
Non-controlling interest	**(1.7)**	(1.7)
Carrying value	**57.0**	**68.2**

Summarised financial information of the Group's investment in other joint ventures is as follows:

	2016 € million	2015 € million
Carrying amount	**37.5**	22.4
Share of profit / (loss)	**0.2**	(2.7)
Share of other comprehensive income	**(0.1)**	0.8
Share of total comprehensive income	**0.1**	**(1.9)**

The Group's share of loss in other joint ventures includes restructuring initiatives within joint ventures of €0.1m (2015: €1.2m).

At 31 December 2016, the Group's share of its joint ventures' capital commitments and long-term commitments to purchase raw materials and receive services amounted to €0.4m and €nil respectively (2015: €4.9m and €nil respectively).

b) Joint operations

The Group has a 50% interest in the Multon Z.A.O. group of companies ('Multon'). Multon is engaged in the production and distribution of juices in Russia and is classified as a joint operation as the arrangement gives the Group rights to the assets and obligations for the liabilities relating to the joint arrangement. Other joint operations of the Group comprise mainly a 50% interest in each of several water businesses as depicted below, which are engaged in the production and distribution of water in the respective countries.

Country	Joint operation
Austria	Römerquelle
Italy	Fonti del Vulture
Romania	Dorna

Country	Joint operation
Poland	Multivita
Switzerland	Valser
Serbia	Vlasinka

16. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value.

Cost for raw materials and consumables is determined on a weighted average basis. Cost for work in progress and finished goods is comprised of the cost of direct materials and labour plus attributable overhead costs. Cost includes all costs incurred to bring the product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete and sell the inventory.

Inventories consisted of the following at 31 December:

	2016 € million	2015 € million
Finished goods	**199.8**	194.8
Raw materials and work in progress	**158.3**	159.4
Consumables	**73.4**	81.6
Total inventories	**431.5**	**435.8**

The amount of inventories recognised as an expense during 2016 was €2,990.3m (2015: €3,035.4m). During 2016 provision of obsolete inventories recognised as an expense amounted to €11.4m (2015: €11.7m).

Notes to the Consolidated Financial Statements continued

17. Trade, other receivables and assets

Accounting policies

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the trade receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation and default or delinquency in payments (over 90 days) are considered indicators that the trade receivable could be uncollectible. The amount of the provision is the difference between the receivable's carrying amount and the present value of its estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivable is reduced by the amount of the provision, which is recognised as part of operating expenses. If a trade receivable ultimately becomes uncollectible, it is written off initially against any provision made in respect of that receivable with any excess recognised as part of operating expenses. Subsequent recoveries of amounts previously written off or provisions no longer required are credited against operating expenses.

Loans are initially recognised at the fair value net of transaction costs incurred.

After initial recognition, all interest-bearing loans are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method whereby any discount, premium or transaction costs associated with a loan are amortised to the income statement over the borrowing period.

Financial assets

The Group classifies its investments in debt and equity securities into the following categories: held-to-maturity and available-for-sale. The classification depends on the purpose for which the investment was acquired. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for those with maturities within 12 months from the balance sheet date, which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity or changes in interest rates, are classified as available-for-sale and are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. When the Group has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Unrealised gains and losses on available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets that are recognised in the income statement until the financial assets are derecognised, at which time the cumulative gains or losses previously recognised in equity are reclassified to the income statement.

Gains and losses on held-to-maturity investments are recognised in the income statement, when the investments are derecognised or impaired.

Trade, other receivables and assets consisted of the following as at 31 December:

	Current assets		Non-current assets	
	2016 € million	2015 € million	**2016 € million**	2015 € million
Trade and other receivables:				
Trade receivables	**727.6**	664.0	**2.2**	5.1
Receivables from sale of property, plant and equipment	**0.5**	8.7	**–**	–
Receivables from related parties (refer to Note 26)	**117.0**	85.7	**–**	–
Loans to related parties (refer to Note 26)	**5.2**	8.0	**–**	–
Loans receivable	**0.1**	0.8	**0.4**	0.7
Non-current income tax receivable	**–**	–	**8.4**	8.2
VAT and other taxes receivable	**35.5**	25.3	**–**	–
Loans and advances to employees	**5.7**	6.4	**–**	–
Other receivables	**63.2**	44.3	**–**	–
Total trade and other receivables	**954.8**	**843.2**	**11.0**	**14.0**
Other assets:				
Prepayments	**76.0**	66.3	**13.2**	12.4
Held-to-maturity investments	**–**	–	**0.9**	1.1
Pension plan assets (refer to Note 20)	**–**	–	**–**	2.2
Available-for-sale financial assets	**–**	–	**3.6**	1.7
Total other assets	**76.0**	66.3	**17.7**	17.4
Total trade, other receivables and assets	**1,030.8**	**909.5**	**28.7**	**31.4**

Non-current trade receivables relate to re-negotiated receivables, which are expected to be settled within the new contractual due date.

Trade receivables classified as current assets consisted of the following at 31 December:

	2016 € million	2015 € million
Trade receivables	**819.6**	742.9
Less: Provision for doubtful debts	**(92.0)**	(78.9)
Total trade receivables	**727.6**	**664.0**

The credit period given to customers ranges from 7 days to 90 days depending on the country and customer type. In most territories, interest is not charged for late payment. There are no customers who represent more than 5% of the total balance of trade receivables.

Before accepting any new credit customers, the Group investigates the potential customer's credit quality (usually through external agents) and defines credit limits for each customer and/or historical experience. Customers are reviewed on an ongoing basis and credit limits adjusted accordingly. The Group's exposure to credit risk is managed by established policies and procedures regarding financial risk management, as described in Note 23.

Trade receivables classified as current assets are as follows:

	2016 € million	2015 € million
Within due date	**588.9**	579.5
Less: Provision for doubtful debts within due date	**(2.5)**	(4.4)
Past due	**230.7**	163.4
Less: Provision for doubtful debts past due	**(89.5)**	(74.5)
Total trade receivables	**727.6**	**664.0**

As at 31 December 2016, the Group held collateral, in the form of mortgages, bank guarantees, bills of exchange and credit insurance, as security against trade receivables classified in current assets with a nominal amount of €44.4m (2015: €33.4m). The carrying amounts of the trade receivables include €15.3m which are subject to factoring agreement. The Group continues to recognise the factored receivables in their entirety as it has retained the significant risks of ownership. The amount payable under the factoring agreement is presented within borrowings (refer to Note 24).

Notes to the Consolidated Financial Statements continued

17. Trade, other receivables and assets continued

The ageing analysis of past due trade receivables is as follows:

			2016 € million		
	Up to three months	Three to six months	Six to nine months	More than nine months	Total
Trade receivables past due but not impaired	**114.6**	**12.6**	**3.5**	**10.5**	**141.2**
Trade receivables past due and impaired	**4.1**	**7.3**	**3.4**	**74.7**	**89.5**
Total trade receivables past due	**118.7**	**19.9**	**6.9**	**85.2**	**230.7**

			2015 € million		
	Up to three months	Three to six months	Six to nine months	More than nine months	Total
Trade receivables past due but not impaired	79.9	2.7	1.0	5.3	**88.9**
Trade receivables past due and impaired	1.0	9.5	2.2	61.8	**74.5**
Total trade receivables past due	**80.9**	**12.2**	**3.2**	**67.1**	**163.4**

The movement in the provision for doubtful debts during the year is as follows:

	2016 € million	2015 € million
As at 1 January	**(78.9)**	(79.2)
Amounts written off during the year	**7.7**	10.3
Amounts recovered during the year	**2.2**	1.2
Increase in allowance recognised in the income statement	**(22.8)**	(11.8)
Foreign currency translation	**(0.2)**	0.6
As at 31 December	**(92.0)**	**(78.9)**

Receivables from related parties

The related party receivables, net of the provision for doubtful debts, are as follows:

	2016 € million	2015 € million
Within due date	**114.0**	79.2
Past due	**3.3**	6.5
Less: Provision for doubtful debts	**(0.3)**	–
Total related party receivables	**117.0**	**85.7**

As at 31 December 2016, related party receivables of €3.0m (2015: €6.5m) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2016 € million	2015 € million
Up to three months	**1.3**	4.3
Three to six months	**0.3**	0.8
Six to nine months	**0.3**	0.4
More than nine months	**1.1**	1.0
Total	**3.0**	**6.5**

18. Assets classified as held for sale

Accounting policy

Non-current assets and disposal groups are classified as held for sale if it is considered highly probable that their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. In order for a sale to be considered highly probable, management must be committed to the sale, an active programme to locate a buyer and complete the plan has been initiated, and the sale is expected to be completed within one year from the date of classification.

In the event that the criteria for continued classification as held for sale are no longer met, the assets are reclassified to property, plant and equipment and the depreciation charge is adjusted for the depreciation that would have been recognised had the assets not been classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the individual assets' previous carrying amount and their fair value less costs to sell.

Changes in carrying amounts of assets classified as held for sale for the years ended 31 December are as follows:

	2016 € million	2015 € million
As at 1 January	**5.5**	1.0
Reclassified from property, plant and equipment (refer to Note 14)	**14.4**	5.4
Other assets classified as held for sale	**14.0**	–
Disposals	**(17.1)**	–
Reclassified to property, plant and equipment (refer to Note 14)	**(4.3)**	(0.9)
Foreign currency translation	**(0.7)**	–
As at 31 December	**11.8**	**5.5**

Total assets classified as held for sale as at 31 December 2015 amounted to €5.5m, comprising the net book value of property, plant and equipment in our Established and Emerging markets that have been written down to fair value less cost to sell. This is a non-recurring fair value measurement and within Level 3 of the fair value hierarchy. The fair value of assets classified as held for sale was determined through the use of a sales comparison approach.

In 2016 it was agreed that 50% of the Group's share in its subsidiary Neptūno Vandenys, UAB, would be sold to European Refreshments, a subsidiary of TCCC. Accordingly, 50% of the net assets of Neptūno Vandenys, UAB amounting to €14.0m, mainly relating to intangible assets of €16.6m (refer to Note 13), net of the relevant deferred tax liability, were classified as assets held for sale. The transaction was completed in December 2016 (refer to Note 22). Total assets classified as held for sale as at 31 December 2016 amounted to €11.8m, comprising property, plant and equipment in our Established, Developing and Emerging markets, measured at the lower of the carrying amount and fair value less costs to sell. The fair value of held for sale assets was determined through the use of a sales comparison approach and is a non-recurring fair value measurement within Level 3 of the fair value hierarchy.

19. Trade and other payables

Accounting policy

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables consisted of the following at 31 December:

	2016 € million	2015 € million
Trade payables	**536.7**	485.1
Accrued liabilities	**471.2**	468.5
Payables to related parties (refer to Note 26)	**303.4**	259.2
Deposit liabilities	**100.6**	112.6
Other tax and social security liabilities	**98.1**	89.7
Salaries and employee-related payables	**43.6**	45.8
Deferred income	**1.0**	1.2
Other payables	**32.7**	41.5
Total trade and other payables	**1,587.3**	**1,503.6**

The amount due to pension funds as at 31 December 2016 was €1.3m (2015: €1.1m).

Notes to the Consolidated Financial Statements continued

20. Provisions and employee benefits

Provisions and employee benefits consisted of the following at 31 December:

	2016 € million	2015 € million
Current		
Employee benefits	**96.0**	62.3
Restructuring provisions	**8.5**	15.7
Other provisions	**14.1**	8.8
Total current provisions and employee benefits	**118.6**	86.8
Non-current		
Employee benefits	**123.0**	140.1
Restructuring provisions	**–**	0.1
Other provisions	**2.0**	1.3
Total non-current provisions and employee benefits	**125.0**	**141.5**
Total provisions and employee benefits	**243.6**	**228.3**

a) Provisions

Accounting policy

Provisions are recognised when: the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when such reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

The movements in restructuring and other provisions comprise:

	2016 € million		2015 € million	
	Restructuring provision	**Other provision**	Restructuring provision	Other provision
As at 1 January	**15.8**	**10.1**	7.9	5.3
Arising during the year	**22.7**	**11.8**	37.5	7.0
Unutilised during the year	**(26.8)**	**(4.3)**	(26.3)	(2.1)
Unused amount reversed	**(2.5)**	**(1.5)**	(3.0)	–
Foreign currency translation	**(0.7)**	**–**	(0.3)	(0.1)
As at 31 December	**8.5**	**16.1**	**15.8**	**10.1**

Other provisions comprise a provision for employee litigation of €4.2m (2015: €3.8m) and other items of €11.9m (2015: €6.3m).

b) Employee benefits

Accounting policies

Employee benefits

The Group operates a number of defined benefit and defined contribution pension plans in its territories.

The defined benefit plans are made up of both funded and unfunded pension plans and employee leaving indemnities. The assets of funded plans are generally held in separate trustee-administered funds and are financed by payments from employees and/or the relevant Group companies.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets.

For defined benefit pension plans, pension costs are assessed using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Such actuarial gains and losses are not reclassified to the income statement in subsequent periods. The defined benefit obligations are measured at the present value of the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Past service cost is recognised immediately in the income statement. A number of the Group's operations have other long-service benefits in the form of jubilee plans. These plans are measured at the present value of the estimated future cash outflows with immediate recognition of actuarial gains and losses.

The Group's contributions to the defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits and b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Critical accounting estimates

The Group provides defined benefit pension plans as an employee benefit in certain territories. Determining the value of these plans requires several actuarial assumptions and estimates about discount rates, future salary increases and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Employee benefits consisted of the following at 31 December:

	2016 € million	2015 € million
Defined benefit plans		
Employee leaving indemnities	**76.0**	86.9
Pension plans	**39.8**	22.3
Long service benefits – jubilee plans	**8.4**	8.7
Total defined benefits plans	**124.2**	**117.9**
Other employee benefits		
Annual leave	**7.4**	8.2
Other employee benefits	**87.4**	76.3
Total other employee benefits	**94.8**	**84.5**
Total employee benefits obligations	**219.0**	**202.4**

Other employee benefits are primarily comprised of employee bonuses including a management incentive plan which is a cash variable plan that operates over a three-year period.

Employees of Coca-Cola HBC's subsidiaries in Austria, Bulgaria, Croatia, Greece, Italy, Montenegro, Nigeria, Poland, Romania, Serbia and Slovenia are entitled to employee leaving indemnities, generally based on each employee's length of service, employment category and remuneration. These are unfunded plans where the Company meets the payment obligation as it falls due.

Notes to the Consolidated Financial Statements continued

20. Provisions and employee benefits continued

Coca-Cola HBC's subsidiaries in Austria, Greece, Northern Ireland, the Republic of Ireland and Switzerland sponsor defined benefit pension plans. Of the three plans in the Republic of Ireland, two have plan assets, as do the two plans in Northern Ireland, one plan in Greece and two plans in Switzerland. The Austrian plans do not have plan assets and the Company meets the payment obligation as it falls due. The defined benefit plans in Austria, Greece, Republic of Ireland and Northern Ireland are closed to new members.

Coca-Cola HBC provides long-service benefits in the form of jubilee plans to its employees in Austria, Croatia, Nigeria, Poland, Slovenia and Switzerland.

Defined benefit obligation by segment is as follows for the years ended 31 December:

The average duration of the defined benefit obligations is 19 years and the total employer contributions expected to be paid in 2017 are €17.5m.

Reconciliation of defined benefit obligation:

	2016 € million	2015 € million
Present value of defined benefit obligation at 1 January	**496.4**	484.8
Current service cost	**10.5**	12.1
Interest cost	**11.2**	13.1
Plan participants' contributions	**4.5**	4.9
Past service cost	**(8.8)**	(5.8)
Curtailment/settlement	**(1.3)**	(5.5)
Benefits paid	**(25.3)**	(26.4)
(Gain)/loss from change in demographic assumptions	**0.4**	(0.7)
(Gain)/loss from change in financial assumptions	**56.2**	(2.8)
Experience adjustments	**3.2**	(1.8)
Foreign currency translation	**(21.4)**	24.5
Present value of defined benefit obligation at 31 December	**525.6**	**496.4**

	2016 € million	2015 € million
Fair value of plan assets at 1 January	**380.7**	341.7
Interest income on plan assets	**7.1**	7.3
Return on plan assets excluding interest income	**18.6**	6.0
Actual employer's contributions	**16.2**	16.1
Actual participant's contributions	**4.5**	4.9
Actual benefits paid	**(15.4)**	(12.4)
Settlement	**(1.1)**	(7.3)
Admin expenses	**(0.3)**	(0.3)
Foreign currency translation	**(8.9)**	24.7
Fair value of plan assets at 31 December	**401.4**	**380.7**

The present value and funded status of defined benefit obligations were as follows at 31 December:

	2016 € million	2015 € million
Present value of funded obligations	439.1	398.5
Fair value of plan assets	(401.4)	(380.7)
Defined benefit obligations of funded plans	**37.7**	**17.8**
Present value of unfunded obligations	86.5	97.9
Defined benefit obligations	**124.2**	**115.7**
Plus: amounts recognised within non-current assets (refer to Note 17)	–	2.2
Total defined benefit obligations	**124.2**	**117.9**

Funding levels are monitored in conjunction with the agreed contribution rate. The funding level of the funded plans as at 31 December 2016 was 91% (2015: 96%).

None of the plans have funded status surplus as at 31 December 2016 (31 December 2015: €2.2m) that is recognised as an asset on the basis that the Group has an unconditional right to future economic benefits either via a refund or a reduction in future contributions.

The movement in the defined benefit obligation recognised on the balance sheet was as follows:

	2016 € million	2015 € million
Defined benefit obligation as at 1 January	115.7	143.1
Expense recognised in the income statement	5.4	14.0
Remeasurements recognised in OCI	41.7	(11.1)
Employer contributions	(16.2)	(16.1)
Benefits paid	(9.9)	(14.0)
Foreign currency translation	(12.5)	(0.2)
Defined benefit obligation as at 31 December	**124.2**	**115.7**
Plus: amounts recognised within non-current assets (refer to Note 17)	–	2.2
Total defined benefit obligation as at 31 December	**124.2**	**117.9**

The expense recognised in the income statement comprised the following for the years ended 31 December:

	2016 € million	2015 € million
Service cost	1.5	8.1
Net interest cost on defined benefit liability / (asset)	4.1	5.8
Actuarial gain	(0.5)	(0.2)
Administrative expenses	0.3	0.3
Total	**5.4**	**14.0**

Defined benefit plan expense is included in staff costs and presented in cost of goods sold and operating expenses.

The assumptions (weighted average for the Group) used in computing the defined benefit obligation comprised the following for the years ended 31 December:

	2016 %	2015 %
Discount rate	1.9	2.6
Rate of compensation increase	2.7	2.9
Rate of pension increase	1.0	0.8
Life expectancy for pensioners at the age of 65 in years:		
Male	22	22
Female	24	24

Asset liability matching: Plan assets allocated to growth assets are monitored regularly to ensure they remain appropriate and in line with the Group's long-term strategy to manage the plans. As the plans mature, the level of investment risk will be reduced by investing more in assets such as bonds that better match the liabilities.

Notes to the Consolidated Financial Statements continued

20. Provisions and employee benefits continued

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans the Group is exposed to a number of risks, as outlined below:

Asset volatility: The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Northern Ireland, the Republic of Ireland and Swiss plans hold a significant proportion of growth assets (equities) which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

Changes in bond yields: A decrease in corporate bond yields will increase the plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. Whereas an increase in corporate bond yields will decrease the plan liabilities, although this will be partially offset by a decrease in the value of the plans' bond holdings.

Inflation: The Northern Ireland, the Republic of Ireland and Swiss plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy: The majority of the pension plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The sensitivity analysis presented below is based on a change in assumption while all other assumptions remain constant.

	Impact on defined benefit obligation as at 31 December 2016		
	Change in assumptions	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	↓ 8.7%	↑ 10.0%
Rate of compensation increase	0.50%	↑ 2.2%	↓ 2.1%
Rate of pension increase	0.50%	↑ 5.0%	↓ 2.4%
Life expectancy	1 year	↑ 2.6%	↓ 2.5%

Plan assets are invested as follows:

The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or are insurance contracts. Plan assets held in trust are governed by local regulations and practice in each country. The category "other" mainly includes investments in funds holding a portfolio of assets. Plan assets relate predominantly to quoted financial instruments.

Equity securities were not invested in ordinary shares of the Company as at 31 December 2016 or 31 December 2015.

Assets category 2016 (%)

Assets category 2015 (%)

Defined contribution plans

The expense recognised in the income statement in 2016 for the defined contribution plan is €19.0m (2015: €22.2m). This is included in employee costs and recorded in cost of goods sold and operating expenses.

21. Offsetting financial assets and financial liabilities

Accounting policy

The Group offsets financial assets and financial liabilities to the net amount reported in the balance sheet when it currently has a legally enforceable right to offset the recognised amounts and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements or other similar agreements. In general, under such agreements the counterparties can elect to settle into one single net amount the aggregated amounts owed by each counterparty on a single day with respect of all outstanding transactions of the same currency and the same type of derivative. In the event of default or early termination all outstanding transactions under the agreement are terminated and subject to any set-off. These agreements do not meet all of the IAS 32 criteria for offsetting in the balance sheet as the Group does not have any current legally enforceable right to offset amounts since the right can only be applied if elected by both counterparties.

The financial assets and financial liabilities presented below are subject to offsetting, enforceable master netting or similar agreements. The column "Net amount" shows the impact on the Group's balance sheet if all set-off rights were exercised.

a) Financial assets

As at 31 December 2016

				Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial assets €million	**Gross amounts of recognised financial liabilities set off in the balance sheet €million**	**Net amounts of financial assets presented in the balance sheet €million**	**Financial instruments €million**	**Net amount €million**
Derivative financial assets	**16.0**	**–**	**16.0**	**(8.3)**	**7.7**
Cash and cash equivalents	**573.2**	**–**	**573.2**	**–**	**573.2**
Trade receivables	**780.7**	**(53.1)**	**727.6**	**–**	**727.6**
Total	**1,369.9**	**(53.1)**	**1,316.8**	**(8.3)**	**1,308.5**

As at 31 December 2015

				Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial assets €million	Gross amounts of recognised financial liabilities set off in the balance sheet €million	Net amounts of financial assets presented in the balance sheet €million	Financial instruments €million	**Net amount €million**
Derivative financial assets	23.5	–	23.5	(5.0)	**18.5**
Cash and cash equivalents	487.4	–	487.4	–	**487.4**
Trade receivables	718.9	(54.9)	664.0	–	**664.0**
Total	**1,229.8**	**(54.9)**	**1,174.9**	**(5.0)**	**1,169.9**

Notes to the Consolidated Financial Statements continued

21. Offsetting financial assets and financial liabilities continued

b) Financial liabilities

As at 31 December 2016

	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets set off in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	Net amount € million
Derivative financial liabilities	**15.5**	**–**	**15.5**	**(8.3)**	**7.2**
Trade payables	**589.8**	**(53.1)**	**536.7**	**–**	**536.7**
Total	**605.3**	**(53.1)**	**552.2**	**(8.3)**	**543.9**

As at 31 December 2015

	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets set off in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	Net amount € million
Derivative financial liabilities	55.4	–	55.4	(5.0)	**50.4**
Trade payables	540.0	(54.9)	485.1	–	**485.1**
Total	**595.4**	**(54.9)**	**540.5**	**(5.0)**	**535.5**

22. Business combinations

Accounting policy

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the fair value of any asset transferred, shares issued and liabilities assumed. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the fair value of non-controlling interest over the net assets acquired and liabilities assumed is recorded as goodwill. All acquisition-related costs are expensed as incurred.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition of controlling interest

On 1 April 2016, the Group acquired 100% of Neptūno Vandenys, UAB, the leading bottled water company in Lithuania, for a consideration of €19.5 million, including the assumption of debt of €1.0 million. The acquisition includes the mineral water brand 'Neptūnas' and is expected to increase the Group's market share in the still drinks category in Lithuania. Details of the acquisition are as follows:

	Acquiree's carrying amount before acquisition € million	Fair value adjustments € million	**Fair value € million**
Trademark	–	7.8	**7.8**
Water rights	–	8.8	**8.8**
Property, plant and equipment	2.4	0.4	**2.8**
Inventories	0.1	–	**0.1**
Other current assets	1.1	–	**1.1**
Short-term borrowings	(1.0)	–	**(1.0)**
Other current liabilities	(0.7)	–	**(0.7)**
Deferred tax liabilities	–	(2.6)	**(2.6)**
Net identifiable assets acquired	**1.9**	**14.4**	**16.3**
Goodwill arising on acquisition			3.2
Cash paid to former shareholders			**19.5**

The acquisition resulted in the Group recording €3.2m of goodwill, €7.8m of trademark and €8.8m of water rights in its Developing markets segment. The goodwill arising from the acquisition of Neptūno Vandenys, UAB is attributed to expected future cash flows (including the effect of synergies) in excess of the value of net identifiable assets.

The acquired business contributed net sales revenue of €3.8m and net profit of €1.4m to the Group for the period from 1 April 2016 to 31 December 2016. If the acquisition had occurred on 1 January 2016, consolidated Group net sales revenue and consolidated Group profit after tax for year ended 31 December 2016 would have been higher by €1.0m and €0.5m respectively.

In December 2016, TCCC acquired 50% of the share capital of Neptūno Vandenys, UAB for a total consideration of €10.3m, of which €9.8m has been received and is included in line 'Net receipts from investments' in the consolidated cash flow statement. This transaction resulted in a joint venture between the Group and TCCC. The gain on the transaction was immaterial.

23. Financial risk management and financial instruments

Accounting policy

Derivative financial instruments

The Group uses derivative financial instruments, including currency, commodity and interest rate derivatives, to manage currency, commodity price and interest rate risk associated with the Group's underlying business activities. The Group does not enter into derivative financial instruments for trading activity purposes.

All derivative financial instruments are initially recognised on the balance sheet at fair value and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised at each reporting date either in the income statement or in equity, depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or a cash flow hedge.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if:

a) their economic characteristics and risks are not closely related to those of the host contracts;

b) the host contracts are not designated as at fair value through profit or loss; and

c) a separate instrument with the same terms as the embedded derivative meets the definition of a derivative.

These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

All derivative financial instruments that are not part of an effective hedging relationship (undesignated hedges) are classified as assets or liabilities at fair value through profit or loss ('FVTPL').

At the inception of a hedge transaction the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking the derivative financial instrument designated as a hedging instrument to the specific asset, liability, firm commitment or forecast transaction. Both at the hedge inception and on an ongoing basis, the Group assesses and documents whether the derivative financial instrument used in the hedging transaction is highly effective in offsetting changes in fair value or cash flow of the hedged item.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges and are effective are recorded in the income statement, together with the changes in the fair values of the hedged items that relate to the hedged risks. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement as the related asset acquired or liability assumed affects the income statement. Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Regular purchases and sales of investments are recognised on the trade date, which is the day the Group commits to purchase or sell. The investments are recognised initially at fair value plus transaction costs, except in the case of FVTPL. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Notes to the Consolidated Financial Statements continued

23. Financial risk management and financial instruments continued

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, commodity price risk, interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's cash flows. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by Group Treasury in a controlled manner, consistent with the Board of Directors' approved policies. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's subsidiaries. The Board of Directors has approved the Treasury Policy and Chart of Authority, which together provide the control framework for all treasury and treasury-related transactions.

Market risk

a) Foreign currency risk

The Group is exposed to the effect of foreign currency risk on future transactions, recognised monetary assets and liabilities that are denominated in currencies other than the local entity's functional currency, as well as net investments in foreign operations. Foreign currency forward, option and future contracts are used to hedge a portion of the Group's foreign currency risk. The majority of the foreign currency forward, option and future contracts have maturities of less than one year after the balance sheet date. The foreign currency risk arising from the investment in foreign operations is not hedged.

Management has set up a policy that requires Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future transactions and recognised monetary assets and liabilities, entities in the Group use foreign currency forward, option and future contracts transacted by Group Treasury. Group Treasury's risk management policy is to hedge, on an average coverage ratio basis, between 25% and 80% of anticipated cash flows for the next 12 months by using a layer strategy and 100% of balance sheet re-measurement risk in each major foreign currency without significant currency control. Each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific monetary assets, monetary liabilities or future transactions on a gross basis.

The following tables present details of the Group's sensitivity to reasonably possible increases and decreases in the Euro and US dollar against the relevant foreign currencies. In determining reasonable possible changes, the historical volatility over a 12-month period of the respective foreign currencies in relation to the Euro and the US dollar has been considered. The sensitivity analysis determines the potential gains and losses in the income statement or equity arising from the Group's foreign exchange positions as a result of the corresponding percentage increases and decreases in the Group's main foreign currencies relative to the Euro and the US dollar. The sensitivity analysis includes outstanding foreign currency denominated monetary items, external loans, and loans between operations within the Group where the denomination of the loan is in a currency other than the functional currency of the local entity.

2016 exchange risk sensitivity to reasonably possible changes in the Euro against relevant other currencies

		Euro strengthens against local currency		Euro weakens against local currency	
	% of historical volatility over a 12-month period	Loss/(gain) in income statement € million	(Gain)/loss in equity € million	(Gain)/loss in income statement € million	Loss/(gain) in equity € million
Armenian dram	8.94%	(0.3)	–	0.3	–
Belarusian rouble	14.59%	(1.0)	–	1.4	–
Bulgarian lev	0.70%	(0.2)	–	0.2	–
Croatian kuna	1.63%	–	(0.1)	–	0.2
Czech koruna	0.69%	(0.1)	–	0.1	–
Hungarian forint	4.91%	0.2	(0.5)	(0.3)	0.5
Moldovan leu	9.90%	–	0.7	–	(0.9)
Nigerian naira	43.27%	11.1	–	(28.0)	–
Polish zloty	7.29%	0.1	(1.8)	(0.1)	2.1
Romanian leu	2.58%	0.1	(0.5)	(0.1)	0.6
Russian rouble	20.12%	(2.2)	(4.0)	3.2	6.5
Serbian dinar	2.73%	0.2	–	(0.3)	–
Swiss franc	4.47%	0.3	(1.5)	(0.3)	1.6
UK sterling	11.91%	1.2	0.4	(1.5)	(0.5)
Ukrainian hryvnia	14.84%	1.3	–	(1.7)	–
US dollar	8.29%	(0.5)	0.2	0.6	(0.2)
		10.2	(7.1)	(26.5)	9.9

2016 exchange risk sensitivity to reasonably possible changes in the US dollar against relevant other currencies

		US dollar strengthens against local currency		US dollar weakens against local currency	
	% of historical volatility over a 12-month period	Loss/(gain) in income statement € million	(Gain)/loss in equity € million	(Gain)/loss in income statement € million	Loss/(gain) in equity € million
Euro	**8.29%**	**1.8**	**–**	**(2.1)**	**–**
Hungarian forint	**9.79%**	**0.1**	**–**	**(0.2)**	**–**
Nigerian naira	**38.95%**	**(1.9)**	**–**	**1.0**	**–**
Russian rouble	**19.53%**	**(0.1)**	**(9.3)**	**(0.6)**	**15.4**
Serbian dinar	**8.46%**	**0.1**	**–**	**(0.1)**	**–**
Ukrainian hryvnia	**11.80%**	**0.4**	**–**	**(0.5)**	**–**
		0.4	**(9.3)**	**(2.5)**	**15.4**

2015 exchange risk sensitivity to reasonably possible changes in the Euro against relevant other currencies

		Euro strengthens against local currency		Euro weakens against local currency	
	% of historical volatility over a 12-month period	Loss/(gain) in income statement € million	(Gain)/loss in equity € million	(Gain)/loss in income statement € million	Loss/(gain) in equity € million
Armenian dram	12.70%	(0.1)	–	0.1	–
Belarusian rouble	27.69%	(1.6)	–	2.9	–
Bulgarian lev	0.54%	(0.1)	–	0.1	–
Croatian kuna	2.11%	(0.1)	(0.4)	0.1	0.4
Czech koruna	3.41%	–	(0.3)	0.1	0.2
Hungarian forint	7.43%	0.1	(0.5)	(0.1)	0.4
Moldovan leu	28.23%	1.2	1.8	(2.2)	(3.2)
Nigerian naira	15.66%	2.8	–	(3.9)	–
Polish zloty	7.13%	0.2	(1.8)	0.1	1.2
Romanian leu	3.63%	0.2	(1.0)	(0.2)	1.1
Russian rouble	28.12%	3.5	(11.5)	(1.6)	1.2
Serbian dinar	3.41%	0.2	–	(0.2)	–
Swiss franc	22.61%	(0.8)	(3.7)	1.3	5.8
UK sterling	9.82%	–	0.7	–	(0.9)
Ukrainian hryvnia	38.74%	5.7	–	(13.0)	–
US dollar	12.26%	(0.9)	1.8	1.2	(2.3)
		10.3	**(14.9)**	**(15.3)**	**3.9**

2015 exchange risk sensitivity to reasonably possible changes in the US dollar against relevant other currencies

		US dollar strengthens against local currency		US dollar weakens against local currency	
	% of historical volatility over a 12-month period	Loss/(gain) in income statement € million	(Gain)/loss in equity € million	(Gain)/loss in income statement € million	Loss/(gain) in equity € million
Euro	12.26%	(0.5)	–	0.6	–
Nigerian naira	9.11%	1.2	–	(1.4)	–
Romanian leu	12.43%	0.3	–	(0.4)	–
Russian rouble	26.30%	5.4	(18.1)	(0.6)	5.5
Serbian dinar	12.63%	(0.1)	–	0.2	–
Ukrainian hryvnia	35.51%	0.6	–	(1.3)	–
		6.9	**(18.1)**	**(2.9)**	**5.5**

Notes to the Consolidated Financial Statements continued

23. Financial risk management and financial instruments continued

b) Commodity price risk

The Group is affected by the volatility of certain commodity prices (being mainly sugar, aluminium, PET and gas oil) in relation to certain raw materials necessary for the production of the Group's products.

Due to the significantly increased volatility of commodity prices, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. Although the Group continues to contract prices with suppliers in advance, to reduce its exposure to the effect of short-term changes in the price of sugar, aluminium, gas oil and PET, the Group hedges the market price of sugar, aluminium and gas oil using commodity swap contracts based on a rolling 36-month forecast. Group Treasury's risk management policy is to hedge a minimum of 50% and a maximum of 80% of commodity exposure for the next 12 months.

The following table presents details of the Group's income statement and equity sensitivity to increases and decreases in sugar, aluminium and gas oil prices. The table does not show the sensitivity to the Group's total underlying commodity exposure or the impact of changes in volumes that may arise from an increase or decrease in the respective commodity prices. The sensitivity analysis determines the potential effect on profit or loss and equity arising from the Group's commodity swap contract positions as a result of the reasonably possible increases or decreases of the respective commodity price.

2016 commodity price risk sensitivity to reasonably possible changes in the commodity price of relevant commodities

		Commodity price increases with all other variables held constant		**Commodity price decreases with all other variables held constant**	
	% of historical volatility over a 12-month period per contract maturity	**(Gain)/loss in income statement € million**	**(Gain)/loss in equity € million**	**Loss/(gain) in income statement € million**	**Loss/(gain) in equity € million**
Sugar	**19.2%**	**(12.4)**	**–**	**12.4**	**–**
Aluminium	**16.4%**	**(6.7)**	**(1.1)**	**6.7**	**1.1**
Aluminium Premium	**19.2%**	**(0.4)**	**–**	**0.4**	**–**
Gas oil	**41.0%**	**(6.5)**	**–**	**6.5**	**–**
		(26.0)	**(1.1)**	**26.0**	**1.1**

2015 commodity price risk sensitivity to reasonably possible changes in the commodity price of relevant commodities

		Commodity price increases with all other variables held constant		Commodity price decreases with all other variables held constant	
	% of historical volatility over a 12-month period per contract maturity	(Gain)/loss in income statement € million	(Gain)/loss in equity € million	Loss/(gain) in income statement € million	Loss/(gain) in equity € million
Sugar	19.9%	(10.8)	–	10.8	–
Aluminium	18.3%	(10.5)	(1.3)	10.5	1.3
Gas oil	33.4%	(5.5)	–	5.5	–
		(26.8)	**(1.3)**	**26.8**	**1.3**

c) Interest rate risk

The sensitivity analysis in the following table has been determined based on exposure to interest rates of both derivative and non-derivative instruments existing at the balance sheet date and assuming constant foreign exchange rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease for 2016 (2015:100 basis point) represents management's assessment of a reasonably possible change in interest rates.

Interest rate risk sensitivity to reasonably possible changes in interest rates

	2016 € million		2015 € million	
	Loss/(gain) in income statement	**(Gain)/loss In equity**	Loss/(gain) in income statement	(Gain)/loss in equity
Increase in basis points	**–**	**–**	0.1	(53.7)
Decrease in basis points	**–**	**–**	(0.1)	58.4

The impact on the Group's equity in 2015 is attributable to the changes in the fair value of the forward starting swaps entered into in 2014 and settled in March 2016, designated as cash flow hedging instruments, assuming 100% hedge effectiveness.

Credit risk

The Group has limited concentration of credit risk across trade and financial counterparties. Policies are in place to ensure that sales of products and services on credit are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any single financial institution.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2016 in relation to each class of recognised financial asset is the carrying amount of those assets as indicated on the balance sheet.

If credit is granted to customers, their credit quality is normally assessed using either external agencies and/or historic experience. Credit limits are set accordingly. Further information regarding credit risk exposure is described in Note 17.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure for each derivative instrument is the carrying amount of the derivative. In addition, the Group regularly makes use of time deposits to invest excess cash balances and to diversify its counterparty risk. As at 31 December 2016, an amount of €243.5m is invested in time deposits (refer to Note 24).

The Group only undertakes investment and derivative transactions with banks and financial institutions that have a minimum credit rating of 'BBB-' from Standard & Poor's and 'Baa3' from Moody's. The Group also uses Credit Default Swaps of a counterparty in order to measure in a timelier way the creditworthiness of a counterparty and set up its counterparties in tiers in order to assign maximum exposure and tenor per tier. If the Credit Default Swaps of a certain counterparty exceed 400 basis points the Group will stop trading derivatives with that counterparty and will try to cancel any deposits on a best-efforts basis.

Liquidity risk

The Group actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. Bank overdrafts and bank facilities, both committed and uncommitted, are used to manage this risk.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate cash reserves and committed banking facilities, access to the debt and equity capital markets, and by continuously monitoring forecasted and actual cash flows. In Note 24, the undrawn facilities that the Group has at its disposal to manage liquidity risk are discussed under the headings 'commercial paper programme' and 'committed credit facilities'.

The following tables detail the Group's remaining contractual maturities for its financial liabilities. The tables include both interest and principal undiscounted cash flows, assuming that interest rates remain constant from 31 December 2016.

	Up to one year € million	**One to two years € million**	**Two to five years € million**	**Over five years € million**
Borrowings	**193.4**	**43.7**	**903.6**	**691.9**
Derivative liabilities	**14.2**	**1.0**	**0.3**	**–**
Trade and other payables	**1,488.2**	**1.3**	**0.2**	**6.7**
As at 31 December 2016	**1,695.8**	**46.0**	**904.1**	**698.6**

	Up to one year € million	One to two years € million	Two to five years € million	Over five years € million
Borrowings	833.8	52.1	908.9	86.7
Derivative liabilities	40.9	11.8	2.7	–
Trade and other payables	1,502.4	–	–	7.2
As at 31 December 2015	**2,377.1**	**63.9**	**911.6**	**93.9**

When relevant the Group hedges exposures to changes in the fair value of debt, as well as in the foreign exchange cash flows of debt, by using a combination of interest rate and cross currency swap contracts. The impact of these instruments has been included in the aggregate interest and principal undiscounted cash flows related to the underlying borrowings presented above.

Notes to the Consolidated Financial Statements continued

23. Financial risk management and financial instruments continued

Capital risk

Adjusted EBITDA is calculated by adding back to operating profit the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and performance share costs and other non-cash items, if any. Comparable adjusted EBITDA refers to adjusted EBITDA excluding restructuring expenses and the unrealised gains or losses resulting from the mark-to-market valuation of derivatives and embedded derivatives related to commodity hedging.

Refer to Note 24 for definition of net debt.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may increase or decrease debt, issue or buy back shares, adjust the amount of dividends paid to shareholders, or return capital to shareholders.

The Group's goal is to maintain a conservative financial profile. This is evidenced by the credit ratings maintained with Standard & Poor's and Moody's. In May 2016, Standard & Poor's changed the outlook from stable to positive and affirmed Coca-Cola HBC's 'BBB+' long-term, 'A2' short-term corporate credit ratings. The corporate credit ratings by Moody's remained unchanged, 'Baa1' long-term, 'P2' short-term and stable outlook after the latest assessment in November 2016.

The Group monitors its financial capacity and credit ratings by reference to a number of key financial ratios including net debt to comparable adjusted EBITDA, which provides a framework within which the Group's capital base is managed. This ratio is calculated as net debt divided by comparable adjusted EBITDA. The Group's medium- to long-term aim is to maintain the net debt to comparable adjusted EBITDA ratio within a 1.5 to 2.0 range.

The ratios as at 31 December were as follows:

	2016 € million	2015 € million
Net debt (refer to Note 24)	**1,051.4**	**1,217.1**
Operating profit	**506.3**	418.2
Depreciation and impairment of property, plant and equipment	**332.4**	340.2
Amortisation of intangible assets	**0.4**	0.4
Employee share options and performance shares	**8.1**	8.8
Other non-cash items included in operating income	**(1.3)**	(1.3)
Adjusted EBITDA	**845.9**	**766.3**
Restructuring expenses (refer to Note 8)	**19.9**	36.3
Unrealised commodity derivatives	**(26.5)**	1.0
Total comparable adjusted EBITDA	**839.3**	**803.6**
Net debt / comparable adjusted EBITDA ratio	**1.25**	**1.51**

Hedging activity

a) Cash flow hedges

The fair values of derivative financial instruments as at 31 December designated as cash flow hedges were:

	Contracts with positive fair values		**Contracts with negative fair values**	
	2016 € million	2015 € million	**2016 € million**	2015 € million
Foreign currency forward contracts	**1.0**	1.8	**(4.0)**	(0.5)
Foreign currency option contracts	**0.3**	6.5	**–**	–
Forward starting swap contracts	**–**	–	**–**	(24.6)
Commodity swap contracts	**0.4**	–	**(0.1)**	(0.8)
Total contracts	**1.7**	**8.3**	**(4.1)**	**(25.9)**

Cash flows from the Group's cash flow hedges at 31 December 2016 are expected to occur and, accordingly, affect profit or loss in 2017, except for the commodity swap contracts, for which cash flows are expected to occur and affect profit or loss between 2017 and 2019. The net amount reclassified from other comprehensive income to the income statement for the year amounted to a €12.8m loss (2015: €4.6m loss), out of which €5.2m was recorded in interest expense (2015: €4.6m loss) and €7.6m was recorded in cost of goods sold (2015: €nil)

b) Fair value hedges

The fair values of derivative financial instruments as at 31 December designated as fair value hedges were:

	Contracts with positive fair values		Contracts with negative fair values	
	2016 € million	2015 € million	**2016 € million**	2015 € million
Foreign currency forward contracts	**–**	0.8	**(1.7)**	–
Foreign currency option contracts	**–**	1.8	**–**	–
Total contracts	**–**	**2.6**	**(1.7)**	**–**

The fair value net loss of the foreign currency forward and option contracts used as fair value hedging instruments was €4.2m in 2016 (2015: €4.1m net gain), which was recognised in operating expenses and offset with a similar gain on the hedged item attributable to foreign currency risk.

c) Undesignated hedges

The fair values of derivative financial instruments as at 31 December which economically hedge the Group's risks and for which hedge accounting has not been applied were:

	Contracts with positive fair values		Contracts with negative fair values	
	2016 € million	2015 € million	**2016 € million**	2015 € million
Foreign currency forward contracts	**1.5**	4.7	**(4.6)**	(1.5)
Foreign currency option contracts	**–**	0.3	**–**	–
Foreign currency future contracts	**0.3**	–	**–**	–
Embedded derivatives	**3.3**	6.2	**–**	–
Commodity swap contracts	**9.2**	1.4	**(5.1)**	(28.0)
Total contracts	**14.3**	**12.6**	**(9.7)**	**(29.5)**

The net gains on foreign currency and commodity derivative contracts at fair value through profit and loss (for which hedge accounting was not applied) amounted to a €59.1m gain (2015: €24.9m loss) of which a €17.4m gain was recorded in cost of goods sold (2015: €19.7m loss) and a €41.7m gain in operating expenses (2015: €5.2m loss).

Derivative financial instruments

The derivative financial instruments are included in the Group's balance sheet as follows:

	Assets		Liabilities	
	2016 € million	2015 € million	**2016 € million**	2015 € million
Current				
Foreign currency forward contracts	**2.5**	7.3	**(10.3)**	(2.0)
Foreign currency option contracts	**0.3**	8.6	**–**	–
Foreign currency future contracts	**0.3**	–	**–**	–
Commodity swap contracts	**4.8**	1.0	**(3.9)**	(14.3)
Forward starting swap contracts	**–**	–	**–**	(24.6)
Total current	**7.9**	16.9	**(14.2)**	(40.9)
Non-current				
Commodity swap contracts	**4.8**	0.4	**(1.3)**	(14.5)
Forward starting swap contracts	**–**	–	**–**	–
Embedded derivatives	**3.3**	6.2	**–**	–
Total non-current	**8.1**	6.6	**(1.3)**	(14.5)

Notes to the Consolidated Financial Statements continued

23. Financial risk management and financial instruments continued

Financial instruments categories

Categories of financial instruments as at 31 December were as follows (in € million):

2016

Assets	Loans and receivables	Assets at FVTPL	Derivatives designated as hedging instruments	Held-to-maturity	Available-for-sale	Total current and non-current	Current	Non-current
Investments	–	–	–	0.9	3.6	4.5	–	4.5
Derivative financial instruments	–	14.3	1.7	–	–	16.0	7.9	8.1
Trade and other receivables excluding prepayments	957.4	–	–	–	–	957.4	954.8	2.6
Cash and cash equivalents	573.2	–	–	–	–	573.2	573.2	–
Total	**1,530.6**	**14.3**	**1.7**	**0.9**	**3.6**	**1,551.1**	**1,535.9**	**15.2**

Liabilities	Liabilities held at amortised cost	Liabilities at FVTPL	Derivatives designated as hedging instruments	Total current and non-current	Current	Non-current
Trade and other payables excluding provisions and deferred income	1,496.4	–	–	1,496.4	1,488.2	8.2
Borrowings	1,624.6	–	–	1,624.6	156.5	1,468.1
Derivative financial instruments	–	9.7	5.8	15.5	14.2	1.3
Total	**3,121.0**	**9.7**	**5.8**	**3,136.5**	**1,658.9**	**1,477.6**

2015

Assets	Loans and receivables	Assets at FVTPL	Derivatives designated as hedging instruments	Held-to-maturity	Available-for-sale	Total current and non-current	Current	Non-current
Investments	–	–	–	1.1	1.7	2.8	–	2.8
Derivative financial instruments	–	12.6	10.9	–	–	23.5	16.9	6.6
Trade and other receivables excluding prepayments	859.4	–	–	–	–	859.4	843.2	16.2
Cash and cash equivalents	487.4	–	–	–	–	487.4	487.4	–
Total	**1,346.8**	**12.6**	**10.9**	**1.1**	**1.7**	**1,373.1**	**1,347.5**	**25.6**

Liabilities	Liabilities held at amortised cost	Liabilities at FVTPL	Derivatives designated as hedging instruments	Total current and non-current	Current	Non-current
Trade and other payables excluding provisions	1,509.6	–	–	1,509.6	1,502.4	7.2
Borrowings	1,704.5	–	–	1,704.5	781.5	923.0
Derivative financial instruments	–	29.5	25.9	55.4	40.9	14.5
Total	**3,214.1**	**29.5**	**25.9**	**3,269.5**	**2,324.8**	**944.7**

Foreign currency derivatives

The net notional principal amounts of the outstanding foreign currency forward contracts at 31 December 2016 totalled €289.9m (2015: €284.2m). The net notional principal amounts of the outstanding foreign currency option contracts at 31 December 2016 totalled €13.8m (2015: €132.2m). The net notional principal amounts of the outstanding foreign currency future contracts at 31 December 2016 totalled €7.6m (2015: €nil).

Commodity swap contracts
The notional principal amounts of the outstanding commodity swap contracts at 31 December 2016 totalled €125.2m (2015: €163.7m).

Forward starting swap contracts
The Group entered into forward starting swap contracts of €500.0m in 2014 to hedge the interest rate risk related to its Euro denominated forecasted issuance of fixed rate debt in March 2016. In August 2015 the Group entered into additional forward starting swap contracts of €100.0m. In March 2016 the forward starting swap contracts were settled and at the same time the new note was issued, the accumulated loss of €55.4m recorded in other comprehensive income is being amortised to the income statement over the term of the new note (refer to Note 24).

Embedded derivatives
During 2015 the Group recognised embedded derivatives whose risks and economic characteristics were not considered to be closely related to the commodity contract in which they were embedded. The fair value of the embedded derivatives as at 31 December 2016 amounted to a financial asset of €3.3m (2015: €6.2m).

Fair values of financial assets and liabilities

For financial instruments such as cash, deposits, debtors and creditors, investments, loans payable to related parties, short-term borrowings (excluding the current portion of bonds and notes payable) and other financial liabilities (other than bonds and notes payable), carrying values are a reasonable approximation of their fair values. According to the fair value hierarchy, the financial instruments measured at fair value are classified as follows:

Level 1
The fair value of available-for-sale listed equity securities is based on quoted market prices at the reported date. The fair value of bonds is based on quoted market prices at the reported date.

Level 2
The fair value of foreign currency forward, option and future contracts, commodity swap contracts, bonds and notes payable, interest rate swap contracts, forward starting swap contracts, embedded foreign currency derivatives and cross currency swap contracts is determined by using valuation techniques. These valuation techniques maximise the use of observable market data. The fair value of the foreign currency forward, option and future contracts, commodity swap contracts, embedded foreign currency derivatives and cross currency swap contracts is calculated by reference to quoted forward exchange, deposit rates and forward rate curve of the underlying commodity at the reported date for contracts with similar maturity dates. The fair value of interest rate option contracts is calculated by reference to the Black-Scholes valuation model and implied volatilities. The fair value of interest rate swap contracts is determined as the difference in the present value of the future interest cash inflows and outflows based on observable yield curves.

Level 3
The fair value of available-for-sale unlisted investments is determined through the use of estimated discounted cash flows.

Notes to the Consolidated Financial Statements continued

23. Financial risk management and financial instruments continued

The following table provides the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured at fair value as at 31 December 2016:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets at FVTPL				
Foreign currency forward contracts	–	1.5	–	**1.5**
Embedded derivatives	–	3.3	–	**3.3**
Foreign currency future contracts	–	0.3	–	**0.3**
Commodity swap contracts	–	9.2	–	**9.2**
Derivative financial assets used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	1.0	–	**1.0**
Foreign currency option contracts	–	0.3	–	**0.3**
Commodity swap contracts	–	0.4	–	**0.4**
Available-for-sale financial assets				
Equity securities	0.9	–	2.7	**3.6**
Total financial assets	**0.9**	**16.0**	**2.7**	**19.6**
Financial liabilities at FVTPL				
Foreign currency forward contracts	–	(4.6)	–	**(4.6)**
Commodity swap contracts	–	(5.1)	–	**(5.1)**
Derivative financial liabilities used for hedging				
Fair value hedges				
Foreign currency forward contracts	–	(1.7)	–	**(1.7)**
Cash flow hedges				
Foreign currency forward contracts	–	(4.0)	–	**(4.0)**
Commodity swap contracts	–	(0.1)	–	**(0.1)**
Total financial liabilities	**–**	**(15.5)**	**–**	**(15.5)**

During 2016 the Group acquired an equity investment of €2.2m classified within Level 3 hierarchy. There were no transfers between Level 1 and Level 2 in the period.

The following table provides the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured at fair value as at 31 December 2015:

	Level 1 € million	Level 2 € million	Level 3 € million	**Total € million**
Financial assets at FVTPL				
Foreign currency forward contracts	–	4.7	–	**4.7**
Foreign currency option contracts	–	0.3	–	**0.3**
Embedded derivatives	–	6.2	–	**6.2**
Commodity swap contracts	–	1.4	–	**1.4**
Derivative financial assets used for hedging				
Fair value hedges				
Foreign currency forward contracts	–	0.8	–	**0.8**
Foreign currency option contracts	–	1.8	–	**1.8**
Cash flow hedges				
Foreign currency forward contracts	–	1.8	–	**1.8**
Foreign currency option contracts	–	6.5	–	**6.5**
Available-for-sale financial assets				
Equity securities	1.2	–	0.5	**1.7**
Total financial assets	**1.2**	**23.5**	**0.5**	**25.2**
Financial liabilities at FVTPL				
Foreign currency forward contracts	–	(1.5)	–	**(1.5)**
Commodity swap contracts	–	(28.0)	–	**(28.0)**
Derivative financial liabilities used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	(0.5)	–	**(0.5)**
Forward starting swap contracts	–	(24.6)	–	**(24.6)**
Commodity swap contracts	–	(0.8)	–	**(0.8)**
Total financial liabilities	**–**	**(55.4)**	**–**	**(55.4)**

There were no material changes in fair value measurements for Level 3 items for the year ended 31 December 2015. There were no transfers between Level 1 and Level 2 in the period.

Notes to the Consolidated Financial Statements continued

24. Net debt

Accounting policy

Borrowings are initially recognised at the fair value net of transaction costs incurred.

After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method whereby any discount, premium or transaction costs associated with a borrowing are amortised to the income statement over the borrowing period.

Refer also to Note 14 for accounting policy on finance leases.

Cash and cash equivalents comprise cash balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Bank overdrafts are classified as short-term borrowings in the balance sheet and for the purpose of the cash flow statement.

Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents.

Net debt for the years ended 31 December comprised:

	2016 € million	2015 € million
Current borrowings	**156.5**	781.5
Non-current borrowings	**1,468.1**	923.0
Less: Cash and cash equivalents	**(573.2)**	(487.4)
Net debt	**1,051.4**	1,217.1

a) Borrowings

The Group held the following borrowings as at 31 December:

	2016 € million	2015 € million
Current portion of long-term bonds, bills and unsecured notes	**–**	599.8
Commercial paper	**108.5**	173.5
Loan payable to related parties (refer to Note 26)	**4.1**	0.2
Other borrowings	**36.4**	–
	149.0	773.5
Obligations under finance leases falling due within one year	**7.5**	8.0
Total borrowings falling due within one year	**156.5**	**781.5**
Borrowings falling due within one to two years		
Loan payable to related parties (refer to Note 26)	**–**	17.4
Borrowings falling due within two to five years		
Bonds, bills and unsecured notes	**796.0**	794.9
Loan payable to related parties (refer to Note 26)	**–**	13.3
Borrowings falling due in more than five years		
Bonds, bills and unsecured notes	**595.8**	–
	1,391.8	825.6
Obligations under finance leases falling due in more than one year	**76.3**	97.4
Total borrowings falling due after one year	**1,468.1**	**923.0**
Total borrowings	**1,624.6**	**1,704.5**

Commercial paper programme

In October 2013 the Group established a €1.0bn Euro-commercial paper programme ("CP programme") which was updated in September 2014, to further diversify its short-term funding sources. The Euro-commercial paper notes may be issued either as non-interest-bearing notes sold at a discount or as interest-bearing notes at a fixed or floating rate. All commercial paper issued under the CP programme must be repaid within 7 to 364 days. The CP programme has been granted the Short Term Euro Paper label ("STEP") and commercial paper is issued through Coca-Cola HBC's 100%-owned subsidiary Coca-Cola HBC Finance B.V. and is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The outstanding amount under the CP programme as at 31 December 2016 was €108.5m (2015: €173.5m).

Committed credit facilities

In June 2015, the Group replaced its then-existing €500.0m syndicated revolving credit facility with a new €500.0m syndicated loan facility, provided by various financial institutions, expiring on 24 June 2020, with the option to be extended for one more year. In June 2016 the Company exercised its option and the banks agreed to extend the facility for one more year until 24 June 2021.This facility can be used for general corporate purposes and carries a floating interest rate over EURIBOR and LIBOR. No amounts have been drawn under the syndicated loan facility since inception. The borrower in the syndicated loan facility is Coca-Cola HBC's 100%-owned subsidiary Coca-Cola HBC Finance B.V. and it is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG and Coca-Cola HBC Holdings B.V. and is not subject to any financial covenants.

Euro medium-term note programme

In June 2013 the Group established a new €3.0bn Euro medium-term note programme (the EMTN Programme'). The EMTN programme was updated in September 2014 and then again in September 2015. Notes are issued under the EMTN programme through Coca-Cola HBC's 100%-owned subsidiary Coca-Cola HBC Finance B.V. and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In June 2013, Coca-Cola HBC Finance B.V. completed the issue of €800.0m 2.375% seven-year fixed rate Euro-denominated notes. The net proceeds of the new issue, were used to repay the US$500.0m notes due in September 2013 and partially repay €183.0m of the 7.875% five-year fixed rate notes due in January 2014.

In March 2016, Coca-Cola HBC Finance B.V. completed the issue of a €600.0m Euro-denominated fixed rate bond maturing in November 2024. The coupon rate of the new bond is 1.875% which, including the amortisation of the loss on the forward starting swap contracts over the term of the fixed rate bond, results in an effective interest rate of 2.99% (refer to Note 23). The net proceeds of the new issue were used to partially repay €214.6m of the 4.25% seven-year fixed rate notes due in November 2016, the remaining €385.4m was repaid in November 2016 upon its maturity.

As at 31 December 2016, a total of €1.4bn in notes issued under the EMTN programme were outstanding.

Summary of notes outstanding as at 31 December

				Book value		Fair value	
Notes	**Start date**	**Maturity date**	**Fixed coupon**	**2016 € million**	2015 € million	**2016 € million**	2015 € million
€300m	16 November 2009	16 November 2016	4.250%	**–**	299.8	**–**	310.3
€300m	2 March 2011	16 November 2016	4.250%	**–**	300.0	**–**	310.3
€800m	18 June 2013	18 June 2020	2.375%	**796.0**	794.9	**855.9**	845.2
€600m	10 March 2016	11 November 2024	1.875%	**595.8**	–	**634.8**	–
Total				**1,391.8**	**1,394.7**	**1,490.7**	**1,465.8**

The fair values are within Level 1 of the fair value hierarchy.

Notes to the Consolidated Financial Statements continued

24. Net debt continued

Obligations under finance leases

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments as at 31 December were as follows:

	2016 € million		2015 € million	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Less than one year	**13.7**	**7.5**	15.8	8.0
Later than one year but less than two years	**13.5**	**7.7**	15.7	8.3
Later than two years but less than three years	**11.9**	**6.7**	15.6	8.8
Later than three years but less than four years	**11.9**	**7.1**	14.1	7.7
Later than four years but less than five years	**11.9**	**7.5**	14.1	8.2
Later than five years	**62.6**	**47.3**	86.7	64.4
Total minimum lease payments	**125.5**	**83.8**	**162.0**	**105.4**
Future finance charges on finance leases	**(41.7)**	**–**	(56.6)	–
Present value of minimum lease payments	**83.8**	**83.8**	**105.4**	**105.4**

Total borrowings at 31 December were held in the following currencies:

	Current		**Non-current**	
	2016 € million	2015 € million	**2016 € million**	2015 € million
Euro	**122.8**	777.3	**1,416.1**	852.3
Croatian kuna	**15.3**	–	**–**	–
Russian rouble	**11.6**	–	**–**	–
US dollar	**4.5**	1.8	**28.4**	42.3
UK sterling	**1.3**	1.4	**10.9**	14.2
Polish zloty	**0.9**	0.9	**12.7**	14.2
Other	**0.1**	0.1	**–**	–
Total borrowings	**156.5**	**781.5**	**1,468.1**	**923.0**

The carrying amounts of interest bearing borrowings held at fixed and floating interest rate as at 31 December 2016, as well as the weighted average interest rates and maturities of fixed rate borrowings, were as follows:

	Fixed interest rate € million	**Floating interest rate € million**	**Total € million**
Euro	1,515.9	23.0	1,538.9
US dollar	30.2	2.7	32.9
Polish zloty	–	13.6	13.6
UK sterling	–	12.2	12.2
Russian rouble	–	11.6	11.6
Other	–	0.1	0.1
Total interest bearing borrowings	**1,546.1**	**63.2**	**1,609.3**

Other borrowings of €15.3m are subject to factoring agreements, based on which the customers are liable to the interest being charged (refer to Note 17).

Financial liabilities represent fixed and floating rate borrowings held by the Group. The Group's policy is to hedge exposures to changes in the fair value of debt and interest rates by using a combination of cross-currency swap contracts, fixed-to-floating-rate interest rate swap contracts and interest rate option contracts. The weighted average interest rate of the fixed rate Euro liabilities is 2.4% and the weighted average maturity for which the interest rate is fixed is 5.0 years.

The transactions with related parties bear floating interest based on the following benchmark rates:

Euro	6 month EURIBOR (European inter-bank offered rate)

b) Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise the following:

	2016 € million	2015 € million
Cash at bank, in transit and in hand	**329.7**	124.7
Short-term deposits	**243.5**	362.7
Total cash and cash equivalents	**573.2**	**487.4**

Cash and cash equivalents are held in the following currencies:

	2016 € million	2015 € million
Euro	**400.7**	392.6
Nigerian naira	**110.7**	35.7
Russian rouble	**11.7**	7.8
Serbian dinar	**9.1**	1.3
UK sterling	**6.6**	3.9
Polish zloty	**6.2**	5.4
Hungarian forint	**6.1**	2.7
Romanian leu	**5.6**	11.6
Swiss franc	**4.6**	6.8
US dollar	**3.3**	4.8
Ukrainian hryvnia	**2.5**	3.1
Belarusian rouble	**1.4**	3.1
Other	**4.7**	8.6
Total cash and cash equivalents	**573.2**	**487.4**

Cash and cash equivalents includes an amount of €110.7 million equivalent in Nigerian naira and €2.1 million held by the Group's subsidiary, Nigerian Bottling Company Ltd, including €18.2 million equivalent in Nigerian naira, which relates to the outstanding balance of the bank account held for the repayment of its former minority shareholders, following the 2011 acquisition of non-controlling interests.

Cash and cash equivalents held by our subsidiaries in Greece of €10.1 million were subject to capital controls as at 31 December 2016.

The amount of dividends payable to the Company by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws and exchange control restrictions of the respective jurisdictions where those subsidiaries are organised and operate. Also, there are fund transfer restrictions in certain countries in which we operate, in particular Belarus, Greece, Serbia and Ukraine, where these restrictions do not have a material impact on the Group's liquidity, as the amounts of cash and cash equivalents held in such countries are generally retained for capital expenditure, working capital and dividend distribution purposes. Fund transfer restrictions are also applicable in Nigeria; furthermore, the tight liquidity in the foreign exchange market in Nigeria has significantly limited our ability to execute payments in foreign currency, leading to a temporarily high Nigerian naira cash balance. Intra group dividends paid by certain of our subsidiaries are also subject to withholding taxes.

Notes to the Consolidated Financial Statements continued

25. Equity

Accounting policies

Share capital

Coca-Cola HBC has only one class of shares, ordinary shares. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded to the share premium reserve. Incremental external costs directly attributable to the issue of new shares or to the process of returning capital to shareholders are recorded in equity as a deduction, net of tax, in the share premium reserve.

Dividends

Dividends are recorded in the Group's consolidated financial statements in the period in which they are approved by the Group's shareholders.

a) Share capital, share premium and Group reorganisation reserve

	Number of shares (authorised and issued)	Share capital € million	Share premium € million	Group reorganisation reserve € million
Balance as at 1 January 2015	367,819,247	1,998.1	5,157.6	(6,472.1)
Shares issued to employees exercising stock options (refer to Note 27)	322,050	2.0	3.1	–
Dividends	–	–	(132.4)	–
Balance as at 31 December 2015	**368,141,297**	**2,000.1**	**5,028.3**	**(6,472.1)**
Shares issued to employees exercising stock options (refer to Note 27)	1,499,341	9.1	12.5	–
Cancellation of shares	(3,000,000)	(18.4)	(40.1)	–
Dividends	–	–	(146.1)	–
Balance as at 31 December 2016	**366,640,638**	**1,990.8**	**4,854.6**	**(6,472.1)**

The Group reorganisation reserve relates to the impact from adjusting share capital, share premium and treasury shares to depict the respective statutory amounts of Coca-Cola HBC on 25 April 2013, together with the transaction costs incurred by the latter, relating primarily to the re-domiciliation of the Group and its admission to listing in the premium segment of the London Stock Exchange, following successful completion of the voluntary share exchange offer (refer also to Note 1). These transactions were treated as a reorganisation of an existing entity that has not changed the substance of the reporting entity.

In 2015, the share capital of Coca-Cola HBC increased by the issue of 322,050 new ordinary shares following the exercise of stock options pursuant to the Coca-Cola HBC AG's employees' stock option plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €5.1m.

On 23 June 2015, the Annual General Meeting adopted a proposal for share buy-back of up to 3,000,000 ordinary shares of Coca-Cola HBC for the purpose of neutralising the dilution resulting from share issues under Coca-Cola HBC's equity compensation plans. The programme was completed in full during 2015 for a consideration of €58.5m. On 21 June 2016, the Annual General Meeting approved the proposal to reduce the share capital of Coca-Cola HBC AG by cancelling the 3,000,000 treasury shares acquired as part of the share buy-back programme described above. The respective reduction of the share capital was completed in September 2016.

In 2016, the share capital of Coca-Cola HBC increased by the issue of 1,499,341 new ordinary shares following the exercise of stock options pursuant to the Coca-Cola HBC AG's employees' stock option plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €21.6m.

Following the above changes, as at 31 December 2016 the share capital of the Group amounted to €1,990.8m and comprised 366,640,638 shares with a nominal value of CHF 6.70 each.

b) Dividends

The shareholders of Coca-Cola HBC AG approved the 2015 dividend distribution of €0.36 per share at the Annual General Meeting held on 23 June 2015. The total dividend amounted to €132.4m and was paid on 28 July 2015. Of this, an amount of €1.3m related to shares held by the Group.

The shareholders of Coca-Cola HBC AG approved the 2016 dividend distribution of €0.40 per share at the Annual General Meeting held on 21 June 2016. The total dividend amounted to €146.1m and was paid on 26 July 2016. Of this, an amount of €1.4m related to shares held by the Group.

The Board of Directors of Coca-Cola HBC AG has proposed a €0.44 dividend per share in respect of 2016. If approved by the shareholders of Coca-Cola HBC AG, this dividend will be paid in 2017.

c) Reserves

The reserves of the Group at 31 December were as follows:

	2016 € million	2015 € million
Treasury shares	**(70.7)**	**(132.0)**
Exchange equalisation reserve	**(801.8)**	**(681.4)**
Other reserves		
Hedging reserve, net	**(55.3)**	(25.1)
Tax-free reserve	**163.8**	163.8
Statutory reserves	**26.9**	20.0
Stock option reserve	**87.2**	79.1
Available-for-sale financial assets valuation reserve, net	**0.7**	0.8
Other	**21.8**	21.8
Total other reserves	**245.1**	**260.4**
Total reserves	**(627.4)**	**(553.0)**

Treasury shares

Treasury shares held by the Group represent shares acquired following approval of share buy-back programmes, forfeited shares under the equity compensation plan operated by the Group as well as shares representing the initial ordinary shares of Coca-Cola HBC acquired from Kar-Tess Holding. In September 2016 the 3,000,000 treasury shares, acquired as part of the 2015 share buy-back programme for a consideration of €58.5m, were cancelled (refer also to section a) 'Share capital, share premium and Group reorganisation reserve'). As at 31 December 2016, 3,445,060 treasury shares were held by the Group.

Exchange equalisation reserve

The exchange equalisation reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities with functional currencies other than the Euro.

Other reserves

Hedging reserve

The hedging reserve reflects changes in the fair values of derivatives accounted for as cash flow hedges, net of the deferred tax related to such balances.

Tax-free and statutory reserves

The tax-free reserve includes investment amount exempt from tax according to incentive legislation, other tax-free income or income taxed at source.

Statutory reserves are particular to the various countries in which the Group operates. The amount of statutory reserves of the parent entity, Coca-Cola HBC AG, is €nil. During 2016, an amount of €6.9m (2015: €3.0m) was reclassified to statutory reserves relating to the establishment of additional reserves by the Group's subsidiaries.

Other reserves

Other reserves are particular to the various countries in which the Group operates.

Stock option reserve

The stock option reserve represents the cumulative charge to the income statement for employee stock option and performance share awards (refer also to Note 27).

Notes to the Consolidated Financial Statements continued

26. Related party transactions

a) The Coca-Cola Company

As at 31 December 2016, The Coca-Cola Company indirectly owned 23.2% (2015: 23.1%) of the issued share capital of Coca-Cola HBC. The Coca-Cola Company considers Coca-Cola HBC to be a 'key bottler' and has entered into bottlers' agreements with Coca-Cola HBC in respect of each of the Group's territories. All the bottlers' agreements entered into by The Coca-Cola Company and Coca-Cola HBC are Standard International Bottlers' ('SIB') agreements. The terms of the bottlers' agreements grant Coca-Cola HBC the right to produce and the exclusive right to sell and distribute the beverages of The Coca-Cola Company in each of the countries in which the Group operates. Consequently, Coca-Cola HBC is obliged to purchase all concentrate for The Coca-Cola Company's beverages from The Coca-Cola Company, or its designee, in the ordinary course of business. On 10 October 2012, The Coca-Cola Company agreed to extend the term of the bottlers' agreements for further 10 years until 2023.

The Coca-Cola Company owns or has applied for the trademarks that identify its beverages in each of the countries in which the Group operates. The Coca-Cola Company has authorised Coca-Cola HBC and certain of its subsidiaries to use the trademark 'Coca-Cola' in their corporate names.

The below table summarises transactions with the Coca-Cola Company and its subsidiaries:

	2016 € million	2015 € million
Purchases of concentrate, finished goods and other materials	**1,316.2**	1,355.0
Net contributions received for marketing and promotional incentives	**91.2**	89.5
Sales of finished goods and raw materials	**10.8**	9.1
Other income	**4.4**	6.6
Other expenses	**3.5**	4.1
Acquisition of coolers	**3.2**	–

The Coca-Cola Company makes discretionary marketing contributions to Coca-Cola HBC's operating subsidiaries. The participation in shared marketing agreements is at The Coca-Cola Company's discretion and, where co-operative arrangements are entered into, marketing expenses are shared. Such arrangements include the development of marketing programmes to promote The Coca-Cola Company's beverages. Contributions received from The Coca-Cola Company for marketing and promotional incentives during the year amounted to €91.2m (2015: €89.5m). Contributions made by The Coca-Cola Company to Coca-Cola HBC for price support and marketing and promotional campaigns in respect of specific customers in 2016 totalled €66.0m (2015: €46.2m). Contributions made by The Coca-Cola Company to Coca-Cola HBC for general marketing programmes in 2016 totalled €25.2m (2015: €43.4m) while the contributions of Coca-Cola HBC to The Coca-Cola Company totalled €nil (2015: €0.1m). The Coca-Cola Company has also customarily made additional payments for marketing and advertising directly to suppliers as part of the shared marketing arrangements. The proportion of direct and indirect payments, made at The Coca-Cola Company's discretion, will not necessarily be the same from year to year.

Other income primarily comprises rent, facility and other items. Other expenses related to facility costs charged by The Coca-Cola Company and shared costs included in operating expenses.

In December 2016 the Group sold 50% of its share in its subsidiary Neptūno Vandenys, UAB, to European Refreshments, a subsidiary of TCCC (refer to Note 22).

As at 31 December 2016, the Group had a total amount due from The Coca-Cola Company of €94.3m (2015: €72.4m), and a total amount due to The Coca-Cola Company of €234.6m including loans payable of €nil and non-current payables of €1.2m included in line 'Other non-current liabilities' of the consolidated balance sheet (2015: total payables €216.8m with loans payable €13.5m and non-current payables €nil).

b) Frigoglass S.A. ('Frigoglass'), Kar-Tess Holding and AG Leventis (Nigeria) Plc

Truad Verwaltungs AG currently indirectly owns 44.4% of Frigoglass and 50.8% of AG Leventis (Nigeria) Plc and also indirectly controls Kar-Tess Holding, which holds approximately 23.3% (2015: 23.2%) of Coca-Cola HBC's total issued share capital.

The below table summarises transactions with Frigoglass, Kar-Tess Holding and AG Leventis (Nigeria) Plc:

	2016 € million	2015 € million
Purchases	**123.0**	120.5
Other expenses	**21.4**	19.3

Frigoglass, a company listed on the Athens Exchange, is a manufacturer of coolers, cooler parts, glass bottles, crowns and plastics. Frigoglass has a controlling interest in Frigoglass Industries Limited, a company in which the Group has a 23.9% effective interest, through its investment in Nigerian Bottling Company Ltd. Furthermore, during 2015 the Group acquired through its investment in Nigerian Bottling Company Ltd a 23.9% effective interest of Frigoglass West Africa Ltd., a company in which Frigoglass has a controlling interest.

The Group entered into a supply agreement with Frigoglass for the purchase of cooling equipment in 1999. The supply agreement was extended in 2004, 2008 and, most recently, in 2013, on substantially similar terms. Coca-Cola HBC has the status of most favoured customer of Frigoglass, on a non-exclusive basis, provided that it obtains at least 60% (at prices which are negotiated on an annual basis and which must be competitive) of its annual requirements for cooling equipment from Frigoglass. The current agreement expires on 31 December 2018.

During 2016, the Group made purchases of €108.1m (2015: €101.7m) of coolers, cooler parts, glass bottles, crowns and raw and plastics from Frigoglass and its subsidiaries and incurred maintenance and other expenses of €19.6m (2015: €14.8m).

As at 31 December 2016, Coca-Cola HBC owed €32.0m (2015: €23.6m) to and was owed €1.0m (2015: €0.6m) by Frigoglass.

During 2016, the Group purchased €11.9m (2015: €18.8m) of finished goods and other materials from AG Leventis (Nigeria) Plc. In addition, the Group acquired €3.0m of property, plant and equipment (2015: €nil) and incurred rental expenses of €1.8m (2015: €1.7m) and other expenses of €nil (2015: €2.8m) from AG Leventis (Nigeria) Plc.

As at 31 December 2016, the Group owed €2.6m (2015: €1.2m) to and was owed €nil (2015: €1.9m) by AG Leventis (Nigeria) Plc.

c) Other related parties

The below table summarises transactions with other related parties:

	2016 € million	2015 € million
Purchases	**90.2**	89.0
Other expenses	**23.5**	24.5

Beverage Partners Worldwide ('BPW')

BPW is a 50/50 joint venture between The Coca-Cola Company and Nestlé. During 2016, the Group purchased inventory from BPW amounting to €88.3m (2015: €82.9m).

As at 31 December 2016, Coca-Cola HBC owed €5.4m (2015: €5.8m) to and was owed €14.9m (2015: €5.4m) by BPW.

Other

During 2016, the Group purchased €0.8m (2015: €3.8m) of raw materials and finished goods and acquired €1.1m (2015: €2.3m) of property, plant and equipment from other related parties. Furthermore, during 2016, the Group incurred expenses of €23.5m (2015: €24.5m) mainly related to maintenance services for cold drink equipment and installations of coolers, fountains, vending and merchandising equipment from other related parties.

At 31 December 2016, the Group owed €0.1m (2015: €0.5m) to and was owed €0.1m including loans receivable of €0.1m (2015: €0.4m including loans receivable of €0.1m) by other related parties.

Notes to the Consolidated Financial Statements continued

26. Related party transactions continued

d) Joint ventures

During 2016, the Group purchased €42.2m of finished goods (2015: €49.0m) and acquired €nil (2015: €1.2m) of property, plant and equipment from joint ventures. In addition, during 2016 the Group recorded sales of finished goods and raw materials of €12.3m (2015: €11.9m) to joint ventures. Furthermore, the Group recorded other income of €1.6m (2015: €2.5m) from joint ventures. During 2016, the Group sold property, plant and equipment of €2.5m (2015: €nil) to joint ventures.

As at 31 December 2016, the Group owed €34.0m including loans payable of €4.1m (2015: €42.2m including loans payable €17.4m) to and was owed €11.9m including loans receivable of €5.1m (2015: €13.0m including loans receivable of €7.9m) by joint ventures. During 2016 the Group received dividends of €16.5m (2015: €119.6m) from Brewinvest S.A. Group of companies which are included in line 'Net receipts from investments' of the consolidated cash flow statement.

e) Directors

Mr. Anastassis G. David, Mr. Anastasios I. Leventis, Mr. Christo Leventis and Mr. Robert Ryan Rudolph have all been nominated by Kar-Tess Holding to the Board of Coca-Cola HBC. Mr. José Octavio Reyes and Mr. Ahmet C. Bozer have been nominated by TCCC to the Board of Coca-Cola HBC. There have been no transactions between Coca-Cola HBC and the Directors except for remuneration (refer to Note 8).

There are no significant transactions with other related parties for the year ended 31 December 2016.

27. Share-based payments

Accounting policy

Stock option and performance share compensation plans

Coca-Cola HBC issues equity-settled share-based payments to its senior managers in the form of an employee stock option plan and a performance share plan.

The employee stock option plan is measured at fair value at the date of grant. Fair value reflects the parameters of the compensation plan, the risk-free interest rate, the expected volatility, the dividend yield and the early exercise experience of the Group's plans. Expected volatility is determined by calculating the historical volatility of Coca-Cola HBC's share price over previous years. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period.

The performance share plan offers a specified number of performance share awards that vest three years after the grant. The fair value is determined at the grant date and reflects the parameters of the compensation plan, the dividend yield and the weighted average share price. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. At the end of each reporting period the Group revises its estimates of the number of shares that are expected to vest based on non-market conditions, and recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

Employee stock purchase plan

The Group operates an employee stock purchase plan, the Employee Stock Purchase Plan, an equity compensation plan in which eligible employees can participate. The Group makes contributions to the plan for participating employees and recognises expenses over the vesting period of the contributed shares. No provision is made for any increase or decrease in value of these shares, as they will vest to employees, and the risks and rewards of fluctuations of the share price are borne by those employees. Any unvested contributions to the plan are recorded on the balance sheet as prepayments.

The charge included in employee costs regarding share-based payments for the years ended 31 December is analysed as follows:

	2016 € million	2015 € million
Stock option awards	**3.7**	8.7
Performance share awards	**4.4**	0.1
Employee Stock Purchase Plan	**4.6**	4.8
Total share-based payments charge	**12.7**	**13.6**

Terms and conditions

Stock option plan:

Senior managers are granted awards of stock options, based on performance, potentiality and level of responsibility. Options are granted at an exercise price equal to the closing price of the Company's shares trading on the London Stock Exchange on the day of the grant. Options vest in one-third increments each year for three years and can be exercised for up to 10 years from the date of award. When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (at the nominal value) and share premium.

Performance share plan:

During 2015 the Group adopted a performance share plan under which senior managers are granted performance share awards, which have a three-year vesting period and are linked with Group specific key performance indicators. Performance share awards are granted at a price equal to the closing price of the Company's shares trading on the London Stock Exchange on the day of the grant.

Employee Stock Purchase Plan:

The Employee Stock Purchase Plan is administered by a Plan Administrator. Under the terms of this Plan, employees have the opportunity to invest 1% to 15% of their salary in ordinary Coca-Cola HBC shares by contributing to the Plan monthly. Coca-Cola HBC will match up to a maximum of 3% of the employee's salary by way of contribution. Employer contributions are used to purchase matching shares on a monthly basis on the open market, which is the London Stock Exchange. Matching shares vest one year after the purchase. Forfeited shares may be used to meet Plan expenses or for any other purposes relevant to the Plan. Dividends received in respect of shares under the Plan are used to purchase additional shares and are immediately vested to the employees. Shares are held under the Plan Administrator. In order to adapt the Plan to the Greek legal framework, Coca-Cola HBC matches the contribution of employees resident in Greece with an annual employer contribution, of up to 5% of the employee's salary in December of each year, which vest immediately.

Stock option activity

The Group has not issued any new stock options in 2016 or 2015.

The following table summarises information regarding outstanding stock options exercisable at 31 December 2016:

	Exercise price (EUR)	Exercise price (GBP)	Vesting status as at 31 Dec 2016	Vesting dates for further increments	End of period	Number of stock options outstanding
2005 December Grant	13.19	11.24	fully vested	–	31.12.2020[1]	250,001
2006 December Grant	16.37	13.95	fully vested	–	12.12.2021[1]	397,500
2007 December Grant	26.41	22.51	fully vested	–	12.12.2017	1,147,200
2008 December Grant	9.02	7.69	fully vested	–	10.12.2018	719,100
2009 December Grant	15.70	13.38	fully vested	–	09.12.2019	1,142,000
2010 December Grant	19.31	16.46	fully vested	–	08.12.2020	1,492,501
2011 March Grant	18.53	15.79	fully vested	–	15.03.2021	18,334
2011 December Grant	11.98	10.21	fully vested	–	15.12.2021	1,038,339
2013 June Grant	–	15.00	fully vested	–	20.06.2023	1,278,000
2013 December Grant	–	16.99	fully vested	–	09.12.2023	1,525,000
2014 December Grant	–	13.33	two thirds	10.12.2017	09.12.2024	1,532,834
Total						**10,540,809**

1. Relates to stock options granted under the previous stock option plan which expire in December 2020 and 2021 respectively.

Notes to the Consolidated Financial Statements continued

27. Share-based payments continued

A summary of stock option activity in 2016 under all plans is as follows:

	Number of stock options 2016	Weighted* average exercise price 2016 (EUR)	Weighted average exercise price 2016 (GBP)
Outstanding at 1 January	**12,337,506**	**19.76**	**14.56**
Exercised	**(1,499,341)**	**14.56**	**12.40**
Expired	**(271,687)**	**20.29**	**17.28**
Forfeited	**(25,669)**	**16.82**	**14.32**
Outstanding at 31 December	**10,540,809**	**17.38**	**14.80**
Exercisable at 31 December	**10,019,308**	**17.46**	**14.87**

A summary of stock option activity in 2015 under all plans is as follows:

	Number of stock options 2015	Weighted* average exercise price 2015 (EUR)	Weighted average exercise price 2015 (GBP)
Outstanding at 1 January	12,925,795	18.51	14.49
Exercised	(322,050)	15.47	11.40
Expired	(35,062)	22.52	16.60
Forfeited	(231,177)	20.14	14.84
Outstanding at 31 December	**12,337,506**	**19.76**	**14.56**
Exercisable at 31 December	**10,276,017**	**19.73**	**14.54**

* For convenience purposes, the prices are translated with the closing exchange rate.

Total proceeds from the issuance of the shares under the stock option plan in 2016 amounted to €21.6m (2015: €5.1m).

The weighted average remaining contractual life of share options outstanding under the stock option compensation plans at 31 December 2016 was 4.8 years (2015: 5.3 years).

Performance shares

A summary of performance share plan activity is as follows:

	Number of performance shares 2016	Number of performance shares 2015
Outstanding at 1 January	**652,159**	–
Granted	**716,269**	652,159
Forfeited	**(4,436)**	–
Outstanding at 31 December	**1,363,992**	**652,159**

The fair value for the 2016 performance share plan is £13.50m (2015: £13.84m). The weighted average remaining contractual life of performance shares outstanding under the performance share plans at 31 December 2016 was 2.2 years (2015: 3.2 years). Relevant inputs into the valuation are as follows:

	2016	2015
Weighted average share price	**£14.34**	£14.70
Dividend yield	**2.0%**	2.0%
Weighted average exercise period	**3.0 years**	3.3 years

28. Contingencies

In relation to the Greek Competition Authority's decision of 25 January 2002, one of Coca-Cola Hellenic Bottling Company S.A.'s competitors has filed a lawsuit against Coca-Cola Hellenic Bottling Company S.A. claiming damages in an amount of €7.7m. The court of first instance heard the case on 21 January 2009 and subsequently rejected the lawsuit. The plaintiff has appealed the judgement and on 9 December 2013 the Athens Court of Appeals rejected the plaintiff's appeal. Following the spin off, Coca-Cola HBC Greece S.A.I.C. substituted Coca-Cola Hellenic Bottling Company S.A. as defendant in this lawsuit. Coca-Cola HBC Greece S.A.I.C. has not provided for any losses related to this case. The defendant has not filed for a cessation of the decision within the relevant deadline set by law, therefore the decision of the Athens Court of Appeals is final and irrevocable and the case has closed. On 19 April 2014, the same plaintiff filed a new lawsuit against Coca-Cola Hellenic Bottling Company S.A. (following the spin-off, Coca-Cola HBC Greece S.A.I.C.) claiming payment of €7.5m as compensation for losses and moral damages for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. between 1994 and 2013. The two lawsuits partially overlap in the time period for which damages are sought by the plaintiff. The hearing of the new lawsuit is now scheduled for 17 January 2019. Coca-Cola HBC Greece S.A.I.C. has not provided for any losses related to this case.

On 1 February 2012, the Greek Competition Commission conducted an inspection of Coca-Cola Hellenic Bottling Company S.A.'s (following the spin-off, Coca-Cola HBC Greece S.A.I.C.) operations as part of an investigation in to our commercial practices in recent years into the sparkling, juice and water categories. In April 2016, Coca-Cola HBC S.A.I.C. was officially informed by the Greek Competition Commission on the closure of this audit. On 6 September 2016, the Greek Competition Commission initiated a new audit of Coca-Cola HBC Greece S.A.I.C.'s operations as part of a further investigation into certain commercial practices in the sparkling, juice and water categories. Coca-Cola HBC Greece S.A.I.C. has a policy of strict compliance with Greek and EU competition law and it is co-operating fully with the Greek Competition Commission.

In 1992, our subsidiary Nigerian Bottling Company ('NBC') acquired a manufacturing facility in Nigeria from Vacunak, a Nigerian company. In 1994, Vacunak filed a lawsuit against NBC, alleging that a representative of NBC had orally agreed to rescind the sale agreement and instead enter into a lease agreement with Vacunak. As part of its lawsuit Vacunak sought compensation for rent and loss of business opportunities. NBC discontinued all use of the facility in 1995. On 19 August 2013, NBC received the written judgement of the Nigerian court of first instance issued on 28 June 2012 providing for damages of approximately €26.0m. NBC has filed an appeal against the judgement. Based on advice from NBC's outside legal counsel, we believe that it is unlikely that NBC will suffer material financial losses from this case. We have consequently not provided for any losses in relation to this case.

The tax filings of the Group and its subsidiaries are routinely subjected to audit by tax authorities in most of the jurisdictions in which the Group conducts business. These audits may result in assessments of additional taxes. The Group provides additional tax in relation to the outcome of such tax assessments, to the extent that a liability is probable and estimable.

The Group is also involved in various other legal proceedings. Management believes that any liability to the Group that may arise as a result of these pending legal proceedings will not have a material adverse effect on the results of operations, cash flows, or the financial position of the Group taken as a whole.

Notes to the Consolidated Financial Statements continued

29. Commitments

Accounting policy

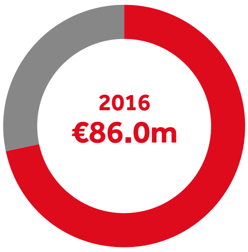
Leases of property, plant and equipment not classified as finance leases are classified as operating leases. Rentals paid under operating leases are charged to the income statement on a straight-line basis over the lease term.

a) Operating leases

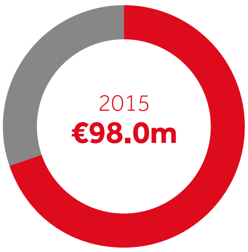
The total of future minimum lease payments under non-cancellable operating leases at 31 December was as follows:

	2016 € million	2015 € million
Less than one year	**33.3**	44.2
Later than one year but less than five years	**80.4**	98.5
Later than five years	**12.1**	17.2
Future minimum lease payments	**125.8**	**159.9**

The total operating lease charges included within operating expenses for the years ended 31 December were as follows:



● Plant and equipment: **€61.7m**
● Property: **€24.3m**



● Plant and equipment: €68.5m
● Property: €29.5m

b) Capital commitments

As at 31 December 2016, the Group had capital commitments amounting to €84.9m (2015: €70.5m). Of this, €1.6m related to the Group's share of the commitments arising from joint operations (2015: €nil). The Group's share of the commitments arising from joint ventures are disclosed in Note 15.

c) Long-term commitments

As at 31 December 2016 the Group had commitments to purchase raw materials and receive services amounting to €510.6m (2015: €542.8m). Of this, €0.5m related to the Group's share of the commitments arising from joint operations (2015: €nil). The Group' share of the commitments arising from joint ventures are disclosed in Note 15.

30. Post balance sheet events

During the first months of 2017 the Group incurred €1.2m of restructuring costs before tax in its Established markets. On 16 March 2017 the Board of Directors granted 824,074 performance share plan awards under the performance share plan, which have a three-year vesting period.

Swiss Statutory Reporting

Swiss Statutory Reporting continued

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Report of the statutory auditor
to the General Meeting of
Coca-Cola HBC AG
Steinhausen/Zug

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Coca-Cola HBC AG and its subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2016 and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 114 to 176) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

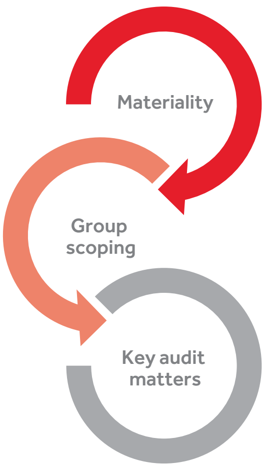
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: € 22.9 million

We audited the complete financial information of the Company and for subsidiary undertakings in 14 countries.

Taken together, the undertakings of which an audit of their complete financial information was performed accounted for 83% of consolidated net sales revenue, 89% of consolidated profit before tax and 85% of consolidated total assets of the Group.

We also conducted specific audit procedures and analytical review procedures for other Group undertakings and functions.

As key audit matters the following areas of focus have been identified:

– Goodwill and indefinite-lived intangible assets impairment assessment
– Uncertain tax positions
– Provisions and contingent liabilities

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates through its trading subsidiary undertakings in 28 countries, as set out on page 122 of the 2016 Integrated Annual Report. The processing of the accounting entries for these entities is largely centralised in a shared services centre in Bulgaria, except for the subsidiary undertakings in Russia, Ukraine, Belarus and Armenia, which process their accounting entries locally. The Group also operates a centralised treasury function in the Netherlands and in Greece and a centralised procurement function in Austria. We considered the nature of the work that needed to be performed on these entities and functions by us, as the group engagement team and by component auditors from other PwC network firms. Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those entities or functions to be able to conclude whether appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Based on the financial significance to the consolidated financial statements and in light of the key audit matters as noted above, we identified subsidiary undertakings in 14 countries (including the trading subsidiary undertakings in Russia, Nigeria and Italy) which in our view, required an audit of their complete financial information. Furthermore, the Company's complete financial information was subject to audit Specific audit procedures on certain balances and transactions were also performed on subsidiary undertakings in 3 countries, 1 joint venture and the corporate service centres in Greece and Austria. In addition, audit procedures were performed with respect to the centralised treasury function by the group engagement team and by the component audit team in Austria as regards to the centralised procurement function. The group engagement team also performed analytical review and other procedures on balances and transactions of subsidiary undertakings not covered by the procedures described above.

Our group engagement team's involvement with respect to audit work performed by component auditors included site visits (to Russia, Nigeria, Italy, Switzerland, Bulgaria and Greece), conference calls with component audit teams, meetings with local management, review of component auditor work papers, attendance at component audit clearance meetings, and other forms of interactions as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising. The group engagement team was also responsible for planning, designing and overseeing the audit procedures performed at the shared services centre in Bulgaria. The Group consolidation, financial statement disclosures and a number of areas of significant judgement, including goodwill and intangible assets, material provisions and contingent liabilities, were audited by the group engagement team. We also performed work centrally on IT general controls. We held a two-day audit planning workshop in Greece focusing on planning and risk assessment activities. This audit planning workshop was attended by the component teams responsible for the subsidiaries requiring an audit of their complete financial information.

Based on the above, the undertakings of which an audit of the complete financial information was performed accounted for 83% of consolidated net sales revenue, 89% of consolidated profit before tax and 85% of consolidated total assets of the Group.

Swiss Statutory Reporting continued

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	€ 22.9 million (rounded)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is one of the principal measures considered by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in generally accepted auditing practice.

We agreed with the Audit and Risk Committee that we would report to them misstatements above € 1,000,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill and indefinite-lived intangible assets impairment assessment

Key audit matter	How our audit addressed the key audit matter
Refer to Note 13 for intangible assets including goodwill. Goodwill and indefinite-lived intangible assets as at 31 December 2016 amount to €1,671.9 million and €206.4 million, respectively. The above noted amounts have been allocated to individual cash-generating units ('CGUs'). The impairment assessment is performed at least annually and relies on the calculation of a value-in-use for each CGU. This area was a key matter for our audit due to the size of goodwill and indefinite-lived intangible assets and because the determination of whether elements of goodwill and of indefinite-lived intangible assets are impaired involves complex and subjective estimates and judgements by management about the future results of the CGUs. These estimates and judgements include assumptions surrounding revenue growth rates, input costs, foreign exchange rates and discount rates. Furthermore, macroeconomic volatility, competitor activity and regulatory/fiscal developments can adversely affect each CGU and potentially the carrying amount of goodwill and indefinite-lived intangible assets. No impairment charge was recorded in 2016. We note however, that goodwill and indefinite-lived intangible assets held by Multon ZAO CGU and the Nigeria CGU remain sensitive to changes in the key drivers of cash flow forecasts given the macroeconomic volatility in Russia and Nigeria respectively.	We evaluated the process by which management prepared the CGU value-in-use calculations and compared them to the latest budget approved by the Board of Directors. We assessed the quality of the budgeting process by comparing the prior year budget with actual data. No material exceptions were noted from our evaluation. Deploying our valuation specialists, we challenged management's analysis around the key drivers of cash flow forecasts including price increases, short-term and long-term volume growth and the level of input costs by comparing them with either the Group's historical information or market data, as appropriate. We also evaluated the appropriateness of other key assumptions including discount rates and foreign exchange rates by comparing them to relevant market data. We found the assumptions to be consistent and in line with our expectations. We also performed sensitivity analyses on the key drivers of cash flow forecasts for the CGUs with significant balances of goodwill and indefinite-lived intangible assets as well as for CGUs with marginal headroom, including the goodwill and indefinite-lived intangible assets held by Multon ZAO CGU and the Nigeria CGU. As a result of our work, we found that the determination by management that no impairment was required for goodwill and indefinite-lived intangible assets was supported by reasonable assumptions. Management has furthermore disclosed relevant sensitivity analyses in Note 13.

Uncertain tax positions

Key audit matter	How our audit addressed the key audit matter
Refer to Note 10 for taxation and Note 28 for contingencies. The Group operates in a complex multinational tax environment which gives rise to uncertain tax positions in relation to corporation tax, transfer pricing and indirect taxes. Given the number of judgements involved in estimating the provisions relating to uncertain tax positions and the complexities of dealing with tax rules and regulations in numerous jurisdictions, this was considered as a key audit matter.	In conjunction with our tax specialists, we evaluated management's judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. In order to understand and evaluate management's judgements, we considered the status of current tax authority audits and enquiries, the outcome of previous tax authority audits, judgemental positions taken in tax returns and current year estimates and recent developments in the tax environments in which the Group operates. From the evidence obtained and in the context of the consolidated financial statements, taken as a whole, we consider the provisions in relation to uncertain tax positions as appropriate.

Swiss Statutory Reporting continued

Provisions and contingent liabilities

Key audit matter	How our audit addressed the key audit matter
Refer to Note 20 for provisions and Note 28 for contingencies. The Group faces a number of threatened and actual legal and regulatory proceedings including legal proceedings with the Greek Competition Commission. The level of provisioning and/or the level of disclosure required involves a high level of judgement resulting in provisions and contingent liabilities being considered as a key audit matter.	We evaluated the design and implementation of controls in respect of litigation and regulatory procedures, and no material exceptions were noted. Our procedures included the following: – where relevant, reading external legal advice obtained by management; – discussing open matters with the Group general counsel; – meeting with local management and reading subsequent correspondence; – assessing and challenging management's conclusions through understanding precedents set in similar cases; and – circularising relevant third-party legal representatives and follow up discussions, where appropriate, on certain material cases. – Based on the evidence obtained, whilst noting the inherent uncertainty with such legal and regulatory matters, we determined the level of provisioning as at 31 December 2016 to be appropriate. We assessed the appropriateness of the related disclosures in Note 28 and considered these to be reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements of Coca-Cola HBC AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Mike Foley
Audit expert
Auditor in charge

Philipp Kegele

Zürich, 17 March 2017

Swiss Statutory Reporting continued

Report of the statutory auditor
to the General Meeting of
Coca-Cola HBC AG
Steinhausen/Zug

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Coca-Cola HBC AG, which comprise the Balance sheet as at 31 December 2016, Income statement and Notes to the financial statements (pages 187 to 195) for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2016 comply with Swiss law and the Company's articles of incorporation.

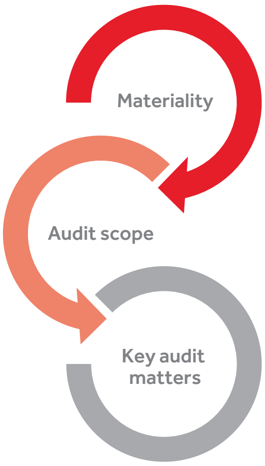
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 43.1 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

– Valuation of investment in subsidiary

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 43.1 million
How we determined it	0.5% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark which reflects the actual substance of the entity. This is a generally accepted benchmark for ultimate holding entities.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment in subsidiary

Key audit matter	How our audit addressed the key audit matter
See Note 1 and 2.2 to the financial statements of the Company for the Directors' disclosures of the related accounting policy and the detailed information on the valuation of the investment in subsidiary. Investments in subsidiaries as at 31 December 2016 amount to CHF 8.704m. The valuation of the investments in subsidiaries is inherently judgemental as it relies on forecasts of future profitability and cash flows. Macroeconomic volatility, competitor activity and regulatory/fiscal developments can adversely affect each underlying cash-generating-unit and potentially the carrying amount the total investments. The Company's market capitalisation is subject to share price volatility.	We evaluated the process by which management prepared its value-in-use calculations and compared them to the latest budget approved by the Board of Directors. We assessed the quality of the budgeting process by comparing the prior year budget with actual data. No material exceptions were noted from our evaluation. Deploying valuation specialists, we challenged management's analysis around the key drivers of cash flow forecasts including price increases, short-term and long-term volume growth and the level of input costs by comparing them with either the Group's historical information or market data, as appropriate. We also evaluated the appropriateness of other key assumptions including discount rates and foreign exchange rates by comparing them to relevant market data. We found the assumptions to be consistent and in line with our expectations. We also performed sensitivity analyses on the key drivers of cash flow forecasts for significant components. As an overall consideration we assessed management's comparison between investment value and market capitalisation. As a result of our work, we found managements assumptions and their determination that no impairment was required to be reasonable, after having reflected the write down of investments equal to the dividend received from Coca Cola HBC Holdings B.V. of CHF 160m.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Swiss Statutory Reporting continued

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and reserves complies with Swiss law and the Company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Mike Foley
Audit expert
Auditor in charge

Philipp Kegele

Zürich, 17 March 2017

Coca-Cola HBC AG's financial statements, Zug

Balance sheet

	Note	As at 31 December 2016	2015
		CHF thousands	
ASSETS			
Cash and cash equivalents		**1,648**	537
Short-term receivables from direct and indirect participations	2.1	**7,354**	6,656
Short-term receivables from third parties		**763**	829
Prepaid expenses and accrued income		**–**	218
Total current assets		**9,765**	**8,240**
Investments in subsidiaries	2.2	**8,704,582**	8,864,977
Property, plant and equipment		**1,465**	1,687
Total non-current assets		**8,706,047**	**8,866,664**
Total assets		**8,715,812**	**8,874,904**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade payables due to third parties		**806**	1,202
Short-term liabilities to direct and indirect participations	2.3	**3,493**	4,718
Short-term interest-bearing liabilities to direct and indirect participations	2.3	**2,142**	–
Accrued expenses	2.3	**15,605**	16,998
Total short-term liabilities		**22,046**	**22,918**
Long-term interest-bearing liabilities to indirect participations	2.4	**68,446**	83,362
Provisions		**–**	249
Total long-term liabilities		**68,446**	**83,611**
Share capital	2.5	**2,456,492**	2,466,547
Legal capital reserves			
Reserves from capital contributions		**5,948,183**	6,137,760
Reserves for treasury shares	2.6	**85,298**	85,298
Retained earnings			
Results carried forward		**144,617**	200,291
Loss for the year		**(7,320)**	(55,674)
Treasury shares	2.6	**(1,950)**	(65,847)
Total shareholders' equity	2.7	**8,625,320**	**8,768,375**
Total liabilities and shareholders' equity		**8,715,812**	**8,874,904**

Swiss Statutory Reporting continued

Statement of income

	Note	2016	2015
		Year ended 31 December	
		CHF thousands	
Dividend income		**160,395**	254,174
Other operating income	2.8	**25,333**	24,396
Total operating income		**185,728**	**278,570**
Employee costs		**(14,728)**	(16,119)
Other operating expenses		**(17,198)**	(19,922)
Write down of investments	2.2	**(160,395)**	(254,174)
Depreciation on property, plant and equipment		**(213)**	(199)
Total operating expenses		**(192,534)**	**(290,414)**
Operating loss		**(6,806)**	**(11,844)**
Finance income		**3,568**	937
Finance costs		**(3,790)**	(7,610)
Extraordinary, non-recurring or prior period expenses	2.9	**–**	(36,845)
Loss before tax		**(7,028)**	**(55,362)**
Direct taxes		**(292)**	(312)
Loss for the year		**(7,320)**	**(55,674)**

Notes to the financial statements of Coca-Cola HBC AG, Zug

Introduction

Coca-Cola HBC AG ('the Company') was incorporated on 19 September 2012 by Kar-Tess Holding. On 11 October 2012, the Company announced a voluntary share exchange offer to acquire all outstanding ordinary registered shares and all American depositary shares of Coca-Cola Hellenic Bottling Company S.A., Maroussi (GR) ('CCHBC SA'). As a result of the successful completion of this offer, on 25 April 2013 the Company acquired 96.85% of the issued CCHBC SA shares, including shares represented by American depositary shares, and became the new parent company of the Group (the Company and its direct and indirect subsidiaries). On 17 June 2013, the Company completed its statutory buyout of the remaining shares of CCHBC SA that it did not acquire upon completion of its voluntary share exchange offer.

1. Accounting principles

Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, applicable from the year ended 31 December 2015). Significant accounting and valuation principles are described below:

Dividend income

Dividend income is recognised when the right to receive payment is established.

Other operating income

The Company provides management services to its principal subsidiaries and acts as guarantor to its principal subsidiary, Coca-Cola HBC Finance B.V. The income from these services is recognised in the accounting period in which the service is provided.

Exchange rate differences

The accounting records of the Company are retained in Euro and translated to Swiss francs (CHF) for presentation purposes. Except for investments in subsidiaries, property, plant and equipment, long-term liabilities and equity, which are translated at historical rates, all assets and liabilities denominated in foreign currencies are translated into CHF using the closing exchange rate as at 31 December 2016. Income and expenses are translated into CHF at the average exchange rate of the reporting year. Net unrealised exchange losses are recorded in the income statement, while net unrealised gains are deferred within accrued liabilities.

	Balance sheet as at		Income statement for the year ended	
Exchange rates	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
EUR	**1.07**	1.08	1.09	1.06
USD	**1.03**	0.99		
GBP	**1.26**	1.47		

Investments in subsidiaries

Investments in subsidiaries are valued at historical cost and evaluated for impairment if identified triggering events occur.

Property, plant and equipment

Depreciation is calculated on the basis of the following useful lives and in accordance with the following methods:

Property, plant and equipment	Useful life	Method
Leasehold improvement (building)	20 years	5% linear
Leasehold improvement (office infrastructure)	10 years	10% linear
Building infrastructure	12 years	8.33% linear
Furniture and fixtures, office equipment and other tangible fixed assets	8 years	12.5% linear
Telephony infrastructure	7 years	14.29% linear
Communication equipment, computers and PCs	4 years	25% linear
Tablets	3 years	33.33% linear

Treasury shares

Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition. If treasury shares are sold, the gain or loss arising is recognised in the income statement as finance income or finance cost as appropriate.

Swiss Statutory Reporting continued

2. Information relating to the balance sheet and statement of income

2.1. Short-term receivables from direct and indirect participations

The short-term receivables from direct and indirect participations do not bear interest.

	As at 31 December	
Name of participation	**2016**	**2015**
	CHF thousands	
CCB Management Services GmbH, Vienna	**6,631**	6,030
Coca-Cola HBC Finance B.V., Amsterdam	**703**	626
LLC Coca-Cola Eurasia, Nizhni Novgorod	**15**	–
Coca-Cola HBC Business Services Organisation, Sofia	**5**	–
Short-term receivables from direct and indirect participations	**7,354**	**6,656**

2.2. Investments in subsidiaries

			As at 31 December	
Direct subsidiary	**Share of capital**	**Share of votes**	**2016**	**2015**
			CHF thousands	
Coca-Cola HBC Holdings B.V., Amsterdam[1]	100%	100%	**8,864,977**	9,119,151
Write down of investment			**(160,395)**	(254,174)
Investments in subsidiaries	**100%**	**100%**	**8,704,582**	**8,864,977**

1. Coca-Cola HBC Holdings B.V., Amsterdam was incorporated on 26 June 2013.

In 2015 the Company adopted a practice to reduce the value of its investment in Coca-Cola HBC Holdings B.V. by an amount equal to the dividend received from that subsidiary. The amount of the write down in 2016 is equal to the dividend received in July 2016 from Coca-Cola HBC Holdings B.V. of CHF160,395 thousand.

The principal direct and indirect participations of the Company are disclosed in Note 15 to the consolidated financial statements.

2.3. Short-term liabilities to direct and indirect participations and accrued expenses

The short-term liabilities to the direct and indirect participations do not bear interest except for the liability to Coca-Cola HBC Finance B.V. which is interest bearing.

	As at 31 December	
Name of participation	**2016**	**2015**
	CHF thousands	
CCB Management Services GmbH, Vienna	**2,820**	3,088
Coca-Cola Hellenic Business Service Organisation, Sofia	**4**	4
Coca-Cola HBC Ireland Limited, Dublin	**–**	66
Coca-Cola HBC Finance B.V. Amsterdam	**647**	1,560
Coca-Cola HBC Services, Athens	**17**	–
Coca-Cola HBC Northern Ireland Ltd., Lisburn	**5**	–
Total short-term non interest-bearing liabilities to direct and indirect participations	**3,493**	**4,718**

	As at 31 December	
Name of participation	**2016**	**2015**
	CHF thousands	
Coca-Cola HBC Finance B.V., Amsterdam	**2,142**	–
Total short-term interest-bearing liabilities to direct and indirect participations	**2,142**	**–**

	As at 31 December	
	2016	**2015**
Accrued expenses	**CHF thousands**	
Direct taxes	**313**	294
Management incentive plan ('MIP')	**2,848**	3,770
Employee related costs (social security & insurance, payroll taxes)	**1,149**	1,156
Other accrued expenses	**2,360**	2,362
Net unrealised gains from foreign currency translation	**8,935**	9,416
Total accrued expenses	**15,605**	**16,998**

2.4. Long-term interest-bearing liabilities

	As at 31 December	
	2016	2015
	CHF thousands	
Coca-Cola HBC Finance B.V., Amsterdam	**68,446**	83,362

Long-term interest-bearing liabilities comprise loans from Coca-Cola HBC Finance B.V. On 13 August 2015 the Company entered into interest-bearing long-term loan agreements with Coca-Cola Finance B.V. with a nominal amount of € 66,000 thousand and maturing on 31 December 2019. The outstanding amount of the loan as at 31 December 2016 was CHF 68,446 thousand.

2.5. Share capital

	Number of shares	Nominal value	Total
		CHF	CHF thousands
Share capital as at 1 January 2015	367,819,247	6.70	2,464,389
Shares issued to employees exercising stock options	322,050	6.70	2,158
Share capital as at 31 December 2015	**368,141,297**	6.70	**2,466,547**

	Number of shares	Nominal value	Total
		CHF	CHF thousands
Share capital as at 1 January 2016	368,141,297	6.70	2,466,547
Cancellation of shares[1]	(3,000,000)	6.70	(20,100)
Shares issued to employees exercising stock options	1,499,341	6.70	10,045
Share capital as at 31 December 2016	**366,640,638**	**6.70**	**2,456,492**

2.6. Treasury shares

The number of treasury shares held by Coca-Cola HBC AG and its subsidiaries qualifying under article 659b SCO and their movements are as follows:

Treasury shares (held by subsidiaries)	Number of shares	Book value per share	Total
		CHF	CHF thousands
Total ordinary treasury shares at 31 December 2015	3,430,135	24.8673	85,298
Total ordinary treasury shares at 31 December 2016	**3,430,135**	24.8673	**85,298**

Treasury shares held by the Company	Number of shares	Book value per share	Total
		CHF	CHF thousands
Treasury shares held by Company as at 1 January 2015	14,925	130.6600	(1,950)
Shares purchased as part of buy-back programme in 2015[1]	3,000,000	21.2990	(63,897)
Treasury shares held by Coca-Cola HBC AG as at 31 December 2015	**3,014,925**	**21.8404**	**(65,847)**
Treasury shares held by Company as at 1 January 2016	3,014,925	21.8404	(65,847)
Cancellation of shares[1]	(3,000,000)	21.2990	63,897
Treasury shares held by Coca-Cola HBC AG as at 31 December 2016	**14,925**	**130.6600**	**(1,950)**

1. On 23 June 2015, the Annual General Meeting adopted a proposal to buy-back of up to 3,000,000 ordinary shares. The programme started on 17 August 2015 and was completed on 21 December 2015. The Company purchased 3,000,000 of its ordinary shares of CHF 6.70 each at an average price of GBP 1,407.53 pence per share (minimum price of GBP 1,284.67 pence and maximum price of 1,548.45 pence). On 21 June 2016, the Annual General Meeting approved the proposal to reduce the share capital of Coca-Cola HBC AG by cancelling the 3,000,000 treasury shares acquired as part of the share buy-back programme described above. The respective reduction of the share capital was completed in September 2016.

Swiss Statutory Reporting continued

2. Information relating to the balance sheet and statement of income continued

2.7. Equity

	Share capital	Legal capital reserves		Retained earnings	Treasury shares	Total
		Reserves from capital contributions	Reserves for treasury shares[1]			
	CHF thousands					
Balance as at 1 January 2015	**2,464,389**	**6,276,922**	**85,298**	**200,291**	**(1,950)**	**9,024,950**
Shares issued to employees exercising stock options	2,158	3,453	–	–	–	5,611
Dividends	–	(142,615)	–	–	–	(142,615)
Own shares bought back 2015	–	–	–	–	(63,897)	(63,897)
Loss for the year	–	–	–	(55,674)	–	(55,674)
Balance as at 31 December 2015	**2,466,547**	**6,137,760**	**85,298**	**144,617**	**(65,847)**	**8,768,375**
Balance as at 1 January 2016	**2,466,547**	**6,137,760**	**85,298**	**144,617**	**(65,847)**	**8,768,375**
Shares issued to employees exercising stock options	10,045	13,462	–	–	–	23,507
Dividends[2]	–	(159,242)	–	–	–	(159,242)
Cancellation of shares	(20,100)	(43,797)	–	–	63,897	–
Loss for the year	–	–	–	(7,320)	–	(7,320)
Balance as at 31 December 2016	**2,456,492**	**5,948,183**	**85,298**	**137,297**	**(1,950)**	**8,625,320**

1. Represents the book value of treasury shares held by subsidiaries.
2. On 21 June 2016 the shareholders of the Company at the Annual General Meeting approved the distribution of a €0.40 dividend per each ordinary registered share. The dividend was paid on 26 July 2016 and amounted to CHF 159,242 thousand.

2.8. Other operating income

	2016	2015
	CHF thousands	
Management fees	**22,383**	22,272
Guarantee fee	**2,950**	2,124
Total other operating income	**25,333**	**24,396**

Management fees relate to service income earned from services provided to the Company's direct and indirect participations.

Guarantee fee is the income the Company receives for the services provided as guarantor to Coca-Cola HBC Finance B.V.

2.9. Extraordinary, non-recurring or prior period expenses

The year ended 31 December 2015 includes extraordinary amortisation of CHF 36,845 thousand resulting from capitalised organisational costs that were fully amortised as at 1 January 2015 in accordance with the new accounting law. The extraordinary, non-recurring prior period expenses were nil for the year ended 31 December 2016.

3. Other information

3.1. Net release of hidden reserves

No hidden reserves were released for the years ended 31 December 2016 or 31 December 2015.

3.2. Number of employees

In 2016 and 2015 on an annual average basis, the number of full-time equivalent employees did not exceed 50.

3.3. Operating lease liabilities (not terminable or expiring within 12 months of balance sheet date)

	Residual term (years)	2016	2015
		CHF thousands	
Office rental, Turmstrasse 26, Zug	1 to 5 year	**500**	799
Total lease liabilities		**500**	**799**

3.4. Pension liabilities

As at 31 December 2016 the liability to the pension scheme amounted to CHF 159 thousand (2015: CHF 265 thousand).

3.5. Contingent liabilities

Euro medium-term note programmes

In June 2013 the Group established a new €3.0bn Euro medium-term note programme (the 'EMTN Programme'). The EMTN programme was updated in September 2014 and then again in September 2015. Notes are issued under the EMTN programme through the Company's wholly owned subsidiary, Coca-Cola HBC Finance B.V., a private limited liability company established under the laws of the Netherlands, and are guaranteed by the Company.

On 18 June 2013 Coca-Cola HBC Finance B.V. issued €800m 2.375% notes due 18 June 2020 under the EMTN programme, which are guaranteed by the Company.

On 10 March 2016 Coca-Cola HBC Finance B.V. issued €600m 1.875% notes due 11 November 2024 under the EMTN programme, which are guaranteed by the Company.

As at 31 December 2016, a total of €1.4bn in notes issued under the EMTN programme were outstanding.

Syndicated multi-currency revolving credit facility

In June 2015, a new syndicated multi-currency revolving credit facility agreement was signed for €500m. Coca-Cola HBC Finance B.V. is the original borrower, ING Bank N.V., London Branch the facility agent and the Company and Coca-Cola HBC Holdings B.V are the two guarantors.

Commercial paper programme

In October 2013 the Group established a new €1.0bn Euro commercial paper programme which was updated in September 2014. Notes are issued under the Euro commercial paper programme by Coca-Cola HBC Finance B.V. and guaranteed by the Company. The outstanding amount under the commercial paper programme was €108.5m as at 31 December 2016 (2015: €173.5m).

Credit support provider

On 18 July 2013 the Company signed as credit support provider to Deutsche Bank AG, to J.P. Morgan Securities plc, to Credit Suisse International, to Credit Suisse AG, to ING Bank N.V., to Societe Generale, to Merrill Lynch International and to The Royal Bank of Scotland plc in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreements.[1]

On 24 July 2013 the Company signed as credit support provider to the Governor and Company of the Bank of Ireland, Dublin, in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 8 August 2013 the Company signed as credit support provider to Citibank N.A. in favour of CCHBC Bulgaria AD for the obligations as defined in the ISDA Master Agreement.[1]

On 8 August 2013 the Company signed as credit support provider to Citibank N.A. in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

Swiss Statutory Reporting continued

3.5. Contingent liabilities continued

On 24 June 2014 the Company signed as credit support provider to Intesa Sanpaolo S.pA. in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 5 October 2015 the Company signed as credit support provider to Macquarie Bank International Limited in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 22 June 2016 the Company signed as credit support provider to UniCredit Bank AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 31 August 2016 the Company signed as credit support provider to BNP Paribas in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

1. The ISDA (International Swap Dealers Association) Master Agreement is a standardised form issued by the International Swap Dealers Association Inc. to be used for credit support transactions.

3.6. Significant shareholders

As at 31 December 2016 and 2015, there were two shareholders exceeding the threshold of 5% voting rights in the Company's share capital.

	Date	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]
Total Kar-Tess Holding	31.12.2015	85,355,019	23.2%	23.6%
Total Kar-Tess Holding	31.12.2016	85,355,019	23.3%	23.5%
Total shareholdings related to The Coca-Cola Company	31.12.2015	85,112,078	23.1%	23.5%
Total shareholdings related to The Coca-Cola Company	31.12.2016	85,112,078	23.2%	23.4%

1. Basis: total issued share capital including treasury shares. Share basis 366,640,638 as at 31 December 2016 (2015: 368,141,297).
2. Basis: total issued share capital excluding treasury shares. Share basis 363,195,578 as at 31 December 2016 (2015: 361,696,237).

3.7. Shareholdings, conversion and option rights

The table below sets out a comparison of the interests in the Company's total issued share capital that the members of the Board of Directors ('Directors') and Operating Committee hold (all of which, unless otherwise stated, are beneficial interests or are interests of a person connected with a Director or a member of the Operating Committee) and the interests in the Company's share capital.

	31.12.2016			**31.12.2015**		
	Number of shares	**Percentage of issued share capital[1]**	**Percentage of outstanding share capital[2]**	**Number of shares**	**Percentage of issued share capital[1]**	**Percentage of outstanding share capital[2]**
Directors						
Anastassis G. David[3]	**–**	**–**	**–**	–	–	–
Dimitris Lois	**49,142**	**0.01%**	**0.01%**	35,993	0.01%	0.01%
Ahmet C. Bozer	**–**	**–**	**–**	–	–	–
George A. David[4]	**–**	**–**	**–**	–	–	–
Olusola (Sola) David-Borha	**–**	**–**	**–**	–	–	–
William W. (Bill) Douglas III	**10,000**	**0.00%**	**0.00%**	–	–	–
Irial Finan[5]	**–**	**–**	**–**	–	–	–
Antonio D'Amato	**–**	**–**	**–**	–	–	–
Reto Francioni	**–**	**–**	**–**	–	–	–
Sir Michael Llewellyn-Smith[6]	**545**	**0.00%**	**0.00%**	545	0.00%	0.00%
Nigel Macdonald[7]	**1,700**	**0.00%**	**0.00%**	1,700	0.00%	0.00%
Anastasios I. Leventis[8]	**–**	**–**	**–**	–	–	–
Christo Leventis[9]	**–**	**–**	**–**	–	–	–
José Octavio Reyes	**–**	**–**	**–**	–	–	–
Alexandra Papalexopoulou	**–**	**–**	**–**	–	–	–
Robert Ryan Rudolph	**–**	**–**	**–**	–	–	–
John P. Sechi	**–**	**–**	**–**	–	–	–

	31.12.2016			31.12.2015		
	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]
Operating Committee						
Alain Brouhard	**14,534**	**0.00%**	**0.00%**	11,186	0.00%	0.00%
Jan Gustavsson	**53,027**	**0.01%**	**0.01%**	47,856	0.01%	0.01%
John Brady[10]	**2,924**	**0.00%**	**0.00%**	10,145	0.00%	0.00%
Keith Sanders	**27,125**	**0.01%**	**0.01%**	24,228	0.01%	0.01%
Martin Marcel	**5,824**	**0.00%**	**0.00%**	3,797	0.00%	0.00%
Michalis Imellos	**14,649**	**0.00%**	**0.00%**	11,585	0.00%	0.00%
Naya Kalogeraki[11]	**355**	**0.00%**	**0.00%**	–	–	–
Sanda Parezanovic	**1,477**	**0.00%**	**0.00%**	425	0.00%	0.00%
Sotiris Yannopoulos	**10,377**	**0.00%**	**0.00%**	7,993	0.00%	0.00%
Zoran Bogdanovic	**16,817**	**0.00%**	**0.00%**	13,600	0.00%	0.00%

The following table sets out information regarding the stock options and performance shares held by members of the Operating Committee as at 31 December 2016:

	Stock options ('ESOP')			Performance shares ('PSP')		
	Number of stock options	Already vested	Vesting at the end of 2017	Granted in 2016	Unvested and subject to performance conditions	Vested but unexercised
Dimitris Lois	1,700,000	1,580,000	120,000	159,876	298,352	–
Alain Brouhard	320,000	296,666	23,334	30,577	57,061	–
Jan Gustavsson	726,000	694,333	31,667	34,284	63,979	–
John Brady[10]	325,334	293,667	31,667	34,438	64,266	–
Keith Sanders	499,000	474,000	25,000	33,434	62,393	–
Martin Marcel	178,000	169,000	9,000	28,570	53,316	–
Michalis Imellos	286,500	256,500	30,000	37,836	70,607	–
Naya Kalogeraki[11]	45,000	38,333	6,667	13,030	22,811	–
Sanda Parezanovic	48,500	43,500	5,000	22,393	41,788	–
Sotiris Yannopoulos	150,500	133,833	16,667	29,188	54,469	–
Zoran Bogdanovic	236,750	213,416	23,334	31,813	59,368	–

1. Basis: total issued share capital including treasury shares. Share basis 366,640,638 as at 31 December 2016 (2015: 368,141,297).
2. Basis: total issued share capital excluding treasury shares. Share basis 363,195,578 as at 31 December 2016 (2015: 361,696,237).
3. The infant child of Mr. Anastassis David being a beneficiary of a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, has an indirect interest with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.. The infant child of Mr. Anastassis David being a beneficiary of a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, has a further indirect interest in respect of 823,008 shares held by Selene Treuhand AG. Mr. Anastassis David is connected with his infant child for the purposes of rule 3 of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority.
4. Mr. George A. David retired from the Board and the Social Responsibility Committee on 21 June 2016.
5. Mr. Irial Finan retired from the Board on 21 June 2016.
6. Sir Michael Llewellyn-Smith retired from the Board, the Remuneration Committee, the Nomination Committee and the Social Responsibility Committee on 21 June 2016.
7. Mr. Nigel Macdonald retired from the Board and the Audit and Risk Committee on 21 June 2016.
8. The infant child of Mr. Anastasios I. Leventis, being a beneficiary of a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, has an indirect interest in respect of the 85,355,019 shares held by Kar-Tess Holding S.A.. The infant child of Mr. Anastasios I. Leventis, being a beneficiary of a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, has a further indirect interest in respect of 386,879 shares held by Selene Treuhand AG. Mr. Anastasios I. Leventis is connected with his infant child for the purposes of rule 3 of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority. By virtue of himself being a beneficiary of a private discretionary trust for the primary benefit of present and future members of the family of the late Christodoulos Papaneokleus Leventis, of which Mervail Company (PTC) Limited is the trustee, Mr. Anastasios I. Leventis has an indirect interest with respect to 623,664 shares held by Carlcan Holding Limited.
9. The infant children of Mr. Christo Leventis being beneficiaries of a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, have indirect interests with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.. The infant children of Mr. Christo Leventis being beneficiaries of a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, have further indirect interests in respect of 498,545 shares held by Selene Treuhand AG. Mr. Christo Leventis is connected with his infant children for the purposes of rule 3 of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority. By virtue of himself being a beneficiary of a private discretionary trust for the primary benefit of present and future members of the family of the late Christodoulos Papaneokleus Leventis, of which Mervail Company (PTC) Limited is the trustee, Mr. Christo Leventis has an indirect interest with respect to the 757,307 shares held by Carlcan Holding Limited.
10. Mr. Brady left the Group on 31 December 2016.
11. Ms. Kalogeraki joined the Operating Committee on 1 July 2016.

3.8. Fees paid to the auditor

The audit and other fees paid to the auditor are disclosed in Note 8 of the consolidated financial statements.

Swiss Statutory Reporting continued

Proposed appropriation of available earnings and reserves / declaration of dividend

1. Proposed appropriation of available earnings

Available earnings and reserves	CHF thousands
Balance brought forward from previous years	144,617
Net loss for the year	(7,320)
Total available retained earnings to be carried forward	**137,297**
Reserves from capital contributions before distribution	5,948,183
Total available retained earnings and reserves	**6,085,480**

2. Proposed declaration of a dividend from reserves

The Board of Directors proposes to declare a gross dividend of EUR 0.44 on each ordinary registered share with a par value of CHF 6.70 from the general capital contribution reserve. Own shares held directly by the Company are not entitled to dividends. The total aggregate amount of the dividends shall be capped at an amount of CHF 200,000 thousand (the 'Cap'), and thus will reduce the general capital contribution reserve of CHF 5,948,183 thousand, as shown in the financial statements as of 31 December 2016, by a maximum of CHF 200,000 thousand. To the extent that the dividend calculated on EUR 0.44 per share would exceed the Cap on the day of the Annual General Meeting, due to the exchange rate determined by the Board of Directors in its reasonable opinion, the Euro per share amount of the dividend shall be reduced on a pro-rata basis so that the aggregate amount of all dividends paid does not exceed the Cap. Payment of the dividend shall be made at such time and with such record date as shall be determined by the Annual General Meeting and the Board of Directors.

3. Proposed appropriation of reserves/declaration of dividend

Variant 1: Dividend of EUR 0.44 at current exchange ratio

As of 31 December 2016	CHF thousands
Reserves from capital contributions before distribution	5,948,183
Proposed dividend of EUR 0.44[1]	(177,447)
Reserves from capital contributions after distribution	**5,770,736**

1. Illustrative at an exchange rate of CHF 1.10 per EUR. Assumes that the shares entitled to a dividend amount to 366,625,713.

Variant 2: Dividend if Cap is triggered

As of 31 December 2016	CHF thousands
Reserves from capital contributions before distribution	5,948,183
(Maximum) dividend if Cap is triggered[1]	(200,000)
(Minimum) Reserves from capital contributions after distribution	**5,748,183**

1. Dividend is capped at a total aggregate amount of CHF 200,000 thousand.

Report of the statutory auditor
to the General Meeting
Coca-Cola HBC AG
Steinhausen/Zug

Report of the statutory auditor on the statutory remuneration report

We have audited the accompanying remuneration report of Coca Cola HBC AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 199 to 201 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Coca Cola HBC AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Mike Foley
Audit expert
Auditor in charge

Philipp Kegele

Zürich, 17 March 2017

Swiss Statutory Reporting continued

Statutory Remuneration Report

Additional disclosures regarding the Statutory Remuneration Report

The section below is in line with the Ordinance against excessive pay in stock exchange listed companies, which requires disclosure of the elements of compensation paid to the Company's Board of Directors and the Operating Committee. The numbers relate to the calendar years of 2016 and 2015. In the information presented below, the exchange rate used for conversion of 2016 remuneration data from Euro to CHF is 1/1.0903 and the exchange rate used for conversion of 2015 remuneration data from Euro to CHF is 1/1.0622.

As the Company is headquartered in Switzerland, it is required for statutory purposes to present compensation data for two consecutive years, 2015 and 2016. The applicable methodology used to calculate the value of stock option and performance shares follows Swiss standards. In 2016 and 2015, the fair value of performance shares from the 2016 and 2015 grants is calculated based on the performance share awards that are expected to vest, and not the stock options that vested in 2016 and 2015 respectively. Below is the relevant information for Swiss statutory purposes.

Compensation for acting members of governing bodies

The Company's Directors believe that the level of remuneration offered to Directors and the members of the Operating Committee should reflect their experience and responsibility as determined by, among other factors, a comparison with similar multinational companies and should be sufficient to attract and retain high-calibre Directors who will lead the Group successfully. In line with the Group's commitment to maximise shareholder value, its policy is to link a significant proportion of remuneration for its Operating Committee to the performance of the business through short and long-term incentives. Therefore, the Operating Committee members' financial interests are closely aligned with those of the Company's shareholders through the equity-related long-term compensation plan.

The total remuneration of the Directors and members of the Operating Committee of the Company, including performance share grants, during 2016 amounted to CHF 27.6 million. Out of this, the amount relating to the expected value of performance share awards granted in relation to 2016 was CHF 6.3 million. Pension and post-employment benefits for Directors and the Operating Committee of the Company during 2016 amounted to CHF 0.9 million.

Compensation of the Board of Directors

	2016 CHF					
	Fees	Cash and non-cash benefits[1]	Cash performance incentives	Pension and post-employment benefits	Total fair value of stock options at the date granted	Total compensation
Anastassis G. David	**73,490**	–	–	–	–	**73,490**
Ahmet C. Bozer[2]	**37,555**	–	–	–	–	**37,555**
George A. David[3]	–	–	–	–	–	–
Olusola (Sola) David-Borha[4]	**94,712**	–	–	–	–	**94,712**
William W. (Bill) Douglas III[5]	**52,310**	–	–	–	–	**52,310**
Irial Finan[6]	**35,935**	–	–	–	–	**35,935**
Antonio D'Amato	**84,920**	–	–	–	–	**84,920**
Reto Francioni[7]	**58,738**	–	–	–	–	**58,738**
Sir Michael Llewellyn-Smith[8]	**52,522**	–	–	–	–	**52,522**
Nigel Macdonald[9]	**49,757**	–	–	–	–	**49,757**
Anastasios I. Leventis[10]	**43,457**	–	–	–	–	**43,457**
Christo Leventis[11]	**40,509**	–	–	–	–	**40,509**
José Octavio Reyes[12]	**85,435**	–	–	–	–	**85,435**
Alexandra Papalexopoulou[13]	**90,822**	–	–	–	–	**90,822**
Robert Ryan Rudolph[14]	**40,509**	–	–	–	–	**40,509**
John P. Sechi[15]	**87,805**	–	–	–	–	**87,805**
Dimitris Lois[16]	–	–	–	–	–	–
Total Board of Directors	**928,476**	–	–	–	–	**928,476**

1. Allowances consist of cost of living allowance, housing support, Employee Stock Purchase Plan, private medical insurance, relocation expenses, home trip allowance, lump sum expenses and similar allowances.
2. Mr. Ahmet C. Bozer was appointed to the Board on 21 June 2016. The Group has applied a half-year period base fee of CHF 37,555.
3. Mr. George A. David retired from the Board and the Social Responsibility Committee on 21 June 2016. For the first half of 2016, Mr. George A. David waived any fee in respect to his membership on the Board of Directors or any Board Committee.
4. For Mrs. David-Borha, on top of the base fee of CHF 73,490 and Audit and Risk Committee membership fee of CHF 14,315, the Group paid CHF 6,907 in social security contributions as required by Swiss legislation.
5. Mr. William W. (Bill) Douglas III was appointed to the Board and the Audit and Risk Committee on 21 June 2016. The Group has applied a half-year period base fee of CHF 37,555 and CHF 14,755 for the Audit and Risk Committee.
6. Mr. Irial Finan retired from the Board on 21 June 2016. The Group has applied a half-year period base fee of CHF 35,935.
7. Mr. Reto Francioni was appointed to the Board, the Remuneration Committee and the Nomination Committee on 21 June 2016. For Mr. Reto Francioni on top of the fees of CHF 54,455 the Group paid CHF 4,283 in social security contributions as required by Swiss legislation. The Group has applied a half-year period base fee of CHF 37,555, CHF 5,902 for the Nomination Committee, CHF 2,951 for the Remuneration Committee and CHF 8,047 for Senior Independent membership fee.
8. Sir Michael Llewellyn-Smith retired from the Board, the Remuneration Committee, the Nomination Committee and the Social Responsibility Committee on 21 June 2016. For the first half of 2016, Sir Michael Llewellyn-Smith waived his membership fee on Social Responsibility Committee. The Group has applied a half-year period fee of CHF 5,529 for the Nomination Committee Chairmanship, CHF 5,529 for the Remuneration Committee Chairmanship, CHF 5,529 for the Senior Independent membership fee and a CHF 35,935 base fee.
9. Mr. Nigel Macdonald retired from the Board and the Audit and Risk Committee on 21 June 2016. The Group has applied a half-year period fee of CHF 13,822 for the Audit and Risk Committee Chairmanship and a CHF 35,935 base fee.
10. For Mr. Anastasios I. Leventis, the Group has applied a half-year period base fee of CHF 37,555 and CHF 5,902 for the Social Responsibility Committee Chairmanship. For the first half of 2016, Mr. Anastasios I. Leventis waived any fee in respect to his membership on the Board of Directors or any Board Committee.
11. For Mr. Christo Leventis, on top of the base fee of CHF 37, 555, the Group paid CHF 2,954 in social security contributions as required by Swiss legislation. The Group has applied half-year period base fee. For the first half of 2016, Mr. Christo Leventis waived any fee in respect to his membership on the Board of Directors or any Board Committee.
12. For Mr. José Octavio Reyes, on top of the base fee of CHF 73,490 and Social Responsibility Committee membership fee of CHF 5,715, the Group paid a social security contribution of CHF 6,230
13. For Mrs. Alexandra Papalexopoulou on top of the full year base fees of CHF 73,490 and CHF 5,715 for the Nomination Committee, the Group has applied a half-year period fee of CHF 2,951 for the Social Responsibility Committee, half year period membership fee of CHF 2,764 as member of the Remuneration Committee and half-year period fee of CHF 5,902 as Chair of the Remuneration Committee.
14. Mr. Robert Ryan Rudolph was appointed to the Board on 21 June 2016. For Mr. Robert Ryan Rudolf, on top of the base half-year fee of CHF 37,555, the Group paid, as required by Swiss legislation, a social security contribution of CHF 2,954.
15. For Mr. John Sechi the Group has applied a full year period fee of CHF 14,315 for the Audit and Risk Committee membership and a CHF 73,490 base fee.
16. Dimitris Lois' compensation is based on his role as CEO and member of the Operating Committee, according to his employment contract. Mr. Lois is not entitled to and does not receive additional compensation as a Director.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement benefits.

Swiss Statutory Reporting continued

Compensation of the Board of Directors

	2015 CHF					
	Fees	Cash and non-cash benefits[1]	Cash performance incentives	Pension and post-employment benefits	Total fair value of stock options at the date granted	Total compensation
George A. David[2]	–	–	–	–	–	–
Anastasios I. Leventis[2]	–	–	–	–	–	–
Christo Leventis[2]	–	–	–	–	–	–
Anastassis G. David[3]	71,699	–	–	–	–	71,699
Irial Finan	69,043	–	–	–	–	69,043
Antonio D'Amato	79,665	–	–	–	–	79,665
Christos Ioannou[4]	41,160	–	–	–	–	41,160
Sir Michael Llewellyn-Smith	100,909	–	–	–	–	100,909
Nigel Macdonald	95,598	–	–	–	–	95,598
Susan Kilsby[5]	39,833	–	–	–	–	39,833
José Octavio Reyes[6]	83,086	–	–	–	–	83,086
John P. Sechi	82,321	–	–	–	–	82,321
Alexandra Papalexopoulou[7]	39,833	–	–	–	–	39,833
Olusola (Sola) David-Borha[8]	44,409	–	–	–	–	44,409
Dimitris Lois[9]	–	–	–	–	–	–
Total Board of Directors	**747,556**	**–**	**–**	**–**	**–**	**747,556**

1. Allowances consist of cost of living allowance, housing support, Employee Stock Purchase Plan, private medical insurance, relocation expenses, home trip allowance, lump sum expenses and similar allowances.
2. George A. David, Anastasios I. Leventis and Christo Leventis waived any annual fee in respect of their membership of the Board of Directors or any Board Committee.
3. With effect from 24 June 2015 Mr. Anastassis David retired from the Company's Nomination Committee. The Group has applied a half-year period fee of CHF 2,656 for Nomination Committee membership.
4. Mr. Christos Ioannou retired from the Board of Directors and the Audit and Risk Committee on 24 June 2015. The Group has applied a half-year period fee of CHF 6,639 for Audit and Risk Committee membership.
5. Ms. Susan Kilsby retired from the Board, the Remuneration Committee and the Nomination Committee on 24 June 2015. The Group has applied a half-year period fee of CHF 2,656 for the Nomination Committee and CHF 2,656 for the Remuneration Committee.
6. With effect from 24 June 2015 Mr. Reyes retired from the Company's Nomination Committee. The Group has applied a half-year period fee of CHF 2,656 for his Nomination Committee membership. The Group paid, as required by Swiss legislation, a social security contribution of CHF 6,077 for Mr. Reyes in addition to his fees of CHF 77,009.
7. Ms. Alexandra Papalexopoulou was appointed to the Board and the Nomination Committee on 24 June 2015. The Group has applied a half-year period fee of CHF 2,656 for the Nomination Committee and CHF 2,656 for the Remuneration Committee.
8. Ms. Olusola (Sola) David-Borha was appointed to the Board of Directors and the Audit and Risk Committee on 24 June 2015. The Group has applied a half-year period fee of CHF 6,639 for Audit and Risk Committee membership. The Group paid, as required by legislation, a social security contribution of CHF 3,249 for Ms. Olusola (Sola) David-Borha in addition to fees of CHF 41,160.
9. Dimitris Lois' compensation is based on his role as CEO and member of the Operating Committee, according to his employment contract. Mr. Lois is not entitled to and does not receive additional compensation as a Director.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement benefits.

Compensation of the Operating Committee

The total remuneration paid to or accrued for the Operating Committee for 2016 amounted to CHF 26.6 million.

2016 CHF	Base salary	Cash and non-cash benefits[1]	Cash performance incentives[2]	Pension and post-employment benefits[3]	Total fair value of stock options at the date granted[4]	Total compensation
Dimitris Lois, Chief Executive Officer (highest compensated member of the Operating Committee)[5]	**979,959**	**605,006**	**934,732**	**171,448**	**2,191,279**	**4,882,424**
Other members[6,7]	**4,541,369**	**8,872,660**	**3,551,429**	**706,926**	**4,064,975**	**21,737,359**
Total Operating Committee	**5,521,328**	**9,477,666**	**4,486,161**	**878,374**	**6,256,254**	**26,619,783**

1. Allowances consist of cost of living allowance, housing, support, schooling, Employee Stock Purchase Plan, private medical insurance, relocation expenses, employer social security contributions, lump sum expenses and similar allowances.
2. The bonus represents the monetary value that was paid under MIP in 2016 reflecting the 2015 business performance.
3. Members of the Operating Committee participate in the pension plan of their employing entity, as appropriate.
4. Values under long-term incentives represent the fair value of performance shares that are expected to vest for the 2016 grant in order to comply with Swiss reporting guidelines.
5. Dimitris Lois' compensation is based on his role as CEO and member of the Operating Committee, according to his employment contract. Mr. Lois is not entitled to and does not receive the fixed compensation applicable for Executive Directors of the Board of Directors.
6. John Brady left the Group on 31 December 2016.
7. Naya Kalogeraki was appointed to the role of Group Commercial Director on 1 July 2016.

The total remuneration paid to or accrued for the Operating Committee for 2015 amounted to CHF 17.9 million.

2015 CHF	Base salary	Cash and non-cash benefits[1]	Cash performance incentives[2]	Pension and post-employment benefits[3]	Total fair value of stock options at the date granted[4]	Total compensation
Dimitris Lois, Chief Executive Officer (highest compensated member of the Operating Committee)[5]	881,201	1,108,580	458,743	152,097	1,693,461	4,294,082
Other members[6,7,8,9]	4,241,711	3,812,714	1,858,301	682,832	2,992,674	13,588,232
Total Operating Committee	**5,122,912**	**4,921,294**	**2,317,044**	**834,929**	**4,686,135**	**17,882,314**

1. Allowances consist of cost of living allowance, housing, support, schooling, Employee Stock Purchase Plan, private medical insurance, relocation expenses, employer social security contributions, lump sum expenses and similar allowances.
2. The bonus represents the monetary value that was paid under MIP in 2015 reflecting the 2014 business performance.
3. Members of the Operating Committee participate in the pension plan of their employing entity, as appropriate.
4. Values under long-term incentives represent the fair value of performance shares that are expected to vest for the 2015 grant in order to comply with Swiss reporting guidelines.
5. Dimitris Lois' compensation is based on his role as CEO and member of the Operating Committee, according to his employment contract. Mr. Lois is not entitled to and does not receive the fixed compensation applicable for Executive Directors of the Board of Directors.
6. June Hirst stepped down from the role of Human Resources Director on 31 May 2015.
7. Kleon Giavassoglou resigned from the role of Supply Chain Director on 31 December 2014.
8. Sanda Parezanovic was appointed to the role of Human Resources Director on 1 June 2015.
9. Marcel Martin was appointed to the role of Supply Chain Director on 1 January 2015.

Credits and loans granted to governing bodies

In 2016, there were no credits or loans granted to active or former members of the Company's Board of Directors, members of the Operating Committee or to any related persons. There are no outstanding credits or loans.

Alternative performance measures

The Group uses certain Alternative Performance Measures (APMs) in making financial, operating and planning decisions as well as in evaluating and reporting its performance. These APMs provide additional insights and understanding to the Group's underlying operating and financial performance, financial condition and cash flow. The APMs should be read in conjunction with and do not replace by any means the directly reconcilable IFRS line items.

Definitions and reconciliations of Alternative Performance Measures (APMs)

1. Comparable APMs[1]

In discussing the performance of the Group, "comparable" measures are used, which are calculated by deducting from the directly reconcilable IFRS measures the impact of the Group's restructuring costs, the mark-to-market valuation of the commodity hedging activity and certain other tax items, which are collectively considered as items impacting comparability, due to their nature. More specifically the following items are considered as items that impact comparability:

1. Restructuring costs
   Restructuring costs comprise costs arising from significant changes in the way the Group conducts business, such as significant supply chain infrastructure changes, outsourcing of activities and centralisation of processes. These costs are included within the income statement line 'Operating expenses'. However, they are excluded from the comparable results in order for the user to obtain a better understanding of the Group's operating and financial performance achieved from underlying activity.
2. Commodity hedging
   The Group has entered into certain commodity derivative transactions in order to hedge its exposure to commodity price risk. Although these transactions are economic hedging activities that aim to manage our exposure to sugar, aluminium and gasoil price volatility, they do not qualify for hedge accounting. In addition, the Group recognises certain derivatives embedded within commodity purchase contracts that have been accounted for as stand-alone derivatives and do not qualify for hedge accounting. The fair value gains and losses on the derivatives and embedded derivatives are immediately recognised in the income statement in the cost of goods sold and operating expenses line items. The Group's comparable results exclude the gains or losses resulting from the mark-to-market valuation of these derivatives and embedded derivatives. These gains or losses are reflected in the comparable results in the period when the underlying transactions occur, to match the profit or loss to that of the corresponding underlying transactions. We believe this adjustment provides useful information related to the impact of our economic risk management activities.
3. Other tax items
   Other tax items represent the tax impact of changes in income tax rates affecting the opening balance of deferred tax arising during the year, included in the Tax line item of the income statement. These are excluded from comparable after-tax results in order for the user to obtain a better understanding of the Group's underlying financial performance.

1. Comparable APMs refer to comparable cost of goods sold, comparable gross profit, comparable operating expenses, comparable EBIT, comparable EBIT margin, comparable Adjusted EBITDA, comparable tax, comparable net profit and comparable EPS.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both periods for which these measures are presented.

The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows:

Reconciliation of comparable financial indicators (numbers in € million except per share data)

	2016							
	Cost of goods sold	**Gross profit**	**Operating expenses**	**EBIT**	**Adjusted EBITDA**	**Tax**	**Net profit[1]**	**EPS (€)**
As reported	**(3,920)**	**2,299**	**(1,793)**	**506**	**846**	**(114)**	**344**	**0.949**
Restructuring costs	**–**	**–**	**38**	**38**	**20**	**(8)**	**30**	**0.082**
Commodity hedging	**(25)**	**(25)**	**(2)**	**(27)**	**(27)**	**8**	**(19)**	**(0.052)**
Other tax items	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**	**(0.007)**
Comparable	**(3,945)**	**2,274**	**(1,757)**	**518**	**839**	**(117)**	**352**	**0.972**

	2015							
	Cost of goods sold	Gross profit	Operating expenses	EBIT	Adjusted EBITDA	Tax	Net profit[1]	EPS (€)
As reported	(4,019)	2,327	(1,909)	418	766	(76)	280	0.771
Restructuring costs	–	–	54	54	36	(12)	43	0.119
Commodity hedging	1	1	–	1	1	–	1	0.002
Other tax items	–	–	–	–	–	(10)	(10)	(0.028)
Comparable	(4,018)	2,328	(1,855)	473	804	(99)	314	0.864

Figures are rounded.
1. Net profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent. Net profit for 2015 includes € 1 million from restructuring within joint ventures.

Reconciliation of Comparable EBIT per reportable segment (numbers in € million)

	2016			
	Established	**Developing**	**Emerging**	**Consolidated**
EBIT	**237**	**93**	**177**	**506**
Restructuring costs	**9**	**6**	**22**	**38**
Commodity hedging	**(4)**	**(2)**	**(21)**	**(27)**
Comparable EBIT	**242**	**97**	**178**	**518**
	2015			
	Established	Developing	Emerging	Consolidated
EBIT	171	87	160	418
Restructuring costs	24	9	21	54
Commodity hedging	4	2	(5)	1
Comparable EBIT	199	99	176	473

Figures are rounded.

2. FX-neutral APMs

A business like ours, operating in 28 countries and with many different currencies, is bound to be affected by foreign exchange movements, and we report our financial results to reflect this. However, we manage the business against targets which are set to be comparable between years and within them, for otherwise foreign currency movements would undermine our ability to drive the business forward and control it. Through this Report, as in previous years, we will highlight comparable results and foreign-exchange-neutral results as well as the audited results which reflect the actual foreign currency effects experienced. It is through the relentless focus on managing by using comparable figures that we have succeeded in delivering significantly improved performance, although we recognise that in the shorter term currency movements may distort the underlying trends.

The Group therefore also evaluates its operating and financial performance on an FX-neutral basis (i.e. without giving effect to the impact of variation of foreign currency exchange rates from period to period). FX-neutral APMs are calculated by adjusting prior period amounts for the impact of exchange rates applicable to the current period. FX-neutral measures enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from period to period. The most common FX-neutral measures used by the Group are:

1. FX-neutral net sales revenue and FX-neutral net sales revenue per unit case
   FX-neutral net sales revenue and FX-neutral net sales revenue per unit case are calculated by adjusting prior-period net sales revenue for the impact of changes in exchange rates applicable in the current period.
2. FX-neutral comparable input costs per unit case
   FX-neutral comparable input costs per unit case is calculated by adjusting prior-period commodity costs and more specifically, sugar, resin, aluminium and fuel commodity costs, excluding commodity hedging as described above; and other raw materials costs for the impact of changes in exchange rates applicable in the current period.

The calculations of the FX-neutral APMs and the reconciliation to the most directly related measures calculated in accordance with IFRS are as follows:

Reconciliation of FX-neutral net sales revenue per unit case (numbers in € million unless otherwise stated)

	2016			
	Established	**Developing**	**Emerging**	**Consolidated**
Net sales revenue	**2,408**	**1,094**	**2,717**	**6,219**
Currency impact	**–**	**–**	**–**	**–**
FX-neutral net sales revenue	**2,408**	**1,094**	**2,717**	**6,219**
Volume (m unit cases)	**607**	**383**	**1,068**	**2,058**
FX-neutral net sales revenue per unit case (€)	**3.97**	**2.85**	**2.54**	**3.02**
	2015			
	Established	Developing	Emerging	Consolidated
Net sales revenue	2,486	1,092	2,769	6,346
Currency impact	(28)	(18)	(262)	(308)
FX-neutral net sales revenue	2,458	1,074	2,506	6,038
Volume (m unit cases)	621	379	1,055	2,055
FX-neutral net sales revenue per unit case (€)	3.96	2.84	2.38	2.94

Figures are rounded.

Alternative performance measures continued

2. Other APMs

Adjusted EBITDA

Adjusted EBITDA is calculated by adding back to operating profit the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and performance share costs and items, if any, reported in the line Other non-cash items of the consolidated cash flow statement. Adjusted EBITDA is intended to provide useful information to analyse the Group's operating performance excluding the impact of operating non-cash items as defined above. It is also intended to measure the level of financial leverage of the Group by comparing Adjusted EBITDA to Net debt.

Adjusted EBITDA is not a measure of profitability and liquidity under IFRS and has limitations, some of which are as follows: Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; and although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements. Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us and should be used only as a supplementary APM.

Free cash flow

Free cash flow is an APM used by the Group and defined as cash generated by operating activities after payments for purchases of property, plant and equipment net of proceeds from sales of property, plant and equipment and including principal repayments of finance lease obligations. Free cash flow is intended to measure the cash generation from the Group's business, based on operating activities, including the efficient use of working capital and taking into account its net payments for purchases of property, plant and equipment. The Group considers the purchase and disposal of property, plant and equipment as ultimately non-discretionary since ongoing investment in plant, machinery, technology and marketing equipment, including coolers, is required to support the day-to-day operations and the CCHBC Group's growth prospects. The Group presents free cash flow because it believes the measure assists users of the financial statements in understanding the Group's cash-generating performance as well as availability for interest payment, dividend distribution and own retention. The free cash flow measure is used by management for its own planning and reporting purposes since it provides information on operating cash flows, working capital changes and net capital expenditure that local managers are most directly able to influence.

Free cash flow is not a measure of cash generation under IFRS and has limitations, some of which are as follows: free cash flow does not represent the Group's residual cash flow available for discretionary expenditures since the Group has debt payment obligations that are not deducted from the measure; free cash flow does not deduct cash flows used by the Group in other investing and financing activities; and free cash flow does not deduct certain items settled in cash. Furthermore, other companies in the industry in which the Group operates may calculate free cash flow differently, limiting its usefulness as a comparative measure.

Capital expenditure

The Group uses capital expenditure as an APM to ensure that its cash spending is in line with its overall strategy for the use of cash. Capital expenditure is defined as payments for purchases of property, plant and equipment plus principal repayments of finance lease obligations less proceeds from sale of property, plant and equipment.

The following table illustrates how Adjusted EBITDA, free cash flow and capital expenditure are calculated:

	2016 € million	2015 € million
Operating profit (EBIT)	**506**	418
Depreciation and impairment of property, plant and equipment	**332**	340
Amortisation of intangible assets	**–**	–
Employee share options and performance shares	**8**	9
Other non-cash items included in operating income	**(1)**	(1)
Adjusted EBITDA	**846**	**766**
(Gains) / losses on disposal of non-current assets	**(3)**	2
Decrease in working capital	**12**	44
Tax paid	**(92)**	(73)
Net cash from operating activities	**763**	**740**
Payments for purchases of property, plant and equipment	**(348)**	(332)
Principal repayments of finance lease obligations	**(20)**	(14)
Proceeds from sale of property, plant and equipment	**36**	18
Capital expenditure	**(332)**	**(328)**
Net cash from operating activities	**763**	739
Capital expenditure	**(332)**	(328)
Free cash flow	**431**	**412**

Figures are rounded.

Net debt

Net debt is an APM used by management to evaluate the Group's capital structure and leverage. Net debt is defined as short-term borrowings plus long-term borrowings less cash and cash equivalents as illustrated below:

	As at 31 December	
	2016 € million	2015 € million
Long-term borrowings	**1,468**	923
Short-term borrowings	**157**	782
Cash and cash equivalents	**(573)**	(487)
Net debt	**1,051**	**1,217**

Figures are rounded.

Assurance statement

Independent Assurance Statement on the 2016 Integrated Annual Report

To the management and stakeholders of Coca-Cola Hellenic Bottling Company AG:

denkstatt GmbH was commissioned by Coca-Cola Hellenic Bottling Company AG (hereinafter referred to as "the Company") to provide independent third-party assurance, in accordance with the AA1000 Assurance Standard (AA1000AS), for the printed and downloadable pdf versions of the Company's 2016 Integrated Annual Report (hereinafter referred to as "the Report"). We have reviewed all sustainability-relevant content and data included in the Report. Financial data were not reviewed as part of this process.

The assurance engagement covered the nature and extent of the Company's incorporation of the principles of inclusivity, materiality and responsiveness for stakeholder dialogue contained in the AA1000 Series. The application level of the Global Reporting Initiative (GRI G4), the GRI G4 Food Processing Sector Supplement and the CDSB Climate Change Reporting Framework have been verified.

Management responsibilities

The Company's management is responsible for preparing the Report, statements within it and related website content. Management is also responsible for identifying stakeholders and material issues, defining commitments with respect to sustainability performance, and for establishing and maintaining appropriate performance management and internal control systems from which reported information is derived.

The Company's management is also responsible for establishing data collection and internal control systems to ensure reliable reporting, specifying acceptable reporting criteria and selecting data to be collected for the purposes of the Report. Management responsibilities also extend to preparing the Report in accordance with the GRI G4 Sustainability Reporting Guidelines.

Assurance provider's responsibilities

Our responsibilities are to:

- express our conclusions and make recommendations on the nature and extent of the Company's adherence to the AA1000 Accountability Principles Standard (APS);
- express our conclusions on the reliability of the information in the Report, and whether it is in accordance with the criteria in the GRI G4 guidelines;
- express our conclusions and make recommendations on the nature and extent of the Company's adherence to the CDSB Climate Change Reporting Framework.

Our team of experts has extensive professional experience of assurance engagements related to non-financial information and sustainability management, meaning it is qualified to conduct this independent assurance engagement. During 2016 we did not perform any tasks or services for the Company or other clients which would lead to a conflict of interest, nor were we responsible for the preparation of any part of the Report.

Scope, standards and criteria used

We have fulfilled our responsibilities to provide appropriate assurance that the information in the Report is free of material misstatements. We planned and carried out our work based on the GRI G4 guidelines, the AA1000 Series and the CDSB Climate Change Reporting Framework. We used the criteria in AA1000APS to perform a Type 2 engagement and to provide high assurance regarding the nature and extent of the Company's adherence to the principles of inclusivity, materiality and responsiveness.

Methodology, approach, limitations and scope of work

We planned and carried out our work in order to obtain all the evidence, information and explanations that we considered necessary in relation to the above responsibilities. Our work included the following procedures, which involved a range of evidence-gathering activities.

- Gathering information and conducting interviews with members of the executive management, staff from the sustainability department, the human resources department, the procurement department, the product quality and safety department and the public affairs and communication department, as well as various Group-level functional managers, regarding the Company's adherence to the principles of inclusivity, materiality and responsiveness. This includes the commitment of the Company's management to these principles, the existence of systems and procedures to support adherence to the principles, and the embedding of the principles at country level. The key topics of the interviews conducted at Group level were: human rights and diversity, corporate governance, business ethics and anti-corruption, environmental protection, packaging, sustainable sourcing, occupational health and safety, and impact measurement and valuations.
- Conducting further interviews at national headquarters in Armenia, the Czech Republic, Greece, Nigeria, Poland, Russia and Switzerland, in order to guarantee the completeness of the information required for the audit.

- Site visits to eight bottling plants, with a focus on Emerging and Developing markets:
  - Established markets: Heraklion (Greece), Vals (Switzerland)
  - Developing markets: Prague (Czech Republic), Staniatki (Poland)
  - Emerging markets: Jos and Kaduna (Nigeria), Moscow (Russia), Yerevan (Armenia)
- Making enquiries and conducting spot checks to assess implementation of the Company's policies (at plant, country and corporate level).
- Making enquiries and conducting spot checks with regard to documentation required to assess current data collection systems and procedures in place to ensure reliable and consistent reporting from the plants to the corporate level.
- Conducting additional interviews with seven representatives of the following external stakeholder groups: customers, suppliers, academia, non-governmental organisations and employee representatives. The interviews were conducted during the Joint Annual Stakeholder Forum of the Company and The Coca-Cola Company in Athens.
- Verifying all three inventory scopes (scopes 1, 2 and 3) as defined by the GHG Protocol, including progress against emission reduction targets, reported changes in emissions compared with base years (2004 and 2010) and emissions intensity figures for 2016.
- Verifying the separately published GRI index to the Report to ensure consistency with the requirements of GRI G4 (comprehensive).

The scope of the assurance covered all of the information relevant to sustainability in the Report and focused on Company systems and activities during the reporting period. The following chapters were not covered in the sustainability assurance process:

- Corporate Governance, Financial Statements, Supplementary Information, and Swiss Statutory Reporting.

Positive developments

- 2020 Commitments: in 2016, the Company adopted seven new 2020 Sustainability Commitments in respect of water, energy/clean energy, carbon footprint, sustainable packaging, sustainable agriculture, packaging recycling and recovery, and community investment.
- Accounting for Sustainability: after last year's launch, the Company continued the successful implementation of the Accounting for Sustainability approach. The following topics were covered: the social price of carbon, the true cost of water, and water risks for investment projects.
- Employee engagement: after last year's Employee Engagement Survey, targeted follow-up activities were developed and implemented; these have contributed to excellent results this year.
- Corporate citizenship: the Company demonstrated good corporate citizenship in the process of closing the Luka plant in Slovakia (by setting up a grant fund to support small projects in the transition period) and in providing humanitarian assistance to refugees (in Heraklion, Greece) and internally displaced persons (in Maiduguri, Nigeria).
- Business ethics: the Company has passed the target of 90% of employees receiving training in the Code of Business Conduct (COBC), and set a new target of 95% of employees by 2020. Furthermore, the Company has successfully continued the implementation of Ethics Committees in all countries.
- Human rights: the Human Rights Policy was updated in 2016, translated into 23 languages and rolled out in all 28 countries.

Findings and conclusions regarding adherence to the AA1000 principles of inclusivity, materiality, responsiveness, and specific performance-related information.

Inclusivity

- Group level: the Company maintains a comprehensive and efficient stakeholder engagement process at Group level. Its cornerstones are the annual internal and external stakeholder survey and the Annual Stakeholder Forum (held in Athens in 2016).
- Country and plant level: various stakeholder management tools are used at country (e.g. the "Stakeholder Mapping Tool") and plant level (e.g. the "Stakeholder Map & Engagement Plan"). These give decision-makers a concise overview of key societal actors and their needs, and help them define tailored engagement strategies.
- A materiality toolkit is being compiled at Group level, which should support all operations in the process of setting up their materiality assessment processes. In addition, a stakeholder relationship management (SRM) tool is under development. This tool employs the structure and function of customer relationship management software (used commonly by businesses) and will be piloted in February 2017.

Materiality

- Group level: there is a highly developed materiality assessment process at Group level, which monitors and integrates stakeholder expectations efficiently. The results of this process are presented in the Integrated Annual Report, in the chapter headed 'Our Approach to Materiality'.
- Country and plant level: there is mostly a clear understanding of which sustainability issues are, or might become, material for the respective operation. However, in most locations, these are not identified within a systematic materiality assessment process, but rather on an ad hoc basis, in the course of day-to-day business. Therefore, we recommend that implementation of materiality assessment processes at country level be intensified.

Assurance statement continued

Responsiveness

- Country level: well-developed stakeholder engagement plans exist at country level and, in a few cases, at plant level as well. However, these mainly target selected stakeholder groups – those that are the most powerful and/or of highest interest to the Company. Here, a more holistic approach is recommended: regular stakeholder forums should be organised, in which all stakeholders have the chance to meet, discuss key sustainability challenges and look for solutions in a collaborative way.
- A variety of excellent community projects have been implemented at both country and plant level. They are highly responsive to stakeholder needs and are in alignment with the Company's community development focus areas. Examples include "Sort with us" (Russia), the Valser Fund (Switzerland), visitor centres (Armenia and Switzerland), and the ENGINE Program for the empowerment of young girls (Nigeria).
- Excellent examples of CSR Reporting (the Czech Republic and Slovakia, Switzerland, Poland) and Socio-economic Impact Assessments (Greece, Switzerland) were found in the course of the audit. The Group should highlight these examples of good practice and encourage – or even incentivise – such efforts in all operations.

Additional conclusions and recommendations

- Reporting: the internal reporting process for some relevant sustainability topics needs to be strengthened, especially in the following cases:
  - Training hours: the HR White Book should be rolled out more effectively, via training or other awareness-raising activities;
  - Community investment: complete transparency in terms of key performance indicators (participant numbers, volunteer numbers, plant visits, cash or in-kind contributions) needs to be ensured.
- Sustainable sourcing:
  - Full implementation of the Environmental, Social and Governance Pre-assessment Tool (a key tool for screening suppliers, launched in May 2016) is required, combined with further training on proper use of the tool in procurement processes.
  - Compliance with the Supplier Guiding Principles needs to be ensured across the supplier universe.
- CDSB Climate Change Reporting Framework: reporting processes should be strengthened especially with regard to opportunities related to climate change and the future outlook.
- Packaging recycling and recovery: the new 2020 Commitments are an important development in this area. However, defining baselines for each market and for each category of packaging material is necessary in order to ensure the commitments are fulfilled efficiently across the Group.
- Diversity and inclusion:
  - High-level commitments and quantitative or qualitative goals should be defined;
  - In order to avoid incomplete or distorted perceptions, the availability of Company policies, training and surveys in all local languages needs to be ensured.
- Anti-corruption and bribery: we recommend analysis of the various forms corruption and bribery risks can take in different locations, depending on the cultural, economic and historical context. A 'corruption risk heat map' should help in developing targeted approaches in each country.

Vienna, 6 March, 2017

denkstatt GmbH
Consultancy for Sustainable Development

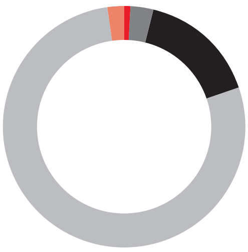
Willibald Kaltenbrunner
Lead Auditor
Managing Partner, denkstatt

Shareholder information

We take great pride in being regarded as a transparent and accessible Company in all our communications with the investment communities around the world.

We engage with key financial audiences, including institutional investors, sell-side analysts and financial journalists, as well as our Company's shareholders. The Investor Relations department manages the interaction with these audiences by attending ad hoc meetings and investor conferences throughout the year, in addition to the regular meetings and presentations held at the time of the results announcements.

Analysis by shareholder



- 1 - 10,000: **1%**
- 10,001 - 100,000: **3%**
- 100,001-1,000,00: **16%**
- 1,000,001 - over: **79%**
- Treasury shares: **2%**

Geographic concentration

- Continental Europe: **36%**
- UK: **31%**
- United States: **25%**
- Rest of the world: **8%**
- Retail investors: **1%**

* Percentages have been calculated excluding major shareholders, Kar-Tess Holding and The Coca-Cola Company

Listings

Coca-Cola HBC AG (LSE: CCH) was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 29 April 2013. With effect from 29 April 2013, Coca-Cola HBC AG's shares are also admitted on the Athens Exchange (ATHEX: EEE).

Coca Cola HBC AG has been included as a constituent of the FTSE 100 and FTSE All-Share indices from 20 September 2013.

London Stock Exchange
Ticker symbol: CCH
ISIN: CH019 825 1305
SEDOL: B9895B7
Reuters: CCH.L
Bloomberg: CCH LN

Athens Exchange
Ticker symbol: EEE
ISIN: CH019 825 1305
Reuters: EEEr.AT
Bloomberg: EEE GA

Credit rating
Standard & Poor's: L/T BBB+, S/T A2, positive outlook
Moody's: L/T Baa1, S/T P2, stable outlook

Share price performance

LSE: CCH	**2016**	2015	2014
In £ per share			
Close	**17.70**	14.48	12.28
High	**18.40**	16.29	18.00
Low	**12.65**	10.57	12.14
Market capitalisation (£ million)	**6,426**	5,237	4,475

ATHEX: EEE	**2016**	2015	2014
In € per share			
Close	**20.69**	19.79	15.68
High	**20.99**	23.16	22.00
Low	**16.00**	13.88	15.00
Market capitalisation (€ million)	**7,512**	7,158	5,713

Source: Bloomberg.

Share capital

In 2016, the share capital of Coca-Cola HBC increased by the issue of 1,499,341 new ordinary shares following the exercise of stock options pursuant to the Group's employee stock option plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €21.6 million.

Following the above changes, and including 3,445,060 ordinary shares held as treasury shares, on 31 December 2016 the share capital of the Group amounted to €1,990.8 million and comprised 366,640,638 shares with a nominal value of CHF 6.70 each.

Major shareholders

The principal shareholders of the Group are Kar-Tess Holding (a Luxembourg company), which holds approximately 23.3% and The Coca-Cola Company, which indirectly holds approximately 23.2% of the Group's issued share capital.

Dividends

For 2016, the Board of Directors has proposed a €0.44 dividend per share in line with the Group's progressive dividend policy. This compares to a dividend payment of €0.40 per share in 2015.

For more information on our dividend policy and dividend history, please visit our website at www.coca-colahellenic.com.

Financial calendar

11 May 2017	First quarter trading update
20 June 2017	Annual General Meeting
10 August 2017	Half-year financial results
9 November 2017	Third quarter trading update

Corporate website

www.coca-colahellenic.com

Shareholder and analyst information

Shareholders and financial analysts can obtain further information by contacting:

Investor Relations
Tel: +30 210 618 3100
Email: investor.relations@cchellenic.com
IR website: www.coca-colahellenic.com/investorrelations

Glossary

Basis points (bps)
One hundredth of one percentage point (used chiefly in expressing differences)

Brand Coca-Cola products
Includes Coca-Cola, Coca-Cola Zero and Coca-Cola Light brands

BSO
Business Services Organisation

BSS
Business Solutions and Systems

CAGR
Compound average growth rate

Capital expenditure; CapEx
Gross CapEx is defined as payments for purchase of property, plant and equipment. Net CapEx is defined as payments for purchase of property, plant and equipment less receipts from disposals of property, plant and equipment plus principal repayment of finance lease obligations

Carbon emissions
Emissions of CO_2 and other greenhouse gases from fuel combustion and electricity use in Coca-Cola HBC's own operations (scope 1 and 2, mostly in bottling and distribution), in tonnes

Carbon footprint
Global emissions of CO_2 and other greenhouse gases from Coca-Cola HBC's wider value chain (raw materials, product cooling etc.)

CHP
Combined heat and power plants

Coca-Cola HBC
Coca-Cola HBC AG, and, as the context may require, its subsidiaries and joint ventures; also, the Group, the Company

Coca-Cola System
The Coca-Cola Company and its bottling partners

Cold drink equipment
A generic term encompassing point-of-sale equipment such as coolers (refrigerators), vending machines and post-mix machines

Comparable adjusted EBITDA
We define adjusted EBITDA as operating profit before deductions for depreciation and impairment of property, plant and equipment (included both in cost of goods sold and in operating expenses), amortisation and impairment of and adjustments to intangible assets, stock option compensation and other non-cash items, if any

Comparable net profit
Refers to net profit after tax attributable to owners of the parent

Comparable operating profit (EBIT)
Operating profit (EBIT) refers to profit before tax excluding finance income/(costs) and share of results of equity method investments

Consumer
Person who drinks Coca-Cola HBC products

Customer
Retail outlet, restaurant or other operation that sells or serves Coca-Cola HBC products directly to consumers

DIFOTAI
Deliver in full, on time and accurately invoice

DME
Direct marketing expenses

EDS
Every dealer survey

Energy use ratio
The KPI used by Coca-Cola HBC to measure energy consumption in the bottling plants, expressed in megajoules of energy consumed per litre of produced beverage (MJ/lpb)

FMCG
Fast moving consumer goods

Fragmented trade
Kiosks, quick service restaurants (QSR) and hotels, restaurants and cafés (HoReCa)

Future consumption
A distribution channel where consumers buy multi-packs and larger packages from supermarkets and discounters which are not consumed on the spot

FYROM
Former Yugoslav Republic of Macedonia

GDP
Gross domestic product

GfK
We work with the company Growth for Knowledge (GfK) to track our customer satisfaction level.

GRI
Global Reporting Initiative, a global standard for sustainability reporting

HoReCa
Hotel Restaurant Cafe

IFRS
International Financial Reporting Standards of the International Accounting Standards Board

IIRC
The International Integrated Reporting Council, a global coalition of regulators, investors, companies, standard-setters, the accounting profession and NGOs

Immediate consumption
A distribution channel where consumers buy chilled beverages in single-serve packages and fountain products for immediate consumption, away from home

Inventory days
We define inventory days as the average number of days an item remains in inventory before being sold using the following formula: average inventory ÷ cost of goods sold x 365

Ireland
The Republic of Ireland and Northern Ireland

Italy
Territory in Italy served by Coca-Cola HBC (excludes Sicily)

Joint value creation (JVC)
An advanced programme and process to collaborate with customers in order to create shared value

Litre of produced beverage (lpb)
Unit of reference to show environmental performance relative to production volume

Market
When used in reference to geographic areas, a country in which Coca-Cola HBC does business

Modern trade
Refers to a shift in buying habits as consumers increase frequency of visits to stores but have smaller basket sizes which can cause higher volume but lower revenue

NARTD
Non-alcoholic ready-to-drink

NGOs
Non-governmental organisations

OBPPC
Occasion, Brand, Price, Package, Channel

Organised trade
Large retailers (e.g. supermarkets, discounters etc.)

PET
Polyethylene terepthalate, a form of polyester used in the manufacturing of beverage bottles

Ready-to-drink (RTD)
Drinks that are pre-mixed and packaged, ready to be consumed immediately with no further preparation

Right Execution Daily (RED)
Major Group-wide programme to ensure in-outlet excellence

Receivable days
The average number of days it takes to collect the receivables using the following formula: average accounts receivables x net sales revenue x 365

SAP
A powerful software platform that enables us to standardise key business processes and systems

SDG
Sustainable development goals

Serving
237ml or 8oz of beverage, equivalent to 1/24 of a unit case

Shared services
Centre to standardise and simplify key finance and human resources processes

Sparkling beverages
Non-alcoholic carbonated beverages containing flavourings and sweeteners, excluding, among others, waters and flavoured waters, juices and juice drinks, sports and energy drinks, teas and coffee

SKU
Stock Keeping Unit

Still and water beverages
Non-alcoholic beverages without carbonation including, but not limited to, waters and flavoured waters, juices and juice drinks, sports and energy drinks, teas and coffee

Territory
The 28 countries where Coca-Cola HBC operates

UNESDA
Union of EU (European Union) Soft Drinks Associations

Unit case (u.c.)
Approximately 5.678 litres or 24 servings, a typical volume measurement unit

UN Global Compact (UNGC)
The world's largest corporate citizenship initiative which provides a framework for businesses to align strategies with its 10 principles promoting labour rights, human rights, environmental protection and anti-corruption

Volume
Amount of physical product produced and sold, measured in unit cases

Volume share
Share of total unit cases sold

Value share
Share of total revenue

Waste ratio
The KPI used by Coca-Cola HBC to measure waste generation in the bottling plants, expressed in grammes of waste generated per litre of produced beverage (g/lpb)

Waste recycling
The KPI used by Coca-Cola HBC to measure the percentage of production waste at bottling plants that is recycled or recovered

Water footprint
A measure of the impact of water use, in operations or beyond, as defined by the Water Footprint Network methodology

Water use ratio
The KPI used by Coca-Cola HBC to measure water use in the bottling plants, expressed in litres of water used per litre of produced beverage (l/lpb)

Working capital
Operating current assets minus operating current liabilities excluding financing and investment activities

Special note regarding forward-looking statements

This document contains forward-looking statements that involve risks and uncertainties. These statements may generally, but not always, be identified by the use of words such as "believe", "outlook", "guidance", "intend", "expect", "anticipate", "plan", "target", "seeks", "estimates", "potential" and similar expressions to identify forward-looking statements. All statements other than statements of historical facts, including, among others, statements regarding the future financial position and results, Coca-Cola HBC's outlook for 2017 and future years, business strategy and the effects of the global economic slowdown, the impact of the sovereign debt crisis, currency volatility, Coca-Cola HBC's recent acquisitions, and restructuring initiatives on Coca-Cola HBC's business and financial condition, Coca-Cola HBC's future dealings with The Coca Cola Company, budgets, projected levels of consumption and production, projected raw material and other costs, estimates of capital expenditure, free cash flow, effective tax rates and plans and objectives of management for future operations, are forward-looking statements. You should not place undue reliance on such forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they reflect the Coca-Cola HBC's current expectations and assumptions as to future events and circumstances that may not prove accurate. Forward-looking statements speak only as of the date they are made. Coca-Cola HBC's actual results and events could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described under the section entitled "Risk management and our principal risks – Our principal risks". Although Coca-Cola HBC believes that, as of the date of this document, the expectations reflected in the forward-looking statements are reasonable, Coca-Cola HBC cannot assure that Coca-Cola HBC's future results, level of activity, performance or achievements will meet these expectations. Moreover, neither Coca-Cola HBC, nor its Directors, employees, advisers nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements. After the date of this Integrated Annual Report, unless Coca-Cola HBC is required by law or the rules of the UK Financial Conduct Authority to update these forward-looking statements, Coca-Cola HBC makes no commitment to update any of these forward-looking statements to conform them either to actual results or to changes in Coca-Cola HBC's expectations.

About our report

The 2016 Integrated Annual Report (the "Annual Report") consolidates Coca-Cola HBC AG's (also referred to as "Coca-Cola HBC" or the "Company" or the "Group") UK and Swiss disclosure requirements, while meeting the disclosure requirements for its secondary listing on the Athens Exchange. In addition, the Annual Report aims to deliver against the expectations of the Company's stakeholders and sustainability reporting standards, providing a transparent overview of the Group's performance and progress in sustainable development for 2016.

Our strategic framework serves as the narrative structure of the Annual Report, demonstrating the value this business strategy is creating. The four pillars of our strategy – Community trust, Consumer relevance, Customer preference and Cost leadership – combined with our People initiatives, frame the discussion of our activities during 2016.

The Annual Report is for the year ended 31 December 2016, and its focus is on the primary core business of non-alcoholic ready-to-drink beverages across the 28 countries in which we operate. Our website and any other website referred to in the Annual Report are not incorporated by reference and do not form part of the Annual Report.

The consolidated financial statements of the Group, included on pages 114-176, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Coca-Cola HBC AG's statutory financial statements, included on pages 187-196, have been prepared in accordance with the Swiss Code of Obligations. Unless otherwise indicated or required by context, all financial information contained in this document has been prepared in accordance with IFRS. For Swiss law purposes, the annual management report consists of the sections "Strategic Report", "Corporate Governance" (without the sub-section "Director's Remuneration Report"), "Supplementary Information" and "Glossary".

The Group uses certain Alternative Performance Measures ("APMs") that provide additional insights and understanding to the Group's underlying operating and financial performance, financial condition and cash flow. A full list of these APMs, their definition and reconciliation to the respective IFRS measures can be found in pages 202-205.

The sustainability aspects of this Annual Report comply with the AA1000AS Assurance Standard, the Global Reporting Initiative (in accordance with GRI G4 Comprehensive) standards and the advanced level requirements for communication on progress against the 10 Principles of the United Nations Global Compact. In addition, it is aligned with the principles and elements of the International Integrated Reporting Council's (IIRC) framework and the Climate Change Reporting Framework (CDSB). Carbon emissions are calculated by using the GHG Protocol Corporate Accounting and Reporting Standard methodology, and have been verified by an independent organisation. As with the rest of the information provided, the sustainability aspects of this Annual Report are for the full year ended 31 December 2016 and the related information presented is based on an annual reporting cycle.

We remain committed to strong corporate governance and leadership as well as transparency in our disclosures. We will continue to review our reporting approach and routines, to ensure they meet best practice reporting standards, the expectations of our stakeholders and maintain the visibility on how we create sustainable value for the communities we serve.

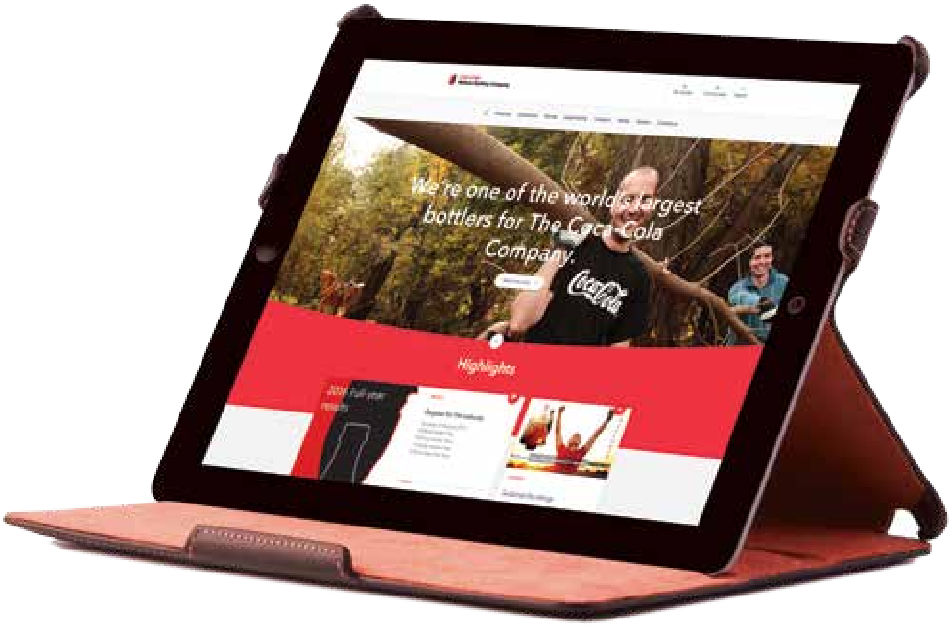
Visit us
www.coca-colahellenic.com

Guided by our users' thoughts and feedback, we have completely refreshed our website. The new Group site features all of our latest news and financial data, stories from around our business and communities, a vibrant new design and an improved experience for audiences.

Write to us

We have dedicated email addresses which you can use to communicate with us.

investor.relations@cchellenic.com
sustainability@cchellenic.com



Coca-Cola
Hellenic Bottling Company

FSC
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MIX
Paper from responsible sources
FSC® C022913

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