

we've come a long way...



...we see



the way forward

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// short profile

Coca-Cola HBC (CCHBC)
is one of the world's largest bottlers
of Coca-Cola products.

We operate in 26 countries, 12 of which are
in the European Union,
and serve a population of approximately
540 million people.

We refresh our consumers with established
global brands,
but also with strong local brands
tailored to satisfy varying tastes.

Coca-Cola HBC's shares
are listed on the Athens Exchange (ATHEX:EEEEK),
with secondary listings
on the London (LSE:CCB) and
Australian (ASX:CHB) Stock Exchanges.
CCHBC's American Depositary Receipts (ADR's)
are listed on the New York Stock Exchange
(NYSE: CCH).

// financial highlights

in millions except per share data and ROIC	2004 underlying	2004 reported	2003	% change underlying	% change reported
Volume (unit cases)	1,413	1,413	1,359	+4%	+4%
Net sales revenue	€4,248	€4,248	€4,064	+5%	+5%
Gross profit	1,722	1,693	1,594	+8%	+6%
Operating profit (excluding pre-acquisition tax losses)	334	285	273	+22%	+4%
Net profit	152	112	116	+32%	-3%
Earnings per share	0.64	0.47	0.49	+31%	-3%
EBITDA	730	684	665	+10%	+3%
ROIC	8.5%		7.1%	+140bps	

Note: Refer to IFRS financial statements. Underlying financial indicators exclude any charges related to the recognition of pre-acquisition tax losses and the 2004 restructuring costs. 2003 figures are revised for new accounting policy

//Coca-Cola HBC at a glance

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



	Established markets	Developing markets	Emerging markets	Total
Population (millions)	71	77	391	539
GDP per capita (US\$)	31,100	7,800	2,200	6,800
Per capita CSD consumption (servings)	269	242	101	144

Source: Canadean, EIU and CCHBC

Principal milestones

2000

2000 Merger Hellenic Bottling Company and Coca-Cola Beverages merge to form Coca-Cola HBC, the 2nd largest Coca-Cola bottler in the world

2000 Coca-Cola HBC is included in the FTSE4GoodEurope Index which forms part of the FTSE4Good series of socially responsible indices. Companies included in the index successfully meet criteria in the areas of working towards environmental sustainability, developing positive relationships with stakeholders and upholding and supporting universal human rights

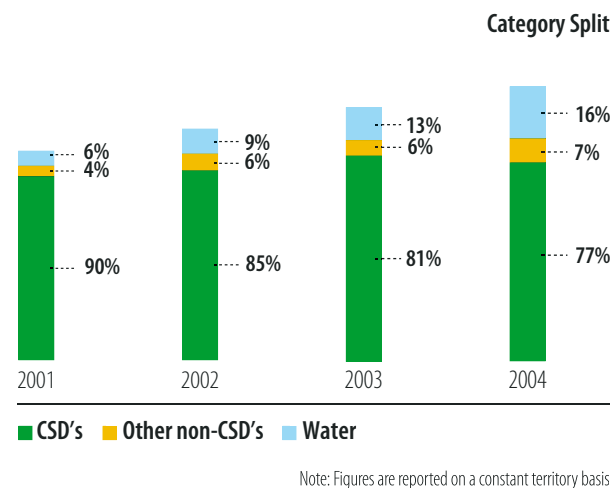
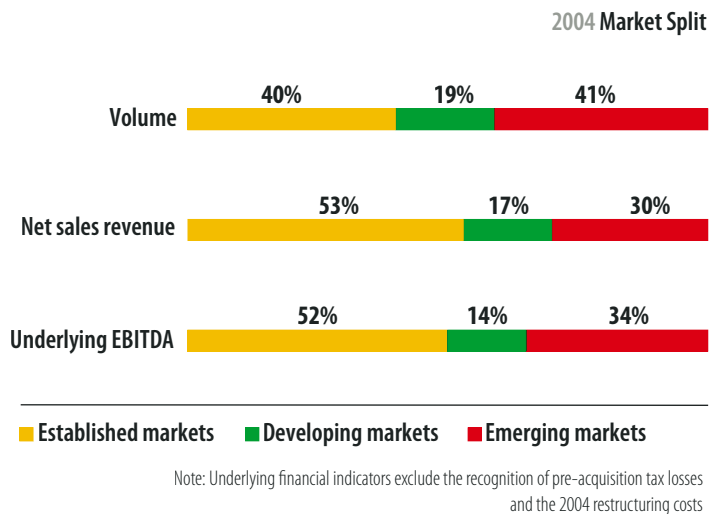
2001

2001 Territory acquisition
CCHBC gains full control of Russian Coca-Cola bottling operations

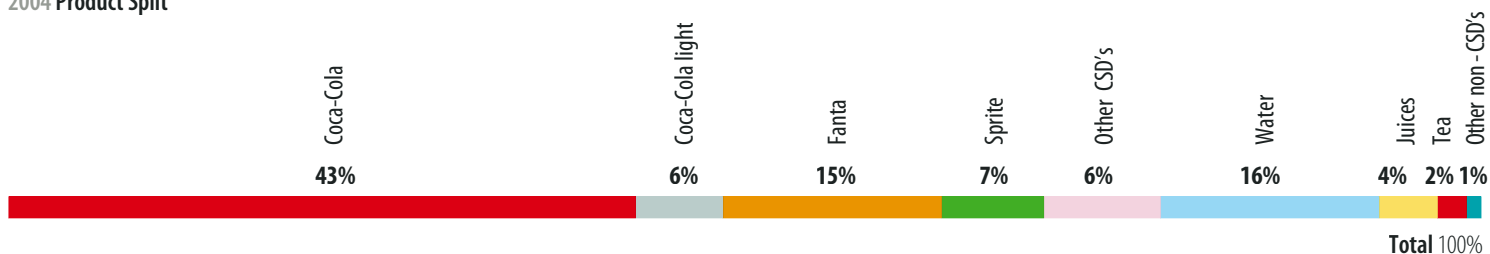
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2002 Territory acquisition
CCHBC acquires all bottling operations in the Baltic states of Estonia, Latvia and Lithuania

2002 Water acquisitions
CCHBC expands its water presence with the acquisition of Valser in Switzerland and Dorna in Romania



2004 Product Split



02

2003

2004

2002 NYSE listing
CCHBC lists on the New York Stock Exchange

2003 Coca-Cola HBC completes a leveraged recapitalisation plan and as a result returns €2 per share to shareholders

2003 Amita celebrates its 20th anniversary in Greece. Launched in 1983, it is the market leader in Greece with 29 flavors and 55% market share

2003 The Coca-Cola Company grants an extension to the bottler's agreements with Coca-Cola HBC until December 2013, with the option to request a further ten-year extension to 2023

2003 Water acquisitions
CCHBC continues implementing its water strategy by acquiring Multivita in Poland and Römerquelle in Austria

2004 Water acquisition
CCHBC acquires the mineral water company Gotalka in Croatia

2004 Eight Coca-Cola HBC countries join the European Union

2004 Coca-Cola HBC participates in the Athens 2004 Olympic Games. 17,000 athletes and 3.5 million spectators consumed Coca-Cola, POWERaDE, Amita Motion and Avra

2004 Coca-Cola HBC is awarded a «Talent Management Award» by the US institution of Quality and Productivity in Houston, Texas

//Chairman's letter

The performance of Coca-Cola HBC in 2004 provides a valuable insight into the evolutionary process that has taken place in the years since the company was first formed.

Over those years, attention was given to establishing and refining a strong corporate culture with principles and values that bring rewards to our business and to key stakeholders in the markets we serve.

While 2004 proved challenging due to a number of external factors that impacted many companies in the fast moving consumer goods sector, Coca-Cola HBC was able to continue its progress, and meet, or in a number of instances even exceed, the goals it set itself. We have developed people, systems and processes that have created a united, respected, innovative and international enterprise by integrating 26 individual markets whilst managing to maintain the diverse quality of their unique cultures and traditions.

As the Company looks ahead to 2005, our intention is to continue to build on the fundamentals that supported our growth and development in the past. In practice, this means showing respect and consideration for our people, our 38,000 employees whose families rely on us for their livelihood.

It means continuing to serve our customers and consumers with passion, by responding to their changing needs and desires with openness and integrity. It means managing and caring for the environment in a responsible and accountable manner and it means helping to enrich the lives of our local communities through the sponsorship of sport, music and culture. In fulfilling these basic objectives, we anticipate that we will see the realisation of the true potential of our emerging and developing market segment and will

continue to be rewarded through strategic initiatives targeting the continued expansion of our dynamic product portfolio.

Finally, looking back on the year, it would be remiss not to mention the Athens 2004 Olympic Games. The return of the world's premier sporting event to Greece, home of Coca-Cola HBC, lifted spirits and forged a bond between the diverse cultures of Europe and the world. Coca-Cola HBC and the Coca-Cola system are honoured to have been associated with the success of the Games and are proud to have contributed in some small way to the success of the XXVIII Olympiad through activities in Greece and our markets across the world.

In closing, on behalf of the Board of Directors, I would like to thank our employees for their contribution, our customers for their business, our consumers for their continued support and our shareholders for their confidence in our future.

George A. David
Chairman



Note: Figures are reported on a constant territory basis, exclude any charges related to the recognition of the pre-acquisition tax losses and the 2004 restructuring costs and are revised for new accounting policy

// Managing Director's letter

For Coca-Cola HBC, 2004 was a year of solid performance despite the external challenges that affected everyone in our industry. The fact that we achieved improved results during the period further demonstrated that our business model, focused on our six clear strategic priorities, remains soundly on-track.

Together with our vision, our passion and our commitment, these priorities provide the underlying power behind our success and we are dedicated to ensuring that they remain embedded in our system as we move ahead.

As we look back on 2004, we see that despite the difficulties imposed, we achieved volume of 1.4 billion unit cases, a 4% increase over the prior year. Reflecting a more profitable product, package and channel mix, underlying EBITDA was €730 million, 10% ahead of 2003; underlying operating profit (EBIT) was €334 million, up 22%; and underlying net profit was €152 million, up 32%.

This reinforces our confidence in focusing on the fundamentals that we developed and have been continually strengthening throughout our operations since the creation of the enlarged Company in 2000.

We have come a long way in the past five years.

At that time, even our basic business was much different than today. About 90% of our volume was in carbonated soft drinks, with water, juices and other soft drinks making up the balance.

Today, through our combined strategy of acquisitions and innovation, 16% of our volume is in water and 7% in juices and other non-carbonated soft drinks, almost a quarter of our total volume. We believe that this trend in shifting consumer patterns will continue,

and Coca-Cola HBC will be well positioned to turn what at first appeared as a challenge into an opportunity for diversification and growth.

The beverage business, whether carbonated soft drinks, water or juices is straightforward in terms of marketing execution. Our well tried and tested formula of the '4As', which has served us so well in the past, will continue to do so in a beverage market in which consumer choice is the key. Availability, Affordability, Acceptability and Activation will continue to be central in our day to day activities.

- *Availability, ensuring that our products are within an arm's reach of desire, where consumers want them, when they want them*
- *Affordability, ensuring that the right package is in the right place, at the right price, for every consumer occasion*
- *Acceptability, guaranteeing quality in everything we do to provide a product in which the consumer has absolute trust*
- *Activation, making sure that in stores and outlets everywhere, we activate the brand so that our consumers hold our products 'top of the mind'*

By consistently applying these principles, we have managed to grow value for our business, our customers, our consumers and our shareholders.

2005 lies before us and we see the way forward. I remain confident that with the vision, strategy, processes and people we have in place, we will meet any challenges with the same resilience and spirit that we have demonstrated in the past.

Doros Constantinou
Managing Director



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// we've



come a long way...

infrastructure
brands
capabilities



Unique infrastructure

// Being one of the largest

producers and sellers of Coca-Cola beverages is something we are proud of.

However, along with this comes a responsibility to produce our products to the highest quality standards and make them available to our millions of consumers whenever, wherever and however they want them.

We make this possible everyday through an operational infrastructure that spans 26 countries. But while scale is important, we understand that the real opportunities arise from our ability to adapt our network to a changing market and varying consumer needs.

We are investing in the installation of aseptic filling lines across a number of our plants, providing the manufacturing flexibility to support the introduction of new products in the fast growing non-carbonated beverage category.

We are also fully capitalising on the continued economic integration of Europe, through rationalising and optimising our infrastructure to expand cross border supply, allowing us to offer a broader product portfolio to smaller markets in a more cost efficient way.

WE:

REFRESH CONSUMERS IN **26** COUNTRIES

OFFER OUR PRODUCTS TO APPROXIMATELY
540 million PEOPLE

OPERATE **78** PLANTS

SELL OVER
1.4 billion UNIT CASES
OF BEVERAGES PER YEAR

SERVE OUR CUSTOMERS THROUGH A
NETWORK OF **271** DISTRIBUTION CENTRES

SELL OUR PRODUCTS THROUGH MORE
THAN **1.1 million** COOLER DOORS



Leading brands

// Coca-Cola is the world's most valuable brand

Coca-Cola HBC is proud to offer a portfolio that includes Coca-Cola along with Coca-Cola light, Fanta, and Sprite – four of the world's top five soft drink brands.

At the same time, we aim to satisfy varying consumer tastes and make the right beverage available for the right occasion. We want to reach consumers at all times and all places.

That's why we offer a wide choice of both global and local brands that range from carbonated soft drinks to water, juices, teas, energy and sports drinks, and coffee.

The strength of our brands allows us to create successful customer relationships and connect with our consumers. During 2004, together with our partners at The Coca-Cola Company, we continued to invest in creating value through innovation and consumer promotions.

FACTS:

OUR PRODUCT PORTFOLIO

COMPRISES **145** CARBONATED AND
240 NON-CARBONATED SOFT DRINK VARIETIES

WE OFFER **FANTA** IN **34** FLAVOURS
TAILORED TO SATISFY LOCAL TASTES

WE INTRODUCED **2** NEW WATER
BRANDS ACROSS THE GROUP:
BISTRA IN CROATIA
AND **MATÚŠOV PRAMEN** IN SLOVAKIA

FOLLOWING THE LAUNCH OF OUR **5** **ALIVE**
BRAND IN NIGERIA DURING 2004,
WE **ACHIEVED 30%** MARKET SHARE
OF THE JUICE DRINKS CATEGORY



Strong capabilities

// The development

of organisational capabilities that are closely aligned with our strategy has largely contributed to the success of Coca-Cola HBC in recent years.

We are very proud of our achievements in 2004 and particularly in the areas of sales, supply chain management and training.

Sales initiatives

More than one third of our people work in sales and marketing. That's why we continue to invest heavily in developing their skills. In 2004, more than 25 Centres of Excellence were established across CCHBC with an aim to demonstrate and then replicate examples of market activation. In addition, we focus on customer management and merchandising through initiatives such as our world class Key Account Management training programme. Finally, we launched our Channel Activation programme with the aim of tailoring promotional and marketing activities to specific channels. These actions have helped us achieve leadership in service excellence and best-in-class sales execution.

Supply chain management initiatives

Our supply chain vision is to have the right quality products, in the right volume, at the right place, at the right time, at the lowest possible cost in all countries. To that end, we have launched a number of Supply Chain Centres of Excellence. These centres aim to accelerate the development of skills, capabilities and motivation. That way the supply chain can support our business goals of increased profitability and enhanced ROIC.

Building internal training capability

Through more than 20 Train-the-Trainer courses, we have developed approximately 200 people who will be working with employees across CCHBC in the areas of management skills, sales training and supply chain. By doing this, we have been able to achieve significant cost savings and, more importantly, develop and deliver in-house training that will give us a competitive advantage in the marketplace.



// ...we



see the way forward



our six
strategic
priorities

1

Grow categories to become a more diverse alcohol-free beverage company

We have always listened to consumers' tastes and preferences when developing our product offering. This is the reason behind our decision to include in our alcohol-free beverage portfolio a variety of non-CSD products such as water, juices, teas and energy drinks.

Our intense and focused efforts over the past three years have allowed non-CSD's to grow significantly; they now make up 23% of our portfolio compared to just 10% in 2001.

In pursuit of this strategy, we leverage on both product innovation and acquisitions. In doing so, however, we never lose sight of profitability: all new products, new flavours, line extensions and acquisitions support our focus on profitable volume growth.



COCA-COLA LIGHT
IN EMERGING MARKETS **GREW**

18%
in 2004

FANTA

IS OUR

#2

BRAND

BY VOLUME



SPRITE

IN EMERGING MARKETS

GREW

25%
in 2004



SALES OF **NATURAQUA**
INCREASED
BY MORE THAN

51%
OVER
THE PAST YEAR



POWERADE

BECAME THE

#1

SPORTS DRINK IN EUROPE,
INCLUDING KEY COUNTRIES
SUCH AS RUSSIA
AND POLAND

CAPPY IS A **SUCCESS** STORY
IN ROMANIA AND BULGARIA,
AND GREW

32%

IN EMERGING
MARKETS
IN 2004



NESTEA

GREW **72%**

IN DEVELOPING MARKETS IN
2004 AND IS ALREADY

#1

BY VALUE IN HUNGARY
AND POLAND



WE REMAIN FOCUSED ON BROADENING OUR PRODUCT PORTFOLIO TO CAPTURE GROWTH OPPORTUNITIES IN THE MARKETS THAT WE OPERATE.

WE HAVE BUILT A SUCCESSFUL WATER BUSINESS BOTH ORGANICALLY AND THROUGH ACQUISITIONS.
TODAY WE PRODUCE, SELL AND DISTRIBUTE MORE THAN 20 WATER BRANDS ACROSS OUR COUNTRIES

Established markets	Developing markets	Emerging markets
    	    	     

Build brand equity

It is our core belief that brand equity is vital to the long-term growth and profitability of our business. This is why we continue to invest in our brands jointly with our partner, The Coca-Cola Company (TCCC). Brand building allows us to command premium pricing for our products, improve customer loyalty and increase our market share.

Brand building is a task we all take very seriously at CCHBC and at TCCC. It allows us to connect with consumers, encouraging them to choose our products while enabling us to strengthen and deepen our relationship with them. We achieve this by associating our products with everyday life, through effective marketing and superior merchandising and promotional activities.

THE ATHENS 2004 OLYMPIC GAMES

**PROVIDED THE IDEAL STAGE
ON WHICH TO SHOWCASE
OUR BRANDS TO CONSUMERS
ALL OVER OUR TERRITORIES.**

OUR BRANDS BENEFITED
FROM BEING ASSOCIATED WITH
THE WORLD'S PREMIER
SPORTING EVENT.



DEDICATED COOLERS



PRESTIGE COOLERS



DURING THE
ATHENS 2004 OLYMPIC GAMES...

WE: SERVED 17,000 PARTICIPATING ATHLETES
AND 3.5 MILLION SPECTATORS
OPERATED MORE THAN 150 REFRESHMENT BOOTHS
MOBILISED A TEAM OF 540 EMPLOYEES FROM OUR COUNTRIES
TO SUPPORT THE GAMES
UTILISED OVER 80 DELIVERY VEHICLES AND
3,700 PIECES OF COLD DRINK EQUIPMENT

LIMITED EDITION OF **COCA-COLA**
SLEEVED GLASS BOTTLES SHOWING THE CITIES
THAT THE TORCH VISITED ON ITS JOURNEY
AROUND THE WORLD BEFORE
RETURNING TO GREECE FOR THE
OLYMPIC OPENING CEREMONY



COMBO MEALS



SPONSORING

FOOTBALL AT A GRASSROOTS LEVEL
IN NIGERIA



THE EURO 2004 FOOTBALL

PROMOTIONAL CAMPAIGN PROVIDED A FANTASTIC OPPORTUNITY
FOR US TO REFRESH THE IMAGE OF OUR BRANDS



3

Drive profitable package mix and exploit new channels to enhance margins

We are committed to our volume-to-value strategy and firmly believe that profitable volume growth can be achieved through proper brand, price, package and channel mix.

We focus on driving availability of chilled immediate consumption packages, which encourage 'on the go' and impulse sales in higher margin channels.

At the same time, we ensure that we meet a full range of consumer occasions with appropriate brands and packages that are available in all retail formats, from hotels, restaurants and cafés through petrol stations to local open markets, hypermarkets, convenience stores and kiosks.



**SALES
OF OUR 500ML**

NON-RETURNABLE

PET BOTTLE

HAVE RISEN BY

12%

PER ANNUM

SINCE 2002

IN 2004, WE INTRODUCED A **330ML PET SLEEVED BOTTLE** FOR **AMITA** IN GREECE.

THE NEW PACKAGE REPRESENTS A BREAKTHROUGH INNOVATION BY OFFERING JUICE IN A PLASTIC RATHER THAN A CARTON CONTAINER.

THE DISTINCTIVE LOOK OF THE SINGLE-SERVE BOTTLE WAS VERY WELL RECEIVED BY CONSUMERS, OPENING NEW MARKET SEGMENTS FOR US





AFTER SUCCESSFULLY ACQUIRING
RÖMERQUELLE
 AT THE END OF 2003,
 WE HAVE BEEN WORKING
 RELENTLESSLY ON ENHANCING
 ITS PRODUCT LINE.
 DURING 2004,
 WE ADDED NEW FLAVOURS,
 ENCOURAGING GREATER RATES
 OF CONSUMPTION
 AND REPEAT PURCHASES



POWERADE GOLD MEDAL

IS A SPECIAL EDITION PACKAGE
 IN A GOLD BOTTLE
 FEATURING
 THE OLYMPIC
 RING DESIGN



NESTEA'S

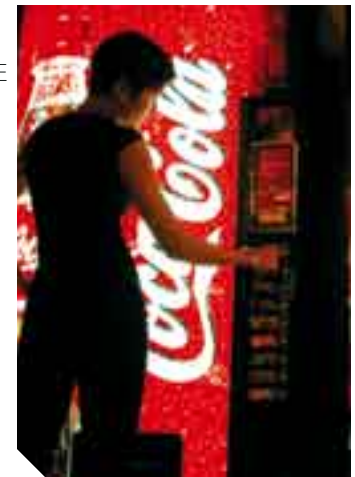
MOST POPULAR
 PACKAGE IS THE
500ML PET
 BOTTLE

NEW PACKAGING FOR DEEP RIVERROCK



WE HAVE INTRODUCED NEW
 REFRESHMENT AND MEDIA CENTRE
VENDING MACHINES.

THESE VENDING MACHINES
 PROVIDE REFRESHMENTS
 AND AT THE SAME TIME MAKE
 MUSIC, GAMES AND TICKETS
 AVAILABLE, THUS ATTRACTING
 MORE CONSUMERS
 FOR A LONGER TIME



CHANNEL INNOVATION

WE CONSTANTLY SEEK NEW CHANNELS TO BRING OUR PRODUCTS
 WITHIN AN ARM'S REACH TO THE CONSUMER, SUCH AS VIDEO
 STORES, BOOKSTORES, CLOTHES STORES OR GAS STATIONS.
 WE EVEN OFFER HOME DELIVERY OF VALSER IN SWITZERLAND

4

Manage capital for growth and value

At Coca-Cola HBC, our capital allocation decisions remain closely aligned to our strategic priorities. This forms the basis of our two-fold investment strategy, structured around: (1) increasing the availability of our products in the marketplace; and (2) enhancing the flexibility of our supply infrastructure to satisfy evolving consumer tastes.

This market-driven approach ensures our capital investment programmes are targeting either accelerated revenue growth or improved cost efficiencies.



DURING 2004, **45%**
OF OUR **NET CAPITAL EXPENDITURE**
WAS SPENT ON **IMMEDIATE CONSUMPTION**

WE PLACE PROPRIETARY COOLERS IN THE MARKETPLACE TO OFFER OUR CHILLED BEVERAGES TO AS MANY CONSUMERS AS POSSIBLE AND ENCOURAGE THE **IMMEDIATE CONSUMPTION** OF SINGLE SERVE PACKAGES.

OVER THE PAST YEAR, WE PLACED AN ADDITIONAL
145,000 COOLERS IN OUR MARKETS

ONGOING CAPITAL INVESTMENT IN OUR SUPPLY CHAIN

ENABLES US TO BUILD A FLEXIBLE INFRASTRUCTURE
THAT ALLOWS US TO RESPOND QUICKLY TO CHANGING CONSUMER NEEDS.

FOR INSTANCE,

THE INTRODUCTION OF NEW ASEPTIC LINES

IN GREECE, RUSSIA AND POLAND
HAS ALLOWED US TO CAPTURE MARKET SHARE GAINS
IN THE TEA SEGMENT

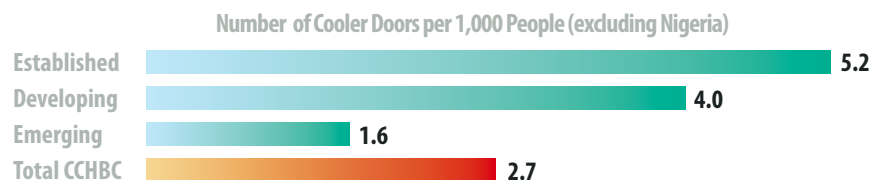


WE SELL OUR PRODUCTS THROUGH MORE THAN

1.1 million COOLER DOORS

IN OUR MARKETS SERVING ICE-COLD DRINKS

COOLER AVAILABILITY IN GREECE IS NEARLY **18 TIMES** THE LEVEL OF RUSSIA'S
AND MORE THAN **8 TIMES** HIGHER THAN ITALY



Drive cost efficiency throughout the business

We continue to maintain strong cost discipline across our entire business in order to fully leverage the benefits of future revenue growth on the bottom line.

We have made considerable progress in rationalising costs throughout our infrastructure, production, procurement and administrative functions.

These actions have resulted in a decrease in cost of goods sold and operating expenses per case and contributed to a further improvement in profitability.



Coca-Cola HBC

HAS A NUMBER OF COST OPTIMISATION INITIATIVES.

THROUGH VIEWING OUR GROUP AS A WHOLE AND NOT LIMITING DECISIONS TO WITHIN INDIVIDUAL COUNTRY BORDERS, WE HAVE BEEN ABLE TO INCREASE OUR SUPPLY FLEXIBILITY AND OPTIMISE OUR PLANT CAPACITY LEVELS, WHILE ELIMINATING THE DUPLICATION OF ACTIVITIES.

THE CENTRALISATION OF OUR PROCUREMENT FUNCTION HELPED CREATE ECONOMIES OF SCALE AND RESPONDED EFFECTIVELY TO THE PRESSURE OF RISING RAW MATERIAL COSTS.

AS WE MOVE TOWARDS

FULL SUPPLY CHAIN INTEGRATION ACROSS COCA-COLA HBC, WE CONTINUE TO RE-ENGINEER PROCESSES ACROSS ALL POINTS OF OUR SUPPLY CHAIN. WE CONTINUED THE ROLL-OUT OF AN INTEGRATED SYSTEM OF SOFTWARE APPLICATIONS PROVIDING A COMMON FRAMEWORK FOR OUR ACCOUNTING, PRODUCTION, PROCUREMENT, HUMAN RESOURCES AND COST MANAGEMENT ACTIVITIES. IN 2004, WE INTRODUCED THE SYSTEM

IN **7** NEW COUNTRIES,

BRINGING THE NUMBER OF COUNTRIES WHERE IT HAS BEEN DEPLOYED TO 11.

THIS INITIATIVE IS EXPECTED TO YIELD OPERATING COST AND WORKING CAPITAL IMPROVEMENTS OVER THE NEXT FEW YEARS.



WE HAVE:

EMBARKED ON A PROJECT IN IRELAND
THAT WILL **OPTIMISE** THE NUMBER AND LOCATION OF OUR PLANTS

ALIGNED **PACKAGING FORMATS**
AND **PRODUCT FORMULATIONS**

INTRODUCED **MULTILINGUAL LABELS**
ACROSS A NUMBER OF COUNTRIES



Create superior sustainable returns

Our relentless focus on profitable volume growth, together with our financial discipline, efficiency improvement efforts and prudent investment programme have resulted in a substantial uplift to our profitability.

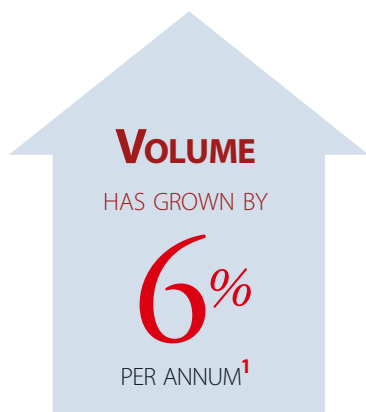
During the 2001- 2004 period, we have managed to more-than-double our return on invested capital (ROIC). We are on track to exceed our weighted average cost of capital (WACC) in 2005, a year earlier than we previously expected.



OUR EFFORTS TO CREATE SUPERIOR SHAREHOLDER RETURNS HAVE BEEN DRIVEN NOT ONLY BY TARGETING PROFITABLE VOLUME GROWTH, BUT ALSO BY ACHIEVING IMPROVED EFFICIENCIES. EFFICIENCIES DO NOT MERELY INCLUDE CUTTING COSTS, BUT, MORE IMPORTANTLY, MAKING OUR ASSETS WORK HARDER AND BETTER. IN OTHER WORDS, WE HAVE MANAGED TO IMPROVE THE UTILISATION OF OUR ASSET BASE, WHICH HAS ENABLED US TO DIVERT OUR CAPITAL INVESTMENTS TOWARDS THE MORE PROFITABLE AREAS OF OUR BUSINESS, SUCH AS COOLERS AND NEW TECHNOLOGIES.

IN ADDITION, OUR PURSUIT OF POSITIVE ECONOMIC RETURNS HAS NOT BEEN RESTRAINED TO IMPROVING THE UTILISATION OF OUR ASSETS, BUT IS SIMULTANEOUSLY DRIVEN BY MORE EFFECTIVE DEBT/EQUITY MANAGEMENT. IN THE PAST FEW YEARS, WE HAVE TAKEN ADVANTAGE OF THE LOWER INTEREST RATE ENVIRONMENT TO IMPROVE OUR CAPITAL STRUCTURE, WHICH HAS REDUCED OUR WEIGHTED AVERAGE COST OF CAPITAL. OUR WACC IMPROVED FURTHER IN 2004 DUE TO THE ACCESSION OF EIGHT DEVELOPING COUNTRIES TO THE EUROPEAN UNION.

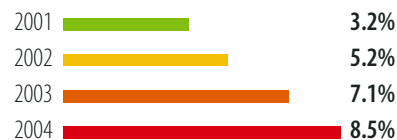
DURING THE 2001-2004 PERIOD:



EBIT
GREW BY
41%
PER ANNUM¹

EBITDA
GREW BY
14%
PER ANNUM¹

ROIC
HAS MORE THAN DOUBLED
3.2% → **8.5%**
IN 2001 IN 2004



EBITDA MARGIN
HAS EXPANDED BY
370 BPS



¹ Compounded Annual Growth Rate

Note: Figures are reported on a constant territory basis, exclude any charges related to the recognition of pre-acquisition tax losses and the 2004 restructuring costs and are revised for new accounting policy

Operating Performance - Review of 2004



Activating the Athens 2004 Olympics
Coke-on-air provided an onsite studio at Coke's sponsor park. There were interviews with celebrities, athletes and other visitors as well as daily television and radio telecasts

Strong underlying earnings growth and promising long-term prospects

During 2004, Coca-Cola HBC delivered solid underlying earnings growth and margin improvement, driven primarily by strong pricing, improving mix and continued cost reduction initiatives. Looking back on all the external challenges we faced throughout the year, we are pleased with the performance we have achieved.

Our Company achieved full year volume growth of 4%. Excluding the contribution of the Römerquelle and Multivita water businesses acquired in late 2003, volume growth was approximately 2%.

While volume growth was below our internal plans, strong pricing and cost initiatives allowed us to increase underlying EBITDA in 2004 by 10%. Römerquelle and Multivita contributed 1% to the Group's EBITDA in 2004. Underlying net profit reached €152 million, 32% above 2003.

The external factors that negatively impacted not only CCHBC but also all of our industry are widely known. While we started the year in line with our plans, short-term economic pressure from the EU

accession of eight of our developing countries, poor weather and low tourism impacted our second and third quarter performance. Rising raw material costs impacted us primarily in the fourth quarter of the year. However, our profitable volume strategy and operating leverage helped us mitigate a significant portion of the cost impact and deliver underlying gross margin improvement of 130bps and underlying EBITDA margin improvement of 83bps. We draw from a unique pool of assets, specifically our sizeable and diverse infrastructure (including our efficient distribution network), powerful brands and people capabilities, which we use to run a successful business. Our success is due to the solid execution of our strategy and we are pleased to report significant progress in all of our six strategic priorities in 2004.

In 2004, we continued to expand our beverage offerings to meet consumer needs. Product and packaging innovation in both carbonated and non-carbonated beverages has been successful and has contributed to our overall growth. Non-carbonated beverages now account for 23% of our total volume as we strive to offer consumers more choice and address health and wellness concerns.

We continued to build brand equity jointly with The Coca-Cola Company, which we strongly believe will continue to drive consumption as purchasing power in some of our countries improves. Our local execution during the Athens 2004 Olympic Games was exceptional, and our teams not only refreshed athletes and visitors but also helped our consumers share the Olympic ideals through a number of events that we

Operating Performance - Review of 2004 (continued)

organised around this memorable occasion. We further broadened our market coverage in order to capture all possible consumer occasions. We continued to move coolers outdoors to encourage 'on the go' impulse sales. At the same time, we enhanced our presence in non-conventional channels such as video stores, bookstores and the beach.

We continued to invest in supporting our profitable growth by placing an additional 145,000 coolers in 2004. The EU accession opened new opportunities for us to leverage our scale, and we also continued to optimise our plant and distribution infrastructure, aiming not only to lower our costs but also to be ready to exploit the local opportunities for growth.

Our Return on Invested Capital (ROIC) improved significantly to 8.5%, 140bps higher than 2003. In 2004 we made a significant step towards exceeding our weighted average cost of capital.



Operating Performance - Review of 2004 (continued)

Finally, we completed the review of our long-term growth model. We are pleased to report that our strategy continues to evolve successfully, enabling us to maximise the potential of our markets. Specifically, we are confident that our territories continue to offer significant opportunities for strong, sustainable organic profit growth and that our proven expertise in execution and efficiency, Group-wide, will enable CCHBC to continue the positive performance achieved since 2000.

As a result, and due to favourable changes in Greek legislation allowing for more efficient repatriation of subsidiary profits, we are proposing to raise our dividend for 2004 by 40%. We will seek to maintain dividends within a pay-out ratio of 20-30% which approximates a Dividend Per Share (DPS) increase of 5% per annum.

Volume (million u.c.)

	2004	2003	% change
Established markets	563.5	552.8	+2%
Developing markets	268.3	276.4	-3%
Emerging markets	580.9	530.1	+10%
Coca-Cola HBC	1,412.7	1,359.3	+4%

EBITDA (€ million)

	2004	2003	% change
Established markets	377.4	363.6	+4%
Developing markets	105.8	96.9	+9%
Emerging markets	247.0	204.2	+21%
Coca-Cola HBC	730.2	664.7	+10%

Note: Excludes 2004 restructuring costs

Operating Performance - Established markets

Volume (million u.c.)

Established markets	2004	2003	2002
Austria	89.7	69.2	66.9
Greece	145.8	147.4	147.4
Italy	178.0	180.3	168.9
N. Ireland and Rep. of Ireland	72.9	72.0	69.9
Switzerland	77.1	83.9	64.9
Total	563.5	552.8	518.0

Volume in our established markets was 564 million unit cases in 2004, 2% above prior year. During 2004, two of our largest markets, Greece and Italy, were impacted by lower tourism levels in the high selling summer season. However, our execution in both countries remained strong.

In Greece, our strong local activation around the Athens 2004 Olympics delivered results in-line with our plans and in Italy, we improved our volume and value share across the majority of our product categories despite a difficult operating environment. Switzerland was particularly impacted by the weakening spending on leisure and continued evolution of the retail environment, while Austria's growth was driven by our acquisition of the natural mineral water company Römerquelle.

Our operations in established markets contributed €377 million to the Group's underlying EBITDA (reported €333 million) in 2004, the difference between the underlying and reported figures being the €45 million of restructuring costs (see description in 'Modernisation and production efficiencies' section on page 37 for further details) primarily in the Republic of Ireland, Northern Ireland, Greece and Austria. Excluding these one-off costs, underlying EBITDA in this segment grew by 4% in 2004. Italy and Austria were key drivers of this segment's profitability, delivering strong underlying double-digit EBITDA growth. The increasing strength of our execution in the immediate consumption channels, combined with our focus on reducing operating expenses in Italy and our continuous efforts to optimise pricing in Austria, helped us deliver these results.



Operating Performance - Developing markets

Volume (million u.c.)

Developing markets	2004	2003	2002
Baltics	16.9	19.1	18.9
Croatia	23.5	25.2	23.8
Czech Republic	42.3	41.9	38.1
Hungary	69.2	73.3	67.8
Poland	98.0	94.6	85.5
Slovakia	14.4	17.8	23.3
Slovenia	4.0	4.5	4.2
Total	268.3	276.4	261.6



Volume in our developing markets was 268 million unit cases in 2004, 3% below prior year. The combination of the short-term macro-economic challenges from the EU accession of eight of the countries in which we operate and adverse weather conditions had a negative impact on this segment in 2004. However, we saw encouraging trends towards the end of the year, driven by our efforts to entice consumers back to our brands through our successful promotional activities. Positively, Poland outperformed the segment, driven by strong execution in our packaging, mix and pricing strategy. Sales volume of Coca-Cola brands grew 3% in the Czech Republic in a very challenging year.

Our operations in developing markets contributed €106 million to the Group's underlying EBITDA (reported €105 million) in 2004, 9% above 2003. EBITDA improvement was particularly strong in this segment, driven by significant price increases and a strong improvement in mix. In addition, despite the short-term negative impact from the increase in the price of sugar, the EU accession continued to provide our Group with significant cost reduction opportunities and during 2004, we embarked on certain initiatives within the region, such as multilingual labels and regional clustering.

Operating Performance - Emerging markets

Volume (million u.c.)

Emerging markets	2004	2003	2002
Armenia	4.1	3.7	3.1
Belarus	10.7	9.5	8.1
Bosnia and Herzegovina	13.1	13.3	12.1
Bulgaria	35.3	35.6	35.4
FYROM	8.7	9.8	12.1
Moldova	1.4	1.5	1.2
Nigeria	130.1	122.7	135.2
Romania	106.0	97.7	73.4
Russia	188.7	159.8	144.8
Serbia and Montenegro	38.8	38.4	31.2
Ukraine	44.0	38.1	32.1
Total	580.9	530.1	488.7



Volume in our emerging markets was 581 million unit cases in 2004, 10% above 2003. Russia achieved double-digit growth, benefiting from our continued cold drink equipment placements and new product launches. Romania performed very well, driven by strong market execution and continued strong performance of its water business. Nigeria ended the year with volume growth of 6%, which was below our plans, primarily due to two weeks of continuous rainfall in the month of December that impacted our distribution.

Our operations in emerging markets contributed €247 million to the Group's underlying EBITDA (reported €246 million) in 2004, 21% above 2003. Russia and Romania delivered strong double-digit EBITDA growth during the full year 2004, mainly driven by pricing and mix improvements and continued investment in cold drink equipment. Also worth noting are Serbia and Montenegro, Bulgaria and the Ukraine, all posting double-digit EBITDA growth in 2004.

Financial Performance



Coca-Cola HBC ('CCHBC') is one of the world's largest bottlers of products of The Coca-Cola Company and has operations in 26 countries serving a population of approximately 540 million people.

Basis of the financial information

This financial review covers the performance of Coca-Cola HBC and its subsidiaries (the Company or the Group). The financial results are presented in Euros, which is the principal operating currency of the Company. We may refer to information on an underlying or on a constant territory basis. Underlying financial indicators exclude the recognition of pre-acquisition tax losses and the 2004 restructuring costs. The constant territory basis includes full-year 2001 actual results for the bottling operations in Russia and the Baltic states (acquired in 2001 and 2002 respectively) to provide comparable information for subsequent years. Our consolidated accounts are prepared under International Financial Reporting Standards (IFRS). We also prepare consolidated accounts under accounting principles generally accepted in the United States (US GAAP). The following financial review is presented using figures prepared under IFRS. Our key performance measures for the growth of our business and its profitability in 2004 have been volume, EBITDA, operating profit (EBIT) and Return on Invested Capital (ROIC). Volume is measured in unit cases. EBITDA is defined as earnings before interest, tax, depreciation and amortisation, and other non-cash items. EBIT is

defined as earnings before interest and tax. ROIC is calculated as operating profit plus amortisation less adjusted taxes divided by average invested capital (total equity plus interest-bearing debt).

Financial results for the year

Net sales revenue

Net sales revenue in 2004 increased by approximately 5% as compared to 2003. Excluding the impact of the foreign currency translation, net sales revenue for 2004 would have increased by approximately 6%. Importantly, our revenue growth initiatives led to price/mix realisation of 2% on a currency neutral basis.

Cost of goods sold

The underlying average cost of goods sold per unit case in 2004 was €1.79 versus €1.81 in 2003. This was principally driven by the continuing positive impact of lower Euro cost for USD denominated commodities and the implementation of certain supply chain and infrastructure improvements. Reported cost of goods sold was impacted by €29 million of restructuring costs.

Gross profit

Underlying gross margin increased to 40.5%, compared to 39.2% in 2003. This margin improvement resulted from increased selling prices and positive mix along with generally lower cost of goods sold, as discussed above.

Operating expenses

Total underlying operating expenses represented 33% of net sales revenue in 2004, flat versus 2003. Per unit case underlying operating expenses were €0.98 for 2004 versus €0.97 for 2003. The modest increase reflects our strategy of increasing

Financial Performance (continued)

investment in our sales force and marketing.

Operating profit (EBIT)

Underlying operating profit (EBIT) increased to €334 million, 22% above 2003. Reported EBIT, which includes the impact of subsequent recognition of pre-acquisition tax losses (€25 million) and restructuring costs (€49 million), was €260 million in 2004, versus an operating profit of €259 million in 2003.

Taxation

The underlying effective tax rate for the full year was approximately 27% versus 29% for the same period last year. These rates are calculated excluding the amortisation of, and other adjustments to, intangible assets and before any tax credit is recognised for the utilisation of previously unrecognised accumulated tax assets and restructuring costs.

Net profit

Full year underlying net profit in 2004 increased to €152 million, or 32%, compared to 2003. Including the impact of the restructuring costs, our reported 2004 full year net profit was €112 million compared to €116 million in 2003.

Cash flow

Cash flow generated from operating activities in 2004 decreased by 14% to €553 million versus €644 million in 2003. After deducting capital expenditures, cash flow was approximately €191 million versus €293 million for 2003, impacted by higher tax payments as a result of the enhanced profitability of operations and tax planning to reduce future tax liabilities, as well as forward buying on inventories in certain markets to protect against rising commodity prices.

Capital expenditure

Net capital expenditure was approximately €352 million in 2004 (€362 million on a gross basis) as CCHBC continues to focus investments in the most profitable growth areas of our business. In 2003, net capital expenditure was €347 million (€351 million on a gross basis). Cold drink equipment placements have been a very successful part of our strategy. Additionally, we continue to strategically invest in production equipment and capacity in the fast growing single serve packages, as well as in new technologies for non-CSD's.

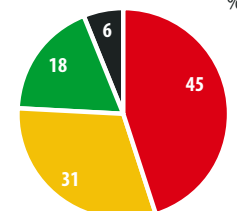
Successful completion of debt offering

On 12 July 2004, we successfully completed a seven-year €500 million bond issue. The issue was completed through our Euro Medium Term Note Programme with an annual coupon of 4.375%. On the same date, we also announced a successful tender offer for €322 million of the outstanding debt under our €625 million 5.25% Eurobond, which matures in June 2006. Proceeds from the new Eurobond offering were used to finance the tender offer and to refund our €300 million Eurobond, which matured in December 2004.

Modernisation and production efficiencies

In 2004, we took certain initiatives to consolidate our manufacturing network through rationalising sites, relocating manufacturing lines and streamlining our warehouses. These initiatives focused primarily on the Republic of Ireland and Northern Ireland, Greece and Austria. As a result, in 2004 we incurred a pre-tax charge of €49 million consisting of cash and non-cash expenses of €46 million and €3 million respectively, which reduced our net profit by €40 million.

Net Capital Expenditure %



- Immediate consumption
- Land and buildings
- Fleet, computers, other
- Production equipment



Financial Performance (continued)



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. Our Board of Directors has approved our Treasury Policy and Chart of Authority, which provide the control framework for all treasury and treasury related transactions.



Treasury policy and objectives

Our Group Treasury is responsible for managing the financial risks of CCHBC and all its subsidiaries in a controlled manner, 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 forecasted transaction.

In the context of our 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 Chief Financial Officer, 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 fluctuations in interest rates, foreign exchange rates, commodity prices and other market risks.

Borrowings and Group funding arrangements

Medium and long-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.

Financial Performance (continued)

As at 31 December 2004, CCHBC had consolidated borrowings of €1,549 million (€1,723 million in 2003). Of this amount, 94% was classified as non-current debt and 6% as current debt.

In order to meet its future funding requirements, the Company had, as at 31 December 2004, cash and cash equivalents of €38 million and an undrawn multi-currency committed facility of €900 million. Of this facility, 50% will mature in May 2005 and the balance in May 2007 (see Note 18 to the IFRS accounts).

Financing Group debt

On 12 July 2004, we successfully accessed the Euro debt capital markets through the issuance of a new benchmark €500 million seven-year Eurobond. The proceeds from the new issue were used to finance the €322 million public tender offer of the June 2006 Eurobond with the remaining balance used to finance the maturing December €300 million Eurobond maturity. The tender and cancellation of €322 million of the outstanding June 2006 Eurobond has resulted in a significant reduction in refinancing risk with the 2006 maturity having been reduced from €625 million to €233 million over the last two years. The decision to utilise the Euro market was taken following last year's successful dual tranche issue into the US debt capital markets and our desire to maintain a presence with European investors. We now have a weighted average maturity of approximately seven years and have taken advantage of extremely favourable borrowing conditions to term-out maturing debt. Coca-Cola HBC has access to raising medium to long-term debt in both the US through the SEC registered US\$2 billion programme and in

Europe using the €2 billion Euro Medium Term Note programme which was renewed on 9 November 2004 for a further 12 months. Short-term finance is raised as required using the €1 billion Global Commercial Paper programme.

Interest rate management

We manage our interest rate costs mainly using interest rate swaps and options. All bonds have been swapped from fixed rate obligations into six-month floating obligations and all non-Euro issues have been fully currency swapped into Euro with no residual currency risk. At balance sheet date, our Group had approximately €1.6 billion of notional amount of interest rate options, with maturities ranging from 2005-2008 to reduce the impact of adverse changes in interest rates on our floating rate debt.

Foreign currency management

Our foreign exchange exposures arise primarily from adverse changes in exchange rates in our subsidiaries in Central and Eastern Europe. Due to this exposure, our results are affected in several ways, including:

- raw materials purchased in currencies such as the US dollar or Euro 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 our income statement and



Financial Performance (continued)



balance sheet when results are translated into Euros.

In respect of 2004, we adopted the strategy in accordance with our Treasury Policy of hedging forecasted transactional exposures to a risk neutral position. Risk neutral is where we protect 50% of the rolling 12-month forecasted exposure using mainly currency forwards.

Derivative financial instruments

We use 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. We do not, as a matter of policy, enter into speculative derivative financial instruments.

It is our policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Commodities

Our Company hedges exposures to changes in movements in market prices associated with raw material purchases primarily by using commodity futures. Currently, we only hold sugar commodity futures. These contracts normally mature within 18 months.

Contingencies and legal claims

Over the past five years, the Directorate General for Competition of the European Commission has been conducting an investigation into various commercial practices of The Coca-Cola Company and certain Coca-Cola bottlers in

Austria, Belgium, Denmark, Germany and Great Britain regarding possible abuse of a dominant position.

In 2004, together with The Coca-Cola Company and other Coca-Cola bottlers, we engaged in a dialogue with the Commission to identify and address the commercial practices under review by the Commission. As a part of this dialogue, we submitted draft proposals incorporating undertakings that address all such practices in the European Union. On 19 October 2004, the European Commission announced that it has accepted this undertaking as a basis for terminating its investigation. The Commission also advised that it intends to formalise the undertaking as a legally binding commitment. The undertaking will potentially apply in 27 European countries, covering those channels of distribution where The Coca-Cola Company-branded CSD's account for over 40% of the national sales and twice the nearest competitor's share. The Greek Competition Authority issued a decision in 2002, imposing a fine on the Company of approximately €2.9 million and requiring changes in the Company's commercial practices in respect of free on-loan coolers in certain outlets in Greece. The fine related to the Company's dealings with certain wholesalers during the period 1991–1999. Both the Company and various complainants appealed this decision. On 26 June 2004, the Athens Administrative Court of Appeal rejected all appeals by the various complainants and partly accepted the Company's appeal insofar that it reduced the amount of the fine imposed on the Company by the Greek Competition Authority to €1.8 million.

Financial Performance (continued)

In relation to the case, one of the Company's competitors has filed a lawsuit claiming damages for an amount of €7.7 million. At present it is not possible to predict the outcome of this lawsuit or quantify the likelihood or materiality of any potential liability arising from it.

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 2004, such issues were successfully resolved in Poland. The Company still has similar issues outstanding before the Romanian Custom Authorities. At this time, it is not possible to quantify the risk of a negative outcome in these cases.



Corporate Governance

Board of Directors and corporate governance

We are committed to the highest standards of values, expertise and professionalism throughout the organisation. This includes a commitment to comply with international best practices in corporate governance matters.

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

The Board of Directors

Board composition and responsibilities

Our Board currently has 11 members of which only one, the Managing Director, is an executive of the Company. Mr George David is Chairman and Mr Doros Constantinou is Managing Director. The biographies of the Company's directors can be found on page 54.

The non-executive members of the Board include representatives of major shareholder interests as agreed in a shareholders agreement between the Company's largest shareholders, the Kar-Tess Group and The Coca-Cola Company. Based on this agreement, four directors are designated by the Kar-Tess Group and two are designated by The Coca-Cola Company. The remaining directors are jointly designated by the Kar-Tess Group and The Coca-Cola Company.

We recognise the important role of independent non-executive directors in assuring continued high standards of corporate governance and have appointed four independent directors. The Company's independent directors are: Kent Atkinson, Sir Michael Llewellyn-Smith, Antonio D'Amato and Samir Toubassy. The role of the independent directors is to provide a clear, independent, non-executive influence and perspective within the Board.

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 our General Counsel, as well as independent professional advice at the expense of the Company. All directors also have full access to the Managing Director, senior managers and our external and internal auditors.

Corporate Governance (continued)

Appointment and remuneration of directors

The Board believes that the level of remuneration offered to directors should be sufficient to attract and retain high calibre directors who will guide our 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.

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

Our major shareholders entered into a relationship agreement prior to the listing of our 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 our objective to adopt international best practices in corporate governance and in accordance with the standards set by recently adopted rules in the United States, we have adopted a Code of Ethics for our directors and senior managers to prevent wrongdoing and promote honest and ethical conduct, full, fair, accurate, timely and understandable disclosure, and compliance with applicable governmental rules and regulations.

We also have in place a code of dealing in company securities, which applies to directors, senior managers and employees.

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;
- overseeing succession planning policy, making recommendations to the Board of Directors on succession of the Managing Director and approving the appointments and terminations of senior managers of the Company;
- overseeing the talent management framework for the Company to ensure that there is a continuous development of talent for key roles;
- establishing the compensation strategy for the Company and approving company-wide compensation and benefit plans and compensation for senior managers;
- making recommendations to the Board of Directors on compensation of the Managing Director;
- making recommendations to the Board of Directors concerning potential non-executive directors, drawing on the best available outside resources.



Corporate Governance (continued)



Remuneration policy and senior managers' compensation

Remuneration policy

We aim to provide total compensation for our staff that is fair and sufficient to employ people with the talents and skills necessary to conduct and grow the business and maximise shareholder value. To achieve our operating objectives, we must attract, retain and motivate high calibre executives for whom we recognise 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 us in terms of size, geographic spread and complexity. In line with our commitment to maximise shareholder value, our policy is to link a significant proportion of remuneration for our senior managers to the performance of the business through incentives and stock option plans. Equity related compensation of senior managers aligns the financial interests of senior management with those of our shareholders. In constructing and reviewing remuneration packages, our emphasis is on linking pay with performance by rewarding effective management of business performance, as well as individual achievement.

Total remuneration

We consider total remuneration of senior managers measuring all components between the median and the upper quartile against a comparative group of similar international

companies, thereby allowing us to attract and retain the level of talent necessary to grow the business.

1 Salary

The level of salary reflects a senior manager's experience, responsibility and market value as determined by, among other factors, a comparison with similar multinational companies.

2 Management Incentive Plan

We operate a management incentive plan for all our managers. This plan is based on annual business performance against volume, EBITDA and ROIC, as well as individual accomplishments against annual objectives. 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. Exceptional business unit performance where objectives are exceeded may result in awards in excess of the individual target awards.

3 Long-Term Incentive Plan

All middle and senior management, excluding our executive team, participate in the CCHBC Long-Term Incentive Plan. We adopted this cash based plan for implementation in 2003 as a replacement of stock options for middle ranking employees. Incentive payouts are based on performance against three-year objectives, set every year. Performance for the 2003-2005 period is measured against ROIC objectives. Starting from the incentive period of 2004-2006, we use

Corporate Governance (continued)

economic profit as performance criterion under the plan. For the purposes of the plan, we define economic profit as adjusted operating profit minus cost of capital. Adjusted operating profit is calculated as operating profit plus amortisation of intangible assets, less income tax expense and the tax shield. The target payout from the plan is determined for each individual based on their seniority, performance and potential. Exceptional business unit performance where objectives are exceeded may result in awards in excess of the individual target payout. We believe that this newly adopted plan will have a greater motivational impact on the participating employees because they can more directly link their efforts to the performance of their specific business unit than under the stock option plan.

4 Stock Option Plan

Senior managers of our company are eligible to participate in the CCHBC Stock Option Plan. Options are viewed as an integral part of the total remuneration package for senior managers, while middle ranking employees discontinued participation in the plan, as the newly adopted Long-Term Incentive Plan fully replaced the Stock Option Plan as part of their compensation. Options are typically 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 grant. 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.

Our Company views stock options as a long-term component of the total remuneration package of its senior managers, whose roles have an impact on the results of the business as a whole, and it 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 must be approved by our shareholders at a general meeting.

At the Annual General Meeting in June 2003, shareholders adopted a multi-year plan to grant stock options to senior managers subject to approval of the Board of Directors. Under this authorisation, the Board of Directors approved the 2004 grant of stock options in December 2004.

5 Pension and other benefits

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



Corporate Governance (continued)



The Audit Committee

The Audit Committee comprises three non-executive directors: Mr Kent Atkinson (Chairman), Mr Alexander (Sandy) R.C. Allan and Mr Samir Toubassy. The Chief Financial Officer, the General Counsel, the Head of Internal Audit and the external auditors normally attend all meetings. The Committee also meets with the external auditors without others being present. The Committee operates under a written charter 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 reviews and final audits and any other matters the auditors may wish to discuss.

Before the audit commences, the Audit Committee discusses with the external auditors the nature and scope of the audit. 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 our Code of Business Conduct, 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, our Code of Ethics for senior executives and directors.

Internal control

As part of our commitment to best practice in corporate governance matters, we have implemented a number of measures to enhance internal control and risk management.

Internal audit

The Company's internal audit department reports directly to the Audit Committee, which reviews and approves the internal audit work programme for each year. The internal audit department comprises 16 full-time internal staff covering a range of disciplines and business expertise. Its objective is to provide assurance to the Board of Directors on internal controls across the Group. For this purpose, the head of the internal audit department makes regular presentations to the Audit Committee.

The internal audit function monitors the internal financial control system across all the countries in which the Company 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 the Company, determined by using a risk management approach to audit planning. Audit reports and recommendations are prepared subsequent to each audit, and appropriate measures are taken to implement such recommendations. A report setting forth a summary of all significant recommendations and relevant measures is provided to the Audit Committee and Board of Directors. The Managing Director, along with regional and country managers, as well as the Group's Chief Financial Officer, General Counsel

Corporate Governance (continued)

and Corporate Controller receive a copy.

The Disclosure Committee

The Company has established a Disclosure Committee and adopted disclosure controls and procedures 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 and Director of Investor Relations.

Performance reporting

Reports on the annual performance and prospects of CCHBC are given in the Annual Report and in the Form 20-F filed annually with the SEC. 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.

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.

In some of the environments in which the Company operates, businesses like ours are exposed to a heightened risk of loss due to fraud and criminal activity. The Company reviews its financial systems regularly in order to minimise such losses.

The Board has adopted a Chart of Authority for the Group defining financial and other authorisation limits and setting procedures for approving capital and investment expenditure. 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 identification and management of risk

We have 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 themselves and the information available for business decisions.

The risk identification and assessment process has formed part of our annual business plan process since 2001. This covers all countries and involves senior management and management 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.



Corporate Governance (continued)



Our Company has insurance coverage in place to provide catastrophe level property damage or business interruption and liability protection. Local insurance policies have been arranged beneath the Company covers to provide working loss protection and necessary legal compliance.

Accountability

Our Chart of Authority sets financial and other authorisation limits and procedures for approving capital and investment expenditure. The country is the basic unit for purposes of business performance and the Company's policy is to maintain accountability at the country level. Head office functions focus on policy and Group issues and provide support and expertise where it is not practical or economic to provide these at a country level.

Recent rulemaking initiatives on corporate governance standards

The Greek Law 3016/2002 contains provisions concerning corporate governance and board composition for Greek publicly listed companies. We comply with all provisions of this law.

The Public Company Accounting Reform and Investor Protection Act of 2002, also known as Sarbanes-Oxley Act of 2002, was enacted on 30 July 2002 and contains significant new rules on corporate governance for US and foreign companies reporting in the United States. We comply with the requirements of the Sarbanes-Oxley Act of 2002 that apply currently to foreign private issuers.

The New York Stock Exchange has recently adopted a set of new rules on corporate governance listing standards that have been approved by the SEC. These proposals follow a report on corporate governance listing standards issued on 6 June 2002 by the Corporate Accountability and Listing Standards Committee of the New York Stock Exchange and take into account the Sarbanes-Oxley Act of 2002. In contrast to the Sarbanes-Oxley Act of 2002, the new rules of the New York Stock Exchange apply for the most part only to US companies listed on the New York Stock Exchange. Foreign companies listed on the New York Stock Exchange are only required to disclose publicly any significant differences between their respective local laws and practices and the standards applicable to US companies, except with respect to standards duplicating mandatory corporate governance provisions included in the Sarbanes-Oxley Act of 2002, such as those relating to the composition of the Audit Committee by independent directors.

Greek corporate law and our corporate practices may differ in certain respects from the new rules adopted by the New York Stock Exchange. In particular, the new rules require US companies listed on the New York Stock Exchange to have a majority of independent directors on their board and to have a nominating/corporate governance committee and a compensation committee, both entirely comprised of independent members. Based on the shareholders' agreement between the Kar-Tess Group and The Coca-Cola

Corporate Governance (continued)

Company Entities, four of our directors are designated by The Kar-Tess Group and two are designated by The Coca-Cola Company. We have also appointed four directors that our board has determined to be independent: Mr Kent Atkinson, Sir Michael Llewellyn-Smith, Mr Antonio D'Amato and Mr Samir Toubassy. Our Audit Committee is comprised of Mr Kent Atkinson, Mr Sandy Allan and Mr Samir Toubassy. We will have a fully independent Audit Committee by no later than July 2005 as required under the Sarbanes-Oxley Act of 2002. Our Human Resources Committee, which fulfils the role of both the nominating/corporate governance committee and the compensation committee, is, in turn, comprised of Sir Michael Llewellyn-Smith, Mr George David and Mr Henry Schimberg. Our Human Resources Committee does not have sole authority to determine our managing director's compensation.

We also continuously review our corporate governance standards and procedures in light of the ongoing debates and rulemaking projects in Greece, Europe and the United States in order to ensure that our corporate governance systems remain in line with international best practices.

The Social Responsibility Committee

The Social Responsibility Committee comprises three non-executive directors: Sir Michael Llewellyn-Smith (Chairman), Mr George David and Mr Henry Schimberg. The Social Responsibility Committee takes responsibility for the development and supervision of procedures

and systems to ensure our Company's pursuit of its citizenship and environmental goals. Its written terms of reference cover the following areas:

- establish principles governing corporate social responsibility and environmental policies;
- ensure transparency and openness at all levels in the business conduct of Coca-Cola HBC;
- establish an Operating Council responsible for assessing and implementing appropriate policies and strategies, and for compliance;
- enhance Group-wide capabilities to execute policies, strategies, regulatory requirements and corporate social responsibilities;
- ensure the regular communication of the Company's status and progress in the implementation of policies, strategies, regulatory compliance and engagement with all shareholders.



Social Responsibility

At CCHBC, we strive to be commercially successful, yet socially responsible and environmentally sound in the way that we achieve success. Indeed, we believe that long-term profitability is no longer possible without meeting our social and environmental responsibilities. Our commitment to social responsibility is founded on a statement of shared commitment and operating principles jointly developed by The Coca-Cola Company and key bottlers across the world (see www.coca-colahbc.com for

full text).

This statement includes key commitments in our four main areas of impact as follows:

Marketplace:

To provide products and services which meet the beverage needs of our consumers. In doing this, we provide sound and rewarding business opportunities and benefits for our customers, suppliers, distributors and local communities.

Workplace:

To foster an open and inclusive environment where a highly motivated, productive and committed workforce drives business success through superior execution.

Environment:

To conduct our business in ways which protect and preserve the environment, to integrate principles of environmental stewardship and sustainable development into our business decisions and processes.

Community:

To invest time, expertise and resources to provide economic opportunity, improve the quality of life and foster goodwill in our communities through locally relevant initiatives.



Social Responsibility (continued)

We explain these commitments more fully and how CCHBC is living up to them in our 2004 Social Responsibility Report, which is also available on our website. In keeping with our commitment to continuous improvement, we have prepared a second Corporate Social Responsibility (CSR) report in accordance with the Global Reporting Initiative (GRI) 2002 Reporting Guidelines in order to meet increasing expectations of transparency and comparability.

Coca-Cola HBC has been listed on the FTSE4Good index of companies since its formation. Our commitments and policies support the principles espoused in the UN Global Compact and the UN Universal Declaration of Human Rights.

During 2004, we worked to integrate social responsibility throughout our business. We formally established a Social Responsibility Council, which reports quarterly to the Social Responsibility Committee, chaired by non-executive director Sir Michael Llewellyn-Smith.

We adopted and implemented new policies that support our commitments in each key area, ranging from human rights and occupational health and safety to quality and the environment. In addition, we developed Supplier Guiding Principles to help us drive the same standards and values we demand of ourselves through our extensive supply chain.

In 2004, we upgraded our risk management to capture social and environmental risk with a new

Incident Management & Crisis Resolution (IMCR) system. We also launched a new annual process to measure and assess our CSR performance. The Corporate Accountability Gap (CAP Gap) Audit benchmarks our performance against the 17 most recognised external performance standards including the Global Reporting Initiative, Dow Jones, FTSE4Good, Domini and Baldrige. In 2004, we created a baseline snapshot of our CSR performance in almost half of our countries and will complete the process in our remaining operations in 2005.

In the marketplace

We formalised our commitment to quality with the CCHBC Quality Policy. We achieved ISO 9000:2000 certification at 52 of our 67 CSD plants and are on target to achieve full certification by 2007. Our new supplier guiding principles have been communicated to all first-tier suppliers and will become part of all new contracts.

In the workplace

New CCHBC policies make explicit our commitments to our employees in such key areas as human rights, equality of opportunity, occupational health and safety, and HIV/AIDS. In 2004, we also launched a Group-wide three-year initiative to achieve OHSAS 18000 in all our operations by 2007. Training remained a high priority, with CCHBC receiving recognition from the US institution of Quality and Productivity for its investment in employee training.



Social Responsibility (continued)



Treated wastewater supports fish life at our plant in Sarajevo

In the environment

We reduced our use of water and energy, two of our key environmental impacts, by 5% in 2004, meeting our targets. We also achieved our goal of ISO 14001 certification in all European soft drink bottling operations. For full details, please see our CSR report. In addition, we continued to support environmental initiatives in the countries in which we operate. In Russia, we were honoured to receive the country's highest environmental award in the category of 'Eco-Efficiency'. This new award, from the Environment Committee of the Russian Parliament (Duma) and the Vernadsky Foundation, was in recognition of our eco-effective investments and support of local environmental initiatives.

In our communities

We generate employment, support businesses upstream and downstream, pay taxes to the government and invest in the future. In addition, we support community investment activities in every country in which we operate and in 2004, our financial and in-kind contributions met the widely accepted recommendation of 1% of pre-tax profits.

In short, we have begun an ongoing dialogue with a wide variety of stakeholders to determine their expectations of us and in return made explicit our CSR commitments. To deliver on these commitments, we have created appropriate management structures and accountability.

We have also conducted extensive training throughout the organisation, and established performance targets and corrective action plans in each of the four key areas of impact.

Recognising that CSR is a complex and evolving field, we commit ourselves to continuous improvement – as we do in every aspect of our business. Given also the varying stages of development of different businesses, it is a gradual process. Although the pace of progress will vary from country to country, operation to operation, we nevertheless are determined to achieve conformity over time to our commitments and principles, as well as the evolving expectations of our stakeholders, through all the territories in which we operate.

Social Responsibility (continued)

A snapshot of our progress in 2004

- Social Responsibility Council & Committee fully operational
- Launched first annual CAP Gap survey benchmarking each country's CSR performance against 17 key external standards
- Formalised policies on human rights, equality, HIV/AIDS, health & safety, quality, environment, Supplier Guiding Principles
- Member of the Global Business Coalition on HIV/AIDS
- Three-year OHSAS 18000 initiative launched; certification of all plants by 2007
- Formal commitment to UN Global Compact
- Maintained FTSE4Good listing
- Won US Talent Management Award for our training programmes
- Achieved target of ISO 9000:2000 in 52 of our 67 CSD plants
- Achieved ISO 14000 certification in all European soft drink bottling operations
- Reduced water and energy use in our plants by 5%
- Awarded Russia's highest national environment award for eco-efficiency (only food & beverage company to receive an award)
- Received awards for community investment programmes in Romania and Ireland
- 2004 Social Responsibility Report prepared in accordance with the GRI Reporting Guidelines



In Nigeria, CCHBC is initiating a community programme to provide water in villages where water is either unavailable or unaffordable

Directors' Biographies

George David

George David, Chairman of the Board of Directors of the Coca-Cola Hellenic Bottling Company S.A. graduated from the University of Edinburgh in 1959. He began his career that same year with the group of companies controlled by his uncle A.G. Leventis in Nigeria. Today, he holds a position on the board of directors of The Bank of Cyprus, Petros Petropoulos AVEE, Titan Cement Co. SA and Allatini AVEE. He is Chairman of Campion School, a trustee of the

A.G. Leventis Foundation, a member of the Boards of the Hellenic Institute of Defense and Foreign Policy (ELIAMEP) and the Centre for Asia Minor Studies. Mr David is a member of our Human Resources Committee and Social Responsibility Committee.

Doros Constantinou

Mr Constantinou graduated from the University of Piraeus in 1974 and holds a degree in Business Administration. Mr Constantinou started his career in auditing with Price Waterhouse where he worked for ten years. In 1985, Mr Constantinou joined Hellenic Bottling Company, where he held several senior financial positions. In 1996, he was appointed to the position of Chief Financial Officer and remained in that position until August 2000. He was

a key member of the management team that led the merger of Hellenic Bottling Company and Coca-Cola Beverages. In 2001, Mr Constantinou became managing director of Frigoglass, one of the leading manufacturers of commercial refrigerators and packaging products worldwide with operations in 16 countries. Mr Constantinou was appointed Managing Director of Coca-Cola HBC in August 2003.

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 Asia Group business unit of The Coca-Cola Company. In March 2001, he was elected chief operating officer of the Asia Group business unit of The Coca-Cola Company and in April 2001, was elected executive vice president of The Coca-Cola Company. 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 was also a director of Lloyds TSB Group plc from January 1995 until April 2003, serving as non-executive director for the period after 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. He is also a non-executive director and chairman of the audit committees of Marconi Corporation plc, Cookson Group plc and Axalto NV. Mr Atkinson is Chairman of our Audit Committee and serves as our senior independent non-executive director.

Antonio D'Amato

Mr D'Amato started his business career in 1979 with Cartoprint 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 appointed vice president of UNICE (Union of Industrial and Employers' Confederations of Europe) and later that year became a member of CNEL (Italian National Council for Economy and Labour). In July 2001, he became president of the LUISS University in Rome, a leading private Italian university.

Directors' Biographies (continued)

Leonidas Ioannou

Mr Ioannou, civil engineer and architect by training, is chairman of J&P-AVAX S.A. and president of the executive board of J&P Group of Companies, a group of privately held international building and civil engineering companies with offices in Nicosia, Athens, London and the Middle East.

He is also chairman of the Athenaeum Hotel and Touristic Enterprises S.A., the holding company of the Athenaeum Inter-Continental in Athens. Mr Ioannou actively serves on the councils of several nonprofit organisations and museums worldwide.

Anastasios P. Leventis OFR

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

Republic of Cyprus to Nigeria by the government of the Republic of Cyprus. A P Leventis was honoured with the award of Commander of the Order of the British Empire in the Queen's Birthday Honours List of 2004 and was also honoured with the award of Order of "Madarski Konnik" by the President of Bulgaria in 2004. He was appointed Officer of Order of the Federal Republic, Nigeria in 2002. 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 responsible to the board for the management of the company. Mr Leventis is a director of a number of companies in the Leventis Group in Nigeria and elsewhere and also a trustee of the A.G. Leventis Foundation.

Sir Michael Llewellyn-Smith KCVO CMG

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 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. He is also a historian and author of a number of books about Greece. Sir Michael Llewellyn-Smith is Chairman of our Human Resources Committee and Social Responsibility Committee.

Henry Schimberg

Mr Schimberg started his career in the alcohol-free 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 January 2000, Mr Schimberg retired from Coca-Cola Enterprises. Mr Schimberg presently serves on the board of directors of Coca-Cola Amatil. Mr Schimberg is a member of our Human Resources Committee and Social Responsibility Committee.

Samir Toubassy

Mr Toubassy holds a BBA from the American University of Beirut and an MBA from Golden Gate University of San Francisco. In 1980, he joined The Olayan Group as an Executive Vice President responsible for several of its operating companies. He is currently President of Olayan Development Corporation and Group Vice President of 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 Garvin School of International Management and is also on the board of ANERA – American Near East Refugee Aid. He is a member of the Institute of Directors in London. Mr Toubassy is a member of our Audit Committee.

Governing Bodies

Governing Body	Name	Nationality	Company/Nominated by
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The Board of Directors

Chairman	George David	British	The Kar-Tess Group
Managing Director	Doros Constantinou	Greek	Coca-Cola HBC
Non-Executive Director	Sandy Allan	British	The Coca-Cola Company
Non-Executive Director	Kent Atkinson	British	Independent
Non-Executive Director	Leonidas Ioannou	Cypriot	The Kar-Tess Group
Non-Executive Director	Sir Michael Llewellyn-Smith	British	Independent
Vice-Chairman	Anastasios Leventis	British	The Kar-Tess Group
Non-Executive Director	Haralambos Leventis	British	The Kar-Tess Group
Non-Executive Director	Henry Schimberg	American	The Coca-Cola Company
Non-Executive Director	Samir Toubassy	American	Independent
Non-Executive Director	Antonio D'Amato	Italian	Independent

The Audit Committee

Chairman	Kent Atkinson	British	Independent
Member	Sandy Allan	British	The Coca-Cola Company
Member	Samir Toubassy	American	Independent

The Human Resources Committee

Chairman	Sir Michael Llewellyn-Smith	British	Independent
Member	George David	British	The Kar-Tess Group
Member	Henry Schimberg	American	The Coca-Cola Company

Governing Bodies (continued)

Governing Body	Name	Nationality	Company/Nominated by
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The Social Responsibility Committee

Chairman	Sir Michael Llewellyn-Smith	British	Independent
Member	George David	British	The Kar-Tess Group
Member	Henry Schimberg	American	The Coca-Cola Company

The Disclosure Committee

Chief Financial Officer	Nik Jhangiani	American	Coca-Cola HBC
General Counsel and Company Secretary	Jan Gustavsson	Swedish	Coca-Cola HBC
Corporate Controller	Philippe Steyaert	Belgian	Coca-Cola HBC
Director of Investor Relations	Melina Androutsopoulou	Greek	Coca-Cola HBC

The Operating Committee

Managing Director	Doros Constantinou	Greek	Coca-Cola HBC
Chief Financial Officer	Nik Jhangiani	American	Coca-Cola HBC
Region Director	Tony Maher	Irish	Coca-Cola HBC
Region Director	Alexis Sacre	Lebanese	Coca-Cola HBC
Region Director	Richard Smyth	British	Coca-Cola HBC
Region Director	Pericles Venieris	Greek	Coca-Cola HBC
Human Resources Director	Bernard Kunerth	French	Coca-Cola HBC
General Counsel and Company Secretary	Jan Gustavsson	Swedish	Coca-Cola HBC
Supply Chain Services Director	Kleon Giavassoglou	Greek	Coca-Cola HBC

Shareholder Information

Share capital

We have access to the world's major capital markets and an extensive international investor base. The primary market for our shares is the Athens Stock Exchange (ATHEX), 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 ADR's (NYSE:CCH), and the Australian Stock Exchange in the form of CDI's (ASX:CHB).

We typically pay dividends once a year, within two months of our annual shareholder meeting. We have paid 13 consecutive annual dividends, starting in 1991.

In 2003, we restructured our balance sheet through a leveraged re-capitalisation plan that resulted to a capital return of €2 per share to shareholders.

As our business evolves to deliver more stable and predictable cash flows, we believe it is appropriate for our dividend policy to also evolve for the benefit of our shareholders. The change in accounting for amortising goodwill as well as a change in Greek legislation allowing us to repatriate, in a tax efficient way, subsidiary profits, were also factors taken into account. Thus, we will be proposing at our Annual General Meeting that will take place on 17 June 2005 in Athens a dividend for 2004 of €0.28 per share, a 40% increase over 2003.

Shares outstanding as at 31 December 2004:
238,260,129

ADR ratio: 1:1

CDI ratio: 1:1

Dividend

Record date	Ex-dividend date (ATHEX)	Payable	Amount
18 May 2001	21 May 2001	12 June 2001	GRD 60*
20 May 2002	21 May 2002	10 June 2002	€0.18
6 June 2003	9 June 2003	23 July 2003	€0.19
11 June 2004	14 June 2004	21 June 2004	€0.20

*Greek drachmas, equivalent to €0.17

Capital return

Record date	Ex-dividend date	Payable	Amount
28 November 2003	1 December 2003	5 December 2003	€2.00

Credit rating

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

Shareholder Information (continued)

ADR depository

The Bank of New York Investor Relations
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
USA

Web: www.adrbny.com

Email: shareowner-svcs@bankofny.com

Tel: 888.BNY.ADRS (toll free from within the US)

Tel: +1.610.312.5315 (for international callers)

ADR Dividend Reinvestment and Direct Purchase Programme

GlobalBuyDIRECT, sponsored by the Bank of New York, is a programme that permits interested parties to purchase CCHBC ADR's 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

Web: www.shareview.co.uk

Tel: 0870.600.3970 (from within the UK)

Tel: +44.121.415.7047 (for international callers)

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

PricewaterhouseCoopers S.A.
268 Kifissias Ave
Athens 152-32
Greece

Annual General Meeting

17 June 2005

Corporate headquarters

9, Fragoklissias St
Athens 151-25
Greece

Corporate website: www.coca-colahbc.com

IR website: www.coca-colahbc.com/ir/index.php

Investor inquiries

Tel: +30.210.618.3100

Email: investor.relations@cchbc.com

Stock price (€ per share) – ATHEX:EEEEK

2004

Quarter ended	High	Low	Close
December 31	18.06	17.72	17.98
October 1	17.82	17.44	17.62
July 2	19.18	18.92	19.06
April 2	21.24	20.42	20.60

2003

Quarter ended	High	Low	Close
December 31	18.34	16.00	16.52
September 26	17.62	14.10	16.40
June 27	14.94	11.36	14.54
March 28	13.80	12.12	12.12

//website

For more information
on Coca-Cola HBC and any of our subsidiaries, please visit our homepage at:

<http://www.coca-colahbc.com>



For more information
on Social Responsibility, including an electronic version of our Social Responsibility Report,
please visit:

<http://www.coca-colahbc.com/community/index.php>

For more information
on Investor Relations, including stock quotes and electronic versions of our annual reports,
please visit:

<http://www.coca-colahbc.com/ir/index.php>



REPORT OF THE AUDITORS

To the shareholders of Coca-Cola Hellenic Bottling Company S.A.

We have audited the accompanying consolidated balance sheet of Coca-Cola Hellenic Bottling Company S.A. and its subsidiaries ('the Company') as of 31 December 2004 and the related consolidated statements of income, cash flow and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's shareholders as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

We conducted our audit 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2004 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers S.A.

Athens

20 April 2005

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER

	Note	2004 € million	2003 € million
Net sales revenue	2	4,247.5	4,063.7
Cost of goods sold		(2,554.4)	(2,469.3)
Gross profit		1,693.1	1,594.4
Selling expenses		(633.3)	(574.1)
Delivery expenses		(358.6)	(329.4)
Administrative expenses		(309.9)	(304.7)
Amortisation of intangible assets	8	(106.6)	(112.8)
Adjustments to intangible assets	4	(24.6)	(14.8)
Total operating expenses		(1,433.0)	(1,335.8)
Operating profit	2	260.1	258.6
Finance costs	5	(64.8)	(48.4)
Unrealised gain on available-for-sale investments	11	0.6	1.2
Share of results of associates	10	1.7	1.6
Profit before taxation		197.6	213.0
Taxation	6	(70.9)	(83.0)
Profit after taxation		126.7	130.0
Minority interests	28	(14.3)	(14.3)
Net profit		112.4	115.7
Basic and diluted earnings per share (Euros)	7	0.47	0.49

The Notes on pages 66-106 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER

	Note	2004 € million	2003 € million
Operating activities			
Operating profit	2	260.1	258.6
Depreciation of property, plant and equipment	9	289.4	278.5
Amortisation of intangible assets	8	106.6	112.8
Other non-cash items	2	28.2	14.8
		684.3	664.7
(Gains) losses on disposals of non-current assets		(6.1)	8.1
Increase in inventories		(34.5)	(2.2)
(Increase) decrease in trade and other receivables		(31.3)	28.0
Increase in trade payables and other liabilities		47.0	21.4
Taxation paid		(106.1)	(76.2)
Cash flow generated from operating activities		553.3	643.8
Investing activities			
Payments for purchase of property, plant and equipment		(362.0)	(350.9)
Receipts from disposals of property, plant and equipment		21.2	15.0
Net receipts (payments) for investments		6.0	(0.5)
Net payments for acquisition of subsidiaries	29	(3.1)	(141.4)
Proceeds from sale of trademarks	33	8.6	7.6
Net cash used in investing activities		(329.3)	(470.2)
Financing activities			
Return of capital to shareholders		(0.4)	(472.9)
Expenses relating to return of capital to shareholders		–	(5.8)
Proceeds from issue of shares to employees		19.2	3.4
Dividends paid to shareholders of the Group	27	(47.5)	(45.0)
Dividends paid to minority interests		(5.6)	(5.4)
Proceeds from external borrowings		728.9	1,135.0
Repayment of external borrowings		(854.5)	(783.6)
Principal repayment of finance lease obligations		(11.7)	(10.7)
Interest received		7.0	12.1
Interest paid		(62.3)	(58.7)
Net cash used in financing activities		(226.9)	(231.6)
Decrease in cash and cash equivalents		(2.9)	(58.0)
Cash and cash equivalents at 1 January		39.4	105.5
Decrease in cash and cash equivalents		(2.9)	(58.0)
Effect of changes in exchange rates		1.8	(8.1)
Cash and cash equivalents at 31 December	17	38.3	39.4

The Notes on pages 66–106 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

	Note	2004 € million	2003 € million
Assets			
Intangible assets	8	1,683.5	1,805.2
Property, plant and equipment	9	2,061.1	1,950.8
Investment in associates	10	10.1	10.7
Available-for-sale investments	11	9.9	9.2
Held-to-maturity investments		1.2	1.3
Deferred tax assets	12	9.8	0.5
Other non-current assets	13	46.1	7.8
Total non-current assets		3,821.7	3,785.5
Inventories	14	334.9	298.9
Trade receivables	15	511.3	484.8
Derivative assets	19	8.2	44.3
Other receivables	16	151.1	146.8
Current tax assets		22.0	12.8
Available-for-sale investments	11	–	6.4
Cash and cash equivalents	17	38.3	39.4
Total current assets		1,065.8	1,033.4
Total assets		4,887.5	4,818.9
Liabilities			
Short term borrowings	18	95.0	397.3
Trade and other liabilities	20	812.7	757.9
Current tax liabilities		85.1	82.3
Total current liabilities		992.8	1,237.5
Long term borrowings	18	1,454.0	1,325.4
Cross currency swap payables relating to borrowings	19	143.1	89.9
Deferred tax liabilities	12	73.4	108.5
Non-current provisions	21	134.0	96.4
Other non-current liabilities		14.9	8.6
Total non-current liabilities		1,819.4	1,628.8
Total liabilities		2,812.2	2,866.3
Equity			
Share capital	24	119.1	118.5
Share premium	24	1,640.3	1,621.7
Shares held for equity compensation plan	25	(1.2)	(1.5)
Exchange equalisation reserve	26	60.0	23.0
Other reserves	26	306.4	297.1
Accumulated deficit		(137.0)	(187.0)
Total shareholders' equity		1,987.6	1,871.8
Minority interests	28	87.7	80.8
Total equity		2,075.3	1,952.6
Total equity and liabilities		4,887.5	4,818.9

The Notes on pages 66–106 are an integral part of these consolidated financial statements.

On 20 April 2005, the Board of Directors of Coca-Cola Hellenic Bottling Company S.A. authorised these financial statements for issue.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital € million	Share premium € million	Shares held for equity compensation plan € million	Exchange equalisation reserve € million	Other reserves € million	Accumulated deficit € million	Total shareholder's equity € million
As at 1 January 2003	73.4	2,140.7	(1.2)	151.8	259.2	(221.7)	2,402.2
Net profit for 2003	–	–	–	–	–	115.7	115.7
Gains on cash flow hedges (net of tax of €0.4m)	–	–	–	–	3.9	–	3.9
Gains on cash flow hedges reclassified from equity to carrying amount of hedged assets and liabilities (net of tax of €0.7m)	–	–	–	–	(1.1)	–	(1.1)
Gains on cash flow hedges reclassified from equity and reported in net profit (net of tax of €0.4m)	–	–	–	–	(0.9)	–	(0.9)
Foreign currency translation differences	–	–	–	(128.8)	–	–	(128.8)
Comprehensive income							(11.2)
Capitalisation of share premium reserve	518.3	(518.3)	–	–	–	–	–
Return of capital to shareholders	(473.3)	–	–	–	–	–	(473.3)
Expenses relating to return of capital to shareholders (net of tax of €2.1m)	–	(4.0)	–	–	–	–	(4.0)
Shares issued to employees exercising stock options	0.1	3.3	–	–	–	–	3.4
Appropriation of reserves	–	–	–	–	36.0	(36.0)	–
Dividends	–	–	–	–	–	(45.0)	(45.0)
Movement in shares held for equity compensation plan	–	–	(0.3)	–	–	–	(0.3)
As at 31 December 2003	118.5	1,621.7	(1.5)	23.0	297.1	(187.0)	1,871.8
Net profit for 2004	–	–	–	–	–	112.4	112.4
Gains on cash flow hedges (net of tax of €0.7m)	–	–	–	–	(12.6)	–	(12.6)
Losses on cash flow hedges reclassified from equity to carrying amount of hedged assets and liabilities (net of tax of €0.7m)	–	–	–	–	6.9	–	6.9
Foreign currency translation differences	–	–	–	37.0	–	–	37.0
Comprehensive income							143.7
Shares issued to employees exercising stock options	0.6	18.6	–	–	–	–	19.2
Appropriation of reserves	–	–	–	–	15.0	(15.0)	–
Dividends	–	–	–	–	–	(47.4)	(47.4)
Movement in shares held for equity compensation plan	–	–	0.3	–	–	–	0.3
As at 31 December 2004	119.1	1,640.3	(1.2)	60.0	306.4	(137.0)	1,987.6

For further details, please refer to: Note 24 for share capital and share premium; Note 25 for shares held for equity compensation plan; Note 26 for reserves; and Note 27 for dividends. The Notes on pages 66–106 are an integral part of these consolidated financial statements.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

Description of business

Coca-Cola Hellenic Bottling Company S.A. ('CCHBC'), is incorporated in Greece and was formed in August 2000 through the combination of Hellenic Bottling Company S.A. ('HBC') and Coca-Cola Beverages plc ('CCB'). CCHBC and its subsidiaries (collectively 'the Company' or 'the Group') 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's shares are listed on the Athens Stock Exchange, with secondary listings on the London and Australian Stock Exchanges. CCHBC's American Depositary Receipts (ADRs) are listed on the New York Stock Exchange.

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 available-for-sale securities, derivative financial instruments 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary is recorded as goodwill.

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.

Use of estimates

In conformity with generally accepted accounting principles, the preparation of financial statements for CCHBC 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.

Change in accounting policy

With effect from 1 January 2004, CCHBC changed its policy of revaluing land and buildings in accordance with the allowed alternative treatment under International Accounting Standard (IAS) 16, *Property, Plant and Equipment* to record land and buildings at cost. Prior to 1 January 2004, land and buildings were revalued by independent valuers every five years. Increases in the carrying amount of land and buildings arising on revaluation were credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset were charged against the revaluation reserve; all other decreases were charged to the income statement. The revaluation surplus included in equity was directly transferred to retained earnings when the surplus was realised.

The change in accounting policy was undertaken to provide a more appropriate presentation of the results of the Group and in order to provide more consistency with other companies in the same or comparable industries, the majority of whom do not revalue their assets. In particular, our peer group generally report under US GAAP where asset revaluation is not permitted. Further, the policy change brings our accounting treatment in line with our US reporting.

As a consequence, prior year comparatives have been revised. The effect on the comparative net results is an increase of €0.7 million and a reduction of net assets and total equity of €36.7 million.

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. All other listing fees are expensed as incurred. The amount of listing fees capitalised at 31 December 2004 was €8.1m (2003: €6.5m). Of this balance, €4.8m (2003: €3.6m) was classified as prepayments (current) and the remainder as non-current prepayments. Listing fees expensed for the year ended 31 December 2004 amounted to €32.8m with €22.6m for 2003. Marketing and promotional incentives paid to customers during 2004 amounted to €89.3m compared with €76.0m in 2003.

CCHBC receives 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 2004, such contributions totalled €21.1m as compared to €19.0m in 2003.

Where the Group distributes third party products, the related revenue earned is recognised based on the gross amount invoiced to the customer where CCHBC acts as principal, takes title to the products and has assumed the risks and rewards of ownership. CCHBC recognises 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 Group acts as an agent without assuming the relevant risks and rewards.

Earnings per share

Earnings per share is calculated by dividing the net profit 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.

Intangible assets

Intangible assets consist mainly of goodwill and trademarks. 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 20 years. Amortisation of intangible assets is recognised in operating expenses in the income statement.

Goodwill and fair value adjustments arising on the acquisition of subsidiaries are included in 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.

Property, plant and equipment

All property, plant and equipment are 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.

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 other 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 all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Equity accounting involves recognising the Group's share of the associates' profit or loss for the period in the income statement and the share of the post-acquisition movement of reserves in the Group's reserves. The Group's interest in each associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition. When the Group's share of losses in associates equals or exceeds its interest in the associates, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

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 cash flows in the relevant components of the financial statements.

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. Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets; during the period the Group did not hold any investments in this category. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date, which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date or unless they will need to be sold to raise operating capital.

Investments are recognised using settlement date accounting, namely, investments are recognised on the day they are transferred into the Group and derecognised on the day when they are transferred out of the Group. The cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. Gains and losses on investments held as trading or available-for-sale are recognised in the income statement in the period in which they arise.

Held-to-maturity investments are carried at amortised cost using the effective yield method. Gains and losses on held-to-maturity investments are recognised in the income statement, when the investments are derecognised or impaired.

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

The reporting currency of the Group is Euro. The assets and liabilities of overseas subsidiaries are translated to Euros at the rate of exchange ruling at the balance sheet date. The income statements of overseas subsidiaries are translated using the average monthly exchange rate. The exchange differences arising on 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.

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.

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 subsidiary in Belarus continues to operate in a hyper-inflationary environment. The subsidiary in Romania ceased applying hyper-inflationary accounting with effect from 1 July 2004. The subsidiary in Serbia and Montenegro ceased applying hyper-inflationary accounting with effect from 1 January 2005.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and highly liquid investments with a maturity of three months or less when purchased. 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 income statement in 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 income statement when the liability is derecognised or impaired, as well as through the amortisation process.

Derivative 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.

All derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured to their fair value. Changes in the fair value of derivative financial instruments are recognised periodically either in the income statement or in equity, depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or a cash flow hedge.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges and are highly effective, are recorded in the income statement, along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in the fair values of derivative financial instruments that are designated and qualify as cash flow hedges, to the extent that they are effective as hedges, are recorded in equity. Changes in the fair values of derivative financial instruments not qualifying as hedges are reported in the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative financial instruments designated to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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 is principally determined using the first-in, first out basis. 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.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost of inventories includes the transfer from equity of gains or losses on qualifying cash flow hedges relating to inventory purchases.

Trade receivables

Trade receivables are carried at original invoice amount less allowance for doubtful debts. An allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of receivables.

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 non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period. Property, plant and equipment acquired under finance lease is depreciated in accordance with the Group policy unless there is no reasonable certainty that the Company will obtain ownership of the asset at the end of the lease term. In this case property, plant and equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

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 defined benefit plans are made up of both funded and unfunded pension plans and employee leaving indemnities. The assets of funded schemes are generally held in separate trustee-administered funds and are financed by payments from employees and/or the relevant Group companies, after taking into account the recommendations of independent qualified actuaries.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

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 greater of the defined benefit obligation or the fair value of plan assets, in accordance with the valuations made by qualified actuaries. The defined benefit obligations are 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 arising from experience adjustments or changes in assumptions are recognised over the average remaining service lives of employees. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise

amortised over the average remaining service lives of the employees.

A number of the Group's operations have other long service benefits in the form of jubilee plans. These plans are measured at the present value of the estimated future cash outflows with immediate recognition of actuarial gains and losses.

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

Employee benefits – stock purchase plan

The Group operates a stock purchase plan, in which eligible employees can participate. The Group's contributions to the stock purchase plan are charged to the income statement over their vesting period. Any amount of unvested shares held by the trust are owned by the Group until they vest and are recorded at cost in the balance sheet within equity as shares held for equity compensation plan until they vest.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees or to provide termination benefits, as a result of an offer made to encourage voluntary redundancy.

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 through-put requirements. Support payments received from TCCC for the placement of cold drink equipment are deducted from the cost of the related asset.

Share capital

There is only one class of shares. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded to the share premium reserve.

Incremental external costs directly attributable to the issue of new shares (other than in connection with a business combination) or the process to return capital to shareholders, are recorded in equity as a deduction, net of tax, to the share premium reserve. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

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.

Adoption of new accounting standards

In December 2003, the International Accounting Standards Board (IASB) published thirteen revised International Accounting Standards (IASs) and gave notice of the withdrawal of IAS 15, *Information Reflecting the Effects of Changing Prices*. The revised Standards are: IAS 1, *Presentation of Financial Statements*, IAS 2, *Inventories*, IAS 8, *Accounting Policies, Changes in Accounting*

Estimates and Errors, IAS 10, Events after the Balance Sheet Date, IAS 16, Property, Plant and Equipment, IAS 17, Leases, IAS 21, The Effects of Changes in Foreign Exchange Rates, IAS 24, Related Party Disclosures, IAS 27, Consolidated and Separate Financial Statements, IAS 28, Investments in Associates, IAS 31, Interests in Joint Ventures, IAS 33, Earnings per Share and IAS 40, Investment Property. The revisions are applicable for annual periods beginning on or after 1 January 2005 and are not expected to have a material effect on the Company's financial statements.

In December 2003, the IASB published revisions to IAS 32, *Financial Instruments: Disclosure and Presentation* and IAS 39, *Financial Instruments: Recognition and Measurement*. The revised IAS 39 must be applied for annual periods beginning on or after 1 January 2005. The revised standards clarify terms in relation to derecognition of financial assets, measurement of fair value, impairment, hedge accounting and embedded derivatives in non-financial contracts. CCHBC is currently assessing the effect of the changes on the financial statements.

In February 2004, the IASB issued International Financial Reporting Standard (IFRS) 2, *Share-Based Payments* that require compensation costs related to share based payments to be recognised in the financial statements. Under the standard, the compensation cost is determined, based on the grant date fair value of the equity or liability instrument issued. The standard is applicable to all share based payments including share appreciation rights. The standard is applicable to grants of shares, share options or any equity instruments granted after 7 November 2002 and have not yet vested at the effective date of the standard. The effective date of the standard is 1 January 2005. The adoption of IFRS 2 will result in the cost of any share the Company's share based payments being recognised in the income statement. The Company must also restate comparative information for any equity instrument to which the standard has been applied. The expected charge to the Company in 2005 for existing share options is €3.5m.

In March 2004, the IASB issued IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. IFRS 5 requires assets that are expected to be sold and meet specific criteria to be measured at the lower of carrying amount and fair value less costs to sell. Such assets should not be depreciated and should be presented separately in the balance sheet. It also requires operations that form a major line of business or area of geographical operations to be classified as discontinued when the assets in the operations are classified as held for sale. The standard is applicable prospectively from 1 January 2005.

In March 2004, the IASB issued IFRS 3, *Business Combinations*, and revised Standards IAS 36, *Impairment of Assets* and IAS 38, *Intangible Assets*. The main features of the new and revised standards are that costs expected to be incurred to restructure an acquired entity's (or the acquirer's) activities must be treated as post-combination expenses, unless the acquired entity has a pre-existing liability for restructuring its activities; intangible items acquired in a business combination must be recognised as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal rights, and their fair value can be measured reliably; identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed, must be initially measured at fair value; and amortisation of goodwill and intangible assets with indefinite useful lives is prohibited. Instead they must be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. CCHBC will apply IFRS 3 and the revised provisions of IAS 36 from 1 January 2005, as the standard is effective prospectively from the beginning of the first annual period beginning on or after 31 March 2004 and for business combination agreements made after 31 March 2004.

In November 2004, the International Financial Reporting Interpretations Committee (IFRIC) released an amendment to the scope of Interpretation SIC-12, *Consolidation—Special Purpose Entities* ('SIC-12'). SIC-12 currently excludes from its scope post-employment benefit plans and equity compensation plans. Such plans are, at present, within the scope of the accounting standard IAS 19, *Employee Benefits* (as amended in 2002). However, when the accounting standard IFRS 2 *Share-based Payment* becomes effective, IAS 19 will no longer apply to equity compensation plans. The Amendment removes the scope exclusion in SIC-12 for equity compensation plans. Hence, an entity that controls an employee benefit trust (or similar entity) set up for the purposes of a share-based payment arrangement will be required to consolidate that trust. The Amendment also amends the scope exclusion in SIC-12 for post-employment benefit plans to include other long-term employee benefit plans, to ensure consistency with the requirements of IAS 19. At present, SIC-12 does not exclude other long-term employee benefit plans from its scope. However, IAS 19 requires those plans to be accounted for in a manner similar to the accounting for post-employment benefit plans. The amendments are applicable from 1 January 2005.

In December 2004, the IASB issued an amendment to IAS 19, *Employee Benefits*. The IASB took the decision to allow the option of recognising actuarial gains and losses in full in the period in which they occur, outside profit or loss, in a statement of recognised income and expense. The amendments to the standard are applicable from 1 January 2006 with early adoption encouraged.

In December 2004, the IASB issued limited amendments to IAS 39, *Financial Instruments: Recognition and Measurement on the Initial Recognition of Financial Assets and Financial Liabilities*. The amendments provide transitional relief from retrospective application of the 'day one' gain and loss recognition requirements. The revisions allow, but do not require, entities to adopt an approach to transition that is easier to implement than that in the previous version of IAS 39, and will enable entities to eliminate differences between the IASB's Standards and US requirements. The amendments to the standard are applicable from 1 January 2006 with early adoption encouraged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. 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 2004	Average 2003	Closing 2004	Closing 2003
US dollar	1.25	1.14	1.36	1.26
UK sterling	0.68	0.69	0.71	0.70
Polish zloty	4.52	4.40	4.06	4.65
Nigerian naira	166.26	147.39	180.95	172.70
Hungarian forint	250.67	253.72	245.89	260.90
Swiss franc	1.54	1.52	1.54	1.56
Russian rouble	35.76	34.74	37.81	37.13

2. SEGMENTAL ANALYSIS

CCHBC has one business, being the production, distribution and sale of alcohol free, ready-to-drink beverages.

The Group 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, FYROM, Moldova, Nigeria, Romania, Russia, Serbia and Montenegro and Ukraine.

Year ended 31 December	Note	2004 € million	2003 € million
Net sales revenue			
Established		2,245.9	2,189.5
Developing		732.6	712.7
Emerging		1,269.0	1,161.5
Total net sales revenue		4,247.5	4,063.7
EBITDA¹			
Established		332.8	363.6
Developing		105.1	96.9
Emerging		246.4	204.2
Total EBITDA		684.3	664.7
Depreciation of property, plant and equipment			
Established		119.5	116.2
Developing		64.2	63.1
Emerging		105.7	99.2
Total depreciation of property, plant and equipment	9	289.4	278.5
Amortisation of intangible assets			
Established		80.7	86.4
Developing		7.8	7.4
Emerging		18.1	19.0
Total amortisation of intangible assets	8	106.6	112.8

¹Earnings before interest, tax, depreciation, amortisation and other non-cash items

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENTAL ANALYSIS (CONTINUED)

Year ended 31 December	Note	2004 € million	2003 € million
Other non-cash items			
Established		25.3	11.0
Developing		2.9	3.8
Emerging		–	–
Total other non-cash items²		28.2	14.8
Operating profit			
Established		107.5	149.9
Developing		30.1	22.6
Emerging		122.5	86.1
Total operating profit		260.1	258.6
Reconciling items			
Finance costs	5	(64.8)	(48.4)
Unrealised gain on available-for-sale investments	11	0.6	1.2
Share of results of associates	10	1.7	1.6
Taxation	6	(70.9)	(83.0)
Minority interests	28	(14.3)	(14.3)
Net profit		112.4	115.7
Capital additions			
Established		141.8	131.9
Developing		69.3	67.3
Emerging		180.9	165.2
Total capital additions	9	392.0	364.4
Acquisition of intangible assets			
Established		–	78.3
Developing		6.4	6.0
Emerging		0.8	0.6
Total acquisition of intangible assets	8	7.2	84.9
As at 31 December		2004 € million	2003 € million
Assets			
Established		2,463.8	2,525.6
Developing		814.9	796.9
Emerging		1,166.0	1,129.7
Corporate		1,165.0	589.3
Intersegment receivables		(722.2)	(222.6)
Total assets		4,887.5	4,818.9
Liabilities			
Established		1,319.0	1,248.7
Developing		207.3	187.7
Emerging		445.0	519.3
Corporate		1,556.2	1,711.2
Intersegment payables		(715.3)	(800.6)
Total liabilities		2,812.2	2,866.3

² Other non-cash items comprise adjustments to intangible assets (refer to Note 4) and impairment charges to property, plant and equipment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING PROFIT

The following items have been included in arriving at the operating profit, for the years ended 31 December:

	2004 € million	2003 € million
Depreciation of property, plant and equipment (refer to Note 9)	289.4	278.5
Impairment of property, plant and equipment	3.6	–
(Gain) loss on disposal of property, plant and equipment	(1.9)	8.1
Operating lease charges		
Plant and equipment	18.5	14.7
Property	28.3	17.9
Total operating lease charges	46.8	32.6
Provision set aside for doubtful debts	7.8	7.5
Staff costs		
Wages and salaries	522.2	488.5
Social security costs	93.6	96.9
Pension and other employee benefits	126.1	106.9
Termination benefits (refer to Note 21)	36.2	7.5
Total staff costs	778.1	699.8

The average number of full-time equivalent employees in 2004 was 38,219 (2003: 37,553).

4. ADJUSTMENTS TO INTANGIBLE ASSETS

During 2004, the Group recognised deferred tax assets on losses that had previously not been recognised on acquisition of CCB by HBC. In accordance with IAS 12, *Income Taxes*, when deferred tax assets on losses have not been recognised on acquisition and are subsequently recognised, both goodwill and deferred tax assets are adjusted with corresponding entries to operating expense and taxation in the income statement. Therefore, a charge of €24.6m (2003: €14.8m) has been recorded in operating expense, and a deferred tax credit of €24.6m (2003: €14.8m) included within taxation in the income statement.

5. FINANCE COSTS

Net finance costs for the years ended 31 December comprise:

	2004 € million	2003 € million
Interest income	6.7	11.7
Interest expense	(65.2)	(61.5)
Fair value (losses) gains on financial instruments	(1.5)	4.4
Net foreign exchange translation losses	(2.8)	(0.7)
Finance charges paid with respect to finance leases	(2.0)	(2.3)
Total finance costs	(71.5)	(60.1)
Net finance costs	(64.8)	(48.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. TAXATION

For the years ended 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:

	2004 € million	2003 € million
Profit before tax per the income statement	197.6	213.0
Tax calculated at a tax rate of 35%	69.2	74.6
Effect of different tax rates in foreign jurisdictions	(24.8)	(27.9)
Additional local taxes in foreign jurisdictions	7.3	11.4
Tax holidays in foreign jurisdictions	(4.4)	(3.1)
Expenses non-deductible for tax purposes	84.0	74.7
Income not subject to tax	(26.0)	(20.4)
Changes in tax laws and rates	(2.4)	(3.0)
Current year tax losses not recognised	4.1	0.4
Pre-acquisition deferred tax assets recognised subsequent to acquisition of CCB and reflected in goodwill (refer to Note 4)	(24.6)	(14.8)
Utilisation of other previously unrecognised tax losses	(1.3)	(1.6)
Other	(10.2)	(7.3)
Income tax charge per the income statement	70.9	83.0

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

	2004 € million	2003 € million
Current tax charge	110.7	91.1
Deferred tax charge	(15.2)	6.7
Pre-acquisition deferred tax assets recognised subsequent to acquisition of CCB and reflected in goodwill (refer to Note 4)	(24.6)	(14.8)
Total income tax charge	70.9	83.0

7. EARNINGS PER SHARE

For the years ended 31 December, basic earnings per share is calculated by dividing the net profit 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 of the year share price for the year is in excess of the exercise price of the stock option.

	2004	2003
Net profit attributable to shareholders (€ million)	112.4	115.7
Basic and diluted weighted average number of ordinary shares (million)	237.0	236.7
Basic and diluted earnings per share (€)	0.47	0.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

	Goodwill € million	Franchise agreements € million	Water rights € million	Trademarks € million	Total € million
Cost					
As at 1 January 2004	2,459.8	1.9	–	50.9	2,512.6
Additions	–	–	0.3	–	0.3
Arising on recognition of deferred tax assets in connection with the acquisition of CCB (refer to Note 4)	(24.6)	–	–	–	(24.6)
Intangible assets arising on current acquisitions (refer to Note 29)	6.5	–	0.4	–	6.9
Intangible assets arising on prior year acquisitions (refer to Note 29)	9.3	–	0.5	(21.6)	(11.8)
Foreign currency translation	17.7	(0.1)	–	–	17.6
As at 31 December 2004	2,468.7	1.8	1.2	29.3	2,501.0
Amortisation					
As at 1 January 2004	706.5	0.9	–	–	707.4
Charge for the year	105.2	–	–	1.4	106.6
Foreign currency translation	3.6	(0.1)	–	–	3.5
As at 31 December 2004	815.3	0.8	–	1.4	817.5
Net book value as at 1 January 2004	1,753.3	1.0	–	50.9	1,805.2
Net book value as at 31 December 2004	1,653.4	1.0	1.2	27.9	1,683.5

9. 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 2004	811.6	1,909.3	229.7	71.6	3,022.2
Additions	9.0	176.5	48.0	158.5	392.0
Arising on acquisition of subsidiaries	5.0	6.1	2.8	–	13.9
Disposals	(10.9)	(36.0)	(20.5)	–	(67.4)
Impairment	–	(3.6)	–	–	(3.6)
Reclassifications	38.3	108.4	–	(146.7)	-
Foreign currency translation	14.7	9.1	(2.7)	(0.5)	20.6
As at 31 December 2004	867.7	2,169.8	257.3	82.9	3,377.7
Depreciation					
As at 1 January 2004	102.0	937.5	31.9	–	1,071.4
Charge for the year	24.7	234.8	29.9	–	289.4
Disposals	(0.5)	(31.7)	(16.3)	–	(48.5)
Foreign currency translation	4.8	0.4	(0.9)	–	4.3
As at 31 December 2004	131.0	1,141.0	44.6	–	1,316.6
Net book value as at 1 January 2004	709.6	971.8	197.8	71.6	1,950.8
Net book value as at 31 December 2004	736.7	1,028.8	212.7	82.9	2,061.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction include advances for equipment purchases of €25.4m (2003: €14.6m).

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

	2004 € million	2003 € million
As at 1 January	45.4	42.8
Additions	10.0	9.8
Disposals	(0.5)	(0.6)
Depreciation charge	(6.6)	(6.1)
Foreign currency translation	–	(0.5)
As at 31 December	48.3	45.4

Assets held under finance lease have been pledged as security in relation to the liabilities under the finance leases.

10. INVESTMENT IN ASSOCIATES

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

	Country of incorporation	Effective interest held 2004	Effective interest held 2003	Carrying value 2004 € million	Carrying value 2003 € million
Frigoglass Industries Limited	Nigeria	18%	18%	9.5	8.3
Gotalka d.o.o.	Croatia	100%	41%	–	1.9
Other	Switzerland, Poland	50%	50%	0.6	0.5
Total investment in associates				10.1	10.7

The Group holds an effective interest in Frigoglass Industries Limited through a 27.9 % (2003: 27.9%) holding held by Nigerian Bottling Company plc, in which the Group has a 66.2% (2003: 66.2%) interest.

On 28 January 2004, CCHBC completed the acquisition of the Croatian mineral water company Gotalka d.o.o. The acquisition has been accounted for using the purchase method of accounting (refer to Note 29).

Changes in holdings in associates are as follows:

	2004 € million	2003 € million
As at 1 January	10.7	9.3
Purchases of investment in associates	–	2.5
Transfer of investment to wholly owned subsidiary	(1.9)	–
Share of results of associates (net of tax and minority interest)	1.2	1.6
Dividend paid by associate	–	(0.3)
Foreign currency translation	0.1	(2.4)
As at 31 December	10.1	10.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

II. AVAILABLE-FOR-SALE INVESTMENTS

Changes in available-for-sale investments are as follows:

	2004 € million	2003 € million
As at 1 January	15.6	9.8
Purchases	0.5	0.7
Disposals	(6.6)	(1.5)
Arising on acquisition of subsidiaries	–	6.8
Unrealised gain on available-for-sale investments	0.6	1.2
Foreign currency translation	(0.2)	(0.1)
Other movements	–	(1.3)
As at 31 December	9.9	15.6
Non-current investments	9.9	9.2
Current investments	–	6.4
Total available-for-sale investments	9.9	15.6

I2. DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off 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 at 31 December:

	2004 € million	2003 € million
Deferred tax assets	9.8	0.5
Deferred tax liabilities	(73.4)	(108.5)
Total deferred taxation	(63.6)	(108.0)

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

	2004 € million	2003 € million
As at 1 January	(108.0)	(99.5)
Credited (charged) to the income statement	15.2	(6.7)
Credited (charged) to equity	–	(2.1)
Pre-acquisition deferred tax assets in connection with acquisition of CCB, recognised subsequent to business combination and reflected in goodwill (refer to Note 4)	24.6	14.8
Arising on acquisition of subsidiaries	4.2	(17.3)
Transfer from current tax provision	–	(7.4)
Foreign currency translation	0.4	10.2
As at 31 December	(63.6)	(108.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DEFERRED TAXATION (CONTINUED)

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

	2004 € million	2003 € million
Deferred tax assets		
Liabilities and provisions	41.4	36.1
Net operating loss carry-forwards	7.3	6.5
Pensions and employee benefit plans	7.6	9.6
Other deferred tax assets	44.6	29.5
Total gross deferred tax assets	100.9	81.7
Deferred tax liabilities		
Tax in excess of book depreciation	(151.5)	(138.4)
Restatement of non-monetary assets in hyper-inflationary countries	–	(0.1)
Income taxed at preferential rates	(4.0)	(19.8)
Other deferred tax liabilities	(9.0)	(31.4)
Total gross deferred tax liabilities	(164.5)	(189.7)
Net deferred tax liability	(63.6)	(108.0)

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. At 31 December 2004, the Group has unrecognised deferred tax assets, attributable to tax losses that are available to carry forward against future taxable income, of €65.4m (2003: €85.4m). €19.3m of this unrecognised deferred tax asset is attributable to tax losses that expire between 2005 and 2009 and €46.1m is attributable to tax losses that have no expiry period. Additionally, the Group has other unrecognised deferred tax assets of €8.1m (2003: €12.1m) 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.

13. OTHER NON-CURRENT ASSETS

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

	2004 € million	2003 € million
Non-current derivative assets (refer to Note 19)	36.0	–
Non-current prepayments	7.7	5.8
Loans to non-related parties	2.4	2.0
Total other non-current assets	46.1	7.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INVENTORIES

Inventories consist of the following at 31 December:

	2004 € million	2003 € million
Finished goods	125.1	108.9
Raw materials and work in progress	153.9	127.7
Consumables	54.8	58.7
Payments on account	1.1	3.6
Total inventories	334.9	298.9

15. TRADE RECEIVABLES

Trade receivables consist of the following at 31 December:

	2004 € million	2003 € million
Trade debtors	543.5	511.1
Less: provision for doubtful debts	(32.2)	(26.3)
Total trade receivables	511.3	484.8

16. OTHER RECEIVABLES

Other receivables consist of the following at 31 December:

	2004 € million	2003 € million
Receivables from related parties	60.0	57.5
Prepayments	51.4	50.6
Loans to employees	3.7	3.5
VAT and other taxes receivable	12.6	7.4
Other current assets	23.4	27.8
Total other receivables	151.1	146.8

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December comprise the following:

	2004 € million	2003 € million
Cash at bank, in transit and in hand	37.1	39.4
Short term deposits	1.2	–
Total cash and cash equivalents	38.3	39.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents are held in the following currencies:

	2004 € million	2003 € million
Euro	18.5	16.7
Nigerian naira	3.9	12.3
UK sterling	3.5	1.6
Swiss franc	2.2	1.7
FYROM dinar	2.1	0.4
US dollar	2.0	0.8
Russian rouble	1.6	1.6
Polish zloty	1.3	0.7
Other	3.2	3.6
Total cash and cash equivalents	38.3	39.4

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.

18. BORROWINGS

The Group holds the following borrowings at 31 December:

	2004 € million	2003 € million
Bank overdrafts	61.5	50.2
Current portion of long term borrowings	–	296.3
Bonds, bills and unsecured notes	3.1	13.2
Short term borrowings	15.4	26.8
	80.0	386.5
Obligations under finance leases falling due within one year	15.0	10.8
Total borrowings falling due within one year	95.0	397.3
Borrowings falling due within one to two years		
Bonds, bills and unsecured notes	240.1	–
Other borrowings	4.3	2.6
Borrowings falling due within two to five years		
Bonds, bills and unsecured notes	–	578.2
Borrowings falling due in more than five years		
Bonds, bills and unsecured notes	1,177.1	713.8
	1,421.5	1,294.6
Obligations under finance leases falling due in more than one year	32.5	30.8
Total borrowings falling due after one year	1,454.0	1,325.4
Total borrowings	1,549.0	1,722.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS (CONTINUED)

The Group maintains certain committed facilities with banks. The undrawn committed facilities available to the Group at 31 December 2004 are as follows:

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

In March 2002, CCHBC established a €1.0bn global commercial paper programme with various financial institutions to further diversify its short term funding sources. The programme consists of a multi-currency Euro-commercial paper facility and a US dollar denominated US 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, CCHBC replaced its €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 €1.0bn 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 CCHBC. In the aggregate, CCHBC has a maximum available borrowing under the global commercial paper programme and the backstop facility of €1.0bn.

The use of the backstop facility may become subject to a covenant setting a minimum ratio of CCHBC's EBITDA to consolidated net interest expense of at least 3:1 in the event that either CCHBC's credit rating by Standard & Poors falls below BBB+ or CCHBC's credit rating by Moody's does not remain at or above Baa1 or on the event that neither Moody's nor Standard & Poors publish such a rating. CCHBC's current ratings are above those required and accordingly, the Group is currently not subject to financial covenants. As at 31 December 2004, the Group exceeded the required minimum ratio of EBITDA to consolidated net interest expense. EBITDA and net consolidated interest for this purpose are calculated pursuant to CCHBC's financial statements as prepared under IFRS. No amounts have been drawn under this facility.

On 17 September 2003, CCHBC successfully completed, through its wholly owned finance subsidiary Coca-Cola HBC Finance B.V., a US\$900.0m (€660.8m at 31 December 2004 exchange rates) global offering of privately placed notes with registration rights. The first tranche consisted of an aggregate principal amount of US\$500.0m (€367.1m) due in 2013 and the second tranche consisted of an aggregate principal amount of US\$400.0m (€293.7m) due in 2015. The net proceeds of the offering were used to refinance certain outstanding debt, including the repayment of €200.0m bonds which matured on 17 December 2003, the leveraged re-capitalisation of the Group and the acquisition of Römerquelle GmbH. In December 2003, an exchange offer was made by CCHBC in order to effect the exchange of the privately placed notes for similar notes registered with the US Securities and Exchange Commission (SEC). Acceptances under the offer, which was finalised in February 2004, were US\$898.1m. The notes are fully, unconditionally and irrevocably guaranteed by Coca-Cola Hellenic Bottling Company S.A. These notes are not subject to financial covenants.

In December 2003, CCHBC filed a registration statement with the SEC for a shelf registration. The amount registered was US\$2.0bn. As at 20 April 2005, no amounts had been drawn under the shelf registration.

On 12 July 2004, CCHBC announced a successful tender offer for €322.0m of the outstanding debt on the Eurobond which matures in June 2006. On the same date, CCHBC successfully completed, through its wholly owned subsidiary Coca-Cola HBC Finance B.V., a €500.0m bond issue. The issue was completed of the CCHBC's Euro Medium Term Note Programme and has a term of seven years. Proceeds from the new issue were used to finance the tender offer and to partially fund the repayment of the €300.0m Eurobond in December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS (CONTINUED)

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

	2004 € million	2003 € million
Less than one year	15.0	10.8
Later than one year but less than two years	12.1	10.9
Later than two years but less than three years	8.5	8.8
Later than three years but less than four years	4.7	5.4
Later than four years but less than five years	1.5	1.7
Later than five years	5.7	4.0
Present value of finance lease liabilities	47.5	41.6

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

	2004 € million	2003 € million
Less than one year	16.0	12.1
Later than one year but less than two years	13.1	12.3
Later than two years but less than three years	9.6	9.9
Later than three years but less than four years	5.4	6.2
Later than four years but less than five years	2.1	2.0
Later than five years	7.2	5.0
	53.4	47.5
Future finance charges on finance leases	(5.9)	(5.9)
Present value of finance lease liabilities	47.5	41.6

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

	Current 2004 € million	Non-current 2004 € million	Current 2003 € million	Non-current 2003 € million
Euro	45.5	785.7	366.2	608.4
Swiss franc	–	–	0.5	–
US dollar	1.4	664.2	7.2	713.8
UK sterling	7.2	–	4.2	1.0
Polish zloty	14.3	–	2.4	–
Slovak koruna	7.3	–	8.9	–
Nigerian naira	14.2	0.4	0.3	0.8
Other	5.1	3.7	7.6	1.4
Financial liabilities	95.0	1,454.0	397.3	1,325.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS (CONTINUED)

	Fixed interest rate € million	Floating interest rate € million	Total 2004 € million	Fixed rate liabilities weighted average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	768.7	62.5	831.2	4.6%	5.4
Czech koruna	–	0.1	0.1	–	–
US dollar	664.2	1.4	665.6	5.3%	9.9
UK sterling	3.2	4.0	7.2	4.0%	1.0
Polish zloty	–	14.3	14.3	–	–
Slovak koruna	–	7.3	7.3	–	–
Nigerian naira	14.2	0.4	14.6	19.4%	0.7
Other	–	8.7	8.7	–	–
Financial liabilities	1,450.3	98.7	1,549.0	5.1%	7.4

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. Of the total fixed rate debt, 100% of the USD and Euro amounts has been swapped into a floating obligations for the life of the underlying Euro and US bond financings. The USD bond issues have been fully swapped into Euro obligations with no residual currency risk for the life of the respective bonds.

Financial assets consist of cash and cash equivalents of €38.3m in 2004 (2003: €39.4m). 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	6 month LIBOR (London inter-bank offer rate)
US dollar	6 month LIBOR (London inter-bank offer rate)
Euro	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)

19. 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

For primary financial instruments of cash, deposits, investments, short term borrowings and other financial liabilities (other than long term borrowings), fair values equate to book values. For long term borrowings, the fair value is €1,422.0m (2003: €1,601.3m) compared to a book value of €1,421.5m. (2003: €1,590.9m)

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

The fair value of forward contracts is calculated by reference to current forward exchange rates at 31 December 2004 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 application of the Black-Scholes model and implied volatilities.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

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.

During 2004 and 2003, 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.

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 exchange contracts are used to hedge a portion of the Group's anticipated foreign currency denominated expenditures. All of the forward exchange contracts have maturities of less than one year after the balance sheet date and consequently the net fair value of the gains or losses on these contracts will be transferred from the hedging reserve to the income statement at various dates during this period.

Commodities

The Group is exposed to the effect of changes in the price of sugar. To manage a portion of the risk of sugar costs, the Group uses sugar futures contracts traded on regulated futures exchanges. The sugar futures 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 2004 in relation to each class of recognised financial asset, 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
At 31 December 2004		
Current		
Interest rate options	2.2	–
Commodities future contracts	0.8	–
Foreign currency option contracts	–	(0.3)
Forward foreign exchange contracts	5.2	(5.9)
Total current	8.2	(6.2)
Non-current		
Cross currency swaps	–	(143.1)
Interest rate swaps	36.0	–
Total non-current	36.0	(143.1)
At 31 December 2003		
Current		
Interest rate swaps	36.8	(3.5)
Interest rate options	2.3	–
Commodities future contracts	0.3	–
Forward foreign exchange contracts	4.9	(1.0)
Total current	44.3	(4.5)
Non-current		
Cross currency swaps	–	(89.9)
Total non - current	–	(89.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

Net fair values of derivative financial instruments

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

	2004 € million	2003 € million
Contracts with positive fair values		
Commodities future contracts	0.8	0.3
Forward foreign exchange contracts	0.3	2.6
	1.1	2.9
Contracts with negative fair values		
Forward foreign exchange contracts	(3.9)	(0.3)
	(3.9)	(0.3)

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

	2004 € million	2003 € million
Contracts with positive fair values		
Interest rate swaps	35.6	28.7
Forward foreign exchange contracts	–	0.6
	35.6	29.3
Contracts with negative fair values		
Forward foreign exchange contracts	(2.0)	–
	(2.0)	–

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

	2004 € million	2003 € million
Contracts with positive fair values		
Interest rate swaps	0.4	8.1
Interest rate options	2.2	2.3
Forward foreign exchange contracts	4.9	1.7
	7.5	12.1
Contracts with negative fair values		
Interest rate swaps	–	(3.5)
Forward foreign exchange contracts	–	(0.7)
Foreign currency option contracts	(0.3)	–
Cross currency swaps	(143.1)	(89.9)
	(143.4)	(94.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. TRADE AND OTHER LIABILITIES

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

	2004 € million	2003 € million
Trade creditors	194.5	192.9
Payables to related parties	94.8	79.2
Accruals	263.5	256.0
Deposit liabilities	144.3	144.1
Other taxation and social security liabilities	44.3	29.1
Current portion of provisions (refer to Note 21)	27.6	22.9
Derivative liabilities (refer to Note 19)	6.2	4.5
Salaries and employee incentives payable	21.2	20.0
Deferred income	2.8	3.7
Other payables	13.5	5.5
Total trade and other liabilities	812.7	757.9

21. PROVISIONS

Provisions consist of the following at 31 December:

	2004 € million	2003 € million
Current		
Employee benefits	11.9	8.5
Restructuring and other	15.7	14.4
Total current provisions	27.6	22.9
Non-current		
Employee benefits	94.8	88.9
Restructuring and other	39.2	7.5
Total non-current provisions	134.0	96.4
Total provisions	161.6	119.3

The movements in restructuring and other provisions comprise:

	Restructuring 2004 € million	Other provisions 2004 € million	Total 2004 € million	Total 2003 € million
As at 1 January	5.4	16.5	21.9	24.3
Arising during the year	47.0	0.5	47.5	13.8
Utilised during the year	(7.5)	(5.8)	(13.3)	(13.9)
Unused amount reversed	(1.2)	–	(1.2)	–
Foreign currency translation adjustments	–	–	–	(2.3)
As at 31 December	43.7	11.2	54.9	21.9

Restructuring provisions

In 2004, the Group took certain initiatives to consolidate its manufacturing network through rationalising sites, relocating manufacturing lines, and streamlining warehouses. These initiatives focused primarily on the Republic of Ireland and Northern Ireland, Italy, Greece and Austria. As a result of this strategy, the income statement for 2004 includes charges for provisions of € 36.2m for termination benefits (2003: €7.5m), and € 9.6m of other costs (2003: €0.4m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. PROVISIONS (CONTINUED)

Other provisions

These are mainly comprised of a provision for long term onerous contracts of €6.3m in our Russian territories as assessed on acquisition of the subsidiary in 2001. In addition, there are various customs duties, customer and employee claims.

Employee benefits

Employee benefits consist of the following at 31 December:

	2004 € million	2003 € million
Defined benefit plans		
Employee leaving indemnities	80.1	73.9
Pension plans	8.9	10.8
Long service benefits – jubilee plans	8.4	4.4
Total defined benefit plans	97.4	89.1
Other employee benefits		
Annual leave	6.2	4.5
Other employee benefits	3.1	3.8
Total other employee benefits	9.3	8.3
Total employee benefit obligations	106.7	97.4

Employee benefit obligations at 31 December were split between current and non-current as follows:

	2004 € million	2003 € million
Current	11.9	8.5
Non-current	94.8	88.9
Total employee benefit obligations	106.7	97.4

Employees of CCHBC's subsidiaries in Nigeria, Greece, Italy, Bulgaria, Serbia and Montenegro, Croatia, Poland and Austria are entitled to statutory termination benefits generally based on each employee's length of service, employment category and remuneration.

CCHBC's subsidiaries in the Republic of Ireland, Northern Ireland, Greece, Switzerland and Austria sponsor defined benefit pension plans. Of the four plans in the Republic of Ireland, three have plan assets as do the two plans in Northern Ireland, the plan in Greece and the plan in Switzerland. The Austrian plans do not have plan assets.

CCHBC provides long service benefits in the form of jubilee plans to its employees in Austria, Switzerland, Nigeria, Croatia and Poland.

Reconciliation of defined benefit obligation:

	2004 € million	2003 € million
Present value of defined benefit obligation at the beginning of the year	265.7	247.7
Service cost	18.6	17.1
Interest cost	17.1	12.5
Plan participants' contributions	3.4	3.0
Past service cost arising from amendments	(2.4)	0.7
Curtailment/settlement	1.3	–
Arising on acquisition	–	4.2
Benefits paid	(19.4)	(14.7)
Actuarial loss	18.1	4.6
Foreign currency translation	(1.2)	(9.4)
Present value of defined benefit obligation at end of year	301.2	265.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. PROVISIONS (CONTINUED)

Reconciliation of Plan assets:

	2004 € million	2003 € million
Fair value of plan assets at the beginning of the year	143.7	128.8
Expected return on plan assets	8.4	6.2
Actual employers contributions	7.3	8.8
Actual participants contributions	3.4	3.0
Actual benefits paid	(5.9)	(4.8)
Asset gain/(loss)	(1.5)	2.4
Foreign currency translation	0.5	(0.7)
Fair value of plan assets at end of year	155.9	143.7

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

	2004 € million	2003 € million
Present value of funded obligations	190.3	166.1
Fair value of plan assets	(155.9)	(143.7)
	34.4	22.4
Present value of unfunded obligations	110.9	99.6
Unrecognised actuarial loss	(49.8)	(32.2)
Unrecognised past service (cost)/benefit	1.9	(0.7)
Net defined benefit obligations	97.4	89.1
Actual return on plan assets	6.9	8.6

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

	2004 € million	2003 € million
As at 1 January	89.1	82.7
Expense recognised in the income statement	29.9	25.5
Employer contributions	(7.3)	(8.8)
Benefits paid	(13.5)	(9.9)
Arising on acquisition	–	3.9
Foreign currency translation	(0.8)	(4.3)
As at 31 December	97.4	89.1

The weighted average assumptions used in computing the net benefit obligation consist of the following for the years ended 31 December:

	2004 %	2003 %
Discount rate	5.54	5.84
Rate of compensation increase	4.62	4.60
Pension increases	0.60	0.56

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. PROVISIONS (CONTINUED)

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

	2004 € million	2003 € million
Current service cost	18.6	17.1
Interest cost	17.1	12.5
Expected return on plan assets	(8.4)	(6.3)
Amortisation of unrecognised actuarial obligation loss	1.0	2.2
Amortisation of unrecognised past service costs	0.3	–
Curtailement/settlement	1.3	–
Total	29.9	25.5

The total defined benefit plan expenditure is included in staff costs. The expenses for defined benefit plans and other post-employment benefits are allocated to the appropriate headings of expenses by function.

The weighted average assumptions used in computing the net periodic benefit cost consist of the following for the years ended 31 December:

	2004 %	2003 %
Discount rate	5.84	5.51
Expected return on assets	5.52	5.76
Rate of compensation increase	4.60	4.28
Pension increases	0.56	0.65

Plan assets are invested as follows:

	2004 %	2003 %
Asset category		
Equity securities	45	43
Debt securities	48	48
Real estate	3	5
Cash	4	3
Other	–	1
Total	100	100

The total employer contributions expected to be paid in 2005 is €7.7m

Equity securities include ordinary shares in CCHBC in the amount of €0.3m (0.2% of the plan assets) and €0.2m (0.1% of the plan assets) as at 31 December 2004 and 2003 respectively.

Defined contribution plans

The expense recognised in the income statement in 2004 for the defined contribution plans is €6.5m (2003: €6.0m). This is included in staff costs and recorded in cost of sales, selling, delivery and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. CONTINGENCIES

Over the past five years, the Directorate General for Competition of the European Commission has been conducting an investigation into various commercial practices of TCCC and certain Coca-Cola Bottlers in Austria, Belgium, Denmark, Germany and Great Britain regarding possible abuse of a dominant position.

In 2004, together with TCCC and other Coca-Cola bottlers, CCHBC and the Commission have conducted a dialogue to identify and address the commercial practices under review by the Commission. As a part of this dialogue, CCHBC submitted draft proposals incorporating undertakings that address all such practices in the European Union. On 19 October 2004, the European Commission announced that it has accepted this undertaking as a basis for terminating its investigation. The Commission also advised that it intends to formalise the undertaking as a legally binding commitment. The undertaking will potentially apply in 27 European countries, covering those channels of distribution where The Coca-Cola Company-branded carbonated soft drinks account for over 40% of national sales and twice the nearest competitor's share.

The Greek Competition Authority issued a decision in 2002, imposing a fine on the Company of approximately €2.9 million and requiring changes in the Company's commercial practices in respect of free-on-loan coolers in certain outlets in Greece. The fine related to the Company's dealings with certain wholesalers during the period 1991–1999. Both the Company and various complainants appealed this decision. On 26 June 2004, the Athens Administrative Court of Appeal rejected all appeals by the various complainants and partly accepted the Company's appeal insofar that it reduced the amount of the fine imposed on the Company by the Greek Competition Authority to €1.8 million. In relation to the case, one of the Company's competitors has filed a lawsuit claiming damages in the amount of €7.7 million. At present it is not possible to predict the outcome of this lawsuit or quantify the likelihood or materiality of any potential liability arising from it.

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 2004, such issues were successfully resolved in Poland. The Company still has similar issues outstanding before the Romanian Custom Authorities. At this time, it is not possible to quantify the risk of a negative outcome in these cases.

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

The tax filings of CCHBC and its subsidiaries are routinely subjected to audit by tax authorities in most of the jurisdictions in which the Group conducts business. These audits may result in assessments of additional taxes. Additional tax is provided for by the Group in relation to the outcome of such tax assessments, to the extent that a liability is probable and estimable.

23. COMMITMENTS

(a) Operating leases

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

	2004 € million	2003 € million
Less than one year	21.5	21.7
Later than one year but less than five years	35.4	37.9
Later than five years	7.3	7.2
Future minimum lease payments	64.2	66.8

(b) Capital commitments

At 31 December 2004, the Group had capital commitments amounting to €62.3m (2003: €54.4m).

(c) Long term purchase commitments

As at 31 December 2004, the Group had commitments to purchase raw materials amounting to €167.0m (2003: €140.9m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (authorised and issued)	Share capital € million	Share premium € million	Total € million
As at 1 January 2003	236,668,596	73.4	2,140.7	2,214.1
Capitalisation of share premium reserve	–	518.3	(518.3)	–
Return of capital to shareholders	–	(473.3)	–	(473.3)
Expenses relating to return of capital to shareholders (net of tax of €2.1m)	–	–	(4.0)	(4.0)
Stock issued to employees exercising stock options	256,681	0.1	3.3	3.4
As at 31 December 2003	236,925,277	118.5	1,621.7	1,740.2
Stock issued to employees exercising stock options	1,334,852	0.6	18.6	19.2
As at 31 December 2004	238,260,129	119.1	1,640.3	1,759.4

There is only one class of shares, of which the par value is €0.50. Each share provides the right to one vote at general meetings of CCHBC and entitles the holder to dividends declared by CCHBC.

On 22 December 2004, CCHBC's Board of Directors resolved to increase the share capital of the Company by a total of 1,344,852 ordinary shares, following the exercise of stock options by option holders pursuant to the Company's stock option plan. Proceeds from the issue of the shares were €19.2m.

On 23 December 2003, CCHBC's Board of Directors resolved to increase the share capital of the Company by 256,681 ordinary shares, following the exercise of stock options by option holders pursuant to the Company's stock option plan. Proceeds from the issue of the shares were €3.4m.

The authorised share capital of CCHBC was increased by €518.3m at the Extraordinary General Meeting of the Company through the capitalisation of the share premium reserve and respective increase of par value of the shares from €0.31 per share to €2.50. The share capital increase was approved by shareholders at an Extraordinary General Meeting held on 15 September 2003. The increase was approved by the Greek Ministry of Development on 24 September 2003 and completed on 1 October 2003 with the payment of necessary taxes.

At the second Extraordinary General Meeting held on 31 October 2003, shareholders approved a share capital decrease of €473.3m (or a decrease of the shares' par value from €2.50 to €0.50) and the return of €2.00 per share to all shareholders. The capital repayment was financed with the net proceeds from the global offering of notes (refer to note 18).

25. SHARES HELD FOR 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, CCHBC matches the contribution of the employees resident in Greece with an annual employer contribution of up to 5% of salary, which we make in December, and matching shares purchased in December vest immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. SHARES HELD FOR EQUITY COMPENSATION PLAN (CONTINUED)

During 2004, 106,021 shares were purchased by CCHBC (2003: 120,846) as matching shares to employee investments. The charge to the income statement totalled €2.1m (2003: €1.1m). Of this amount, €0.6m represented employer contributions made for Greek resident employees (2003: €0.4m). The cost of unvested matching shares held by the trust at the end of 2004, before they vest to employees, was €1.2m (2003: €1.5m). The total number of shares held by the trust at 31 December 2004 was 763,522 (2003: 811,431). The total contribution made by employees to the trust during 2004 was €2.3m (2003: €2.3m).

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.

26. RESERVES

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

	2004 € million	2003 € million
Exchange equalisation reserve	60.0	23.0
Hedging reserve (net of deferred tax of €0.2m; 2003: €0.3m)	(3.4)	2.3
Tax-free reserve	197.0	230.1
Statutory reserve	49.8	46.4
Other reserves	63.0	18.3
Total reserves	366.4	320.1

Exchange equalisation reserve

The exchange equalisation reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities not reporting in the Group's reporting currency, the Euro.

Hedging reserve

Hedging reserve reflects changes in the fair values of derivatives accounted for as cash flow hedges, net of the deferred tax related to such balances.

Tax-free reserve

Tax-free reserve includes investment tax incentive and other tax-free partially taxed reserves of the parent entity, Coca-Cola Hellenic Bottling Company S.A. The tax-free reserve may be distributed if taxed, where applicable.

Statutory and other reserves

Statutory and other reserves are particular to the various countries the Group operates in. The amount of statutory reserves of the parent entity, Coca-Cola Hellenic Bottling Company S.A., on which there are restrictions on distribution is €27.5m (2003: €25.6m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. DIVIDENDS

The directors propose a dividend of €0.28 per share (totalling €66.3m) for the year ended 31 December 2004. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 17 June 2005. 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 2005.

During 2004, a dividend of €0.20 per share (totalling €47.5m) was paid in respect of the dividend declared for the years ended 31 December 2003 and 2002.

28. MINORITY INTERESTS

The movements in minority interests are as follows:

	2004 € million	2003 € million
As at 1 January	80.8	89.9
Share of net profit of subsidiaries	14.3	14.3
Dividends declared	(5.3)	(6.0)
Adjustment to acquisition value of subsidiaries acquired in 2002	–	(0.5)
Acquisition of shares held by minority interests	0.1	(7.6)
Reinvestment of dividend into minority shares	(0.2)	0.3
Foreign currency translation	(2.0)	(9.6)
As at 31 December	87.7	80.8

29. BUSINESS COMBINATIONS

During 2004, the Group acquired controlling interests or increased its controlling interest in the following entities:

	Location	Effective date of acquisition 2004	Net tangible assets applicable € million	Goodwill arising € million	Water rights € million	Amount of consideration € million
Gotalka d.o.o.	Croatia	28.01.2004	1.4	6.0	0.4	7.8
Acquisition of minority interests	Latvia, Romania, Serbia and Montenegro, Croatia		0.1	0.5	–	0.6
Total acquisitions during 2004			1.5	6.5	0.4	8.4

	€ million
Total consideration	8.4
Less: payments made for investment in Gotalka and acquisition costs in prior years	(5.2)
Less: cash and cash equivalent balances acquired	(0.1)
Less: cash payment deferred until 2005-2008	(0.6)
Plus: pre-acquisition dividend paid to shareholders of Römerquelle	0.2
Plus: other cash payments deferred from 2003	0.4
Cash outflow included in cash flow	3.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BUSINESS COMBINATIONS (CONTINUED)

2004

(a) Acquisition of Gotalka d.o.o.

On 28 January 2004, CCHBC completed the acquisition of 100% of the shares of the Croatian mineral water company Gotalka d.o.o. Total consideration for the acquisition was €7.2 million (excluding acquisition costs). The acquisition includes a production facility at Budinscina and the mineral water brands Bistra, Gotalka and Claria.

The acquisition of Gotalka d.o.o. was finalised in 2004 and was accounted for using the purchase method of accounting. Prior to 2004 the investment was accounted for as an investment in associates (refer to Note 10).

Cash consideration paid to the former shareholders of the subsidiary and acquisition costs in 2004 was €2.0m (prior to 2004: €1.9m was paid for the acquisition of 41% of the shares and €3.3m was prepaid for the acquisition of the remaining 59% of the shares), €0.6m is deferred until 2005-2008.

Details of the acquisition are as follows:

	€ million
Property, plant and equipment	2.5
Cash and cash equivalents	0.1
Current liabilities	(1.2)
Fair value of net tangible assets acquired	1.4
Water rights	0.4
Goodwill arising on acquisition	6.0
Fair value of net assets acquired	7.8
Cash paid to former shareholders	7.2
Costs of acquisition	0.6
Total consideration	7.8

The acquisition has resulted in the Group recording €6.0m of goodwill and €0.4m of water rights in its developing countries segment. The contribution of Gotalka d.o.o. to the results of the Group for the year ended 31 December 2004 was €5.3m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BUSINESS COMBINATIONS (CONTINUED)

2003

(a) Acquisition of Multivita sp. z o.o.

On 2 October 2003, CCHBC completed the acquisition of 50% of the shares of the Polish mineral water company, Multivita sp. z o.o. ('Multivita'), in a joint acquisition with TCCC. Total consideration for the acquisition was €21.0m (excluding acquisition costs), of which CCHBC's share was €10.5m. The acquisition comprised a production facility at Tylicz and the company's mineral water brands.

CCHBC acquired the business except for the trademark, which was acquired by TCCC. The acquisition has been accounted for using the purchase method of accounting.

Further adjustments have been made in 2004, as additional information has become available that assists in determining the fair values at acquisition.

Details of the acquisition are as follows:

	As reported 2003 € million	Adjustments 2004 € million	Final fair values € million
Property, plant and equipment	5.4	(1.7)	3.7
Other non-current assets	0.4	(0.1)	0.3
Inventories	0.2	–	0.2
Short term borrowings	(0.7)	–	(0.7)
Other current liabilities	(0.3)	–	(0.3)
Fair value of net tangible assets acquired	5.0	(1.8)	3.2
Goodwill arising on acquisition	6.0	1.8	7.8
Fair value of net assets acquired	11.0	–	11.0
Cash paid to former shareholders	10.5	–	10.5
Costs of acquisition	0.5	–	0.5
Total consideration	11.0	–	11.0

The contribution of Multivita to the results of the Group was negligible for the year ended 31 December 2003. The acquisition has resulted in the Group recording €7.8m of goodwill in its developing countries segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of Römerquelle GmbH

On 5 December 2003, CCHBC acquired 100% of the shares of the Austrian mineral water company, Römerquelle GmbH ('Römerquelle'). Total consideration for the acquisition was €63.3m (excluding acquisition costs), with the assumption of debt of an additional €6.4m. The acquisition comprised production facilities at Edelstal and Pöttsching and the mineral water and wellness brands Römerquelle and Markusquelle.

The acquisition has been accounted for using the purchase method of accounting.

Further adjustments have been made in 2004, as additional information has become available that assists in determining the fair values at acquisition.

	As reported 2003 € million	Adjustments 2004 € million	Final fair values € million
Property, plant and equipment	25.5	13.2	38.7
Long term investments	0.4	–	0.4
Other non-current assets	0.9	0.1	1.0
Inventories	2.6	–	2.6
Short term investments	6.4	–	6.4
Cash and cash equivalents	0.1	–	0.1
Other current assets	7.8	(0.9)	6.9
Short term borrowings	(6.4)	–	(6.4)
Other current liabilities	(20.2)	(2.3)	(22.5)
Deferred tax	–	(3.2)	(3.2)
Other non-current liabilities	(4.2)	–	(4.2)
Fair value of net tangible assets acquired	12.9	6.9	19.8
Trademarks	50.9	(25.5)	25.4
Water rights	–	0.5	0.5
Deferred tax liability on intangible assets	(17.3)	8.5	(8.8)
Goodwill arising on acquisition	17.3	10.0	27.3
Fair value of net assets acquired	63.8	0.4	64.2
Cash paid to former shareholders	63.3	–	63.3
Costs of acquisition	0.5	0.4	0.9
Total consideration	63.8	0.4	64.2

The contribution of Römerquelle to the results of the Group was negligible for the year ended 31 December 2003. The acquisition has resulted in the Group recording €27.3m of goodwill €25.4m of trademarks and €0.5m of water rights in its established countries segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of Tsakiris S.A.

On 30 December 2003, CCHBC acquired 100% of the shares of the Greek potato chip company, Tsakiris S.A. ('Tsakiris'), from Plias S.A. (refer to Note 33). Cash consideration for the acquisition was €6.2m, with the assumption of debt of an additional €9.3m.

The acquisition has been accounted for using the purchase method of accounting.

Further adjustments have been made in 2004, as additional information has become available that assists in determining the fair values at acquisition.

Details of the acquisition are as follows:

	As reported 2003 € million	Adjustments 2004 € million	Final fair values € million
Property, plant and equipment	4.5	–	4.5
Inventories	0.3	–	0.3
Cash and cash equivalents	0.5	–	0.5
Other current assets	3.3	–	3.3
Short term borrowings	(9.3)	–	(9.3)
Other current liabilities	(2.1)	–	(2.1)
Non-current liabilities	(1.1)	–	(1.1)
Fair value of net tangible assets acquired	(3.9)	–	(3.9)
Trademark	–	3.9	3.9
Deferred tax liability on intangible assets	–	(1.4)	(1.4)
Goodwill arising on acquisition	10.1	(2.5)	7.6
Fair value of net assets acquired	6.2	–	6.2
Cash paid to former shareholders	6.2	–	6.2
Costs of acquisition	–	–	–
Total consideration	6.2	–	6.2

The contribution of Tsakiris to the results of the Group was negligible for the year ended 31 December 2003. The acquisition has resulted in the Group recording €7.6m of goodwill and €3.9m of trademarks in its established countries segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. DIRECTORS' REMUNERATION

The total remuneration paid to our directors and the senior management team during 2004 amounted to €6.3m (2003: €6.8m). Pension and post employment benefits for directors and for the senior management team during 2004 amounted to €0.8m (2003: €3.0m).

The total number of stock options granted to our managing director and the senior management team amounted to 0.5m (2003: 0.4m).

31. STOCK OPTION COMPENSATION PLANS

CCHBC operates a stock-based compensation plan, under which senior managers are granted awards of stock options, based on an employee's performance and service period. Options are granted at an exercise price of the average mid-price of the Company's shares at close of trading on the Athens 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.

When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (at the nominal value) and share premium. There is no charge to the income statement for employee stock option awards.

The following table summarises information on stock options outstanding exercised during 2004 and exercisable at 31 December 2004. The table also reflects revisions made by the Company to stock option exercise prices to reflect the impact of the re-capitalisation of the Company (refer to Note 24 for further details):

	Exercise price before re-capitalisation €	Exercise price after re-capitalisation €	Vesting status 2004	Vesting dates for further increments			End of option period	Number of stock options outstanding
2001 Stock Option Plan								
Sub Plan 1	25.06	23.32	fully vested	–	–	–	11.07.2008	310,148
Sub Plan 2	22.71	20.97	fully vested	–	–	–	29.09.2008	20,997
Sub Plan 3	18.80	17.06	fully vested	–	–	–	08.12.2009	552,715
Sub Plan 4	16.22	14.68	fully vested	–	–	–	12.12.2010	1,774,976
Sub Plan 5	13.35	12.08	fully vested	–	–	–	27.06.2011	20,000
Sub Plan 6	16.05	14.53	fully vested	–	–	–	12.12.2011	1,118,433
2003 A Plan	14.31	12.95	two-thirds	11.12.2005	–	–	10.12.2012	303,920
2003-2004 Plan / 2003 Grant	n/a	16.76	one-third	15.12.2005	15.12.2006	–	14.12.2013	670,833
2003-2004 Plan / 2004 Grant	n/a	18.63	none	03.12.2005	03.12.2006	03.12.2007	02.12.2014	734,850
Total								5,506,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. STOCK OPTION COMPENSATION PLANS (CONTINUED)

A summary of stock option activity under all plans is as follows:

	Number of stock options 2004	Weighted average exercise price ³ 2004	Number of stock options 2003	Weighted average exercise price ³ 2003
Outstanding on 1 January	6,441,396	15.42	5,724,958	15.40
Granted ⁴	734,850	18.63	1,423,900	14.84
Exercised	(1,334,852)	14.39	(256,681)	13.14
Forfeited	(334,522)	15.85	(450,781)	14.59
Outstanding on 31 December	5,506,872	16.07	6,441,396	15.42
Exercisable on 31 December	4,241,912	15.65	4,826,028	15.52

The Company adopted the 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.

32. STOCK APPRECIATION RIGHTS

The Company operates a stock-based compensation plan, under which certain key employees are granted stock appreciation rights (SARs), based on an employee's performance and service period. The terms of the SARs are based upon the basic terms and conditions of stock option grants, except that instead of shares, the holders receive a payment equal to the difference between the market price of CCHBC's shares at the date of exercise and the exercise price. SARs vest in one-third increments each year for three years and can be exercised for up to ten years from the date of award.

The following table summarises information on SARs outstanding. The table also reflects revisions made by the Company to the SARs exercise price to reflect the impact of the re-capitalisation of the Company:

	Exercise price before re-capitalisation €	Exercise price after re-capitalisation €	Vesting status 2004	Vesting dates for further increments			End of exercise period	Number of SARs outstanding
Phantom Option Plan								
1998 A	25.06	23.32	fully vested	–	–	–	11.07.2008	164,315
1998 B	22.71	20.97	fully vested	–	–	–	29.09.2008	421
1999	18.8	17.06	fully vested	–	–	–	08.12.2009	138,276
2000	16.22	14.68	fully vested	–	–	–	12.12.2010	151,500
2001	16.05	14.53	fully vested	–	–	–	12.12.2011	97,900
2002	14.31	12.95	two-thirds	11.12.2005	–	–	10.12.2012	19,500
2003-2004	n/a	16.76	one-third	15.12.2005	15.12.2006	–	14.12.2013	20,000
2004	n/a	18.63	none	03.12.2005	03.12.2006	03.12.2007	02.12.2014	22,150
Total								614,062

³ Adjusted to reflect adjustments in the exercise prices due to re-capitalisation – refer to Note 24 for further details

⁴ Including converted stock appreciation rights (SARs) – refer to Note 32 for further details

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. STOCK APPRECIATION RIGHTS (CONTINUED)

A summary of SARs activity under all plans is as follows:

	Number of SARs 2004	Weighted average exercise price ⁴ 2004	Number of SARs 2003	Weighted average exercise price ⁵ 2003
Outstanding on 1 January	837,907	17.02	1,631,828	15.30
Granted	22,150	18.63	20,000	16.76
Exercised	(243,155)	15.56	–	n/a
Converted into stock options	–	–	(718,900)	12.95
Forfeited	(2,840)	16.43	(95,021)	18.14
Outstanding on 31 December	614,062	17.66	837,907	17.02
Exercisable on 31 December	574,077	17.69	763,674	17.24

The compensation expense relating to SARs recorded for 2004 amounted to €1.0m (2003: €0.9m).

33. RELATED PARTY TRANSACTIONS

(a) The Coca-Cola Company

As at 31 December 2004, TCCC indirectly owned 56,741,386 shares in CCHBC. This represented 23.8% (2003: 23.9%) of the issued share capital of CCHBC. TCCC considers CCHBC to be a 'key bottler', and has entered into bottler's agreements with CCHBC in respect of each of CCHBC's territories. 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 terms of the bottler's agreements grant CCHBC's territories the right to produce and the exclusive right to sell and distribute the beverages of TCCC. Consequently, CCHBC is obliged to purchase all its requirements for concentrate for TCCC's beverages from TCCC, or its designee, in the ordinary course of business. These agreements extend to 2013 and may be renewed at TCCC's discretion until 2023.

TCCC owns or has applied for the trademarks that identify its beverages in all of CCHBC's countries. TCCC has 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 from TCCC and its subsidiaries during the year amounted to €910.8m (2003: €908.8m).

TCCC makes discretionary marketing contributions to CCHBC's operating subsidiaries. The participation in shared marketing agreements is 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's beverages. Total contributions received from TCCC for marketing and promotional incentives during the year amounted to €47.0m (2003: €41.2m). Contributions for price support and marketing and promotional campaigns in respect of specific customers are recorded in net sales revenue as an offset to promotional incentives paid to customers. In 2004, such contributions totalled €21.1m (2003: €19.0m). Contributions for general marketing programmes are recorded as an offset to selling expenses. In 2004, these contributions totalled €25.9m (2003: €22.2m). 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.

In addition, support payments received from TCCC for the placement of cold drink equipment were €15.0m (2003: €22.5m).

The Company purchased €0.8m of fixed assets from TCCC in 2004. No fixed assets were purchased in 2003.

During the year, the Company sold €8.4m of finished goods and raw materials to TCCC (2003: €7.0m).

Other income primarily comprises rent, facility and other costs of €1.7m (2003: €6.8m) and, in 2003, a toll filling relationship in Hungary of €4.9m (2004: nil). Other expenses relate to facility costs charged by TCCC, a toll filling relationship and shared costs. These other expenses amounted to €4.2m (2003: €14.6m). With the exception of the toll-filling arrangement, amounts are included in selling, delivery and administrative expenses.

⁵ Adjusted to reflect adjustments in the exercise prices due to re-capitalisation - refer Note 24 for further details

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTIONS (CONTINUED)

In 2004, the Company sold trademarks to TCCC for €11.2m. Of this, €8.6m related to the sale of Gotalka water brands, and the remainder to the sale of the Bosnian water brand, 'Olimpija'. As at 31 December 2004, the €2.6m payment for the Olimpija brand was still outstanding. In 2003, the Company received €7.6m from TCCC for the sale of trademarks. Of this, €2.3m related to the sale of the water brand trademark 'Dorna' in 2003. The remainder related to the sale of the water brand trademark 'Naturaqua' in 2002. The consideration received for 'Naturaqua' 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.

At 31 December 2004, the Company had a total of €45.9m (2003: €49.6m) due from TCCC, and a total amount due to TCCC of €69.4m (2003: €68.5m).

b) Frigoglass S.A. ('Frigoglass')

Frigoglass, a company listed on the Athens Stock Exchange, is a manufacturer of coolers, PET resin, glass bottles, crowns and plastics. Frigoglass is related to CCHBC by way of 44.1% ownership by The Kar-Tess Group (see below). Frigoglass has a controlling interest in Frigoglass Industries Limited, a company in which CCHBC has an 18% effective interest, through its investment in Nigerian Bottling Company plc.

Under the terms of a supply agreement entered into in 1999, and extended in 2004 on substantially similar terms, CCHBC is obliged to obtain at least 60% (at prices which are negotiated on an annual basis and which must be competitive) of its annual requirements for coolers, glass bottles, PET resin, PET preforms, as well as plastic closures, crates, sleeves and labels from Frigoglass. The current agreement expires on 31 December 2008. CCHBC has the status of most favoured customer of Frigoglass, on a non-exclusive basis.

During the year, the Group made purchases of €166.6m (2003: €155.9m) of coolers, raw materials and containers from Frigoglass and its subsidiaries. As at 31 December 2004, CCHBC owed €17.6m (2003: €9.5m) to Frigoglass and was owed €0.7m (2003: €0.3m).

(c) Directors

Mr George A. David, Mr Haralambos K. Leventis, Mr Leonidas Ioannou and Mr Anastassios P. 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 30).

d) Other

Beverage Partners Worldwide ('BPW')

BPW is a 50/50 joint venture between TCCC and Nestlé. During 2004, the Group purchased inventory from BPW amounting to €27.8m (2003: €21.4m). As at 31 December 2004, CCHBC owed €1.2m (2003: €0.1m) to BPW and was owed €2.0m (2003: €1.2m).

The Kar-Tess Group

The Kar-Tess Group owned 71,848,182 shares in CCHBC as at 31 December 2004. This represented 30.2% (2003: 30.3%) of the issued share capital of CCHBC.

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 2004, CCHBC's Nigerian subsidiary purchased chemicals, raw materials, spare parts and fixed assets totalling €6.8m (2003: €18.3m) and incurred rental expenses of €0.9m (2003: €1.0m). At 31 December 2004, the Group owed €0.8m (2003: €0.9m) and was owed €0.1m (2003: €0.1m).

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

Plias is related to CCHBC by way of some common shareholdings. During the year, the Group sold €3.8m of finished goods to Plias (2003: €14.9m), and purchased €2.3m of fixed assets (2003: €1.1m), from Plias. At 31 December 2004, Plias owed €11.3m to the Group (2003: €6.3m) and was owed €5.7m (2003: nil).

On 30 December 2003, CCHBC completed the acquisition of 100% of the shares of the Greek potato chip company, Tsakiris S.A. from Plias. Cash consideration of €6.2m was paid to Plias in December 2003 (refer to Note 29 for further details).

Other Coca-Cola Bottlers

The Group purchased €1.6m of finished goods from other Coca-Cola bottlers in which TCCC has significant influence (2003: €1.1m). At 31 December 2004, the Group owed €0.1m (2003: €0.2m) and was owed nothing (2003: €0.3m).

There are no material transactions with other related parties for the year ended 31 December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. LIST OF PRINCIPAL SUBSIDIARY UNDERTAKINGS

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

	Country of registration	% ownership	
		2004	2003
3E (Cyprus) Limited	Cyprus	100.0%	100.0%
AS Coca-Cola HBC Eesti	Estonia	100.0%	100.0%
Balkaninvest Holdings Limited	Cyprus	100.0%	100.0%
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 and Herzegovina	100.0%	100.0%
CCB Services Limited	England and Wales	100.0%	100.0%
CCBC Services Limited	Republic of Ireland	100.0%	100.0%
Chisinau Beverage Services S.R.L.	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.	Italy	100.0%	100.0%
Coca-Cola Beverages (Hungary) Kft	Hungary	100.0%	100.0%
Coca-Cola Beverages AG	Switzerland	99.9%	99.9%
Coca-Cola Beverages Austria GmbH	Austria	100.0%	100.0%
Coca-Cola Beverages Belorussiya	Belarus	100.0%	100.0%
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia and 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 HBC Polska sp. z o.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%	100.0%
Coca-Cola Beverages Ukraine Ltd	Ukraine	100.0%	100.0%
Coca-Cola Bottlers (Ulster) Limited	Northern Ireland	100.0%	100.0%
Coca-Cola Hellenic Bottling Company Armenia	Armenia	90.0%	90.0%
Coca-Cola Bottlers Chisinau S.R.L.	Moldova	100.0%	100.0%
Coca-Cola Bottlers Iasi S.A.	Romania	99.2%	99.2%
Coca-Cola Bottlers Oryel LLC	Russia	100.0%	100.0%
Coca-Cola Bottling Company (Dublin) Limited	Republic of Ireland	100.0%	100.0%
Coca-Cola Bottling Enterprise Galati S.A.	Romania	100.0%	92.9%
Coca-Cola HBC Bulgaria AD	Bulgaria	85.4%	85.4%
Coca-Cola HBC Finance B.V.	The Netherlands	100.0%	100.0%
Coca-Cola HBC Finance plc	England and Wales	100.0%	100.0%
Coca-Cola HBC Kosovo L.L.C.	Kosovo	100.0%	100.0%
Coca-Cola HBC Romania Ltd	Romania	100.0%	100.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. LIST OF PRINCIPAL SUBSIDIARY UNDERTAKINGS (CONTINUED)

	Country of registration	% ownership	
		2004	2003
Coca-Cola Magyarország Itálok Kft	Hungary	100.0%	100.0%
Coca-Cola Molino Beverages Limited	Cyprus	100.0%	100.0%
Deepwaters Investments Limited	Cyprus	50.0%	50.0%
Dorna Apemin S.A.	Romania	49.9%	49.9%
Dorna Investments Limited	Guernsey	50.0%	50.0%
Dunlogan Limited	Northern Ireland	100.0%	100.0%
Elxym S.A.	Greece	100.0%	100.0%
Coca-Cola HBC Srbija A.D. Zemun	Serbia	89.1%	88.8%
Coca-Cola HBC Crna Gora d.o.o. Podgorica	Montenegro	89.1%	88.8%
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 HBC Eurasia	Russia	100.0%	100.0%
LLC Coca-Cola Stavropolye Bottlers	Russia	100.0%	100.0%
LLC Coca-Cola Vladivostok Bottlers	Russia	100.0%	100.0%
Molino Beverages Holding S.à.r.l.	Luxembourg	100.0%	100.0%
MTV West Kishinev Bottling Company S.A.	Moldova	100.0%	100.0%
Nigerian Bottling Company pl	Nigeria	66.2%	66.2%
Panpak Limited	Republic of Ireland	100.0%	100.0%
Römerquelle GmbH	Austria	100.0%	100.0%
S.C. Cristalina S.A.	Romania	42.4%	33.4%
SIA Coca-Cola HBC Latvia	Latvia	100.0%	96.0%
Softbev Investments Limited	Cyprus	100.0%	100.0%
Softbul 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%
Telorex S.A.	Greece	100.0%	100.0%
Tsakiris S.A.	Greece	100.0%	100.0%
UAB Coca-Cola HBC Lietuva	Lithuania	100.0%	100.0%
Valser Mineralquellen AG	Switzerland	99.9%	99.9%

Brewinvest S.A. is accounted for using the proportional consolidation method. For further details, refer to Note 35.

Completion of the acquisition of the following subsidiary undertakings took place on 28 January 2004:

Gotalka. d.o.o. The company was merged with Coca-Cola Beverages Hrvatska d.d. on 30 July 2004
(refer to Notes 29 (a) and 10).

Croatia **100.0%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. JOINT VENTURE

The Group 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.

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:

	2004 € million	2003 € million
Balance sheet		
Non-current assets	58.1	56.4
Current assets	19.6	15.1
Total assets	77.7	71.5
Non-current liabilities	(4.3)	(2.2)
Current liabilities	(13.0)	(12.4)
Total liabilities	(17.3)	(14.6)
Net assets	60.4	56.9
Income statement		
Net sales revenue	44.6	46.2
Profit before taxation	6.3	5.3
Taxation	(1.0)	(0.8)
Net profit	5.3	4.5

36. POST-BALANCE SHEET EVENTS

On 15 March 2005, CCHBC announced its intention to acquire the Serbian mineral water company, Vlasinka, jointly with TCCC. The acquisition includes a production facility at Surdulica in Southern Serbia and the mineral water brand 'Rosa'. Total consideration for the acquisition will be €18.3m (excluding acquisition and other costs), of which the CCHBC's share is €9.2m. The acquisition was completed on 14 April 2005.

On 31 March 2005, CCHBC announced that it had reached an agreement to acquire Multon, a leading juice producer, in a joint acquisition with TCCC. Multon has production facilities in Moscow and St. Petersburg and produces and distributes juice products under the brands 'Rich', 'Nico' and 'Dobry'. Total consideration for the acquisition will be \$501.0m (excluding acquisition costs), of which the CCHBC's share is \$250.5m. The acquisition was completed on 20 April 2005.

On 4 April 2005, CCHBC announced its intention to acquire the Bulgarian mineral water company, Bankia, jointly with TCCC. The acquisition includes production facilities located just outside of Sofia and the mineral water brand 'Bankia'. The acquisition is subject to regulatory approval from the Bulgarian state authorities.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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. and its subsidiaries ('the Company') as at 31 December 2004 and 31 December 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended 31 December 2004. 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. The financial statements of the Company as at 31 December 2002 and for the year then ended were audited by other auditors whose report dated 21 March 2003 expressed an unqualified opinion on those statements and included an explanatory paragraph that described the adoption of Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets* in 2002, as discussed in Notes 1 and 3 to the consolidated financial statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 2004 and 2003 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Coca-Cola Hellenic Bottling Company S.A. and its subsidiaries at 31 December 2004 and 31 December 2003, and the results of their operations and their cash flows for each of the two years in the period ended 31 December 2004 in conformity with accounting principles generally accepted in the United States.



PricewaterhouseCoopers S.A.
Athens
20 April 2005

CONSOLIDATED STATEMENTS OF INCOME

YEAR ENDED 31 DECEMBER

	2004 € million	2003 € million	2002 € million
Net sales revenue	4,201.9	4,017.5	3,839.4
Cost of goods sold	(2,500.9)	(2,443.6)	(2,366.4)
Gross profit	1,701.0	1,573.9	1,473.0
Selling, delivery and administrative expenses	(1,279.2)	(1,196.0)	(1,178.5)
Operating profit	421.8	377.9	294.5
Interest expense	(66.9)	(64.7)	(70.3)
Interest income	6.6	11.5	10.3
Other income	4.2	4.9	6.5
Other expense	(8.3)	(7.1)	(4.2)
Income before income taxes	357.4	322.5	236.8
Income tax expense	(77.4)	(83.9)	(73.3)
Share of income of equity method investees	5.2	4.3	4.3
Minority interests	(13.1)	(11.0)	(15.8)
Net income before cumulative effect of accounting change	272.1	231.9	152.0
Cumulative effect of accounting change for SFAS No. 142, net of income taxes of €25.0m in 2002	–	–	(94.0)
Net income	272.1	231.9	58.0
Basic net income per share (in Euro):			
Before cumulative effect of accounting change	1.15	0.98	0.65
Cumulative effect of accounting change	–	–	(0.40)
Basic net income per share	1.15	0.98	0.25
Diluted net income per share (in Euro):			
Before cumulative effect of accounting change	1.14	0.98	0.65
Cumulative effective of accounting change	–	–	(0.40)
Diluted net income per share	1.14	0.98	0.25

Refer to Notes to the consolidated financial statements on pages 113 to 151

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED 31 DECEMBER

	2004 € million	2003 € million	2002 € million
Operating activities			
Net income	272.1	231.9	58.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	283.4	272.9	270.2
Deferred income taxes	(35.7)	(5.6)	(20.5)
(Gain) loss on disposal of non-current assets	(6.3)	8.1	(4.9)
Impairment charges on property, plant and equipment	3.6	–	–
Minority interests	13.1	11.0	15.8
Share of income of equity method investees	(5.2)	(4.3)	(4.3)
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	(25.3)	27.5	(23.9)
Inventories	(35.0)	(2.0)	(47.0)
Accounts payable and accrued expenses	25.0	39.9	(11.6)
Net cash provided by operating activities	489.7	579.4	350.8
Investing activities			
Purchases of property, plant and equipment	(354.4)	(340.7)	(301.4)
Proceeds from disposals of property, plant and equipment	21.0	14.9	22.0
Cash payments for acquisitions, net of cash acquired	(3.1)	(90.7)	(192.6)
Proceeds from sale of trademarks	8.6	7.6	–
Proceeds from sale of investments	6.7	3.0	0.2
Purchase of investments	(0.5)	(3.3)	–
Net cash used in investing activities	(321.7)	(409.2)	(471.8)
Financing activities			
Proceeds from issuance of debt	725.9	1,116.8	545.7
Repayments of debt	(854.5)	(814.3)	(396.2)
Payments on capital lease obligations	(11.7)	(10.7)	(7.8)
Return of capital to shareholders	(0.4)	(472.9)	–
Proceeds from issue of shares	19.2	3.4	–
Dividends paid to shareholders of the Company and to minority interests	(52.5)	(50.0)	(49.6)
Net cash (used in) provided by financing activities	(174.0)	(227.7)	92.1
Effect of exchange rates on cash	1.8	(8.3)	(11.5)
Net decrease in cash and cash equivalents	(4.2)	(65.8)	(40.4)
Cash and cash equivalents at beginning of year	35.5	101.3	141.7
Cash and cash equivalents at end of year	31.3	35.5	101.3

Refer to Notes to the consolidated financial statements on pages 113 to 151

CONSOLIDATED BALANCE SHEETS

AS AT 31 DECEMBER

	2004 € million	2003 € million
Assets		
Current assets:		
Cash and cash equivalents	31.3	35.5
Trade accounts receivable, less allowances of €31.8m in 2004 and €25.8m in 2003	507.8	482.3
Inventories	327.5	291.1
Receivables from related parties	59.2	57.2
Taxes receivable	22.0	12.8
Deferred income taxes	36.2	30.7
Prepaid expenses	47.7	51.2
Derivative assets	8.2	44.3
Other current assets	42.3	44.6
Total current assets	1,082.2	1,049.7
Property, plant and equipment:		
Land	100.9	98.1
Buildings	727.8	675.7
Returnable containers	246.9	220.2
Production and other equipment	2,107.2	1,851.2
	3,182.8	2,845.2
Less accumulated depreciation	(1,266.2)	(1,027.4)
	1,916.6	1,817.8
Construction in progress	55.8	55.8
Advances for equipment purchases	25.1	14.5
	1,997.5	1,888.1
Investment in equity method investees	60.5	57.4
Deferred income taxes	0.7	0.5
Derivative assets	36.0	–
Other tangible non-current assets	25.3	25.2
Franchise rights	1,987.4	1,948.4
Goodwill and other intangible assets	767.1	764.6
Total assets	5,956.7	5,733.9

Refer to Notes to the consolidated financial statements on pages 113 to 151

CONSOLIDATED BALANCE SHEETS

AS AT 31 DECEMBER

	2004 € million	2003 € million
Liabilities and shareholders' equity		
Current liabilities:		
Short term borrowings	76.0	84.4
Accounts payable	190.4	189.8
Accrued expenses	363.8	335.8
Amounts payable to related parties	94.7	79.1
Deposit liabilities	142.0	142.8
Income taxes payable	84.9	82.2
Deferred income taxes	3.2	3.6
Derivative liabilities	6.2	4.5
Current portion of long term debt	–	295.9
Current portion of capital lease obligations	15.0	10.8
Total current liabilities	976.2	1,228.9
Long term liabilities:		
Long term debt, less current portion	1,424.6	1,302.9
Capital lease obligations, less current portion	32.5	30.8
Cross currency swap payables relating to borrowings	143.1	89.9
Employee benefit obligations	106.4	98.4
Deferred income taxes	622.7	656.0
Other long term liabilities	26.8	16.7
Total long term liabilities	2,356.1	2,194.7
Minority interests	63.4	54.0
Shareholders' equity:		
Ordinary shares, €0.50 par value: 238,260,129 (2003: 236,925,277)		
shares authorised, issued and outstanding	119.1	118.5
Additional paid-in capital	1,657.8	1,639.2
Deferred compensation	(0.9)	(0.9)
Retained earnings	716.8	492.1
Accumulated other comprehensive income	68.2	7.4
Total shareholders' equity	2,561.0	2,256.3
Total liabilities and shareholders' equity	5,956.7	5,733.9

Refer to Notes to the consolidated financial statements on pages 113 to 151

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Number of ordinary shares million	Ordinary shares € million	Additional paid-in capital € million	Deferred compensation € million	Retained earnings € million	Accumulated other comprehensive income € million	Total € million
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
Net income for 2003	–	–	–	–	231.9	–	231.9
Currency translation adjustment, net of applicable income taxes of €0.7m	–	–	–	–	–	(168.5)	(168.5)
Change in minimum pension liability, net of applicable income taxes of €3.3m	–	–	–	–	–	(7.4)	(7.4)
Change in fair value of derivatives, net of applicable income taxes of €0.9m	–	–	–	–	–	3.4	3.4
Gain on derivatives reclassified into earnings from other comprehensive income, net of applicable income taxes €1.1m	–	–	–	–	–	(2.0)	(2.0)
Unrealised gain on available-for-sale investments, net of applicable income taxes of €0.4m	–	–	–	–	–	0.8	0.8
Comprehensive income							58.2
Capitalisation of reserves, increasing the par value of shares from €0.31 to €2.50	–	518.3	(518.3)	–	–	–	–
Decrease in par value of shares from €2.50 to €0.50 and capital return to shareholders	–	(473.3)	–	–	–	–	(473.3)
Stock issued to employees exercising stock options	0.2	0.1	3.3	–	–	–	3.4
Issuance of stock options	–	–	0.2	(0.4)	–	–	(0.2)
Cash dividends (€0.19 per share)	–	–	–	–	(45.0)	–	(45.0)
As at 31 December 2003	236.9	118.5	1,639.2	(0.9)	492.1	7.4	2,256.3
Net income for 2004	–	–	–	–	272.1	–	272.1
Currency translation adjustment, net of applicable income taxes of €8.2m	–	–	–	–	–	68.4	68.4
Change in minimum pension liability, net of applicable income taxes of €0.7m	–	–	–	–	–	(3.4)	(3.4)
Change in fair value of derivatives, net of applicable income taxes of €0.6m	–	–	–	–	–	(11.4)	(11.4)
Gain on derivatives reclassified into earnings from other comprehensive income, net of applicable income taxes €0.7m	–	–	–	–	–	6.9	6.9
Unrealised gain on available-for-sale investments, net of applicable income taxes of €0.1m	–	–	–	–	–	0.3	0.3
Comprehensive income							332.9
Stock issued to employees exercising stock options	1.4	0.6	18.6	–	–	–	19.2
Cash dividends (€0.20 per share)	–	–	–	–	(47.4)	–	(47.4)
As at 31 December 2004	238.3	119.1	1,657.8	(0.9)	716.8	68.2	2,561.0

Refer to Notes to the consolidated financial statements on pages 113 to 151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES

Organisation

Coca-Cola Hellenic Bottling Company S.A. ('CCHBC') is incorporated in Greece and took its present form in August 2000 through the merger of Hellenic Bottling Company S.A. ('HBC') and Coca-Cola Beverages plc ('CCB'). 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 14.

CCHBC's shares are listed on the Athens Stock Exchange, with secondary listings on the London and Australian Stock Exchanges. CCHBC's American Depositary Receipts (ADRs) are listed on the New York Stock Exchange.

Basis of presentation and consolidation

The consolidated financial statements include the accounts of CCHBC and its subsidiaries. Investments in affiliates, in which CCHBC has significant influence, 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 the intercompany portion of transactions with equity method investees, are eliminated in consolidation.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 141, *Business Combinations*, we account for all business combinations by the purchase method. Furthermore, we recognise intangible assets apart from goodwill if they arise from contractual or legal rights or if they are separable from goodwill.

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

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. All other listing fees are expensed as incurred. The amount of listing fees capitalised at 31 December 2004 was €7.1m (2003: €6.5m, 2002: €5.8m). Of this balance, €3.8m (2003: €3.6m, 2002: €3.6m) was classified as prepaid expenses (current) and the remainder as other non-current assets. Listing fees expensed for the year ended 31 December 2004 amounted to €33.8m with €22.6m and €7.5m for 2003 and 2002, respectively. Marketing and promotional incentives paid to customers during 2004 amounted to €89.0m with €75.5m in 2003, and €88.0m in 2002.

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 2004, such contributions totalled €21.1m as compared to €19.0m and €30.4m in 2003 and 2002, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 delivery expenses. Such costs amounted to €127.7m in 2004 with €121.3m and €115.7m in 2003 and 2002, respectively.

Distribution costs

Distribution costs represent those costs that are incurred to transport products 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 delivery expenses. In 2004, the distribution costs totalled €211.1m, compared with €204.9m and €194.6m for 2003 and 2002, respectively.

Advertising expense

Advertising costs are expensed as incurred and were €129.1m in 2004 with €115.7m and €105.9m during 2003 and 2002, respectively. Advertising costs are included within selling expenses.

Interest expense

Interest costs are expensed as incurred and include interest on loans, overdrafts and 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.

Trade accounts receivable

The Company records trade accounts receivable at net realisable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the trade accounts receivable balances and charged to the provision for doubtful accounts. The allowance is calculated based on our history of write-offs, level of past due accounts based on the contractual term of the receivables and our relationships with and economic status of our customers.

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 is 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 primarily of franchise rights related to the bottler's agreements with TCCC, trademarks and goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The 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.

The Company determines the useful life of its trademarks after considering potential limitations that could impact the life of the trademark, such as technological limitations, market limitations and the intent of management with regards to the trademark. All the trademarks recorded by the Company have been assigned an indefinite useful life as they have an established sales history in the applicable region, it is our intention to receive a benefit from them indefinitely and there is no indication that this will not be the case. We evaluate the useful life assigned to the trademarks on an annual basis. If the trademarks were determined to have definite lives, they would be amortised over their useful lives.

In accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets* ('Statement No. 142'), goodwill and indefinite-lived intangible assets (including franchise rights and trademarks) are not amortised, but are reviewed at least annually for impairment. Finite-lived intangible assets are amortised over their estimated useful lives.

We test 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. We evaluate franchise rights and trademarks for impairment by comparing the applicable carrying value to the fair value determined based on the present value of estimated future cash flows from such assets.

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 made on the placement of cold drink equipment 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 were €15.0m in 2004, compared with €22.5m in 2003 and €18.3m in 2002.

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*. Impairment losses on long-lived assets used in operations are recorded by the Company 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 losses are measured by comparing the fair value of the assets to their carrying amounts.

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.

Investments in securities

The Company 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. Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets. During the period the Company did not hold any investments in the trading investments category. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date, which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale, and are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date or unless they will need to be sold to raise operating capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are recognised on the day they are transferred in to the Company and derecognised on the day when they are transferred out of the Company. The cost of purchase includes transaction costs. Unrecognised gains and losses arising from changes in the value of available-for-sale investments are recognised in equity. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are recognised in the income statement as other income or other expense, as appropriate.

Held-to-maturity investments are carried at amortised cost using the effective yield method. Gains and losses on held-to-maturity investments are recognised in income, when the investments are derecognised or impaired.

Available-for-sale investments were valued at €8.0m at 31 December 2004 (2003: €15.6m). In 2004, the whole amount was recorded in other tangible non-current assets, (2003: €9.2m, was classified in other tangible non-current assets, with the remainder in other current assets).

Income taxes

Income taxes have been provided using the liability method in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. The Company provides a valuation allowance for deferred tax assets for which it does not consider realisation of such assets to be more likely than not.

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 asset and liability 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 rates. The gains and losses resulting from the changes in exchange rates from year to year have been reported in accumulated other comprehensive income.

Entities operating in hyper-inflationary environments remeasure their financial statements in accordance with Statement No. 52. Remeasurement gains and losses are included in other income or other expense, as appropriate. The Company's subsidiary in Belarus continues to operate in a hyper-inflationary environment. The subsidiary in Romania ceased applying hyper-inflationary accounting with effect from 1 July 2004. The subsidiary in Serbia and Montenegro ceased applying hyper-inflationary accounting with effect from 1 January 2005.

Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in net income. In 2004, transaction losses totalled €5.9m as compared to €6.6m of transaction gains in 2003 and €7.5m of transaction losses in 2002. Transaction gains and losses are included within operating profit unless they relate to debt, in which case the gains and losses are classified as other income or other expense as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

The Company uses derivative financial instruments, including interest rate swaps, options, currency and commodity derivatives. Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised periodically in either 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 qualifies as a fair value hedge or a cash flow hedge. Generally, changes in fair values of derivative financial instruments 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 derivative financial instruments 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 derivative financial instruments not qualifying as hedges are reported in income.

At the inception of the transaction the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and the strategy for undertaking various hedge transactions. This process includes linking all derivatives designated to specific firm commitments or forecast transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Costs associated with exit or disposal activities

The Company has applied Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ('Statement No. 146') to exit and disposal activity initiated after 31 December 2002. Pursuant to Statement No. 146, the 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. The result is that for 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, the costs of the one-time termination benefit are recognised 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 in respect of operating leases, a liability is recognised and measured at its fair value (less any economic benefit), when the entity terminates the contract in accordance with the contract terms. A liability for costs that will continue to be incurred under a contract for its remaining term without economic benefit to the entity, is to be recognised and measured at its fair value when the entity ceases to use the right conveyed by the contract.

Employee benefits – statutory termination and pension plans

The Company accounts for the statutory termination benefits and pension plans in accordance with the provisions of 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 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits* ('Statement No. 132 (revised)'). 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 standard. The amortisation periods for the transition obligations range from 10 to 18 years.

A number of the Company's operations have long service benefits in the form of jubilee plans. These plans are measured at the present value of estimated future cash outflows with immediate recognition of actuarial gains and losses.

Employee benefits – stock-based compensation

The Company currently sponsors stock option plans and stock appreciation rights. The Company uses the intrinsic value method of accounting for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ('Opinion No. 25'), and related interpretations.

Net income per share

The Company computes basic net income per share by dividing net income by the weighted average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock-based compensation awards, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies

The Company is involved in various legal proceedings and tax matters. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Refer to Note 12.

Adoption of new accounting standards

In January 2003, FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities – An Interpretation of Accounting Research Bulletin No. 51* ('FIN No. 46'). In December 2003, the FASB released a revised version of FIN No. 46 ('FIN No. 46R') clarifying certain aspects of FIN No. 46. This interpretation requires consolidation by the primary beneficiary of variable interest entities, as defined by this interpretation. FIN No. 46 was effective for all new variable interest entities created or acquired after 31 January 2003. For variable interest entities created or acquired prior to 1 February 2003, the provisions of FIN No. 46R were applied by the Company in 2004. As at 31 December 2004, these interpretations had no effect on the Company's financial statements.

In May 2003, the Emerging Issues Task Force ('EITF') reached a final consensus on Issue No. 01-08, *Determining Whether an Arrangement is a Lease* ('Issue No. 01-08'). Issue No. 01-08 is intended to provide guidance in determining whether an arrangement should be considered a lease subject to the requirements of FASB Statement No. 13, *Accounting for Leases* ('Statement No. 13'). The Task Force concluded that the evaluation of whether an arrangement contains a lease within the scope of Statement No. 13 should be based on the substance of the arrangement using specific guidance detailed in Issue No. 01-08. The final model also includes guidance as to when an arrangement should be reassessed to determine whether it contains a lease and how to account for these subsequent changes in lease classification. The consensus is effective for any arrangements agreed or committed to, modified, or acquired in business combinations initiated after 1 January 2004. The consensus did not have an effect on the Company's financial statements in 2004.

In December 2003, the FASB released Statement No. 132 (revised). The Statement provides required disclosures for pensions and other postretirement benefit plans and is designed to improve disclosure transparency in financial statements. The Company adopted Statement No. 132 (revised) for its domestic pension schemes and statutory termination obligations, for the year ended 31 December 2003 and for all remaining plans for the year ended 31 December 2004.

In December 2004, the FASB issued Statement No. 123 (Revised 2004) *Share-Based Payment* ('Statement No. 123 (R)'). The Statement requires compensation costs related to share based payments to be recognised in the financial statements. Under the statement, the compensation cost is determined based on the grant date fair value of the equity or liability instrument issued. The Statement is applicable to share based payment transactions excluding employee share purchase plans that meet certain criteria. Statement No. 123 (R) replaces APB Opinion No. 25 *Accounting for Stock Issued to Employees*. The Statement applies to all awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. The effective date for the Company is 1 January 2006. The Company uses the fair value method for disclosure and is therefore required to apply the modified prospective application method. Under this transition method, compensation cost is recognised on or after the effective date for the portion of outstanding awards for which the requisite service has not yet been rendered. For periods before the effective date, the Company may elect to apply the modified version of the retrospective application under which financial statements for the prior periods are adjusted on a basis consistent with the pro forma disclosure required for those periods shown in Note 16.

In November 2004, the FASB issued Statement No. 151 *Inventory Costs – an amendment to ARB No. 43, Chapter 4*. The Statement requires that abnormal amounts of idle facility expenses, freight, handling costs and wasted material (spoilage) be included in the current period charges, eliminating the option for capitalisation. This statement is effective for inventory costs incurred after 1 January 2006 and is not expected to have a material impact on the Company's results of operations and financial position.

In December 2004, the FASB issued Statement No. 153, *Exchanges of Non-monetary Assets – An Amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions* ('Statement No. 153'). Statement No. 153 eliminates the exception from fair value measurement for non-monetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. The Statement specifies that a non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Statement is effective for exchanges of non-monetary assets that occur in fiscal periods beginning after 15 June 2005 and is not expected to have a material impact on the Company's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACQUISITIONS

During 2004, the Company acquired controlling interests or increased its controlling interest in the following entities:

	Location	Effective date of acquisition 2004	Net tangible assets applicable € million	Water rights € million	Goodwill arising € million	Amount of consideration € million
Gotalka d.o.o.	Croatia	28.01.2004	1.4	0.4	6.0	7.8
Acquisition of other minority interests	Croatia, Latvia, Romania, and Serbia and Montenegro		0.1	–	0.5	0.6
Total acquisitions during 2004			1.5	0.4	6.5	8.4

	€ million
Total consideration	8.4
Less: payments made for investment in Gotalka and acquisition costs in prior years	(5.2)
Less: cash and cash equivalent balances acquired	(0.1)
Less: cash payments deferred until 2005 - 2008	(0.6)
Plus: pre acquisitions dividend paid to shareholders of Römerquelle	0.2
Plus: other cash payments deferred from 2003	0.4
Cash outflow included in cash flow	3.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACQUISITIONS (CONTINUED)

2004

Acquisition of Gotalka. d.o.o.

On 28 January 2004, the Company acquired the remaining share of the Croatian mineral water company Gotalka d.o.o. The acquisition includes a production facility at Budinscina and the mineral water brands Bistra, Gotalka and Claria. Total consideration for the acquisition was €7.2 million (excluding acquisition costs).

The acquisition of Gotalka d.o.o. was finalised in 2004 and was accounted for using the purchase method of accounting. Prior to 2004, the investment was accounted for as an investment in associates. Cash consideration paid to the former shareholders of the subsidiary and acquisition in 2004 was €2.0m (prior to 2004: €1.9m was paid for the acquisition of 41% of the shares and €3.3m was prepaid for the acquisition of the remaining 59% of the shares), €0.6m is deferred until 2005–2008.

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

	€ million
Cash and cash equivalents	0.1
Property, plant and equipment	2.5
Water rights	0.4
Goodwill	6.0
Total assets	9.0
Other current liabilities	1.2
Total liabilities	1.2
Net assets acquired	7.8
Cash paid to former shareholders	7.2
Costs of acquisition	0.6
Total consideration	7.8

The acquisition has resulted in the Company recording €6.0 million of goodwill and €0.4 million of water rights in its developing countries segment. The contribution of Gotalka to the results of the group was €5.3m for the year ended 31 December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACQUISITIONS (CONTINUED)

2003

a) Acquisition of Multivita sp. Z o.o.

On 2 October 2003, the Company completed the acquisition of 50% of the shares of the Polish mineral water company, Multivita sp. z o.o. ('Multivita'), in a joint acquisition with TCCC. Total consideration for the acquisition was €21.0m (excluding acquisition costs), of which the Company's share was €10.5m. The acquisition comprised a production facility at Tylicz and the company's mineral water brands.

The Company acquired the business except for the trademark, which was acquired by TCCC. The acquisition has been accounted for using the purchase method of accounting.

Further adjustments have been made in 2004, as additional information has become available that assists in determining the fair values at acquisition. The fair values of the significant assets and liabilities assumed and goodwill arising, are as follows:

	As reported 2003 € million	Adjustments 2004 € million	Final fair values € million
Current assets	0.2	–	0.2
Property, plant and equipment	5.4	(1.7)	3.7
Other tangible non-current assets	0.4	(0.1)	0.3
Goodwill	6.0	1.8	7.8
Total assets	12.0	–	12.0
Short term borrowings	0.7	–	0.7
Other current liabilities	0.3	–	0.3
Total liabilities	1.0	–	1.0
Net assets acquired	11.0	–	11.0
Cash paid to former shareholders	10.5	–	10.5
Costs of acquisition	0.5	–	0.5
Total consideration	11.0	–	11.0

The contribution of Multivita to the results of the Group was negligible for the year ended 31 December 2003. The acquisition has resulted in the Company recording €7.8m of goodwill in its developing countries segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACQUISITIONS (CONTINUED)

b) Acquisition of Römerquelle GmbH

On 5 December 2003, the Company acquired 100% of the Austrian mineral water company, Römerquelle GmbH. The acquisition comprised production facilities in Edelstal and Pötsching and the mineral water and wellness brands Römerquelle and Markusquelle. The acquisition has been accounted for using the purchase method of accounting. Total consideration for the acquisition was €63.3 million (excluding acquisition costs), with the assumption of debt of an additional €6.4m.

Further adjustments have been made in 2004, as additional information has become available that assist in determining the fair values at acquisition. The fair values of the significant assets and liabilities assumed and goodwill arising, are as follows :

	As reported 2003 € million	Adjustments 2004 € million	Final fair values € million
Short term investments	6.4	–	6.4
Cash and cash equivalents	0.1	–	0.1
Other current assets	10.4	(0.9)	9.5
Property, plant and equipment	25.5	13.2	38.7
Other tangible non-current assets	1.3	0.1	1.4
Trademarks	50.9	(25.5)	25.4
Water rights	–	0.5	0.5
Goodwill	17.3	10.0	27.3
Total assets	111.9	(2.6)	109.3
Short term borrowings	6.4	–	6.4
Other current liabilities	20.2	2.3	22.5
Deferred income taxes	17.3	(5.3)	12.0
Other long term liabilities	4.2	–	4.2
Total liabilities	48.1	(3.0)	45.1
Net assets acquired	63.8	0.4	64.2
Cash paid to former shareholders	63.3	–	63.3
Costs of acquisition	0.5	0.4	0.9
Total consideration	63.8	0.4	64.2

The contribution of Römerquelle to the results of the group was negligible for the year ended 31 December 2003. The acquisition has resulted in the Company recording €27.3m of goodwill, €0.5m of water rights and €25.4m of trademarks in its established countries segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACQUISITIONS (CONTINUED)

c) Acquisition of Tsakiris S.A.

On 30 December 2003, the Company acquired 100% of the shares of the Greek potato chip company, Tsakiris S.A. ('Tsakiris'), from Plias S.A. (refer to Note 21). Cash consideration for the acquisition was €6.2m, with the assumption of debt of an additional €9.3m. The acquisition has been accounted for using the purchase method of accounting.

Further adjustments have been made in 2004, as additional information has become available that assists in determining the fair values at acquisition. The fair values of the significant assets and liabilities assumed and goodwill arising, are as follows:

	As reported 2003 € million	Adjustments 2004 € million	Final fair values € million
Cash and cash equivalents	0.5	–	0.5
Other current assets	3.6	–	3.6
Property, plant and equipment	4.5	–	4.5
Trademarks	–	3.9	3.9
Goodwill	10.1	(2.5)	7.6
Total assets	18.7	1.4	20.1
Short term borrowings	9.3	–	9.3
Other current liabilities	2.1	–	2.1
Deferred income taxes	–	1.4	1.4
Other long term liabilities	1.1	–	1.1
Total liabilities	12.5	1.4	13.9
Net assets acquired	6.2	–	6.2
Cash paid to Plias S.A.	6.2	–	6.2
Total consideration	6.2	–	6.2

The contribution of Tsakiris to the results of the Company was negligible for the year ended 31 December 2003. As a result of the acquisition, the Company has recorded €7.6m of goodwill and €3.9m of trademarks in its established countries segment.

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 of 1 January 2002 were as follows:

	2002 € million
Established countries	17.4
Developing countries	76.6
Total impairment charges	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 following table sets forth the carrying value of intangible assets subject to, and not subject to amortisation:

	2004 € million	2003 € million
Intangible assets not subject to amortisation		
Franchise rights	1,987.4	1,948.4
Goodwill	734.6	711.2
Trademarks	29.3	50.9
Minimum pension liability	2.0	2.5
	2,753.3	2,713.0
Intangible assets subject to amortisation		
Water rights	1.2	–
Total intangible assets	2,754.5	2,713.0

In accordance with Statement No. 142, an impairment assessment was conducted at 31 December 2004, 31 December 2003 and 31 December 2002. No impairment was indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FRANCHISE RIGHTS, GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

The changes in the carrying amount of intangible assets were as follows:

	Franchise rights € million	Goodwill € million	Other intangible assets € million	Total € million
As at 1 January 2003	2,017.4	699.2	–	2,716.6
Intangible assets arising on current period acquisitions	–	34.0	50.9	84.9
Adjustments to intangible assets arising on prior period acquisitions	–	1.8	–	1.8
Reduction of valuation allowance on net operating losses from acquisition of CCB	–	(3.3)	–	(3.3)
Adjustment in relation to minimum pension liability	–	–	2.5	2.5
Foreign exchange differences	(69.0)	(20.5)	–	(89.5)
As at 31 December 2003	1,948.4	711.2	53.4	2,713.0
Additions	–	–	0.3	0.3
Intangible assets arising on current period acquisitions	–	6.5	0.4	6.9
Adjustments to intangible assets arising on prior period acquisitions	–	9.3	(21.1)	(11.8)
Reduction of valuation allowance on net operating losses from acquisition of CCB	–	(2.4)	–	(2.4)
Adjustment in relation to minimum pension liability	–	–	(0.5)	(0.5)
Foreign exchange differences	39.0	10.0	–	49.0
As at 31 December 2004	1,987.4	734.6	32.5	2,754.5

The changes in the carrying amount of goodwill by segment were as follows:

	Established countries € million	Developing countries € million	Emerging countries € million	Total € million
As at 1 January 2003	570.2	109.7	19.3	699.2
Goodwill arising on current period acquisitions	27.4	6.0	0.6	34.0
Adjustments to goodwill arising on prior period acquisitions	1.2	–	0.6	1.8
Reduction of valuation allowance on net operating losses from acquisition of CCB	–	(3.3)	–	(3.3)
Foreign exchange differences	(11.5)	(8.7)	(0.3)	(20.5)
As at 31 December 2003	587.3	103.7	20.2	711.2
Goodwill arising on current period acquisitions	–	6.0	0.5	6.5
Adjustments to goodwill arising on prior period acquisitions	7.5	1.8	–	9.3
Reduction of valuation allowance on net operating losses from acquisition of CCB	–	(2.4)	–	(2.4)
Foreign exchange differences	1.5	8.5	–	10.0
As at 31 December 2004	596.3	117.6	20.7	734.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SELLING, DELIVERY AND ADMINISTRATIVE EXPENSES

Selling, delivery and administrative expenses consisted of the following for the year ended 31 December:

	2004 € million	2003 € million	2002 € million
Selling expenses	624.1	567.1	528.7
Delivery expenses	338.9	326.2	310.3
Administrative expenses	316.2	302.7	339.5
Total selling, delivery and administrative expenses	1,279.2	1,196.0	1,178.5

5. ALLOWANCE FOR DOUBTFUL DEBTS

	2004 € million	2003 € million	2002 € million
As at 1 January	25.8	20.7	19.1
Charged to income	7.9	7.3	5.1
Uncollectible amounts written off, net of recoveries	(1.9)	(1.7)	(3.0)
Foreign currency translation	–	(0.5)	(0.5)
As at 31 December	31.8	25.8	20.7

6. INVENTORIES

Inventories consisted of the following at 31 December:

	2004 € million	2003 € million
Finished goods	124.1	107.5
Raw materials and work in progress	149.1	122.7
Consumables	53.2	57.4
Payments on account	1.1	3.5
Total inventories	327.5	291.1

7. LONG TERM DEBT AND SHORT TERM BORROWINGS

Long term debt consisted of the following at 31 December:

	Interest rate %	2004 € million	2003 € million
€300m Eurobond maturing on 17 December 2004	Fixed 4.00%	–	295.9
€233m (2003: €555m) '€625m Eurobond' maturing on 27 June 2006	Fixed 5.25%	240.1	578.2
€500m Eurobond maturing on 15 July 2011	Fixed 4.375%	514.5	–
US\$500m notes maturing on 17 September 2013	Fixed 5.125%	370.1	402.1
US\$400m notes maturing on 17 September 2015	Fixed 5.5%	299.2	321.4
Other debt		0.7	1.2
Total long term debt		1,424.6	1,598.8
Less: current portion		–	295.9
Total long term debt, less current portion		1,424.6	1,302.9

Other long term debt is carried at floating rates based on various types of Inter Bank Offer Rates or 'IBOR'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. LONG TERM DEBT AND SHORT TERM BORROWINGS (CONTINUED)

Maturities of long term debt for the years subsequent to 31 December 2004 are:

	€ million
2005	–
2006	240.8
2007	–
2008	–
2009	–
2010 and thereafter	1,183.8
Total long term debt	1,424.6

As at 31 December 2004, a total of €733.0m in Eurobonds has been issued under the €2bn Euronote program. A further amount of €1,267.0m is available for issuance. The bonds are not subject to any financial covenants.

The Company maintains committed facilities with banks. The undrawn committed facilities available to the Company at 31 December 2004 were as follows:

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

In March 2002, the Company established a €1.0bn global commercial paper programme with various financial institutions to further diversify its short term funding sources. The programme consists of a multi-currency Euro-commercial paper facility and a US dollar denominated US 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, the Company replaced its €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 €1.0bn 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 the Company. In the aggregate, the Company has a maximum available borrowing under the global commercial paper programme and the backstop facility of €1.0bn.

The use of the backstop facility may become subject to a covenant setting a minimum ratio of the Company's EBITDA to consolidated net interest expense of at least 3:1 in the event that either the Company's credit rating by Standard & Poors falls below BBB+ or the Company's credit rating by Moody's does not remain at or above Baa1 or in the event that neither Moody's nor Standard & Poors publish such a rating. The Company's current ratings are above those required and accordingly, the Group is currently not subject to financial covenants. As at 31 December 2004, the Group exceeded the required minimum ratio of EBITDA to consolidated net interest expense. EBITDA and net consolidated interest for this purpose are calculated pursuant to the Company's financial statements as prepared under IFRS. No amounts have been drawn under this facility.

On 17 September 2003, the Company successfully completed, through its wholly owned finance subsidiary Coca-Cola HBC Finance B.V., a US\$900.0m (€660.8m at 31 December 2004 exchange rates) global offering of privately placed notes with registration rights. The first tranche consisted of an aggregate principal amount of US\$500.0m (€367.1m) due in 2013 and the second tranche consisted of an aggregate principal amount of US\$400.0m (€293.7m) due in 2015. The net proceeds of the offering were used to refinance certain outstanding debt, including the repayment of €200.0m bonds which matured on 17 December 2003, the leveraged re-capitalisation of the Group and the acquisition of Römerquelle GmbH. In December 2003, an exchange offer was made by the Company in order to effect the exchange of the privately placed notes for similar notes registered with the US Securities and Exchange

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. LONG TERM DEBT AND SHORT TERM BORROWINGS (CONTINUED)

Commission (SEC). Acceptances under the offer, which was finalised in February 2004, were US\$898.1m. The notes are fully, unconditionally and irrevocably guaranteed by Coca-Cola Hellenic Bottling Company S.A. These notes are not subject to financial covenants.

In December 2003, the Company filed a registration statement with the SEC for a shelf registration. The amount registered was US\$2.0bn. As at 20 April 2005, no amounts had been drawn under the shelf registration.

On 12 July 2004, the Company announced a successful tender offer for €322.0m of the outstanding debt on the Eurobond which matures in June 2006. On the same date, the Company successfully completed, through its wholly owned subsidiary Coca-Cola HBC Finance B.V., a €500.0m bond issue. The issue was completed of the Company's Euro Medium Term Note Programme and has a term of seven years. Proceeds from the new issue were used to finance the tender offer and to partially fund the repayment of the €300.0m Eurobond in December 2004.

Short term borrowings at 31 December consisted of:

	2004 € million	2003 € million
Bank overdraft facilities	58.6	44.3
Other short term borrowings	17.4	40.1
Total short term borrowings	76.0	84.4

The weighted average interest on short term borrowings was 6.8%, 3.6% and 3.3% at 31 December 2004, 2003 and 2002, respectively. In addition, the Group held loan notes due to The Coca-Cola Company at the end of 2001, which were repaid in 2002. They had an interest rate of 2.9%.

Total interest paid during the years ended 31 December 2004, 2003 and 2002 was €60.2m, €57.9m and €91.9m, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAXES

Pre-tax income for the year ended December 31, was taxed in the following jurisdictions :

	2004 € million	2003 € million	2002 € million
Greece	61.9	64.0	59.7
Other	295.5	258.5	177.1
Income before income taxes	357.4	322.5	236.8

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

	2004 € million	2003 € million	2002 € million
Current:			
Greece	42.4	20.9	26.3
Other	70.6	68.5	42.6
Total current tax	113.0	89.4	68.9
Deferred:			
Greece	(20.8)	(3.2)	(5.6)
Other	(14.8)	(2.3)	10.0
Total deferred tax	(35.6)	(5.5)	4.4
Total current and deferred tax	77.4	83.9	73.3

The above provision for deferred income taxes includes a net credit for the effect of changes in tax laws and rates of €17.9m in 2004, €38.0m in 2003 and €20.1m in 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAXES (CONTINUED)

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

	2004 € million	2003 € million
Deferred tax liabilities:		
Intangible assets	567.2	598.2
Tax in excess of book depreciation	141.8	122.4
Income taxed at preferential rates	6.5	26.3
Foreign investments	1.9	11.8
Other	11.2	15.3
Total gross deferred tax liabilities	728.6	774.0
Deferred tax assets:		
Net operating loss (NOL) carry-forwards	72.5	91.8
Liabilities and provisions	37.6	36.7
Book in excess of tax depreciation	8.0	8.5
Pensions and benefit plans	9.4	12.5
Other	29.5	7.9
Total gross deferred tax assets	157.0	157.4
Valuation allowance for deferred tax assets	(17.4)	(11.8)
Net deferred tax assets	139.6	145.6
Net deferred tax liabilities	589.0	628.4

A summary of valuation allowance movements is as follows:

	2004 € million	2003 € million	2002 € million
As at 1 January	11.8	41.9	74.4
Charged (credited) to income	8.6	(6.5)	(26.3)
Credit related to recognition of pre-acquisition deferred tax assets	(2.4)	(3.3)	(2.3)
Effects on operations in economies ceasing to be considered as hyper- inflationary	–	(12.9)	–
Reductions arising on statutory tax law changes	–	(3.5)	(7.2)
Arising on acquisition	–	–	4.8
Currency translation adjustments	0.1	(2.4)	(4.1)
Expired NOLs	(0.3)	(0.8)	(1.4)
Other movements	(0.4)	(0.7)	4.0
As at 31 December	17.4	11.8	41.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAXES (CONTINUED)

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

	2004 € million	2004 %	2003 € million	2003 %	2002 € million	2002 %
Greek statutory expense	125.1	35.0	112.9	35.0	82.9	35.0
Lower tax rates of other countries	(30.6)	(8.6)	(30.3)	(9.4)	(17.8)	(7.5)
Additional local taxes	5.9	1.7	17.2	5.3	11.9	5.0
Tax holidays or exemptions	(4.4)	(1.2)	(3.1)	(1.0)	(7.3)	(3.1)
Non-deductible expenses	36.5	10.2	41.8	13.0	47.2	19.9
Capital investment incentives	(7.7)	(2.2)	(8.6)	(2.7)	(9.6)	(4.1)
Income not subject to tax	(22.3)	(6.2)	(11.5)	(3.6)	(14.3)	(6.0)
Changes in tax laws and rates	(17.9)	(5.0)	(38.0)	(11.8)	(20.1)	(8.5)
Change in valuation allowance	(1.6)	(0.4)	(4.1)	(1.3)	(1.8)	(0.8)
NOLs with no current benefit	1.9	0.5	2.7	0.8	4.5	1.9
Other, net	(7.5)	(2.1)	4.9	1.7	(2.3)	(0.8)
Total income tax charge	77.4	21.7	83.9	26.0	73.3	31.0

At 31 December 2004, the Company had net operating tax loss carry-forwards (NOLs) of €267.0m (2003: €308.8m, 2002: €391.8m) for income tax purposes. €92.0m of NOLs expire between 2005 and 2009. None of the NOLs expire between 2010 and 2012. €175.0m 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 €11.9m (2003: €8.1m, 2002: €23.0m) has been recognised to offset a portion of the deferred tax asset related to these carry-forwards.

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 €852.9m at 31 December 2004 (2003: €929.4m). 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 2004, 2003 and 2002 was €105.0m, €75.0m, and €57.1m, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE BENEFIT OBLIGATIONS

The total accrued benefit liability for defined benefit plan is as follows:

	2004 € million	2003 € million
Defined benefit plans		
Statutory termination indemnities	81.0	79.1
Pension plans	23.1	16.3
Long service benefits - jubilee plans	8.4	4.4
Total defined benefit plans	112.5	99.8

Employees of the Company's subsidiaries in Nigeria, Greece, Bulgaria, Serbia and Montenegro, Croatia, Poland and Austria are entitled to statutory termination benefits generally based on each employee's length of service, employment category and remuneration.

Statutory termination benefits obligations also include the liability for severance indemnities related to employees of the Italian subsidiary. The severance indemnity liability is 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, on the expected date of termination.

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

The Company provides long service benefits in the form of jubilee plans to its employees in Austria, Switzerland, Nigeria, Croatia and Poland.

Summarised information for the above plans is as follows:

	2004 € million	2003 € million
Present value of defined benefit obligation at the beginning of the year	265.7	247.7
Service cost	18.6	17.1
Interest cost	17.1	12.5
Plan participant's contributions	3.4	3.0
Past service cost arising from amendments	(2.4)	0.7
Curtailement/settlement	1.3	–
Arising on acquisition	–	4.2
Benefits paid	(19.4)	(14.7)
Actuarial loss	18.1	4.6
Foreign currency translation	(1.2)	(9.4)
Present value of defined benefit obligation at end of year	301.2	265.7

The pension plans and statutory termination obligations have a measurement date of 31 December.

The total accumulated benefit obligation for all defined benefit plans is €245.0m and €230.0m as at 31 December 2004 and 2003 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

	2004 € million	2003 € million
Fair value of plan assets at the beginning of the year	143.7	128.8
Actual return on plan assets	6.9	8.6
Actual employers contributions	7.3	8.8
Actual participants contributions	3.4	3.0
Actual benefits paid	(5.9)	(4.8)
Foreign currency translation	0.5	(0.7)
Fair value of plan assets at end of year	155.9	143.7

Benefits paid from pension benefit plans during 2004 and 2003 include €0.3m and €0.2m respectively of payments relating to unfunded pension plans that were paid from Company assets. All the benefits paid from statutory termination and long service benefits during 2004 and 2003 of €13.2m and €9.7m respectively were paid from Company assets, because these plans are unfunded.

	2004 € million	2003 € million
Present value of defined benefit obligations	(301.2)	(265.7)
Fair value of plan assets	155.9	143.7
	(145.3)	(122.0)
Unrecognised actuarial loss	49.8	32.2
Unrecognised net transition liability	1.6	2.5
Unrecognised past service cost/(benefit)	(1.9)	0.7
Net defined benefit obligations	(95.8)	(86.6)

Amounts recognised in the balance sheet consist of:

Accrued benefit liability	(112.5)	(99.8)
Intangible asset	2.0	2.5
Accumulated other comprehensive income	14.7	10.7
Net amount recognised	(95.8)	(86.6)

Included in:

Current liabilities	(6.1)	(1.4)
Long term liabilities	(106.4)	(98.4)
Goodwill and other intangible assets	2.0	2.5
Accumulated other comprehensive income	14.7	10.7
Total	(95.8)	(86.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2004 € million	2003 € million
Projected benefit obligation	294.2	161.2
Accumulated benefit obligation	240.6	131.1
Fair value of plan assets	151.1	40.6

The weighted average assumptions used in computing net benefit obligation consist of the following for the years ended 31 December:

	2004 %	2003 %
Discount rate	5.54	5.84
Rate of compensation increase	4.62	4.60
Pension increases	0.60	0.56

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

	2004 € million	2003 € million	2002 € million
Service cost	18.6	17.1	19.4
Interest cost	17.1	12.5	14.0
Expected return on plan assets	(8.4)	(6.3)	(10.4)
Amortisation of transition obligations	0.8	0.8	0.8
Recognised net actuarial obligation loss	1.0	2.2	2.7
Amortisation of unrecognised past service costs	0.3	–	–
Curtailment/settlement	1.3	–	–
Net periodic benefit cost	30.7	26.3	26.5

The weighted average assumptions used in computing the net periodic benefit cost consist of the following for the years ended 31 December:

	2004 %	2003 %
Discount rate	5.84	5.51
Expected return on assets	5.52	5.76
Rate of compensation increase	4.60	4.28
Pension increases	0.56	0.65

Plan assets were invested as follows:

	2004 %	2003 %
Asset category		
Equity securities	45	43
Debt securities	48	48
Real estate	3	5
Cash	4	3
Other	–	1
Total	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Equity securities include ordinary shares in the Company in the amount of €0.3m (0.2% of the plan assets) and €0.2m (0.1% of the plan assets) as at 31 December 2004 and 2003 respectively.

The investment objectives of the Greek fund are to optimise returns from the fund at an acceptable level of risk and within the requirement of the local law. The fund invests mainly in one year bonds to allow a reasonable level of liquidity as the majority of obligations have vested. The fund is restricted by legal requirements, which do not allow more than 30% of the total fund to be invested in equity securities. In addition, the fund guarantees a minimum return of 2.5%.

The Foundation Board of the Swiss pension plan appoints a pension fund manager who is responsible for the investment of pension fund assets and choice of investment strategy made to optimise return to pension fund members. Bond portfolio management is delegated to at least two independent banks and property management is delegated to a professional property company. Performance is reviewed regularly by the pension fund manager who reports semi-annually to the Foundation Board. The pension investment strategy is set in accordance with relevant Swiss legislation (BVV 2, ART 50-59). This sets out maximum percentages which can be held in different asset classes and makes certain diversity requirements. The investment policy states that the portfolio should be invested with an appropriate risk diversification. If risks are suitably covered, then the investment strategy can include a slightly wider risk profile, which would include overseas equities. The broad investment strategy at 31 December 2004 is to hold approximately 60% in bonds, 30% in equities, 5% in property and 5% in cash under the investments.

The overall investment policy of the Irish schemes is determined by the trustees in consultation with CCHBC Ireland and their professional advisors. The investment objectives of the Irish schemes are to aim to maximise investment returns over the long term within the necessary constraints of prudence and caution. In order to achieve this goal, the schemes assets are invested primarily in high quality equity holdings. Responsibility for day to day investment decisions such as stock selection is delegated by the trustees to the investment managers. The performance of the investment managers is monitored on a regular basis by the trustees. There are no restrictions under local legislation regarding the type of assets that the schemes may hold. However for the purpose of determining whether the schemes meet the minimum funding standard specified under Irish legislation, it is not permissible to include assets invested in the sponsoring employer. There are also restrictions relating to large holdings in individual stocks. The broad investment strategy at 31 December 2004 is to hold approximately 20% in bonds and 80% in equities.

To develop our expected long-term rate of return assumptions the Company, in consultation with its advisors uses forward-looking assumptions in the context of historical returns and volatilities for each asset class, as well as correlations among asset classes. Adjustments are made to the expected long-term rate of return assumptions annual based upon revised expectations of future investment performance of the overall capital markets, as well as changes to local laws that may affect the investment strategy. The expected long-term rate of return assumption used in computing 2004 net periodic pension cost for the plans was 5.52%.

Cash flow

Estimated future benefit payments	€million
2005	13.0
2006	12.0
2007	12.3
2008	14.8
2009	16.5
Years 2010-2014	126.3

The Company plans to contribute €7.7m to its pension plans in 2005.

Defined contribution plans

The Company also sponsors defined contribution plans covering employees at five subsidiaries. The expense recognised in the income statement in 2004 for the defined contribution plans is €6.5m (2003: €6.0m, 2002: €5.2m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. 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 the Company's shares by contributing to the plan monthly. 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.

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. The expense for 2004, 2003 and 2002 amounted to €2.1m, €1.5m and €1.5m, 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.

11. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income were as follows:

	Currency translation adjustments ¹ € million	Derivative financial instruments gains (losses) € million	Minimum pension liability € million	Unrealised gain on available-for-sale investments € million	Total € million
As at 1 January 2002	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
Currency translation adjustment, net of applicable income taxes of €0.7m	(168.5)	–	–	–	(168.5)
Change in fair value of derivatives, net of applicable income taxes of €0.9m	–	3.4	–	–	3.4
Gain on derivatives reclassified into earnings from other comprehensive income, net of applicable income taxes of €1.1m	–	(2.0)	–	–	(2.0)
Change in minimum pension liability, net of applicable income taxes of €3.3m	–	–	(7.4)	–	(7.4)
Unrealised gain on available-for-sale investments, net of applicable income taxes of €0.4m	–	–	–	0.8	0.8
As at 31 December 2003	12.2	1.8	(7.4)	0.8	7.4
Currency translation adjustment, net of applicable income taxes of €8.2m	68.4	–	–	–	68.4
Change in fair value of derivatives, net of applicable income taxes of €0.6m	–	(11.4)	–	–	(11.4)
Gain on derivatives reclassified into earnings from other comprehensive income, net of applicable income taxes of €0.7m	–	6.9	–	–	6.9
Change in minimum pension liability, net of applicable income taxes of €0.6m	–	–	(3.4)	–	(3.4)
Unrealised gain on available-for-sale investments, net of applicable income taxes of €0.1m	–	–	–	0.3	0.3
As at 31 December 2004	80.6	(2.7)	(10.8)	1.1	68.2

¹ Includes amounts related to equity method investees

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. COMMITMENTS AND CONTINGENCIES

Leases

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

	2004 € million	2003 € million
Property plant and equipment	71.1	62.7
Less amortisation	(22.8)	(17.3)
Total leases	48.3	45.4

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 2004:

	Capital leases € million	Operating leases € million
2005	16.0	21.3
2006	13.1	15.5
2007	9.6	12.1
2008	5.4	4.1
2009	2.1	3.4
2010 and thereafter	7.2	7.3
Total minimum lease payments	53.4	63.7
Amounts representing interest	(5.9)	
Present value of net minimum lease payments	47.5	
Long term portion of capital leases	32.5	
Current portion of capital leases	15.0	
Total capital leases	47.5	

Rental expense for operating leases for 2004 was €46.5m. The rental expense was €32.6m and €28.6m in 2003 and 2002, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Security over assets

Assets held under finance lease have been pledged as security in relation to the liabilities under finance leases.

Other

Over the past five years, the Directorate General for Competition of the European Commission has been conducting an investigation into various commercial practices of TCCC and certain Coca-Cola Bottlers in Austria, Belgium, Denmark, Germany and Great Britain regarding possible abuse of a dominant position.

In 2004, together with TCCC and other Coca-Cola bottlers, CCHBC and the Commission have conducted a dialogue to identify and address the commercial practices under review by the Commission. As a part of this dialogue, CCHBC submitted draft proposals incorporating undertakings that address all such practices in the European Union. On 19 October 2004, the European Commission announced that it has accepted this undertaking as a basis for terminating its investigation. The Commission also advised that it intends to formalise the undertaking as a legally binding commitment. The undertaking will potentially apply in 27 European countries, covering those channels of distribution where The Coca-Cola Company-branded carbonated soft drinks account for over 40% of national sales and twice the nearest competitor's share.

The Greek Competition Authority issued a decision in 2002, imposing a fine on the Company of approximately €2.9 million and requiring changes in the Company's commercial practices in respect of free on-loan coolers in certain outlets in Greece. The fine related to the Company's dealings with certain wholesalers during the period 1991–1999. Both the Company and various complainants appealed this decision. On 26 June 2004, the Athens Administrative Court of Appeal rejected all appeals by the various complainants and partly accepted the Company's appeal insofar that it reduced the amount of the fine imposed on the Company by the Greek Competition Authority to €1.8 million. In relation to the case, one of the Company's competitors has filed a lawsuit claiming damages in an amount of €7.7 million. At present it is not possible to predict the outcome of this lawsuit or quantify the likelihood or materiality of any potential liability arising from it.

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 2004, such issues were successfully resolved in Poland. The Company still has similar issues outstanding before the Romanian Custom Authorities. At this time, it is not possible to quantify the risk of a negative outcome in these cases.

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

The tax filings of CCHBC and its subsidiaries are routinely subjected to audit by tax authorities in most of the jurisdictions in which the Group conducts business. These audits may result in assessments of additional taxes. The Group provides additional tax in relation to the outcome of such tax assessments, to the extent that a liability is probable and estimable.

At 31 December 2004, the Company had capital commitments over the next year of €60.4m (2003: €54.4m).

At 31 December 2004, the Company had commitments to purchase €167.0m (2003: €140.9m, 2002: €150.3m) of raw materials over the next year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS

Derivative financial instruments

The Company only uses derivatives for economic 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 uses 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 €733.0m in 2004 (2003: €555.0m and €300.0m) fixed-rate debt to a floating rate based on EURIBOR. The notional amount of the swaps is €733.0m. During both 2004 and 2003, the Company used a combination of interest rate swaps and currency swaps to convert the Company's US\$500.0m and US\$400.0m notes issues in the US market from fixed-rate US dollar denominated debt to a floating-rate based on EURIBOR. 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.

Interest rate swap agreements are classified as current or non-current depending on an assessment of the period over which they are expected to be held.

During the year ended 31 December 2004, the Company recognised a net loss of €1.5m (2003: net gain of €4.4m and 2002: net gain of €6.5m) related to interest rate swaps which do not qualify for hedge accounting. All amounts have been included in other income or expense in the consolidated statements of income for the years ended 31 December 2004, 2003 and 2002, respectively.

Over the period 2002 to 2004, 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 statement of income through the option revaluation process. As the Company has benefited from lower interest costs and, consequently, recognised a loss of €4.2m (2003: a loss of €2.4m, 2002: a loss of €2.8m) in relation to these items in the statement of income within interest expense.

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 2004, the Company had recorded €3.6m of unrealised losses in accumulated other comprehensive income (2003: €2.3m of unrealised gains), as a result of the hedge contracts, which, if realised, will be recorded in operating expenses, when the underlying transaction affects operating results. The net fair values of the forward contracts of €(1.4)m and €3.9m at 31 December 2004 and 2003, respectively, are included within other current assets and other current liabilities.

During 2003, the Company purchased cross currency swaps to cover the currency risk related to the US\$500.0m and US\$400.0m notes (refer to Note 7). At 31 December 2004, the fair value of the cross currency swaps represented a payable of €143.1m (2003: €89.9m). The cross currency swaps were recorded as a long term liability, as the maturity of the instruments matched the underlying notes. The €53.2m loss on the cross currency swaps during 2004 was offset by the €53.2m gain recorded on the translation of the dollar denominated debt to Euro.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (CONTINUED)

Sugar

The Company is exposed to the effect of changes in the price of sugar. To manage a portion of the risk of sugar costs, the Company uses sugar futures contracts traded on regulated futures exchanges. The sugar futures 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 2004, the Company had recorded €0.5m of unrealised gains (2003: €0.3m) 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 2005.

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 balances 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 customer 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 current market prices.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts and fair value of the Company's derivative financial instruments and long term debt at 31 December were as follows:

	Carrying value 2004 € million	Fair value 2004 € million	Carrying value 2003 € million	Fair value 2003 € million
Derivative assets:				
Interest rate swap asset	–	–	36.8	36.8
Interest rate options	2.2	2.2	2.3	2.3
Forward foreign exchange contracts	5.2	5.2	4.9	4.9
Commodities futures contracts	0.8	0.8	0.3	0.3
Total derivative assets (current)	8.2	8.2	44.3	44.3
Total derivative assets (non current)	36.0	36.0	–	–
Total derivative assets	44.2	44.2	44.3	44.3
Derivative liabilities:				
Interest rate swap liability	–	–	3.5	3.5
Forward foreign exchange contracts	5.9	5.9	1.0	1.0
Foreign currency option contract	0.3	0.3	–	–
Total derivative liabilities (current)	6.2	6.2	4.5	4.5
Cross currency swap liability (non-current)	143.1	143.1	89.9	89.9
Total derivative liabilities	149.3	149.3	94.4	94.4
Long term debt	1,424.6	1,425.1	1,598.8	1,609.2

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

	2004 € million	2003 € million
Contracts with positive fair values:		
Commodities future contracts	0.8	0.3
Forward foreign exchange contracts	0.3	2.6
	1.1	2.9
Contracts with negative fair values:		
Forward foreign exchange contracts	(3.9)	(0.3)
	(3.9)	(0.3)

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

	2004 € million	2003 € million
Contracts with positive fair values:		
Interest rate swaps	35.6	28.7
Forward foreign exchange contracts	–	0.6
	35.6	29.3
Contracts with negative fair values		
Forward foreign exchange contracts	(2.0)	–
	(2.0)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2004 € million	2003 € million
Contracts with positive fair values:		
Interest rate swaps	0.4	8.1
Interest rate options	2.2	2.3
Forward foreign exchange contracts	4.9	1.7
	7.5	12.1
Contracts with negative fair values:		
Interest rate swaps	–	(3.5)
Foreign currency option contracts	(0.3)	–
Forward foreign exchange contracts	–	(0.7)
Cross currency swaps	(143.1)	(89.9)
	(143.4)	(94.1)

14. SEGMENT INFORMATION

The Company has one business, being the production, distribution and sale of alcohol-free ready-to-drink beverages. CCHBC operates in 26 countries (including our equity investment based in the Former Yugoslav Republic of Macedonia), 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, FYROM, Moldova, Nigeria, Romania, Russia, Serbia and Montenegro, and Ukraine.

Company's operations in each of its segments have similar economic characteristics, production processes, customers, and distribution methods. The Company evaluates performance and allocates resources primarily based on COP. The accounting policies of Company'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 Company's segments, nor are there significant export sales from Greece.

Year ended 31 December	2004 € million	2003 € million	2002 € million
Net sales revenue			
Established	2,244.9	2,189.5	2,048.7
Developing	732.7	712.7	699.0
Emerging	1,224.3	1,115.3	1,091.7
Total net sales revenue	4,201.9	4,017.5	3,839.4
Cash operating profit (COP)			
Established	368.5	361.2	311.4
Developing	105.0	96.6	92.4
Emerging	235.3	193.0	160.9
Total COP	708.8	650.8	564.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December	2004 € million	2003 € million	2002 € million
Depreciation			
Established	119.1	117.1	103.9
Developing	64.4	63.1	67.6
Emerging	99.9	92.7	98.7
Total depreciation	283.4	272.9	270.2
Impairment charges on property, plant and equipment			
Established	3.6	–	–
Developing	–	–	–
Emerging	–	–	–
Total impairment charges on property, plant and equipment	3.6	–	–
Operating profit			
Established	245.8	244.1	207.5
Developing	40.6	33.5	24.8
Emerging	135.4	100.3	62.2
Total operating profit	421.8	377.9	294.5
Interest expense			
Established	38.9	39.5	53.1
Developing	2.3	7.8	14.9
Emerging	3.4	2.5	1.4
Corporate	87.7	78.2	61.1
Intersegment interest expense	(65.4)	(63.3)	(60.2)
Total interest expense	66.9	64.7	70.3
Interest income			
Established	1.2	2.0	2.1
Developing	4.3	9.9	16.2
Emerging	1.7	3.3	4.3
Corporate	64.8	59.6	47.9
Intersegment interest income	(65.4)	(63.3)	(60.2)
Total interest income	6.6	11.5	10.3
Income tax expense			
Established	33.5	48.2	37.6
Developing	10.2	(1.2)	3.9
Emerging	25.9	33.7	29.7
Corporate	7.8	3.2	2.1
Total income tax expense	77.4	83.9	73.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December	2004 € million	2003 € million	2002 € million
Subtotal	284.1	240.8	161.2
Reconciling items			
Other expense	(8.3)	(7.1)	(4.2)
Other income	4.2	4.9	6.5
Share of income of equity method investees	5.2	4.3	4.3
Minority interests	(13.1)	(11.0)	(15.8)
Cumulative effect of accounting change for Statement No. 142, net of income taxes of €25.0m in 2002	–	–	(94.0)
Net income	272.1	231.9	58.0

Year ended 31 December	2004 € million	2003 € million
Capital expenditure		
Established	108.1	123.5
Developing	74.9	65.7
Emerging	171.4	151.5
Total capital expenditure	354.4	340.7

As at 31 December	2004 € million	2003 € million
Assets		
Established	3,554.4	3,533.6
Developing	1,260.2	1,204.1
Emerging	1,150.2	1,035.6
Corporate / intersegment receivables	(8.1)	(39.4)
Total assets	5,956.7	5,733.9

15. SHAREHOLDERS' EQUITY

Issued capital and additional paid-in capital

On 22 December 2004, the Company's Board of Directors resolved to increase the share capital of the Company by 1,344,852 ordinary shares, following the exercise of stock options by option holders pursuant to the Company's stock option plan. Proceeds from the issue of the shares were €19.2m. This was recorded as €0.6m to issued capital and €18.6m to additional paid-in capital.

On 23 December 2003, the Company's Board of Directors resolved to increase the share capital of the Company by 256,681 ordinary shares, following the exercise of stock options by option holders pursuant to the Company's stock option plan. Proceeds from the issue of the shares were €3.4m. This was recorded as €0.1m to issued capital and €3.3m to additional paid-in capital.

On 19 August 2003, the Company announced its intention to effect a leveraged re-capitalisation with a view towards improving the efficiency of its capital structure. In connection with the leveraged re-capitalisation, we held an Extraordinary General Meeting on 15 September 2003, which approved a share capital increase through the capitalisation of €518.3m of additional paid-in capital (or an increase of the par value of ordinary shares from €0.31 to €2.50 per ordinary share). This capital increase was approved by the Greek Ministry of Development on 24 September 2003 and consummated on 1 October 2003 with the payment of certain related taxes, which were expensed in 2003.

On 1 October 2003, the Board of Directors of the Company called a second Extraordinary General Meeting, which took place on 31 October 2003 and which approved a share capital decrease of €473.3m (or a decrease of the par value of ordinary shares from €2.50 to €0.50 per ordinary share) and the return of €2.00 per ordinary share to all shareholders of the Company. The capital decrease was approved by the Greek Ministry of Development on 10 November 2003 and the Athens Stock Exchange was duly notified at its board meeting of 14 November 2003. As at 31 December 2003, €472.9m of the €473.3m had been returned to shareholders. The capital return of €473.3m and the payment of taxes and related expenses of €4.0m were financed with the net proceeds from the global offering of notes.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. SHAREHOLDERS' EQUITY (CONTINUED)

Retained Earnings

Retained earnings include tax free, partially taxed and statutory reserves particular to the various countries in which the Company operates. The amount of retained earnings of the parent entity, Coca-Cola Hellenic Bottling Company S.A., on which there are restrictions on distribution, is €28.0m (2003: €25.6m).

16. STOCK OPTION COMPENSATION PLANS

The Company operates a stock-based compensation plan, under which certain key employees are granted awards of stock options, based on an employee's performance and service period. Options are granted at an exercise price of the average mid-price of the Company's shares at close of trading on the Athens 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.

The Company follows Opinion No. 25 and related interpretations in accounting for its stock-based compensation plan. Under 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 2004 was negligible (2003: €0.2m, 2002: €0.3m).

The following table summarises information on options outstanding. The table also reflects revisions made by the Company to stock option exercise prices to reflect the impact of the re-capitalisation of the Company (refer to note 15 for further details):

	Exercise price before re-capitalisation €	Exercise price after re-capitalisation €	Vesting status 2004	Vesting dates for further increments			End of option period	Number of stock options outstanding
2001 Stock Option Plan								
Sub Plan 1	25.06	23.32	fully vested	–	–	–	11.07.2008	310,148
Sub Plan 2	22.71	20.97	fully vested	–	–	–	29.09.2008	20,997
Sub Plan 3	18.80	17.06	fully vested	–	–	–	08.12.2009	552,715
Sub Plan 4	16.22	14.68	fully vested	–	–	–	12.12.2010	1,774,976
Sub Plan 5	13.35	12.08	fully vested	–	–	–	27.06.2011	20,000
Sub Plan 6	16.05	14.53	fully vested	–	–	–	12.12.2011	1,118,433
2003 A Plan	14.31	12.95	two-thirds	11.12.2005	–	–	10.12.2012	303,920
2003-2004 Plan / 2003 Grant	n/a	16.76	one-third	15.12.2005	15.12.2006	–	14.12.2013	670,833
2003-2004 Plan / 2004 Grant	n/a	18.63	none	03.12.2005	03.12.2006	03.12.2007	02.12.2014	734,850
Total								5,506,872

A summary of stock option activity under all plans is as follows:

	Number of stock options 2004	Weighted average exercise price ² 2004	Number of stock options 2003	Weighted average exercise price ² 2003	Number of stock options 2002	Weighted average exercise price ² 2002
Outstanding on 1 January	6,441,396	15.42	5,724,958	15.40	5,896,488	15.40
Granted ³	734,850	18.63	1,423,900	14.84	–	n/a
Exercised	(1,334,852)	14.39	(256,681)	13.14	–	n/a
Forfeited	(334,522)	15.85	(450,781)	14.59	(171,530)	15.50
Outstanding on 31 December	5,506,872	16.07	6,441,396	15.42	5,724,958	15.40
Exercisable on 31 December	4,241,912	15.65	4,826,028	15.52	3,475,202	16.01

² Reflects adjustments in the exercise prices due to re-capitalisation in 2003

³ Including converted stock appreciation rights (SARs) – refer to Note 17 for further details

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. STOCK OPTION COMPENSATION PLANS (CONTINUED)

Pro forma information regarding net income and earnings per share is required by Statement No. 123, *Accounting for Stock-Based Compensation* ("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 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	2004 € million	2003 € million	2002 € million
Net income as reported	272.1	231.9	58.0
Add: Stock option employee compensation expense included in net income	–	0.2	0.3
Deduct: Total stock option compensation expense determined under fair value based method for all awards	(4.3)	(6.3)	(11.4)
Pro forma net income	267.8	225.8	46.9
Earnings per share (Euro):			
Basic – as reported	1.15	0.98	0.25
Diluted – as reported	1.14	0.98	0.25
Basic – pro forma	1.13	0.95	0.20
Diluted – pro forma	1.13	0.95	0.20

For purposes of pro forma disclosures, the estimated fair value of the options is amortised to expense over the options' vesting period.

The following table summarises the fair value (weighted average) of stock options granted in 2004 and 2003 (no stock options were granted in 2002). The fair value of options granted in 2004 was estimated using the binomial option-pricing model. We believe this model more accurately reflects the value of the options than using the Black-Scholes option-pricing model. Previous years grants continue to be valued using the Black-Scholes model. 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 its employee stock options. The fair value of each option grant was calculated on the date of grant with the following assumptions (weighted average):

	2004	2003
Weighted average fair value of options granted	€5.0	€5.3
Risk free interest rates	5.0%	4.0%
Expected volatility	25.9%	30.0%
Dividend yield	1.5%	1.3%
Expected life	5.1 years	7.5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. STOCK APPRECIATION RIGHTS

The Company operates a stock-based compensation plan, under which certain key employees are granted stock appreciation rights (SARs), based on an employee's performance and service period. The terms of the SARs are based upon the basic terms and conditions of stock option grants except that instead of shares, the holders receive a payment equal to the difference between the market price of CCHBC's shares at the date of exercise and the exercise price. SARs vest in one-third increments each year for three years and can be exercised for up to ten years from the date of award.

The following table summarises information on SARs outstanding. The table also reflects revisions made by the Company to the SARs exercise price to reflect the impact of the re-capitalisation of the Company:

	Exercise price before re-capitalisation €	Exercise price after re-capitalisation €	Vesting status 2004	Vesting dates for further increments			End of exercise period	Number of SARs outstanding
Phantom Option Plan								
1998 A	25.06	23.32	fully vested	–	–	–	11.07.2008	164,315
1998 B	22.71	20.97	fully vested	–	–	–	29.09.2008	421
1999	18.8	17.06	fully vested	–	–	–	08.12.2009	138,276
2000	16.22	14.68	fully vested	–	–	–	12.12.2010	151,500
2001	16.05	14.53	fully vested	–	–	–	12.12.2011	97,900
2002	14.31	12.95	two-thirds	11.12.2005	–	–	10.12.2012	19,500
2003-2004	n/a	16.76	one-third	15.12.2005	15.12.2006	–	14.12.2013	20,000
2004	n/a	18.63	none	03.12.2005	03.12.2006	03.12.2007	02.12.2014	22,150
Total								614,062

A summary of SARs activity under all plans is as follows:

	Number of SARs 2004	Weighted average exercise price ⁴ 2004	Number of SARs 2003	Weighted average exercise price ⁴ 2003	Number of SARs 2002	Weighted average exercise price ⁴ 2002
Outstanding on 1 January	837,907	17.02	1,631,828	15.30	1,304,867	17.15
Granted	22,150	18.63	20,000	16.76	738,400	12.95
Exercised	(243,155)	15.56	–	n/a	(4,167)	14.68
Converted into stock options	–	–	(718,900)	12.95	–	n/a
Forfeited	(2,840)	16.43	(95,021)	18.14	(407,272)	16.97
Outstanding on 31 December	614,062	17.66	837,907	17.02	1,631,828	15.30
Exercisable on 31 December	574,077	17.69	763,674	17.24	700,328	17.96

The compensation expense relating to SARs recorded for 2004 amounted to €1.2m (2003: €0.9m, 2002: €nil).

⁴ Reflects adjustments in the exercise prices due to re-capitalisation in 2003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. EARNINGS PER SHARE

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

	2004 million	2003 million	2002 million
Numerator (Euro):			
Net income	272.1	231.9	58.0
Denominator (number of shares):			
Basic weighted average ordinary shares outstanding	237.0	236.7	236.7
Diluted effect of stock options	1.0	–	–
Diluted weighted average ordinary shares outstanding	238.0	236.7	236.7

19. OTHER INCOME

Other income of €4.2m in 2004 consists of €3.5m of gains on interest rate swaps that were not eligible for hedge accounting (2003: €4.4m and 2002: €6.5m) and exchange gains of €0.7m (2003: €0.5m and 2002: nil).

20. OTHER EXPENSE

Other expense of €8.3m in 2004 consists of exchange losses of €3.4m and €4.9m of losses on interest rate swaps that were not eligible for hedge accounting (in 2003, exchange losses of €1.0m and costs associated with the capital return of €6.1m, and in 2002, exchange losses of €1.4m and losses on valuation of options of €2.8m).

21. RELATED PARTY TRANSACTIONS

The Coca-Cola Company

As at 31 December 2004, TCCC indirectly owned 56,741,386 shares in CCHBC. This represented 23.8% (2003: 23.9%) of the issued share capital of CCHBC. TCCC considers CCHBC to be a 'key bottler', and 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 terms of the bottler's agreements grant CCHBC's territories the right to produce and the exclusive right to sell and distribute the beverages of TCCC. Consequently, CCHBC is obliged to purchase all its requirements for concentrate for TCCC's beverages from TCCC, or its designee, in the ordinary course of business. These agreements extend to 2013 and may be renewed at TCCC's discretion, until 2023.

TCCC owns or has applied for the trademarks that identify its beverages in all of CCHBC's countries. TCCC has 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 from TCCC and its subsidiaries amounted to €907.4m, €904.3m and €836.2m for the years ended 31 December 2004, 2003 and 2002, respectively.

TCCC makes discretionary marketing contributions to CCHBC's operating subsidiaries. The participation in shared marketing agreements is 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's beverages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Total contributions received from TCCC for marketing and promotional incentives amounted to €47.0m, €41.2m and €72.6m for the years ended 31 December 2004, 2003 and 2002 respectively. Contributions for price support and marketing and promotional campaigns in respect of specific customers are recorded in net sales revenue as an offset to promotional incentives paid to customers. In 2004, such contributions totalled €21.1m as compared to €19.0m and €30.4m in 2003 and 2002, respectively. Contributions for general marketing programs are recorded as an offset to selling expenses. In 2004, these contributions totalled €25.9m, compared with €22.2m and €42.2m in 2003 and 2002, respectively. 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.

In addition, support payments received from TCCC for the placement of cold drink equipment was €15.0m, €22.5m and €18.3m, for the years ended 31 December 2004, 2003 and 2002, respectively.

The Company purchased €0.8m of fixed assets from TCCC in the year ended 31 December 2004 (2002: €1.0m). No fixed assets were purchased in the year ended 31 December 2003.

During the year, the Company sold €8.4m of finished goods and raw materials to TCCC (2003: €7.0m, 2002: €21.3m).

Other income primarily comprises rent, facility and other costs of €1.7m (2003: €6.8m, 2002: €2.0m) and in 2003 a toll filling relationship in Hungary of €4.9m (2004 and 2002, nil). Other expenses relate to facility costs charged by TCCC, a toll filling relationship and shared costs. These other expenses amounted to €4.2m (2003: €14.6m, 2002: €1.8m). With the exception of the toll-filling arrangement, balances are included in selling, delivery and administrative expenses.

On 2 January 2002, CCHBC completed the purchase of the bottling operations in the Baltic States of Estonia, Latvia and Lithuania for a consideration of €7.2m in loan notes. In August 2002, this balance plus the outstanding loan balance originating from the acquisition of bottling operations in the Russian Federation in 2001, was repaid in full. Interest expense included interest paid to TCCC amounting to €3.5m for the year ended 31 December 2002 and €0.5m for the year ended 31 December 2001. There was no interest payable in respect of the years ended 2003 and 2004.

In 2004, the Company sold trademarks to TCCC for €11.2m. Of this, €8.6m related to the sale of Gotalka water brands, and the remainder to the sale of the Bosnian water brand, 'Olimpija'. As at 31 December 2004, the €2.6m payment for the Olimpija brand was still outstanding. In 2003, the Company received €7.6m from TCCC for the sale of trademarks. Of this, €2.3m related to the sale of the water brand trademark 'Dorna'. The remainder related to the sale of the water brand trademark 'Naturaqua' in 2002. The consideration received for 'Naturaqua' 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.

At 31 December 2004, the Company had a total of €45.1m (2003: €49.3m and 2002: €68.1m) due from TCCC, and a total amount due to TCCC of €69.3m (2003: €68.4m and 2002: €75.2m).

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 €27.8m, €21.4m and €14.6m for the years ended 31 December 2004, 2003 and 2002, respectively. At 31 December 2004, the Company was owed €2.0m (2003: €1.2m) and owed €1.2m (2003: €0.1m).

The Kar-Tess Group

The Kar-Tess Group owned 71,848,182 shares in CCHBC as at 31 December 2004. This represented 30.2% (2003: 30.3%) of the issued share capital of CCHBC. At 31 December 2002 the shareholding was 94,167,568 shares (a 39.8% holding). This was reduced by the transfer on 18 November 2003 of shares from Kar-Tess Holding S.A. (a member of The Kar-Tess Group) to individuals and entities who were either shareholders of Kar-Tess Holding S.A. or persons or entities nominated by them. The Kar-Tess Group owns 44.1% of Frigoglass S.A. (see below)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Frigoglass S.A.

Frigoglass S.A. is a manufacturer of coolers, PET resin, glass bottles, crowns and plastics that is listed on the Athens Stock Exchange. Frigoglass S.A. has a controlling interest in Frigoglass Industries Limited, a company in which CCHBC has an 18.0% effective interest, through its investment in Nigerian Bottling Company plc. The Kar-Tess Group is a major shareholder of Frigoglass S.A. (see above).

Under the terms of a supply agreement entered into in 1999, and extended in 2004 on substantially similar terms, the Company is obliged to obtain at least 60% (at prices which are negotiated on an annual basis and which must be competitive) of its annual requirements for coolers glass bottles, PET resin, PET preforms, as well as plastic closures, crates, sleeves and labels from Frigoglass S.A. The current agreement expires on 31 December 2008. CCHBC has the status of most favoured customer of Frigoglass, on a non-exclusive basis.

Purchases from Frigoglass S.A. and its subsidiaries amounted to €165.1m, €155.6m and €131.1m for the years ended 31 December 2004, 2003 and 2002, respectively. These purchases are comprised of coolers and related materials and containers. As at 31 December 2004, the Company owed €17.6m (2003: €9.5m) and was owed €0.7m (2003: €0.3m).

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 2004, our Nigerian subsidiary purchased chemicals, raw materials, spare parts and fixed assets totalling €6.8m (2003: €18.3, 2002: €24.0m) and incurred rental expenses of €0.9m (2003: €1.0m, 2002: €1.0m). At 31 December 2004, the Company owed €0.8m (2003: €0.9m) and was owed €0.1m (2003: €0.1m).

Plias S.A.

Plias S.A. is related to the Company by way of some common shareholdings. During the year, the Company sold €3.8m (2003: €14.9m, 2002: €12.2m) of finished goods to Plias S.A. and its subsidiaries and purchased €2.3m of fixed assets (2003: €1.1m, 2002: nil), from Plias S.A. The Company received contributions of €0.8m towards marketing activities in 2002. No such contributions were received in 2004 or 2003. At 31 December 2004, Plias S.A. and its subsidiaries owed €11.3m to the Company (2003: €6.3m) and was owed €5.7m (2003: nil).

On 30 December 2003, CCHBC completed the acquisition of 100% of the shares of the Greek potato chip company, Tsakiris S.A. from Plias S.A. (refer to Note 2). Cash consideration of €6.2m was paid to Plias S.A. in December 2003.

Other Coca-Cola bottlers

In 2003, the Company purchased €1.6m of finished goods from other Coca-Cola bottlers in which TCCC has significant influence (2003: €1.1m, 2002: €3.0m). At 31 December 2004, the Company owed €0.1m (2003: €0.2m) and was owed nothing (2003: €0.3m)

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. During the year, the Company sold €0.2m (2003: €0.4m, 2002: nil) packaging materials and purchased €11.3m (2003: €5.7m, 2002: € 3.9m) of finished goods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. SUBSEQUENT EVENTS

On 15 March 2005, the Company announced its intention to acquire the Serbian mineral water company, Vlasinka, jointly with TCCC. The acquisition includes a production facility at Surdulica in Southern Serbia and the mineral water brand 'Rosa'. Total consideration for the acquisition will be €18.3m (excluding acquisition and other costs), of which the Company's share is €9.2m. The acquisition was completed on 14 April 2005.

On 31 March 2005, the Company announced that it had reached an agreement to acquire Multon, a leading juice producer, in a joint acquisition with TCCC. Multon has production facilities in Moscow and St. Petersburg and produces and distributes juice products under the brands 'Rich', 'Nico' and 'Dobry'. Total consideration for the acquisition will be \$501.0m (excluding acquisition costs), of which the Company's share is \$250.5m. The acquisition was completed on 20 April 2005.

On 4 April 2005, the Company announced its intention to acquire the Bulgarian mineral water company, Bankia, jointly with TCCC. The acquisition includes production facilities located just outside of Sofia and the mineral water brand 'Bankia'. The acquisition is subject to regulatory approval from the Bulgarian state authorities.

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 net income and shareholders' equity are as follows:

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 price 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 (and related purchase accounting adjustments) have not been recognised under US GAAP since HBC and the entities concerned were under the common control of The Kar-Tess Group.

Under US GAAP, the Company has recorded identifiable intangible assets acquired through business combinations separately from goodwill. For the purposes of IFRS, the Company has classified franchise agreements acquired in business combinations prior to 2002 as goodwill. Both US GAAP and IFRS require deferred tax to be recognised on separately identifiable intangible assets arising in business combinations, but not on goodwill. As a result, a substantial deferred tax liability (and consequential rise in goodwill) has been recorded for US GAAP but not for IFRS.

Under IFRS, Coca-Cola HBC S.A. ('the Company') currently amortises goodwill and indefinite-lived intangible assets up to a presumed maximum 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 Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets* ('Statement No. 142'). Effective 1 January 2005, the Company will adopt IFRS 3, *Business Combinations*, and will cease amortisation of indefinitely lived intangible assets. Impairment testing of the intangible assets will occur annually, or more frequently if circumstances dictate.

Equity accounting

CCHBC'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.

Costs associated with equity transactions

Under IFRS, incremental external costs directly attributable to the issue of new shares (other than in connection with business combination) or the process to return capital to shareholders, are recorded directly in equity as a deduction, net of tax, to the share premium reserve. Under US GAAP, costs associated with the return of capital are recorded through the income statement.

Unrealised gains and losses on investments

Under US GAAP, unrealised gains and losses on investments held as available-for-sale are recognised directly in equity. Under IFRS, however, the Company follows the preferred treatment whereby unrealised gains and losses on investments held as available-for-sale are recognised in the income statement.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Deferred tax

The US GAAP treatment of deferred tax is different in a number of respects from IFRS. The issues of importance for the Company 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.

Restructuring activities

Under IFRS, a restructuring provision can be raised when an entity has a present obligation to restructure, having developed a formal plan for restructuring and raised a valid expectation in those affected that it will carry out restructuring, and a reasonable estimate can be made of the amount of the obligation. US GAAP requires that the liability for the costs of restructuring are recognised and measured at fair value when the liability is incurred, rather than the date at which the exit plan is committed to. In particular, where employees are required to serve beyond the minimum retention period in order to receive one-time termination benefits such as severance pay, the costs of the one-time termination benefit are recognised at fair value over the term of the retention period. If it is not possible for the employee to determine the type and amount of benefits they will receive from involuntary termination (for example, when the negotiation of severance benefits has not been conducted with the appropriate employee groups such as work councils or trade unions) then it is not possible to raise a provision for any such amounts.

Other employee entitlements

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

Reconciliation of net income

	2004 € million	2003 € million
Net income under US GAAP	272.1	231.9
Amortisation of intangible assets	(106.6)	(112.8)
Restructuring	(30.3)	–
Deferred tax ¹	(21.3)	(15.3)
Costs associated with equity transactions	(0.3)	4.3
Other	(1.2)	7.6
Net income under IFRS	112.4	115.7

Reconciliation of shareholders' equity

	2004 € million	2003 € million
Shareholders' equity under US GAAP	2,561.0	2,256.3
CCB acquisition initial announce price effect	(834.1)	(834.1)
Common control of acquisitions	961.3	961.3
Other adjustments in relation to intangible assets	(700.4)	(565.1)
Restructuring	(30.3)	–
Deferred tax	7.6	32.5
Employee entitlements	9.5	5.9
Other	13.0	15.0
Shareholders' equity under IFRS	1,987.6	1,871.8

¹Including tax rate changes

CONVENIENCE TRANSLATION OF SUMMARY FINANCIAL DATA

The following table contains summary financial information reported in the US GAAP financial statements for the year ended 31 December 2004 and a convenience translation into US dollars at the 31 December 2004 rate of €1 = \$1.3621. The translation to US dollars has been provided solely for the purposes of convenience, and should not be construed as a representation that the amounts represent, or have been or could be converted into US dollars at that or any other rate.

Year ended 31 December	Convenience translation 2004 US\$ million	As reported under US GAAP 2004 € million
Statements of operations data:		
Net sales	5,723.4	4,201.9
Cost of sales	(3,406.5)	(2,500.9)
Gross profit	2,316.9	1,701.0
Selling, delivery and administrative expenses	(1,742.4)	(1,279.2)
Operating income	574.5	421.8
Net income	370.7	272.1
Other operating data:		
Net cash provided by operating activities	667.0	489.7
Net cash used in investing activities	(438.1)	(321.7)
Net cash used in financing activities	(237.0)	(174.0)
Reconciliation of net income to cash operating profit:		
Net income	370.7	272.1
Minority interests	17.8	13.1
Share in income of equity method investees	(7.1)	(5.2)
Income tax expense	105.4	77.4
Other expense	11.3	8.3
Other income	(5.7)	(4.2)
Interest income	(9.0)	(6.6)
Interest expense	91.1	66.9
Operating income	574.5	421.8
Plus: depreciation of tangible assets	386.0	283.4
Plus: impairment charges	4.9	3.6
Cash operating profit (COP)	965.4	708.8

CONVENIENCE TRANSLATION OF SUMMARY FINANCIAL DATA (CONTINUED)

Year ended 31 December	Convenience translation 2004 US\$ million	As reported under US GAAP 2004 € million
Share and per share data:		
Average ordinary shares outstanding (number of shares)	236,958,191	236,958,191
Net income per share as reported:		
Basic	1.57	1.15
Diluted	1.56	1.14
Cash dividend declared per share	0.27	0.20
	Convenience translation 2004 US\$ million	As reported under US GAAP 2004 € million
Balance sheet data:		
Franchise rights	2,707.0	1,987.4
Share capital	162.2	119.1
Total assets	8,113.6	5,956.7
Net assets	3,488.3	2,561.0
Long-term less current portion	1,940.4	1,424.6

Glossary of Terms

The following definitions apply throughout the Annual Report unless the content requires otherwise:

'20-F'

This is an integrated form used as a registration statement for purposes of registering securities of qualified foreign private issuers under Section 12. It can also be used 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 geographical 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

'bps'

Shorthand for basis points. One basis point is equal to one hundredth of a percentage point (0.01%).

'canning rights'

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

'capital expenditure; capex'

Gross capex is defined as payments for purchase of property, plant and equipment
Net capex is defined as payments for purchase of property, plant and equipment less receipts from disposals of property, plant and equipment plus principal repayment of finance lease obligations

'carbonated soft drinks; CSD's'

Alcohol-free 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 S.A. and, as the context may require, its subsidiaries and joint ventures. Also 'the Group' or 'the Company'

'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 full-year 2001 actual results for the bottling operations in Russia and the Baltic states (acquired in 2001 and 2002 respectively) to provide comparable information for subsequent years

'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

'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

'non carbonated soft drinks; non-CSD's'

Alcohol-free, non-carbonated beverages including, but not limited to, waters and flavoured waters, juice and juice drinks, sports and energy drinks, teas and coffee

Glossary of Terms (continued)

‘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 (total equity plus interest-bearing debt)

‘SEC’

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

‘serving’

237mL or 8oz of 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

‘underlying’

Underlying financial indicators exclude the recognition of pre-acquisition tax losses and the 2004 restructuring costs

‘unit case’

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

‘US GAAP’

Generally Accepted Accounting Principles in the United States

Forward-looking Statements

This document may contain forward-looking statements that involve risks and uncertainties. These statements may generally, but not always, be identified by the use of words such as believe, outlook, guidance, intend, expect, anticipate, plan, target and similar expressions.

All statements other than statements of historical facts, including, among others, statements regarding our future financial position and results, business strategy, including the future growth of our non-CSD products, our future dealings with The Coca-Cola Company, budgets, projected levels of consumption and production, projected costs, estimates of capital expenditure and plans and objectives of management for future operations, are forward-looking statements. You should not place undue reliance on these forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they reflect our current expectations and assumptions as to future events and circumstances that may not prove accurate.

Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in our most recent annual report on Form 20-F filed with the U.S. Securities and Exchange Commission. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of the consolidated financial statements included here, either to conform them to actual results or to changes in our expectations.

