Annual Report 2002

Coca-Cola HBC

On Our Journey Towards Becoming A World Class Selling Organisation

FINANCIAL REVIEW

in millions (m)	2002	2001 reported	% change reported	2001 constant territory	% change constant territory
Volume in million unit cases	1,268m u.c.	1,086m u.c.	17%	1,185m u.c.	7%
Sales	€3,969m	€3,511m	13%	€3,724m	7%
Gross profit	€1,591m	€1,367m	16%	€1,439m	11%
Operating profit (EBIT)	€186m	€125m	49%	€118m	57%
Profit before taxation	€128m	€62m	>100%	€52m	>100%
Net profit / (loss)	€35m	€2m	>100%	(€20m)	>100%
EBITDA	€579m	€493m	17%	€496m	17%
ROIC	5.1%	3.9%	1.2 points	3.2%	1.9 points

Country	Capital	Population (millions)	GDP per capita (euro)	EU members by year
RUSSIA	Moscow	144.9	2,519	-
NIGERIA	Abuja	129.9	332	-
UKRAINE	Kiev	48.3	961	-
ITALY	Rome	38.6	21,392	1951
POLAND	Warsaw	38.6	5,177	2004
ROMANIA	Bucharest	21.7	2,164	-
SERBIA & MONTENEGRO	Belgrade	10.6	1,339	-
GREECE	Athens	10.6	13,350	1981
CZECH REPUBLIC	Prague	10.3	7,364	2004
HUNGARY	Budapest	10.1	6,691	2004
BELARUS	Minsk	9.9	1,487	-
AUSTRIA	Vienna	8.2	26,367	1995
BULGARIA	Sofia	7.9	2,096	-
SWITZERLAND	Bern	7.3	39,526	-
SLOVAKIA	Bratislava	5.4	4,455	2004
CROATIA	Zagreb	4.4	5,480	-
MOLDOVA	Chisinau	4.3	381	-
BOSNIA & HERZEGOVINA	Sarajevo	4.0	1,364	-
REPUBLIC OF IRELAND	Dublin	3.9	31,840	1973
LITHUANIA	Vilnius	3.5	4,208	2004
ARMENIA	Yerevan	3.0	805	-
LATVIA	Riga	2.4	3,588	2004
FYROM	Skopje	2.0	1,936	-
SLOVENIA	Ljubljana	2.0	11,477	2004
NORTHERN IRELAND	Belfast	1.7	23,034	1973
ESTONIA	Tallinn	1.4	4,891	2004
Established		70.3	24,750	
Developing		78.0	5,926	
Emerging		386.6	1,399	

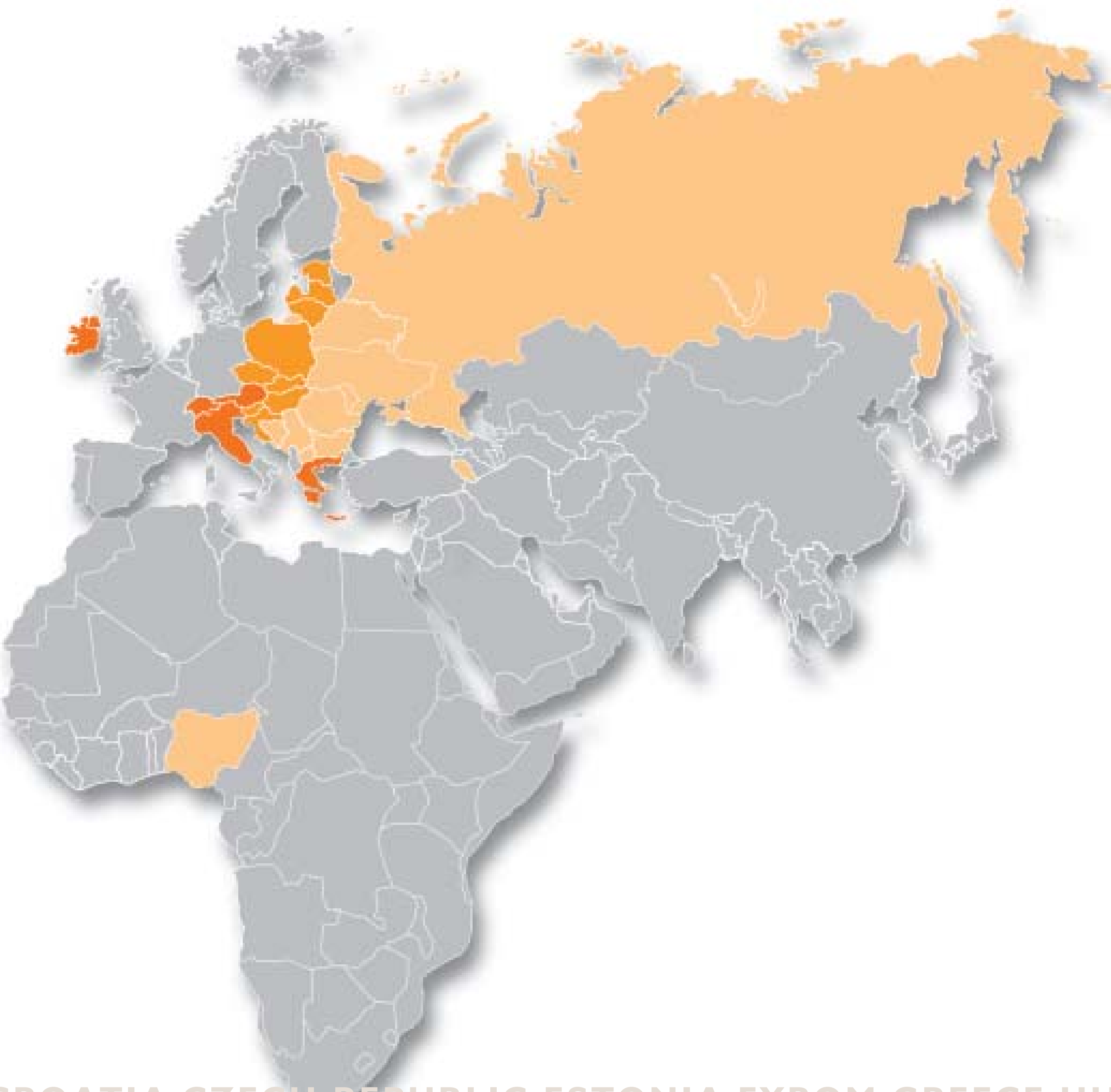
Principal source: EIU (Economist Intelligence Unit)

E ARMENIA AUSTRIA BELARUS BOSNIA & HERZEGOVINA BULGAR
ROM GREECE HUNGARY ITALY LATVIA LITHUANIA MOLDOVA NIG
REPUBLIC OF IRELAND ROMANIA RUSSIA SERBIA & MONTENEG
RMENIA AUSTRIA BELARUS BOSNIA & HERZEGOVINA BULGARIA

Established markets : Austria, Greece, Italy, Northern Ireland, Republic of Ireland, Switzerland

Developing markets : Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia

Emerging markets : Armenia, Belarus, Bosnia & Herzegovina, Bulgaria, FYROM, Moldova, Nigeria, Romania, Russia, Serbia & Montenegro, Ukraine



RIA CROATIA CZECH REPUBLIC ESTONIA FYROM GREECE HUNGA
ERIA NORTHERN IRELAND POLAND REPUBLIC OF IRELAND REPU
RO SLOVAKIA SWITZERLAND UKRAINE ARMENIA AUSTRIA BELAR
CROATIA CZECH REPUBLIC ESTONIA FYROM GREECE HUNGARY

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On behalf of the Board of Directors, I would like to thank all of our employees for their contribution in this successful year

I am pleased to report that Coca-Cola HBC achieved strong profit and volume growth in line with expectations in 2002.

Despite difficult trading circumstances in many territories in terms of the economic environment and adverse weather conditions during the summer, volume increased by 7% to 1,268 million unit cases, net profit improved significantly to over €35 million, compared to a loss of €20 million for 2001, EBITDA increased by 17% to €579 million and EBIT increased by 57% to €186 million (on a constant territory basis).

I am especially pleased to note the successful integration into the company of the Russian territories acquired in late November 2001 and the Baltic states of Estonia, Latvia, and Lithuania acquired in January 2002. These countries are now very much a part of the company and reported particularly strong performance during the year.

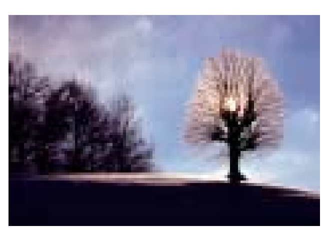
Other events of significance include the acquisition, in partnership with The Coca-Cola Company, of two natural mineral water companies, Valser Mineralquellen AG in Switzerland and Dorna Apemin SA in Romania. With these acquisitions and the continued rollout of juice, tea, coffee, water, sports and energy drinks across our territories, as well as innovation in our very strong carbonated soft drinks range, we remain focused on our objective to become a more diversified alcohol-free beverage company.

Corporate social responsibility continues to gain importance in the business world as a result of recent events in which the trust and reputation of a number of companies has suffered. Traditionally, Coca-Cola HBC has played a strong role in supporting each of the communities it serves. As the expectations of consumers and stakeholders today have changed, the management of Coca-Cola HBC is demonstrating its commitment and the Board of Directors is taking responsibility for this important aspect of corporate development.

In July, I was extremely saddened to report the death of Mr Constantine (Dino) Leventis. Dino had served as deputy chairman of the Board of Coca-Cola HBC and as chairman of the A.G. Leventis Foundation and his contribution over the years has been immeasurable. From the sponsorship of agricultural schools and environmental projects in Nigeria to the promotion of Hellenic culture and the conservation of significant archaeological sites and historic buildings in Greece and Cyprus, as well as by providing support to international museums for Greek and Cypriot antiquities, Dino worked tirelessly and will be sorely missed. I am pleased to announce that Mr Harry Leventis has since been appointed to the Board.

In October 2002, the company was successfully listed on the New York Stock Exchange. We anticipate that this will result in greater access to the international investment community and will expand investment analyst coverage of our company to provide a more accurate comparison within the alcohol-free beverage industry and our international peer group.

In closing, on behalf of the Board of Directors, I would like to thank all of our employees for their contribution in this successful year. It is because of the passion and enthusiasm of our people coupled with our strong management team that I am confident of continued progress in the years ahead.



George A. David
Chairman
Coca-Cola HBC

"a journey that will ensure
our company's success in creating superior value"

Journey

Towards World Class

Journey towards becoming a World Class Selling Organisation

Throughout 2002, Coca-Cola HBC and its employees were focused on the pursuit of our vision: becoming a World Class Selling Organisation. A great deal of progress was made in all key areas and a number of milestones were reached.

We have achieved an impressive record since Coca-Cola HBC's creation less than three years ago. Progress in implementing our plan to become a World Class Selling Organisation continued in 2002 and helped us to grow volume by 7% and EBITDA by 17% on a constant territory basis. Our focus on improving the performance of the underlying business led to a substantial increase in ROIC from 1.9% in 2000 to 5.1% this year. Our business in Russia and the Baltics, acquired in late 2001 and early 2002 respectively, has made significant progress. Volume in these countries increased by 17% and EBITDA grew by more than four times. These territories already form a significant part of our company which will grow in the future.

These successes demonstrate that we have the capability to grow rapidly and deliver results; they show that we have built strong teams at all levels; and they underscore our ability to truly innovate and influence consumer tastes and trends.

We believe that the World Class Selling vision is the optimal platform from which to further develop Coca-Cola HBC, to maintain our strong momentum, and to release the full potential of all our assets.

Brand Coca-Cola products are the backbone of our business and today represent over 50% of our sales. The prospects for the Coca-Cola brands remain very strong as we broaden, develop, and reinvigorate their appeal to consumers, who now number more than 500 million across our 26 countries.

Complementing this core strength, we aim to expand the opportunity that we see in the noncarbonated beverage sector. Already in 2002, Coca-Cola HBC has increased its noncarbonated beverage volume from 13% to 15% as a proportion of our total volume. This is particularly impressive given that total volume increased by 7% during this period. Underlining our confidence and expectations in this segment, we anticipate that noncarbonated beverages will represent 20% of our total volume by 2004. A key growth area within this sector is water. During 2002, the acquisitions of the mineral water companies Dorna Apemin S.A. and Valser Mineralquellen AG, in partnership with The Coca-Cola Company, marked an important step to becoming a more diverse alcohol-free beverage company.

In order to achieve these objectives, we rely heavily on the quality and effectiveness of our sales force, which builds our business, outlet by outlet, and focuses on the detail required to grow each category, each brand, and each package. In the past year, we substantially increased the size of our sales team and continued investing in the development of our sales people. We truly believe that by having a highly trained and motivated sales force, we will successfully activate our products in the marketplace and grow our business. In 2002, the extensive placement of single-serve cold drink equipment in the marketplace and a relentless focus on market activation resulted in significant profitable volume growth.

The right people at every level are key to our success. Therefore, we are dedicated to training and development, recognising the need to manage our rapidly growing business and to provide succession planning for all key management positions.

The successful listing on the New York Stock Exchange has substantially increased the visibility of Coca-Cola HBC. It gives us greater exposure to the international investment community and facilitates direct comparison with our peer companies in the non-alcoholic beverage sector across the world.

2002 was a highly successful year for Coca-Cola HBC, as the company rose above the significant challenges in the broader market to deliver very strong volume and, more importantly, profit growth. But this is just the beginning. We have a long journey ahead of us and need to keep growing our brands, developing our people, activating the marketplace, and delivering strong financial performance to achieve our single most important financial goal: return superior value to our shareholders.

Brands

brand (*n*):
1. a mark made to attest manufacture or quality or to designate ownership

Coca-Cola is the world's most popular brand and consumer appetite remains strong for the portfolio of TCCC products: Coca-Cola, Coca-Cola light (also known as Diet Coca-Cola), Fanta, and Sprite. Much of Coca-Cola HBC's strength lies in these core brands. Whilst these will remain absolutely focal to our future, we are complementing them by expanding and innovating within our portfolio to maximise the potential for profitable growth. Our goal over time is to become a more diverse alcohol-free beverage company providing a complete range of non-alcoholic beverages for every consumer and for every occasion.

Exploiting carbonated soft drinks

Throughout 2002, as in the past, we focused on making all Coca-Cola brands more appealing, available, and relevant for our many consumers, drawn from across our 26 diverse individual markets. In the past year, our people have created many thousands of local promotions, events, and sponsorship schemes to fortify and grow these brands in an enduring and meaningful way.

Excellent examples of brand activation are the many beach programmes that we mounted during the peak summer season in markets such as Romania, Bulgaria, Greece, and Italy. There are 500 kilometres of sandy Baltic beaches, which are visited by an estimated six million consumers annually. To fully exploit this

in·no·va·tion (*n*)
re·ju·ve·nate (*vt*)

“Our goal over time is to provide a complete range of non-alcoholic beverages for every consumer and for every occasion”

re·ju·ve·nate (*vt*):

1. to restore something’s condition, to make it more vigorous, dynamic and effective

market, Coca-Cola HBC launched a marketing programme aimed at brand activation and product availability.

In terms of sales, new branded coolers were strategically placed outside our customers’ kiosks, backed up by sales promoters with thermal insulated backpacks who were delivering ice-cold single servings of Coca-Cola products directly to the consumer. This is a typical example of the variety of imaginative, locally devised and managed outdoor activities that were staged across all 26 countries within the company during 2002.

Innovation and rejuvenation have played an integral part in our growth strategy, bringing life and added energy to our well-established brands with new flavours, exciting packaging innovations, dynamic marketing, and striking advertising.

During 2002, Coca-Cola light was reinvented for a new generation of consumers in a bold, silver bottle. Supporting the initiative was a sophisticated ‘Silver Lady’ or ‘Silver Man’ integrated marketing and advertising campaign.

The launch of Coca-Cola light with lemon gave a familiar product a new appeal across several countries, particularly in our established markets, such as Northern Ireland, Switzerland, and Austria.

Καινοτομία
Ανανεώνω

Innovation

The Fanta range also increased volume across many countries with the introduction of the unique, proprietary 'Splash' bottle that added colour and light to the traditional product. In many countries, especially in Eastern and Central Europe, consumers prefer a variety of flavours, so we introduced many extensions during the year, such as Blood Orange, Exotic, Sparkling Grapefruit, and Crazy Citrus. Some of these flavours were designed to appeal specifically to local tastes. In Romania, locally conceptualised Fanta Shokata (featuring the traditional flavour of the elder flower), Fanta Madness, and Fanta Icy Lemon inspired consumers' imagination and have contributed to profitable volume growth. Such innovations have proved a successful way to keep the Fanta brand fresh, vibrant, and growing.

Sprite stimulated the younger generation in Russia and Greece with the launch of lively 'take it over the edge' graffiti graphics on collectible cans designed by local artists. In Greece, Sprite light was relaunched as Sprite Zero in a profitable 250ml slim can, which at the same time was very stylish, distinctive, and appealed to the body-conscious youth market. A daring, much talked about media campaign (the campaign song reached number 1 in the Greek charts) led the marketing and promotional effort, which resulted in a significant sales increase.

Expansion of noncarbonated soft drinks

Noncarbonated soft drinks have an exciting future in all of Coca-Cola HBC's markets.

The bottled water segment continued to show rapid growth. Coca-Cola HBC pursues a 'dual water strategy' by offering both natural mineral water and table water products, reflecting market preferences.

During the year, the acquisition of the Valser range in Switzerland was a solid and strategically important step into the natural mineral water segment there. It was rapidly followed by the acquisition of the Dorna range of naturally sparkling mineral waters in Romania. Coca-Cola HBC is already firmly established in the water segment in many markets. For example, in Greece, the Avra mineral water brand is the market leader.

In addition to mineral water, the company continued to expand the availability of its table water, principally BonAqua. In total, water volume grew by 38% in 2002.

2002 was a good year for Coca-Cola HBC's juice brands. We offer three major brands of juice and juice drinks: Minute Maid, the leading juice brand of

in·no·va·tion (*n*):

1. the act or process of inventing or introducing something new

The Coca-Cola Company, popular in Switzerland and Italy; Amita, the most popular juice brand in Greece; and Cappy, an international brand available in Austria, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Poland, Romania, Slovakia, and Slovenia.

Minute Maid continued its progress in Italy and Switzerland during the year.

Amita continues to be the market leader in the juice sector in Greece. Innovative new products led by Amita Sun (the only juice enriched with calcium and vitamins) and Amita Classic (a single serving in a distinctive glass bottle) attracted significant consumer interest.

The strength of the Cappy brand has been firmly established in a number of Central and East European countries, where it enjoys market leadership (Slovakia, Croatia, Romania). In addition, we have continued to successfully launch Cappy in other markets, such as Bulgaria.

During 2002, the Cappy range achieved market leadership within just a few months of launch in the important children's market segment in Austria.

This achievement resulted from the powerful combination of the strong Cappy brand with packaging that featured popular Disney characters to produce products such as 'Mickey's Abenteuer.'

Teas and sports and energy drinks expanded into new markets and substantially grew volume during 2002, supported by new product launches and innovative marketing.

2002 was also a strong year for Nestea, with volume growing an impressive 21%. Nestea was successfully rebranded and repackaged across a host of Coca-Cola HBC markets during the year and a number of new flavour extensions were introduced, such as Red Fruits or Mint & Ginseng. The new look and improved range contributed strongly to the exceptional growth in sales of this brand.

PowerAde, which is available in a number of our countries, was repackaged in an impressive new bottle design with a unique sports cap. Sales of the product almost doubled during the year.

Our presence in the energy drink sector was further strengthened through the introduction in some of our markets of Burn.

People

Our people are our greatest asset. The dedication, unity, teamwork, and partnership that exist amongst our people is one of the major contributors to the strong performance of the business as a whole. We invest considerably and consistently in developing all of our 36,000 employees to the best of their abilities and empowering them to achieve superior performance today and in the future. Everyone from senior management to middle management, salesmen, production and warehouse employees, and truck drivers, has the opportunity to participate in some form of training and development throughout the year.

We provide training and people development programmes for all our staff to enable them to unlock their full potential to the mutual benefit of the business and the individual.

Coca-Cola HBC places great emphasis on developing tomorrow's leaders and thus has specially designed a core management curriculum with programmes such as Foundation in Marketplace Excellence, Coaching for High Performance, Foundation in Management Skills, and Situational Leadership. During 2002, the company put in place two programmes for middle and senior management organised in conjunction with Swiss-based IMD, the Institute for Management Development, which is recognised as one of the world's leading business schools. These programmes ensure that Coca-Cola HBC develops and maintains a truly strong and effective management team.

de·ve·lop·ment (*n*):

1. a process of making active or unfolding gradually
2. a process of natural growth, differentiation or evolution by successive changes

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Development

"Employing the right people, improving their skills and capabilities, and sharing best practices are central to continuously growing our business"

εξέλιξη

Local and functional training initiatives focus on the practical aspects of skill development through programmes like Connecting with Customers, Category Management, Supply Chain Management, and Asset Care.

In all parts of our business, we gain from the enhanced skills and learning of our people. Coca-Cola HBC recognises the importance of sharing learning across our territories in order to rapidly adopt, tailor, and implement successful programmes. The company organises biannual conferences in which strategic initiatives, learnings, and best practices are shared in sales, technical operations, and other functional areas.

We believe that having the right people with the right skills and sharing of best practices are central to continuously growing our 26 countries and returning superior value to our shareholders.

ev·o·lu·tion (*n*):

1. the gradual development of something into a more complex or better form

Activating

Availability, Affordability, Acceptability, and Activation form the core business strategy of Coca-Cola HBC. Throughout the year, Coca-Cola HBC and The Coca-Cola Company developed major promotions, as well as sponsorship and marketing activities, which accompanied our brands in every conceivable location: sports grounds, ski resorts, parks, beaches, recreation centres, hypermarkets, supermarkets, and kiosks.

Wherever there is possible demand, our aim is to make products available at an affordable price and always with consistent quality.

a·vail·able (*adj*):
1. able to be used or obtained, accessible and convenient

the Marketplace

Activation is essential for our success. By activation we mean that our consumers should be aware of our products, should be attracted to them, should want to purchase them, and should be able to do so. In short, 'I see, I want, I drink.' It is this simple principle that drives our business and it was expanded, reinterpreted, and redefined as customer and consumer expectations evolved throughout the year. The result is thousands of highly effective locally conceived activities being implemented across our 26 countries.

ac·cept·able (*adj*):

1. likely to please the person who receives it
2. considered to be satisfactory

Customers & Consumers

"We use creativity and innovation in all of our countries to place products within consumers' reach"

For example, at convenience stores in several of our markets, in addition to the traditional coolers located elsewhere in the outlet, we intensified our efforts to place additional units at checkout counters. This makes ice-cold products readily available at payment points for immediate consumption. In a number of countries, we placed coolers outside kiosks, giving consumers the opportunity to make purchases by providing extra convenience and impulse. Our Bosnia & Herzegovina sales team thought of hanging coolers on the sides of kiosks to make our products more visible.

In placing products within consumers' reach, different countries have developed different approaches through their creativity and innovation. In established markets, like Greece, ice-cold products are positioned on streets, in plazas, and indeed everywhere where there may be demand. A number of key countries around the Mediterranean depend on tourism and on a beach with little in the way of permanent kiosks, we multiplied the on-beach sales force by a factor of five to more fully activate the availability of ice-cold refreshments and drive impulse purchases.

Brand Coca-Cola is the favourite carbonated soft drink of consumers across our diverse portfolio of countries, refreshing consumers at all types of social gatherings, events, and occasions. During 2002, consolidating on this strong position, we implemented a number of initiatives to further activate all Coca-Cola brands, strengthening their association with mealtimes and other social or family gatherings. Activating carbonated drinks in Greece, we have supplied a number of quick service restaurants with combo meal boards and have printed Coca-Cola branded menus. In Poland, enhanced association with mealtimes further

af·ford·ability (*n*):

1. offering a wide variety of desirable, quality products in the package appropriate for each market, for every occasion, at the right price

ενεργοποίηση

acceptability

availability

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activated different channels, including hypermarkets, cinemas, kiosks, and internet cafes. Capitalising on local knowledge in the Baltics, we strongly promoted association of our brands with chicken, a popular local convenience meal, substantially boosting appeal and activation in 800 stores in these markets.

Similar activation of our noncarbonated drink brands is helping us to exploit the enormous potential that exists for mealtime and social consumption of our water, juice, juice drinks, and teas. Greater activation, through association with social occasions and mealtimes, is extending the appeal of all our products, creating new opportunities for us to connect with consumers.

ac·ti·vation (*n*):

1. to make something energetic or set it in motion

καταναλωτές

δοχ

Financial

Financial review 2002

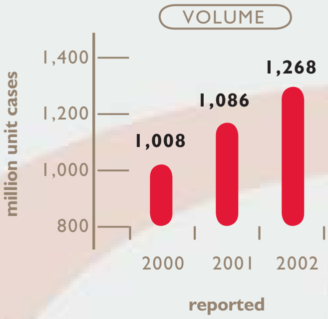
Coca-Cola HBC reported excellent results for the full year 2002, further demonstrating the strength of our business. Despite difficult trading circumstances in many territories in terms of the economic environment and adverse weather conditions during the summer, constant territory volume increased by 7% to 1,268 million unit cases. The improvement in our profitability was even stronger as our net profit increased to €35m compared to a loss of €20m for 2001 on a constant territory basis. The highlights of the company and segmental financial results are summarised below:

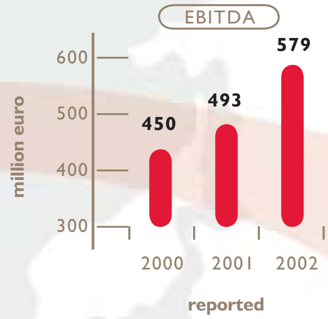
Financial highlights in millions (m)	Year ended 31 December 2002	2001	% change vs. 2001
Volume, constant territory	1,268 million unit cases	1,185 million unit cases	7%
Volume, reported	1,268 million unit cases	1,086 million unit cases	17%
Sales, constant territory	€3,969m	€3,724m	7%
Sales, reported	€3,969m	€3,511m	13%
EBITDA, constant territory	€579m	€496m	17%
EBITDA, reported	€579m	€493m	17%
Operating profit (EBIT), constant territory	€186m	€118m	57%
Operating profit (EBIT), reported	€186m	€125m	49%
Net profit / (loss), constant territory	€35m	(€20m)	>100%
Net profit / (loss), reported	€35m	€2m	>100%
Dividends	€43m	€42m	2%
ROIC, constant territory	5.1%	3.2%	1.9 points
ROIC, reported	5.1%	3.9%	1.2 points

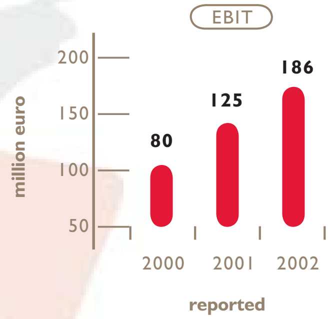
All numbers and Financial Performance review under International Financial Reporting Standards (IFRS)

Performance

Many of the milestones Coca-Cola HBC reached and passed in 2002 on its journey towards becoming a World Class Selling Organisation have contributed to the company's significantly improved financial performance.



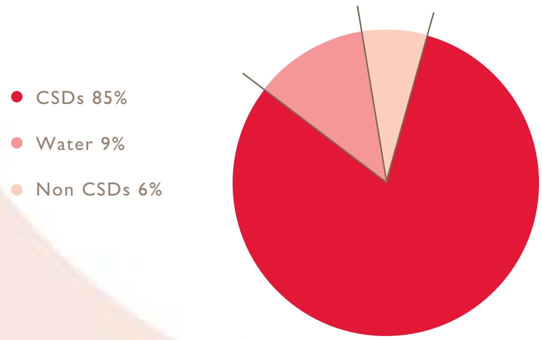




In profitably managing growth during the year, we provided appropriate focus on our carbonated soft drink brands (CSDs), which, in 2002, accounted for 85% of the business. This strength in CSDs is balanced by the considerable prospects of noncarbonated soft drinks (non CSDs), especially in the water segment. On this basis, we expect that noncarbonated beverages will represent 20% of our total volume in 2004. This is supported by our recent acquisitions of the Swiss mineral water business Valser Mineralquellen AG and the Romanian mineral water business Dorna Apemin S.A., as well as investment in our greenfield water plant in Hungary, which commenced operations in the fourth quarter. Each of these transactions was pursued jointly with The Coca-Cola Company.

Together, Coca-Cola HBC and The Coca-Cola Company are committed to the World Class journey in order to reach long term goals of profitable volume growth through continuous development of carbonated and noncarbonated beverages, leveraging on enormous potential in the natural mineral water and processed water segments, and careful fiscal measures to ensure that Return on Invested Capital (ROIC) exceeds our Weighted Average Cost of Capital (WACC).

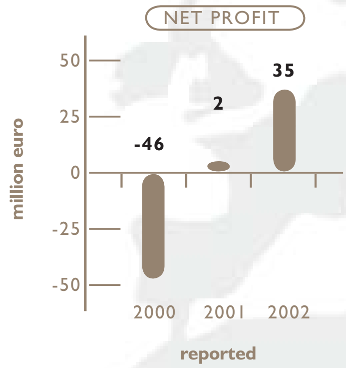
SHARE OF BEVERAGE CATEGORIES 2002

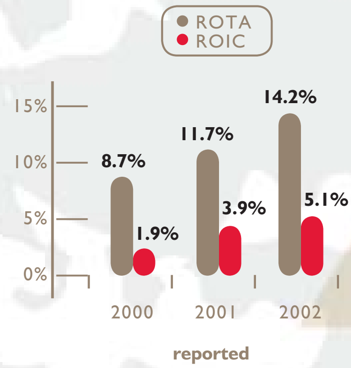


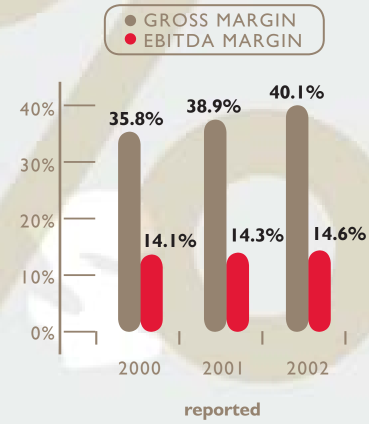
	VOLUME GROWTH FULL YEAR 2002 VS. 2001
CSDs	4%
Water	38%
Non CSDs	11%
TOTAL	7%

Financial Performance

Furthermore, Coca-Cola HBC continues to focus on exploiting its many attributes. Its strong portfolio of leading brands, continued performance in the carbonated beverage segment, growing potential in the noncarbonated sector, people development, and balanced mix of established, developing, and emerging markets result in improved margins, significant operating profit and net profit growth, and increasing returns.

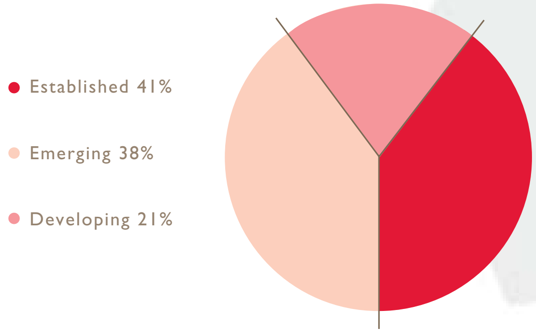




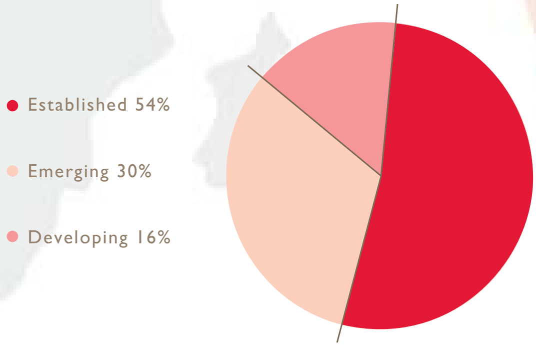


Financial performance by market segment (constant territory)	Volume growth (% change vs. 2001)	EBITDA growth (% change vs. 2001)
Established	3%	7%
Developing	5%	28%
Emerging	13%	34%

UNIT CASE VOLUME BY SEGMENT 2002



EBITDA BY SEGMENT 2002



ESTABLISHED MARKETS

Population: 70 million
Unit cases: 518.0 million (+3%)

Per capita consumption: 177
EBITDA: €314.1m (+7%)

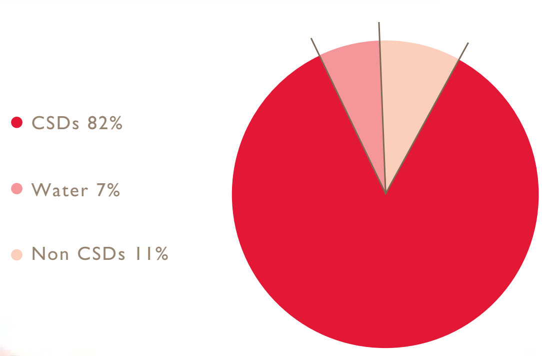
Volume in established markets grew by 3% to 518 million unit cases compared to 2001. In all established markets, we have sought to diversify the range of product choices available to consumers, particularly in juice and water. We kept investing in Italy in 2002 and expect to realise volume and profit potential through our additional 200 sales people and placement of 30,000 coolers.

Growth of more than 5% in the Republic of Ireland and Northern Ireland was mainly driven by more profitable 500ml packs in the immediate consumption channel. A focus on new product launches broadened the product and package choices available to consumers. In Greece, we still see excellent results based on the investment made in 2001 in the relaunch of the Amita juice brand, which, together with Avra water, shows strong growth within the noncarbonated beverage segment. Coca-Cola light with lemon has been a successful product launch in Austria, Switzerland, and Northern Ireland. Our acquisition of the leading Swiss mineral water company, Valser Mineralquellen AG, at the end of the third quarter 2002 will help us to meet consumer demand in Switzerland and will increase our strength in the noncarbonated segment.

Established markets contributed €314m to company EBITDA, 7% above prior year. Across this segment, we have seen the benefits of promoting the higher margin single serve packages, together with selective price increases. At the same time, we are working to improve operating efficiencies and cost control. For example, this enabled Austria to face hard pricing competition based on influence from the German market. Consistent with their volume growth, Northern Ireland and the Republic of Ireland delivered significant EBITDA growth for the year, assisted by a favourable package mix and efficient operating expense management.

The table below shows volume growth in 2002, 2001, and 2000 for each country:

	2002 (% change vs. 2001)	2001 (% change vs. 2000)	2000 (% change vs.1999)
Austria	2%	2%	-3%
Greece	2%	5%	4%
Northern Ireland and the Republic of Ireland	5%	-3%	5%
Italy	1%	5%	2%
Switzerland	10%	3%	4%
Established markets total	**+3%**	**+3%**	**+2%**



SHARE OF BEVERAGE CATEGORIES IN ESTABLISHED MARKETS 2002

Financial Performance

DEVELOPING MARKETS

Population: 78 million
Unit cases: 261.6 million (+5%)

Per capita consumption: 80
EBITDA: €92.8m (+28%)

Volume in our developing markets was 262 million unit cases, 5% higher than last year. EBITDA was 28% higher than 2001 as a result of focus on better pricing, gross margin improvement, and operating expense control. As a result of our increased efforts to meet consumer demand and customer expectations, we see that the generated volume also impacted growth in profit levels.

In Poland, we reached 8% volume growth due to an improved pricing strategy, intensive cooler placement, and successful promotional activities. Growth of more than 9% in the Czech Republic for the year was assisted by the strong performance of Lift, which, after a relaunch, was able to compete in a very price sensitive environment.

Throughout the developing markets, we continued to increase the range of products and package sizes available to consumers during 2002. Launches of new Fanta flavours were extremely successful in Estonia and Latvia. Consumer price promotions were targeted towards retaining customers and making our products affordable to as wide a range of consumers as possible. These initiatives enabled us to overcome poorer summer weather and the floods.

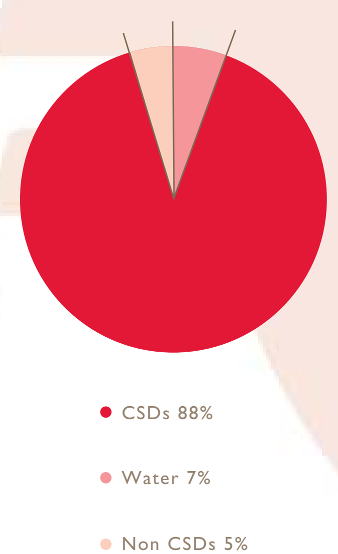
EBITDA in developing markets grew by 28% versus 2001 to €93m on a constant territory basis, in line with our continued goal to build sustainable and profitable businesses in these markets. The improvement in EBITDA was achieved through targeted price increases coupled with a continued focus on expense control and the efficient use of assets. All countries in this segment, except Croatia, are preparing for accession to the European Union in May 2004.

In Poland, EBITDA growth for the year was over 100%, assisted by savings on raw and other materials, as well as effective control of operating expenses. In the Baltics and the Czech Republic, EBITDA growth was 79% and 24% respectively, assisted by cost savings, a favourable package mix, and targeted price increases.

The table below shows volume growth in 2002, 2001, and 2000 for each country:

	2002 (% change vs. 2001)	2001 (% change vs. 2000)	2000 (% change vs.1999)
Croatia	2%	3%	3%
Czech Republic	9%	-7%	11%
Estonia	18%	24%	-16%
Hungary	1%	-3%	8%
Latvia	19%	19%	-10%
Lithuania	13%	29%	10%
Poland	8%	-6%	3%
Slovakia	0%	6%	19%
Slovenia	-11%	-4%	-6%
Developing markets total	**+5%**	**-2%**	**+7%**

SHARE OF BEVERAGE CATEGORIES IN DEVELOPING MARKETS 2002



EMERGING MARKETS

Population: 387 million
Unit cases: 488.7 million (+13%)

Per capita consumption: 30
EBITDA: €171.8m (+34%)

Throughout 2002, emerging markets again performed very strongly. Volume in emerging markets grew by 13% in 2002 to 489 million unit cases.

Russia, a very important market in the segment, achieved volume growth of 17% in 2002. Economic stabilisation, together with increased brand awareness and the successful launch of new products, ensured this strong performance.

Nigeria delivered volume growth of 2% after strong growth in 2001. Our investments in production infrastructure enabled us to meet a spur in market demand in the fourth quarter, which was a result of increased government spending at year-end leading up to elections. Based on increased capacity and better line utilisation, Nigeria delivered double-digit volume growth in the fourth quarter.

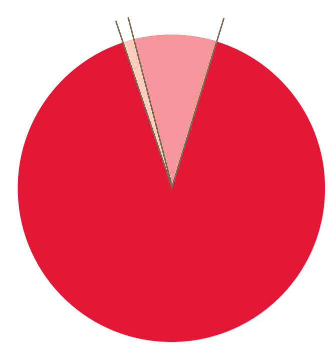
In the Ukraine, volume growth for the year was 24% following new product launches, significant in-trade investments, and improved market presence. In Romania, we increased volume by 19% from the introduction of new Fanta flavours (Madness, Shokata) and Schweppes Bitter Lemon, as well as an overall improvement in economic conditions. Serbia & Montenegro delivered volume growth of 30% with very strong performance of CSDs and some new product launches.

EBITDA in emerging markets for the full year was €172m, representing growth of 34% on a constant territory basis. Higher volume and wider product offering combined with better asset utilisation to achieve cost efficiencies across these territories. The strongest performing operation in this segment was Russia, with EBITDA growth of well over 100% versus prior year. Building on profitable volume growth, Russia was assisted by targeted price increases and savings in raw and packaging materials. In Russia and the Ukraine, the product range has expanded to include new products and flavours and both countries have seen the benefit of stabilising economic conditions. Additionally, we continue to see cost saving benefits from merger synergies in Russia. In Nigeria, profitability has been built on higher volumes, combined with the full year benefit from the price increase implemented in October 2001.

The table below shows volume growth in 2002, 2001, and 2000 for each country:

	2002 (% change vs. 2001)	2001 (% change vs. 2000)	2000 (% change vs.1999)
Armenia	4%	24%	-4%
Belarus	57%	95%	-38%
Bosnia & Herzegovina	15%	18%	21%
Bulgaria	3%	-8%	6%
FYROM	5%	2%	30%
Moldova	1%	10%	-12%
Nigeria	2%	36%	-21%
Romania	19%	2%	24%
Russia	17%	71%	N/A
Serbia & Montenegro	30%	59%	4%
Ukraine	24%	34%	-13%
Emerging markets total	**+13%**	**+25%**	**N/A**

SHARE OF BEVERAGE CATEGORIES IN EMERGING MARKETS 2002



Financial Performance

Coca-Cola HBC

Coca-Cola HBC is one of the largest Coca-Cola bottlers serving a population of over 500 million people in 26 countries. CCHBC shares are listed on the Athens Stock Exchange (ASE:EEEK), with listings on the London (LSE:CCB) and Australian (ASX:CHB) Stock Exchanges. CCHBC's American Depository Receipts are listed on the New York Stock Exchange (NYSE:CCH).

Basis of the financial information

This financial review covers the performance of the company. The financial results are presented in euros, which is the principal operating currency of the company. We refer to information on a constant territory basis. The constant territory basis includes the actual results for the acquisition of the new Russian territories and Baltic states of Estonia, Latvia, and Lithuania for the full year of 2001 to provide comparable information for 2002. These accounts are prepared under International Financial Reporting Standards (IFRS). The company also prepares accounts under accounting principles generally accepted in the United States of America (US GAAP).

Our key performance measures for the growth of our business and its profitability in 2002 have been volume, EBITDA and Return on Tangible Assets (ROTA). From 2003 onwards, we will measure our progress on our journey towards becoming a World Class Selling Organisation by volume, operating profit (EBIT), and Return on Invested Capital (ROIC).

Volume is measured on a unit case basis. EBITDA is defined as earnings before interest, tax, depreciation and amortisation, and other non cash items. In an international environment where financial statement presentation can differ significantly between countries, EBITDA gives a consistent measure allowing comparison of performance with other businesses similar to ours. ROTA is defined as return on tangible assets. This measure focuses on returns from the productive capital invested in the business. The measure excludes goodwill and the amortisation of goodwill.
EBIT is defined as earnings before interest and tax.
ROIC is calculated as EBITA (operating profit plus amortisation) less adjusted taxes divided by average invested capital (shareholders' equity plus interest bearing debt plus capital lease obligations).

Overview of financial results

Financial results for the year

Sales
Sales for the year increased 7% versus 2001 on a constant territory basis, reflecting selective price increases in key markets and better channel mix. This increase in sales was achieved despite stronger sales in water, a product category that makes lower revenue per unit case than carbonated soft drinks. Sales in our European markets increased by 7%. The economics in our markets enabled us to increase revenue per case and grow earnings ahead of volume.

Gross profit
Gross margin, on a constant territory basis, increased to 40.1% compared to 38.7% in 2001, a significant increase that reflects our continued ability to manage our costs and perform with greater production efficiencies. Our gross margin continues to improve as a result of targeted price increases and as the proportion of our sales in the more profitable packages continues to grow.

Operating profit
Operating profit (EBIT) increased by 57% on a constant territory basis for the full year, reflecting a combination of strong volume growth, significant gross margin improvement, and controlled growth in our operating expenses.

Net profit
The net result of the company has been transformed from a loss position of €20m in 2001 to a solid profit of €35m in 2002, on a constant territory basis (€2m profit on a reported basis in 2001).

The significant turnaround achieved in 2002 is a result of our ability to manage all aspects of our business, including profitable volume growth, successful cost management, and implementation of operational efficiencies.

Exchange impact

The euro weakened marginally during 2002 against some Central European currencies in which the company operates. The company saw a small benefit in the translation of its results into euros as a result of this, but also experienced an increase in foreign currency denominated costs (principally those which are dollar based). The overall effect on the company was broadly neutral.

Financing costs

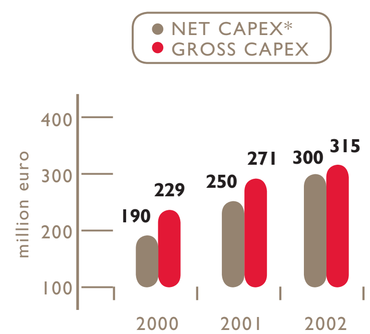
Financing costs for 2002 totalled €60m (€66m in 2001). Included in financing costs is the remeasurement of net monetary assets of subsidiaries operating in hyper-inflationary environments. In 2002, this amounted to €0.8m (€0.6m in 2001). The company has six countries that operate in a hyper-inflationary economic environment, namely, Belarus, Moldova, Romania, Russia, Serbia & Montenegro, and the Ukraine.

Tax charge

The underlying effective tax rate for the company is higher than the Greek statutory rate of 35% due to the impact of non-deductible expenses for tax purposes, principally the amortisation of goodwill. Statutory tax rates in the countries in which the company operates range from 0% to 38%. Excluding the impact of non-deductible goodwill amortisation, the effective tax rate is 30%. Our continuing reduction in the effective tax rate on profit before taxation and amortisation is attributable to overall enhanced profitability in country operations combined with a small recovery of previously unrecognised tax losses.

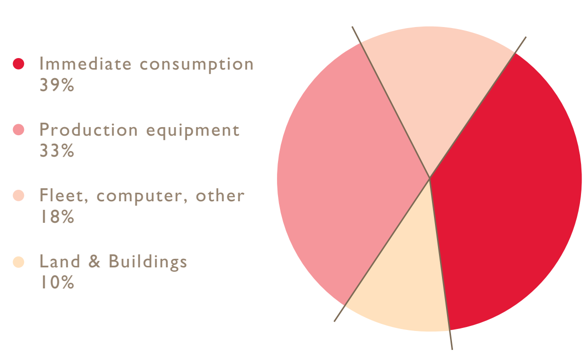
Capital expenditure

The company spent a net €300m on fixed assets in 2002, an increase of €50m over last year. This amount included pre-spending on certain 2003 projects to help us ensure a dynamic start in 2003. We are continuing to focus capital investment on the higher profitability areas of the business. We have redeployed assets and equipment within the company, where possible, to minimise the cash outflows on fixed assets, as well as improve our return on existing assets.



* Net capex includes proceeds from sale of excess assets

2002 CAPITAL EXPENDITURE



Financial Performance

Return on Tangible Assets

The capital investment in our business is substantial, with tangible fixed assets valued at approximately €2.0 billion. Our priority is to maximise the efficiency and return on these assets and the Return on Tangible Assets (ROTA) has been one of our three key indicators of performance in 2002.

This measure focuses on returns from the productive capital invested in the business. The measure excludes goodwill and the amortisation of goodwill. In 2002, ROTA was 14.2% compared with 8.3% in 2001 on a constant territory basis. This increased return reflects the initiatives taken in 2000 and 2001 to deploy assets around the company in order to maximise their efficient use.

Return on Invested Capital

Return on Invested Capital (ROIC) is one of our three key indicators of performance from 2003 onwards. CCHBC's focus on the returns achieved from our capital investment reflects the efforts taken on our journey to meet and exceed our Weighted Average Cost of Capital (WACC). ROIC is calculated as EBITA (operating profit plus amortisation) less adjusted taxes divided by average invested capital (shareholders' equity plus interest bearing debt plus capital lease obligations). In 2002, ROIC was 5.1% compared with 3.2% in 2001 on a constant territory basis.

Dividends

A dividend of €0.18 per share (totalling €43m) for the year ended 31 December 2001 was approved by the Annual General Meeting on 20 May 2002 and paid to company shareholders in June 2002. This compares with a dividend declared and paid in 2001 of €42m.

Acquisitions

Minority interest in Switzerland

On 30 December 2002, we announced that we successfully closed the acquisition of the remaining 26.1% shareholding interest in our Swiss subsidiary. The minority interest was held by EWN Getraenke Holdings GmbH ('EWN'), a German closely held limited liability company. The timing of the transaction, which was originally planned for late 2003, resulted in more beneficial terms for us, as the minority shareholder will have no rights in the 2002 dividends of the Swiss business.

Dorna Apemin S.A.

On 31 July 2002, we announced our intention to acquire, jointly with The Coca-Cola Company, the majority of the shares in Romania's premier natural mineral water company, Dorna Apemin S.A. ('Dorna'). The purchase agreement represents 94.5% of the shares in Dorna and comprises all brands and products including White Spring, Poiana Negri, and Dorna mineral waters. We successfully closed the acquisition of Dorna on 17 December 2002.

Valser Mineralquellen AG

On 9 July 2002, we announced our intention to acquire, jointly with The Coca-Cola Company, the leading Swiss mineral water bottler, Valser Mineralquellen AG ('Valser'), comprising a number of well-established brands, including Valser Classic, Valser Naturelle, and Valser Limelite. We successfully closed the acquisition of Valser on 30 September 2002.

Acquisition of bottling operations in Estonia, Latvia, and Lithuania

On 2 January 2002, we acquired all The Coca-Cola Company owned bottling operations in the Baltic countries of Estonia, Latvia, and Lithuania. Further details of the acquisition are disclosed in the 2001 annual report.

Acquisition of The Coca-Cola Company bottling operations in the Russian Federation

On 23 November 2001, the company acquired all The Coca-Cola Company owned bottling operations in Russia. Further details of the acquisition are disclosed in the 2001 annual report.

New York Stock Exchange listing

We listed on the New York Stock Exchange on 10 October 2002. We anticipate that this development will benefit all of our shareholders over the long term as our company becomes more visible to the international investment community, and will allow for more comparability with our international peer group.

Treasury and funding

Management of financial risk

The financial risks faced by the company arise from the adverse movements in currency rates, interest rates, and commodity prices. The CCHBC Board has approved CCHBC's Treasury Policy and Chart of Authority, which provide the control framework for all treasury and treasury related transactions.

Treasury policy and objectives

CCHBC Group Treasury is responsible for managing the financial risks of CCHBC and all its subsidiaries in a controlled manner, which is consistent with the Board of Directors' approved policies. These policies include:

- hedging transactional exposures to reduce risk and limit volatility. Derivatives may be used provided they qualify as hedging activities defined by the policy;
- ensuring that all transactions are executed in the most cost efficient manner, are controlled effectively, and are undertaken with approved counter-parties;
- hedging of financial risks includes activities that reduce risk or convert one type of risk to another. To qualify as hedging, an activity should be expected to produce a measurable offset to the risk relating to an asset, liability or committed or forecast transaction.

In the context of overall Treasury Policy, and in line with Board approved operating parameters, specific objectives apply to the management of financial risks. These objectives are disclosed under their respective headings below.

Operating parameters

Authority to execute transactions, including derivative activity with approved financial institutions, has been delegated by the Board of Directors to the Director of Tax and Treasury and the Group Treasurer. Under this authority, only specified permitted financial instruments, including derivatives, may be used for specified permitted transactions.

The use of derivatives is restricted to circumstances that do not subject CCHBC to increased market risk. The market rate risk created by the use of derivatives should be offset by the market rate risk on the specific underlying exposures they are hedging.

The estimated fair value of derivatives used to hedge or modify our risks fluctuates over time. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and to the overall reduction in our exposure to adverse fluctuation in interest rates, foreign exchange rates, commodity and other market risks.

Borrowings and group funding arrangements

Medium term funding for the company is based on the need to ensure a consistent supply of committed funding at group and subsidiary level, at minimum cost given market conditions, to meet the anticipated capital and operating funding requirements of the company. Short term liquidity management is based on the requirement to obtain adequate and cost-effective short term liquidity for the company.

As at 31 December 2002, CCHBC had consolidated borrowings of €1,511m (€1,414m in 2001). Of these facilities, 35% was classified as current debt and 65% as long term debt.

In order to meet its future funding requirements, the company had, as at 31 December 2002, cash and cash equivalents of €106m, and an undrawn multi-currency committed facility of €900m. Of this facility, 100% will mature after more than one year (see Note 20 to the IFRS accounts).

Financial Performance

Financing group debt

No further bond issuance was undertaken during 2002. The company replaced the €750m syndicated facility with a new €900m syndicated backstop facility (which is undrawn). At the same time a new €1.0 billion Global Commercial Paper Programme was set up and is used to finance the company's working capital requirements. The outstanding amount under the Commercial Paper Programme at the end of 2002 was €165m. The new facility has a split maturity, with €450m maturing in May 2005 and €450m maturing in May 2007. The new facility received tighter pricing and a relaxation of covenant language from the company's core relationship banks.

Further issuance from the company's Euro Medium Term Note programme is planned subject to pricing objectives being achieved. This will deliver the objective of reducing liquidity risk and will assist in maintaining the quality profile CCHBC continues to demonstrate in the debt capital markets.

Interest rate management

The company manages its interest rate costs using a mixture of interest rate swap risk management products. These products consist of fixed and floating interest rate swaps and interest rate cap options. Products that protect the company's interest rate risk have a range of maturities from one to three years. As at balance sheet date, the total amount of interest protection was 88% of total debt. This amount consists of 42% of debt as interest rate swaps and 46% as interest rate cap options (2001, 42% using swaps).

During the year, the company purchased interest rate cap options to hedge against adverse interest rate movements in respect of a notional principle sum of €663m. This was done to provide stability to the company's three-year business plan and to comply with treasury policy. The decision to purchase options versus swaps was taken in order to continue benefiting from the lower floating interest rate environment, while having in place protection against adverse interest rate movements. The options and swaps are marked to market with gains and losses taken to the income statement. The option premium is being expensed to the income statement through the option revaluation process. The option is revalued using the Black-Scholes method.

Foreign currency management

The company's foreign exchange exposures arise primarily from adverse changes in exchange rates in countries in Central and Eastern Europe. Due to this exposure, the company's results are affected in several ways, including:

- raw materials purchased in currencies such as US dollars or euros can lead to higher cost of sales which, if not recovered in local pricing, will lead to reduced profit margins;
- devaluations of weaker currencies that are accompanied by high inflation and declining purchasing power can adversely affect sales and unit case volume; and
- as some operations have functional currencies other than the reporting currency (euro), any change in the functional currency against the euro impacts the company's income statement and balance sheet when results are translated into euros.

Derivative financial instruments

The company uses derivative financial instruments, such as forward exchange contracts and currency options, to further reduce our net exposure to currency fluctuations. These contracts normally mature within one year. The company does not, as a matter of policy, enter into speculative derivative financial instruments.

Where possible, the company hedged at least 50% of foreign exchange transaction exposures. It is the company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Commodities

The company hedges exposures to changes in movements in market prices associated with raw material purchases primarily by using commodity futures. Currently, the company only holds sugar commodity futures. These contracts normally mature within one to two years.

Insurance and risk management

The company risk and insurance function provides all operations with appropriate methodologies to identify, assess, and control key business risks. External advisers have been used both to ratify the company risk management approach and to support the process centrally and locally. The risk management process is continuous and ensures that risks arising from company changes and developments are identified, assessed, and managed.

Company insurances have been effected to provide catastrophe, property, and liability protection. Local insurances have been arranged beneath the company covers to provide working loss protection and necessary legal compliance.

Best Practice Risk Control guidelines have been established and are audited against at all key locations. These guidelines and audits focus specifically on Property Loss Control, Safety Management, Business Continuity Planning, and Environmental Compliance. Training courses, addressing areas of weaknesses highlighted in audits, have been run for our operations.

Contingencies and legal claims

The Greek Competition Authority issued a decision on 25 January 2002, imposing a fine on the company of approximately €3m and requiring changes in the company's commercial practices in respect of free on-loan coolers in certain outlets in Greece. The fine relates to the company's commercial dealings with certain wholesalers during the period 1991-1999. On 27 March 2002, the company appealed this decision before the Athens Administrative Court of Appeal. On 18 April 2002, the Athens Administrative Court of Appeal accepted in part the company's interim application for suspension of the Greek Competition Authority's decision by suspending half of the amount of the fine imposed on the company by the Greek Competition Authority.

The European Commission is currently investigating commercial practices engaged in by CCHBC's subsidiary in Austria. This forms part of a broader investigation of commercial practices of The Coca-Cola Company and its bottlers in Europe. The investigation commenced in July 1999, when the European Commission visited CCHBC's offices in Austria and London. This investigation may lead to the institution of formal proceedings by the European Commission against CCHBC's Austrian subsidiary in the course of 2003. In the absence of such proceedings, it is not possible to quantify the likelihood or materiality of any potential fines or restrictions of our practices.

In recent years, customs authorities in some Central and East European countries have attempted to challenge the classification under which the company imports concentrate into these countries to produce our products. Local authorities have argued that a classification with higher custom duties than the current classification should apply. In 2001, one such issue in Hungary was successfully resolved. The company still has similar issues outstanding before the Polish and Romanian Custom Authorities. At this time, it is not possible to quantify the risk of a negative outcome in these cases.

Corporate

As an important part of meeting its business objectives, Coca-Cola HBC is committed to the highest standards in terms of its values, expertise, and professionalism throughout the organisation. This includes a commitment to internationally recognised best practices in corporate governance.

Corporate governance describes the framework that is in place to ensure high standards in the way in which the company is governed and controlled by its Board of Directors, that proper internal control processes are in place, and that there are mechanisms for ensuring the accountability of management.

The company is continually reviewing its corporate governance standards and procedures in light of the current developments and rulemaking projects in Greece, Europe, and the United States in order to ensure that its corporate governance systems remain robust and appropriate.

The Board of Directors

Board composition and responsibilities

The company's articles of association require that the company's Board must have a minimum of seven and a maximum of 15 directors. The company's Board currently comprises one executive director and ten non-executive directors. Mr George David is chairman and Mr Irial Finan is managing director.

The non-executive members of the Board include representatives of major shareholder interests as agreed at the time of the merger between Hellenic Bottling Company and Coca-Cola Beverages. Based on this agreement, four directors are designated by the Kar-Tess Group and two are designated by The Coca-Cola Company.

CCHBC recognises the important role of independent non-executive directors in assuring continued high standards of corporate governance and has appointed four such independent non-executive directors. Mr Kent Atkinson was, until his retirement, group finance director of Lloyds TSB Group plc. Sir Michael Llewellyn-Smith was, until his retirement, the British Ambassador to Greece. Mr Antonio D'Amato is President of Confindustria, the Confederation of Italian Industry, and a member of CNEL (the Italian National Council for Economy and Labour). Mr Samir Toubassy is a senior executive of The Olayan Group. Their role is to provide a clear, independent non-executive influence and perspective within the Board.

Recently enacted Greek Law 3016/2002 requires that at least one third of the Board of Directors of a Greek listed company be comprised of non-executive members, two of which must be independent. The company's Board of Directors complies with these provisions of Greek Law 3016/2002.

The names of all of the directors, specific shareholder representation, and Board committee memberships are shown in the directors' biographies on pages 38 and 39. The Board and its committees meet at regular intervals. There are certain matters that are reserved for full consideration by the Board, including issues of policy, strategy, and approval of the chart of authority and budgets. The Board members are supplied on a timely basis with comprehensive information, which the Board believes is in a form and of a quality to enable it to discharge its duties and carry out its responsibilities. All directors have access to the CCHBC general counsel and there is a procedure to enable them to take additional independent professional advice at the expense of the company. Non-executive directors have full access to the managing director, senior managers, and to the external and internal auditors.

Appointment and remuneration of directors

The Board believes that the level of remuneration offered to directors should be sufficient to attract

Governance

"As an important part of meeting its business objectives, Coca-Cola HBC is committed to the highest standards in terms of its values, expertise, and professionalism throughout the organisation"

and retain high calibre directors who will guide the company successfully. There is a formal procedure in place for appointments to the Board. The current term of the company's directors expires in 2005. Following a resolution of the Annual General Meeting on 20 May 2002, one third of the Board will be renewed by reelection or replacement each year.

The remuneration of the directors is subject to the approval of shareholders. Consistent with the approach for executive directors, in order to be market competitive, CCHBC has compared remuneration of non-executive directors against surveys of similar international businesses.

Greek law prohibits a director from voting on a proposal, arrangement or contract in which the director is personally interested. The company's major shareholders entered into a relationship agreement prior to the listing of its shares on the London Stock Exchange; under the terms of this agreement, directors nominated by such major shareholders are restricted from taking part in, and voting at, Board meetings in connection with matters in which the shareholder they represent has an interest.

In furtherance of its objective to adopt international best practices in corporate governance and in accordance with the standards set by recently adopted rules in the United States, the company adopted a code of ethics for its directors and senior executives to prevent wrongdoing and promote honest and ethical conduct, full, fair, accurate, timely, and understandable disclosure, and compliance with applicable governmental rules and regulations.

The company also has in place a code covering senior executives, directors, and employees, which is designed to establish and maintain the company's reputation in respect of fair dealing in securities.

The human resources committee

The human resources committee comprises three non-executive directors: Sir Michael Llewellyn Smith (Chairman), Mr George David, and Mr Henry Schimberg. The managing director and human resources director normally attend meetings except when the discussions concern matters affecting them personally.

The human resources committee operates pursuant to written terms of reference and is responsible for:

- establishing the principles governing human resources policy and the compensation policy of the company, which will guide management decision-making and action;
- making recommendations regarding company-wide compensation and benefit plans and main compensation elements for senior managers reporting to the managing director;
- overseeing succession planning policy and making recommendations to the Board of Directors on succession of the managing director and the appointments of those who report to the managing director;
- establishing the principles governing corporate social responsibility policies of the company;
- making recommendations to the Board of Directors concerning potential non-executive directors, drawing on the best available outside resources.

Remuneration policy and directors' and senior executives' compensation

Remuneration policy

CCHBC aims to provide total compensation for its staff that will be fair and sufficient to employ staff with the talents necessary to conduct and grow the business and maximise shareholder value.

To achieve the business results required by CCHBC, the company must attract, retain, and motivate high calibre executives for whom it recognises there is an international market. The human resources committee aims to provide total compensation that is competitive by reference to other multinational companies similar to CCHBC in terms of size, geographic spread, and complexity. In line with its commitment to maximise shareholder value, CCHBC's policy is to link a significant proportion of remuneration for its senior staff to the performance of the business through incentive and stock option plans. Equity related compensation of senior staff aligns the financial interests of senior management with those of shareholders.

In constructing and reviewing remuneration packages, the emphasis is on linking pay to performance by rewarding effective management of business performance as well as individual achievement.

Total remuneration

CCHBC considers total remuneration measuring all components at the upper quartile against a comparative group of similar international companies, thereby allowing the company to attract and retain the level of talent necessary to grow the business.

1. Salary
This reflects an executive's experience, responsibility, and market value as determined by, among other factors, a comparison with similar multinational companies.

2. Management incentive plan
All senior executives participate in the CCHBC Management Incentive Plan. This plan applies to middle and senior ranking employees and is based on annual business performance against volume, EBITDA, and ROTA, as well as individual accomplishments against objectives. Starting from 2003, EBIT will replace EBITDA and ROIC will replace ROTA as the criteria for business performance under the plan. Individual objectives are set by senior management so as to be demanding but achievable. The target award as a percentage of annual base salary increases with level of responsibility and varies from 15% up to 70% of an employee's annual base salary. Exceptional business unit performance where objectives are exceeded may result in awards in excess of the individual target awards.

3. Long term incentive plan
Senior staff participates in the CCHBC Long Term Incentive Plan. The company adopted this cash based plan for implementation in 2003 as a replacement

of the company stock option plan for middle ranking employees. The plan covers successive three-year periods and incentive payouts will be based on ROIC performance against three-year objectives. The target payout from the plan is determined on an individual basis based on performance and potential. Exceptional business unit performance where objectives are exceeded may result in awards in excess of the individual target payout. It is believed that this newly adopted plan will have a greater motivational impact on middle ranking employees because they can more directly link their efforts to the ROIC performance of their specific unit.

4. Stock option plan

Senior executives of CCHBC are eligible to participate in the CCHBC Stock Option Plan. Options are viewed as an integral part of the total remuneration package for senior executives, while middle ranking employees discontinued participation in the plan, as the newly adopted Long term Incentive Plan fully replaced the stock option plan for them. At the Extraordinary General Meeting of shareholders held on 22 November 2001, the basic terms and conditions of stock option grants were approved.

Options are granted at an exercise price equal to the average value of the mid-price quotation of the company's shares at close of trading on the Athens Stock Exchange over the last ten working days before the date of grant. Options vest in one-third increments each year for three years and can be exercised for up to ten years from the date of award.

Options are approved by the Board of Directors upon the recommendation of management, based on a view of competitive market conditions for employee remuneration and employees' performance. The Stock Option Award for the managing director is approved by the Board of Directors based on the recommendation of the human resources committee.

The company views stock options as a long term component of the total remuneration package of its senior executives, whose roles have an impact on the results of the business as a whole, and intends to continue issuing stock options to these employees taking into account, among other factors, its profit growth, business prospects, and financial condition, as well as individual employee performance and the competitive market conditions of employee remuneration. Under Greek law, the terms of any options granted during each year must be approved by the company's shareholders at a general meeting. In addition, under Greek legislation in force, all options outstanding at any time under all its stock option plans may not exceed 10% of its outstanding share capital.

During 2002, the company granted phantom stock options to its senior executives. The company intends to convert these phantom stock options into regular stock options subject to approval of the Annual General Meeting of the shareholders in 2003.

5. Pension and other benefits

Senior executives either participate in their home country pension scheme or in the CCHBC International Retirement Savings Plan, as appropriate.

The audit committee

The audit committee comprises three non-executive directors: Mr Kent Atkinson (Chairman), Mr A.R.C. (Sandy) Allan, and Mr Samir Toubassy. The chief financial officer, the general counsel, the external auditors, and the head of internal audit normally attend all meetings, and the committee also meets the external auditors without others being present. The committee operates under written terms of reference and its duties include the review of accounts prior to their recommendation to the Board for approval. The committee reviews reports from the external auditors prior to approving the accounts and discusses issues arising from the interim and final audits and any matter the auditors may wish to discuss.

The audit committee discusses with the external auditors before the audit commences the nature and scope of the audit and ensures coordination where more than one audit firm is involved. It is also responsible for reviewing the programme of the internal audit function and receiving summaries of internal audits. The audit committee reviews the effectiveness of the company's corporate governance and internal control systems, including the company's code of business conduct for employees, chart of authority, and treasury policies. In addition, the audit committee oversees the work of the disclosure committee and is in charge of administering and enforcing, in conjunction with the Board, the company's code of ethics for senior executives and directors.

Corporate Governance

Internal control

As part of the company's goal of following best practice in corporate governance matters, there is strong emphasis on the internal control environment and management of risk within the company. This report describes and reviews the significant aspects of the internal control and risk management process. The company has an internal audit function which reports to the audit committee. Details of its role and process for reporting to the committee are given below.

Internal audit

The internal audit function comprises sixteen full time internal staff covering a range of disciplines and business expertise. Its objective is to provide assurance to the Board on the control environment across the company and the head of internal audit makes regular presentations to the audit committee. The audit committee also reviews and approves the internal audit work programme for each year.

Internal audit work is planned and executed with reference to a risk analysis framework and considers the level of organisational, systems, and other changes which occur in deciding on the business areas and countries on which to focus. Audit reports and recommendations are produced subsequent to each audit and advice and follow up is made on the implementation of these. A summary of all significant recommendations and follow up progress is given to the audit committee and the Board. The managing director, along with country and regional management, chief financial officer, and controller receive a copy and have an opportunity to discuss all the audit reports that are issued.

Performance reporting

Reports on the annual performance and prospects of CCHBC are given in the annual report. Interim financial information is also released on a quarterly basis to the stock exchanges on which the company is listed and to the financial press.

Internally, the financial results and key business indicators of the company are circulated and reviewed by senior management on a monthly basis. This information gives comparisons against budgets, forecasts, and prior year performance.

The Board receives updates on performance at each Board meeting in addition to a monthly report on business and financial performance.

A disclosure committee has recently been established and disclosure controls and procedures were adopted to ensure the accuracy and completeness of the company's public disclosures. The disclosure committee comprises the company's chief financial officer, general counsel, corporate controller, director of investor relations, and head of the internal audit function.

Internal control processes

The Board acknowledges that it has ultimate responsibility for ensuring that the company has systems of financial control with respect to the various business environments in which it operates.

It should be noted that such financial systems can provide only reasonable and not absolute assurance against material misstatements or loss.

Financial and other authorisation limits have been set and procedures for approving capital and investment expenditure have been established. The Board approves three-year strategic and financial plans and detailed annual budgets. It subsequently reviews monthly performance against these targets. A key focus of the financial management strategy is protection of CCHBC's earnings stream and management of cash flow.

The internal audit function monitors the internal financial control system across all the countries in which CCHBC operates and reports to management and the audit committee on its findings. The work of the internal auditors is focused on the areas of greatest risk to CCHBC determined by using a risk management approach to audit planning.

The external auditors, Ernst & Young and PricewaterhouseCoopers, are engaged to express an opinion on the company report and accounts. To do this, they independently and objectively review the results and financial position of CCHBC. They also review and test the system of internal financial control to the extent necessary for expressing their opinion. Reports are given by the external auditors to the audit committee at each of their meetings.

The identification and management of risk

The company has in place a risk management framework for the identification, assessment, and control of key business risks. Risks covered are those arising from a range of sources in three broad categories: the external environment in which the business operates, the business processes, and the information available for business decisions.

The risk identification and assessment process has been incorporated as part of the company's annual business plan process since 2001. This covers all countries and involves senior management of the company and of each business unit. The process enables a regular review to take place by management of the risks associated with the business and the plans to address them.

The audit committee regularly considers updates on business risks and actions being taken to address and measure such risks. The Board is updated at least annually on risk management.

Accountability

The country is the basic unit for purposes of business performance and CCHBC's policy is to maintain accountability at the country level. Head office functions focus on policy and group issues and provide support functions and expertise where it is not practical or economic to provide these at a country level.

Social

We are committed in all our business practices to honesty and integrity, respect for the dignity and diversity of people, support for the communities in which we operate, and protection of the environment. We believe that this commitment to core values throughout the organisation contributes to our business success. We cannot become a World Class Selling Organisation without consistently contributing to the communities in which we live and work.

The company is therefore taking steps to ensure that the principles of corporate social responsibility are a part of the business practice of its entire staff.

Background

High values and aspirations have always been a part of the practice of Coca-Cola HBC and its predecessors, but recent developments in the global economy and business and the increasing scrutiny of the role of business have highlighted the need to integrate them into the work of the company in a more open and systematic way.

We are currently reviewing the way in which the company assumes its social responsibilities, focusing on what is being done in the marketplace, and in relation to the environment, the workplace, and community partnerships. We have commissioned a professional team to conduct this review across a number of countries and regions through document research, questionnaires, and in-depth interviews. Based on the conclusions, we will formulate a new strategy for corporate social responsibility which will include qualitative and quantitative measurements.
We also expect this work to lead to new coordinated local examples of action in the community and in support of the environment.

We see markets as societies with sustainable economies. We also see and accept a responsibility to use our knowledge and resources to make a positive difference. The greatest positive contribution our company can make to its communities is the direct economic impact we make through successful business.

in·teg·ri·ty (*n*):
1. the quality of possessing and steadfastly adhering to high moral principles or professional standards

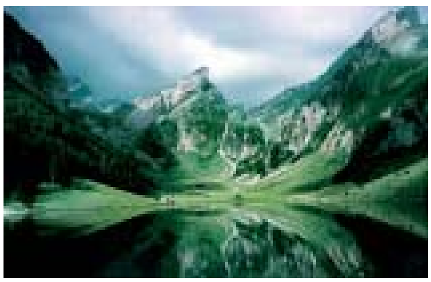
Responsibility

"We are committed to honesty and integrity, respect for the dignity and diversity of people, support for the communities in which we operate, and protection of the environment"

There are choices to be made as to where we concentrate our efforts. We believe that for an organisation such as Coca-Cola HBC, the most effective areas on which to focus are the local communities in which we operate and their particular problems, social, health-related or environmental. An example is our support for action to combat HIV/AIDS in Nigeria. Another priority area is the standards that apply to the products which we use or sell (e.g., food quality).

The values to which we subscribe are integral to the successful conduct of our business and are being demonstrated in each of the areas to which corporate social responsibility is relevant, the workplace, the marketplace, the environment, and the community.

Social Responsibility



Workplace

Many of the activities and actions on which we focus have been inherent in our culture and system for many years. For example, the Code of Business Conduct has been part of our organisational policy for many years and is readily accessible to employees. This code details our corporate philosophy and our commitment to employees in terms of employment practices and personal development and it includes the responsibilities of employees and the company in terms of compliance with both the spirit and the letter of laws, regulations, and business ethics. In the workplace, Coca-Cola HBC aims to show respect and treat everyone with dignity and fairness. The company encourages employees at all levels to develop and perform to their fullest potential.

Concern is shown for employee welfare, not only through health care, security, and safety, but also in fostering career and personal development. It is our intention to create a workplace where ideas and contributions are valued and where responsibility and accountability are encouraged and rewarded. This in turn creates the kind of innovative business growth that makes ours a successful business.

Marketplace

Coca-Cola HBC works to adhere to the highest ethical standards in the marketplace, understanding that the quality of our products, the integrity of our brands, and the dedication of our people will build trust and develop mutually rewarding relationships. By offering products and services that meet the beverage needs of our consumers, we provide sound and rewarding business opportunities and benefits for our customers, suppliers, distributors, and local communities.

Environment

We aim to conduct our business in a way that protects and preserves the environment. We are integrating principles of environmental stewardship and sustainable development into our business decisions and processes and, where appropriate, are engaging in activities with external organisations to bring concrete benefits in the immediate and long term.

Environmental management has always been one of our key priorities. We believe that our success depends on making an environmentally responsible commitment to our consumers and other stakeholders.

For this reason, we have undertaken to make operations compliant with the internationally recognised ISO 14001 quality standard. Switzerland became the first of our countries to achieve ISO 14001 certification, in November 2001. Greece and the Ukraine are now well advanced in the accreditation process and it is expected that over 85% of plants in the Coca-Cola HBC system will be approved by early 2004.

We have already seen tangible environmental and financial benefits through significant savings in water, energy, and raw material consumption; the reduction of solid waste; increased reuse and recycling of materials; and the introduction of a waste water neutralisation and management process.

We believe that by continuously seeking to minimise the adverse effects of business on the environment, we can create value for all stakeholders and the communities in which we operate.

Community

At Coca-Cola HBC, we are aware that our relationships with all stakeholders are essential to our future success in the workplace, the marketplace, and the local community. Just as we are on a journey towards becoming a World Class Selling Organisation, we are also on a journey to fulfil our mission concerning the enrichment of the lives of the communities we live in. Our commitment is to invest time, expertise, and resources to provide economic opportunity, improve quality of life, and foster goodwill in our communities.

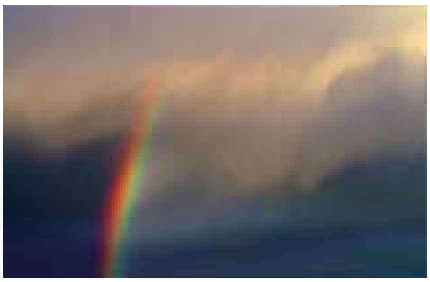
Together with governments, organisations, local groups, and other members of civil society, our system can help to enhance quality of life through a wide variety of initiatives.

Examples of the company's efforts to address needs are found throughout the entire system. Some activities, such as organising humanitarian aid following severe flooding in the Czech Republic and Austria, are in response to emergencies in a single country. Others, like support provided to the EU Commission's conference in Greece on water conservation and ongoing funding of iniatives such as the 'Make a wish' foundation in Greece, have relevance to a much broader community. Long term support for environmental protection was also the impetus for the company funding development of new recycling technology for plastics in Switzerland.

In supporting education and welfare for young people, the company is engaged in numerous initiatives. Among these initiatives are providing holidays in Hungary for mentally and physically challenged children and an ongoing annual programme conducted in several countries, in which ill and orphaned youngsters are presented with gifts each Christmas. A project in Greece, aimed at informing and educating teenagers about environmental issues, problems, and solutions, qualifies participants to be 'Green Ambassadors.' This title will give them a role in anti-littering measures during the 2004 Athens Olympics – an event we are supporting as part of our commitment to sports development in many countries across Europe.

In doing all this, Coca-Cola HBC strives to be a valuable partner in community relationships, a neighbour of choice, and a good corporate citizen.

com·mit·ment (*n*):
1. devotion or dedication, for example, to a cause, person or relationship



Directors' Biographies

George David

Mr David graduated from the University of Edinburgh in 1959. He began his career that same year with the group of companies controlled by his uncle Mr A.G. Leventis in Nigeria. He was sales manager from 1959 to 1962, branch manager from 1962 to 1964, general manager of the technical division from 1964 to 1965, executive director from 1966 to 1978, and managing director of Leventis Technical Ltd. from 1972 to 1978, when he assumed responsibility for family interests in Greece. After 1981, he assumed responsibility for Kar-Tess Holding S.A. investments. Today, he holds a position on the board of directors of The Bank of Cyprus, Petros Petropoulos AVEE, Titan Cement Co. and Allatini AVEE. Mr David is a trustee of the A.G. Leventis Foundation and is also actively involved in a number of other nonprofit organisations. Mr David is a member of our human resources committee.

Irial Finan

Mr Finan began his career in The Coca-Cola system in 1981 and was appointed financial controller of Coca-Cola Bottlers, Dublin, in 1984. In 1987, he was appointed finance director of Coca-Cola Bottlers Ireland, a member of our group, where he was also responsible for information systems. Mr Finan became managing director of Coca-Cola Bottlers Ulster Ltd in 1991. In 1993, he was instrumental in restructuring our bottling operations in Bulgaria and Romania. At the beginning of 1995, Mr Finan was appointed managing director of Coca-Cola Molino Beverages and joint managing director of Hellenic Bottling Company with operational responsibility for the Republic of Ireland, Northern Ireland, Moldova, Romania, Russia, and Nigeria. He was the lead member of the integration team in relation to the merger with Coca-Cola Beverages. In April 2000, Mr Finan became one of our three regional directors and was given responsibility for 16 countries. He became managing director in May 2001 and at the same time was appointed to the Board of Directors.

Alexander (Sandy) R.C. Allan

Mr Allan started his career at The Coca-Cola Company in South Africa as finance manager of the Johannesburg bottler in 1968 and in 1971 joined the corporate audit team. In 1978, he joined the Southern and Central African division of The Coca-Cola Company, first as division finance manager and then as deputy division president. In 1986, he was appointed managing director of NatBev South Africa. In 1993, Mr Allan was appointed president of the Middle East and North African division of The Coca-Cola Company, a position in which he served until 1999. In late 1999, he was appointed senior vice president of The Coca-Cola Company and president of The Coca-Cola Company Asia. In March 2001, he was also elected executive vice president and chief operating officer of The Coca-Cola Company Asia. In August 2001, Mr Allan was appointed president and chief operating officer for the Europe, Eurasia, and Middle East business unit of The Coca-Cola Company, with effect from 1 January 2002. Mr Allan is a member of our audit committee.

Kent Atkinson

Mr Atkinson was chief financial officer of Lloyds TSB Group plc from January 1995 until his retirement in June 2002. He began his career in 1964 with the Bank of London in South America, which was later acquired by Lloyds Bank plc. After a number of appointments with Lloyds Bank in various countries in South America and the Middle East, he transferred to the United Kingdom in 1989 as regional executive director for the South East and then general manager of the retail operations, UK Retail Banking division, before assuming his position as chief financial officer. Mr Atkinson is chairman of our audit committee and serves as our senior independent non-executive director. Mr Atkinson is also a non-executive director of Marconi plc, Marconi Corporation plc, and Cookson Group plc.

Antonio D'Amato

Mr D'Amato started his business career in 1979 with Caroprint in Milan, part of the Finseda Group, a leading European company in the production of food packaging. He was employed in various capacities and in 1991, he became president of the Finseda Group. Since 1996, Mr D'Amato has been a member of the board of directors of Confindustria, the Confederation of Italian Industry. From 1999 to May 2000, he was president of the Industrial Union of Naples. In May 2000, he was elected president of Confindustria. In August 2000, Mr D'Amato was

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Leonidas Ioannou

Mr Ioannou trained as an architect and engineer and began his career in 1967 with Joannou & Paraskevaides Ltd., a group of privately held international building and civil engineering companies with offices in Nicosia, Athens, London, and the Middle East. He is currently vice chairman of the board of directors and chairman of the executive board of Joannou & Paraskevaides (Overseas) Ltd. He is also chairman of the Athenaeum Hotel and Tourist Enterprises S.A., which owns the Athenaeum Inter-Continental in Athens, and he is chairman of J&P-AVAX S.A. Mr Ioannou serves on the councils of several nonprofit organisations and museums.

Anastasios P. Leventis

Mr Leventis has been working in Nigeria for companies controlled by Mr A.G. Leventis since the 1960s, where he became involved in all aspects of operations and, in particular, the expansion and development of commercial activities. He is on the board of directors of Boval S.A., which has widespread investments worldwide, as well as of subsidiaries of Boval S.A. in Nigeria. Mr Leventis is chairman of the A.G. Leventis Foundation. On 4 April 1990, Mr Leventis was appointed honorary commissioner for the Republic of Cyprus to Nigeria by the government of the Republic of Cyprus. Mr Leventis also serves on the councils of several nonprofit organisations.

Haralambos K. Leventis

Mr Leventis graduated from Cambridge University in 1963 and was admitted to the English Bar in 1964. He moved to Nigeria in 1964 to work for the companies controlled by Mr A.G. Leventis. He was involved in the management of a number of companies in the group, especially in Leventis Motors Ltd, where he was the executive director reporting to the board for the management of the company. Mr Leventis is a trustee of the A.G. Leventis Foundation.

Sir Michael Llewellyn-Smith

Sir Michael Llewellyn-Smith had a distinguished career in the British diplomatic service, including postings to Moscow, Paris, and Athens, culminating in positions as British Ambassador to Poland (1991-1996) and then British Ambassador to Greece (1996-1999). He is currently chairman of the British Institute in Paris, a member of the council of London University, vice president of the British School of Athens, vice chairman of the Cathedrals Fabric Commission for England, and member of the council of the Anglo-Hellenic League. Sir Michael Llewellyn-Smith is chairman of our human resources committee.

Henry Schimberg

Mr Schimberg started his career in the non-alcoholic beverages industry in 1958. In 1982, he joined the Johnston Coca-Cola Bottling Group as president and chief operating officer. In 1991, the Johnston Coca-Cola Bottling Group merged with Coca-Cola Enterprises, Inc. and Mr Schimberg was appointed president and chief operating officer of Coca-Cola Enterprises. In April 1998, he was elected president and chief executive officer of Coca-Cola Enterprises. In December 1999, Mr Schimberg retired from Coca-Cola Enterprises. Mr Schimberg presently serves on the board of directors of Coca-Cola Amatil Limited and Panamerican Beverages, Inc. Mr Schimberg is a member of our human resources committee.

Samir Toubassy

Mr Toubassy holds a BBA from the American University of Beirut and an MBA from Golden Gate University of San Francisco. He has held academic and consulting positions with the University of California, the American University of Beirut, The Ford Foundation, and Herman Smith Associates. In 1980, he joined The Olayan Group. He also serves on several group boards. Mr Toubassy is a board member of The Coca-Cola Bottling Company of Saudi Arabia and of the Frigoglass Group of Companies. He serves on the board of trustees of Thunderbird – The American Graduate School of International Management, and is a member of the Institute of Directors in London. Mr Toubassy is a member of our audit committee.

Report of the auditors

To the shareholders of Coca-Cola HBC S.A.

We have audited the accompanying consolidated balance sheet of Coca-Cola HBC and its subsidiaries ("the group") as of 31 December 2002 and the related consolidated statements of income, cash flow and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these consolidated statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the group as of 31 December 2002 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Ernst & Young
Athens
21 March 2003

PricewaterhouseCoopers

PricewaterhouseCoopers
Athens
21 March 2003

Consolidated income statement

	Note	Year ended 31 December 2002 € million	2001 € million
Sales	2	**3,969.3**	**3,511.2**
Cost of goods sold		(2,378.0)	(2,144.0)
Gross profit		**1,591.3**	**1,367.2**
Operating expenses	4	(1,289.0)	(1,138.3)
Exceptional operating (expense) income	5	(6.0)	6.7
Amortisation of intangible assets	9	(110.5)	(110.5)
Total net operating expenses		**(1,405.5)**	**(1,242.1)**
Operating profit		**185.8**	**125.1**
Finance costs	6	(60.2)	(66.2)
Share of results of associate		1.9	2.7
Profit before taxation		**127.5**	**61.6**
Taxation	7	(73.0)	(44.5)
Profit after taxation		**54.5**	**17.1**
Minority interests		(19.2)	(15.5)
Net profit		**35.3**	**1.6**
Basic and diluted earnings per share (euro cents)	8	14.9	0.7
Volume (million unit cases)	2	1,268	1,086

Consolidated balance sheet

	Note	Year ended 31 December 2002 € million	2001 € million
Assets			
Intangible assets	9	1,887.5	1,916.7
Property, plant and equipment	10	2,047.3	2,068.8
Investment in associate	11	9.3	10.1
Deferred tax assets	7	0.2	1.6
Other non-current assets	12	23.2	16.1
Total non-current assets		**3,967.5**	**4,013.3**
Inventories	14	316.9	286.3
Trade and other receivables	15	664.0	616.2
Current tax assets		11.5	9.3
Cash and cash equivalents	19	105.5	152.6
Total current assets		**1,097.9**	**1,064.4**
Total assets		**5,065.4**	**5,077.7**
Liabilities			
Long term borrowings	20	979.3	1,204.9
Deferred tax liabilities	7	112.5	109.1
Non-current provisions	17	87.5	82.7
Other non-current liabilities		8.3	6.5
Total non-current liabilities		**1,187.6**	**1,403.2**
Short term borrowings	20	531.4	208.9
Trade and other liabilities	16	741.5	763.5
Current tax liabilities		72.3	53.0
Total current liabilities		**1,345.2**	**1,025.4**
Total liabilities		**2,532.8**	**2,428.6**
Equity			
Share capital	25	73.4	71.0
Share premium	25	2,140.7	2,140.7
Shares held for equity compensation plan	23	(1.2)	(1.4)
Revaluation reserve	26	49.5	51.9
Exchange equalisation reserve	26	147.7	242.0
Other reserves	26	259.2	232.3
Accumulated deficit		(226.3)	(198.5)
Total shareholders' equity		**2,443.0**	**2,538.0**
Minority interests	28	**89.6**	**111.1**
Total equity		**2,532.6**	**2,649.1**
Total equity and liabilities		**5,065.4**	**5,077.7**

On 21 March 2003 the board of directors for Coca-Cola HBC S.A. authorised these financial statements for issue.

Consolidated cash flow

	Note	Year ended 31 December 2002 € million	2001 € million
Operating activities			
Operating profit		185.8	125.1
Depreciation of property, plant and equipment	10	276.4	257.0
Amortisation of intangible assets	9	110.5	110.5
Other non-cash items	5	6.0	–
EBITDA (earnings before interest, tax, depreciation, amortisation and other non-cash items)		**578.7**	**492.6**
(Gain) loss on disposal of property, plant and equipment	4	(3.9)	7.5
Increase in inventories		(46.4)	(4.8)
Increase in trade and other receivables		(20.8)	(6.5)
(Decrease) increase in current liabilities		(23.8)	48.5
Taxation paid		(58.3)	(42.7)
Cash flow generated from operating activities		**425.5**	**494.6**
Investing activities			
Payments for purchase of property, plant and equipment		(315.3)	(271.1)
Receipts from disposal of property, plant and equipment		22.1	21.3
Net (payments for) proceeds from disposal of investments		(0.8)	0.6
Acquisition of franchise agreements		(0.3)	(3.2)
Net payments for acquisitions of subsidiaries	18	(193.8)	(63.6)
Net cash used in investing activities		**(488.1)**	**(316.0)**
Financing activities			
Dividends paid to group shareholders	27	(42.6)	(41.7)
Dividends paid to minority interests		(7.4)	(5.9)
Increase in external borrowings		570.5	932.6
Repayment of external borrowings		(420.8)	(985.0)
Principal repayment of finance lease obligations		(7.8)	(6.7)
Net interest paid		(64.5)	(74.3)
Net cash from (used in) financing activities		**27.4**	**(181.0)**
Decrease in cash and cash equivalents		**(35.2)**	**(2.4)**
Cash and cash equivalents at 1 January		152.6	156.7
Decrease in cash and cash equivalents		(35.2)	(2.4)
Effect of changes in exchange rates		(11.9)	(1.7)
Cash and cash equivalents at 31 December	19	**105.5**	**152.6**

Consolidated changes in equity in the year

	Share capital € million	Share premium € million	Own shares held € million	Revaluation reserve € million	Exchange equalisation reserve € million	Other reserves € million	Accumulated deficit € million	Total shareholders' equity € million
As at 1 January 2001	69.5	2,142.2	(1.7)	52.5	159.0	218.6	(138.7)	2,501.4
Redenomination of par value on conversion to euro	1.5	(1.5)	–	–	–	–	–	–
Deferred tax taken to equity	–	–	–	(0.6)	–	–	–	(0.6)
Appropriation of reserves	–	–	–	–	–	19.7	(19.7)	–
Net profit	–	–	–	–	–	–	1.6	1.6
Dividends	–	–	–	–	–	–	(41.7)	(41.7)
Unrealised gain on adoption of IAS 39	–	–	–	–	–	5.4	–	5.4
Unrealised losses on revaluation of cash flow hedges	–	–	–	–	–	(11.4)	–	(11.4)
Other movements	–	–	0.3	–	–	–	–	0.3
Foreign currency translation differences	–	–	–	–	83.0	–	–	83.0
As at 31 December 2001	**71.0**	**2,140.7**	**(1.4)**	**51.9**	**242.0**	**232.3**	**(198.5)**	**2,538.0**
Capitalisation of revaluation reserve	2.4	–	–	(2.4)	–	–	–	–
Appropriation of reserves	–	–	–	–	–	20.5	(20.5)	–
Net profit	–	–	–	–	–	–	35.3	35.3
Dividends	–	–	–	–	–	–	(42.6)	(42.6)
Gains on cash flow hedges (net of tax of €0.7m)	–	–	–	–	–	1.8	–	1.8
Gains on cash flow hedges reclassified from equity to carrying amount of hedged assets and liabilities	–	–	–	–	–	(0.1)	–	(0.1)
Losses on cash flow hedges reclassified from equity and reported in net profit (net of tax of €1.7m)	–	–	–	–	–	4.7	–	4.7
Other movements	–	–	0.2	–	–	–	–	0.2
Foreign currency translation differences	–	–	–	–	(94.3)	–	–	(94.3)
As at 31 December 2002	**73.4**	**2,140.7**	**(1.2)**	**49.5**	**147.7**	**259.2**	**(226.3)**	**2,443.0**

For further details please refer to: Note 23 for own shares held; Note 25 for share capital and share premium; Note 26 for reserves; and Note 27 for dividends.

Notes to the financial statements

1. Basis of preparation and accounting policies

Description of business

Coca-Cola HBC S.A. ("CCHBC") is incorporated in Greece and was formed in August 2000 through the merger of Hellenic Bottling Company S.A. and Coca-Cola Beverages plc. CCHBC and its subsidiaries are principally engaged in the production and distribution of alcohol-free beverages, under franchise from The Coca-Cola Company ("TCCC"). The company distributes its products in Europe and Nigeria. Information on the company's operations by segment is included in Note 2. CCHBC is listed on the Athens, New York, London and Sydney Stock Exchanges.

Basis of preparation

The consolidated financial statements included in this document are prepared in accordance and comply with International Financial Reporting Standards ("IFRS").

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of certain land and buildings and the financial statements of certain subsidiaries operating in hyper-inflationary economies, which are restated and expressed in terms of the measuring unit currency at the balance sheet date.

CCHBC also prepares financial statements to meet the statutory requirements under Greek laws and regulations of a public limited company listed on the Athens Stock Exchange. These financial statements are not included in this document, but are available from the company's registered office at 9 Fragoklissias Street, 151 25 Maroussi, Athens, Greece.

Basis of consolidation

Subsidiary undertakings are those companies in which the group, directly or indirectly, has an interest of more than one-half of the voting rights or otherwise has power to exercise control over the operations. Subsidiary undertakings are consolidated from the date on which effective control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. All material intercompany transactions and balances between group companies are eliminated. Where necessary, accounting policies of subsidiaries are modified to ensure consistency with policies adopted by the group.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group, the revenue can be reliably measured, and when the significant risks and rewards of ownership of the goods have passed to the buyer.

Earnings per share

Earnings per share is calculated by dividing the net profit (loss) attributable to shareholders by the weighted average number of shares that were in existence during the year. Diluted earnings per share takes account of stock options, for which the average share price for the year is in excess of the exercise price of the stock option.

Information is presented for earnings per share including and excluding exceptional items.

Intangible assets

Goodwill and franchise agreements are recognised as intangible assets. Goodwill is the excess of the cost of an acquisition over the fair value of the share of net assets acquired. Intangible assets are amortised on a straight-line basis over their useful economic life up to a presumed maximum of twenty years. Amortisation of intangible assets is recognised in operating expenses in the income statement.

Goodwill and fair value adjustments arising on the acquisition from subsidiaries are treated as the assets and liabilities of those subsidiaries. These balances are denominated in the currency of the subsidiary and are translated to euros on a consistent basis with the other assets and liabilities held in the subsidiary.

1. Basis of preparation and accounting policies (continued)

Property, plant and equipment

All property, plant and equipment is initially recorded at cost. 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. All other subsequent expenditure is expensed in the period in which it is incurred.

Land and buildings are revalued by independent valuers every five years. Increases in the carrying amount of land and buildings arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. The revaluation surplus included in equity is directly transferred to retained earnings when the surplus is realised.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Freehold buildings	40 years
Leasehold buildings and improvements	Over the term of the lease, up to 40 years
Production equipment	5 to 12 years
Vehicles	5 to 8 years
Computer equipment	3 years
Marketing equipment	3 to 7 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.

Impairment of long-lived assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets 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 an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Investment in associates

Investments in associated undertakings are accounted for by the equity method of accounting. Associated undertakings are those where the group holds between 20% and 50% of the voting rights or exercises significant influence, but does not control.

Equity accounting involves recognising the group's share of the associates' profit or loss for the period in the income statement. The group's interest in the 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.

Investment in joint ventures

The group's interest in a jointly controlled entity, Brewinvest S.A., is accounted for by proportional consolidation. Under this method, the group includes its share of the joint venture's income and expenses, assets, liabilities and cashflows in the relevant components of the financial statements.

Notes to the financial statements

1. Basis of preparation and accounting policies (continued)

Other investments

The group classifies its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investment was acquired. Trading and available-for-sale investments are carried at fair value. Held-to-maturity investments are carried at amortised cost. Gains and losses on investments held as trading or available-for-sale are recognised in income. Gains and losses on held-to-maturity investments are recognised in income when the investments are de-recognised or impaired.

Investments are classified as non-current assets, unless they are expected to be realised within twelve months of the balance sheet date.

Government grants

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income, and are credited to the income statement on a straight-line basis over the expected life of the assets.

Foreign currency and translation

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, with the exception of differences on foreign currency borrowings, that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

The reporting currency of the group is euro. The assets and liabilities of overseas subsidiaries are translated to euro at the rate of exchange ruling at the balance sheet date. The income statements of overseas subsidiaries are translated at weighted average exchange rates for the year. The exchange differences arising on the re-translation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal.

Entities operating in hyper-inflationary environments prepare financial statements that are recorded in accordance with IAS 29, “Financial reporting in hyper-inflationary economies”. In hyper-inflationary countries, the gain or loss on the net monetary position is included in finance costs. CCHBC’s operations in Belarus, Moldova, Romania, Russia, Serbia and Montenegro, and Ukraine operate in hyper-inflationary environments.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits that are highly liquid. For the purpose of the cash flow statement, bank overdrafts are considered as borrowings.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the loan or borrowing.

After initial recognition, all interest-bearing loans and borrowings, other than liabilities held for trading, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

In relation to liabilities, which are held for trading (which are not part of a hedging relationship), any gain or loss arising from a change in fair value is included in the net profit and loss for the period in which it arises. For liabilities carried at amortised cost (which are not part of a hedging relationship), any gain or loss is recognised in the net profit and loss when the liability is derecognised or impaired, as well as through the amortisation process.

Notes to the financial statements

1. Basis of preparation and accounting policies (continued)

Financial instruments

The group uses derivative financial instruments, including interest rate swaps, options, currency and commodity derivatives. Their use is undertaken only to manage interest, currency and commodity risk associated with the group's underlying business activities. The group does not undertake any trading activity in financial instruments.

The group recognises all derivative financial instruments, such as interest rate swaps, options, forward exchange contracts, and commodity futures, in the balance sheet at fair value. Changes in the fair value of derivative financial instruments are recognised periodically either in income 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.

Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income, along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent that they are effective as hedges, are recorded in equity. Changes in fair values of derivatives not qualifying as hedges are reported in income.

Credit risk
The group has no significant concentrations of credit risk. Policies are in place to ensure that the sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The group has policies that limit the amount of credit exposure to any single financial institution.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing the product to its present location and condition, as follows:

Raw materials and consumables: purchase cost either on a first-in, first-out or weighted average basis.

Work in progress and finished goods: cost of direct materials and labour plus attributable overheads.

Trade receivables

Trade receivables are carried at anticipated realisable value. Provision is made for doubtful debts and bad debts are written off in the period in which they are identified.

Leases

Rentals paid under operating leases are charged to the income statement on a straight line basis over the life of the lease.

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 rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Notes to the financial statements

1. Basis of preparation and accounting policies (continued)

Provisions

Provisions are recognised as follows: when the group has a present obligation (legal or constructive) as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when 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 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, where appropriate, 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.

Employee benefits – pensions and post retirement benefits

The group operates a number of defined benefit and defined contribution pension plans in its territories, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and the relevant group companies, after taking into account the recommendations of independent qualified actuaries.

For defined benefit pension plans, pension costs are assessed using the projected unit credit method. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the defined benefit obligation or the fair value of plan assets, in accordance with the valuations made by qualified actuaries. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees.

The group's contributions to the defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

Deferred taxes

Deferred income 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. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

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 income 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 and it is probable that the temporary difference will not reverse in the foreseeable future.

Franchise incentive arrangements

TCCC, at its sole discretion, provides the group with various incentives, including contributions toward 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 requirements. Support payments received from TCCC for the placement of cold drink equipment are deducted from the cost of the related asset.

Dividends

Dividends are recorded in the group's financial statements in the period in which they are approved by the group's shareholders.

Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

2. Segmental analysis

CCHBC has one primary business segment, being the bottling, distribution and sale of non-alcoholic, ready-to-drink beverages.

The following market groupings are adopted for secondary segmental analysis:

Established markets:	Austria, Greece, Italy, Northern Ireland, Republic of Ireland and Switzerland.
Developing markets:	Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.
Emerging markets:	Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Former Yugoslav Republic of Macedonia (FYROM), Moldova, Nigeria, Romania, Russia, Serbia and Montenegro, and Ukraine.

	Unit case volume million	Sales revenue € million	Operating profit* € million	Depreciation € million	EBITDA** € million	Capital expenditure € million	Total assets € million
Established markets							
Year ended 31 December 2002	**518**	**2,116.7**	**210.5**	**105.1**	**314.1**	**118.2**	**2,842.0**
Year ended 31 December 2001	502	1,999.3	196.6	95.9	292.5	135.4	2,815.6
Developing markets							
Year ended 31 December 2002	**261**	**713.0**	**24.8**	**67.5**	**92.8**	**64.3**	**788.0**
Year ended 31 December 2001	233	644.1	(2.5)	63.8	61.4	38.9	779.7
Emerging markets							
Year ended 31 December 2002	**489**	**1,139.6**	**67.0**	**103.8**	**171.8**	**132.8**	**1,435.4**
Year ended 31 December 2001	351	867.8	34.8	97.3	132.0	96.8	1,482.4
Total							
Year ended 31 December 2002	**1,268**	**3,969.3**	**302.3**	**276.4**	**578.7**	**315.3**	**5,065.4**
Year ended 31 December 2001	1,086	3,511.2	228.9	257.0	485.9	271.1	5,077.7
Amortisation of intangible assets							
Year ended 31 December 2002			**110.5**				
Year ended 31 December 2001			110.5				
Operating exceptional (income) expenses							
Year ended 31 December 2002			**6.0**				
Year ended 31 December 2001			(6.7)				

* Operating profit is presented excluding amortisation of intangible assets and operating exceptional items. Further details of these operating exceptional items are given in Note 5.

** EBITDA is earnings before interest, tax, depreciation, amortisation and other non-cash items. EBITDA is presented excluding operating exceptional items. Further details of these operating exceptional items are given in Note 5.

Notes to the financial statements

3. Exchange rates

CCHBC translates the income statements of subsidiary operations to the euro at average exchange rates and the balance sheets at the closing exchange rates at 31 December.

The principal exchange rates used for transaction and translation purposes in respect of one euro are:

	Average		Closing	
	2002	2001	2002	2001
US dollar	0.95	0.90	1.05	0.90
UK sterling	0.63	0.62	0.65	0.61
Polish zloty	3.86	3.67	4.02	3.53
Nigerian naira	116.23	100.64	133.14	102.48
Hungarian forint	242.23	256.41	235.70	245.30
Swiss franc	1.46	1.51	1.45	1.48

4. Operating profit

Included in operating profit for the years ending 31 December:

	2002 € million	2001 € million
Depreciation of property, plant and equipment	276.4	257.0
Amortisation of intangible assets	110.5	110.5
	386.9	**367.5**
Operating lease charges:		
Plant and equipment	12.8	10.1
Property	15.8	15.4
Total operating lease charges	**28.6**	**25.5**
Staff costs:		
Wages and salaries	466.7	421.5
Social security costs	91.0	78.0
Pensions and other employee benefits	78.0	71.9
Termination benefits	6.7	18.2
Total staff costs	**642.4**	**589.6**
Number of employees	**35,590**	**35,103**

Operating expenses for the years ending 31 December are as follows:

	2002 € million	2001 € million
Selling and distribution costs	947.5	827.2
Administration costs	341.5	311.1
Total operating expenses	**1,289.0**	**1,138.3**

4. Operating profit (continued)

Included in operating expenses for the years ending 31 December:

	2002 € million	2001 € million
(Gain) loss on disposal of fixed assets	(3.9)	7.5

5. Exceptional operating items

During the year, CCHBC recognised deferred tax assets on losses that had previously not been recognised on acquisition of Coca-Cola Beverages plc by Hellenic Bottling Company S.A.. In accordance with IAS 12 "Income Taxes", when deferred tax assets on losses have not been recognised on acquisition and are subsequently recognised, both deferred tax assets and goodwill are adjusted with corresponding entries to operating expense and taxation in the income statement. The exceptional operating charge has been excluded from the calculation of EBITDA. Therefore, a charge of €6.0m has been recorded as an exceptional operating charge, and a deferred tax credit of €6.0m included within taxation in the income statement.

In 2001, CCHBC received €6.7m as an insurance settlement for losses incurred as a result of product contamination issues in Poland, in June and July of 1999.

6. Finance costs

Net finance costs for the years ending 31 December comprise:

	2002 € million	2001 € million
Interest income	10.9	9.3
Interest expense	(68.1)	(73.7)
Net foreign exchange translation losses	(1.2)	(0.2)
Finance charges paid with respect to finance leases	(1.8)	(1.6)
Total finance costs	(71.1)	(75.5)
Net finance costs	**(60.2)**	**(66.2)**

The effect of financial instruments not qualifying for hedge accounting in 2002 was a loss of €2.6m recorded in finance costs (2001: nil).

Notes to the financial statements

7. Taxation

For the years ending 31 December, the tax charge on the group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of CCHBC as follows:

	2002 € million	2001 € million
Profit before tax per the income statement	127.5	61.6
Tax calculated at a tax rate of 35%	44.6	21.6
Effect of different tax rates in foreign jurisdictions	(18.1)	(9.6)
Additional local taxes in foreign jurisdictions	7.1	5.0
Tax holidays in foreign jurisdictions	(7.3)	(15.8)
Expenses non-deductible for tax purposes	70.3	49.6
Income not subject to tax	(17.6)	(11.7)
Utilisation of previously unrecognised tax losses	(4.4)	(5.3)
Unrecognised losses	5.3	11.2
Exceptional deferred tax credit related to recognition of pre-acquisition deferred tax assets reflected in goodwill (refer Note 5)	(6.0)	–
Others	(0.9)	(0.5)
Income tax charge per the income statement	**73.0**	**44.5**

The income tax charge for the years ending 31 December is as follows:

	2002 € million	2001 € million
Current tax charge	69.8	52.8
Deferred tax charge (credit)	9.2	(8.3)
Exceptional deferred tax credit related to recognition of pre-acquisition deferred tax assets reflected in goodwill (refer Note 5)	(6.0)	–
Total income tax charge	**73.0**	**44.5**

Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	2002 € million	2001 € million
Deferred tax assets	0.2	1.6
Deferred tax liabilities	(112.5)	(109.1)
Total deferred taxation	**(112.3)**	**(107.5)**

7. Taxation (continued)

The movement in deferred tax assets and liabilities, after offsetting balances within the same tax jurisdiction, during the year is as follows:

	2002 € million	2001 € million
As at 1 January	(107.5)	(115.8)
Credited (charged) to the income statement	(9.2)	8.3
Charged to equity	(1.0)	(0.6)
Exceptional deferred tax credit related to recognition of pre-acquisition deferred tax assets reflected in goodwill (refer Note 5)	6.0	–
Arising on acquisition of subsidiary	(4.1)	5.6
Transfer from current tax provision	(0.2)	(4.1)
Foreign exchange differences	3.7	(0.9)
As at 31 December	**(112.3)**	**(107.5)**

Deferred tax assets and liabilities at 31 December, prior to offsetting balances within the same tax jurisdiction, are attributable to the following items:

	2002 € million	2001 € million
Deferred income tax assets		
Provisions	23.7	3.9
Tax loss carry-forwards	14.1	11.8
Other deferred income tax assets	19.9	21.0
Gross deferred income tax assets	**57.7**	**36.7**
Deferred income tax liabilities		
Differences in depreciation	(135.1)	(88.9)
Restatement of non-monetary assets in hyper-inflationary countries	(7.1)	(15.0)
Other deferred income tax liabilities	(27.8)	(40.3)
Gross deferred income tax liabilities	**(170.0)**	**(144.2)**
Net deferred tax liability	**(112.3)**	**(107.5)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through the reduction of future taxes is probable. The group has unrecognised deferred tax assets, attributable to tax losses that are available to carry forward against future taxable income, of €107.4m (2001: €135.9m). €23.2m of this unrecognised deferred tax asset is attributable to tax losses that expire between 2003 and 2007, €0.7m is attributable to tax losses that will expire between 2008 and 2010, and €83.5m is attributable to tax losses that have no expiry period. Additionally, the group has other unrecognised deferred tax assets of €18.5m (2001: €7.4m) relating to deductible temporary differences.

No income taxes are provided on undistributed earnings of foreign subsidiaries where those earnings are considered to be permanently reinvested, as it is not practicable to compute the total amount of the potential income tax consequences that would result from the payment of dividends from such foreign subsidiaries.

Notes to the financial statements

8. Earnings per share

For the years ending 31 December, basic earnings per share is calculated by dividing the profit (loss) attributable to shareholders by the weighted average number of shares in issue during the year.

In calculating diluted earnings per share, the weighted average number of shares is adjusted to take account of the stock options for which the average share price for the year is in excess of the exercise price of the stock option.

	2002	2001
Net profit attributable to shareholders (euro million)	35.3	1.6
Weighted average number of ordinary shares (million)	236.7	236.7
Basic and diluted earnings per share (euro cents)	14.9	0.7

The directors consider profit (loss) per share before exceptional items is a useful indicator of the performance of the business.

	2002 € million	2001 € million
Net profit attributable to shareholders	35.3	1.6
Add back: exceptional items included in operating expenses (refer Note 5)	6.0	(6.7)
Less: exceptional deferred tax credit related to recognition of pre-aquisition deferred tax assets reflected in goodwill (refer Note 7)	(6.0)	–
Net profit (loss) before exceptional items attributable to shareholders	35.3	(5.1)
Weighted average number of ordinary shares (million)	236.7	236.7
Basic profit (loss) per share before exceptional items (euro cents)	14.9	(2.2)

9. Intangible assets

	Goodwill € million	Franchise agreements € million	Total € million
Cost			
As at 1 January 2002	2,405.5	3.3	2,408.8
Write off of fully amortised goodwill	(1.5)	–	(1.5)
Arising on recognition of deferred tax assets in connection with the acquisition of Coca-Cola Beverages plc (refer Note 5)	(6.0)	–	(6.0)
Goodwill arising on other acquisitions (refer Note 18)	91.2	–	91.2
Acquisition of distribution rights	–	0.3	0.3
Foreign exchange differences	(3.9)	(0.8)	(4.7)
As at 31 December 2002	**2,485.3**	**2.8**	**2,488.1**
Amortisation			
As at 1 January 2002	491.9	0.2	492.1
Charge for the year	109.9	0.6	110.5
Write off of fully amortised goodwill	(1.5)	–	(1.5)
Foreign exchange differences	(0.4)	(0.1)	(0.5)
As at 31 December 2002	**599.9**	**0.7**	**600.6**
Net book value as at 1 January 2002	1,913.6	3.1	1,916.7
Net book value as at 31 December 2002	**1,885.4**	**2.1**	**1,887.5**

10. Property, plant and equipment

	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	Total € million
Cost					
As at 1 January 2002	837.5	1,676.2	214.0	64.4	2,792.1
Additions	18.4	166.3	46.8	97.9	329.4
Arising on acquisition	37.3	31.0	4.2	0.1	72.6
Disposals	(14.1)	(45.3)	(23.4)	–	(82.8)
Reclassifications	34.8	55.4	1.2	(91.4)	–
Foreign exchange differences	(53.0)	(104.8)	(18.7)	(1.4)	(177.9)
As at 31 December 2002	**860.9**	**1,778.8**	**224.1**	**69.6**	**2,933.4**
Depreciation					
As at 1 January 2002	52.3	654.0	17.0	–	723.3
Charge for the year	23.9	226.4	26.1	–	276.4
Disposals	(1.3)	(39.1)	(19.3)	–	(59.7)
Foreign exchange differences	(4.2)	(49.2)	(0.5)	–	(53.9)
As at 31 December 2002	**70.7**	**792.1**	**23.3**	**–**	**886.1**
Net book value as at 1 January 2002	785.2	1,022.2	197.0	64.4	2,068.8
Net book value as at 31 December 2002	**790.2**	**986.7**	**200.8**	**69.6**	**2,047.3**

Notes to the financial statements

10. Property, plant and equipment (continued)

Land and buildings in Greece and Nigeria have been revalued by professional valuers based on market values in 1998 and 2000 respectively. The directors believe that the land and buildings of its other subsidiaries, including those operating in hyper-inflationary economies, fairly approximate their market values.

Assets under construction include advances for equipment purchases of €27.2m (2001: €19.0m).

The table below shows the historical cost amounts for land and buildings at 31 December.

	Historical cost basis 2002 € million	2001 € million
Cost	828.2	780.2
Accumulated depreciation	(91.7)	(75.8)
Net book value	**736.5**	**704.4**

Included in plant and equipment are assets held under finance lease, where the group is the lessee, as follows:

	2002 € million	2001 € million
As at 1 January	32.0	20.7
Additions	16.4	14.2
Disposals	(0.6)	–
Depreciation charge	(5.0)	(2.9)
As at 31 December	**42.8**	**32.0**

Notes to the financial statements

11. Investment in associate

The effective interest held in and carrying value of the investment in associate at 31 December are:

	Country of incorporation	**Effective interest held 2002**	Effective interest held 2001	**Carrying value 2002 € million**	Carrying value 2001 € million
Frigoglass Industries Limited (formerly Beta Industries Limited)	Nigeria	**19%**	20%	**9.3**	10.1

Changes in holding in associate are as follows:

	2002 € million	**2001 € million**
As at 1 January	10.1	8.5
Share of results in associate	1.9	2.7
Other movements	(0.2)	(1.0)
Foreign exchange differences	(2.5)	(0.1)
As at 31 December	**9.3**	**10.1**

12. Other non-current assets

Other non-current assets consist of the following at 31 December:

	2002 € million	**2001 € million**
Other investments: available-for-sale	9.8	5.7
Non-current prepayments and debtors	13.4	10.4
Total other non-current assets	**23.2**	**16.1**

Notes to the financial statements

13. Joint venture

The group holds a 50% interest in a joint venture, Brewinvest S.A., a group of companies engaged in the bottling and distribution of beer in Bulgaria and beer and soft drinks in FYROM.

The joint venture is accounted for by proportionate consolidation, whereby the share of ownership of assets, liabilities, revenues and expenses are taken into the consolidated balance sheet and consolidated income statement.

The following represents the group's share of the assets, liabilities, revenues and expenses of the joint venture at 31 December:

	2002 € million	2001 € million
Balance sheet		
Non-current assets	51.0	44.1
Current assets	16.0	22.3
Total assets	**67.0**	**66.4**
Non-current borrowings	(1.5)	(1.7)
Current liabilities	(13.1)	(13.3)
Total liabilities	**(14.6)**	**(15.0)**
Net assets	**52.4**	**51.4**
Income statement		
Sales	43.9	42.3
Earnings before taxation	5.5	4.6
Taxation	(0.9)	–
Earnings after taxation	**4.6**	**4.6**

14. Inventories

Inventories consist of the following at 31 December:

	2002 € million	2001 € million
Raw materials and consumables	203.1	189.4
Work in progress	1.1	2.3
Finished goods	112.7	94.6
Total inventories	**316.9**	**286.3**

Notes to the financial statements

15. Trade and other receivables

Trade and other receivables consist of the following at 31 December:

	2002 € million	2001 € million
Trade debtors	460.4	430.4
Receivables from related parties	78.7	55.4
Prepayments	51.0	69.7
Other current assets	73.9	60.7
Total trade and other receivables	**664.0**	**616.2**

16. Trade and other liabilities

Trade and other liabilities consist of the following at 31 December:

	2002 € million	2001 € million
Trade creditors	205.4	211.8
Payables to related parties	87.1	109.8
Other taxation and social security liabilities	20.4	24.2
Deposit liabilities	136.9	123.6
Accruals and other payables	264.7	284.0
Current portion of provisions	27.0	9.7
Dividends payable, unclaimed from previous years	–	0.4
Total trade and other liabilities	**741.5**	**763.5**

17. Provisions

Provisions consist of the following at 31 December:

	2002 € million	2001 € million
Current		
Employee benefits	12.2	5.3
Restructuring and other	14.8	4.4
	27.0	**9.7**
Non-current		
Employee benefits	78.0	82.7
Restructuring and other	9.5	–
	87.5	**82.7**
Total provisions	**114.5**	**92.4**

Notes to the financial statements

17. Provisions (continued)

The movements in restructuring and other provisions comprise:

	Restructuring 2002 € million	Other provisions 2002 € million	Total 2002 € million	Total 2001 € million
As at 1 January	4.4	–	4.4	1.6
Arising during the year	6.7	17.4	24.1	1.4
Arising on acquisition	–	–	–	2.2
Utilised during the year	(3.3)	(0.6)	(3.9)	(0.8)
Foreign currency translation adjustments	(0.2)	(0.1)	(0.3)	–
As at 31 December	**7.6**	**16.7**	**24.3**	**4.4**

Restructuring provisions

In 2002 and 2001, the group made certain provisions in connection with local restructuring initiatives. In addition, in 2001, a restructuring provision was made concerning the acquisition of the additional Russian territories. The charge to the income statement for 2002 includes €6.7m for termination benefits.

Other provisions

These comprise mainly of onerous contracts in our Russian territories following the restructuring of this region. In addition, there are various small customer claims.

Employee benefits

Employee benefits consist of the following at 31 December:

	2002 € million	2001 € million
Defined benefit plans:		
Employee leaving indemnities	69.8	44.3
Pension plans	8.4	9.2
	78.2	**53.5**
Other employee benefits:		
Employee leaving indemnities	–	23.3
Other employee benefits	12.0	11.2
	12.0	**34.5**
Total employee benefit obligations	**90.2**	**88.0**

17. Provisions (continued)

The present value and funded status of defined benefit obligations are as follows at 31 December:

	2002 € million	2001 € million
Present value of funded obligations	86.5	52.2
Fair value of plan assets	(37.1)	(42.4)
	49.4	9.8
Present value of unfunded obligations	64.9	53.9
Unrecognised actuarial losses	(36.1)	(9.3)
Unrecognised past service costs	–	(0.9)
Defined benefit obligations	**78.2**	**53.5**

The movement in the defined benefit obligations recognised in the balance sheet is as follows:

	2002 € million	2001 € million
As at 1 January	53.5	52.5
Reclassified from other employee benefit obligations	23.3	–
Expense recognised in the income statement	17.0	8.4
Contributions received	(11.8)	(5.2)
Transfer to defined contribution scheme	–	(2.4)
Foreign exchange differences	(3.8)	0.2
As at 31 December	**78.2**	**53.5**

The expense recognised in the income statement consists of the following for the years ending 31 December:

	2002 € million	2001 € million
Current service cost	12.6	7.1
Interest cost	9.0	4.6
Expected return on plan assets	(3.2)	(3.3)
Net actuarial losses recognised	(1.4)	–
Total	**17.0**	**8.4**
Actual return on plan assets	**(9.3)**	**(4.1)**

The total defined benefit plan expenditure is included in staff costs.

The expense recognised in the income statement in 2002 for other employee benefits is €6.7m (2001: €2.6m). The expense recognised in the income statement in 2002 for the defined contribution plans is €7.9m (2001:€3.5m). These are included as staff costs and expressed in cost of sales, selling and distribution costs and administration costs.

Notes to the financial statements

17. Provisions (continued)

The principal defined benefit plans of the group are in Greece, Ireland, Nigeria, Italy and Austria. The main actuarial assumptions for each of these plans are as follows:

2002	Nigeria %	Other %
Discount rate	15.0	5.0 – 5.5
Expected return on plan assets	n/a	6.0 – 7.5
Future salary increases	14.0	3.5 – 4.5
Future pension increases	n/a	2.5 – 3.0

2001	Nigeria %	Other %
Discount rate	15.0	5.0 – 6.25
Expected return on plan assets	n/a	7.6
Future salary increases	14.0	2.0 – 4.0
Future pension increases	n/a	2.5 – 3.0

18. Business combinations

During 2002, the group acquired controlling interests or increased its controlling interest in the following entities:

	Note	Location	Effective dates of acquisition 2002	Net tangible assets applicable € million	Goodwill arising € million	Amount of consideration € million
AS Eesti Coca-Cola Joogid, Coca-Cola Bottlers Lietuva, Coca-Cola Dzerieni	a	Baltics	02.01.2002	(4.2)	11.5	7.3
Valser Mineralquellen AG	b	Switzerland	30.09.2002	30.5	28.6	59.1
Dorna Apemin S.A.	c	Romania	17.12.2002	1.5	18.1	19.6
				27.8	**58.2**	**86.0**
Acquisition of minority interests in Switzerland	d	Switzerland		24.4	31.9	56.3
Acquisition of other minority interests		FYROM, Nigeria, Romania, Slovenia		0.4	1.1	1.5
Total acquisitions as at 31 December 2002				**52.6**	**91.2**	**143.8**

Notes to the financial statements

18. Business combinations (continued)

	€ million
Total consideration	**143.8**
Plus: payment for acquisition of Russia made to The Coca-Cola Company ("TCCC") in 2002	106.8
Plus: other cash payments deferred from 2001	6.2
Plus: pre-acquisition dividend paid to shareholders of Valser	4.7
Less: cash and cash equivalent balances acquired	(16.7)
Less: cash payments deferred until 2003	(51.0)
Cash outflow included in cash flow	**193.8**

2002

a) Acquisition of bottling operations in Estonia, Latvia and Lithuania

On 2 January 2002, CCHBC acquired all TCCC owned bottling operations in the Baltic countries of Estonia, Lithuania and Latvia (AS Eesti Coca-Cola Joogid, Coca-Cola Bottlers Lietuva and 96% of Coca-Cola Dzerieni). These entities hold the Coca-Cola franchise for the whole of the Baltics region. The acquisition has been accounted for using the purchase method of accounting.

Details of the acquisition are as follows:

	€ million
Tangible fixed assets	19.6
Inventories	4.0
Cash and cash equivalents	2.3
Long term borrowings	(30.1)
Other current assets	10.3
Other current liabilities	(10.2)
Minority interests	(0.1)
Fair value of net tangible assets acquired	**(4.2)**
Goodwill arising on acquisition	11.5
Fair value of net assets acquired	**7.3**
Cash paid to TCCC	7.2
Costs of acquisition	0.1
Total consideration	**7.3**

The acquired operations in the Baltics contributed sales of €50.4m and net profit of €1.5m to the group for the period since the acquisition.

Notes to the financial statements

18. Business combinations (continued)

b) Acquisition of Valser Mineralquellen AG

On 30 September 2002, CCHBC jointly acquired with TCCC the Swiss mineral water bottler, Valser Mineralquellen AG ("Valser"), a private company owned by the Hess Group AG of Bern. Total consideration for the acquisition was €117.3m (excluding costs), of which CCHBC's share was €58.7m. The acquisition comprised a number of well-established mineral water brands, including Valser Classic, Valser Naturelle and Valser Limelite, in addition to Valser's production and distribution facilities.

CCHBC acquired the business except for the trademark, which was acquired by TCCC, and the mineral water source, which is owned 50% by each party.

The fair values of the significant assets and liabilities assumed, which are preliminary and pending further information, are as follows:

	€ million
Tangible fixed assets	36.1
Other non-current assets	6.0
Inventories	2.2
Trade and other receivables	5.7
Cash and cash equivalents	13.6
Other current assets	6.9
Dividend payable to former shareholders	(4.7)
Other current liabilities	(28.8)
Corporation and withholding tax	(6.5)
Fair value of net tangible assets acquired	**30.5**
Goodwill arising on acquisition	28.6
Fair value of net assets acquired	**59.1**
Cash paid to former shareholders	58.7
Costs of acquisition	0.4
Total consideration	**59.1**

In the three months to 31 December 2002, the Valser acquisition contributed €0.7m to the net profit of the group.

18. Business combinations (continued)

c) Acquisition of Dorna Apemin S.A.

On 17 December 2002, CCHBC jointly acquired with TCCC the majority of the shares in Romania's premier sparkling mineral water company, Dorna Apemin S.A. ("Dorna"). Total consideration for the acquisition was €39.0m (excluding costs), of which CCHBC's share was €19.5m. The acquisition comprised all brands and products of Dorna, including White Spring, Poiana Negri and Dorna mineral waters.

CCHBC's interest represents 49.1% of the outstanding shares in Dorna. CCHBC has control of the entity and has fully consolidated the net assets of Dorna. The acquisition has been accounted for using the purchase method of accounting.

The fair values of the significant assets acquired and liabilities assumed of Dorna, which are preliminary and pending further information, are as follows:

	€ million
Tangible fixed assets	8.8
Other non-current assets	0.5
Inventories	0.7
Trade and other receivables	0.6
Cash and cash equivalents	0.8
Short term borrowings	(3.1)
Other current liabilities	(4.7)
Long term borrowings	(0.1)
Other non-current liabilities	(0.2)
Minority interests	(1.8)
Fair value of net tangible assets acquired	**1.5**
Goodwill arising on acquisition	18.1
Fair value of net assets acquired	**19.6**
Cash paid to former shareholders	19.5
Costs of acquisition	0.1
Total consideration	**19.6**

The contribution of Dorna to the results of the group was negligible for the year ended 31 December 2002.

d) Acquisition of minority interest in Switzerland

CCHBC successfully closed the acquisition of an outstanding 26.1% interest in its Swiss subsidiary in December 2002. The minority interest was previously held by EWN Geträenke Holdings GmbH. Of the €56.3m consideration payable, €5.6m was paid in 2002 and the remaining €50.7m is due in April 2003.

Notes to the financial statements

18. Business combinations (continued)

2001

a) Acquisition of TCCC bottling operations in the Russian Federation

On 23 November 2001, CCHBC purchased from TCCC the bottling operations in the Russian Federation (Star Bottling Limited (Cyprus), LLC Coca-Cola Stavropolye Bottlers and the 40% equity stake held by TCCC in Coca-Cola Molino Beverages Limited). The transactions include operations in Moscow, St Petersburg, Central Russia and the Russian Far East. Through this purchase, CCHBC now holds the Coca-Cola franchise for the whole of the Russian Federation. The acquisition has been accounted for using the purchase method of accounting.

Further adjustments have been made in 2002 as additional information has become available that assists in determining the fair values at acquisition.

Details of the acquisition are as follows:

	As reported 2001 € million	Adjustments 2002 € million	Final fair values € million
Tangible fixed assets	145.1	7.0	152.1
Inventories	29.2	–	29.2
Trade and other receivables	4.0	–	4.0
Other current assets	16.2	0.2	16.4
Cash and cash equivalents	4.4	–	4.4
Other current liabilities	(38.1)	(1.4)	(39.5)
Long term borrowings	(57.3)	(2.3)	(59.6)
Deferred tax	1.2	(4.1)	(2.9)
Minority interests	35.1	–	35.1
Fair value of net tangible assets acquired	**139.8**	**(0.6)**	**139.2**
Goodwill arising on acquisition	–	–	–
Fair value of net assets acquired	**139.8**	**(0.6)**	**139.2**
Cash paid to TCCC	27.3	–	27.3
Loans outstanding and other amounts payable	106.8	–	106.8
Costs of acquisition	5.7	(0.6)	5.1
Total consideration	**139.8**	**(0.6)**	**139.2**

b) Other acquisitions

During 2001, CCHBC acquired portions of minority interests for €1.5m resulting in additional goodwill of €0.7m.

19. Cash and cash equivalents

Cash and cash equivalents at 31 December comprise of the following:

	2002 € million	2001 € million
Cash at bank, in transit and in hand	85.6	105.5
Short term deposits	19.9	47.1
Total cash and cash equivalents	**105.5**	**152.6**

Cash and cash equivalents are held in the following currencies:

	2002 € million	2001 € million
Euro	35.9	75.5
Nigerian naira	33.2	28.8
Swiss franc	20.1	7.5
Croatian kuna	2.1	9.9
Other	14.2	30.9
Total cash and cash equivalents	**105.5**	**152.6**

There are restrictive controls on the movement of funds out of certain countries in which we operate, in particular Nigeria. These restrictions do not have a material impact on our liquidity as the amounts of cash and cash equivalents held in such countries are generally retained for capital expenditures.

Notes to the financial statements

20. Borrowings

The group holds the following borrowings at 31 December:

	2002 € million	2001 € million
Bank overdrafts	38.2	24.4
Current portion of long term debt	200.0	0.4
Bonds, bills and unsecured notes	173.8	3.9
Short term borrowings	108.7	173.8
	520.7	202.5
Obligations under finance leases falling due within one year	10.7	6.4
Total borrowings falling due within one year	**531.4**	**208.9**
Borrowings falling due within one to two years:		
Bonds, bills and unsecured notes	300.0	200.0
Other borrowings	25.9	43.2
Borrowings falling due within two to five years:		
Bonds, bills and unsecured notes	625.0	941.0
	950.9	1,184.2
Obligations under finance leases falling due in more than one year	28.4	20.7
Total borrowings falling due after one year	**979.3**	**1,204.9**
Total borrowings	**1,510.7**	**1,413.8**

The group maintains certain committed facilities with banks. The undrawn committed facilities available to the group at 31 December 2002 are as follows:

	€ million
Amounts expiring in less than two years	–
Amounts expiring in more than two years	900.0
Total undrawn committed facilities	**900.0**

The present value of finance lease liabilities at 31 December is as follows:

	2002 € million	2001 € million
Less than one year	10.7	6.4
Later than one year but less than five years	24.3	20.7
Later than five years	4.1	–
Present value of finance lease liabilities	**39.1**	**27.1**

20. Borrowings (continued)

The minimum lease payments of finance lease liabilities at 31 December are as follows:

	2002 € million	2001 € million
Less than one year	12.9	9.0
Later than one year but less than five years	29.0	26.4
Later than five years	5.7	–
	47.6	35.4
Future finance charges on finance leases	(8.5)	(8.3)
Present value of finance lease liabilities	**39.1**	**27.1**

The borrowings at 31 December are held in the following currencies:

	Current 2002 € million	Non-current 2002 € million	Current 2001 € million	Non-current 2001 € million
Euro	425.9	977.0	29.3	1,153.4
Swiss franc	50.8	–	–	–
US dollar	15.5	–	158.9	0.5
Czech koruna	2.4	–	1.3	34.0
UK sterling	8.1	0.4	5.5	1.0
Polish zloty	5.9	–	2.8	–
Slovak koruna	11.6	–	2.1	11.3
Nigerian naira	1.5	1.9	9.0	4.7
Other	9.7	–	–	–
Financial liabilities	**531.4**	**979.3**	**208.9**	**1,204.9**

	Fixed interest rate € million	Floating interest rate € million	Total 2002 € million	Fixed rate liabilities weighted average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	926.5	476.4	1,402.9	4.9%	2.9
Swiss franc	50.8	–	50.8		
US dollar	–	15.5	15.5		
Czech koruna	–	2.4	2.4		
UK sterling	0.4	8.1	8.5	5.5%	1.5
Polish zloty	–	5.9	5.9		
Slovak koruna	–	11.6	11.6		
Nigerian naira	–	3.4	3.4		
Other	–	9.7	9.7		
Financial liabilities	**977.7**	**533.0**	**1,510.7**	**4.6%**	**2.7**

Notes to the financial statements

20. Borrowings (continued)

Financial liabilities represent fixed and floating rate borrowings held by the group. The group hedges exposures to changes in interest rates and the fair value of debt by using a combination of floating and fixed interest rate swaps. Financial assets consist of cash and cash equivalents of €105.5m in 2002 (2001: €152.6m). Financial assets and liabilities falling due within one year exclude all debtors and creditors, other than borrowings.

Floating rate debt bears interest based on the following benchmark rates:

UK sterling	1 - 6 month LIBOR (London inter-bank offer rate)
US dollar	1 - 6 month LIBOR (London inter-bank offer rate)
Euro	1 - 6 month LIBOR (London inter-bank offer rate)
Euro	1 - 6 month EURIBOR (European inter-bank offer rate)
Czech koruna	1 - 3 month PRIBOR (Prague inter-bank offer rate)
Polish zloty	1 - 6 month WIBOR (Warsaw inter-bank offer rate)
Slovak koruna	1 - 6 month BRIBOR (Bratislava inter-bank offer rate)
Nigerian naira	1 month NIBOR (Nigerian inter-bank offer rate)

The above analysis is shown after taking into account the effect of interest rate swaps.

21. Financial instruments

Foreign currency transaction exposures

The group has foreign exchange transaction exposures where subsidiaries hold monetary assets and liabilities which are not denominated in the functional currency of that subsidiary. These exposures are primarily denominated in euros and US dollars.

Fair values of financial assets and liabilities

The fair value of forward contracts is calculated by reference to current forward exchange rates at 31 December 2002 for contracts with similar maturity dates. The fair value of interest rate swap contracts is determined as the difference in the present value of the future interest cash flows. The fair value of commodities is based on independent quoted market valuations. The fair value of options is based on Black-Scholes model and implied volatilities.

For primary financial instruments of cash, deposits investments, borrowings and other financial liabilities, fair values equate to book values.

The group holds interest bearing borrowings at both fixed and floating interest rates. However, as indicated above, interest rate swaps and options have been used to manage the group's exposure to interest rates, in line with the group's fixed/floating rate strategy.

There is no difference between the book value and the fair value of debtors and creditors falling due within one year.

The group only uses derivatives for hedging purposes. The following is a summary of the group's risk management strategies:

Interest rate
The fair value swap agreements utilised by the group effectively modify the group's exposure to interest rate risk and the changes in the fair value of debt by converting the group's fixed rate debt to a floating rate based on EURIBOR over the life of the underlying debt. The agreements involve the receipt of fixed rate amounts in exchange for floating rate interest payments over the life of the agreements without an exchange of the underlying principal amount.

The group also uses cash flow interest rate swaps to convert a portion of its floating rate debt to a fixed rate basis for the next five years, thus reducing the impact of interest rate changes on future income.

21. Financial instruments (continued)

During 2002, CCHBC purchased interest rate caps on floating rate debt. The decision to purchase option caps versus using swaps was taken in order to continue benefiting from the lower floating interest rate environment, while having in place protection against adverse interest rate movements. The options are marked to market with the gains and losses taken to the income statement. The option premium is expensed in the income statement through the option revaluation process. In 2002, CCHBC benefited from lower interest costs and, consequently, recognised a loss of €2.8m in relation to these items in the income statement.

Foreign currency
The group is exposed to the effect of foreign currency risk on expenditures that are denominated in currencies other than the euro. Forward contracts are used to hedge a portion of its anticipated foreign currency denominated expenditures. All of the forward exchange contracts have maturities of less than one year after the balance sheet date.

Commodities
The group is exposed to the effect of changes in the price of sugar. To manage a portion of the price risk of sugar costs, the group uses sugar future contracts traded on regulated futures exchanges. The sugar future contracts entered into typically have maturities of up to 18 months after the balance sheet date. The changes in market values of such contracts have historically been highly effective in offsetting sugar price fluctuations.

Credit risk exposure
The group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2002 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

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 as follows:

	Assets € million	Liabilities € million
As at 31 December 2002		
Interest rate swaps	30.3	(9.2)
Interest rate options	2.1	–
Commodity future contracts	2.7	–
Forward foreign exchange contracts	8.0	(0.2)
	43.1	**(9.4)**
As at 31 December 2001		
Interest rate swaps	21.1	(11.5)
Commodity future contracts	0.6	–
Forward foreign exchange contracts	–	(0.2)
	21.7	**(11.7)**

Notes to the financial statements

21. Financial instruments (continued)

Net fair value of derivative financial instruments

The fair values of derivative financial instruments at 31 December designated as cash flow hedges are:

	2002 € million	2001 € million
Contracts with positive fair values:		
Commodity future contracts	2.7	0.6
Forward foreign exchange contracts	0.2	–
	2.9	**0.6**
Contracts with negative fair values:		
Interest rate swaps	(1.2)	(6.4)
Forward foreign exchange contracts	(0.2)	(0.2)
	(1.4)	**(6.6)**

The fair values of derivative financial instruments at 31 December designated as fair value hedges are:

	2002 € million	2001 € million
Contracts with positive fair values:		
Interest rate swaps	22.1	21.1
Forward foreign exchange contracts	7.8	–
	29.9	**21.1**
Contracts with negative fair values:		
Interest rate swaps	–	(5.1)
	–	**(5.1)**

The fair values of derivative financial instruments at 31 December for which hedge accounting has not been applied are:

	2002 € million	2001 € million
Contracts with positive fair values:		
Interest rate swaps	8.2	–
Interest rate options	2.1	–
	10.3	**–**
Contracts with negative fair values:		
Interest rate swaps	(8.0)	–
	(8.0)	**–**

Notes to the financial statements

22. Directors' remuneration

The total remuneration of directors paid during the year amounted to €2.2m (2001: €3.4m). In addition to salary, in 2002 the group provided non-cash benefits to the managing director and contributed to a post-employment pension plan on his behalf. The managing director also participates in the group's stock option plans.

23. Equity compensation plan

The group operates a stock purchase plan, the Coca-Cola HBC Stock Purchase Plan, which is an equity compensation plan that eligible employees can participate in.

Under the terms of this plan, employees have the opportunity to invest 1% to 15% of their salary in ordinary CCHBC shares by contributing to the plan monthly. CCHBC will match up to a maximum of 3% of the employees' salary by way of contribution. Employer contributions are used to purchase matching shares on a monthly basis on the open market, currently the Athens Stock Exchange, by a trust, The Coca-Cola HBC Employee Stock Purchase Trust. Matching shares vest 350 days after the purchase. However, forfeited shares are held in a reserve account by the trust, do not revert back to the company and may be used to reduce future employer contributions. Dividends received in respect of shares held by the trust accrue to the employees.

In order to adapt the plan to the Greek legal framework in the case of employees resident in Greece, we match our Greek resident employees' contribution up to a maximum of 5% of their salary with an annual employer contribution, which we make in December, and matching shares purchased in December vest immediately.

During 2002, 98,679 shares were purchased by CCHBC (2001: 87,926) as matching shares to employee investments. The purchase cost, expensed in the income statement as incurred, totalled €1.5m (2001: €1.4m). Of this amount, €0.3m represented employer contributions made for Greek resident employees. The fair value of unvested matching shares held by the trust at the end of 2002, before they vest to employees, was €1.2m (2001: €1.4m). The total number of shares held by the trust at 31 December 2002 was 653,398. The total contribution made by employees to the trust during 2002 was €2.1m.

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.

24. Employee stock option plan

Senior executives are eligible to participate in the CCHBC stock option plan.

CCHBC uses the intrinsic value accounting method for the share awards under which there is no charge to earnings for employee stock option awards. Options are granted at an exercise price of the average mid-price of the company's shares at close of trading on the Athens Stock Exchange over the last ten working days before the date of the grant. Options vest in one-third increments each year for three years and can be exercised for up to ten years from the date of award.

Notes to the financial statements

24. Employee stock option plan (continued)

The following table summarises information on options outstanding and exercisable at 31 December 2002:

	Exercise price €	Vesting status 2002	Vesting dates for further increments			End of option period	No. of stock options outstanding
Sub Plan 1	25.06	fully vested	-	-	-	11.07.2008	356,653
Sub Plan 2	22.71	fully vested	-	-	-	29.09.2008	30,260
Sub Plan 3	18.80	fully vested	-	-	-	08.12.2009	675,545
Sub Plan 4	16.22	two-thirds	13.12.2003	-	-	12.12.2010	2,575,733
Sub Plan 5	13.35	one-third	28.06.2003	28.06.2004	-	27.06.2011	180,000
Sub Plan 6	16.05	one-third	13.12.2003	13.12.2004	-	12.12.2011	1,906,767
Total							**5,724,958**
Sub Plan 7*	14.31	none	11.12.2003	11.12.2004	11.12.2005	10.12.2012	738,400

* CCHBC intends to convert these phantom stock options into regular stock options subject to approval of the Annual General Meeting of the shareholders in June 2003.

25. Share capital and share premium

	Number of shares (authorised and issued)	Share capital € million	Share premium € million	Total € million
As at 1 January 2001	236,668,596	69.5	2,142.2	2,211.7
Conversion of par value to euro	–	1.5	(1.5)	–
As at 31 December 2001	236,668,596	71.0	2,140.7	2,211.7
Increase in par value	–	2.4	–	2.4
As at 31 December 2002	**236,668,596**	**73.4**	**2,140.7**	**2,214.1**

Share Capital

There is only one class of shares, of which the par value is €0.31. Each share provides the right to one vote at general meetings of the company and entitles the holder to dividends declared by the company.

The authorised share capital of CCHBC was increased by €2.4m at the Annual General Meeting of the company through an increase of par value of the shares from €0.30 per share to €0.31, effective 27 June 2002. The increase resulted in the capitalisation of a revaluation reserve of the company relating to the revaluation of land and buildings.

On 22 November 2001, the authorised share capital of CCHBC was increased by €1.5m at an Extraordinary General Meeting of the company through an increase of the par value of the shares from 100 Greek drachma to 102.225 Greek drachma which equates to €0.30. The increase was necessary for the conversion of the share capital into euro, as Greek law requires the minimum par value of the shares after conversion to be €0.30.

Share Premium

The share premium reserve represents the excess over par value that shares were issued for.

26. Reserves

The reserves of the group at 31 December are as follows:

	2002 € million	2001 € million
Revaluation reserve	49.5	51.9
Exchange equalisation reserve	147.7	242.0
Other reserves	259.2	232.3
	456.4	**526.2**

Revaluation reserve

The revaluation reserve relates to land and buildings that have been revalued subsequent to purchase. It comprises the cumulative increase in the base value of these items. This revaluation reserve cannot be distributed.

Exchange equalisation reserve

The exchange equalisation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations not reporting in the group's reporting currency, the euro.

Other reserves

Other reserves include tax free, partially taxed and statutory reserves particular to the various countries the group operates in and the cumulative net change in the fair value of cash flow hedges where the hedged forecast transaction has not yet occured. Statutory reserves amounting to €33.0m cannot be distributed, while tax free and partially taxed reserves amounting to €220.0m may be distributed if taxed, where applicable.

27. Dividends

The directors propose a dividend of €0.19 per share (totalling €45.0m) for the year ended 31 December 2002. The dividend will be submitted for formal approval at the Annual General Meeting in June 2003. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2003.

During 2002, a dividend of €0.18 per share (totalling €42.6m) was paid in respect of the dividend declared for the year ended 31 December 2001.

28. Minority interests

The movements in minority interests are as follows:

	2002 € million	2001 € million
As at 1 January	111.1	138.0
Arising on acquisition of controlling interest in subsidiary	1.9	–
Share of net profit of subsidiaries	19.2	15.5
Dividends paid	(7.4)	(5.9)
Acquisition of shares held by minority interests	(24.8)	(35.9)
Foreign exchange differences	(10.4)	(0.6)
As at 31 December	**89.6**	**111.1**

Notes to the financial statements

29. List of principal subsidiary undertakings

The following are the principal subsidiary undertakings of CCHBC at 31 December:

	Country of registration	% ownership 2002	2001
3E (Cyprus) Limited	Cyprus	100.0%	100.0%
Balkaninvest Holdings Limited	Cyprus	100.0%	100.0%
Brewinvest S.A.	Greece	50.0%	50.0%
Burgas Bottling Company Limited	Bulgaria	75.0%	75.0%
CC Beverages Holdings II B.V.	The Netherlands	100.0%	100.0%
CCB Management Services GmbH	Austria	100.0%	100.0%
CCB Production Services d.o.o.	Bosnia & Herzegovina	100.0%	100.0%
CCB Services Limited	England & Wales	100.0%	100.0%
Chisinau Beverages Services	Moldova	100.0%	100.0%
Clarina Bulgaria Limited	Bulgaria	100.0%	100.0%
Clarina Holding S.à.r.l	Luxembourg	100.0%	100.0%
Coca-Cola Bevande Italia S.r.l.i.	Italy	100.0%	100.0%
Coca-Cola Beverages (Hungary) Kft	Hungary	100.0%	100.0%
Coca-Cola Beverages AG	Switzerland	99.1%	73.9%
Coca-Cola Beverages Austria GmbH	Austria	100.0%	100.0%
Coca-Cola Beverages Belorussiya	Belarus	100.0%	100.0%
Coca-Cola Beverages B-H d.o.o.	Bosnia & Herzegovina	100.0%	100.0%
Coca-Cola Beverages Ceska republika, spol sr.o.	Czech Republic	100.0%	100.0%
Coca-Cola Beverages Holdings Limited	Republic of Ireland	100.0%	100.0%
Coca-Cola Beverages Hrvatska d.d.	Croatia	99.9%	99.9%
Coca-Cola Beverages Polska Sp.Zo.o.	Poland	100.0%	100.0%
Coca-Cola Beverages Slovakia, s.r.o.	Slovakia	100.0%	100.0%
Coca-Cola Beverages Slovenia d.d.	Slovenia	100.0%	99.5%
Coca-Cola Beverages Ukraine Ltd	Ukraine	100.0%	100.0%
Coca-Cola Bottlers (Ulster) Limited	Northern Ireland	100.0%	100.0%
Coca-Cola Bottlers Armenia	Armenia	90.0%	90.0%
Coca-Cola Bottlers Chisinau	Moldova	100.0%	100.0%
Coca-Cola Bottlers Iasi S.A.	Romania	99.2%	99.2%
Coca-Cola Bottlers Oryel OOO	Russia	100.0%	100.0%
Coca-Cola Bottlers Sofia Limited	Bulgaria	60.0%	60.0%
Coca-Cola Bottling Company (Dublin) Limited	Republic of Ireland	100.0%	100.0%
Coca-Cola Bottling Enterprise Constanta S.A.	Romania	100.0%	85.5%
Coca-Cola Bottling Enterprise Galati S.A.	Romania	92.9%	92.6%
Coca-Cola Distributors Sofia	Bulgaria	60.0%	60.0%
Coca-Cola HBC Finance B.V.	The Netherlands	100.0%	100.0%
Coca-Cola HBC Finance plc	England & Wales	100.0%	100.0%
Coca-Cola HBC Romania Ltd	Romania	100.0%	100.0%
Coca-Cola Magyarorszag Italok Kft	Hungary	100.0%	100.0%
Coca-Cola Molino Beverages Limited	Cyprus	100.0%	100.0%
Dunlogan Limited	Northern Ireland	100.0%	100.0%
Elxym S.A.	Greece	100.0%	100.0%
IBP Beograd A.D.	Serbia	87.8%	85.2%
IBP Mont d.o.o.	Montenegro	87.8%	-

29. List of principal subsidiary undertakings (continued)

	Country of registration	% ownership 2002	2001
Jayce Enterprises Limited	Cyprus	100.0%	100.0%
John Daly and Company Limited	Republic of Ireland	100.0%	100.0%
Killarney Mineral Water Manufacturing Company Limited	Republic of Ireland	100.0%	100.0%
Leman Beverages Holding S.à.r.l.	Luxembourg	90.0%	90.0%
LLC Coca-Cola Bottlers of Vladivostok Bottlers	Russia	100.0%	100.0%
LLC Coca-Cola HBC Eurasia	Russia	100.0%	100.0%
LLC Coca-Cola Stavropolye Bottlers	Russia	72.0%	-
Molino Beverages Holding S.à.r.l	Luxembourg	100.0%	100.0%
MTV West Kishinev Bottling Company	Moldova	100.0%	100.0%
Nigerian Bottling Company plc	Nigeria	66.3%	65.9%
Panpak Limited	Republic of Ireland	100.0%	100.0%
Pleven Bottling Company Limited	Bulgaria	59.0%	59.0%
Plovdiv Bottling Company Limited	Bulgaria	62.0%	62.0%
Sofia Beverage Company A.D.	Bulgaria	100.0%	100.0%
Softbev Investments Limited	Cyprus	100.0%	100.0%
Softinvest Holdings Limited	Cyprus	100.0%	100.0%
Standorg Assets Kft	Hungary	100.0%	100.0%
Star Bottling Limited	Cyprus	100.0%	100.0%
Targovishte Bottling Company Limited	Bulgaria	75.0%	75.0%
Telerex S.A.	Greece	100.0%	100.0%

Brewinvest S.A. is accounted for using the proportional consolidation method.

During 2001, CCHBC entered into a sale and purchase agreement for the purchase of LLC Coca-Cola Stavropolye Bottlers. The completion of the acquisition of 72% of the issued and outstanding shares took place in 2002.

Completion of the purchase of the following subsidiary undertakings took place on 2 January 2002:

AS Eesti Coca-Cola Joogid	Estonia	100.0%
Coca-Cola Bottlers Lietuva	Lithuania	100.0%
Coca-Cola Dzerieni	Latvia	96.0%

Completion of the acquisitions of the following subsidiary undertakings occurred on 30 September 2002:

Valser Mineralquellen AG	Switzerland	100.0%
Valser Springs Gmbh	Switzerland	50.0%

Completion of the acquisitions of the following subsidiary undertakings occurred on 17 December 2002:

Dorna Apemin S.A.	Romania	49.1%
S.C. Cristalina S.A.	Romania	32.8%

Subsequent to 31 December 2002 the Bulgarian entities above, with the exception of Clarina Bulgaria Limited, were merged into one entity, “Coca-Cola Hellenic Bottling Company Bulgaria A.D.”.

Notes to the financial statements

30. Related party transactions

a) The Coca-Cola Company

The Coca-Cola Company ("TCCC") held 24% of the issued share capital of CCHBC at 31 December 2002, and has awarded the status of "key bottler" to CCHBC.

The group's operating subsidiaries purchase concentrate and other materials from TCCC and its subsidiaries. Total purchases of concentrate, finished products and other materials amounted to €842.9m (2001: €785.4m).

During the year, the group also sold €21.3m of finished goods and raw materials to TCCC and its subsidiaries.

TCCC made discretionary marketing contributions to the group's operating subsidiaries of €72.6m (2001: €66.8m). The participation in shared marketing agreements are at TCCC's discretion and, where co-operative arrangements are entered into, marketing expenses are shared. Such arrangements include the development of marketing programmes to promote TCCC beverages. TCCC has also customarily made additional payments for marketing and advertising direct to suppliers as part of the shared marketing arrangements. The proportion of direct and indirect payments, made at TCCC's discretion, will not necessarily be the same from year to year.

Other income comprises mainly rent and facility costs (where TCCC shares premises with CCHBC companies). This amounted to €2.0m (2001: €10.7m). Other expenses relate to facility costs charged by TCCC, interest on related party payables and other shared costs. These other expenses amounted to €1.8m (2001: €3.7m).

TCCC made contributions towards the placement of cold drink equipment of €18.3m (2001: €2.4m). The group also purchased fixed assets from TCCC of €1.0m in 2002. No purchases of fixed assets were made in 2001.

On 23 November 2001, CCHBC completed the purchase from TCCC of the bottling operations in the Russian Federation (Star Bottling Limited (Cyprus) and the 40% equity stake held by TCCC in Coca-Cola Molino Beverages Limited). In addition, on 2 January 2002 CCHBC completed the purchase of the bottling operations in the Baltic states of Estonia, Latvia and Lithuania. Cash consideration of €27.3m was paid to TCCC in December 2001. The remaining balance on the acquisition of €106.8m was paid in August 2002. Interest expense included interest paid to TCCC amounting to €3.5m for the year ended 31 December 2002 (2001: €0.5m). Refer to Note 18 for further details.

In 2002, CCHBC transferred its rights of the water brand trademark "Naturaqua" to TCCC for €5.3m. The consideration received has been deferred over a five year period, requires reimbursements if certain performance criteria are not met, and will be recognised as income as such criteria are satisfied.
At 31 December 2002, €5.3m is included as deferred income in the balance sheet.

At 31 December 2002, the group owed €75.2m and was owed €68.1m.

Key bottler status

The directors consider that the success of the Coca-Cola system relies to a large extent upon alignment between the bottler and TCCC, with the companies working together, utilising their respective complementary skills and assets, to capture the opportunities to build consumption in each country and thus grow value over the long term for their respective shareholders. TCCC has indicated to the directors that it concurs with this view.

Notes to the financial statements

30. Related party transactions (continued)

Bottler's agreements

TCCC has entered into bottler's agreements with CCHBC in respect of each of CCHBC's countries.

All the bottler's agreements entered into by TCCC and CCHBC are Standard International Bottler's (SIB) agreements. The bottler's agreements for Austria, Italy (Northern and Central), Greece, Republic of Ireland and Northern Ireland are TCCC's standard European Union SIB agreements and differ from the SIB agreements for the other countries only to the extent necessary to comply with European Union legislation. The bottler's agreements expire in 2008 with the exception of the agreements related to our newly acquired Russian territories and the Baltic States, all of which expire in 2011, and are renewable, at TCCC's discretion, for a further ten years.

The terms of the bottler's agreements oblige CCHBC to obtain concentrate for TCCC beverages from TCCC and, consequently, oblige CCHBC to purchase all its requirements for concentrate for TCCC beverages from TCCC, or its designee, in the ordinary course of its business.

Use of the trademark Coca-Cola

TCCC has authorised CCHBC and certain of its subsidiaries to use the trademark Coca-Cola in their corporate names. TCCC owns or has applied for the trademarks that identify its beverages in all of CCHBC's countries. These include the brand Coca-Cola which is recognised as one of the world's best known trademarks.

b) The Kar-Tess Group

On 3 December 2002, the Kar-Tess Group sold 1.6% of CCHBC's share capital, leaving the ownership of 39.8% of the issued share capital of CCHBC at 31 December 2002.

Frigoglass S.A.

Frigoglass S.A., a company listed on the Athens Stock Exchange, is a manufacturer of coolers, PET resin, glass bottles, crown and plastics. The Kar-Tess Group owns 44.1% of Frigoglass S.A.. Frigoglass S.A. has a controlling interest in Frigoglass Industries Limited (formerly Beta Industries).

Under an agreement dated 24 June 1999, CCHBC is obliged to obtain at least 60% of its annual requirement of certain types of coolers and related products from Frigoglass S.A.. CCHBC has the status of most favoured customer of Frigoglass S.A., on a non-exclusive basis. This agreement runs until 31 December 2004.

During the year, the group made purchases of €135.4m (2001: €84.5m) of coolers, materials and containers from Frigoglass S.A and its subsidiaries. At 31 December 2002, CCHBC owed €10.9m (2001: €3.3m) to the Kar-Tess Group and Frigoglass S.A. and was owed €0.2m.

c) Directors

Mr George A. David, Mr Haralambos Kriton Leventis, Mr Leonidas Ioannou and Mr Anastassios Leventis have been nominated by the Kar-Tess Group on the board of CCHBC. Mr Henry Schimberg and Mr A.R.C. (Sandy) Allan, a Senior Vice President of TCCC, have been nominated by TCCC on the board of CCHBC. There have been no transactions between CCHBC and the directors except for remuneration. Refer to Note 22.

d) Other

Beverage Partners Worldwide ("BPW")

BPW is a 50/50 joint venture between TCCC and Nestle. During 2002, the group purchased inventory from BPW amounting to €14.6m (2001: €7.6m). At 31 December 2002, CCHBC owed €0.3m (2001: €0.7m) to BPW and was owed €1.5m (2001: €0.2m).

Notes to the financial statements

30. Related party transactions (continued)

Leventis Overseas & AG Leventis (Nigeria) PLC

Leventis Overseas and AG Leventis (Nigeria) PLC are related to CCHBC by way of common directors, where significant influence exists. During 2002, our Nigerian subsidiary purchased chemicals, raw materials, spare parts and fixed assets totalling €24.0m and incurred rental expenses of €1.0m. At 31 December 2002 the group owed €0.7m and was owed €0.4m.

Plias S.A. and its subsidiaries ("Plias")

Plias is related to CCHBC by way of common directors, where significant influence exists. During the year, the group sold €12.2m of finished goods to Plias and received contributions of €0.8m. At 31 December 2002, Plias owed €7.2m to the group.

Other Coca-Cola Bottlers

The group purchased €3.0m of finished goods from other Coca-Cola bottlers in which TCCC has significant influence.

There are no material transactions with other related parties for the year ended 31 December 2002.

31. Commitments

a) Operating leases

The total of future minimum lease payments under non-cancellable operating leases at 31 December is as follows:

	2002 € million	2001 € million
Less than one year	17.3	11.1
Later than one year but less than five years	32.6	27.3
Later than five years	10.4	5.7
Future minimum lease payments	**60.3**	**44.1**

b) Capital commitments

At 31 December 2002, the group had capital commitments amounting to €70.4m (2001: €73.9m).

c) Long term purchase commitments

At 31 December 2002, the group had commitments to purchase raw materials amounting to €150.3m.

32. Contingencies

The Greek Competition Authority issued a decision on 25 January 2002, imposing a fine on the company of approximately €2.9m and requiring changes in the company's commercial practices in respect of free on-loan coolers in certain outlets in Greece. The fine relates to the company's commercial dealings with certain wholesalers during the period 1991-1999. On 27 March 2002, the company appealed this decision before the Athens Administrative Court of Appeal. On 18 April 2002, the Athens Administrative Court of Appeal accepted in part the company's interim application for suspension of the Greek Competition Authority's decision by suspending half of the amount of the fine imposed on the company by the Greek Competition Authority. Until the main hearing before the Athens Court of Appeal, it is not possible to predict the outcome of the case.

The European Commission is currently investigating commercial practices engaged in by CCHBC's subsidiary in Austria. This forms part of a broader investigation of commercial practices of The Coca-Cola Company and its bottlers in Europe. The investigation commenced in July 1999 when the European Commission visited CCHBC's offices in Austria and London. This investigation may lead to the institution of formal proceedings by the European Commission against CCHBC's Austrian subsidiary in the course of 2003. In the absence of such proceedings, it is not possible to quantify the likelihood or materiality of any potential fines or restrictions of our practices.

In recent years, customs authorities in some Central and Eastern European countries have attempted to challenge the classification under which the group imports concentrate into these countries to produce our products. Local authorities have argued that a classification with higher custom duties than the current classification should apply. In 2001, one such issue in Hungary was successfully resolved. The group still has similar issues outstanding before the Polish and Romanian customs authorities. At this time it is not possible to quantify the risk of a negative outcome in these cases.

There are no other material litigation issues pending against group companies.

Report of independent auditors

Shareholders and board of directors
Coca-Cola Hellenic Bottling Company S.A.

We have audited the accompanying consolidated balance sheets of Coca-Cola Hellenic Bottling Company S.A. ("the Company") as at 31 December 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended 31 December 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coca-Cola Hellenic Bottling Company S.A. as at 31 December 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Notes 1 and 3 to the consolidated financial statements, in 2002 the Company adopted Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets*, and changed its method of accounting for goodwill and other intangible assets.

Ernst & Young

Ernst & Young
Athens
21 March 2003

Consolidated statements of income

	Year ended 31 December 2002 € million	2001 € million	2000 € million
Net sales	**3,839.4**	**3,398.1**	**1,987.9**
Cost of sales	2,366.4	2,083.9	1,264.7
Gross profit	**1,473.0**	**1,314.2**	**723.2**
Selling, delivery and administrative expenses	1,178.5	1,074.7	572.7
Amortisation of intangible assets	–	77.8	29.4
Operating income	**294.5**	**161.7**	**121.1**
Interest expense	(70.3)	(77.3)	(50.2)
Gain on sale of investment	–	–	24.7
Other income	16.8	9.4	5.2
Other expense	(4.2)	(6.4)	(12.1)
Income before income taxes	**236.8**	**87.4**	**88.7**
Income tax expense	(73.3)	(18.2)	(35.8)
Share of income (loss) of equity method investees	4.3	(1.6)	(11.4)
Minority interests	(15.8)	(15.4)	(4.3)
Net income before cumulative effect of accounting change	**152.0**	**52.2**	**37.2**
Cumulative effect of accounting change for SFAS No.142, net of income taxes of €25.0m	(94.0)	–	–
Net income	**58.0**	**52.2**	**37.2**
Net income per share (in euros):			
Before cumulative effect of accounting change	0.65	0.22	0.21
Cumulative effect of accounting change	(0.40)	–	–
Basic and diluted net income per share	**0.25**	**0.22**	**0.21**

See Notes to the consolidated financial statements

Consolidated balance sheets

	As at 31 December	
	2002	2001
	€ million	€ million
Assets		
Current assets:		
Cash and cash equivalents	101.3	141.7
Trade accounts receivable, less allowances of €20.7m in 2002 and €19.1m in 2001	457.5	428.2
Inventories	309.3	277.9
Receivables from related parties	78.2	55.4
Taxes receivable	11.3	9.2
Deferred income taxes	20.2	29.0
Prepaid expenses	51.9	65.3
Other current assets	73.7	60.5
Total current assets	**1,103.4**	**1,067.2**
Property, plant, and equipment:		
Land	99.4	91.3
Buildings	682.3	669.7
Returnable containers	216.1	208.9
Production and other equipment	1,725.1	1,630.4
	2,722.9	2,600.3
Less accumulated depreciation and amortisation	(856.6)	(700.6)
	1,866.3	1,899.7
Construction in progress	30.3	29.7
Advances for equipment purchases	26.6	19.0
	1,923.2	1,948.4
Investment in equity method investees	53.3	50.4
Deferred income taxes	78.1	152.6
Other tangible non-current assets	20.3	14.1
Franchise rights, net	2,017.4	2,108.5
Goodwill and other intangibles, net	699.2	697.2
Total assets	**5,894.9**	**6,038.4**

See Notes to the consolidated financial statements

Consolidated balance sheets

	As at 31 December 2002 € million	2001 € million
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	313.1	89.0
Accounts payable	203.5	208.6
Accrued expenses	300.6	311.0
Amounts payable to related parties	87.1	115.1
Loan notes due to The Coca-Cola Company	–	158.2
Deposit liabilities	135.0	122.5
Income taxes payable	72.0	52.9
Deferred income taxes	5.1	50.9
Current portion of long-term debt and capital lease obligations	210.7	6.8
Total current liabilities	**1,327.1**	**1,115.0**
Long-term debt, less current portion	950.9	1,184.2
Capital lease obligations, less current portion	28.4	20.7
Employee benefit obligations	74.4	70.5
Deferred income taxes	718.5	796.8
Other long-term liabilities	17.1	5.6
Total long-term liabilities	**1,789.3**	**2,077.8**
Minority interests	**65.3**	**58.4**
Shareholders' equity:		
Ordinary shares, €0.31(2001: €0.30) par value: 236,668,596 shares authorised, issued and outstanding	73.4	71.0
Additional paid-in capital	2,154.0	2,154.0
Deferred compensation	(0.5)	(0.4)
Retained earnings	305.2	292.2
Accumulated other comprehensive income	181.1	270.4
Total shareholders' equity	**2,713.2**	**2,787.2**
Total liabilities and shareholders' equity	**5,894.9**	**6,038.4**

See Notes to the consolidated financial statements

Consolidated statements of cash flows

	Year ended 31 December 2002 € million	2001 € million	2000 € million
Operating activities			
Net income	58.0	52.2	37.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	270.2	314.6	170.4
Deferred income taxes	(20.5)	(33.7)	(6.9)
(Gain) loss on disposal of assets	(4.9)	13.3	(21.2)
Minority interests	15.8	15.4	4.3
Share of (income) loss of equity method investee	(4.3)	1.6	11.4
Cumulative effect of accounting change for SFAS No.142, before income taxes	119.0	–	–
Changes in operating assets and liabilities, net of effect of acquisitions:			
Trade accounts receivable and other current assets	(23.9)	2.9	141.2
Inventories	(47.0)	(6.9)	60.6
Accounts payable and accrued expenses	(11.6)	46.6	(167.5)
Net cash provided by operating activities	**350.8**	**406.0**	**229.5**
Investing activities			
Purchases of property, plant and equipment	(301.4)	(257.3)	(156.6)
Proceeds from disposals of property, plant and equipment	22.0	19.6	24.4
Cash payments for acquisitions, net of cash acquired	(192.6)	(66.1)	(422.2)
Proceeds from sale of investments	0.2	0.6	57.0
Net cash used in investing activities	**(471.8)**	**(303.2)**	**(497.4)**
Financing activities			
Proceeds from issuance of long-term debt	545.7	939.4	534.3
Payments on long-term debt	(396.2)	(991.5)	(152.5)
Payments on capital lease obligations	(7.8)	(6.7)	(2.2)
Dividends paid	(49.6)	(44.0)	(39.6)
Net cash provided by (used in) financing activities	**92.1**	**(102.8)**	**340.0**
Effect of exchange rates on cash	(11.5)	(1.6)	0.2
Net (decrease) increase in cash and cash equivalents	**(40.4)**	**(1.6)**	**72.3**
Cash and cash equivalents at beginning of year	141.7	143.3	71.0
Cash and cash equivalents at end of year	**101.3**	**141.7**	**143.3**

See Notes to the consolidated financial statements

Consolidated statements of shareholders' equity

	Ordinary shares Number of shares million	Amount € million	Additional paid-in capital € million	Deferred compensation € million	Retained earnings € million	Accumulated other comprehensive income € million	Total € million
As at 1 January 2000	142.9	43.2	–	–	247.9	107.2	398.3
Net income for 2000	–	–	–	–	37.2	–	37.2
Currency translation adjustment, net of applicable income taxes of €0.8m	–	–	–	–	–	57.4	57.4
Comprehensive income							**94.6**
Changes in deferred compensation related to Employee Share Purchase Plan	–	–	–	(0.6)	–	–	(0.6)
Shares and options issued as consideration for acquisition	93.8	27.8	2,194.9	–	–	–	2,222.7
Effect of change to fixed exchange rate between the euro and Greek drachma	–	(1.5)	(39.4)	–	(3.4)	–	(44.3)
As at 31 December 2000	**236.7**	**69.5**	**2,155.5**	**(0.6)**	**281.7**	**164.6**	**2,670.7**
Net income for 2001	–	–	–	–	52.2	–	52.2
Currency translation adjustment, net of applicable income taxes of €2.7m	–	–	–	–	–	105.8	105.8
Cumulative effect of change in accounting for derivative financial instruments net of applicable income taxes of €1.4m	–	–	–	–	–	4.4	4.4
Change in fair value of derivatives net of applicable income taxes of €3.0m	–	–	–	–	–	(8.4)	(8.4)
Loss reclassified into earnings from other comprehensive income, net of applicable income taxes of €1.6m	–	–	–	–	–	4.0	4.0
Comprehensive income							**158.0**
Adjustment of par value	–	1.5	(1.5)	–	–	–	–
Cash dividends (€0.18 per share)	–	–	–	–	(41.7)	–	(41.7)
Change in deferred compensation related to Employee Share Purchase Plan	–	–	–	0.2	–	–	0.2
As at 31 December 2001	**236.7**	**71.0**	**2,154.0**	**(0.4)**	**292.2**	**270.4**	**2,787.2**
Net income for 2002	–	–	–	–	58.0	–	58.0
Currency translation adjustment, net of applicable income taxes of €11.1m	–	–	–	–	–	(89.7)	(89.7)
Change in fair value of derivatives net of applicable income taxes of €0.8m	–	–	–	–	–	0.4	0.4
Comprehensive income							**(31.3)**
Capitalisation of reserves	–	2.4	–	–	(2.4)	–	–
Cash dividends (€0.18 per share)	–	–	–	–	(42.6)	–	(42.6)
Change in deferred compensation related to Employee Share Purchase Plan	–	–	–	(0.1)	–	–	(0.1)
As at 31 December 2002	**236.7**	**73.4**	**2,154.0**	**(0.5)**	**305.2**	**181.1**	**2,713.2**

See Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Organisation and significant accounting policies

Organisation

Coca-Cola Hellenic Bottling Company S.A. (*"CCHBC"*) is incorporated in Greece and was formed in August 2000 through the merger of Hellenic Bottling Company S.A. (*"HBC"*) and Coca-Cola Beverages plc (*"CCB"*) (see Note 2). CCHBC and its subsidiaries (collectively the *"Company"*) are principally engaged in the production and distribution of alcohol-free beverages under franchise from The Coca-Cola Company (*"TCCC"*). The Company distributes its products in Europe and Nigeria. Information on the Company's operations by segment is included in Note 12.

CCHBC is listed on the Athens, New York, London and Sydney stock exchanges.

Principles of consolidation

The consolidated financial statements include the accounts of CCHBC and its subsidiaries (and include the accounts of Hellenic Bottling Company and its subsidiaries (the predecessor company) for the period prior to August 2000). Investments in affiliates in which CCHBC has ownership interests of 20% to 50% are accounted for under the equity method. Our investments in other companies are carried at cost or fair value, as appropriate. All significant intercompany accounts and transactions, including transactions with equity method investees, are eliminated in consolidation.

The Company had a 60% ownership interest in Coca-Cola Molino Beverages Limited, a company engaged in the bottling and distribution of TCCC beverages in Russia. This investment was accounted for under the equity method because, according to the shareholders' agreement between TCCC and the Company, TCCC had substantive participating rights that required its approval for decisions occurring in the ordinary course of business. These decisions included approval of annual operating and capital expenditure budgets as well as selection and termination of executive management. On 23 November 2001, the Company acquired the remaining 40% ownership from TCCC and the operations of Coca-Cola Molino Beverages Limited have been consolidated from that date.

Use of estimates

In conformity with generally accepted accounting principles, the preparation of financial statements for the Company requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates 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.

Revenue recognition

Revenues are recognised when all of the following conditions are met: evidence of a binding arrangement exists (generally, purchase orders), products have been delivered and there is no future performance required and amounts are collectible under normal payment terms.

Revenue is stated net of sales discounts, listing fees and marketing and promotional incentives paid to customers. Listing fees are incentives provided to customers for carrying the Company's products in their stores. Fees that are subject to contractual-based term arrangements are amortised over the term of the contract. The amount of listing fees so capitalised at 31 December 2002 was €5.8m (2001: €2.8m). Of this balance, €3.6m (2001: €0.7m) was classified as prepaid expenses (current) and the remainder as other non-current assets. Listing fees expensed for the year ended 31 December 2002 amounted to €7.5m with €6.5m and €2.3m for 2001 and 2000, respectively. Marketing and promotional incentives paid to customers during 2002 amounted to €88.0m with €37.9m in 2001, and €22.6m in 2000.

We receive certain payments from TCCC in order to promote sales of Coca-Cola branded products. Contributions for price support and marketing and promotional campaigns in respect of specific customers are recognised as an offset to promotional incentives paid to customers. These reimbursements are accrued and matched to the expenditure with which they relate. In 2002, such contributions totalled €30.4m as compared to €49.9m and €35.0m in 2001 and 2000, respectively.

Where we distribute third party products we recognise the related revenue earned based on the gross amount invoiced to the customer where we act as principal, take title to the products and have assumed the risks and rewards of ownership. We recognise revenue on the basis of the net amount retained (that is, the amount billed to a customer less the amount paid to a supplier) where the Company acts as an agent without assuming the relevant risks and rewards.

Notes to the consolidated financial statements

1. Organisation and significant accounting policies (continued)

Warehouse costs

Warehouse costs represent the expenses associated with operating Company-owned or leased warehouse facilities used to store finished goods. Warehousing costs are included in selling, delivery and administrative expenses. Such costs amounted to €115.7m in 2002 with €106.8m and €57.4m in 2001 and 2000, respectively.

Distribution costs

Distribution costs represent those costs that are incurred to transport product to the buyer's designated location. These costs include the fees charged by third party shipping agents and expenses incurred in running our own trucking fleet. Distribution costs are included in selling, delivery and administrative expenses. In 2002, the distribution costs totalled €194.6m, compared with €172.0m and €94.7m for 2001 and 2000, respectively.

Advertising expense

Advertising costs are expensed as incurred and were €105.9m in 2002 with €124.8m and €66.6m during 2001 and 2000, respectively.

Interest expense

Interest costs are expensed as incurred and include interest on loans, overdrafts, capital leases and amortisation of debt issuance costs.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents comprise cash balances and short-term deposits.

Inventories

Inventories are priced at the lower of cost or market value using principally the first in, first-out method.

Property, plant and equipment

Property, plant and equipment are initially stated at cost. Depreciation is computed using the straight-line method. The estimated useful lives are as follows:

Freehold buildings	40 years
Leasehold buildings and improvements	over the term of the lease, up to 40 years
Returnable containers	3 to 12 years
Production and other equipment	3 to 12 years

Production and other equipment includes coolers used to distribute beverages for immediate consumption. Depreciation includes amortisation of assets under capital leases.

Intangible assets

Intangible assets consist of franchise rights, goodwill and, until 31 December 2001, assembled workforce.

Franchise agreements contain performance requirements and convey to the franchisee the rights to distribute and sell products of the franchiser within designated territories over specified periods of time. TCCC does not grant perpetual franchise rights outside of the United States. The Company believes its franchise agreements will continue to be renewed at each expiration date and, therefore, essentially have an indefinite useful life.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets* ("Statement No. 142"), goodwill and indefinite-lived intangible assets (including franchise rights) are no longer amortised but are reviewed annually for impairment. With respect to goodwill and intangible assets acquired prior to 1 July 2001, the Company began applying the new accounting rules beginning 1 January 2002. For business combinations initiated after 30 June 2001, the new accounting rules were applied from the acquisition date.

1. Organisation and significant accounting policies (continued)

Prior to the cessation of amortisation, franchise rights and goodwill were amortised on a straight-line basis over 40 years, and assembled workforce was amortised over five years. The assembled workforce intangible asset was reclassified to goodwill upon adoption of Statement No. 142.

The adoption of Statement No. 142 required an initial impairment assessment to be performed on all goodwill and indefinite-lived intangible assets, with an annual impairment assessment thereafter, unless factors indicate that the test should be made earlier. The Company tests for goodwill impairment using the two-step process described in Statement No. 142. The first step is a screen for potential impairment, while the second step measures the amount of impairment. Fair values are derived using discounted cash flow analysis, based on cash flow assumptions consistent with our internal planning, discounted at rates reflecting market comparability adjusted to the Company's facts and circumstances. The Company evaluates franchise rights for impairment by comparing its carrying value to its fair value determined based on the present value of estimated future cash flows from such franchise rights.

Franchise incentive arrangements

TCCC, at its sole discretion, provides the Company with various incentives, including contributions toward the purchase of cold drink equipment. Payments are received on placement of coolers and are based on franchise incentive arrangements and included as a reduction to the assets to which they relate. The terms and conditions of these arrangements require reimbursement if certain conditions stipulated in the agreements are not met, including principally minimum volume requirements. Management believes the risk of reimbursement is remote. Total support payments received from TCCC for the placement of cold drink equipment are €18.3m in 2002 (€2.4m in 2001). No such payments were received in 2000.

Impairment of long-lived assets

The Company evaluates impairment of long-lived assets in accordance with the provisions of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("Statement No. 144"). Statement No. 144 supercedes FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,* and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations for a Disposal of a Segment of a Business.* The Company adopted Statement No. 144 as of 1 January 2002. The adoption of the standard has not had a significant impact.

The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. The impairment loss is measured by comparing the fair value of the asset to its carrying amount.

Conditions that may indicate an impairment issue exists include an economic downturn in a market or a change in the assessment of future operations. In the event that a condition is identified that may indicate an impairment issue exists, an assessment is performed using a variety of methodologies, including cash flow analysis, estimates of sales proceeds and independent appraisals. Where applicable, an appropriate discount rate is utilised, based on location-specific economic factors.

Income taxes

Income taxes have been provided using the liability method in accordance with FASB Statement No. 109, *Accounting for Income Taxes.*

Recapitalisation

The authorised share capital of CCHBC was increased by €2.4m at the 2002 Annual General meeting of the Company through an increase of the par value of the shares from €0.30 per share to €0.31 per share, effective 27 June 2002. The increase resulted from the capitalisation of retained earnings.

On 22 November 2001, the authorised share capital of CCHBC was increased by €1.5m at an extraordinary general meeting of the Company through an increase of the par value of the shares from 100 Greek drachma to 102.225 Greek drachma which equates to €0.30 per share. The increase was necessary for the conversion of the share capital into euro, as Greek law requires the minimum par value of the shares after conversion to be €0.30 per share.

Notes to the consolidated financial statements

1. Organisation and significant accounting policies (continued)

Retained earnings

Retained earnings include tax free, partially taxed and statutory reserves particular to the various countries in which the Company operates. Statutory reserves amounting to €31.3m cannot be distributed, while tax free and partially taxed reserves amounting to €216.6m may be distributed if taxed, where applicable.

Foreign currency translation

The financial statements of foreign subsidiaries operating in non hyper-inflationary countries have been translated into euro in accordance with FASB Statement No. 52, *Foreign Currency Translation* ("Statement No. 52"). All balance sheet accounts have been translated using exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average monthly exchange rate. The gains and losses resulting from the changes in exchange rates from year to year have been reported in accumulated other comprehensive income.

The subsidiaries in Belarus, Moldova, Romania, Russia, Serbia and Montenegro, and Ukraine operate in hyper-inflationary environments. The functional currency used to remeasure the financial statements of Serbia and Montenegro and the other countries are the euro and the U.S. dollar, respectively, as in each case it is the currency most closely aligned to or used for the pricing, payment or measurement of their revenues, costs, debt and trade liabilities. Transactions and balances not already measured in U.S. dollars or euros have been remeasured into U.S. dollars or euros in accordance with the relevant provisions of Statement No. 52. Accordingly, revenues, cost, capital and non-monetary assets and liabilities denominated in local currencies are remeasured at historical exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in local currencies are remeasured at exchange rates prevailing on the balance sheet date.

Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in results of operations. Transaction losses totalling €7.5m, €5.1m and €14.5m were included in the statements of income for the years ended 31 December 2002, 2001 and 2000, respectively.

The exchange rate between the euro and the Greek drachma was fixed at €1 = 340.75 Greek drachmas effective 1 January 2001. Accordingly, the accounts of CCHBC included in the consolidated balance sheet as at 31 December 2000 were translated at that fixed rate.

Derivative financial instruments

As of 1 January 2001, the Company adopted FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* which was issued in June 1998, and its amendments include: Statements No. 137, *Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133* and Statement No. 138, *Accounting for Derivative Instruments and Certain Hedging Activities,* issued in June 1999 and June 2000, respectively (collectively referred to as "Statement No. 133").

As a result of adoption of Statement No. 133, the Company recognises all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognised periodically in income or in shareholders' equity as a component of comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualified as a fair value hedge or a cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair values of the hedged items that related to the hedged risks. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they qualify for hedge accounting, are recorded in accumulated other comprehensive income net of deferred taxes. Changes in fair values of derivatives not qualifying as hedges are reported in income.

Adoption of Statement No. 133 did not have a significant effect on the Company's financial statements other than recognition of derivative assets and liabilities on the balance sheet with market value adjustments recognised in other comprehensive income.

Prior to 1 January 2001, the Company also used derivative instruments. The accounting policies followed for each was as follows:

Interest rate swaps: Receipts and payments were included in interest expense. Unrealised gains and losses were not recognised in income.

Notes to the consolidated financial statements

1. Organisation and significant accounting policies (continued)

Foreign currency contracts: Realised gains and losses were recognised in income during the same period as the underlying hedged item was recognised in income. Gains or losses on contracts terminated early were recognised in income.

Commodity futures: Realised gains and losses were recognised in income during the same period as the underlying transaction. Gains or losses on contracts terminated early were recognised in income immediately.

Stock-based compensation

The Company accounts for stock option grants to employees in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations.

New accounting pronouncements

In July 2002, FASB issued Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("Statement No. 146"). This statement requires that a liability for costs associated with exit or disposal activity be recognised, and measured at fair value, when the liability is incurred rather than at the date an entity commits to an exit plan. This impacts on the recognition of one-time termination benefits such as severance pay and other termination indemnities where the benefit arranged requires employees to serve beyond the minimum retention period. In such cases, the cost of the one-time termination benefit are recognised at fair value over the term of the retention period. Statement No. 146 also addresses accounting for other costs associated with an exit or disposal activity, such as costs to consolidate or close functions and relocate employees. A liability for such costs must be recognised and measured at its fair value in the period incurred. In the case of contract termination costs such as operating leases, a liability is recognised and measured at its fair value (less any economic benefit) when the entity terminates the contract.

The new standard is applicable for exit and disposal activity initiated after 31 December 2002. This statement will impact the timing of the Company's recognition of liabilities for costs associated with exit or disposal activities.

In December 2002, FASB issued Statement No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure* ("Statement No. 148"). Statement No. 148 amends Statement No. 123 to provide three alternative methods of transition for Statement No. 123's fair value method of accounting for stock-based compensation for companies that elect to adopt the provisions of Statement No. 123. Transition to the fair value accounting method of Statement No. 123 is not required by Statement No. 148. The Company has elected to use the intrinsic value method of accounting for stock-based compensation in accordance with APB No. 25 and related interpretations. Statement No. 148 also amends the disclosure provisions of Statement No. 123 to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based compensation.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement No. 123, to stock-based employee compensation.

	Year ended 31 December		
	2002 € million	**2001 € million**	**2000 € million**
Net income as reported	58.0	52.2	37.2
Add: Stock-based employee compensation expense included in net income	0.3	–	–
Deduct: Total stock-based compensation expense determined under fair value based method for all awards	(11.4)	(9.8)	–
Pro forma net income	**46.9**	**42.4**	**37.2**
Earnings per share (euros):			
Basic and diluted - as reported	0.25	0.22	0.21
Basic and diluted - pro forma	0.20	0.18	0.21

Notes to the consolidated financial statements

1. Organisation and significant accounting policies (continued)

Emerging Issues Task Force ("EITF") Issue No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor,* provides guidance on how a customer of a vendor's products should account for cash consideration received from a vendor. Specifically, cash consideraton received from a vendor is presumed to be a reduction of the prices of the vendor's products or services and should be characterised as a reduction of cost of sales when recognised in the customer's income statement. This presumption is overcome when the consideration is either (a) a payment for assets or services delivered to the vendor, in which case the cash consideration should be characterised as revenue, or (b) a reimbursement of costs incurred by the customer to sell the vendor's products, in which case the cash consideration should be characterised as a reduction of the cost.

The EITF consensus is required to be adopted for fiscal years beginning after 15 December 2002. The Company is in the process of evaluating the impact of this EITF on the financial statements.

2. Acquisitions and divestitures

Acquisition of Valser Mineralquellen AG

On 30 September 2002, the Company jointly with TCCC acquired the Swiss mineral water bottler, Valser Mineralquellen AG ("Valser"), a private company owned by the Hess Group AG of Bern. Total consideration for the acquisition was €117.3m (excluding costs), of which CCHBC's share was €58.7m. The acquisition comprised a number of well-established mineral water brands, including Valser Classic, Valser Naturelle and Valser Limelite, in addition to Valser's production and distribution facilities.

The Company acquired the business except for the trademark, which was acquired by TCCC, and the mineral water source, which is owned 50% by each party.

The fair values of the significant assets acquired and liabilities assumed, which are subject to finalisation and pending outstanding third party valuations, are as follows:

	€ million
Cash and cash equivalents	13.6
Other current assets	14.7
Property, plant and equipment	36.1
Other non-current tangible assets	6.0
Goodwill	28.6
Total assets	99.0
Dividend payable to former shareholders	4.7
Other current liabilities	26.9
Deferred tax liabilities	8.3
Total liabilities	39.9
Net assets acquired	**59.1**
Cash paid to former shareholders	58.7
Costs of acquisition	0.4
Total consideration	**59.1**

The results for Valser are included in the consolidated statements of income from the date of acquisition. For the three months to 31 December 2002, the Valser acquisition contributed €0.7m to the net income of the Company. At this stage, the acquisition has resulted in the Company recording €28.6m of goodwill in its established countries segment.

2. Acquisitions and divestitures (continued)

Acquisition of Dorna Apemin S.A.

On 17 December 2002, the Company jointly with TCCC acquired the majority of the shares in Romania's premier sparkling mineral water company, Dorna Apemin S.A. ("Dorna"). Total consideration for the acquisition was €39.0m (excluding costs), of which the Company's share was €19.5m. The acquisition comprised all brands and products of Dorna, including White Spring, Poiana Negri and Dorna mineral waters.

The Company's interest represents 49.1% of the outstanding shares in Dorna. CCHBC has control of the entity and has fully consolidated the net assets of Dorna. The acquisition has been accounted for using the purchase method of accounting.

The fair values of the significant assets acquired and liabilities assumed of Dorna, which are subject to finalisation and pending outstanding third party valuations, are as follows:

	€ million
Property, plant and equipment	8.8
Other tangible assets	2.5
Goodwill	18.1
Total assets	29.4
Short-term debt	3.1
Other current liabilities	4.7
Minority interests	1.8
Other long-term liabilities	0.2
Total liabilities	9.8
Net assets acquired	**19.6**
Cash paid to former shareholders	19.5
Costs of acquisition	0.1
Total consideration	**19.6**

The contribution of Dorna to the results of the Company was negligible for the year ended 31 December 2002. At this stage, the acquisition has resulted in the Company recording €18.1m of goodwill in its emerging countries segment.

Notes to the consolidated financial statements

2. Acquisitions and divestitures (continued)

Acquisition of TCCC bottling operations in the Baltics

On 2 January 2002, as part of the Company's policy of expansion in the region, the Company completed the acquisition from TCCC of its bottling operations in Lithuania, Estonia and Latvia. The Company paid to TCCC consideration of €7.1m in the form of loan notes for 100% of these entities. In addition the Company acquired from TCCC long-term debts of €30.1m owed by the acquired entities to TCCC and incurred transaction costs of €0.1m. The Company also issued loan notes to TCCC in respect of the acquisition of these debts. All loan notes issued as consideration by the Company were repaid in the course of 2002. As a result of the acquisition, the Company recorded €11.5m of franchise rights and €1.4m of goodwill in its developing countries segment. The results of operations of these entities are included in the consolidated statement of income from the date of acquisition. Had the results of this acquisition been included in operations commencing with 2001, the reported results would not have been materially affected.

The fair values of the significant assets acquired and liabilities assumed are as follows:

	€ million
Current assets	16.7
Property, plant and equipment	19.6
Franchise rights	11.5
Goodwill	1.4
Total assets	49.2
Current liabilities	10.3
Long-term debt	30.1
Deferred tax liabilities	1.4
Other long-term liabilities	0.1
Total liabilities	41.9
Net assets acquired	**7.3**
Loan notes issued to TCCC	7.2
Costs of acquisition	0.1
Total consideration	**7.3**

Notes to the consolidated financial statements

2. Acquisitions and divestitures (continued)

Acquisition of TCCC bottling operations in the Russian Federation

On 23 November 2001, the Company purchased from TCCC all of its wholly owned and majority-owned bottling operations in the Russian Federation ("Coca-Cola Eurasia Bottlers"). As consideration, the Company issued short-term loan notes of €101.5m to TCCC.

Also on 23 November 2001 the Company purchased from TCCC the remaining 40% ownership interest it held in the Company's subsidiary, Coca-Cola Molino Beverages Limited. As consideration, the Company paid €27.3m in cash to TCCC.

As a result of these acquisitions, the Company now has the exclusive rights to sell and distribute products of TCCC in all of the Russian Federation.

The fair values of the significant assets acquired and liabilities assumed of each of the above acquisitions, are as follows:

	Coca-Cola Molino Beverages € million	Coca-Cola Eurasia Bottlers € million
Current assets	17.9	54.0
Property, plant and equipment	96.2	164.1
Total assets	114.1	218.1
Current liabilities	31.7	38.5
Deferred tax liabilities	–	6.0
Loan notes due to TCCC	–	59.6
Minority interest arising	–	2.1
Total liabilities	31.7	106.2
Net assets of acquisitions	82.4	111.9
Less: Equity in Molino held by the Company	(55.1)	–
Net assets acquired	**27.3**	**111.9**
Cash paid to TCCC	27.3	–
Loan notes issued to TCCC	–	101.5
Other amounts payable to TCCC	–	5.3
Costs of acquisition	–	5.1
Total consideration	**27.3**	**111.9**

Notes to the consolidated financial statements

2. Acquisitions and divestitures (continued)

Acquisition of Coca-Cola Beverages plc

On 9 August 2000, the Company acquired 100% of the outstanding share capital of Coca-Cola Beverages plc ("CCB") in a transaction accounted for as a purchase. In accordance with the terms of the acquisition, which were agreed to and announced on 18 August 1999, the Company offered to exchange six of its ordinary shares for every fifty-seven shares of CCB held by CCB shareholders. In lieu of exchanging its ordinary shares for 100% of CCB's shares, the Company offered to acquire a portion of the shares held by CCB shareholders in exchange for cash. In determining the fair value of the Company's shares for purposes of measuring the total purchase price consideration to be allocated to assets acquired, the Company used the average quoted closing share price of its shares on the Athens Stock Exchange for the two days before, on and after 18 August 1999, or €23.49 per share. In total, the Company paid €416.4m in cash, and issued 93,729,760 shares and 2,293,049 options, as consideration for all of the outstanding ordinary shares and options of CCB.

CCB was a bottler of branded soft drink products of TCCC including Coca-Cola, Fanta, Sprite, Cappy Juices, and Bonaqua mineral water and had operations in 13 countries in Europe. As a result of the acquisition, the combined entity became the world's second largest bottler, at the time, by volume of TCCC-branded soft drinks products. The step change in scale provided the Company with a complementary range of countries, greater geographic breadth, enhanced management team and enhanced operational strengths. The operations of CCB are included in the consolidated statements of income from the date of acquisition.

The following table summarises the allocation of the purchase price to the assets acquired and liabilities assumed, as determined by the Company with the assistance of third-party valuation experts, at the date of acquisition.

	€ million
Current assets	753.4
Property, plant and equipment	1,133.8
Franchise rights	2,072.0
Goodwill	668.9
Assembled workforce	33.4
Deferred tax assets	134.7
Other non-current assets	6.4
Total assets	4,802.6
Current liabilities	827.1
Long-term debt	509.1
Deferred tax liabilities	757.4
Other long-term liabilities	40.5
Total liabilities	2,134.1
Net assets acquired	**2,668.5**
Fair value of 93,729,760 shares issued to shareholders of CCB	2,201.9
Cash paid to shareholders of CCB	416.4
Fair value of options	20.8
Costs of acquisition	29.4
Total consideration	**2,668.5**

The €668.9m of goodwill was assigned to the established and developing market segments in the amounts of €538.9m and €130.0m, respectively.

Notes to the consolidated financial statements

2. Acquisitions and divestitures (continued)

Other acquisitions in 2000

On 19 December 2000, the Company obtained the rights to prepare and package trademarked beverages of The Coca-Cola Company in cans for exclusive distribution and sale in Hungary through the acquisition of the entire share capital of Coca-Cola Magyarország Italok Kft., a Hungarian company, for cash consideration of €23.0m. In addition, the Company also obtained the rights to prepare and package trademarked beverages of The Coca-Cola Company in cans for exclusive distribution and sale in Austria and Switzerland through the acquisition of the entire share capital of Coca-Cola Dosenproduktion AG, an Austrian company, for cash consideration of €16.6m. As a result of these acquisitions, the Company recorded €38.7m of franchise rights and €8.9m of goodwill allocated to the established and developing market segments in the amounts of €4.8m and €4.1m, respectively.

Pro forma results

The following table summarises unaudited pro forma financial information of the Company as if the acquisitions of CCB, and those in the Russian Federation, Hungary and Austria discussed above were effective at the beginning of the respective years. Accordingly, the pro forma results of operations include adjustments related to depreciation and amortisation expense resulting from the allocation of purchase price and interest expense related to debt used to finance the acquisitions from the beginning of the respective periods. The weighted average shares used to compute pro forma basic and diluted net income per share assumes that shares issued as consideration for the acquisitions were issued at the beginning of the respective periods.

	Year ended 31 December	
	2001 € million	2000 € million
Net sales	3,627.2	3,312.6
Cost of sales	2,231.7	2,138.3
Gross profit	**1,395.5**	**1,174.3**
Selling, delivery, and administrative expenses	1,171.1	1,027.2
Amortisation of intangible assets	77.8	80.3
Operating income	**146.6**	**66.8**
Interest expense	(83.0)	(98.2)
Other income	9.6	6.6
Other expenses	(7.2)	(14.2)
Gain on sale of investment	–	24.7
Income before income taxes	**66.0**	**(14.3)**
Income tax expense	(24.4)	(36.9)
Share of income of equity method investee	4.5	3.5
Minority interests	(15.4)	(4.1)
Net income	**30.7**	**(51.8)**
Basic and diluted net income (loss) per share (in euros)	**0.13**	**(0.22)**

Divestitures

As a pre-condition of the acquisition of CCB, Hellenic Bottling Company disposed of its 20% holding in Frigoglass S.A. on 29 June 2000 for €58.1m. A gain on the disposal of €24.7m was recognised in income during 2000.

Notes to the consolidated financial statements

3. Franchise rights, goodwill and other intangible assets

The adoption of Statement No. 142 required the Company to perform an initial impairment assessment on all goodwill and indefinite-lived intangible assets as at 1 January 2002. The cumulative effect of this change in accounting principle was an after-tax decrease to net income of €94.0m. The deferred income tax benefit related to the cumulative effect of this change was €25.0m.

The impairment charges resulting in the after-tax decrease to net income for the cumulative effect of this change by applicable operating segment as at 1 January 2002 are as follows:

	€ million
Established countries	17.4
Developing countries	76.6
Total	**94.0**

Of the €17.4m impairment for established countries, €14.1m relates to franchise rights and €3.3m relates to goodwill. The impairment arose mainly in Switzerland as a result of a reassessment of projections following lower than expected growth in the non-alcoholic beverages sector in the Swiss market.

Of the €76.6m impairment for the developing countries, €49.3m relates to franchise rights and €27.3m relates to goodwill. The impairment charge arose mainly in Poland as a result of a fall in growth expectations arising from a stagnant economic environment.

The Company also reclassified an assembled workforce intangible asset with an unamortised balance of €24.9m (together with the related deferred tax liability of €8.4m) to goodwill upon adoption of Statement No. 142.

The Company's franchise rights have an indefinite useful life. Consequently, no amortisation is recorded on these franchise rights from 1 January 2002.

The following table sets forth the carrying value of intangible assets not subject to amortisation from 1 January 2002:

	2002 € million	2001 € million
Franchise rights	2,017.4	2,108.5
Goodwill	699.2	672.3
Assembled workforce	–	24.9
Total	**2,716.6**	**2,805.7**

There are no intangible assets that are subject to amortisation and no amortisation charge was incurred for the year ended 31 December 2002. In accordance with Statement No. 142, an impairment assessment was conducted at 31 December 2002. No impairment was indicated.

3. Franchise rights, goodwill and other intangible assets (continued)

The changes in the carrying amount of goodwill are as follows:

	Established countries € million	Developing countries € million	Emerging countries € million	Total € million
As at 1 January 2001	540.9	134.6	0.8	676.3
Goodwill arising on acquisitions	–	0.5	0.3	0.8
Amortisation charge for year	(13.7)	(3.5)	–	(17.2)
Foreign exchange differences	3.1	9.3	–	12.4
As at 31 December 2001	**530.3**	**140.9**	**1.1**	**672.3**
Goodwill arising on acquisitions	28.6	1.4	18.2	48.2
Impairment charge	(3.3)	(27.3)	–	(30.6)
Reclassification of assembled workforce (net of deferred taxation)	11.4	5.1	–	16.5
Reduction of valuation allowance on net operating losses from acquisition of CCB plc	–	(2.3)	–	(2.3)
Foreign exchange differences	3.2	(8.1)	–	(4.9)
As at 31 December 2002	**570.2**	**109.7**	**19.3**	**699.2**

The following table summarises and reconciles net income for the years ended 31 December 2002, 2001 and 2000, adjusted to exclude amortisation expense recognised in such periods related to franchise rights, goodwill and assembled workforce intangible assets that are no longer amortised:

	Year ended 31 December		
	2002 € million	2001 € million	2000 € million
Reported net income before cumulative effect of accounting change	152.0	52.2	37.2
Add back after tax amounts:			
Franchise rights amortisation	–	36.4	13.5
Goodwill amortisation	–	17.2	6.5
Assembled workforce amortisation	–	4.5	1.7
Adjusted net income	**152.0**	**110.3**	**58.9**
Basic and diluted income per share (in euros):			
Reported net income	0.65	0.22	0.21
Add back after tax amounts:			
Franchise rights amortisation	–	0.16	0.07
Goodwill amortisation	–	0.07	0.04
Assembled workforce amortisation	–	0.02	0.01
Adjusted basic and diluted net income per share	**0.65**	**0.47**	**0.33**

Notes to the consolidated financial statements

4. Inventories

Inventories consist of the following at 31 December:

	2002 € million	2001 € million
Finished goods	111.8	93.7
Raw materials	129.5	124.8
Consumables	55.8	54.3
Other	12.2	5.1
Total inventories	**309.3**	**277.9**

5. Long-term debt and short-term borrowings

Long-term debt consisted of the following at 31 December:

	Interest rate	2002 € million	2001 € million
€200m Eurobond maturing on 17 December 2003	European IBOR +0.225%	200.0	200.0
€300m Eurobond maturing on 17 December 2004	Fixed 4.00%	293.7	294.9
€625m Eurobond maturing on 27 June 2006	Fixed 5.25%	653.3	646.1
Other borrowings		3.9	43.6
		1,150.9	**1,184.6**
Less: current portion		200.0	0.4
Total borrowings		**950.9**	**1,184.2**

Long-term debt carried at floating rates are based on various types of Inter Bank Offer Rates or “IBOR”.

Maturities of long-term debt for the four years subsequent to 31 December 2002 are:

	€ million
2003	200.0
2004	297.6
2005	–
2006	653.3
Total long-term borrowings	**1,150.9**

As at 31 December 2002, a total of €1,125m in Eurobonds have been issued under the €2 billion Euronote programme. A further €875m is available for issuance. The bonds are not subject to any financial covenants.

5. Long-term debt and short-term borrowings (continued)

The Company maintains committed facilities with banks. The undrawn committed facilities available to the Company at 31 December 2002 are as follows:

	€ million
Amounts expiring in less than one year	–
Amounts expiring between one and three years	450.0
Amounts expiring between three and five years	450.0
Total undrawn committed facilities	**900.0**

In March 2002, we established a €1.0 billion global commercial paper programme with various financial institutions to further diversify our short-term funding sources. The programme consists of a multi-currency euro-commercial paper facility and a U.S. dollar denominated U.S. commercial paper facility. The 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 at a floating rate, or by reference to an index or formula. All commercial paper issued under the programme must be repaid within 1 to 365 days.

During May 2002, we replaced our €750.0m syndicated loan facility with a €900.0m facility issued through various financial institutions. This facility will be used as a backstop to the €1.0 billion global commercial paper programme and carries a floating interest rate over EURIBOR and LIBOR. The facility allows us to draw down, on one to five days notice, amounts in tranches and repay them in periods ranging from one to six months, or any other period agreed between the financial institutions and us. In the aggregate, we have a maximum available borrowing under the global commercial paper programme and the backstop facility of €1.0 billion.

The use of the backstop facility may become subject to a covenant setting a minimum ratio of our COP to our consolidated net interest expense of at least 3:1 in the event that either our credit rating by Standard & Poors falls below BBB+ or our credit rating by Moody's does not remain at or above Baa1. COP is defined as operating income (loss) before deductions for depreciation and amortisation of intangible assets. Our current ratings are above those required and accordingly, the Company is currently not subject to financial covenants. As at 31 December 2002, we exceeded the required minimum ratio of our COP to our consolidated net interest expense. COP and net consolidated interest for this purpose are calculated pursuant to our financial statements as prepared under International Financial Reporting Standards. No amounts have been drawn under this facility.

Short-term borrowings at 31 December consists of:

	2002 € million	2001 € million
Bank overdraft facilities	32.1	16.5
Other short-term borrowings	281.0	72.5
Total	**313.1**	**89.0**
Loan notes due to TCCC	**–**	**158.2**

The weighted average interest on other short-term borrowings was 3.3%, 5.0% and 5.6% as at 31 December 2002, 2001 and 2000, respectively.

The loan notes due to TCCC at the end of 2001 were repaid in 2002. They had an interest rate of 2.9%.

Total interest paid during the years ended 31 December 2002, 2001 and 2000 was €91.9m, €86.1m and €50.5m, respectively.

Notes to the consolidated financial statements

6. Income taxes

Pre-tax income (loss) for the years ended 31 December, arose in the following jurisdictions:

	Year ended 31 December 2002 € million	2001 € million	2000 € million
Greece	59.7	65.1	90.4
Other	177.1	22.3	(1.7)
Total pre-tax income	**236.8**	**87.4**	**88.7**

Significant components of income taxes attributable to income before income taxes for the years ended 31 December are as follows:

	Year ended 31 December 2002 € million	2001 € million	2000 € million
Current:			
Greece	26.3	27.7	18.9
Other	42.6	24.2	23.8
Total current	**68.9**	**51.9**	**42.7**
Deferred:			
Greece	(5.6)	4.7	8.9
Other	10.0	(38.4)	(15.8)
Total deferred	4.4	(33.7)	(6.9)
Total current and deferred tax	**73.3**	**18.2**	**35.8**

The above provision for deferred income taxes includes a net credit for the effect of changes in tax laws and rates of €20.1m in 2002 and €27.3m in 2001.

6. Income taxes (continued)

Deferred tax liabilities and assets are comprised of the following at 31 December:

	2002 € million	2001 € million
Deferred tax liabilities		
Intangible assets	631.9	695.4
Tax in excess of book depreciation	85.2	94.8
Capital investment incentives	26.9	30.7
Foreign investments	7.2	18.9
Other	11.8	7.9
Total deferred tax liabilities	**763.0**	**847.7**
Deferred tax assets		
Net operating loss carryforwards	122.3	145.3
Liabilities and reserves	21.1	58.8
Book in excess of tax depreciation	17.3	37.6
Pensions and benefit plans	8.3	8.4
Other	10.6	5.9
Total deferred tax assets	**179.6**	**256.0**
Valuation allowance for deferred tax assets	(41.9)	(74.4)
Net deferred tax assets	**137.7**	**181.6**
Net deferred tax liabilities	**625.3**	**666.1**

The reconciliation of income tax computed at the statutory rate applicable in Greece to the Company's income tax expense for the years ended 31 December is as follows:

	Year ended 31 December					
	2002		2001		2000	
	€ million	Percent	€ million	Percent	€ million	Percent
Greek statutory expense	82.9	35.0%	30.6	35.0%	31.0	35.0%
Lower tax rates of other countries	(17.8)	(7.5%)	(11.9)	(13.6%)	(4.9)	(5.5%)
Additional local taxes	11.9	5.0%	5.0	5.7%	8.5	9.6%
Tax holidays or exemptions	(7.3)	(3.1%)	(15.8)	(18.1%)	(4.6)	(5.2%)
Non-deductible expenses	47.2	19.9%	42.4	48.5%	17.7	20.0%
Capital investment incentives	(9.6)	(4.1%)	(2.9)	(3.3%)	(5.2)	(5.9%)
Income not subject to tax	(14.3)	(6.0%)	(6.1)	(7.0%)	(4.2)	(4.7%)
Changes in tax laws and rates	(20.1)	(8.5%)	(27.3)	(31.2%)	(1.6)	(1.8%)
Change in valuation allowance	(1.8)	(0.8%)	(5.3)	(6.1%)	(8.2)	(9.2%)
NOLs with no current benefit	4.5	1.9%	9.0	10.3%	8.8	9.9%
Other, net	(2.3)	(1.0%)	0.5	0.7%	(1.5)	(1.8%)
Total income tax charge	**73.3**	**31.0%**	**18.2**	**20.9%**	**35.8**	**40.4%**

Notes to the consolidated financial statements

6. Income taxes (continued)

At 31 December 2002 the Company had net operating tax loss carryforwards (NOLs) of €391.8m (2001: €464.4m) for income tax purposes. €109.4m of NOLs expire between 2003 and 2007. €6.3m of NOLs expire between 2008 and 2010. €276.1m of NOLs do not expire because they were generated in tax jurisdictions where NOLs do not have expiration dates. For financial reporting purposes a valuation allowance of €23.0m (2001: €31.7m) has been recognised to offset a portion of the deferred tax asset related to these carryforwards.

No income taxes are provided on the undistributed earnings of foreign subsidiaries where those earnings are considered to be permanently invested. Total undistributed earnings in such foreign subsidiaries amounted to approximately €731.9m at 31 December 2002. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to Greek income taxes (net of foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognised deferred income tax liabilities is not practicable because of the complexities associated with its hypothetical calculation.

Total tax paid during the years ended 31 December 2002, 2001 and 2000 were €57.1m, €41.6m and €42.4m, respectively.

7. Employee benefit obligations

Employees of the Company's subsidiaries in Nigeria, Greece, Bulgaria and Austria are entitled to statutory termination benefits generally based on each employee's length of service, employment category and remuneration. The cost of providing these benefits is accrued over the employees' actuarially determined service period.

The Company's subsidiaries in Ireland, Northern Ireland, Greece and Austria sponsor defined benefit pension plans. Of the four plans in Ireland, three have plan assets as does the plan in Greece. The Austrian plan does not have plan assets.

The Company accounts for the statutory termination benefits and pension plans in accordance with the provisions for FASB Statement No. 87, *Employers' Accounting for Pensions* ("Statement No. 87"), including the application of actuarial methods and assumptions in conjunction with professional actuaries and the related disclosure provisions of FASB Statement No. 132, *Employers' Disclosures about Pensions and Other Post Retirement Benefits*. The Company adopted Statement No. 87 as of 1 January 1999, as it was not feasible to apply Statement No. 87 for these plans as of 1 January 1989, the effective date specified in the Statement. The amortisation periods for the transition obligations range from 10 to 18 years. The amount recorded directly in equity on 1 January 2000 was €27.0m.

7. Employee benefit obligations (continued)

Summarised information for the above plans is as follows:

	Pension plans		Statutory termination obligations	
	2002 € million	2001 € million	2002 € million	2001 € million
Change in benefit obligation:				
Benefit obligation at beginning of year	54.0	54.0	52.5	43.6
Service cost	5.2	3.9	6.5	3.9
Interest cost	4.3	3.0	5.6	3.3
Actuarial loss (gain)	6.7	(1.7)	2.7	5.9
Benefits paid	(2.2)	(5.2)	(4.4)	(4.2)
Effect of currency exchange	(0.8)	–	0.7	–
Benefit obligation at end of year	**67.2**	**54.0**	**63.6**	**52.5**
Change in plan assets:				
Fair value of plan assets at beginning of year	41.9	44.8	–	–
Actual return on plan assets	(8.9)	(4.1)	–	–
Employer contributions	7.1	3.0	–	–
Benefits paid	(2.0)	(1.8)	–	–
Effect of currency exchange	(1.0)	–	–	–
Fair value of plan assets at end of year	**37.1**	**41.9**	–	–
Funded status	(30.1)	(12.1)	(63.6)	(52.5)
Unrecognised net transition liability	–	–	3.3	4.2
Unrecognised net actuarial loss	21.7	3.1	14.7	10.1
Net amount recognised	**(8.4)**	**(9.0)**	**(45.6)**	**(38.2)**
Amounts recognised in the balance sheet consist of:				
Prepaid benefit cost	2.1	2.3	–	–
Accrued benefit liability	(10.5)	(11.3)	(45.6)	(38.2)
Net amount recognised	**(8.4)**	**(9.0)**	**(45.6)**	**(38.2)**
Included in:				
Current liabilities	–	–	4.8	–
Non-current liabilities	8.4	9.0	40.8	38.2
Total	**8.4**	**9.0**	**45.6**	**38.2**

Notes to the consolidated financial statements

7. Employee benefit obligations (continued)

	Year ended 31 December					
	Pension plans			Statutory termination obligations		
	2002 € million	2001 € million	2000 € million	2002 € million	2001 € million	2000 € million
Service cost	5.2	3.9	2.8	6.5	3.9	2.6
Interest cost	4.3	3.0	2.5	5.6	3.3	3.0
Expected return on plan assets	(6.1)	(3.3)	(3.7)	–	–	–
Amortisation of transaction obligation	–	–	–	0.8	0.8	0.8
Recognised net actuarial obligation loss (gain)	0.2	–	(1.1)	2.5	0.7	(0.1)
Net periodic benefit cost	**3.6**	**3.6**	**0.5**	**15.4**	**8.7**	**6.3**

Weighted-average assumptions	Nigeria	Others
Year ended 31 December 2002:		
Discount rate	15%	5-5½%
Rate of future compensation increases	14%	3½-4½%
Expected return on plan assets	–	6-7½%
Year ended 31 December 2001:		
Discount rate	15%	5-6¼%
Rate of future compensation increases	14%	2-4%
Expected return on plan assets	–	7¼-7½%

Italian severance indemnity

Employee benefit obligations also include the liability for severance indemnities related to employees of the Italian subsidiary. The severance indemnity liability is calculated in accordance with local civil and labour laws based on each employee's length of service, employment category and remuneration. There is no vesting period or funding requirement associated with the liability. Consistent with the provisions of EITF No. 88-1, *Determination and Vested Benefit Obligations for a Defined Benefit Plan*, the liability recorded in the balance sheet is the amount that the employee would be entitled to if the employee terminates immediately. The liability was €25.2m and €23.3m at 31 December 2002 and 2001, respectively. The charge to earnings was €4.8m, €4.3m and €2.0m for the years ended 31 December 2002, 2001 and 2000, respectively.

Defined contribution plans

The Company also sponsors defined contribution plans covering employees at five of the Company's subsidiaries. The Company's contributions to these plans were €7.9m, €3.5m and €2.8m in 2002, 2001 and 2000, respectively.

8. Employee share ownership plan

The Company operates an employee share ownership plan, The Coca-Cola HBC Stock Purchase Plan, in which eligible employees can participate. The Human Resource Committee of the board of directors determines eligibility. Under the terms of this plan, employees have the opportunity to invest 1% to 15% of their salary in CCHBC shares. CCHBC will match up to a maximum of 3% of the employee's salary by way of contribution. Matching shares are purchased monthly and vest 350 days after the purchase. In order to adapt the plan to the Greek legal framework in the case of employees resident in Greece, the Company matches the Greek-resident employees' contribution up to a maximum of 5% of their salary with an annual employer contribution which is made in December of each year and matching shares purchased in December vest immediately.

Notes to the consolidated financial statements

8. Employee share purchase plan (continued)

Shares forfeited (i) are held in a reserve account by the CCHBC Employee Share Purchase Trust, (ii) do not revert back to the Company, and (iii) may be used to reduce future matching contributions. The cost of shares purchased by the Company's matching contributions is amortised over twelve months and the unamortised deferred compensation is included as a component of shareholders equity. Expense for 2002, 2001 and 2000 amounted to €1.5m, €1.3m and €0.4m, respectively. Dividends received in respect of shares held by the trust accrue to the employees. Shares held by the trust are treated as outstanding for purposes of determining earnings per share.

9. Other comprehensive income

The components of other comprehensive income are as follows:

	Currency translation adjustments[1] € million	Derivative financial instruments gains (losses) € million	Total € million
As at 1 January 2000	107.2	–	107.2
Currency translation adjustment, net of applicable income taxes of €0.8m	57.4	–	57.4
As at 31 December 2000	**164.6**	–	**164.6**
Cumulative effect of change in accounting for derivative financial instruments net of applicable income taxes of €1.4	–	4.4	4.4
Change in fair value of derivatives net of applicable income taxes of €3.0m	–	(8.4)	(8.4)
Loss reclassified into earnings from other comprehensive income, net of applicable income tax benefit of €1.6m	–	4.0	4.0
Currency translation adjustment, net of applicable income taxes of €2.7m	105.8	–	105.8
As at 31 December 2001	**270.4**	–	**270.4**
Currency translation adjustment, net of applicable income taxes of €11.1m	(89.7)	–	(89.7)
Change in fair value of derivatives net of applicable income taxes of €0.8m	–	0.4	0.4
As at 31 December 2002	**180.7**	**0.4**	**181.1**

[1] *Includes amounts related to equity method investees.*

Notes to the consolidated financial statements

10. Commitments and contingencies

Leases

The Company leases certain vehicles and production equipment under capital leases. Property, plant and equipment includes the following amounts for leases that have been capitalised at 31 December:

	2002 € million	2001 € million
Equipment	54.3	34.8
Less amortisation	(11.6)	(2.9)
Total	**42.7**	**31.9**

The Company leases certain premises under non-cancellable lease agreements that may be adjusted for increases on an annual basis based on the inflation rate. These leases may be renewed for periods ranging from one to five years.

Future minimum payments under capital leases and non-cancellable operating leases with initial terms of one year or more consisted of the following at 31 December 2002:

	Capital leases € million	Operating leases € million
2003	11.3	17.3
2004	10.2	11.9
2005	9.8	10.5
2006	6.4	5.6
2007	3.4	4.5
Thereafter	5.7	10.4
Total minimum lease payments	**46.8**	**60.2**
Amounts representing interest	(8.6)	
Present value of net minimum lease payments	**38.2**	
Long-term portion of capital leases	29.2	
Current portion of leases	9.0	
Total capital leases and non-cancellable operating leases	**38.2**	

Rental expense for operating leases for 2002 is €28.6m. The rental expense was €25.5m and €10.0m in 2001 and 2000, respectively.

Other

The Greek Competition Authority issued a descision on 25 January 2002, imposing a fine on the Company of approximately €2.9m and requiring changes in the Company's commercial practices in respect of free on-loan coolers in certain outlets in Greece. The fine relates to the Company's commercial dealings with certain wholesalers during the period 1991-1999. On 27 March 2002, the Company appealed this decision before the Athens Administrative Court of Appeal. On 18 April 2002 the Athens Administrative Court of Appeal accepted in part the Company's interim application for suspension of the Greek Competition Authority's decision by suspending half of the amount of the fine imposed on the Company by the Greek Competition Authority. Until the main hearing before the Athens Court of Appeal, it is not possible to predict the outcome of the case.

10. Commitments and contingencies (continued)

The European Commission is currently investigating commercial practices engaged in by CCHBC's subsidiary in Austria. This forms part of a broader investigation of commercial practices of TCCC and its bottlers in Europe. The investigation commenced in July 1999 when the European Commision visited CCHBC's offices in Austria and London. This investigation may lead to the institution of formal proceedings by the European Commission against CCHBC's Austrian subsidiary in the course of 2003. In the absence of such proceedings, it is not possible to quantify the likelihood or materiality of any potential fines or restrictions of our practices.

In recent years, customs authorities in some Central and Eastern European countries have attempted to challenge the classification under which the group imports concentrate into these countries to produce our products. Local authorities have argued that a classification with higher custom duties than the current classification should apply. In 2001, one such issue in Hungary was successfuly resolved. The Company still has similar issues outstanding before Polish and Romanian Custom Authorities. At this time, it is not possible to quantify the risk of a negative outcome in these cases.

The Company is also involved in various other legal proceedings. Management believes that any liability to the Company that may arise as a result of these pending legal proceedings will not have a material adverse effect on the financial condition of the Company taken as a whole.

At 31 December 2002, the Company had capital commitments over the next year of €70.4m.

At 31 December 2002, the Company had commitments to purchase €150.3m of raw materials over the next three years.

11. Financial instruments

Derivative financial instruments

The Company only uses derivatives for hedging purposes. The following is a summary of the Company's risk management strategies and the effect of these strategies on the Company's consolidated financial statements.

Interest rate

The Company used interest rate swap and option cap agreements to manage its interest rate risk exposure. The swap agreements utilised by the Company effectively modify the Company's exposure to interest rate risk by converting the Company's €625.0m and €300.0m fixed rate debt to a floating rate based on EURIBOR. The notional amount of the swaps is €925.0m. The agreements involve the receipt of fixed rate amounts in exchange for floating rate interest payments over the life of the agreements without an exchange of the underlying principal amount.

The Company also used interest rate swap agreements to convert a portion of its €200.0m floating rate debt to a fixed rate basis over the remaining life of the debt, thus reducing the impact of interest rate changes on future income. Unrealised losses of €1.2m were recorded in other comprehensive income at year end, which, if realised, will be recorded in interest expense over the life of the debt.

During year ended 31 December 2002, the Company recognised a net gain of €6.5m (2001: net loss of €1.7m) related to the undesignated portion of its interest rate swaps. In 2001 the Company also recognised losses of €6.4m during the year ended 31 December 2001, related to cash flow hedges that had been discontinued because the underlying debt to which these hedges related was refinanced and replaced by new debt instruments. Both amounts have been included in other income or expenses in the consolidated statements of income for the years ended 31 December 2002 and 2001, respectively.

During 2002, the Company purchased interest rate caps on floating rate debt. The decision to purchase options versus using swaps was taken in order to continue benefiting from the lower floating interest rate environment, while having in place protection against adverse interest rate movements. The options are marked to market with gains and losses taken to the statement of income. The option premiums are expensed in the income statement through the option revaluation process. In 2002, the Company benefited from lower interest costs and, consequently, recognised a loss of €2.8m in relation to these items in the income statement. The cumulative loss on these caps will not exceed the premiums paid of €4.9m.

Notes to the consolidated financial statements

11. Financial instruments (continued)

Foreign currency

The Company is exposed to the effect of foreign currency risk on expenditures that are denominated in a currency other than the functional currency of the operation with the exposure. From time to time, the Company uses forward contracts to hedge a portion of its anticipated foreign currency denominated expenditures. All of the forward exchange contracts have maturities of less than one year after the balance sheet date.

At 31 December 2002 and 2001, the Company recorded a nominal amount of unrealised losses in accumulated other comprehensive income as a result of the hedge contracts, which if realised, will be recorded in operating expenses when the underlying transaction affects operating results. The fair values of forward contracts, €8.0m and negative €0.1m at 31 December 2002 and 2001 respectively, are included in other current assets and other current liabilities.

Sugar

The Company is exposed to the effect of changes in the price of sugar. To manage a portion of the price risk of sugar costs, the Company uses sugar future contracts traded on regulated futures exchanges. The sugar future contracts entered into typically have maturities of up to 18 months after the balance sheet date. The changes in market values of such contracts have historically been highly effective at offsetting sugar price fluctuations.

At 31 December 2002, the Company recorded €2.7m of unrealised gains in accumulated other comprehensive income as a result of the hedge contracts, which if realised, will be recorded in cost of sales when the related sugar is utilised in 2003.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, trade accounts receivable, and derivatives.

The Company maintains cash and cash equivalents with various financial institutions. The financial institutions are located throughout the countries in which the Company operates. It is the Company's policy to limit exposure to any one institution.

Concentrations of credit risk are limited due to the large number of entities comprising the Company's customer base.

Counterparties to derivative instruments expose the Company to credit risk in the event of non-performance. The Company limits this exposure by diversifying among counterparties with high credit ratings.

Fair values of financial instruments

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable and accounts payable: The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate their fair value.

Long and short-term debt: The carrying amounts of the Company's borrowings under its short-term revolving credit arrangements approximate their fair value. The fair value of the Company's long-term debt is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Foreign exchange contracts, interest rate swaps and commodity futures: The fair values of the Company's foreign currency contracts, interest rates swaps, and commodity contracts are estimated based on dealer quotes and independent market valuations. The fair values of foreign currency contracts and commodity contracts were insignificant at the end of each year.

11. Financial instruments (continued)

The carrying amounts and fair value of the Company's long-term debt and interest rate swaps at 31 December are as follows:

	2002 Carrying value € million	2002 Fair value € million	2001 Carrying value € million	2001 Fair value € million
Interest rate swap asset	30.3	30.3	9.6	9.6
Interest rate swap liability	9.2	9.2	–	–
Long-term debt	1,150.9	1,165.7	1,184.6	1,194.0

12. Segment information

CCHBC has one business, being the production, distribution and sale of alcohol-free ready-to-drink beverages. CCHBC operates in 26 countries, and its financial results are reported in the following segments:

Established countries: Austria, Greece, Italy, Northern Ireland, Republic of Ireland and Switzerland.

Developing countries: Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

Emerging countries: Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Former Yugoslav Republic of Macedonia (FYROM), Moldova, Nigeria, Romania, Russia, Serbia and Montenegro, and Ukraine.

CCHBC's operations in each of its segments have similar economic characteristics, production processes, customers, and distribution methods. CCHBC evaluates performance and allocates resources primarily based on COP. The accounting policies of CCHBC's reportable segments are the same as those described in the summary of significant accounting policies in Note 1.

There are no material amounts of sales or transfers between CCHBC's segments, nor are there significant export sales from Greece.

	Year ended 31 December 2002 € million	2001 € million	2000 € million
Sales revenues			
Established	2,048.7	1,982.8	1,231.4
Developing	699.0	647.3	246.5
Emerging	1,091.7	768.0	510.0
	3,839.4	**3,398.1**	**1,987.9**
COP			
Established	311.4	288.9	216.9
Developing	92.4	61.7	7.4
Emerging	160.9	125.7	67.2
	564.7	**476.3**	**291.5**

Notes to the consolidated financial statements

12. Segment information (continued)

	Year ended 31 December 2002 € million	2001 € million	2000 € million
Depreciation and amortisation			
Established	103.9	153.2	86.0
Developing	67.6	83.5	32.2
Emerging	98.7	77.9	52.2
	270.2	**314.6**	**170.4**
Operating profit (loss)			
Established	207.5	135.6	130.9
Developing	24.8	(21.8)	(24.8)
Emerging	62.2	47.9	15.0
	294.5	**161.7**	**121.1**
Interest expense			
Established	53.1	27.1	12.8
Developing	14.9	14.8	9.7
Emerging	1.4	3.9	6.0
Corporate	61.1	73.6	25.4
	130.5	119.4	53.9
Intersegment interest expense	(60.2)	(42.1)	(3.7)
	70.3	**77.3**	**50.2**
Interest income			
Established	2.1	4.1	2.3
Developing	16.2	13.0	3.1
Emerging	4.3	3.1	1.5
Corporate	47.9	31.1	2.0
	70.5	51.3	8.9
Intersegment interest income	(60.2)	(42.1)	(3.7)
	10.3	**9.2**	**5.2**
Income tax expense			
Established	37.5	18.2	31.0
Developing	4.6	(18.7)	(5.4)
Emerging	31.2	18.7	10.2
	73.3	**18.2**	**35.8**
Subtotal	**161.2**	**75.4**	**40.3**
Reconciling items			
Gain on sale of investment	–	–	24.7
Other expense	(4.2)	(6.4)	(12.1)
Other income (excluding interest)	6.5	0.2	–
Share of equity affiliate	4.3	(1.6)	(11.4)
Minority interests	(15.8)	(15.4)	(4.3)
Net income before cumulative effect of accounting change	**152.0**	**52.2**	**37.2**
Capital expenditure			
Established	118.2	135.4	71.9
Developing	64.3	38.8	20.1
Emerging	118.9	83.1	64.6
	301.4	**257.3**	**156.6**

12. Segment information (continued)

	2002 € million	2001 € million	2000 € million
Total assets			
Established	3,589.9	3,574.6	3,516.3
Developing	1,581.5	1,687.2	1,414.0
Emerging	1,062.7	1,115.7	862.8
Corporate	1,602.6	1,489.9	936.4
Intersegment receivables	(1,941.8)	(1,829.0)	(1,019.4)
	5,894.9	**6,038.4**	**5,710.1**

13. Stock-based compensation plans

The Company adopted an employee stock option plan on 13 December 2001. Previously, the Company had issued stock appreciation rights to certain of its employees, including employees who previously held options in CCB. Upon adoption of the stock option plan, all such rights, except those held by retirees and employees located in countries where granting and exercising stock options was impractical or not permitted, were converted into stock options carrying over the same exercise prices, vesting periods and expiration dates. All other stock options were granted at exercise prices equal to the ten-day average price of CCHBC shares prior to the date of grant. The CCHBC options vest over a three-year period and expire ten years from the date of grant.

At the date of the conversion to stock options, 13 December 2001, there were 7,201,355 stock appreciation rights outstanding with exercise prices ranging from €13.35 to €25.06. The holders of these rights would receive a payment equal to the difference between the exercise price and the market value of a CCHBC share at the date of exercise. These rights have been accounted for as stock appreciation rights payable in cash, and the Company recorded compensation expense of less than €0.1m for each of the years ended 31 December, 2001 and 2000. The accrued liability at the date of conversion, less than €0.1m, was reclassified to additional paid-in capital. The rights which were not converted to stock options on 13 December 2001, 1,302,267 in total, have continued to be accounted for as stock appreciation rights payable in cash, along with 738,400 new stock appreciation rights issued on 11 December 2002 with an exercise price of €14.31. There was nominal compensation expense recognised for all the rights in 2002, less than € 0.1m, and there was no accrued liability associated with the rights outstanding at 31 December 2002, 1,631,828 in total.

The Company follows APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB Opinion No. 25"), and related interpretations in accounting for its stock-based compensation plans. Under APB Opinion No. 25, to the extent options are granted with an exercise price less than the market price on date of grant, compensation expense is recognised over the vesting period. Compensation expense recorded for 2002, amounted to €0.3m. There was no compensation expense recorded for 2001 and 2000.

Following is a summary of stock options outstanding as at 31 December 2002.

Range of exercise prices	€13.35 to €16.22	€18.80 to €25.06
Number of options outstanding	4,662,500	1,062,458
Weighted average remaining contractual life	8.4 years	6.4 years
Weighted average exercise price	€16.04	€21.01
Number of options exercisable	2,412,744	1,062,458
Weighted average exercise price	€16.10	€21.01

All of the above options were granted on 13 December 2001. The Company had previously granted, upon its acquisition of CCB, 2,293,049 stock options to former holders of CCB stock options. These options were not exercised and expired six months after the date of grant and were then replaced with stock appreciation rights in quantities and prices in line with the previous stock options. There were no other options granted, exercised or forfeited during 2002, 2001 or 2000.

Notes to the consolidated financial statements

13. Stock-based compensation plans (continued)

Pro forma information regarding net income and earnings per share is required by Statement No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of the Statement.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of it's employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortised to expense over the options' vesting period. The Company's pro forma information for the three years ended 31 December 2002 is presented in Note 1 under the heading "New accounting pronouncements".

14. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the years ending 31 December:

	Year ended 31 December		
	2002 million	2001 million	2000 million
Numerator (euros):			
Net income	58.0	52.2	37.2
Denominator (number of shares):			
Basic and diluted average ordinary shares outstanding	236.7	236.7	179.7

15. Other income

Other income consists of €10.3m of interest income in 2002 (2001 and 2000, €9.2m and €5.2m, respectively) and gains on interest rate swaps of €6.5m (in 2001 exchange gains of €0.2m).

16. Other expense

Other expenses consist of exchange losses of €1.4m (2000: €12.1m) and losses on valuation of options of €2.8m (in 2001 loss on interest rate swaps of €6.4m).

17. Related party transactions

The Coca-Cola Company

CCHBC is considered a "key bottler" by TCCC which indirectly owns 24% of the issued shares of CCHBC as at 31 December 2002. TCCC has also entered into bottler's agreements with CCHBC in respect of each of CCHBC's subsidiaries. The terms of the bottler's agreements oblige CCHBC to obtain concentrate for products of TCCC from TCCC. These agreements, a majority of which expire in 2008, may be renewed at TCCC's discretion, until 2018. TCCC has also authorised CCHBC and certain of its subsidiaries to use the trademark Coca-Cola in their corporate names.

Total purchases of concentrate, finished products and other materials amounted to €836.2m, €746.7m and €449.8m for the years ended 31 December 2002, 2001 and 2000, respectively. Contributions received from TCCC for marketing and promotional incentives amounted to €72.6m, €57.7m and €45.9m for the years ended 31 December 2002, 2001 and 2000, respectively. Total support payments received from TCCC for the placement of cold drink equipment was €18.3m in 2002 and €2.4m in 2001. No such payments were received in 2000. In addition, the Company purchased €1.0m of fixed assets from TCCC. There were no fixed assets purchased from TCCC in 2001 and 2000.

17. Related party transactions (continued)

During the year, the Company sold €21.3m of finished goods and raw materials to TCCC.

Rent and facility costs paid to TCCC amounted to €1.8m, €3.7m, and €0.6m for the years ended 31 December 2002, 2001 and 2000, respectively. Rent received from TCCC amounted to €2.0m, €10.0m and €4.2m for the years ended 31 December 2002, 2001 and 2000, respectively. The Company also participated in TCCC insurance programmes and premiums paid to TCCC amounted to €0.1m for the year ended 31 December 2000. These amounts are included in selling, delivery and administrative expenses.

Interest expense included interest paid to TCCC amounting to €3.5m for the year ended 31 December 2002 (2001: €0.5m).

At 31 December 2002 the Company had a total of €68.1m (2001: €47.1m) due from TCCC, and a total amount due to TCCC of €75.2m (2001: € 264.5m including the loan notes discussed in Note 5).

In 2002, the Company transferred its rights of the water brand trademark "Naturaqua" to TCCC for €5.3m. The consideration received has been deferred over a five-year period and requires reimbursement if certain performance criteria are not met. The consideration will be recognised as income, if such criteria are satisfied. As at 31 December 2002, €5.3m is included as deferred income in the balance sheet.

The Kar-Tess Group

The Kar-Tess Group owns 39.8% of the issued shares of CCHBC as at 31 December 2002. The Kar-Tess Group owns 44.1% of Frigoglass S.A., a manufacturer of coolers, PET resin, glass bottles, crowns and plastics that is listed on the Athens Stock Exchange. Until June 2000, CCHBC owned 20% of Frigoglass S.A. Frigoglass S.A. has a controlling interest in Frigoglass Industries Limited (formerly Beta Industries). CCHBC also has a 28% interest in this company.

Under an agreement dated 24 June 1999, CCHBC is obliged to obtain at least 60% of its annual requirement of certain types of coolers and related products from Frigoglass S.A. This agreement expires on 31 December 2004.

Purchases from Frigoglass S.A. and its subsidiaries amounted to €131.1m, €83.5m and €68.9m for the years ended 31 December 2002, 2001 and 2000, respectively. This comprises coolers, materials and containers. Other purchases from The Kar-Tess Group amounted to €4.1m and €2.1m for the years ended 31 December 2001 and 2000, respectively. There were no other purchases in 2002. As at 31 December 2002 the Company owed €10.9m (2001: €3.3m) to the Kar-Tess and Frigoglass groups and was owed €0.2m.

Beverage Partners Worldwide

Beverage Partners Worldwide is a 50/50 joint venture between TCCC and Nestlé. The Company purchased inventory from Beverage Partners Worldwide amounting to €14.6m, €7.6m and €9.1m for the years ended 31 December 2002, 2001 and 2000, respectively. At 31 December 2002 the Company was owed €1.5m (2001: €0.2m) and owed €0.3m (2001: €0.7m).

Leventis Overseas and AG Leventis (Nigeria) PLC

Leventis Overseas and AG Leventis (Nigeria) PLC are related to the Company by way of common directors where significant influence exists. During 2002, our Nigerian subsidiary purchased chemicals, raw materials, spare parts and fixed assets totalling €24.0m and incurred rental expenses of €1.0m. At 31 December 2002 the Company owed €0.7m and was owed €0.4m.

Plias S.A.

Plias S.A. is related to the Company by way of common directors where significant influence exists. During the year, the Company sold €12.2m of finished goods to Plias S.A. and its subsidiaries and received contributions of €0.8m. At 31 December 2002, Plias S.A. and its subsidiaries owed €7.2m to the Company.

Other Coca-Cola bottlers

In 2002, the company purchased €3.0m of finished goods from other Coca-Cola bottlers in which TCCC has significant influence.

Brewinvest S.A.

The Company has a 50% interest in a joint venture, Brewinvest S.A., a group of companies engaged in the bottling and distribution of beer in Bulgaria and beer and soft drinks in FYROM. There were no significant transactions with the Company during the year.

Summary of significant differences between accounting principles generally accepted in the United States and International Financial Reporting Standards

The consolidated financial statements included in this section are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), which differ in certain respects from International Financial Reporting Standards ("IFRS"). Those differences that have a significant effect on our revenue, net income and shareholders' equity are as follows:

Sales revenue

In accordance with US GAAP, the Company classifies payments made to customers as a deduction from sales, except where the Company receives an identifiable benefit in return for the expenditure, the identifiable benefit is separable from the customer's purchase of CCHBC's products and CCHBC can reasonably estimate the fair value of the benefit. For IFRS purposes, payments made to customers that relate to marketing activities are classified as selling, delivery and administrative expenses, regardless of whether the Company is able to determine the fair value of the identifiable benefit received.

Intangible assets

The purchase price for the acquisition of Coca-Cola Beverages plc (CCB) in 2000 was considerably greater under US GAAP as the consideration was determined based upon the share prices at the date of the announcement of the acquisition in accordance with APB 16, rather than the close date as required by IFRS. This difference is reflected initially in intangible assets and equity.

In addition, intangible assets arising on the acquisition of many entities have not been recognised under US GAAP since HBC and the entities concerned were under the common control of The Kar-Tess Group.

US GAAP requires the recognition of deferred tax on franchise agreements. This further increases the goodwill recognised on acquisition under US GAAP. For the purposes of IFRS, the Company classifies franchise agreements acquired in business combination as goodwill. As a result, there is no related uplift in the deferred tax value.

Under IFRS, the Company amortises goodwill and indefinite-lived intangible assets over a period of 20 years, using the straight-line method. For US GAAP purposes, goodwill and indefinite-lived intangible assets are not amortised, but are reviewed annually for impairment in accordance with Statement No. 142. The amortisation provisions of Statement No. 142 are applied to goodwill and intangible assets acquired after 30 June 2001. With respect to goodwill and intangible assets acquired prior to 1 July 2001, the Company began applying the new accounting rules beginning 1 January 2002. Previously under US GAAP the Company amortised goodwill and indefinite-lived intangible assets over a period of 40 years, using the straight-line method.

The adoption of Statement No. 142 required CCHBC to perform an initial impairment assessment on all goodwill and indefinite-lived intangible assets as of 1 January 2002. The result was an impairment of €119.0m, offset by €25.0m of deferred tax. No additional impairment was indicated by the assessment conducted at 31 December 2002.

Equity accounting

The Company's interest in a jointly controlled entity, Brewinvest S.A., is accounted for under the equity method of accounting for US GAAP and under the proportional consolidation method of accounting for IFRS.

Prior to the acquisition of the remaining 40% ownership stake in Coca-Cola Molino Beverages Limited on 23 November 2001, the Company's interest was accounted for under the equity method of accounting for US GAAP and under the proportional consolidation method of accounting for IFRS.

Insurance proceeds

For IFRS purposes, insurance proceeds on certain product contamination claims have been treated as income in 2000 and 2001, whilst for US GAAP they were treated as an adjustment to the fair values recognised on the acquisition of CCB.

Summary of significant differences between accounting principles generally accepted in the United States and International Financial Reporting Standards

Revaluation of property, plant and equipment

Under US GAAP, revaluations of property, plant and equipment are not permitted. IFRS, however, allows for the periodic revaluation of land and buildings with depreciation then being calculated on the revalued amount. Any surplus or deficit (to the extent that the revaluation reserve is in surplus) on the revaluation is taken directly to the shareholders' equity. As a result, the reconciliation reflects the revaluation of land and buildings with depreciation adjusted accordingly.

Deferred tax

The US GAAP treatment of deferred tax is different in a number of respects from IFRS. The issues of importance for CCHBC are a different approach to calculating and recognising deferred tax for entities operating in hyper-inflationary environments and the subsequent recognition of deferred tax assets existing at the time of acquisition.

Employee entitlements

There are a number of differences in the treatment of employee entitlements, in particular in relation to the treatment of pensions, stock options, stock appreciation rights and the employee share ownership plan.

Reconciliation of net income

	Year ended 31 December	
	2002 € million	2001 € million
Net income under US GAAP	**58.0**	**52.2**
Adoption of Statement No. 142	94.0	–
Net income before cumulative effect of accounting change	**152.0**	**52.2**
Amortisation of intangible assets	(110.5)	(31.6)
Insurance proceeds	–	6.7
Deferred tax	(11.3)	(24.7)
Other	5.1	(1.0)
Net income under IFRS	**35.3**	**1.6**

Reconciliation of shareholders' equity

	2002 € million	2001 € million
Shareholders' equity under US GAAP	**2,713.2**	**2,787.2**
CCB acquisition announce price effect	(834.1)	(834.1)
Common control of acquisitions	961.3	961.0
Other adjustment in relation to intangible assets	(455.5)	(414.7)
Revaluations of property, plant and equipment	47.4	54.9
Deferred tax	3.8	0.7
Employee entitlements	(3.3)	(7.0)
Other	10.2	(10.0)
Shareholders' equity under IFRS	**2,443.0**	**2,538.0**

Convenience translation of summary financial data

The following tables contain summary financial information reported in the US GAAP financial statements and a convenience translation into US dollars at the rate of €1= $1.0492 for the year ended 31 December 2002:

	Year ended 31 December	
	Convenience translation 2002 US $ million	As reported under US GAAP 2002 € million
Statement of operations data:		
Net sales	**4,028.3**	**3,839.4**
Cost of sales	2,482.8	2,366.4
Gross profit	**1,545.5**	**1,473.0**
Selling, delivery and administrative expenses	1,236.5	1,178.5
Operating income	309.0	294.5
Cumulative effect of accounting change for Statement No. 142, net of income taxes	(98.6)	(94.0)
Net income	**60.9**	**58.0**
Other operating data:		
Unit cases volume (in millions unit cases)	1,256.2	1,256.2
COP	592.5	564.7
Net cash provided by operating activities	368.1	350.8
Net cash used in investing activities	(495.0)	(471.8)
Net cash provided by financing activities	96.6	92.1
Reconciliation of net income to cash operating profit:		
Net income	60.9	58.0
Cumulative effect of accounting change for Statement No. 142, net of income taxes	98.6	94.0
Minority interests	16.6	15.8
Share in income of equity affiliates	(4.5)	(4.3)
Income tax expense	76.9	73.3
Other expenses	4.4	4.2
Other income	(17.6)	(16.8)
Interest expense	73.7	70.3
Operating income	**309.0**	**294.5**
Plus: depreciation of tangible assets	283.5	270.2
Cash operating profit (COP)	**592.5**	**564.7**

Convenience translation of summary financial data

	Year ended 31 December Convenience translation 2002 US $	As reported under US GAAP 2002 €
Share and per share data:		
Avarage ordinary shares outstanding (number of shares)	236,668,596	236,668,596
Net income per share basic and diluted:		
before cumulative effect of accounting change	0.68	0.65
after cumulative effect of accounting change	0.26	0.25
Cash dividends declared per share	0.20	0.19

	Convenience translation 2002 US $ million	As reported under US GAAP 2002 € million
Balance sheet data:		
Franchise rights, net	2,116.7	2,017.4
Share capital	77.0	73.4
Total assets	6,184.9	5,894.9
Net assets	2,846.7	2,713.2
Long-term debt, less current portion	997.7	950.9

Shareholder Information

SHARE CAPITAL
The primary market for our shares is the Athens Stock Exchange (ASE), where we trade under the ticker symbol EEEK. Our shares are also listed on the London Stock Exchange (LSE:CCB), the New York Stock Exchange in the form of ADRs (NYSE:CCH), and the Australian Stock Exchange in the form of CDIs (CHB:ASX).
Shares outstanding as at 31 December 2002: 236,668,596
ADR ratio: 1:1
CDI ratio: 1:1

CREDIT RATING
Standard & Poor's: A/Stable outlook
Moody's: A3/Positive outlook

DIVIDENDS
CCHBC typically pays dividends annually, within two months of our Annual General Meeting. Our 2001 dividend of €0.18 was paid on 13 June 2002. The company has paid 11 consecutive annual dividends, starting in 1991.

ADR DEPOSITARY
The Bank of New York
Investor Relations
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
U.S.A.
Web: www.adrbny.com
Email: shareowner-svcs@bankofny.com
Tel: +1.888.BNY.ADRS (toll free from within the US)
Tel: +1.610.312.5315 (for international callers)

ADR DIVIDEND REINVESTMENT AND DIRECT PURCHASE PROGRAM
GlobalBuyDIRECT, sponsored by the Bank of New York, is a programme that permits interested parties to purchase CCHBC ADRs and reinvest dividends in CCHBC shares. For more information, please visit www.adrbny.com/howtobuy_globalbuydirect.jsp

CSN SERVICE
Aimed primarily at UK-based investors, the Company-Sponsored Nominee Service is a special share account for Greek shares held on the shareholder's behalf by Lloyds TSB Registrars. For more information, please contact:
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA
England

ASX REGISTRAR
CCHBC's registrar in Australia is:
Computershare Investor Services Pty Limited
GPO Box 7045
Sydney, NSW 1115
Australia
Web: www.computershare.com

INDEPENDENT AUDITORS
Ernst & Young
11th klm National Rd Athens - Lamia
Athens 144-51
Greece

PricewaterhouseCoopers
268 Kifissias Ave
Athens 152-32
Greece

ANNUAL GENERAL MEETING
June 2003

CORPORATE HEADQUARTERS
9, Fragoklissias St.
Athens 151-25
Greece

CORPORATE WEBSITE
www.coca-colahbc.com

INVESTOR INQUIRIES
Tel: +30.210.618.3100
Email: investor.relations@cchbc.com

STOCK PRICES – ASE:EEEK
€ per share

		2002	
Quarter ended	**High**	**Low**	**Close**
December 31	15.68	13.24	13.24
September 27	17.50	13.16	14.82
June 28	17.14	14.74	17.14
March 29	16.12	15.18	15.40

		2001	
Quarter ended	**High**	**Low**	**Close**
December 31	16.54	13.66	16.20
September 28	15.96	12.30	13.72
June 29	17.08	11.88	13.72
March 30	19.44	15.44	15.48

Glossary of Terms

The following definitions apply throughout the annual report and accounts unless the content requires otherwise:

'20-F'
This is an integrated form used both as a registration statement for purposes of registering securities of qualified foreign private issuers under Section 12 or as an annual report under Section 13(a) or 15(d) of the US Securities and Exchange Act of 1934

'bottler's agreement'
An agreement between TCCC and a bottler of TCCC which governs the rights and obligations of the parties in relation to the manufacture, packaging, distribution, and sale of TCCC beverages in a specified geographic area

'bottling rights'
The rights conferred by a bottler's agreement to manufacture, package, and/or distribute and sell TCCC beverages in beverage packages other than cans

'canning rights'
The rights conferred by TCCC to manufacture, package, and/or distribute and sell TCCC beverages in cans

'carbonated soft drinks; CSDs'
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

'CCHBC'
Coca-Cola Hellenic Bottling Company and, as the context may require, its subsidiaries, and joint ventures

'Coca-Cola system'
TCCC, together with all the bottlers of TCCC beverages

'concentrate'
The concentrates and beverage bases supplied by TCCC (or its designee) to bottlers of TCCC beverages for their manufacture of TCCC beverages

'constant territory'
Constant territory includes the actual results for the acquisition of the new Russian territories and Baltic states of Estonia, Latvia, and Lithuania for the full year of 2001 to provide comparable information for 2002

'consumer'
Person who drinks CCHBC products

'customer'
Retail outlet, restaurant or other operation that sells or serves CCHBC products directly to consumers

'EBIT'
Earnings before interest and tax

'EBITDA'
Earnings before interest, tax, depreciation and amortisation, and other non cash items

'functional currency'
The currency used, under IFRS, to report the financial results of a subsidiary undertaking. This is the currency of the country except where the country has hyper-inflation, in which case it is the euro or US dollar

'hyper-inflation'
Inflation at a three year cumulative rate approaching, or in excess of, 100% (approximately 26% per year compounded annually)

'IFRS'
International Financial Reporting Standards of the International Accounting Standards Board

'Italy'
The northern and central regions of Italy served by Coca-Cola HBC

'key bottler'
A bottler designated by TCCC as being 'a select business partner of the Coca-Cola system, in which TCCC holds an equity interest, whose strategic goals are aligned with those of TCCC, with strong financial and management resources, and a commitment to long term growth'

'market'
When used in reference to geographic areas, territory in which CCHBC does business, often defined by national boundaries

'noncarbonated soft drinks; non CSDs'
Non-alcoholic, noncarbonated beverages including, but not limited to, waters and flavoured waters, juice and juice drinks, sports and energy drinks, teas, and coffee

'per capita consumption'
Average number of servings consumed per person per year in a specific market. Coca-Cola HBC per capita consumption is calculated by multiplying our unit case volume by 24 and dividing by the population

'ROIC'
Return on Invested Capital is calculated as operating profit plus amortisation less adjusted taxes divided by average invested capital (shareholders' equity plus interest bearing debt plus capital lease obligations)

'ROTA'
Return on Tangible Assets focusing on the returns from the productive capital invested in the business. The measure excludes goodwill and the amortisation of goodwill

'SEC'
United States Securities and Exchange Commission. Its primary mission is to protect investors and maintain the integrity of the securities markets

'serving'
237ml of a beverage. Equivalent to 1/24 of a unit case

'SIB agreement'
The Coca-Cola Company standard international bottler's agreement used in relation to all Coca-Cola HBC countries

'TCCC'
The Coca-Cola Company and, as the context may require, its subsidiaries

'US GAAP'
Generally Accepted Accounting Principles in the United States of America

'unit case'
Approximately 5.678 litres or 24 servings, being a typically used measure of volume

Coca-Cola HBC

9 Fragoklissias Street,
151 25 Maroussi, Athens, Greece
www.coca-colahbc.com