



ANNUAL REPORT

EXCELLENCE ACROSS THE BOARD



**Coca-Cola HBC**





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

We operate in 26 countries, 13 of which are  
in the European Union, and serve a population of  
540 million people.

We refresh our consumers with established global brands,  
complemented by local products in order to provide a full  
range of beverage choices.

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).



In millions except per share data and ROIC	Financial Indicators*			Reported Financial Indicators		
	2005	2004	% change	2005	2004	% change
Volume (unit cases)	1,578	1,413	+12%	1,578	1,413	+12%
Net sales revenue	€4,780	€4,248	+13%	€4,780	€4,248	+13%
Gross profit	1,962	1,722	+14%	1,962	1,722	+14%
Operating profit (EBIT)	501	435	+15%	461	255	+81%
Net profit	320	253	+26%	308	107	+188%
Earnings per share	1.34	1.06	+26%	1.29	0.45	+187%
EBITDA	813	726	+12%	808	680	+19%
ROIC	9.4%	8.5%	+90bps			

Note: Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, the amortisation of indefinitely-lived intangible assets and include the results of the acquired entities.

# Coca-Cola HBC at a glance

## Established markets

Austria, Greece, Italy, Northern Ireland, Republic of Ireland and Switzerland

## Developing markets

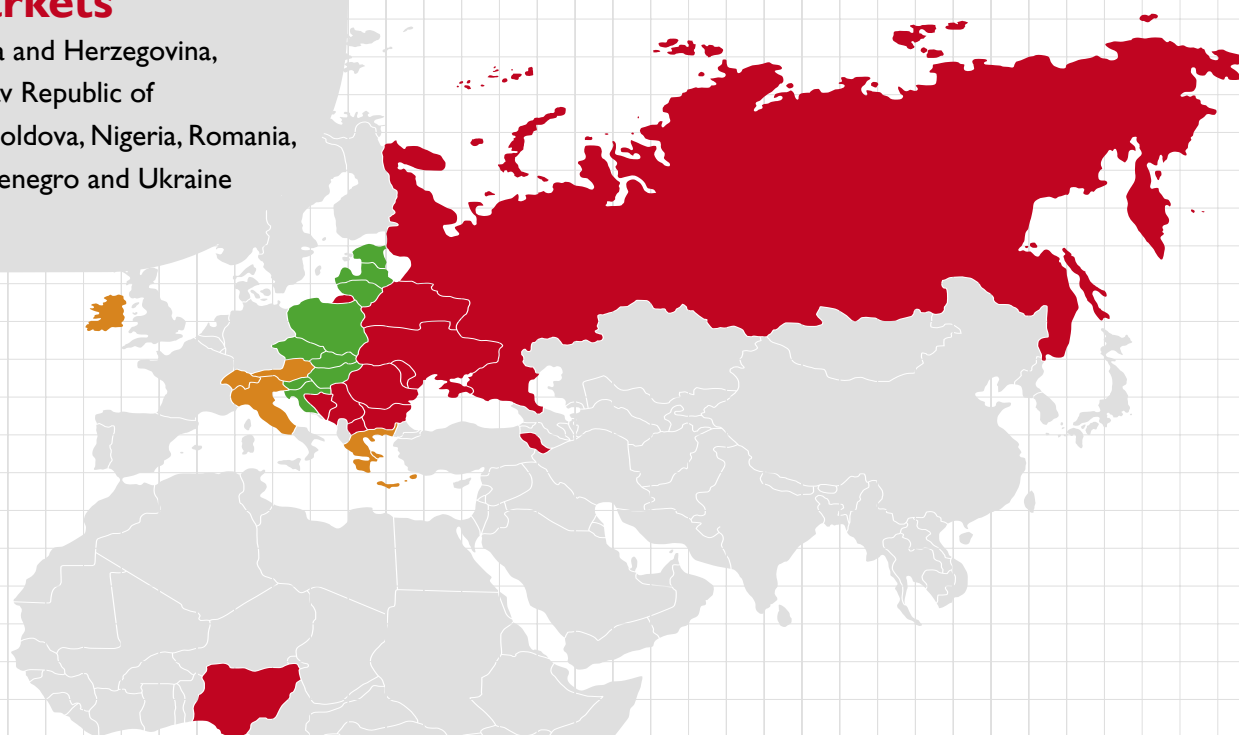
Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia

## 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	392	540
GDP per capita (US\$)	32,200	9,100	2,900	7,600
Per capita CSD consumption (servings)	263	245	107	148

Source: Canadean, EIU and CCHBC



2000

### 2000 Merger

Coca-Cola Beverages plc acquired by Hellenic Bottling Company S.A. to form Coca-Cola HBC, the 2nd largest Coca-Cola bottler in the world

**2000** Coca-Cola HBC is included in the FTSE4Good Europe 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 Territory acquisition

CCHBC acquires full control of Russian Coca-Cola bottling operations

2001

2002

### 2002 Territory acquisition

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

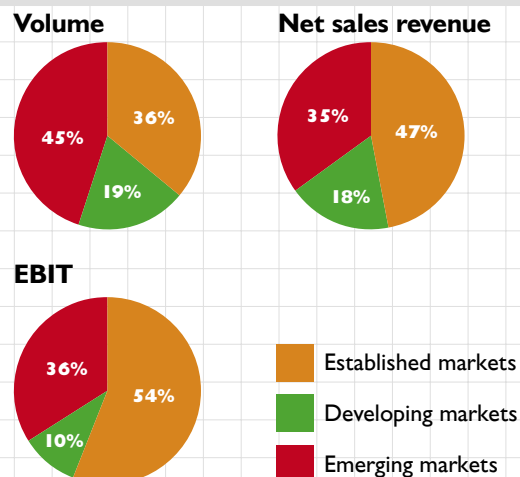
### 2002 Water acquisitions

CCHBC expands its water presence with the acquisition of Valser Mineralquellen AG in Switzerland and Dorna Apemin S.A. in Romania

### 2002 NYSE listing

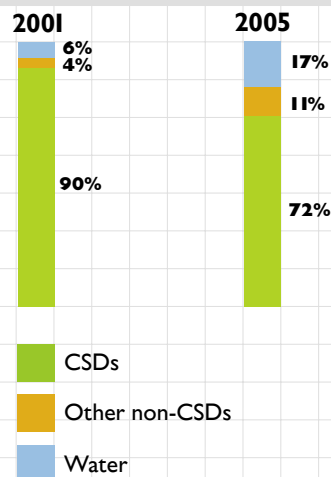
CCHBC lists its ADR's on the New York Stock Exchange

## Market Split



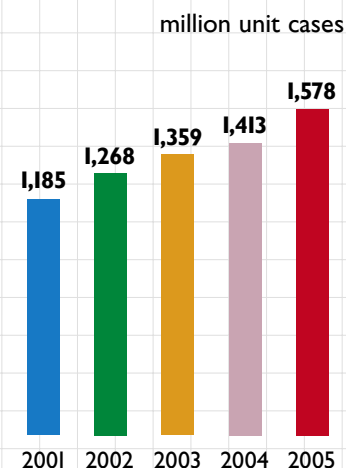
Note: Financial indicators exclude the recognition of pre-acquisition tax losses, the restructuring costs, the amortisation of indefinitely-lived intangible assets and include the results of the acquired entities.

## Volume Category Split

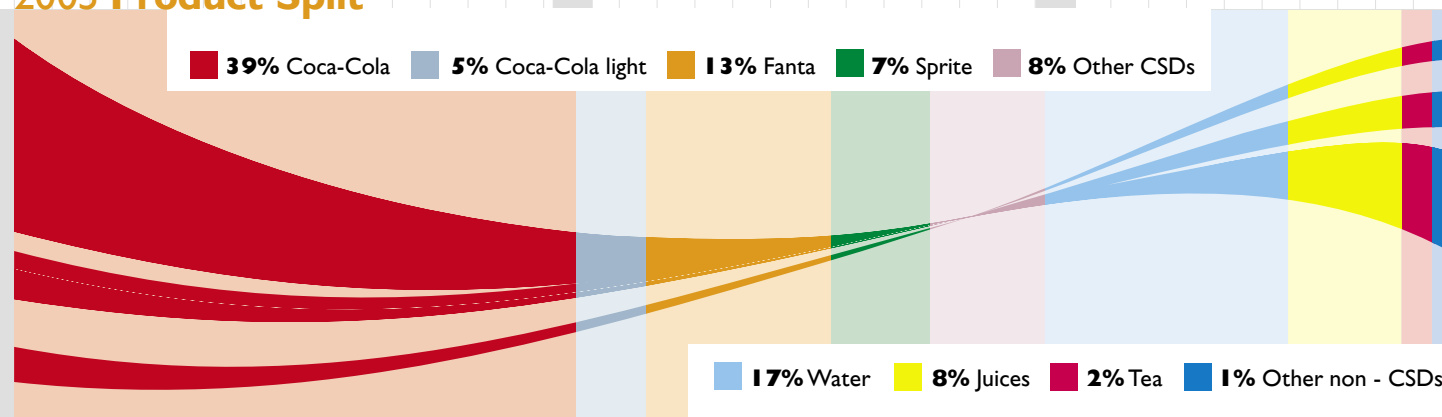


Note: 2005 figures include 100% of Multon Group which is managed as a joint venture and accounted for as such.

## Volume Evolution



## 2005 Product Split



Note: 2005 figures include 100% of Multon Group which is managed as a joint venture and accounted for as such.

## Principal milestones

**2003** Amita, juice brand, celebrates its 20th anniversary in Greece. Launched in 1983, it is the market leader in Greece with 29 flavours

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

**2003 Water acquisitions**  
CCHBC continues implementing its water strategy by acquiring Multivita sp. z o.o. in Poland and Römerquelle GmbH in Austria

2003

**2004**

**2004 Water acquisition**  
CCHBC acquires the mineral water company Gotalka d.o.o. in Croatia

**2004** Eight Coca-Cola HBC countries join the European Union

**2004** Coca-Cola HBC is awarded a "Talent Management Award" by the US Institution of Quality and Productivity in Houston, Texas

**2004** Coca-Cola HBC serves the Athens 2004 Olympic Games. 17,000 athletes and 3.5 million spectators consumed Coca-Cola, PowerAde, Amita Motion and Avra

2004

**2005 Water acquisition** of Serbian mineral water company Vlasinka d.o.o.

**2005 Juice acquisition** of Multon Z.A.O. Group, a leading Russian fruit juice company

**2005 Water acquisition** of Bulgarian Bankya Mineral Waters Bottling Company E.O.O.D.

**2005** CCHBC acquired Vendit Ltd, one of the largest independent vending operators in Ireland

**2005** Deep RiverRock won the Best Global TV Advertising Campaign, at the Bottled Water Global Awards in Dubai

2005

# Chairman's letter

The performance of Coca-Cola HBC in 2005 was characterised by continued business expansion, profitable volume growth, excellence in marketplace execution and ongoing focus on supply chain efficiencies.

We have demonstrated over the past several years that our strong corporate culture has enabled us to create and identify opportunities and effectively utilise resources to maximise benefits for all stakeholders.

We continue to focus on creating wealth and value for those who touch our business, from investors to employees, suppliers, customers in the retail and wholesale trade, the end consumer, as well as governments, municipalities, and the communities in which we operate. Coca-Cola HBC has been, in a number of ways, a leader in all these areas.

The expansion and wide-ranging choice in our beverage portfolio is enabling us to better meet changing consumer demand for alternative sources of refreshment, and hydration. In Greece, we identified these needs over the years and became a full non-alcoholic beverage company. Building on this success, non-carbonated beverages for the Coca-Cola HBC group accounted for 28% of our total volume in 2005 compared to just 10% four years ago. This achievement was made possible through the introduction of new flavours of juices, further roll-out of wellness waters, energy drinks and teas and a number of key acquisitions during the year made jointly with The Coca-Cola Company.

As we have demonstrated through the continued success of these businesses, we have a proven ability to effectively integrate operations within our existing network and

to leverage the exceptional capabilities of our 41,000 dedicated employees.

At the same time, we focus on the conservation of resources through efficient use of water and energy, as well as increasing the rate of recycling of solid waste in our operations. Coca-Cola HBC supports water conservation initiatives in Nigeria, Russia on the Volga river, Poland, Ireland, Slovenia, and in five countries on the Danube river.

In the workplace, we continue to implement internationally recognised systems standards and practices, to ensure occupational health and safety.

In the community, we support sport and physical activity, from the Winter Olympics in Turin to World Cup and European soccer, and to local marathons. In the areas of emergency relief, volunteerism and community giving, activities range from support for disadvantaged children in a dozen countries to offering relief for victims of Beslan in Russia, children's cancer in Ireland, and HIV/AIDS in Nigeria and Ukraine.

We believe that these social and environmental aspects of our operations will increase significantly in future years, and that the balance between financial objectives and social responsibility will be the key to ensuring success.

On behalf of the Board of Directors, I wish to express my gratitude to each of our stakeholders for their contribution to the realisation of our goals in the past year, and for their continued confidence in the years ahead.

George A. David  
Chairman

# Managing Director's letter

Coca-Cola HBC began 2005 with confidence, based on its vision, strategy, processes and people. At the year-end, this conviction was reflected in major achievements and notable improvements in performances constituting important milestones in the growth of the Company.

The initiatives taken during the year in many ways exemplify key elements of our core business philosophy. This is based on the continuous development of carefully managed systems and controls that ensure meeting consumer demands for quality products, but also on our ability to remain flexible enough and to allow innovation, imagination and boldness to drive the expansion of our business.

The benefit of this approach in 2005 can be seen in the achievement of a sales volume of 1,578 million unit cases, 12% above prior year, including acquisitions. At the same time, Operating Profit\* was up 15% to €501 million, while Net Profit\* increased to €320 million, 26% ahead of 2004 including acquisitions.

An important result for the year is that we increased our Return on Invested Capital (ROIC) to 9.4%, which exceeded, for the first time, our Weighted Average Cost of Capital (WACC).

Pursuing our policy of preparing for, and meeting consumer trends, in April 2005 we purchased, jointly with The Coca-Cola Company, the leading Russian juice producer Multon Z.A.O. Group. There are considerable opportunities for extending the activities of Multon Z.A.O. Group locally and internationally, offering us greater prospects for sustaining growth momentum in a key beverage category. In March 2006, we completed the purchase of another juice producer, Fresh & Co,

the market leader in Serbia and Montenegro. Along with its leading brands Next and Su-Voce, it boasts award-winning packaging and aseptic technology.

In 2005, Coca-Cola HBC extended its already strong presence in the water sector with the purchases of Bankya and Vlasinka, producers of natural mineral water in Bulgaria and Serbia and Montenegro, respectively.

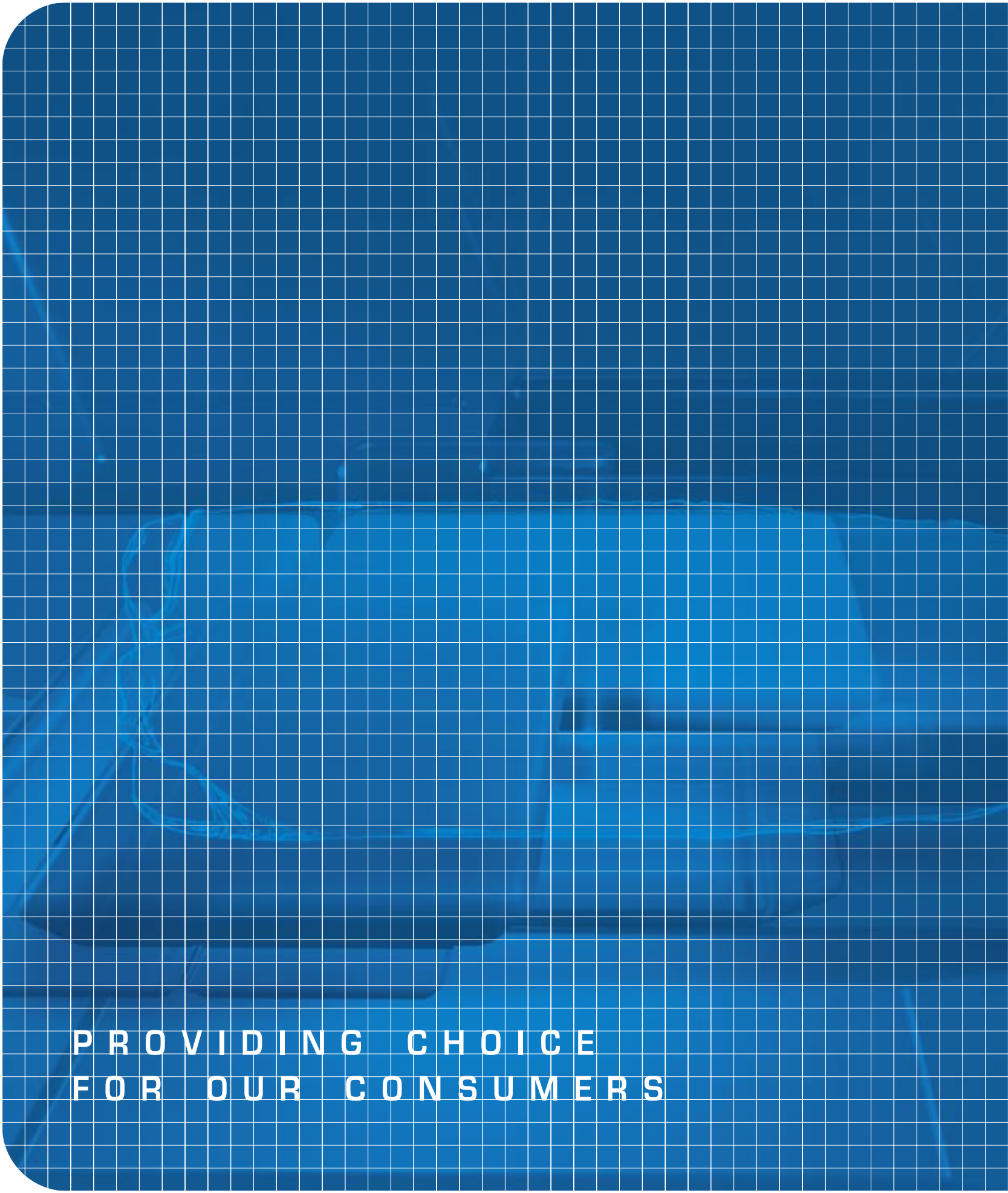
A further example of the Company's strategic development is the acquisition of Lanitis Bros, the largest distributor of beverages in Cyprus. This company, which has been producing Coca-Cola products since 1950, is the market leader in Cyprus for soft drinks, juices, fruit drinks and milk. This acquisition provides us the opportunity to serve an additional 800,000 consumers, bringing our corporate coverage to over 540 million people.

Throughout 2005, we demonstrated an ability to achieve strong organic profit growth amidst a challenging market environment. In an industry that continues to evolve, we look to capture new opportunities through anticipating changing retail and consumer trends and adapting our business to the changing realities in the marketplace. This focus is being taken forward into 2006 with our new "Excellence Across the Board" strategic vision aimed at driving sustainable profit growth through achieving unrivalled execution quality in marketplace, being a preferred partner to our customers and continuing to offer products that meet our consumers' demands for choice.

Our demanding definition of "Excellence" reflects our determination to accelerate the considerable momentum of the past several years and take it through to the second decade of the 21st Century and beyond.

Doros Constantinou  
Managing Director

Note: Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, the amortisation of indefinitely-lived intangible assets and include the results of the acquired entities.



PROVIDING CHOICE  
FOR OUR CONSUMERS



## **We offer a diverse range of beverages**

**Our product portfolio today offers consumers an extensive choice of non-alcoholic beverages that satisfy a variety of preferences and needs. With nearly 30% of our 2005 volume comprising non-CSDs, we are well positioned to capitalise on future growth in the fast growing beverage categories.**

## Providing choice for our consumers

**Coca-Cola HBC continues to expand the reach of the established brands of The Coca-Cola Company - Coca-Cola, diet (or light) Coke, Fanta and Sprite - to our consumers through the launch of new brand extensions and continued package innovation. At the same time, we are jointly investing with TCCC to expand our range of non-carbonated soft drinks, both through targeted local brand acquisitions and new product innovation, in order to meet the increasing demands of today's beverage consumers.**

In addition to our juice and water acquisitions in 2005, we continue to increase our presence in these growing beverage categories through our recent acquisitions (jointly with The Coca-Cola Company) of leading juice brands in Serbia and Montenegro and high quality mineral water brands in Italy. Further, as a result of our recent territorial expansion into Cyprus, we are gaining ready entry into the dairy category, with access to strong existing research and development capabilities that may support further new product innovation.

As part of our continued drive behind new product innovation, during 2005 we launched a range of flavoured waters enhanced with vitamins, under the Römerquelle Emotion brand in Austria. Following the success of this product, we also launched a similar range of flavoured waters under the Valser Viva brand in Switzerland.

We are also responding to growing consumer concerns over obesity and increased focus on better nutrition and a healthier lifestyle by increasing our investment in light/diet carbonated soft drinks and non-carbonated soft drinks beverage categories.

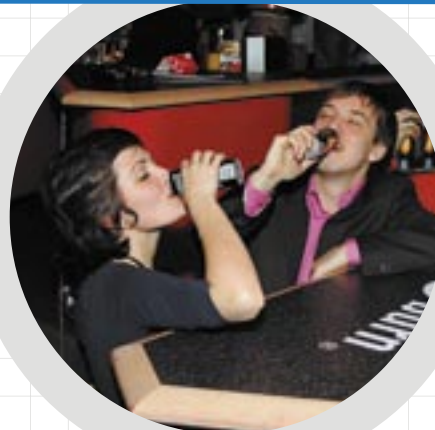
Juices represent 8% of our total volume



Nestea is the market leading iced tea brand in 18 of our countries



We more than doubled our sales of Burn in Ukraine during 2005 making it the number 1 energy drink in this country



Our water portfolio today includes 25 water brands



PowerAde is the number 1 sports drink in Europe and has a market share of over 80% in Russia



We entered into a new category by launching Amita Smoothies in Greece



Our light/diet range of CSDs grew by **10%** in 2005.



A warm, orange-toned photograph of a grocery store aisle. The image is overlaid with a white grid pattern. In the foreground, there are shelves stocked with various products, including boxes of cereal and bags of snacks. The background shows more shelves and a bright light source, possibly a window or a bright light fixture, creating a lens flare effect. The overall mood is warm and inviting.

PARTNERING  
WITH OUR CUSTOMERS



## Sharing our passion with customers

By drawing on the local insights of consumers, as well as the expertise of our people, we are able to work alongside our customers to develop commercial strategies tailored towards specific sales channels – as we strive to offer the right brand and package, at the right price, in the right channel for the right consumption occasion. This market-driven approach provides solutions that create the best value for our consumers and optimal profit mix for our customers.

## Partnering with our customers

**Our products ultimately reach the consumer through our customers – it is the strength of the relationship with our customers that enables us to execute effectively in the marketplace and influence consumer preferences at the point of purchase.**

**At CCHBC, we continue to adapt our business to the changing needs of our customers and the latest consumer trends in the marketplace.**

During 2005, we introduced a number of customer-specific integrated programmes as we intensified our efforts around “better and faster” execution. In Italy, we have partnered with COOP Italia to pilot a process for a truly integrated joint business plan. This initiative is supported by Efficient Consumer Response, an industry organisation that promotes the alignment of manufacturers and retailers across areas of common business interest such as product identification, traceability and demand/promotional planning. In Switzerland, we introduced new trading terms and conditions addressing our customers’ requests for clear, simple, fair and business-supported trade agreements. As a result of this initiative, customers have benefited from a more transparent and efficient system.

In the Czech Republic, we have collaborated with a number of our customers to jointly enhance our understanding of consumer shopping behaviour and translate these newly developed insights into a number of profitable common initiatives in the store.

We continue to strengthen our relationships with our existing customers. At the same time, we continue to expand the availability of our brands in discount retail stores in line with our developed strategy for this channel.



**New consumer shopping behaviour**



**Route-to-market in Italy**

We recognise that our success in this expanding channel relies on partnering effectively with our customers to identify opportunities for minimising costs along the entire value chain, as well as offering the right product range through tailored packaging innovation.

We are also developing customised internal systems to improve our efficiency in serving customers. With the support of technology, we initiated several marketing programmes that better utilise customer data and group-wide promotional materials in order to derive more effective strategies for advertising and merchandising. We also introduced a centralised database containing visual marketing material for activating channel specific promotions or consumption occasions – thereby facilitating the sharing of marketing best practice across our countries and promoting the success of future marketing campaigns.

In line with our ongoing strategy to capitalise on growth opportunities in the more profitable immediate consumption channel, we continued to invest in cold drink equipment, with over 140,000 coolers placed across our countries throughout 2005. This brings the total number of cooler doors in the marketplace by the end of the year to approximately 1,300,000.

### Activating specific consumption occasions

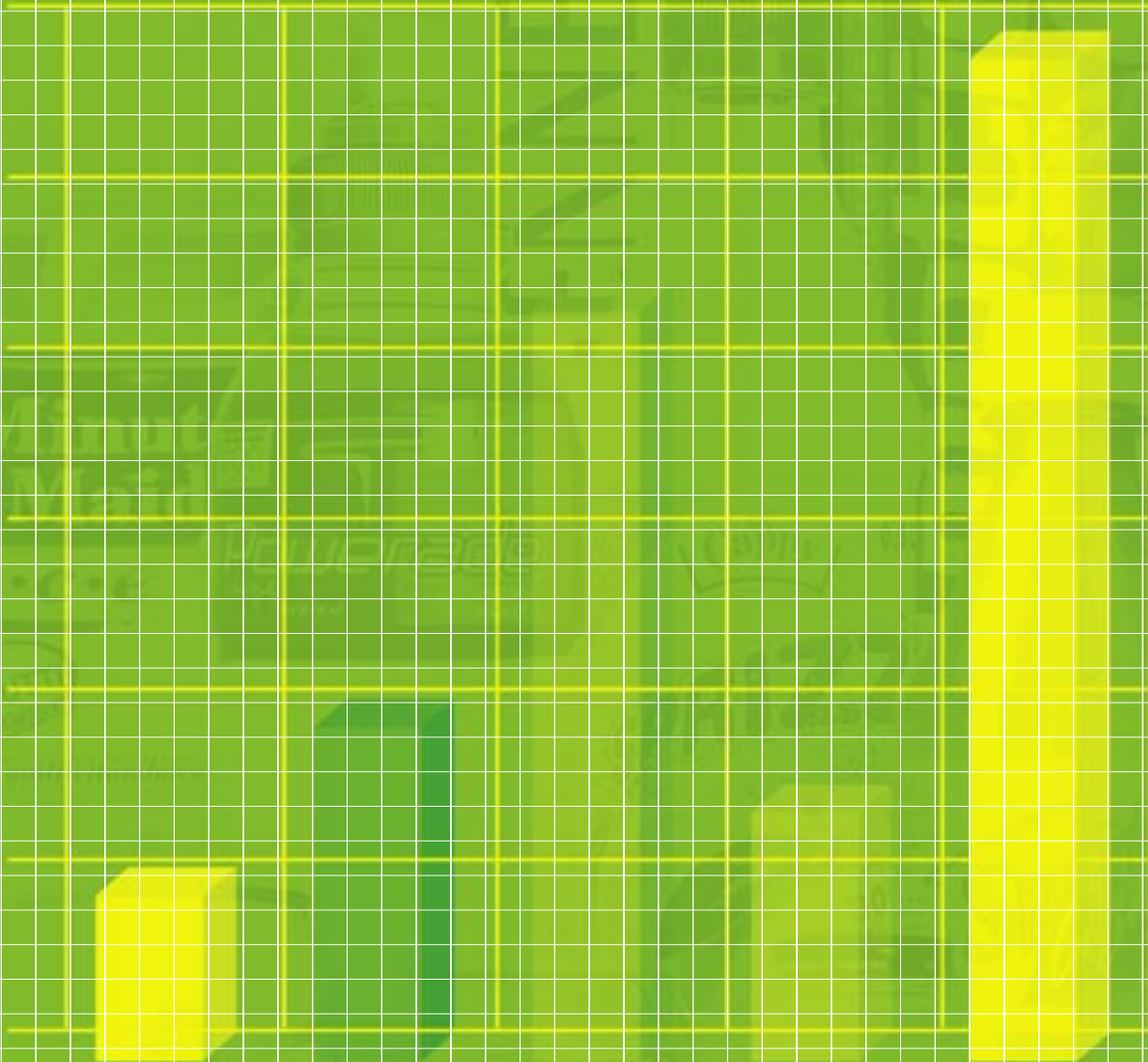


### Partnering with our customers for common profitable initiatives

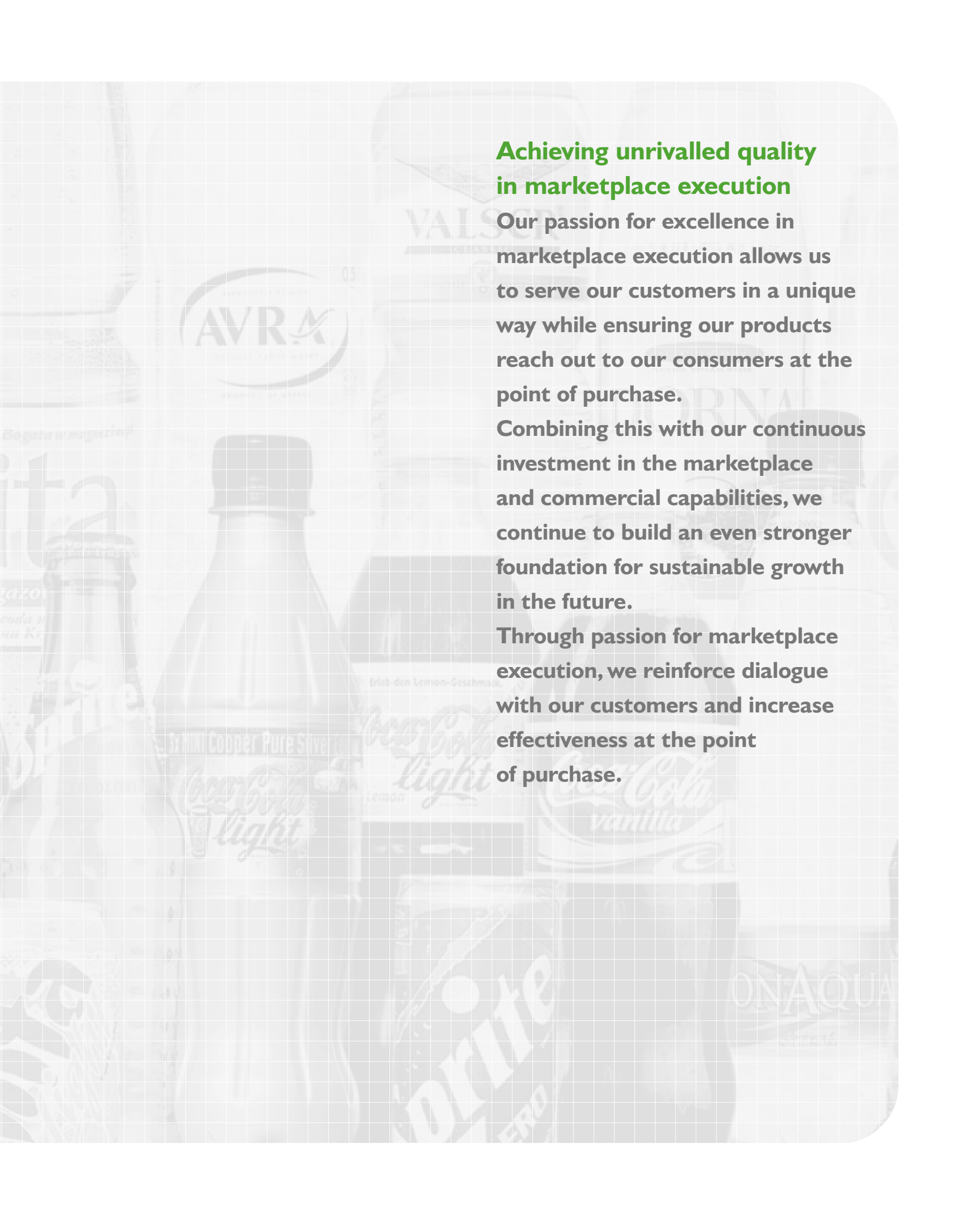


### 140,000 coolers placed in 2005





PASSION  
FOR MARKETPLACE  
EXECUTION



## **Achieving unrivalled quality in marketplace execution**

**Our passion for excellence in marketplace execution allows us to serve our customers in a unique way while ensuring our products reach out to our consumers at the point of purchase.**

**Combining this with our continuous investment in the marketplace and commercial capabilities, we continue to build an even stronger foundation for sustainable growth in the future.**

**Through passion for marketplace execution, we reinforce dialogue with our customers and increase effectiveness at the point of purchase.**

# Passion IS powerful!

We have more than 10,000 people who make passion for marketplace execution a cornerstone of their everyday tasks. We are:

- focusing on customer-centric marketplace execution;
- designing “what good looks like” and implementing such in each point we are present through our Centers of Excellence and model outlet programmes;
- approaching market execution with creativity; and
- winning in every outlet by providing ideal in-store support

## Customer-Centric Marketplace Execution

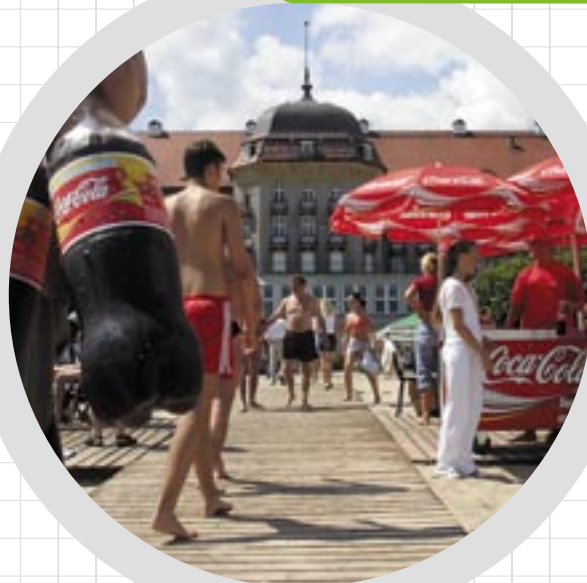
Our customers and consumers are at the center of marketplace execution helping us to ensure sustainable future profit growth. Through identifying unique consumer occasions together with our customers, we are able to target each occasion with the right product and package type and increase the relevance of our brands to our consumers.

We are building our brand equity and customer loyalty via relevant and exciting consumer communication.

## Sales Centers of Excellence

We are expanding our sales force while at the same time raising our marketplace execution standards. In 2005, we established 12 Centers of Excellence in marketplace execution covering all of our key countries. We define how the perfect market execution should look like, through the concept of sales centers of excellence. We use these centers as a learning and training bases to further roll-out these practices throughout the rest of the country. Examples of 2005 success stories include Ukraine, Russia, Greece, Ireland, Bulgaria and Poland.

### Non-traditional channels



## Raising our marketplace execution standards

### Market Execution with Creativity

Passion for marketplace execution empowers us to think creatively. For example, instead of competing for space in outlets, we are creating functional and innovative space solutions.

We are further expanding the reach of our products to consumers in non-traditional channels. Examples include pharmacies, shopping malls, music stores, and cloth stores.

### Winning in Every Outlet

We are winning in every outlet by developing a constructive business dialogue with our customers. We are building relevant displays, increasing in-store visibility of our brands and availability of our cold drink equipment. These actions benefit our customers and build a solid platform for sustainable growth at Coca-Cola HBC.



## Increasing relevance of our brands to the consumers



## Innovative space solutions



## Market Execution with creativity





DRIVING SUPPLY CHAIN  
EFFICIENCIES

## **Driving supply chain efficiencies**

**At Coca-Cola HBC we are constantly evolving our supply chain to the changing needs of our customers and the marketplace. Our supply chain efforts are centered around providing the necessary manufacturing flexibility to support our broadening product portfolio and pursuing the most cost effective route-to-market for order-taking and delivery of our products to our customers. During 2005, our supply chain efficiencies helped to offset the pressures from increasing raw material costs that our industry faced.**

# Driving Supply Chain Efficiencies

In 2005, among other supply chain initiatives, we focused on improvement of our system capabilities, on-going infrastructure rationalisation and asset redeployment, production capacity management and product cost efficiencies.

## New Integrated Operating Platform

In 2005, we conducted the single largest and the most successful roll-out of our SAP-based Advanced Planning Optimiser (APO) in seven Central European countries, which consolidated best practices across our borders on a single, standard enterprise platform, with further plans to integrate five operations during 2006.

Leon Pieters - Partner Supply Chain Strategy & Management, Deloitte Consulting, commented: "...A successful SAP-APO implementation, at a scale and a speed unheard of within the industry..."

The platform facilitates alignment of supply chain and demand planning to achieve sales and operations planning

**Leader in aseptic line technology in Europe within the Coca-Cola System**



efficiencies. It enables us to drive cost saving opportunities and bring CCHBC one step further towards class leaders in the Fast Moving Consumer Goods (FMCG) industry.

By the end of 2005, sixteen of our operations were operating SAP.

## Infrastructure Rationalisation and Assets Redeployment

The recent accession of eight of our countries to the EU, as well as recent trends in the marketplace, are reducing trade barriers and allowing us to locate our production where we can most effectively deliver our products. Our production assets are viewed as assets of the region – rather than belonging to individual countries.

We are building a network of regional production centers, resulting in our cross-border volume reaching a record level in 2005 - over 100 million unit cases.

In 2005, we continued to streamline our network of production and distribution centers with the aim of achieving a more integrated business as well as effectively redeploying our assets across the group.

## Capacity Development

In response to changing consumer preferences and further diversification of our product portfolio, we are creating a platform for sustainable growth and continue to build

### Ultra Glass Bottle

**50%**  
stronger

**30%**  
lighter

**30%**  
less expensive



production capacity in aseptic production lines to meet the increasing demand for non-Carbonated Soft Drinks. We are leaders in aseptic line technology within the Coca-Cola System in Europe enabling us to serve our customers with products in these growing beverage categories.

## Product Cost Efficiencies

In our continuous quest to drive production cost efficiencies, we are capitalising on the world's leading technology.

In 2005, following the success of our new Ultra glass bottle in Ukraine, we also introduced the new design in Romania and Greece with further countries to follow in 2006. The new design is 50% stronger, 30% lighter and 30% less expensive compared with the conventional bottle. The Ultra glass bottle also allows for more effective utilisation of our cooler space, which becomes even more important as we continue to expand our product portfolio in the immediate consumption channel.

We are further expanding our PET weight optimisation programme with the aim of reducing packaging waste and costs. In 2005, we rolled-out new 500ml and 2 litre lightweight packages, resulting in weight reduction of 7% without undermining package quality.

In addition, we pioneered the use of recycled PET in some of our key markets – Austria, Hungary, Switzerland, Czech Republic and Slovakia.

## On-going PET optimisation lightweight recycle



## 16 countries utilise SAP



## 7 Central European countries implemented SAP-based platform – APO



## Increasing network of regional production centers. Our assets are ownership of the region



# Operating and Financial Performance Review of 2005

**In 2005 Coca-Cola HBC delivered a fifth consecutive year of strong growth.**

During 2005, Coca-Cola HBC delivered very strong organic volume growth, solid EPS growth and margin improvement despite the adverse impact of higher raw material costs. The key drivers of this performance were excellence in marketplace execution, continued roll-out of cold drink equipment, improvements in product and package mix and an ongoing focus on supply chain efficiencies.

Volume, including the acquired entities in Russia, Bulgaria and Serbia, grew by 12% in 2005. Excluding acquisitions, volume grew by 9% in 2005.

Strong volume growth was achieved in all product categories. It is important to note that core CSD volume grew by 4%, while water and other non-CSDs delivered strong double-digit volume growth. In addition, our continued focus on marketing activities and increased availability of light/diet CSDs, resulted in a low double-digit volume increase in this category.

In 2005, we continued to jointly invest with TCCC to expand our range of non-carbonated beverages, through targeted local brand acquisitions and new product innovation in order to meet the increasing demands of modern beverage consumers. Non-carbonated beverages

accounted for 28%<sup>1</sup> of our total volume in 2005 compared to 10% in 2001.

During 2005, we acquired, jointly with TCCC, Multon Z.A.O. Group, a leading juice manufacturer in Russia, the Bankya Mineral Waters Bottling Company E.O.O.D. in Bulgaria and the Vlasinka d.o.o. water business in Serbia and Montenegro. Following the success of Römerquelle Emotion in Austria, we launched a flavoured water range under the Valser, Viva brand in Switzerland. Other product innovations that were successful in 2005 include Cappy Ice Fruit in Czech Republic, Cappy Tempo in multiple flavours in Croatia and Romania, Bonaqua water in orange and lemon flavour in Czech Republic, Fanta Pink Grapefruit in Bulgaria, Fanta Free in Italy and Avra Bloom for children in Greece.

We also continued to invest in supporting our profitable growth by placing approximately 140,000 new coolers in the market. Cooler placements are a key part of our strategy to continue building brand equity, enhancing the availability of our products and driving volume growth in the more profitable immediate consumption channel.

Despite significant pressure from higher raw material costs in 2005, our successful supply chain initiatives helped us offset a negative profit impact. This is an important area of focus for CCHBC and a number of initiatives that are being rolled-out across the Group are expected to continue to yield cost savings in the future.

Note 1: 2005 figures include 100% of Multon Group which is managed as a joint venture and accounted for as such.

# Operating and Financial Review

## by Reporting Segments

	Volume (million unit cases)		% Change
	2005	2004	
Established markets	563.5	563.5	-
Developing markets	305.9	268.3	+14%
Emerging markets	708.7	580.9	+22%
Coca-Cola HBC	1,578.1	1,412.7	+12%

	EBIT (€ million)		% Change
	2005	2004	
Established markets	271.5	257.6	+5%
Developing markets	47.4	38.6	+23%
Emerging markets	182.3	139.0	+31%
Coca-Cola HBC	501.2	435.2	+15%

Note: Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, the amortisation of indefinitely-lived intangible assets and include the results of the acquired entities.



# Operating and Financial Performance

## Established Markets

Established markets	Volume (million unit cases)		
	2005	2004	2003
Austria	86.8	89.7	69.2
Greece	144.9	145.8	147.4
Ireland	75.8	72.9	72.0
Italy	180.4	178.0	180.3
Switzerland	75.6	77.1	83.9
<b>TOTAL</b>	<b>563.5</b>	<b>563.5</b>	<b>552.8</b>

Volume in our established markets was approximately 564 million unit cases in 2005, flat versus 2004. In Italy, we continued to gain market share and improve our product and package mix. The route-to-market project in three key cities delivered strong results and has been extended therefore to the rest of our territory early in 2006. Ireland ended the year with further expansion of its product portfolio. Some highlights included the successful roll-out of product innovations such as Nestea and new exciting packaging for Deep River Rock water, as well as market share gains in both the water and the energy drink categories. At the same time, the acquisition of the vending operator Vendit has provided us with an opportunity for further expansion in the fast growing at-work channel in Ireland. In Greece,

Switzerland and Austria, we continued to experience some softness in CSD volumes in 2005 with the exception of the light CSD segment which continued to perform well together with non-CSDs.

Our operations in established markets contributed approximately €272 million to the EBIT in 2005, 5% above 2004. Italy was one of the main contributors to this segment's year-on-year profit progress, mainly driven by commercial initiatives such as the route-to-market project and improved market execution as well as supply chain initiatives. Despite volume softness in Switzerland, we were able to achieve high double-digit EBIT growth, behind cost efficiency improvements and a new more effective commercial policy.



# Operating and Financial Performance

## Developing Markets



Developing markets	Volume (million unit cases)		
	2005	2004	2003
Baltics	20.0	16.9	19.1
Croatia	25.4	23.5	25.2
Czech Republic	45.3	42.3	41.9
Hungary	74.7	69.2	73.3
Poland	118.7	98.0	94.6
Slovakia	17.4	14.4	17.8
Slovenia	4.4	4.0	4.5
<b>TOTAL</b>	<b>305.9</b>	<b>268.3</b>	<b>276.4</b>

Volume in our developing markets was 306 million unit cases in 2005, 14% over 2004. All operations in the developing markets segment reported strong volume growth. In Poland, a key market within this segment, we gained market share across most categories and became the market leader in tea and water. Both Hungary and Czech Republic registered solid and well-balanced volume growth across all product categories. As a result, in 2005 the share of non-carbonated beverages grew from 26% in 2004 to 31% in Hungary and from 28% to 31% in the Czech Republic on a year-on-year basis.

Our operations in developing markets contributed to an EBIT of €47 million in 2005, 23% above 2004. Poland, with a solid 21% volume growth year-on-year, was one of the main profit drivers in this segment. Also, Czech Republic made significant profit progress as a result of volume and revenue growth and favourable product mix. Finally, in Hungary our focus on further enhancing our immediate consumption business and reducing our supply chain costs coupled with solid volume growth delivered good profit progress.

# Operating and Financial Performance

## Emerging Markets

Emerging markets	Volume (million unit cases)		
	2005	2004	2003
Armenia	4.2	4.1	3.7
Belarus	13.5	10.7	9.5
Bosnia and Herzegovina	12.5	13.1	13.3
Bulgaria	41.3	35.3	35.6
FYROM	8.3	8.7	9.8
Moldova	1.8	1.4	1.5
Nigeria	143.6	130.1	122.7
Romania	123.5	106.0	97.7
Russia	260.1	188.7	159.8
Serbia and Montenegro	39.0	38.8	38.4
Ukraine	60.9	44.0	38.1
<b>TOTAL</b>	<b>708.7</b>	<b>580.9</b>	<b>530.1</b>

Volume in our emerging markets was 709 million unit cases, 22% above 2004. Russia, Romania, Bulgaria and Ukraine were the key performance drivers within this segment, all delivering strong double-digit volume growth during 2005. Russia (excluding Multon Z.A.O. Group) performed very well with strong double-digit volume growth across all product categories. We continued to expand our portfolio, focusing on market execution through model outlets and the continuous roll-out of coolers as well as the expansion of our outlet coverage and distribution. In Ukraine, CSDs, energy drinks and water, under the Bonaqua trademark, experience double-digit volume growth. Multon's juice brands Rich, Dobry, and Nico, which we acquired in the second quarter, all performed well. In Nigeria, despite a price increase in September 2005, we were able to increase volume by approximately 10%, with strong performance across all product categories.

In 2005, our operations in emerging markets, including acquisitions, contributed €182 million to the Group's EBIT, 31% above 2004. Russia, Ukraine and Belarus all registered high double-digit EBIT growth, mainly driven by solid volume growth. Romania also continued its very good year-on-year profit progress, driven by volume and revenue growth and cost containment.





# Operating and Financial Performance

## Review of 2005 (continued)

### Basis of the Financial Information

This financial review covers the performance of Coca-Cola HBC and its subsidiaries. The financial results are presented in Euro, which is the presentation currency of the Company. 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. The financial results exclude the recognition of pre-acquisition tax losses, restructuring costs, the amortisation of indefinitely-lived intangible assets and include the results of acquired entities. Our key performance measures for the growth of our business and its profitability in 2005 have been volume, EBIT and Return on Invested Capital (ROIC). Volume is measured in unit cases. 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).

### Changes in Accounting Policies

The Group made a number of changes to its accounting policies, with effect from 1 January 2005, in order to comply with revisions to IFRS. These changes are detailed in the notes to the consolidated financial statements. Of particular note, is the cessation of amortisation of intangible assets with indefinite useful lives and the recognition of stock option expenses in the income statement.

### Reconciliation of Reported Financial Indicators

In Euro millions except per share data	Volume (unit cases)	EBIT	Net Profit	Earnings per Share
<b>Reported financial indicators</b>	<b>1,578</b>	<b>461</b>	<b>308</b>	<b>1.29</b>
Pre-acquisition tax losses		26		
Restructuring costs - cash		5	4	0.02
Restructuring costs - non-cash		9	8	0.03
<b>Financial Indicators</b>	<b>1,578</b>	<b>501</b>	<b>320</b>	<b>1.34</b>

### Financial Results for the Year

#### Net Sales Revenue

Net sales revenue in 2005 increased by approximately 13% as compared to 2004. On a currency neutral basis, in 2005 net sales revenue per unit case for the Group decreased by approximately 1.5% against 2004. Within our reporting segments, the emerging markets achieved a 3% growth in net sales revenue per unit case on a currency neutral basis over 2004, while the established markets were 0.5% above 2004. The developing segment registered a net sales revenue per unit case decline of approximately 4% year-on-year, on a currency neutral basis in line with our plans for the year.

#### Operating Profit (EBIT)

EBIT increased to €501 million, 15% above 2004. This result, in line with our plans, has been achieved through solid top-line growth, continued realisation of operating efficiencies and a favourable currency impact.

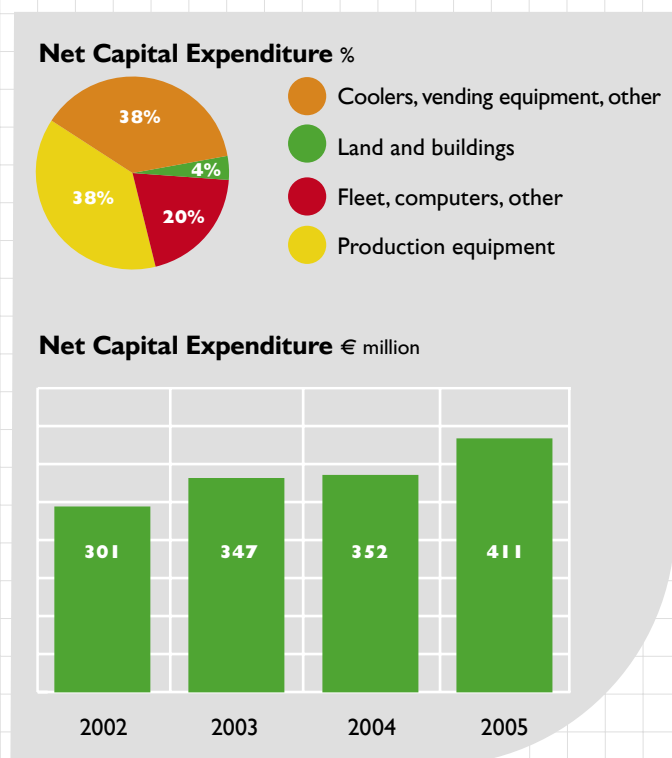
#### Net Profit

Net profit for the full year of 2005 increased to €320 million, an increase of 26% compared to the full year of 2004.

#### Capital Expenditure

Net capital expenditure, net of receipts from disposal of assets and including principal repayments of finance lease obligations, in 2005 amounted to €411 million, up 16% versus 2004 as planned. We continue to focus investment on increasing the availability of chilled

beverages in the higher margin immediate consumption channel by investing in cold drink equipment. In addition, we continue to focus on growing ROIC by effectively redeploying assets and equipment within the Group to minimise cash outflows.



## Cash Flow

Cash flow generated from operating activities improved by a solid €66 million from €553 million in 2004 to €619 million for the full year of 2005. After deducting higher net capital expenditure as highlighted above, our cash flow was approximately €208 million during the full year of 2005, compared to approximately €201 million in the same period of 2004.

## Treasury and Funding

### Management of Financial Risk

Certain financial risks faced by CCHBC 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 function 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. 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;
- ensuring that all transactions are executed in the most cost-efficient manner, are controlled effectively and are undertaken with approved counter-parties.

In the context of our overall Treasury Policy, and in line with the 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 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.

As at 31 December 2005, CCHBC had consolidated borrowings of €1,903 million (€1,549 million in 2004) and consolidated cash and cash equivalents of €182 million (€38 million in 2004). Of this €1,903 million, 70% was classified as non-current debt and 30% as current debt.

## Financing Group Debt

Coca-Cola HBC has access to and can raise 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 recently renewed for a further twelve 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. As at 31 December 2005, our Group had approximately €900 million of notional amount of interest rate options, with maturities ranging from 2006-2008 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 presentation currency (Euro), any change in the functional currency against the Euro impacts our income statement and balance sheet when results are translated into Euro.

Our Treasury Policy requires the hedging of 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. As a matter of policy, we do not 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 by using various risk management products such as commodity futures and supplier agreements.

### Contingencies and Legal Claims

On 29 June 2005, the Greek Competition Authority requested us to provide information on our commercial practices as a result of a complaint by certain third parties regarding our level of compliance with its decision of 25 January 2002. On 7 October 2005, we were served with notice to appear before the Competition Authority. On such date, we were also made aware that in its recommendation to the Competition Authority its Secretariat claims that we did not properly comply with its decision of 25 January 2002 during the period covered by its investigation and proposes the imposition of a fine on CCHBC of €5,869 for each day that we delayed to comply since the decision of 25 January 2002 which, through the date the Company was served with notice, could amount up to approximately €7.9 million. The hearings before the Competition Authority have been concluded, and

a decision is expected within the first half of 2006. We believe we have substantial legal and factual defences to the Secretariat's claims. However, at this time we cannot predict the outcome of these proceedings. Also in relation to the Greek Competition Authority's decision of 25 January 2002, one of our 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 we import 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 the past, such issues were successfully resolved in most of these countries. We still have 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.

Please refer to the audited 2005 financial statements for the full contingencies note text.



# 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 twelve 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 46.

The non-executive members of the Board include representatives of major shareholder interests as agreed in a shareholders' agreement between our 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 five independent directors. The Company's independent directors are: Mr Kent Atkinson, Sir Michael Llewellyn-Smith, Mr Antonio D'Amato, Mr Samir Toubassy and Mr Nigel Macdonald. 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.

### 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 CCHBC's directors expires in 2008.

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.

Further to our objective to adopt international best practices in corporate governance, 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 senior managers and employees as well as a Code of Business Conduct applicable for our employees.

### **The Human Resources Committee**

The Human Resources Committee comprises of three non-executive directors: Sir Michael Llewellyn-Smith (Chairman), Mr George David and Mr Alexander (Sandy) R.C.Allan. From CCHBC's management, 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 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; and
- making recommendations to the Board of Directors concerning potential non-executive directors, drawing on the best available outside resources.





## The Audit Committee

The Audit Committee comprises of three non-executive directors: Mr Kent Atkinson (Chairman), Mr Nigel Macdonald 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 Policy. 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 is comprised of sixteen 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 Internal Audit 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 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 of 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 CCHBC 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.

Our Company has insurance coverage in place to provide catastrophe level property damage/ business interruption and liability protection. Local insurance policies have been arranged beyond the Company coverage 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 efficient to provide these at a country level.

### Certain Differences with the New York Stock Exchange Corporate Governance Listing Standards

Greek corporate law and our corporate practices differ in certain respects from the listing rules of the New York Stock Exchange. US companies listed on the New York Stock Exchange are required 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 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 five directors that our board has determined to be independent: Mr Kent Atkinson, Sir Michael Llewellyn-Smith, Mr Antonio D'Amato, Mr Samir Toubassy and Mr Nigel Macdonald.

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 Sandy Allan. Our Human Resources Committee does not have sole authority to determine our Managing Director's compensation.

We 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 of three non-executive directors: Sir Michael Llewellyn-Smith (Chairman), Mr George David and Mr Sandy Allan. 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 and strategies and to meet regulatory requirements and corporate social responsibilities; and
- ensure the regular communication to the stakeholders in our business of the Company's status and progress in the implementation of policies and strategies, in regulatory compliance and in engagement with all shareholders.



# Remuneration Policy and Senior Managers' Compensation



## 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 payment 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 the level of responsibility. Exceptional business unit performance where objectives are exceeded may result in awards in excess of the individual target awards. Starting from the incentive period of 2006 economic profit replaces ROIC as one of the performance criteria of 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, as applicable, less income tax expense and the tax benefit on the interest expense (or "tax shield").

### 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 economic profit as a 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, as applicable, 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. 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 Human Resources Committee after reviewing management advice and 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 2005, 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 2005 grant of stock options in December 2005.

#### 5 Pension and Other Benefits

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



# Social Responsibility

Coca-Cola HBC believes that its commercial success and long-term profitability are dependent on its being fully committed to meeting social and environmental responsibilities.

This commitment is outlined in a statement of shared principles jointly developed by Coca-Cola HBC, The Coca-Cola Company and key bottlers across the world. The statement covers obligations in the following four main areas of impact: Marketplace, Workplace, Environment, Community.

The full text of this statement is available on our website at [www.coca-colahbc.com](http://www.coca-colahbc.com).



## Marketplace:

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



## Workplace:

To foster an open and inclusive environment in which 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.



We restate our commitments, resources, efforts and progress toward achieving our Corporate Social Responsibility (CSR) goals in our annual Social Responsibility Report. Beginning in 2004 we structured our report in compliance with the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), which was the first “in-accordance” report from a non-alcoholic beverage company.

Our policies support the principles espoused in the UN Global Compact to which we have a signed commitment and the UN Universal Declaration of Human Rights. Since its formation in 2000, the Company has been listed on the FTSE4Good Index of environmental and socially responsible companies.

Coca-Cola HBC has a Social Responsibility Council which reports to the board-level Social Responsibility Committee chaired by non-executive director Sir Michael Llewellyn-Smith. Throughout 2005, the Council engaged in activities aimed at implementing policies in each key area of operations, ranging from human rights and occupational health and safety, to quality, the environment and guiding principles for suppliers.

One important initiative conducted during the year was the start of re-evaluation audits of our Incident Management & Crisis Resolution (IMCR) processes. The Company also began implementing the Future 500 Corporate Accountability Gap (CAP Gap) survey in 2004 in order to informally benchmark its performance against seventeen major global accountability and social responsibility standards, including GRI, Dow Jones, FTSE4Good, Domini, and Baldrige. By the end of 2005 GAP Cap analysis had been completed in 15 countries.

## Marketplace

CCHBC recognizes public concern about health issues, particularly in relation to obesity and chronic illnesses related to poor diet and the lack of physical activity.

Together with the Union of European Beverages Associations (UNESDA) and its member companies, we fully support and offer our commitment to the EU Platform for Action on Diet, Physical Activity and Health, a Europe-wide initiative and code of practice related to responsible sales and marketing.

Among measures the Company is taking are actions to avoid marketing to children, to introduce of monitoring, and measuring mechanisms, to restrict the sale of products in primary schools, to review the nutrition labelling of products, and further to extend the already diverse range of beverage options.

Throughout its history, CCHBC has been constantly adding non-carbonated soft drinks to its product portfolio, and at the end of 2005 our beverage varieties consisted of 140 carbonated and 390 non-carbonated, including 25 water brands.

The availability of a wider range of choices for consumers is reflected in figures showing that in 2005, 28% of sales volume was in non-carbonated drinks including juice drinks and water, compared with only 10% in 2001.

As a result of our focus on quality in 2005, we progressed our commitment by achieving ISO 9001:2000 certification at 51 of our 65 carbonated soft drinks plants and in five of our natural mineral water plants. During the year, Coca-Cola HBC continued expanding ISO 9001:2000 quality management systems into its supply chain, and certified ten distribution systems and fourteen cold drinks operations against the standard.

We are on target to achieve full certification of the remaining plants by 2007 and have already begun implementing appropriate measures for newly-acquired mineral water plants, apart from those joining our system in 2006.

## Workplace

In the workplace, progress was made in the implementation of Occupational Health and Safety Assessment Series (OHSAS) 18001 during the year, with nine operations being certified against the newly developed CCHBC compliance standards within the OHSAS 18000 framework.

Although the total certifications during the year was lower than our target, our experience was beneficial in highlighting the need for additional resources and focus in order to effectively drive the programme forward in a meaningful and sustainable way. For 2006 we have scheduled eighteen certification audits.

## A Snapshot of our Progress in 2005

- Signed partnership agreement with the International Commission for the Protection of the Danube River (ICPDR), together with The Coca Cola Company. Activities initially involve five countries, expanding to more in 2006
- Won Repak Best Practice Award in Ireland for recycling activities
- Achieved target of ISO 9001 certification in 51 of our 65 soft drink bottling operations and in 5 of our natural mineral water plants
- Achieved ISO 14001 certification in 50 of our 65 soft drink bottling operations and in 4 of our natural mineral water plants
- Achieved OHSAS 18001 certification in 9 of our soft drink bottling operations
- Met and exceeded environmental targets in bottling plants for water, energy and waste recycling
- Received confirmation that our 2004 Social Responsibility Report is deemed in accordance with the GRI Reporting Guidelines, as noted on the GRI website- the first "in accordance" report from a non-alcoholic beverage company
- Maintained FTSE4Good listing

Coca-Cola HBC continued to develop its health and safety reporting of Key Performance Indicators. The format and frequency of health and safety reports were improved to provide monthly monitoring of incidents and give a more detailed understanding of trends across Company business activities. Further details of activities will be presented in the full Corporate Social Responsibility Report available from May 2006.

In 2005, we completely refocused employee dialogue and feedback mechanisms to provide a more quantifiable understanding of how employees feel about the working environment, career, the management team and the quality of leadership within the organisation.

The results of the Coca-Cola HBC Engagement Index will indicate how we live up to employee expectations, influence management plans and ensure that our people continue to embrace values that are at the core of our Company identity.

### Environment

The environmental performance of bottling plants continued to improve throughout 2005.

Water use was reduced by 3% (against 1% targeted), energy by 9% (2% targeted), and waste recycling was increased by 9% (2% targeted). Due to ongoing plant refurbishment and changes in packaging, primarily the replacement of refillable bottles, waste generated rose by 3% against a targeted reduction of 5%. Part of this increase in waste generated is offset by the increase in waste recycled.

The heightening of standards in bottling facilities continued during the year with the achievement of our goal of gaining formal ISO 14001 certification in 50 of 65 soft drinks plants, representing 99% of our European CSD volume and 77% of our total produced volume. In addition, four natural mineral water plants also qualified for the ISO 14001 standard, and work has begun towards implementing ISO 14001 in the Nigerian CSD bottling operations, as well as in the more recently-acquired European mineral water operations.

In addition to raising standards in relation to its own activities, CCHBC maintained its support of environmental initiatives in the countries in which it operates. Notable efforts can be seen in respect of packaging and recycling.

Coca-Cola Bottlers Ireland, for example, received the Repak Best Practice Award (Large Firms) at the 2005 Repak Recycling Awards ceremony, presented by the Irish Minister of the Environment to local authorities, companies and individuals for outstanding efforts in protection of the environment.

In Austria, Coca-Cola HBC continued to "close the loop" for PET. In alliance with other beverage producers, a new entity called PET-to-PET Recycling Austria GmbH is being created to construct a recycling plant. The facility will enable the re-use of recycled PET flakes into new beverage bottles. It is expected to be operational by 2007 and have an initial capacity to handle 18,000 tons.

## Community

Further to the community support provided by Coca-Cola HBC through the generation of employment, support for upstream and downstream businesses, payment of taxes, and investments, we also seek to assist in developing and aiding activities in every area in which we have operations.

In 2005, the Company's financial and in-kind contributions met the widely accepted recommendation of 1% of pre-tax profits.

A key objective in serving the community is protection of water resources, and during the year a major project was launched after many months of detailed discussion and preparation. Together with TCCC and the International Commission for the Protection of the Danube River (ICPDR) CCHBC signed the "Green Danube Partnership", an agreement to unite in a commitment to sustainable water use through encouraging private and public stakeholders to protect and preserve the Danube River and its ecosystems. Under the partnership, an extensive range of activities is being implemented to promote awareness of and support for conservation projects. Initial action involves the development of joint environmental programmes with local authorities, educational institutions, concerned groups and non-governmental organisations (NGOs); and assisting in the celebration of the annual Danube Day (June 29). In 2005, five countries were involved in the Danube project: Serbia and Montenegro, Hungary, Romania, Slovakia, and Bulgaria. In 2006, activities will expand to other Danube River-basin countries and include the production of an environmental education kit, a tool to be used for teachers in classrooms, as well as in various outdoor activities.

Further efforts to promote environmental protection include a partnership between CCHBC and TCCC and NGOs to promote protection and conservation of the longest river in Europe, the Volga. Under the "Living Volga" initiative in Russia, an extensive range of programmes to promote public awareness is in preparation.

These programmes are designed to conserve local watersheds and to educate and mobilise local communities behind these efforts.

In Nigeria, the Company, together with the Nigerian Conservation Foundation and other stakeholders is a prime

mover in implementing various activities to protect local watersheds, improve water efficiency in our plants, provide local communities with safe drinking water and develop local aqua culture industries.

As the above examples illustrate, we are engaged in an ongoing dialogue with numerous stakeholders, while making explicit our commitment to social responsibility. To deliver on these commitments, we have created appropriate management structures and accountability.

Among the measures we have taken are the conduct of extensive training throughout the organisation and the establishment of performance targets, as well as corrective action plans in each of the four key areas of impact; marketplace, workplace, environment, community.

CCHBC recognises that social responsibility is a complex and evolving field and we accordingly commit ourselves to continuous improvement, just as we do in every other aspect of our business. Given the varying stages of development of operations across our 26 territories, we also recognise that it is a gradual process. Although the pace of progress inevitably varies from country to country, operation to operation, we nevertheless are determined to achieve conformity to our principles and commitments over time, as well as to the evolving expectations of all stakeholders throughout all the areas in which we operate.



# Directors' Biographies

## George David

Mr George David, Chairman of the Board of Directors of 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. Mr Allan held this position until May 1 2005 when he retired from The Coca-Cola Company. Mr Allan is a member of our Human Resources Committee and Social Responsibility Committee.

## Kent Atkinson

Mr Atkinson was Chief Financial Officer of Lloyds TSB Group plc from January 1995 until his retirement in June 2002. He continued as a non-executive Director of that Board until April 2003. 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 Senior Independent Director, Chairman of the Audit Committee, and a member of the Remuneration and Nominations Committees of telent plc, Non-Executive Director, Chairman of the Audit Committee and a member of the Nominations Committee of Axalto NV, as well as a Non-Executive Director and Chairman of the Audit Committee of Standard Life Assurance Company. Mr Atkinson is Chairman of our Audit Committee and serves as our Senior Independent 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.

## Irial Finan

Mr Irial Finan is Executive Vice President of The Coca-Cola Company and President of Bottling Investments, a newly-established position responsible for managing The Coca-Cola Company's equity investments in bottler operations and overseeing the operations of The Coca-Cola Company owned bottlers around the world. Mr Finan joined the Coca-Cola system in 1981 with Coca-Cola Bottlers Ireland, Ltd., based in Dublin, where for several years he held a variety of accounting positions. From 1987 until 1990, Mr Finan served as Finance Director of Coca-Cola Bottlers Ireland, Ltd. From 1991 to 1993, he served as Managing Director of Coca-Cola Bottlers Ulster, Ltd., based in Belfast. He was Managing Director of Coca-Cola Bottlers in Romania and Bulgaria until late 1994. From 1995 to 1999, he served as Managing Director of Molino Beverages, with responsibility for expanding

markets, including the Republic of Ireland, Northern Ireland, Romania, Moldova, Russia and Nigeria. Mr Finan served from May 2001 until 2003 as Managing Director of Coca-Cola Hellenic Bottling Company S.A. Mr Finan joined The Coca-Cola Company and was named President of Bottling Investments in August 2004. He was elected to his current position in October 2004. Mr Finan serves on the Boards of Directors of Coca-Cola Enterprises Inc., Coca-Cola FEMSA S.A., Coca-Cola Amatil Limited and the supervisory board of Coca-Cola Erfrischungsgetranke AG. He is also a Non-Executive Director of eircom plc, and Chairman of that company's audit committee, as well as a Non-Executive Director of Alltracel Pharmaceuticals and Chairman of their audit committee.

### **Leonidas Ioannou**

Mr Ioannou, civil engineer and architect by training, is Chairman of J&P-AVAX S.A. and Director 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 non-profit organisations and museums worldwide.

### **Nigel Macdonald**

Mr Macdonald worked for 27 years at Ernst & Young before retiring as a Partner in 2003. During that time, Mr Macdonald served as a Senior Partner in Ernst & Young's UK practice and served for a time as Vice Chairman of the Accounting and Auditing Committees of its worldwide practice. Mr Macdonald is a member of the Institute of Chartered Accountants of Scotland of which he was the President between 1993 and 1994. He is also a member of the Review Panel of the Financial Reporting Council, and is a member of the Audit Committee of the International Oil Pollution Compensation Fund and also an advisor to it, as well as a trustee of the National

Maritime Museum and Chairman of its Remuneration Committee and a member of its Audit Committee. Between 1994 and 2001, he was a member of the Industrial Development Advisory Board of the UK's Department of Trade and Industry and, from 1992 until the end of 2004 he was also a member of the Board of the British Standards Institute and Chairman of its Audit Committee. From 1998 until 2005 he was a member of the UK Competition Commission serving on its specialist panels on Electricity and Water. Mr Macdonald is a member of our Audit Committee.

### **Anastasios P. Leventis CBE 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. Mr 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 of Nigeria in 2002. Mr Leventis also serves on the councils of several non-profit 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.

### **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. Mr Toubassy is a member of the Advisory Board for the Churchill Archives Centre, Churchill College, Cambridge University and is also a member of the Dean's Council, John F. Kennedy School of Government at Harvard University. 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 P. Leventis	British	The Kar-Tess Group
Non-Executive Director	Haralambos K. Leventis	British	The Kar-Tess Group
Non-Executive Director	Irial Finan	Irish	The Coca-Cola Company
Non-Executive Director	Samir Toubassy	American	Independent
Non-Executive Director	Antonio D'Amato	Italian	Independent
Non-Executive Director	Nigel Macdonald	British	Independent

## The Audit Committee

Chairman	Kent Atkinson	British	Independent
Member	Nigel Macdonald	British	Independent
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	Sandy Allan	British	The Coca-Cola Company

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

Chairman	Sir Michael Llewellyn-Smith	British	Independent
Member	George David	British	The Kar-Tess Group
Member	Sandy Allan	British	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	John Brady	American	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

# Shareholders' 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 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

ADRs (NYSE:CCH), and the Australian Stock Exchange in the form of CDIs (ASX:CHB).

Shares outstanding as at 31 December 2005: 240,692,002

ADR ratio: 1:1

CDI ratio: 1:1

## Dividend Information

We typically pay dividends once a year. We have paid 14 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. We will be proposing at our Annual General Meeting scheduled to take place on Tuesday 20 June 2006 in Athens a dividend for 2005 of €0.30 per share, a 7% increase over 2004.

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
17 June 2005	21 June 2005	8 July 2005	€0.28

## Capital return

\*Greek drachmas, equivalent to €0.17

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

## Ticker Symbol

HLB (Reuters), EEEK GA (Bloomberg)

## Credit rating

Standard & Poor's: A/Stable outlook

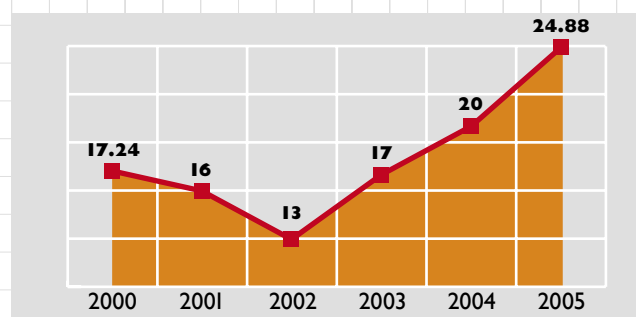
Moody's: A3/Stable outlook

## History share price performance

Coca-Cola HBC was formed through the acquisition of Coca-Cola Beverages plc by Hellenic Bottling Company S.A. on August 9, 2000.

## Year-end market price of CCHBC shares

(In €) based on calendar year-end



Source: Bloomberg

## ADR depositary

The Bank of New York Investor Relations  
P.O. Box 11258  
Church Street Station  
New York, NY 10286-1258  
USA  
Web: [www.adrbny.com](http://www.adrbny.com)  
Email: [shareowner-svcs@bankofny.com](mailto: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 ADRs and reinvest dividends in CCHBC ADRs. For more information, please visit: [www.adrbny.com/howtobuy\\_globalbuydirect.jsp](http://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](http://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](http://www.computershare.com)

## Independent auditors

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

## Annual General Meeting

20 June 2006

## Corporate headquarters

9, Fragoklissias Street  
151 25 Maroussi  
Athens, Greece  
Corporate website: [www.coca-colahbc.com](http://www.coca-colahbc.com)  
IR website: [www.coca-colahbc.com/ir/index.php](http://www.coca-colahbc.com/ir/index.php)

## Shareholder and analyst information

Shareholders and financial analysts can get answers to many frequently asked questions related to CCHBC, by contacting:

## Investor relations

Tel: +30.210.618.3100  
Email: [investor.relations@cchbc.com](mailto:investor.relations@cchbc.com)

## Stock price (€ per share) – ATHEX:EEKK

### 2005

Quarter ended	High	Low	Close
December 31	25.48	22.12	24.88
September 30	25.46	22.68	24.12
July 1	23.28	20.20	22.86
April 1	20.54	17.68	20.34

### 2004

Quarter ended	High	Low	Close
December 31	18.92	17.04	17.98
October 1	20.50	17.34	17.62
July 2	22.74	18.98	19.06
April 2	21.18	16.96	20.60

# 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 Investor Relations, including stock quotes and electronic versions of our annual reports, please visit:  
<http://www.coca-colahbc.com/ir/index.php>

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>



## 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 "Group") as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 54 to 114 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In addition, in our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



PricewaterhouseCoopers S.A.

Athens

28 March 2006

# Consolidated income statement

Year ended 31 December

	Note	2005 € million	2004 € million
<b>Net sales revenue</b>	3	<b>4,780.3</b>	<b>4,247.5</b>
Cost of goods sold		(2,818.8)	(2,525.6)
<b>Gross profit</b>		<b>1,961.5</b>	<b>1,721.9</b>
Selling expenses		(738.6)	(632.1)
Delivery expenses		(398.9)	(341.8)
Administrative expenses		(318.6)	(311.4)
Amortisation of intangible assets	9	(0.6)	(106.6)
Adjustments to intangible assets	5	(26.5)	(24.6)
Stock options expense		(3.6)	(1.4)
Restructuring costs		(13.8)	(49.5)
<b>Total operating expenses</b>		<b>(1,500.6)</b>	<b>(1,467.4)</b>
<b>Operating profit</b>	3,4	<b>460.9</b>	<b>254.5</b>
Finance costs	6	(54.8)	(64.8)
<b>Profit before taxation and associates</b>		<b>406.1</b>	<b>189.7</b>
Taxation	7	(86.6)	(69.9)
Share of income of associates	11	0.9	1.2
<b>Profit for the year</b>		<b>320.4</b>	<b>121.0</b>
Attributable to:			
Minority interests		12.3	14.3
Shareholders of the Group		308.1	106.7
		<b>320.4</b>	<b>121.0</b>
Basic and diluted earnings per share (Euros)	8	1.29	0.45

The Notes on pages 58-114 are an integral part of these Consolidated financial statements.

# Consolidated cash flow statement

Year ended 31 December

	Note	2005 € million	2004 € million
<b>Operating activities</b>			
Operating profit	3,4	460.9	254.5
Depreciation of property, plant and equipment	3,10	315.3	289.4
Amortisation of intangible assets	3,9	0.6	106.6
Adjustments to intangible assets	5	26.5	24.6
Stock option expense	31	3.6	1.4
Other non-cash items		0.9	3.6
		<b>807.8</b>	<b>680.1</b>
Gains on disposals of non-current assets		(10.9)	(6.1)
Increase in inventories		(12.1)	(34.5)
Increase in trade and other receivables		(88.2)	(27.1)
Increase in trade payables and other liabilities		27.9	47.0
Taxation paid		(105.3)	(106.1)
<b>Cash generated from operating activities</b>		<b>619.2</b>	<b>553.3</b>
<b>Investing activities</b>			
Payments for purchase of property, plant and equipment		(423.5)	(362.0)
Receipts from disposals of property, plant and equipment		29.7	21.2
Net (payments) / receipts for investments		(0.2)	6.0
Proceeds from sale of trademarks		9.0	8.6
Net payments for acquisition of subsidiaries	29	(195.0)	(3.1)
<b>Net cash used in investing activities</b>		<b>(580.0)</b>	<b>(329.3)</b>
<b>Financing activities</b>			
Return of capital to shareholders		-	(0.4)
Proceeds from issue of shares to employees		36.6	19.2
Dividends paid to shareholders of the Group	28	(66.7)	(47.4)
Dividends paid to minority interests		(9.8)	(5.6)
Proceeds from external borrowings		605.4	728.8
Repayment of external borrowings		(395.4)	(854.5)
Principal repayment of finance lease obligations		(16.8)	(11.7)
Interest received		3.6	7.0
Interest paid		(54.2)	(62.3)
<b>Net cash generated from / (used in) financing activities</b>		<b>102.7</b>	<b>(226.9)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>141.9</b>	<b>(2.9)</b>
Cash and cash equivalents at 1 January		38.3	39.4
Increase / (decrease) in cash and cash equivalents		141.9	(2.9)
Effect of changes in exchange rates		2.2	1.8
<b>Cash and cash equivalents at 31 December</b>	18	<b>182.4</b>	<b>38.3</b>

The Notes on pages 58-114 are an integral part of these Consolidated financial statements.

# Consolidated balance sheet

As at 31 December

	Note	2005 € million	2004 € million
<b>Assets</b>			
Intangible assets	9	1,846.8	1,683.5
Property, plant and equipment	10	2,287.4	2,061.1
Investment in associates	11	14.1	10.1
Available-for-sale investments	12	10.6	9.9
Held-to-maturity investments		1.1	1.2
Deferred tax assets	13	24.1	9.8
Other non-current assets	14	37.6	46.1
<b>Total non-current assets</b>		<b>4,221.7</b>	<b>3,821.7</b>
Inventories	15	377.1	334.9
Trade receivables	16	582.4	511.3
Derivative assets	20	9.5	3.3
Other receivables	17	203.8	151.1
Current tax assets		8.0	6.2
Cash and cash equivalents	18	182.4	38.3
<b>Total current assets</b>		<b>1,363.2</b>	<b>1,045.1</b>
<b>Total assets</b>		<b>5,584.9</b>	<b>4,866.8</b>
<b>Liabilities</b>			
Short term borrowings	19	575.8	95.0
Trade and other liabilities	21	912.9	815.7
Current tax liabilities		77.3	69.3
<b>Total current liabilities</b>		<b>1,566.0</b>	<b>980.0</b>
Long term borrowings	19	1,327.5	1,454.0
Cross currency swap payables relating to borrowings	20	43.3	143.1
Deferred tax liabilities	13	77.7	72.8
Non-current provisions	22	113.0	134.0
Other non-current liabilities		9.5	14.9
<b>Total non-current liabilities</b>		<b>1,571.0</b>	<b>1,818.8</b>
<b>Total liabilities</b>		<b>3,137.0</b>	<b>2,798.8</b>
<b>Equity</b>			
Share capital	25	120.3	119.1
Share premium	25	1,675.7	1,640.3
Exchange equalisation reserve	27	144.2	59.7
Other reserves	27	271.1	306.5
Retained earnings / (accumulated deficit)		141.3	(145.3)
<b>Total shareholders' equity</b>		<b>2,352.6</b>	<b>1,980.3</b>
Minority interests		95.3	87.7
<b>Total equity</b>		<b>2,447.9</b>	<b>2,068.0</b>
<b>Total equity and liabilities</b>		<b>5,584.9</b>	<b>4,866.8</b>

The Notes on pages 58-114 are an integral part of these Consolidated financial statements.

# Consolidated statement of changes in equity

	Attributable to equity holders of the Group					Minority interest	Total equity
	Share capital € million	Share premium € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	Total € million	€ million
<b>Balance as at 31 December 2003</b>	<b>118.5</b>	<b>1,621.7</b>	<b>23.0</b>	<b>295.6</b>	<b>(187.0)</b>	<b>1,871.8</b>	<b>80.8</b>
Change in accounting policy	-	-	-	(0.5)	(2.6)	(3.1)	-
<b>Restated balance</b>	<b>118.5</b>	<b>1,621.7</b>	<b>23.0</b>	<b>295.1</b>	<b>(189.6)</b>	<b>1,868.7</b>	<b>80.8</b>
Net profit for 2004	-	-	-	-	106.7	106.7	14.3
Valuation gains on available-for-sale investments taken to equity	-	-	-	0.6	-	0.6	-
Cash flow hedges:							
Losses taken to equity	-	-	-	(12.0)	-	(12.0)	-
Losses transferred to profit and loss of the year	-	-	-	6.3	-	6.3	-
Foreign currency translation	-	-	36.7	-	-	36.7	(2.2)
Tax on items taken directly to or transferred from equity	-	-	-	(0.2)	-	(0.2)	-
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>36.7</b>	<b>(5.3)</b>	<b>106.7</b>	<b>138.1</b>	<b>12.1</b>
Shares issued to employees exercising stock options	0.6	18.6	-	-	-	19.2	-
Share based compensation							
Options	-	-	-	1.4	-	1.4	-
Movement in shares held for equity compensations plan	-	-	-	0.3	-	0.3	-
Acquisition of shares held by minority interests	-	-	-	-	-	-	(0.1)
Reinvestment of shares held by minority interests	-	-	-	-	-	-	0.2
Appropriation of reserves	-	-	-	15.0	(15.0)	-	-
Dividends	-	-	-	-	(47.4)	(47.4)	(5.3)
<b>Balance as at 31 December 2004</b>	<b>119.1</b>	<b>1,640.3</b>	<b>59.7</b>	<b>306.5</b>	<b>(145.3)</b>	<b>1,980.3</b>	<b>87.7</b>
Net profit for 2005	-	-	-	-	308.1	308.1	12.3
Valuation gains on available-for sale investments taken to equity	-	-	-	1.4	-	1.4	-
Cash flow hedges:							
Losses taken to equity	-	-	-	(0.1)	-	(0.1)	-
Losses transferred to profit and loss of the year	-	-	-	3.7	-	3.7	-
Foreign currency translation	-	-	84.5	-	-	84.5	5.2
Tax on items taken directly to or transferred from equity	-	-	-	(0.1)	-	(0.1)	-
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>84.5</b>	<b>4.9</b>	<b>308.1</b>	<b>397.5</b>	<b>17.5</b>
Shares issued to employees exercising stock options	1.2	35.4	-	-	-	36.6	-
Share based compensation							
Options	-	-	-	3.6	-	3.6	-
Movements in shares held for equity compensations plan	-	-	-	1.3	-	1.3	-
Acquisition of shares held by minority interests	-	-	-	-	-	-	(0.1)
Reinvestment of shares held by minority interests	-	-	-	-	-	-	0.1
Appropriation of reserves	-	-	-	(45.2)	45.2	-	-
Dividends	-	-	-	-	(66.7)	(66.7)	(9.9)
<b>Balance as at 31 December 2005</b>	<b>120.3</b>	<b>1,675.7</b>	<b>144.2</b>	<b>271.1</b>	<b>141.3</b>	<b>2,352.6</b>	<b>95.3</b>

For further details, please refer to Note 25, share capital and share premium; Note 26 for shares held for equity compensation; Note 27 for reserves; and Note 28 for dividends. The Notes on pages 58-114 are an integral part of these Consolidated financial statements.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies

### Description of business

Coca-Cola Hellenic Bottling Company S.A. ('CCHBC'), is a Societe Anonyme (corporation) incorporated in Greece and was formed in 1969 and took its current form in August 2000 through the acquisition of the Coca-Cola Beverages plc ('CCB') by Hellenic Bottling Company S.A. ('HBC'). 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 3.

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.

These financial statements have been approved for issue by the Board of Directors on 28 March 2006.

### Basis of preparation

The consolidated financial statements included in this document are prepared in accordance with International Financial Reporting Standards ('IFRS'), issued by the International Accounting Standards Boards ('IASB') and IFRS as adopted by the European Union.

All IFRS issued by the IASB, which apply to the preparation of these financial statements have been adopted by the European Union following an approval process undertaken by the European Commission ('EC'), except for IAS 39, *Financial Instruments: Recognition and Measurement* ('IAS 39'). Following this process and as a result of representations made by the Accounting Regulatory Committee of the European Council, the latter issued the Directives 2006/2004 and 1864/2005 that require the application of IAS 39 by all listed companies with effect from the 1 January 2005, except for specific sections that relate to hedging of deposit portfolios. As the Group is not impacted by the sections that relate to hedging of deposit portfolios, as reflected in the IAS 39 adopted by the European Union, these financial statements have been prepared in compliance with IFRS that have been adopted by the European Union and IFRS that have been issued by the IASB.

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.

### 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 at 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.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

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.

### Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

### 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 2005 was €20.7m (2004: €8.1m). Of this balance, €0.9m (2004: €4.8m) was classified as prepayments (current) and the remainder as non-current prepayments. Listing fees expensed for the year ended 31 December 2005 amounted to €55.3m with €32.8m for 2004. Marketing and promotional incentives paid to customers during 2005 amounted to €80.6m compared with €89.3m in 2004.

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 2005, such contributions totalled €17.6m as compared to €21.1m in 2004.

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.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

### Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Group by the weighted average number of shares that were in existence during the year. Diluted earnings per share take 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. Until 31 December 2004, all intangible assets were amortised on a straight-line basis over their useful economic life up to a presumed maximum of 20 years. Amortisation of intangible assets was recognised in operating expenses in the income statement. From 1 January 2005, amortisation of goodwill and indefinite-lived intangible assets ceased. Instead, goodwill and indefinite-lived intangible assets are tested annually and whenever there is an indication of impairment and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill and other indefinite-lived intangible assets are allocated to each of the Group's cash-generating units expected to benefit from business combination in which the goodwill arose. The cash-generating units to which goodwill and other indefinite-lived intangible assets have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other indefinite-lived intangible assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible assets with finite lives continue to be amortised over their useful economic lives.

The useful life of trademarks is determined after considering potential limitations that could impact the life of the trademark, such as technological and market limitations and the intent of management. The majority of trademarks recorded by CCHBC 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. The useful economic life assigned to trademarks is evaluated on an annual basis.

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 Euro 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, and are subsequently measured at cost less accumulated depreciation and impairment losses. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the operation. All other subsequent expenditure is expensed in the period in which it is incurred.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

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 hardware and software	3 to 7 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.

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

### Impairment of tangible assets

Property, plant and equipment and other non-current tangible 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 fair value less cost to sell 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.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 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.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

### Investment in joint ventures

The Group's interest in jointly controlled entities, Brewinvest S.A. and Multon group, 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 on a line-by-line basis in the relevant components of the financial statements.

### Other investments

The Group classifies its investments in debt and equity securities into the following categories: Financial assets at fair value through profit or loss ('FVTPL'), held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investment was acquired. FVTPL 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 FVTPL investments and included in current assets. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for those with maturities within 12 months from the balance sheet date, which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to 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 trade date accounting, namely, investments are recognised on the day the Group commits to purchase the investments and derecognised on the day when the Group commits to sell the investments. The cost of purchase includes transaction costs for investments other than those carried at FVTPL. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. Gains and losses on investments held as trading are recognised in the income statement in the period in which they arise. Unrealised gains and losses on available-for-sale investments are recognised in equity until the financial assets are derecognised at which time the cumulative gains or losses previously in equity are recognised in the income statement.

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.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

### Inventories

Inventories are stated at the lower of cost and net realisable value.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

Cost for raw materials and consumables is determined either on a first-in, first-out or weighted average basis, depending on the type of inventory.

Cost for work in progress and finished goods is comprised of the cost of direct materials and labour plus attributable overheads.

Cost includes all costs incurred in bringing the product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

### 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.

### Foreign currency and translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the parent entity, and the presentation currency for the consolidated financial statements.

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 retranslation 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 retranslated 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 qualifying for cash flow hedges which are deferred in 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 operated in a hyper-inflationary environment in 2005. It will cease applying hyper-inflationary accounting with effect from 1 January 2006. The subsidiary in Serbia and Montenegro ceased applying hyper-inflationary accounting with effect from 1 January 2005.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

### 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.

### 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 are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. 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 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.

The Group uses 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 fair value and are subsequently remeasured to their fair value. Changes in the fair values of derivative financial instruments are recognised periodically either in the income statement or in equity, depending on whether the derivative financial instrument qualifies for hedging 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 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 value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

### 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.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

### 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.

### Leases

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

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term borrowings. 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 plans 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.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

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.

### Share-based payments

CCHBC issues equity-settled (stock options) and cash-settled (stock appreciation rights) share-based payments to its senior managers.

Equity-settled share-based payments are measured at fair value at the date of grant using a binomial stock option valuation model. Fair value reflects the parameters of the compensation plan, the risk-free interest rate, the expected volatility, the dividend yield and the early exercise experience of the Company's plans. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

The inputs into the model are as follows:

	2005	2004
Weighted average fair value of options granted	€5.7	€5.0
Risk free interest rates	3.7%	5.0%
Expected volatility	25.2%	25.9%
Dividend yield	1.2%	1.5%
Expected life	4.8 years	5.1 years

For cash-settled share-based payments, a liability equal to the portion of the vested stock appreciation rights is recognised at the current fair value determined at each balance sheet date using the same model and inputs as used for determining fair value of stock options.

In addition, 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 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.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

### 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 by the Group, 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

Comparative figures have been reclassified to conform with changes in presentation in the current year. More specifically, restructuring costs previously presented in cost of goods sold, €28.8m, and selling, €1.2m, delivery, €16.8m, and administrative, €2.7m, expenses are now presented as a separate operating expense item.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

### Adoption of new accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The new and revised Standards and Interpretations that had a significant effect to the Group's financial statements are as follows:

In March 2004, the IASB issued IFRS 3, *Business Combinations* ('IFRS 3'), and revised standards IAS 36, *Impairment of Assets* ('IAS 36') and IAS 38, *Intangible Assets* ('IAS 38'). The main effect to the Group is that amortisation of goodwill and intangible assets with indefinite useful lives has ceased. Instead, the assets are tested for impairment annually or more frequently if events or changes in circumstances indicate a possible impairment. CCHBC has applied IFRS 3 and the revised provisions of IAS 36 and IAS 38 from 1 January 2005. As the standard is applicable prospectively, prior year comparatives have not been restated.

From 1 January 2005, the Group applied IFRS 2, *Share-Based Payments* ('IFRS 2'). This standard requires 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 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 adoption of IFRS 2 results in the Group reflecting a charge to the income statement for share options. In addition, there is a change to the timing of the charge for stock appreciation rights. As a consequence, prior year comparatives have been revised. The effect on the comparative net results of 2004 is a decrease of €1.4m. The charge to the Group in 2005 for existing share options is €3.6m.

In December 2003, the IASB published revisions to IAS 39 and IAS 32, *Financial Instruments: Disclosure and Presentation* ('IAS 32'). The revised ('IAS 39') was applied from 1 January 2005 and clarifies terms in relation to derecognition of financial assets, measurement of fair value, impairment, hedge accounting and embedded derivatives in non-financial contracts. The revised standard resulted in certain embedded derivatives no longer qualifying for separation. As a consequence, prior year comparatives have been revised. The effect on the comparative net results of 2004 is a decrease of €4.2m and of €0.02 in earnings per share, by a change in administrative expenses, and a reduction of derivative assets and total equity of €4.7m. Also, the revised standard no longer permits the recognition of unrealised gains or losses on the valuation of available-for-sale assets in the income statement. Instead, changes in fair value of available-for-sale assets are recognised directly in equity until the financial assets are derecognised, at which time the cumulative gain or loss previously in equity is recognised through the income statement. The effect on the comparative net results for 2004 is a decrease of €0.4m.

### New Accounting Pronouncements

In December 2004, the IASB issued an *Amendment to International Accounting Standard 19 Employee Benefits*. The IASB took the decision to allow the option for recognising actuarial gains and losses in full in the period in which they occur, outside profit or loss, in the statement of recognised income and expense. The amendment is applicable from 1 January 2006 with early adoption encouraged. The Company is currently assessing the effect of the Amendment on its financial statements.

In December 2004, the International Financial Reporting Interpretation Committee (IFRIC) issued IFRIC 4, *Determining whether an Arrangement Contains a Lease* 'the interpretation'. The interpretation provides additional guidance on whether arrangements which share many features of a lease, such as conveying rights to use assets in return for a payment or series of payments, but do not take the legal form of a lease, should be accounted for as leases in accordance with IAS 17, *Leases*. The Interpretation is effective for annual periods beginning on or after 1 January 2006 and is not expected to have a material effect on the Company's financial statements.

# Notes to the consolidated financial statements

## I. Basis of preparation and accounting policies (continued)

In April 2005, the IASB issued amendment to IAS 39, *Financial Instruments: Recognition and Measurement — Cash Flow Hedge Accounting of Forecast Intragroup Transactions*. The amendment permits the foreign currency risk of an intragroup forecast transaction to be a hedged item in the consolidated financial statements provided that (a) the hedged intragroup transaction is highly probable and meets all other hedge accounting criteria, (b) the hedged intragroup transaction is denominated in a currency other than the functional currency of the entity entering into the transaction, and (c) the foreign currency risk will affect consolidated profit or loss. If a hedge of a forecasted intragroup transaction qualifies for hedge accounting, then any gain or loss recognised directly in equity (in accordance with the hedge accounting rules of IAS 39) must be reclassified into profit or loss in the same period or periods during which the foreign currency risk of the hedged transaction affects the consolidated profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2006. The Company is currently assessing the effect of the amendment on its financial statements.

In June 2005, the IASB issued amendment to IAS 39, *Financial Instruments: Recognition and Measurement — The Fair Value Option*. The amendment limits the use of the fair value option to financial instruments that meet any of the following conditions: (1) the instrument is classified as held for trading; (2) the use of the fair value option eliminates or significantly reduces an accounting mismatch; (3) the instrument is part of a group of financial assets, financial liabilities, or both that are managed and evaluated on a fair value basis in accordance with a documented risk-management or investment strategy; or (4) the instrument contains one or more embedded derivatives that meets particular conditions. The amendment includes a consequential amendment to IAS 32, that expands the disclosure requirements for financial assets and financial liabilities classified as at fair value through profit and loss. These amendments will also be included in IFRS 7, *Financial Instruments: Disclosures*, which will replace IAS 32. The additional disclosure includes, for financial assets or financial liabilities designated as at fair value through profit and loss, (1) the criteria for such designation and how the entity has satisfied those criteria, (2) the carrying amounts, and (3) gains and losses recognised in profit or loss. There are also disclosure requirements primarily related to loans and receivables designated as at fair value through profit and loss. The amendments is effective for annual periods beginning on or after 1 January 2006. The amendment includes transition provisions related to the designation of previously recognised financial assets and liabilities at fair value as well as de-designations from fair value. Generally, companies should restate comparative financial statements using new designations. In the case of designations at fair value, comparative financial statements should be restated provided they meet certain criteria at the beginning of the comparative period or, if acquired after the beginning of the comparative period, would have met the criteria at the date of initial recognition. The Company is currently assessing the effect of the amendment on its financial statements.

In August 2005, the IASB issued IFRS 7, and amendments to IAS 1, *Presentation of Financial Statements — Capital Disclosures*. The standard requires disclosure of (1) the significance of financial instruments to an entity's financial position and performance and (2) qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The Standard further details specific disclosures pertaining to each of the two broad categories above (e.g., information on financial assets and financial liabilities measured at fair value through profit and loss). IFRS 7 supersedes IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements of IAS 32. The amendment to IAS 1 add requirements to disclose (1) the entity's objectives, policies, and processes for managing capital, (2) quantitative data about what the entity regards as capital, (3) whether the entity has complied with its capital requirements, and (4) the consequences of non-compliance if it has not complied. The standard and amendment is effective for annual periods beginning on or after 1 January 2007.

# Notes to the consolidated financial statements

## 2. Exchange rates

CCHBC translates the income statements of subsidiary operations to 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 2005	Average 2004	Closing 2005	Closing 2004
US dollar	1.24	1.25	1.19	1.36
UK sterling	0.68	0.68	0.69	0.71
Polish zloty	4.03	4.52	3.84	4.06
Nigerian naira	162.86	166.26	153.96	180.95
Hungarian forint	248.59	250.67	251.70	245.89
Swiss franc	1.55	1.54	1.56	1.54
Russian rouble	35.15	35.76	34.19	37.81
Romanian lei	3.63	4.06	3.68	3.94

## 3. 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.

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

There are no material amounts of sales or transfers between the Group's segments.

Year ended 31 December	Note	2005 € million	2004 € million
<b>Net sales revenue</b>			
Established		2,262.3	2,245.9
Developing		841.1	732.6
Emerging		1,676.9	1,269.0
<b>Total net sales revenue</b>		<b>4,780.3</b>	<b>4,247.5</b>

# Notes to the consolidated financial statements

## 3. Segmental analysis (continued)

Year ended 31 December	Note	2005 € million	2004 € million
<b>EBITDA<sup>1</sup></b>			
Established		382.3	332.8
Developing		115.7	102.7
Emerging		309.8	244.6
<b>Total EBITDA</b>		<b>807.8</b>	<b>680.1</b>
<b>Depreciation of property, plant and equipment</b>			
Established		120.0	119.5
Developing		69.1	64.2
Emerging		126.2	105.7
<b>Total depreciation of property, plant and equipment</b>	10	<b>315.3</b>	<b>289.4</b>
<b>Amortisation of intangible assets</b>			
Established		0.1	80.7
Developing		-	7.8
Emerging		0.5	18.1
<b>Total amortisation of intangible assets</b>	9	<b>0.6</b>	<b>106.6</b>
<b>Other non-cash items</b>			
Established		26.2	25.8
Developing		3.3	3.2
Emerging		1.5	0.6
<b>Total other non-cash items<sup>2</sup></b>		<b>31.0</b>	<b>29.6</b>
<b>Operating profit</b>			
Established		235.9	107.0
Developing		43.4	27.2
Emerging		181.6	120.3
<b>Total operating profit</b>		<b>460.9</b>	<b>254.5</b>
<b>Reconciling items</b>			
Finance costs	6	(54.8)	(64.8)
Taxation	7	(86.6)	(69.9)
Share of income of associates	11	0.9	1.2
<b>Profit of the year</b>		<b>320.4</b>	<b>121.0</b>
<b>Capital additions</b>			
Established		130.5	141.8
Developing		85.5	69.3
Emerging		230.0	180.9
<b>Total capital additions</b>	10	<b>446.0</b>	<b>392.0</b>

<sup>1</sup>Earnings before interest, tax, depreciation, amortisation and other non-cash items

<sup>2</sup> Other non-cash items comprise adjustments to intangible assets (refer to Note 5), impairment charges to property, plant and equipment and stock option expenses.

# Notes to the consolidated financial statements

## 3. Segmental analysis (continued)

Year ended 31 December	Note	2005 € million	2004 € million
<b>Acquisition of intangible assets</b>			
Established		6.5	-
Developing		-	6.4
Emerging		176.7	0.8
<b>Total acquisition of intangible assets</b>	9	<b>183.2</b>	<b>7.2</b>
<b>Assets</b>			
Established		2,510.4	2,448.0
Developing		847.8	812.1
Emerging		1,723.4	1,163.9
Corporate		2,731.9	1,165.0
Intersegment receivables		(2,228.6)	(722.2)
<b>Total assets</b>		<b>5,584.9</b>	<b>4,866.8</b>
<b>Liabilities</b>			
Established		1,250.9	1,303.2
Developing		244.2	207.1
Emerging		778.5	444.9
Corporate		3,090.3	1,558.9
Intersegment payables		(2,226.9)	(715.3)
<b>Total liabilities</b>		<b>3,137.0</b>	<b>2,798.8</b>

# Notes to the consolidated financial statements

## 4. Operating profit

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

	2005 € million	2004 € million
Depreciation of property, plant and equipment (refer to Note 10)	315.3	289.4
Impairment of property, plant and equipment (refer to Note 10)	0.9	3.6
Gain on disposal of property, plant and equipment	(10.9)	(1.9)
<b>Operating lease charges</b>		
Plant and equipment	22.1	18.5
Property	21.2	28.3
<b>Total operating lease charges</b>	<b>43.3</b>	<b>46.8</b>
Provision set aside for doubtful debts	6.0	7.8
<b>Staff costs</b>		
Wages and salaries	577.6	522.2
Social security costs	111.0	93.6
Pension and other employee benefits	136.6	126.1
Termination benefits (refer to Note 22)	5.0	36.2
<b>Total staff costs</b>	<b>830.2</b>	<b>778.1</b>

The average number of full-time equivalent employees in 2005 was 41,101 (2004: 38,219).

## 5. Adjustments to intangible assets

During 2005, 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 revised, *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 €26.5m (2004: €24.6m) has been recorded in operating expense, and a deferred tax credit of €26.5m (2004: €24.6m) included within taxation in the income statement.

## 6. Finance costs

Net finance costs for the years ended 31 December comprise:

	2005 € million	2004 € million
Interest income	3.7	6.7
Interest expense	(54.0)	(65.2)
Fair value losses on financial instruments	(2.9)	(1.5)
Net foreign exchange translation gains / (losses)	0.9	(2.8)
Finance charges paid with respect to finance leases	(2.5)	(2.0)
<b>Total finance costs</b>	<b>(58.5)</b>	<b>(71.5)</b>
<b>Net finance costs</b>	<b>(54.8)</b>	<b>(64.8)</b>

Capitalised borrowings costs amounted to €3.1m. The capitalisation rate of the Group for the year was 2.34%. In 2004, no costs were capitalised as the respective calculations resulted in immaterial amounts.

# Notes to the consolidated financial statements

## 7. Taxation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2005 € million	2004 € million
Profit before tax per the income statement	407.0	190.9
Tax calculated at a tax rate of 32% (2004: 35%)	130.2	66.8
Effect of different tax rates in foreign jurisdictions	(26.4)	(24.4)
Additional local taxes in foreign jurisdictions	18.2	7.3
Tax holidays in foreign jurisdictions	(1.7)	(4.4)
Expenses non-deductible for tax purposes	32.5	85.0
Income not subject to tax	(28.6)	(26.0)
Changes in tax laws and rates	1.3	(2.4)
Current year tax losses not recognised	1.6	4.1
Credit related to exceptional goodwill charge concerning current recognition of pre-acquisition deferred tax assets	(26.5)	(24.6)
Utilisation of other previously unrecognised tax losses	(1.0)	(1.3)
Other	(13.0)	(10.2)
<b>Income tax charge per the income statement</b>	<b>86.6</b>	<b>69.9</b>

The reduction of the applicable tax rate is related to the reduction in the statutory tax rate in Greece.

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

	2005 € million	2004 € million
Current tax charge	104.0	110.7
Deferred tax charge	9.1	(16.2)
Pre-acquisition deferred tax assets recognised subsequent to acquisition of CCB and reflected in goodwill (refer to Note 5)	(26.5)	(24.6)
<b>Total income tax charge</b>	<b>86.6</b>	<b>69.9</b>

## 8. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the shareholders of the parent entity is based on the following data:

	2005	2004
Net profit attributable to shareholders of the Group (€ million)	308.1	106.7
Basic and diluted weighted average number of ordinary shares (million)	238.3	237.0
<b>Basic and diluted earnings per share (€)</b>	<b>1.29</b>	<b>0.45</b>

# Notes to the consolidated financial statements

## 9. Intangible assets

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	Total € million
<b>Cost</b>					
As at 1 January 2005	2,468.7	1.8	29.3	1.2	2,501.0
Arising on recognition of deferred tax assets in connection with the acquisition of CCB (refer to Note 5)	(26.5)	-	-	-	(26.5)
Intangible assets arising on current acquisitions (refer to Note 29)	101.0	-	80.2	2.0	183.2
Disposals	-	-	(6.4)	-	(6.4)
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(815.3)	(0.8)	(1.4)	-	(817.5)
Foreign currency translation	9.2	0.1	4.3	-	13.6
<b>As at 31 December 2005</b>	<b>1,737.1</b>	<b>1.1</b>	<b>106.0</b>	<b>3.2</b>	<b>1,847.4</b>
<b>Amortisation</b>					
As at 1 January 2005	815.3	0.8	1.4	-	817.5
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(815.3)	(0.8)	(1.4)	-	(817.5)
Charge for the year	-	-	0.5	0.1	0.6
<b>As at 31 December 2005</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>0.1</b>	<b>0.6</b>
Net book value as at 1 January 2005	1,653.4	1.0	27.9	1.2	1,683.5
<b>Net book value as at 31 December 2005</b>	<b>1,737.1</b>	<b>1.1</b>	<b>105.5</b>	<b>3.1</b>	<b>1,846.8</b>

The following table sets forth the carrying value of intangible assets subject to, and not subject to amortisation:

	31 December 2005 € million
<b>Intangible assets not subject to amortisation</b>	
Goodwill	1,737.1
Trademarks	103.9
Franchise agreements	1.1
	<b>1,842.1</b>
<b>Intangible assets subject to amortisation</b>	
Trademarks	1.6
Water rights	2.2
Customer contracts	0.9
<b>Total</b>	<b>1,846.8</b>

# Notes to the consolidated financial statements

## 9. Intangible assets (continued)

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	Total € million
<b>Cost</b>					
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 5)	(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	9.3	-	(21.6)	0.5	(11.8)
Foreign currency translation	17.7	(0.1)	-	-	17.6
<b>As at 31 December 2004</b>	<b>2,468.7</b>	<b>1.8</b>	<b>29.3</b>	<b>1.2</b>	<b>2,501.0</b>
<b>Amortisation</b>					
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
<b>As at 31 December 2004</b>	<b>815.3</b>	<b>0.8</b>	<b>1.4</b>	<b>-</b>	<b>817.5</b>
Net book value as at 1 January 2004	1,753.3	1.0	50.9	-	1,805.2
<b>Net book value as at 31 December 2004</b>	<b>1,653.4</b>	<b>1.0</b>	<b>27.9</b>	<b>1.2</b>	<b>1,683.5</b>

Goodwill and other indefinitely-lived intangible assets are allocated to the Group's cash-generating units, which correspond to the country of operation, for both management and impairment testing purposes.

A segment level summary of the goodwill and indefinitely-lived intangible assets as at 31 December 2005 is as follows:

	Goodwill € million	Franchise agreements € million	Trademarks € million	Total € million
Established	1,448.8	-	28.0	1,476.8
Developing	145.1	-	-	145.1
Emerging	143.2	1.1	75.9	220.2
	<b>1,737.1</b>	<b>1.1</b>	<b>103.9</b>	<b>1,842.1</b>

# Notes to the consolidated financial statements

## 9. Intangible assets (continued)

The recoverable amount of each operation has been determined through a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Board of Directors covering a three year period. Cash flows projections for years four to ten have been projected by management based on operation and market specific high level assumptions. Cash flows beyond the ten year period (the period in perpetuity) have been extrapolated using the estimated growth rates stated below.

The ranges by segment of the key assumptions used for value-in-use calculations are as follows:

	Established	Developing	Emerging
Average gross margin (%)	39.4-46.8	39.1-46.5	36.9-40.2
Growth rate in perpetuity (%)	2.4-3.0	3.0-3.5	3.5-3.8
Discount rate (%)	6.3-6.7	7.5-8.5	9.7-14.9

Management determined gross margin based on past performance, expectations for the development of the market and expectations about raw material costs. The growth rates used in perpetuity reflect the forecasts in line with management beliefs. These forecasts exceed, in some cases, those expected for the industry in general, due to the strength of our brand portfolio. Management estimates discount rates using rates that reflect current market assessments of the time value of money and risks specific to the countries of operation. Management believes that any reasonably possible change in any of the key assumptions would not cause the operation's carrying amount to exceed its recoverable amount.

# Notes to the consolidated financial statements

## 10. Property, plant and equipment

	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	Total € million
<b>Cost</b>					
As at 1 January 2005	867.7	2,169.8	257.3	82.9	<b>3,377.7</b>
Additions	5.6	186.7	23.3	230.4	<b>446.0</b>
Arising on acquisition of subsidiaries and joint ventures	11.5	18.9	-	1.6	<b>32.0</b>
Disposals	(16.1)	(68.9)	(19.7)	-	<b>(104.7)</b>
Impairment	-	(0.9)	-	-	<b>(0.9)</b>
Reclassifications	25.3	113.8	-	(139.1)	<b>-</b>
Foreign currency translation	36.4	88.4	16.9	1.8	<b>143.5</b>
<b>As at 31 December 2005</b>	<b>930.4</b>	<b>2,507.8</b>	<b>277.8</b>	<b>177.6</b>	<b>3,893.6</b>
<b>Depreciation</b>					
As at 1 January 2005	131.0	1,141.0	44.6	-	<b>1,316.6</b>
Charge for the year	25.8	254.2	35.3	-	<b>315.3</b>
Disposals	(5.9)	(58.0)	(15.7)	-	<b>(79.6)</b>
Foreign currency translation	5.8	45.6	2.5	-	<b>53.9</b>
<b>As at 31 December 2005</b>	<b>156.7</b>	<b>1,382.8</b>	<b>66.7</b>	<b>-</b>	<b>1,606.2</b>
Net book value as at 1 January 2005	736.7	1,028.8	212.7	82.9	<b>2,061.1</b>
<b>Net book value as at 31 December 2005</b>	<b>773.7</b>	<b>1,125.0</b>	<b>211.1</b>	<b>177.6</b>	<b>2,287.4</b>

# Notes to the consolidated financial statements

## 10. Property, plant and equipment (continued)

€ million	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	Total € million
<b>Cost</b>					
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
<b>As at 31 December 2004</b>	<b>867.7</b>	<b>2,169.8</b>	<b>257.3</b>	<b>82.9</b>	<b>3,377.7</b>
<b>Depreciation</b>					
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
<b>As at 31 December 2004</b>	<b>131.0</b>	<b>1,141.0</b>	<b>44.6</b>	<b>-</b>	<b>1,316.6</b>
Net book value as at 1 January 2004	709.6	971.8	197.8	71.6	1,950.8
<b>Net book value as at 31 December 2004</b>	<b>736.7</b>	<b>1,028.8</b>	<b>212.7</b>	<b>82.9</b>	<b>2,061.1</b>

Assets under construction include advances for equipment purchases of €30.8m (2004: €25.4m).

# Notes to the consolidated financial statements

## 10. Property, plant and equipment (continued)

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

	2005 € million	2004 € million
As at 1 January	48.3	45.4
Additions	29.7	10.0
Disposals	-	(0.5)
Depreciation charge	(9.0)	(6.6)
Foreign currency translation	0.7	-
<b>As at 31 December</b>	<b>69.7</b>	<b>48.3</b>

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

## II. 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 2005	Effective interest held 2004	Carrying value 2005 € million	Carrying value 2004 € million
Frigoglass Industries Limited	Nigeria	16%	18%	12.0	9.5
Multivita Sp.z o.o.	Poland	50%	50%	1.8	0.3
Valser Springs GmbH	Switzerland	50%	50%	0.3	0.3
<b>Total investment in associates</b>				<b>14.1</b>	<b>10.1</b>

The Group holds an effective interest in Frigoglass Industries Limited through a 23.9% (2004: 27.9%) holding held by Nigerian Bottling Company plc, in which the Group has a 66.2% (2004: 66.2%) interest.

Changes in holdings in associates are as follows:

	2005 € million	2004 € million
As at 1 January	10.1	10.7
Transfer of investment to wholly owned subsidiary	-	(1.9)
Share of results of associates (net of tax and minority interest)	0.9	1.2
Dividend paid by associate	(0.1)	-
Foreign currency translation	3.2	0.1
<b>As at 31 December</b>	<b>14.1</b>	<b>10.1</b>

# Notes to the consolidated financial statements

## 12. Available-for-sale investments

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

	2005 € million	2004 € million
As at 1 January	9.9	15.6
Purchases	0.1	0.5
Disposals	(0.9)	(6.6)
Unrealised gain on available-for-sale investments	1.4	0.6
Foreign currency translation	0.1	(0.2)
<b>As at 31 December</b>	<b>10.6</b>	<b>9.9</b>
<b>Non-current investments</b>	<b>10.6</b>	<b>9.9</b>

## 13. Deferred taxation

Deferred income tax assets and liabilities are off-set 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 off-setting, are shown in the consolidated balance sheet:

	2005 € million	2004 € million
Deferred tax assets	24.1	9.8
Deferred tax liabilities	(77.7)	(72.8)
<b>Total deferred taxation</b>	<b>(53.6)</b>	<b>(63.0)</b>

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

	2005 € million	2004 € million
As at 1 January	(63.0)	(108.0)
Credited (charged) to the income statement	(9.1)	16.2
Credited (charged) to equity	(0.7)	(0.4)
Pre-acquisition deferred tax assets in connection with acquisition of CCB, recognised subsequent to business combination and reflected in goodwill (Note 5)	26.5	24.6
Arising on acquisition of subsidiaries	(1.9)	4.2
Foreign currency translation	(5.4)	0.4
<b>As at 31 December</b>	<b>(53.6)</b>	<b>(63.0)</b>

# Notes to the consolidated financial statements

## 13. Deferred taxation (continued)

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

	2005 € million	2004 € million
<b>Deferred tax assets</b>		
Provisions	27.4	41.4
Tax loss carry-forwards	10.1	7.3
Pensions and employee benefit plans	9.4	7.6
Other deferred income tax assets	58.6	44.6
<b>Total gross deferred tax assets</b>	<b>105.5</b>	<b>100.9</b>
<b>Deferred tax liabilities</b>		
Differences in depreciation	(144.9)	(151.5)
Restatement of non-monetary assets in hyper-inflationary countries	(1.1)	-
Income taxed at preferential rates	-	(4.0)
Other deferred tax liabilities	(13.1)	(8.4)
<b>Total gross deferred tax liabilities</b>	<b>(159.1)</b>	<b>(163.9)</b>
<b>Net deferred tax liability</b>	<b>(53.6)</b>	<b>(63.0)</b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through the reduction of future taxes is probable. The Group has unrecognised deferred tax assets attributable to tax losses that are available to carry forward against future taxable income, of €35.6m (2004: €65.4m). €14.5m of this unrecognised deferred tax asset is attributable to tax losses that expire between 2006 and 2009 and €21.1m is attributable to tax losses that have no expiry period. Additionally, the Group has unrecognised deferred tax assets of €0.1m (2004: €18.5m) relating to deductible temporary differences.

It is not practicable to compute the total amount of the potential income tax consequences that would result from the payment of dividends to shareholders.

## 14. Other non-current assets

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

	2005 € million	2004 € million
Non-current derivative assets (refer to Note 20)	21.7	36.0
Non-current prepayments	13.2	7.7
Loans to non-related parties	2.7	2.4
<b>Total other non-current assets</b>	<b>37.6</b>	<b>46.1</b>

# Notes to the consolidated financial statements

## 15. Inventories

Inventories consist of the following at 31 December:

	2005 € million	2004 € million
Finished goods	134.8	125.1
Raw materials and work in progress	176.3	153.9
Consumables	59.6	54.8
Payments on account	6.4	1.1
<b>Total inventories</b>	<b>377.1</b>	<b>334.9</b>

## 16. Trade receivables

Trade receivables consist of the following at 31 December:

	2005 € million	2004 € million
Trade debtors	616.2	543.5
Less: provision for doubtful debts	(33.8)	(32.2)
<b>Total trade receivables</b>	<b>582.4</b>	<b>511.3</b>

## 17. Other receivables

Other receivables consist of the following at 31 December:

	2005 € million	2004 € million
Receivables from related parties	70.4	60.0
Prepayments	97.6	51.4
Loans to employees	7.0	3.7
VAT and other taxes receivable	10.4	12.6
Other current assets	18.4	23.4
<b>Total other receivables</b>	<b>203.8</b>	<b>151.1</b>

## 18. Cash and cash equivalents

Cash and cash equivalents at 31 December comprise the following:

	2005 € million	2004 € million
Cash at bank, in transit and in hand	102.1	37.1
Short term deposits	80.3	1.2
<b>Total cash and cash equivalents</b>	<b>182.4</b>	<b>38.3</b>

# Notes to the consolidated financial statements

## 18. Cash and cash equivalents (continued)

Cash and cash equivalents are held in the following currencies:

	2005 € million	2004 € million
Euro	87.9	18.5
Nigerian naira	7.1	3.9
UK sterling	60.9	3.5
Swiss franc	1.7	2.2
FYROM dinar	5.3	2.1
US dollar	1.2	2.0
Russian rouble	4.2	1.6
Polish zloty	11.1	1.3
Other	3.0	3.2
<b>Total cash and cash equivalents</b>	<b>182.4</b>	<b>38.3</b>

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.

## 19. Borrowings

The Group holds the following borrowings at 31 December:

	2005 € million	2004 € million
Bank overdrafts	86.1	61.5
Current portion of long term borrowings	243.9	-
Bonds, bills and unsecured notes	213.2	3.1
Other	12.8	15.4
	<b>556.0</b>	<b>80.0</b>
Obligations under finance leases falling due within one year	19.8	15.0
<b>Total borrowings falling due within one year</b>	<b>575.8</b>	<b>95.0</b>
<b>Borrowings falling due within one to two years</b>		
Bonds, bills and unsecured notes	-	240.1
Other borrowings	0.3	4.3
<b>Borrowings falling due within two to five years</b>		
Bonds, bills and unsecured notes	-	-
Other borrowings	7.1	-
<b>Borrowings falling due in more than five years</b>		
Bonds, bills and unsecured notes	1,269.8	1,177.1
	<b>1,277.2</b>	<b>1,421.5</b>
Obligations under finance leases falling due in more than one year	50.3	32.5
<b>Total borrowings falling due after one year</b>	<b>1,327.5</b>	<b>1,454.0</b>
<b>Total borrowings</b>	<b>1,903.3</b>	<b>1,549.0</b>

# Notes to the consolidated financial statements

## 19. Borrowings (continued)

As at 31 December 2005, a total of €733.0m in Eurobonds has been issued under the €2.0bn Euronote program. A further amount of €1,267.0m is available for issuance. The bonds are not subject to any financial covenants.

The Group maintains certain committed facilities with banks. The undrawn committed facilities available to the Group at 31 December 2005 were €600.0m, expiring on 1 August 2010.

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. The outstanding amount under the commercial paper programme at 31 December 2005 was €210.0m (2004: nil).

As at 31 December 2004, CCHBC had a €900.0m syndicated loan facility, of which the first tranche of €450.0m matured on 14 May 2005. During August 2005, CCHBC replaced its remaining €450.0m syndicated loan facility with a €600.0m 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. 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 (€760.6m at 31 December 2005 exchange rates) global offering of privately placed notes with registration rights. The first tranche consisted of an aggregate principal amount of US\$500.0m (€422.6m) due in 2013 and the second tranche consisted of an aggregate principal amount of US\$400.0m (€338.0m) 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 CCHBC. 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 28 March 2006, 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 off 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

## 19. Borrowings (continued)

The summary of the outstanding bonds is as follows:

	Start date	Maturity date	Fixed coupon
€233m of '625m' Eurobond	27 June 2001	27 June 2006	5.25%
€500m Eurobond	15 July 2004	15 July 2011	4.375%
US\$500m notes	17 September 2003	17 September 2013	5.125%
US\$400m notes	17 September 2003	17 September 2015	5.5%

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

	2005 € million	2004 € million
Less than one year	19.8	15.0
Later than one year but less than two years	16.7	12.1
Later than two years but less than three years	12.7	8.5
Later than three years but less than four years	8.5	4.7
Later than four years but less than five years	5.3	1.5
Later than five years	7.1	5.7
<b>Present value of finance lease liabilities</b>	<b>70.1</b>	<b>47.5</b>

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

	2005 € million	2004 € million
Less than one year	22.4	16.0
Later than one year but less than two years	18.4	13.1
Later than two years but less than three years	13.7	9.6
Later than three years but less than four years	9.4	5.4
Later than four years but less than five years	5.9	2.1
Later than five years	8.4	7.2
	<b>78.2</b>	<b>53.4</b>
Future finance charges on finance leases	(8.1)	(5.9)
<b>Present value of finance lease liabilities</b>	<b>70.1</b>	<b>47.5</b>

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

	Current 2005 € million	Non-current 2005 € million	Current 2004 € million	Non-current 2004 € million
Euro	492.5	566.5	45.5	785.7
US dollar	14.8	754.0	1.4	664.2
UK sterling	4.0	-	7.2	-
Polish zloty	0.8	-	14.3	-
Slovak koruna	2.6	-	7.3	-
Czech koruna	0.6	-	0.1	-
Nigerian naira	55.4	0.5	14.2	0.4
Other	5.1	6.5	5.0	3.7
<b>Borrowings</b>	<b>575.8</b>	<b>1,327.5</b>	<b>95.0</b>	<b>1,454.0</b>

# Notes to the consolidated financial statements

## 19. Borrowings (continued)

	Fixed interest rate € million	Floating interest rate € million	Total 2005 € million	Fixed rate liabilities weighted average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	780.0	279.0	<b>1,059.0</b>	4.7%	4.2
US dollar	753.7	15.1	<b>768.8</b>	5.3%	8.6
UK sterling	3.2	0.8	<b>4.0</b>	4.0%	2.0
Polish zloty	-	0.8	<b>0.8</b>	-	-
Slovak koruna	-	2.6	<b>2.6</b>	-	-
Czech koruna	-	0.6	<b>0.6</b>	-	-
Nigerian naira	55.9	-	<b>55.9</b>	14.0%	1.0
Other	2.8	8.8	<b>11.6</b>	8.3%	0.4
<b>Financial liabilities</b>	<b>1,595.6</b>	<b>307.7</b>	<b>1,903.3</b>	<b>5.3%</b>	<b>6.2</b>

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 rate interest rate swaps. Of the total fixed rate debt, 100% of the USD and Euro amounts have been swapped into a floating rate 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 contain cash and cash equivalents of €182.4m in 2005 (2004: €38.3m). 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)

# Notes to the consolidated financial statements

## 20. 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, including the current portion, the fair value is €1,535.9m (2004: €1,422.0m) compared to a book value, including the current portion, of €1,521.1m (2004: €1,421.5m).

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 2005 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 binomial stock option valuation 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:

### 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, 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.

# Notes to the consolidated financial statements

## 20. Financial instruments (continued)

### 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 and option contracts are used to hedge a portion of the Group's anticipated foreign currency denominated expenditures. All of the forward exchange and option 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. No commodities futures contracts were outstanding at 31 December 2005.

### Credit risk exposure

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2005 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
<b>At 31 December 2005</b>		
Interest rate swaps	8.4	-
Interest rate options	0.7	-
Foreign currency option contracts	0.1	-
Forward foreign exchange contracts	0.3	(1.3)
<b>Total current</b>	<b>9.5</b>	<b>(1.3)</b>
<b>Non-current</b>		
Cross currency swaps	-	(43.3)
Interest rate swaps	21.7	(1.6)
<b>Total non-current</b>	<b>21.7</b>	<b>(44.9)</b>

# Notes to the consolidated financial statements

## 20. Financial instruments (continued)

	Assets € million	Liabilities € million
<b>At 31 December 2004</b>		
<b>Current</b>		
Interest rate options	2.2	-
Commodities future contracts	0.8	-
Foreign currency option contracts	-	(0.3)
Forward foreign exchange contracts	0.3	(5.9)
<b>Total current</b>	<b>3.3</b>	<b>(6.2)</b>
<b>Non-current</b>		
Cross currency swaps	-	(143.1)
Interest rate swaps	36.0	-
<b>Total non-current</b>	<b>36.0</b>	<b>(143.1)</b>

### Net fair values of derivative financial instruments

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

	2005 € million	2004 € million
<b>Contracts with positive fair values</b>		
Commodities future contracts	-	0.8
Forward foreign exchange contracts	0.3	0.3
	<b>0.3</b>	<b>1.1</b>
<b>Contracts with negative fair values</b>		
Forward foreign exchange contracts	(0.8)	(3.9)
	<b>(0.8)</b>	<b>(3.9)</b>

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

	2005 € million	2004 € million
<b>Contracts with positive fair values</b>		
Interest rate swaps	29.9	35.6
	<b>29.9</b>	<b>35.6</b>
<b>Contracts with negative fair values</b>		
Interest rate swaps	(1.6)	-
Forward foreign exchange contracts	(0.5)	(2.0)
	<b>(2.1)</b>	<b>(2.0)</b>

# Notes to the consolidated financial statements

## 20. Financial instruments (continued)

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

	2005 € million	2004 € million
<b>Contracts with positive fair values</b>		
Interest rate swaps	0.2	0.4
Interest rate options	0.7	2.2
Foreign currency option contracts	0.1	-
	<b>1.0</b>	<b>2.6</b>
<b>Contracts with negative fair values</b>		
Foreign currency option contracts	-	(0.3)
Cross currency swaps	(43.3)	(143.1)
	<b>(43.3)</b>	<b>(143.4)</b>

### Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2005 are €145.0m (2004: €154.0m).

### Interest rate swaps

The notional principal amounts of the outstanding at 31 December 2005 Euro denominated interest rate swap contracts are €733.0m (2004: €733.0m) and of the US dollar denominated interest rate swap contracts are \$900.0m (2004: \$900.0m). The interest rate swap contracts outstanding at 31 December 2005 can be summarised as follows:

Currency	Amount million	Start date	Maturity date	Receive fixed rate	Pay floating rate
EUR	233.0	27 June 2001	27 June 2006	5.25%	Euribor + margin
EUR	500.0	15 July 2004	15 July 2011	4.375%	Euribor + margin
	<b>733.0</b>				
USD	500.0	17 September 2003	17 September 2013	5.125%	Libor + margin
USD	400.0	17 September 2003	17 September 2015	5.500%	Libor + margin
	<b>900.0</b>				

# Notes to the consolidated financial statements

## 20. Financial instruments (continued)

### Cross-currency swaps

The notional principal amounts of the outstanding cross-currency swap contracts at 31 December 2005 are €803.9m (2004: €803.9m). The cross-currency swap contracts outstanding at 31 December 2005 can be summarised as follows:

\$ million	€ million	Start date	Maturity date	Receive floating fixed rate	Pay floating rate
500.0	446.8	17 September 2003	17 September 2013	Libor + margin	Euribor + margin
400.0	357.1	17 September 2003	17 September 2015	Libor + margin	Euribor + margin
<b>900.0</b>	<b>803.9</b>				

### Interest rate options

The notional principal amounts of the outstanding interest rate option contracts at 31 December 2005 are €900.0m (2004: €1,562.5m).

### Foreign currency option contracts

The notional principal amounts of the outstanding foreign currency option contracts at 31 December 2005 are €32.9m (2004: €53.7m).

## 21. Trade and other liabilities

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

	2005 € million	2004 € million
Trade creditors	216.1	194.5
Payables to related parties	110.0	94.8
Accruals	293.6	263.5
Deposit liabilities	138.5	144.3
Other taxation and social security liabilities	56.2	44.3
Current portion of provisions (refer to Note 22)	56.4	30.6
Derivative liabilities (refer to Note 20)	1.3	6.2
Salaries and employee related payables	30.3	21.2
Deferred income	2.0	2.8
Other payables	8.5	13.5
<b>Total trade and other liabilities</b>	<b>912.9</b>	<b>815.7</b>

# Notes to the consolidated financial statements

## 22. Provisions

Provisions consist of the following at 31 December:

	2005 € million	2004 € million
<b>Current</b>		
Employee benefits	12.5	14.9
Restructuring and other	43.9	15.7
<b>Total current provisions</b>	<b>56.4</b>	<b>30.6</b>
<b>Non-current</b>		
Employee benefits	105.4	94.8
Restructuring and other	7.6	39.2
<b>Total non-current provisions</b>	<b>113.0</b>	<b>134.0</b>
<b>Total provisions</b>	<b>169.4</b>	<b>164.6</b>

The movement in restructuring and other provisions comprise:

	Restructuring 2005 € million	Other provisions 2005 € million	Total 2005 € million	Total 2004 € million
As at 1 January	43.7	11.2	54.9	21.9
Arising during the year	5.1	1.6	6.7	47.5
Utilised during the year	(10.3)	(0.2)	(10.5)	(13.3)
Unused amount reversed	(0.1)	(0.2)	(0.3)	(1.2)
Foreign currency translation adjustments	-	0.7	0.7	-
<b>As at 31 December</b>	<b>38.4</b>	<b>13.1</b>	<b>51.5</b>	<b>54.9</b>

### Restructuring provisions

In 2004 and 2005, the Group took certain initiatives to consolidate its manufacturing network through rationalising sites, relocating manufacturing lines, and streamlining our warehouses. These initiatives focused primarily on the Republic of Ireland and Northern Ireland. The majority of this provision is expected to be used in 2006. As a result of this strategy the income statement for 2005 includes charges for provisions of €5.0m for termination benefits (2004: €36.2m), and €7.9m of other costs (2004: €9.6m).

### Other provisions

These are mainly comprised of a provision for long term onerous contracts of €7.6m (2004: €6.3m) in our Russian territories. In addition, there are various customs duties, customer and employee claims.

# Notes to the consolidated financial statements

## 22. Provisions (continued)

### Employee benefits

Employee benefits consist of the following at 31 December:

	2005 € million	2004 € million
<b>Defined benefit plans</b>		
Employee leaving indemnities	87.6	80.1
Pension plans	7.8	8.9
Long service benefits – jubilee plans	6.1	8.4
<b>Total defined benefit plans</b>	<b>101.5</b>	<b>97.4</b>
<b>Other employee benefits</b>		
Annual leave	5.4	6.2
Stock appreciation rights	4.0	2.2
Other employee benefits	7.0	3.9
<b>Total other employee benefits</b>	<b>16.4</b>	<b>12.3</b>
<b>Total employee benefit obligations</b>	<b>117.9</b>	<b>109.7</b>

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

	2005 € million	2004 € million
Current	12.5	14.9
Non-current	105.4	94.8
<b>Total employee benefit obligations</b>	<b>117.9</b>	<b>109.7</b>

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

CCHBC's subsidiaries in the Republic of Ireland, Northern Ireland, Switzerland, Greece 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 plans 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, Nigeria, Croatia and Poland.

# Notes to the consolidated financial statements

## 22. Provisions (continued)

Reconciliation of defined benefit obligation:

	2005 € million	2004 € million
Present value of defined benefit obligation at the beginning of the year	301.2	265.7
Service cost	19.1	18.6
Interest cost	17.2	17.1
Plan participants' contributions	4.2	3.4
Past service cost arising from amendments	0.8	(2.4)
Curtailment/settlement	1.2	1.3
Benefits paid	(24.9)	(19.4)
Actuarial loss	19.3	18.1
Foreign currency translation	4.5	(1.2)
<b>Present value of defined benefit obligation at end of year</b>	<b>342.6</b>	<b>301.2</b>

Reconciliation of plan assets:

	2005 € million	2004 € million
Fair value of plan assets at the beginning of the year	155.9	143.7
Expected return on plan assets	9.4	8.4
Actual employer's contributions	10.4	7.3
Actual participant's contributions	4.2	3.4
Actual benefits paid	(5.0)	(5.9)
Asset gain/(loss)	13.1	(1.5)
Foreign currency translation	0.9	0.5
<b>Fair value of plan assets at end of year</b>	<b>188.9</b>	<b>155.9</b>

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 annually 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 weighted average expected long-term rate of return assumption used in computing 2005 net periodic pension cost for the plans was 5.63%.

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

	2005 € million	2004 € million
Present value of funded obligations	222.4	190.3
Fair value of plan assets	(188.9)	(155.9)
	33.5	34.4
Present value of unfunded obligations	120.2	110.9
Unrecognised actuarial loss	(53.8)	(49.8)
Unrecognised past service benefit	1.6	1.9
<b>Net defined benefit obligations</b>	<b>101.5</b>	<b>97.4</b>
<b>Actual return on plan assets</b>	<b>22.5</b>	<b>6.9</b>

# Notes to the consolidated financial statements

## 22. Provisions (continued)

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

	2005 € million	2004 € million
As at 1 January	97.4	89.1
Expense recognised in the income statement	29.8	29.9
Employer contributions	(10.4)	(7.3)
Benefits paid	(19.9)	(13.5)
Foreign currency translation	4.6	(0.8)
<b>As at 31 December</b>	<b>101.5</b>	<b>97.4</b>

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

	2005 %	2004 %
Discount rate	4.83	5.54
Expected return on assets	5.04	5.63
Rate of compensation increase	4.12	4.62
Pension increases	0.63	0.60

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

	2005 € million	2004 € million
Current service cost	19.1	18.6
Interest cost	17.2	17.1
Expected return on plan assets	(9.4)	(8.4)
Amortisation of unrecognised actuarial obligation loss	1.8	1.0
Amortisation of unrecognised past service costs	(0.1)	0.3
Curtailment/settlement	1.2	1.3
<b>Total</b>	<b>29.8</b>	<b>29.9</b>

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

	2005 %	2004 %
Discount rate	5.54	5.84
Expected return on assets	5.63	5.52
Rate of compensation increase	4.62	4.60
Pension increases	0.60	0.56

# Notes to the consolidated financial statements

## 22. Provisions (continued)

Plan assets are invested as follows:

	2005 %	2004 %
<b>Asset category</b>		
Equity securities	44	45
Debt securities	48	48
Real estate	5	3
Cash	2	4
Other	1	-
<b>Total</b>	<b>100</b>	<b>100</b>

The total employer contributions expected to be paid in 2006 are €8.8m.

### Defined contribution plans

The expense recognised in the income statement in 2005 for the defined contribution plans is €6.3m (2004: €6.5m). This is included in staff costs and recorded in cost of sales, selling, delivery and administrative expenses.

## 23. Contingencies

On 29 June 2005, the Greek Competition Authority requested the Company to provide information on our commercial practices as a result of a complaint by certain third parties regarding our level of compliance with its decision of 25 January 2002. On 7 October 2005, the Company was served with notice to appear before the Competition Authority. On such date, the Company was also made aware that in its recommendation to the Competition Authority the Secretariat of the Competition Authority claims that the Company did not properly comply with the decision of the Competition Authority of 25 January 2002 during the period covered by its investigation and proposes the imposition of a fine on the Company of €5,869 for each day that the Company delayed to comply since the decision of 25 January 2002 which, through the date the Company was served with notice, could amount up to approximately €7.9m. The hearings before the Competition Authority have been concluded and a decision is expected to be issued in the first half of 2006.

We believe we have substantial legal and factual defences to the Secretariat's claims. However, at this time we cannot predict the outcome of these proceedings.

In relation to the Greek Competition Authority's decision of 25 January 2002, one of our competitors has filed a lawsuit claiming damages in an amount of €7.7m. 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.

The Company's Bulgarian subsidiaries are participating in two waste recovery organisations in order to discharge their obligations under the Bulgarian Waste Management Act. On 10 March 2006, the Minister of Environment and Waters of Bulgaria issued an Ordinance stating that these organizations had not sufficiently proven their compliance with the Bulgarian Waste Management Act and consequently that all participants in these organizations should pay waste recovery fees. If the Company's subsidiaries were to become liable to pay full waste recovery fees for 2005 the amount payable would be approximately €4.2m. The decision has been appealed to the Bulgarian Supreme Administrative Court. At present it is not possible to predict the outcome of this matter or to quantify the likelihood of any potential liability arising from it.

# Notes to the consolidated financial statements

## 23. Contingencies (continued)

The Company has not provided for any losses related to the above matters.

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 the past, such issues were successfully resolved in most of these countries. 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.

## 24. Commitments

### (a) Operating leases

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

	2005 € million	2004 € million
Less than one year	21.1	21.5
Later than one year but less than five years	39.3	35.4
Later than five years	5.7	7.3
<b>Future minimum lease payments</b>	<b>66.1</b>	<b>64.2</b>

### (b) Capital commitments

At 31 December 2005, the Group had capital commitments amounting to €73.9m (2004: €62.3m).

### (c) Long term purchase commitments

As at 31 December 2005, the Group had commitments to purchase raw materials amounting to €356.3m (2004: €167.0m). Of this €19.7m (2004: nil) relates to the Company's share of the commitments of its joint ventures.

## 25. Share capital and share premium

	Number of shares (authorized and issued)	Share Capital € million	Share premium € million	Total € million
As at 1 January 2004	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
<b>As at 31 December 2004</b>	<b>238,260,129</b>	<b>119.1</b>	<b>1,640.3</b>	<b>1,759.4</b>
Stock issued to employees exercising stock options	2,431,873	1.2	35.4	36.6
<b>As at 31 December 2005</b>	<b>240,692,002</b>	<b>120.3</b>	<b>1,675.7</b>	<b>1,796.0</b>

# Notes to the consolidated financial statements

## 25. Share capital and share premium (continued)

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 21 December 2005, CCHBC's Board of Directors resolved to increase the share capital of the Company by 2,431,873 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 €36.6m.

## 26. 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. Shares are either held in the employees name or 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 of the plan, do not revert back to the Company and may be used to reduce future employer contributions. Dividends received in respect of shares held in the plan 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.

During 2005, 96,884 shares were purchased by CCHBC (2004: 106,021) as matching shares to employee investments. The charge to the income statement totalled €2.2m (2004: €2.1m). Of this amount, €0.6m represented employer contributions made for Greek resident employees (2004: €0.6m). The cost of unvested matching shares held by the trust at the end of 2005, before they vest to employees, was €1.2m (2004: €1.2m). The total number of shares held by the trust at 31 December 2005 was 760,765 (2004: 763,522). The total contribution made by employees to the trust during 2005 was €2.3m (2004: €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.

# Notes to the consolidated financial statements

## 27. Reserves

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

	2005 € million	2004 € million
Exchange equalisation reserve	144.2	59.7
Shares held for equity compensation plan	(0.4)	(1.7)
Hedging reserve (net of deferred tax of €0.1m; 2004: €0.2m)	(0.4)	(3.4)
Tax-free reserve	180.9	197.0
Statutory reserve	58.5	49.8
Stock option reserve	5.2	1.6
Available-for-sale financial instruments valuation reserve	2.3	0.4
Other	25.0	62.8
<b>Total reserves</b>	<b>415.3</b>	<b>366.2</b>

### 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 presentation currency, the Euro.

### Shares held for equity compensation plan

Shares held for the CCHBC Stock Purchase Plan, which is an equity compensation plan that eligible employees can participate in.

### 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, CCHBC. 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, CCHBC, with restrictions on distribution is €31.4m (2004: €27.2m).

### Stock option reserve

Represents the cumulative charge to the profit and loss for employee stock option awards.

### Available-for-sale financial instruments valuation reserve

Available-for-sale financial instruments valuation reserve reflects changes in the fair values of available-for-sale investments. On the sale of these investments, these changes in the fair values will be recycled to the profit and loss.

# Notes to the consolidated financial statements

## 28. Dividends

The directors propose a dividend of €0.30 per share (totalling €72.2m) for the year ended 31 December 2005. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 20 June 2006. 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 2006.

During 2005, a dividend of €0.28 per share (2004: €0.20 per share) totalling €66.7m (2004: €47.4m) was paid.

## 29. Business combinations

During 2005, the Group acquired interest or increased its controlling interest in the following entities:

	Location	Effective date of acquisition 2005	Net tangible assets applicable € million	Goodwill arising € million	Trademarks € million	Other intangible assets € million	Amount of consideration € million
Vlasinka d.o.o.	Serbia & Montenegro	14.04.2005	2.9	8.0	-	-	10.9
Multon Z.A.O.	Russia	20.04.2005	11.4	83.0	73.8	-	168.2
Bankya Mineral Waters Bottling Company E.O.O.D	Bulgaria	02.06.2005	(1.0)	4.5	6.4	1.0	10.9
Vendit Ltd	Republic of Ireland	28.09.2005	(0.3)	5.5	-	1.0	6.2
Acquisition of minority interests	Romania		0.2	-	-	-	0.2
<b>Total acquisitions as at 31 December 2005</b>			<b>13.2</b>	<b>101.0</b>	<b>80.2</b>	<b>2.0</b>	<b>196.4</b>

	€ million
<b>Total consideration</b>	<b>196.4</b>
Less: cash and cash equivalent balances acquired	(1.3)
Less: payment for acquisition costs deferred until 2006	(0.1)
<b>Cash outflow included in cash flow</b>	<b>195.0</b>

# Notes to the consolidated financial statements

## 29. Business combinations (continued)

### 2005

#### (a) Acquisition of Vlasinka d.o.o.

On 14 April 2005, CCHBC acquired 100% of the shares of the Serbian mineral water company Vlasinka d.o.o., together with TCCC. CCHBC's share of the acquisition consideration was €10.5m (excluding acquisition costs).

CCHBC effectively purchased the operating assets and liabilities at Surdulica in Southern Serbia and Montenegro, whilst TCCC effectively purchased the mineral water brand 'Rosa' for €10.5m.

Details of the acquisition are as follows:

	€ million
Property, plant and equipment	3.8
Inventories	0.5
Other current assets	1.8
Current liabilities	(3.0)
Non-current liabilities	(0.2)
<b>Fair value of net tangible assets acquired</b>	<b>2.9</b>
Goodwill arising on acquisition	8.0
<b>Fair value of net assets acquired</b>	<b>10.9</b>
Cash paid to former shareholders	10.5
Costs of acquisition	0.4
<b>Total consideration</b>	<b>10.9</b>

The carrying amounts of each class of assets and liabilities immediately before the acquisition are available only in accordance with local accounting standards and have not been presented here as a result.

The goodwill arising on the acquisition of Vlasinka d.o.o. is attributed to expected future cash flows (including the effect of synergies) in excess of the value of identifiable assets.

The contribution of Vlasinka d.o.o. to the results of the group was negligible for the year ended 31 December 2005 (profit of €0.1m).

The revenue, as well as the loss of Vlasinka for the year ended 31 December 2005 as though the acquisition date had been the beginning of the year are €3.1m and €2.2m, respectively. The acquisition has resulted in the Group recording €8.0m goodwill in its emerging segment.

# Notes to the consolidated financial statements

## 29. Business combinations (continued)

### (b) Acquisition of Multon Z.A.O. group

On 20 April 2005, CCHBC acquired jointly with TCCC the Multon Z.A.O. group, a leading juice producer in the Russian Federation. 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 was €359.9m (excluding acquisition costs), plus the assumption of debt of €27.4m. CCHBC's share of the purchase price was €168.2m, and debt was €27.4m. The business is being managed as a joint venture and is being accounted for as such.

Details of the acquisition are as follows:

	Acquiree's carrying amount before combination € million	Fair value adjustments € million	Final fair values € million
Property, plant and equipment	18.1	5.7	23.8
Inventories	10.8	(0.4)	10.4
Other current assets	17.5	(0.3)	17.2
Cash and cash equivalents	1.0	-	1.0
Short term borrowings	(22.2)	-	(22.2)
Long term borrowings	(5.2)	-	(5.2)
Other current liabilities	(11.8)	(0.4)	(12.2)
Other non-current liabilities	(0.3)	(1.1)	(1.4)
<b>Net tangible assets acquired</b>	<b>7.9</b>	<b>3.5</b>	<b>11.4</b>
Trademarks	-	73.8	73.8
Goodwill arising on acquisition	-	83.0	83.0
<b>Net assets acquired</b>	<b>7.9</b>	<b>160.3</b>	<b>168.2</b>
Cash paid to former shareholders			166.3
Costs of acquisition			1.9
<b>Total consideration</b>			<b>168.2</b>

The goodwill arising on the acquisition of Multon is attributable to the anticipated future cost and revenue synergies and growth potential in Russia.

The contribution of Multon to the results of the group for the year ended 31 December 2005 was €20.1m.

The revenue, as well as the profit of Multon for the year ended 31 December 2005 as though the acquisition date had been the beginning of the year are €138.3m and €21.2m, respectively. The acquisition has resulted in the Group recording €83.0m of goodwill and €73.8m of trademarks in its emerging segment.

# Notes to the consolidated financial statements

## 29. Business combinations (continued)

### (c) Acquisition of Bankya Mineral Waters Bottling Company E.O.O.D.

On 2 June 2005, CCHBC acquired 100% of the Bulgarian mineral water company, Bankya Mineral Waters Bottling Company E.O.O.D. ('Bankya'). The acquisition includes production facilities located just outside of Sofia and the mineral water brand 'Bankia'. Total consideration for the acquisition was €10.7m (excluding acquisition costs), with the assumption of debt of an additional €2.2m.

Details of the acquisition are as follows:

	€ million
Property, plant and equipment	3.5
Inventories	0.2
Other current assets	0.6
Cash and cash equivalents	0.1
Long term borrowings	(2.2)
Current liabilities	(1.7)
Other non-current liabilities	(1.5)
<b>Fair value of net tangible assets acquired</b>	<b>(1.0)</b>
Water rights	1.0
Trademarks	6.4
Goodwill arising on acquisition	4.5
<b>Fair value of net assets acquired</b>	<b>10.9</b>
Cash paid to former shareholders	10.7
Costs of acquisition	0.2
<b>Total consideration</b>	<b>10.9</b>

The carrying amounts of each class of assets and liabilities immediately before the acquisition are available only in accordance with local accounting standards and have not been presented here as a result.

The goodwill arising on the acquisition of Bankya is attributed to expected future cash flows (including the effect of synergies) in excess of the value of identifiable assets.

The contribution of Bankya to the results of the group for the year ended 31 December 2005 was a loss of €1.5m. The revenue, as well as the loss of Bankya for the year ended 31 December 2005 as though the acquisition date had been the beginning of the year are €4.0m and €2.4m respectively. The acquisition has resulted in the Group recording €4.5m goodwill, €6.4m of trademarks and €1.0m of water rights in its emerging segment. The Bankia trademark was subsequently sold to TCCC in 2005 for €6.4m.

# Notes to the consolidated financial statements

## 29. Business combinations (continued)

### (d) Acquisition of Vendit Ltd

On 28 September 2005, CCHBC acquired 100% of the shares of Vendit Ltd., one of the largest independent vending operators in the Republic of Ireland. The total consideration for the acquisition is currently estimated to be €5.9m (excluding acquisition costs), with the assumption of debt of an additional €0.8m. However, the fair values of the significant assets acquired and liabilities assumed are preliminary and pending finalisation of the purchase price allocation.

Details of the acquisition are as follows:

	€ million
Property, plant and equipment	0.9
Inventories	0.2
Other current assets	0.6
Cash and cash equivalents	0.2
Short term borrowings	(0.1)
Long term borrowings	(0.7)
Other current liabilities	(0.8)
Other non-current liabilities	(0.6)
<b>Fair value of net tangible assets acquired</b>	<b>(0.3)</b>
Customer contracts	1.0
Goodwill arising on acquisition	5.5
<b>Fair value of net assets acquired</b>	<b>6.2</b>
Cash paid to former shareholders	5.9
Costs of acquisition	0.3
<b>Total consideration</b>	<b>6.2</b>

The carrying amounts of each class of assets and liabilities immediately before the acquisition are available only in accordance with local accounting standards and have not been presented here as a result.

The goodwill arising on the acquisition of Vendit Ltd is attributable to synergies from enhancement of vending operation in Republic of Ireland.

The contribution of Vendit Ltd. to the results of the group was negligible for the year ended 31 December 2005 (profit of €0.2m). The revenue, as well as the profit of Vendit Ltd. for the year ended 31 December 2005 as though the acquisition date had been the beginning of the year are €4.8m and €0.5m, respectively. The acquisition has resulted in the Group recording €5.5m goodwill and €1.0m of customer contracts in its established segment.

# Notes to the consolidated financial statements

## 29. Business combinations (continued)

### 2004

#### Acquisition of Gotalka d.o.o.

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

Cash consideration paid to the former shareholders of the subsidiary and acquisition cost, up to 2005 was €7.2m. €0.6m is deferred until 2006-2008.

Details of the acquisition are as follows:

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

The acquisition has resulted in the Group recording €6.0m of goodwill and €0.4m 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.

## 30. Directors' remuneration

The total remuneration including fair value of stock option grants (in accordance with IFRS 2) paid to or accrued for our directors and the senior management team during 2005 amounted to €10.2m (2004: €8.0m). Pension and post employment benefits for directors and for the senior management team during 2005 amounted to €0.7m (2004: €0.8m).

The total number of stock options granted to our managing director and the senior management team in 2005 amounted to 0.5m (2004: 0.5m).

# Notes to the consolidated financial statements

## 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 level of responsibility. 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.

The following table summarises information on stock options outstanding exercised during 2005 and exercisable at 31 December 2005:

	Exercise price €	Vesting status 2005	Vesting dates for further increments			End of option period	Number of stock options outstanding
2001 Stock Option Plan							
Sub Plan 1	23.32	fully vested	-	-	-	11.07.2008	296,669
Sub Plan 2	20.97	fully vested	-	-	-	29.09.2008	13,103
Sub Plan 3	17.06	fully vested	-	-	-	08.12.2009	331,009
Sub Plan 4	14.68	fully vested	-	-	-	12.12.2010	840,677
Sub Plan 5	12.08	fully vested	-	-	-	27.06.2011	20,000
Sub Plan 6	14.53	fully vested	-	-	-	12.12.2011	407,810
2003 A Plan	12.95	fully vested	-	-	-	10.12.2012	68,900
2003-2004 Plan / 2003 Grant	16.76	two-thirds	15.12.2006	-	-	14.12.2013	421,905
2003-2004 Plan / 2004 Grant	18.63	one-third	03.12.2006	03.12.2007	-	02.12.2014	652,386
2005-2009 Plan / 2005 Grant	23.30	none	02.12.2006	02.12.2007	02.12.2008	01.12.2015	794,600
<b>Total</b>							<b>3,847,059</b>

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

	Number of stock options 2005	Weighted average exercise price 2005	Number of stock options 2004	Weighted average exercise price 2004
Outstanding on 1 January	5,506,872	16.07	6,441,396	15.42
Granted	794,600	23.30	734,850	18.63
Exercised	(2,431,873)	15.07	(1,334,852)	14.39
Forfeited	(22,540)	17.73	(334,522)	15.85
<b>Outstanding on 31 December</b>	<b>3,847,059</b>	<b>18.19</b>	<b>5,506,872</b>	<b>16.07</b>
<b>Exercisable on 31 December</b>	<b>2,342,039</b>	<b>16.50</b>	<b>4,241,912</b>	<b>15.65</b>

The charge to the income statement for employee stock option awards for 2005 amounted to €3.6m (2004: €1.4m).

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.

# Notes to the consolidated financial statements

## 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 level of responsibility. 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 positive 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:

	Exercise price €	Vesting status 2005	Vesting dates for further increments			End exercise period	Number of SARs outstanding
Phantom Option Plan							
1998 A	23.32	fully vested	-	-	-	11.07.2008	158,792
1999	17.06	fully vested	-	-	-	08.12.2009	115,440
2000	14.68	fully vested	-	-	-	12.12.2010	119,500
2001	14.53	fully vested	-	-	-	12.12.2011	61,100
2002	12.95	fully vested	-	-	-	10.12.2012	10,000
2003	16.76	two-thirds	15.12.2006	-	-	14.12.2013	20,000
2004	18.63	one third	03.12.2006	03.12.2007	-	02.12.2014	22,150
2005	23.30	none	02.12.2006	02.12.2007	02.12.2008	01.12.2015	24,500
<b>Total</b>							<b>531,482</b>

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

	Number of SARs 2005	Weighted average exercise price 2005	Number of SARs 2004	Weighted average exercise price 2004
Outstanding on 1 January	614,062	17.66	837,907	17.02
Granted	24,500	23.30	22,150	18.63
Exercised	(105,607)	15.34	(243,155)	15.56
Forfeited	(1,473)	23.32	(2,840)	16.43
<b>Outstanding on 31 December</b>	<b>531,482</b>	<b>18.37</b>	<b>614,062</b>	<b>17.66</b>
<b>Exercisable on 31 December</b>	<b>485,547</b>	<b>18.13</b>	<b>574,077</b>	<b>17.69</b>

The compensation expense relating to SARs recorded for 2005 amounted to €2.5m (2004: €1.0m).

# Notes to the consolidated financial statements

## 33. Related party transactions

### a) The Coca-Cola Company

As at 31 December 2005, TCCC indirectly owned 56,741,386 shares in CCHBC. This represented 23.6% (2004: 23.8%) 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 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 €1,003.2m (2004: €910.8m).

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 €39.8m (2004: €47.0m). 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 2005, such contributions totalled €17.6m (2004: €21.1m). Contributions for general marketing programmes are recorded as an offset to selling expenses. In 2005, these contributions totalled €22.2m (2004: €25.9m). 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 €26.6m (2004: €15.0m).

The Company purchased fixed assets from TCCC in 2004 of € 0.8m (2005: nil). In 2005 the Company sold fixed assets of €3.2m (2004: nil)

During the year, the Company sold €12.6m of finished goods and raw materials to TCCC (2004: €8.4m).

Other income primarily comprises rent, facility and other costs of €2.1m (2004: €1.7m) and a toll filling relationship in Poland of €11.4m (2004: nil). Other expenses relate to facility costs charged by TCCC and shared costs. These other expenses amounted to €1.4m (2004: €4.2m) and are included in selling, delivery and administrative expenses.

# Notes to the consolidated financial statements

## 33. Related party transactions (continued)

In 2005, the company received €6.4m from TCCC for the sale of the water brand trademark 'Bankia' and €2.6m for the Bosnian water brand 'Olimpija' sold in 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 brand, 'Olimpija'.

At 31 December 2005, the Company had a total of €68.2m (2004: €45.9m) due from TCCC, and a total amount due to TCCC of €98.5m (2004: €69.4m).

### 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 15.8% 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 €144.2m (2004: €166.6m) of coolers, raw materials and containers from Frigoglass and its subsidiaries. As at 31 December 2005, CCHBC owed €7.5m (2004: €17.6m) to Frigoglass and was owed €0.9m (2004: €0.7m).

### (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 Irial Finan and Mr A.R.C. (Sandy) Allan 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 2005, the Group purchased inventory from BPW amounting to €44.2m (2004: €27.8m). As at 31 December 2005, CCHBC owed €2.4m (2004: €1.2m) to BPW and was owed €0.4m (2004: €2.0m).

#### The Kar-Tess Group

The Kar-Tess Group owned 71,848,182 shares in CCHBC as at 31 December 2005. This represented 29.9% (2004: 30.2%) 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 2005, CCHBC's Nigerian subsidiary purchased chemicals, raw materials, spare parts

# Notes to the consolidated financial statements

## 33. Related party transactions (continued)

and fixed assets totalling €9.9m (2004: €6.8m) and incurred rental expenses of €1.1m (2004: €0.9m). At 31 December 2005, the Group owed €2.2m (2004: €0.8m) and was owed €0.2m (2004: €0.1m).

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

Plias S.A. is related to CCHBC by way of some common shareholdings. There were no sales of finished goods to Plias S.A. in 2005 (2004: €3.8m). Also, there were no purchases of fixed assets (2004: €2.3m) while, the purchases of finished goods in 2005 amounted to €0.8m (2004: nil). At 31 December 2005, Plias S.A. owed €0.8m to the Group (2004: €11.3m) and was owed €0.1m (2004: €5.7m). The net balance outstanding at 31 December 2005 was settled in January 2006.

### Other Coca-Cola Bottlers

The Group purchased €0.8m of finished goods from other Coca-Cola bottlers in which TCCC has significant influence (2004: €1.6m) and incurred expenses of €0.3m (2004: €0.3m). At 31 December 2005, the Group owed €0.2m (2004: €0.1m) and was owed nothing (2004: nil).

There are no material transactions with other related parties for the year ended 31 December 2005.

## 34. List of principal subsidiary undertakings

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

	Country of registration	% ownership 2005	2004
3E (Cyprus) Ltd	Cyprus	100.0%	100.0%
AS Coca-Cola HBC Eesti	Estonia	100.0%	100.0%
Balkaninvest Holdings Ltd	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. <sup>3</sup>	Bosnia and Herzegovina	-	100.0%
CCB Services Ltd	England and Wales	100.0%	100.0%
CCBC Services Ltd	Republic of Ireland	100.0%	100.0%
Chisinau Beverage Services S.R.L.	Moldova	100.0%	100.0%
Clarina Bulgaria Ltd	Bulgaria	100.0%	100.0%
Clarina Holding S.à.r.l.	Luxembourg	100.0%	100.0%
Coca-Cola HBC 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 s.r.o.	Czech Republic	100.0%	100.0%
Coca-Cola Beverages Holdings Ltd	Republic of Ireland	100.0%	100.0%

<sup>3</sup> Merged into Coca-Cola HBC B-H d.o.o. Sarajevo effective 1 January 2005

# Notes to the consolidated financial statements

## 34. List of principal subsidiary undertakings (continued)

	Country of registration	% ownership 2005	2004
Coca-Cola Beverages Hrvatska d.d. <sup>4</sup>	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) Ltd	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) Ltd	Republic of Ireland	100.0%	100.0%
Coca-Cola Bottling Enterprise Galati S.A.	Romania	100.0%	100.0%
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%
Coca-Cola Magyarorszag Italok Kft	Hungary	100.0%	100.0%
Coca-Cola Molino Beverages Ltd	Cyprus	100.0%	100.0%
Deepwaters Investments Ltd	Cyprus	50.0%	50.0%
Dorna Apemin S.A.	Romania	49.9%	49.9%
Dorna Investments Ltd	Guernsey	50.0%	50.0%
Dunlogan Ltd	Northern Ireland	100.0%	100.0%
Elxym S.A.	Greece	100.0%	100.0%
Coca-Cola HBC Srbija A.D.	Serbia & Montenegro	89.1%	89.1%
Coca-Cola HBC Corna Gora d.o.o.	Serbia & Montenegro	89.1%	89.1%
Jayce Enterprises Ltd	Cyprus	100.0%	100.0%
John Daly and Company Ltd	Republic of Ireland	100.0%	100.0%
Killarney Mineral Water Manufacturing Company Ltd	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 <sup>5</sup>	Russia	-	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 plc	Nigeria	66.2%	66.2%
Panpak Ltd	Republic of Ireland	100.0%	100.0%
Römerquelle GmbH	Austria	100.0%	100.0%
S.C. Cristalina S.A.	Romania	49.9%	42.4%
SIA Coca-Cola HBC Latvia	Latvia	100.0%	100.0%
Softbev Investments Ltd	Cyprus	100.0%	100.0%
Softbul Investments Ltd	Cyprus	100.0%	100.0%

<sup>4</sup> Gotalka d.o.o. was merged with Coca-Cola Beverages Hrvatska d.d. on 30 July 2004 (Note 29)

<sup>5</sup> Merged into LLC CCHBC Eurasia on 31 December 2005

# Notes to the consolidated financial statements

## 34. List of principal subsidiary undertakings (continued)

	Country of registration	% ownership 2005	2004
Softinvest Holdings Ltd	Cyprus	100.0%	100.0%
Standorg Assets Kft	Hungary	100.0%	100.0%
Star Bottling Ltd	Cyprus	100.0%	100.0%
Telerex 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%
CCHBC Insurance (Guernsey) Ltd	Channel Islands	100.0%	-
Acquisition of subsidiary undertakings that took place in 2005			
Bankya Mineral Waters Bottling Company EOOD	Bulgaria	100.0%	-
Vlasinka d.o.o.	Serbia & Montenegro	50.0%	-
Vendit Ltd	Republic of Ireland	100.0%	-

## 35. Joint venture

The Group has a 50% interest in two joint ventures, Brewinvest S.A., a Group of companies engaged in the bottling and distribution of beer in Bulgaria and beer and soft drinks in FYROM and Multon Group of companies engaged in the production and distribution of juices in Russia.

The joint ventures are 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 ventures at 31 December:

	2005 € million	2004 € million
<b>Balance sheet</b>		
Non-current assets	255.1	58.1
Current assets	92.7	19.6
<b>Total assets</b>	<b>347.8</b>	<b>77.7</b>
Non-current liabilities	(6.7)	(4.3)
Current liabilities	(36.4)	(13.0)
<b>Total liabilities</b>	<b>(43.1)</b>	<b>(17.3)</b>
<b>Net assets</b>	<b>304.7</b>	<b>60.4</b>
<b>Income statement</b>		
Income	145.9	44.6
Expenses	121.3	39.3
<b>Net profit</b>	<b>24.6</b>	<b>5.3</b>

# Notes to the consolidated financial statements

## 36. Post-balance sheet events

On 27 January 2006, our subsidiary 3E (Cyprus) Limited launched a public offer to the shareholders of Lanitis Bros Public Limited ("Lanitis Bros") for the acquisition of up to 100% of the issued share capital of Lanitis Bros. The consideration offered for each share in Lanitis Bros is CYP 0.172 in cash. As at 27 March 2006, a total of 238,559,665 shares or approximately 95.43% of the outstanding share capital of Lanitis Bros have either been tendered in response to the Public Offer launched by CCHBC's subsidiary, 3E (Cyprus) Limited on 27 January 2006, or purchased by 3E (Cyprus) Limited on the Cyprus Stock Exchange since 27 January 2006. The total consideration to be paid for the shares above is CYP 41.0m.

On 14 February 2006, we announced that we have agreed to acquire, jointly with TCCC, 100% of Traficante Group, a producer of high quality mineral water in Italy with significant water reserves. The acquisition includes two production facilities in the south, as well as the national source-water brand "Lilia" and "Lilia Kiss" (still and sparkling). The total net consideration for the transaction is estimated to be €35m (including debt but excluding acquisition costs). The transaction is subject to regulatory approval and is expected to be finalised in the second quarter of 2006.

On 24 February 2006, the production in the Athens plant ceased and was undertaken by our Schimatari plant (which is 40km away from Athens), and on 10 March 2006, the operation of the warehouses of Messologi, Corfu and Rhodes ceased. These initiatives are expected to support the growth of the business as well as yield significant operating efficiency benefits in future years.

On 13 March 2006, we acquired, jointly with TCCC, 100% of Fresh & Co, one of the leading producers of fruit juices in Serbia & Montenegro. The acquisition includes a production facility located at Subotica and the juice and nectar brands "Next" and "Su-Voce". The net consideration for the transaction is €18.5m (excluding acquisition costs) with the assumption of a debt of an additional €23.6m. CCHBC's share of the purchase price and debt was €21.0m. It is not practicable, at this stage, to disclose details about the fair values of the assets acquired and the liabilities assumed as these have not been finalised. The deal has received both EU and Serbian competition Authority approval.

On 24 March 2006, Coca-Cola HBC Finance plc issued a €350.0m 3-year Euro denominated floating rate bond with a coupon of 3 month Euribor +20 basis points. The transaction was executed under the existing €2.0bn Euro Medium Term Note Programme.

## Report of Independent Registered Public Accounting Firm

### To the shareholders and Board of Directors of 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 as of December 31, 2005 and December 31, 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 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 December 31, 2005 and December 31, 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.



PricewaterhouseCoopers S.A.

Athens

28 March 2006

# Consolidated statements of income

Year ended 31 December

	2005 € million	2004 € million	2003 € million
<b>Net sales revenue</b>	<b>4,633.9</b>	<b>4,201.9</b>	<b>4,017.5</b>
Cost of goods sold	(2,749.9)	(2,500.9)	(2,443.6)
<b>Gross profit</b>	<b>1,884.0</b>	<b>1,701.0</b>	<b>1,573.9</b>
Selling, delivery and administrative expenses	(1,433.3)	(1,279.2)	(1,196.0)
<b>Operating profit</b>	<b>450.7</b>	<b>421.8</b>	<b>377.9</b>
Interest expense	(56.2)	(66.9)	(64.7)
Interest income	3.3	6.6	11.5
Other income	2.5	4.2	4.9
Other expense	(3.0)	(8.3)	(7.1)
<b>Income before income taxes</b>	<b>397.3</b>	<b>357.4</b>	<b>322.5</b>
Income tax expense	(111.8)	(77.4)	(83.9)
Share of income of equity method investees	23.9	5.2	4.3
Minority interests	(10.5)	(13.1)	(11.0)
<b>Net income</b>	<b>298.9</b>	<b>272.1</b>	<b>231.9</b>
<b>Basic net income per share (in Euro):</b>	<b>1.25</b>	<b>1.15</b>	<b>0.98</b>
<b>Diluted net income per share (in Euro):</b>	<b>1.25</b>	<b>1.14</b>	<b>0.98</b>

Refer to Notes to the consolidated financial statements on pages I21 to I65.

# Consolidated statements of cash flows

Year ended 31 December

	2005 € million	2004 € million	2003 € million
<b>Operating activities</b>			
Net income	298.9	272.1	231.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	305.8	283.4	272.9
Amortisation	0.2	-	-
Deferred income taxes	11.1	(35.7)	(5.6)
(Gain) loss on disposal of non-current assets	(13.1)	(6.3)	8.1
Impairment charges on property, plant and equipment	0.9	3.6	-
Minority interests	10.5	13.1	11.0
Share of income of equity method investees	(23.9)	(5.2)	(4.3)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Trade accounts receivable and other current assets	(51.6)	(25.3)	27.5
Inventories	(13.2)	(35.0)	(2.0)
Accounts payable and accrued expenses	19.6	25.0	39.9
<b>Net cash provided by operating activities</b>	<b>545.2</b>	<b>489.7</b>	<b>579.4</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	(410.8)	(354.4)	(340.7)
Proceeds from disposals of property, plant and equipment	27.4	21.0	14.9
Cash payments for acquisitions, net of cash acquired	(196.0)	(3.1)	(90.7)
Proceeds from sale of trademarks	9.0	8.6	7.6
Proceeds from sale of investments	5.1	6.7	3.0
Purchase of investments	(3.1)	(0.5)	(3.3)
<b>Net cash used in investing activities</b>	<b>(568.4)</b>	<b>(321.7)</b>	<b>(409.2)</b>
<b>Financing activities</b>			
Proceeds from issuance of debt	586.9	725.9	1,116.8
Repayments of debt	(373.4)	(854.5)	(814.3)
Payments on capital lease obligations	(16.6)	(11.7)	(10.7)
Return of capital to shareholders	-	(0.4)	(472.9)
Proceeds from issue of shares	36.6	19.2	3.4
Dividends paid to shareholders of the Company and to minority interests	(75.5)	(52.5)	(50.0)
<b>Net cash provided by (used in) financing activities</b>	<b>158.0</b>	<b>(174.0)</b>	<b>(227.7)</b>
Effect of exchange rates on cash	2.4	1.8	(8.3)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>137.2</b>	<b>(4.2)</b>	<b>(65.8)</b>
Cash and cash equivalents at beginning of year	31.3	35.5	101.3
<b>Cash and cash equivalents at end of year</b>	<b>168.5</b>	<b>31.3</b>	<b>35.5</b>

Refer to Notes to the consolidated financial statements on pages 121 to 165.

# Consolidated balance sheets

As at 31 December

	2005 € million	2004 € million
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	168.5	31.3
Trade accounts receivable, less allowances of €33.0m in 2005 and €31.8m in 2004	560.8	507.8
Inventories	359.8	327.5
Receivables from related parties	70.9	59.2
Taxes receivable	7.9	6.2
Deferred income taxes	53.3	50.5
Prepaid expenses	85.0	47.7
Derivative assets	12.5	8.2
Other current assets	38.6	42.3
<b>Total current assets</b>	<b>1,357.3</b>	<b>1,080.7</b>
Property, plant and equipment:		
Land	105.3	100.9
Buildings	781.8	727.8
Returnable containers	265.7	246.9
Production and other equipment	2,422.9	2,107.2
	3,575.7	3,182.8
Less accumulated depreciation	(1,552.7)	(1,266.2)
	2,023.0	1,916.6
Construction in progress	142.3	55.8
Advances for equipment purchases	29.3	25.1
	2,194.6	1,997.5
Investment in equity method investees	294.2	60.5
Deferred income taxes	22.1	9.0
Derivative assets	21.7	36.0
Other tangible non current assets	30.7	25.3
Franchise rights	1,996.4	1,987.4
Goodwill and other intangible assets	789.9	767.1
<b>Total assets</b>	<b>6,706.9</b>	<b>5,963.5</b>

Refer to Notes to the consolidated financial statements on pages I21 to I65.

# Consolidated balance sheets

As at 31 December

	2005 € million	2004 € million
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Short term borrowings	310.0	76.0
Accounts payable	200.4	190.4
Accrued expenses	415.9	363.8
Amounts payable to related parties	115.7	94.7
Deposit liabilities	137.1	142.0
Income taxes payable	75.0	69.1
Deferred income taxes	4.9	3.2
Derivative liabilities	1.3	6.2
Current portion of long term debt	243.9	-
Current portion of capital lease obligations	19.8	15.0
<b>Total current liabilities</b>	<b>1,524.0</b>	<b>960.4</b>
Long term liabilities:		
Long term debt, less current portion	1,278.4	1,424.6
Capital lease obligations, less current portion	50.3	32.5
Cross currency swap payables relating to borrowings	43.3	143.1
Employee benefit obligations	117.7	106.4
Deferred income taxes	678.2	645.3
Other long term liabilities	21.1	26.8
<b>Total long term liabilities</b>	<b>2,189.0</b>	<b>2,378.7</b>
<b>Minority interests</b>	<b>70.6</b>	<b>63.4</b>
Shareholders' equity:		
Ordinary shares, €0.50 par value: 240,692,002 (2004: 238,260,129)		
shares authorised, issued and outstanding	120.3	119.1
Additional paid-in capital	1,693.2	1,657.8
Deferred compensation	(0.5)	(0.9)
Retained earnings	949.0	716.8
Accumulated other comprehensive income	161.3	68.2
<b>Total shareholders' equity</b>	<b>2,923.3</b>	<b>2,561.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,706.9</b>	<b>5,963.5</b>

Refer to Notes to the consolidated financial statements on pages I21 to I65.

## 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
<b>As at 31 December 2002</b>	<b>236.7</b>	<b>73.4</b>	<b>2,154.0</b>	<b>(0.5)</b>	<b>305.2</b>	<b>181.1</b>	<b>2,713.2</b>
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
<b>Comprehensive income</b>							<b>58.2</b>
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)
Shares 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)
<b>As at 31 December 2003</b>	<b>236.9</b>	<b>118.5</b>	<b>1,639.2</b>	<b>(0.9)</b>	<b>492.1</b>	<b>7.4</b>	<b>2,256.3</b>
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)
Loss on derivatives reclassified into earnings from other comprehensive income, net of applicable income taxes of €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
<b>Comprehensive income</b>							<b>332.9</b>
Shares issued to employees exercising stock options	1.4	0.6	18.6	-	-	-	19.2
Cash dividends (€0.20 per share)	-	-	-	-	(47.4)	-	(47.4)
<b>As at 31 December 2004</b>	<b>238.3</b>	<b>119.1</b>	<b>1,657.8</b>	<b>(0.9)</b>	<b>716.8</b>	<b>68.2</b>	<b>2,561.0</b>
Net income for 2005	-	-	-	-	298.9	-	298.9
Currency translation adjustment, net of applicable income taxes of €(4.2)m	-	-	-	-	-	91.2	91.2
Change in minimum pension liability, net of applicable income taxes of €0.5m	-	-	-	-	-	(1.3)	(1.3)
Change in fair value of derivatives, net of applicable income taxes of €0.0m	-	-	-	-	-	(0.1)	(0.1)
Loss on derivatives reclassified into earnings from other comprehensive income, net of applicable income taxes of €(0.4)m	-	-	-	-	-	2.3	2.3
Unrealised gain on available-for-sale investments, net of applicable income taxes of €(0.3)m	-	-	-	-	-	1.0	1.0
<b>Comprehensive income</b>							<b>392.0</b>
Shares issued to employees exercising stock options	2.4	1.2	35.4	-	-	-	36.6
Changes in deferred compensation related to Employee Share Ownership Plan	-	-	-	0.4	-	-	0.4
Cash dividends (€0.28 per share)	-	-	-	-	(66.7)	-	(66.7)
<b>As at 31 December 2005</b>	<b>240.7</b>	<b>120.3</b>	<b>1,693.2</b>	<b>(0.5)</b>	<b>949.0</b>	<b>161.3</b>	<b>2,923.3</b>

Refer to Notes to the consolidated financial statements on pages 121 to 165.

# 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 acquisition of Coca-Cola Beverages plc ('CCB') by Hellenic Bottling Company S.A. ('HBC'). 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 I6.

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 on 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.

### Risks and uncertainties

The Company's operations could be adversely affected by termination or non renewal of our bottler's agreements with TCCC; marketing and product development activities effectiveness; weaker consumer demand for carbonated soft drinks; adverse economic conditions in our emerging and developing countries; regulation by competition law authorities of the European Union and national states; increased concentration of retailers and independent wholesalers; product issues such as contamination or product recalls; adverse weather conditions; price increases in and shortages of raw materials and packaging materials; exchange rate fluctuations; the ability to repatriate profits; changes in regulatory environment; duties or tariffs; and changes in the method or rate of taxation.

The Company monitors our operations with a view to minimise the impact to our overall business that could arise as a result of the inherent risks in our business.

### 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.

# Notes to the consolidated financial statements

## I. Organisation and significant accounting policies (continued)

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 2005 was €19.2m (2004: €7.1m, 2003: €6.5m). Of this balance, €11.5m (2004: €3.8m, 2003: €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 2005 amounted to €53.3m with €33.8m and €22.6m for 2004 and 2003, respectively. Marketing and promotional incentives paid to customers during 2005 amounted to €80.2m with €89.0m in 2004, and €75.5m in 2003.

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 2005, such contributions totaled €17.6m as compared to €21.1m and €19.0m in 2004 and 2003, respectively.

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

### **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 €151.4m in 2005 with €127.7m and €121.3m in 2004 and 2003, 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 2005, the distribution costs totaled €236.3m, compared with €211.1m and €204.9m for 2004 and 2003, respectively.

### **Advertising expense**

Advertising costs are expensed as incurred and were €151.8m in 2005 with €129.1m and €115.7m during 2004 and 2003, respectively. Advertising costs are included within selling expenses.

### **Interest costs**

Interest costs are expensed as incurred and include interest on loans, overdrafts, capital leases and amortisation of debt issuance costs. Interest costs are capitalised for all qualifying assets that require a period of time to get them ready for their intended use. Qualifying assets are assets constructed or otherwise produced for the Company's own use.

### **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

# Notes to the consolidated financial statements

## I. Organisation and significant accounting policies (continued)

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 stated at the lower of cost or net realisable value. Cost for raw materials and consumables is determined either on a first-in, first-out or weighted average basis depending on the type of inventory. Cost for work in progress and finished goods is comprised of the 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.

### 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
Production equipment	5 to 12 years
Vehicles	5 to 8 years
Computer equipment	3 to 4 years
Marketing equipment	3 to 7 years
Fixtures and fittings	8 years
Returnable containers	3 to 12 years

Production and other equipment include 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, water rights and goodwill.

The franchise agreements contain performance requirements and convey to the franchisee the rights to distribute and sell products of the franchisor 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 finite 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.

# Notes to the consolidated financial statements

## I. Organisation and significant accounting policies (continued)

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 €26.6m in 2005, compared with €15.0m in 2004 and €22.5m in 2003.

### 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.

Investments are recognised on the day they are transferred into 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

# Notes to the consolidated financial statements

## I. Organisation and significant accounting policies (continued)

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 €8.6m at 31 December 2005 (2004: €8.0m). In 2005 and 2004, the whole amount was recorded in other tangible non-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 operated in a hyper-inflationary environment in 2005. It will cease applying hyper-inflationary accounting with effect from 1 January 2006. 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 2005, transaction gains were €0.7m as compared to €5.9m of transaction losses in 2004 and €6.6m of transaction gains in 2003. 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.

### 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.

# Notes to the consolidated financial statements

## I. Organisation and significant accounting policies (continued)

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 FASB 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.

Pro forma information regarding net income and earnings per share is required by FASB 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 for the years ended 31 December 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:

# Notes to the consolidated financial statements

## I. Organisation and significant accounting policies (continued)

	2005 € million	2004 € million	2003 € million
<b>Year ended 31 December</b>			
Net income as reported	<b>298.9</b>	272.1	231.9
Add: Stock option employee compensation expense included in net income	<b>0.1</b>	-	0.2
Deduct: Total stock option compensation expense determined under fair value based method for all awards	<b>(3.6)</b>	(4.3)	(6.3)
<b>Pro forma net income</b>	<b>295.4</b>	<b>267.8</b>	<b>225.8</b>
 Earnings per share (Euro):			
Basic – as reported	<b>1.25</b>	1.15	0.98
Diluted – as reported	<b>1.25</b>	1.14	0.98
Basic – pro forma	<b>1.24</b>	1.13	0.95
Diluted – pro forma	<b>1.23</b>	1.13	0.95

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 2005 and 2004. The fair value of options granted in 2005 and 2004 was estimated using the binomial option-pricing model. We believe this model more accurately reflects the value of the options versus 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):

	2005	2004
Weighted average fair value of options granted	<b>€5.7</b>	€5.0
Risk free interest rates	<b>3.7%</b>	5.0%
Expected volatility	<b>25.2%</b>	25.9%
Dividend yield	<b>1.2%</b>	1.5%
Expected life	<b>4.8 years</b>	5.1 years

### 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.

### 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 14.

# Notes to the consolidated financial statements

## I. Organisation and significant accounting policies (continued)

### Adoption of new accounting standards

In May 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections* ('Statement No. 154'), a replacement of APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The Statement No. 154 applies to all voluntary changes in accounting principles, and changes the requirements for accounting for and reporting of a change in accounting principle. Statement No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. It is effective for accounting changes and corrections of errors made in fiscal years beginning after 15 December 2005. Earlier application is permitted for accounting changes and corrections of errors made occurring in fiscal years beginning after 1 June 2005. The Company does not expect the initial adoption of Statement No. 154 to have a material impact on its financial statements.

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. The Statement applies to all awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. As of the required effective date, which is 1 January 2006, the Company is required to apply the standard using a modified version of the prospective application. 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 Employee benefits – stock-based compensation within this note. The Company does not expect the effect of Statement No. 123(R) to have material impact on its financial statements.

In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107, *Share-Based Payment* ('SAB No. 107'), to assist preparers by simplifying some of the implementation challenges of Statement No. 123(R) while enhancing the information that investors receive. SAB No. 107 creates a framework that is based on two overriding themes: (a) considerable judgment will be required by preparers to successfully implement Statement No. 123(R), specifically when valuing employee stock options; and b) reasonable individuals, acting in good faith, may conclude differently on the fair value of employee stock options. Key topics covered by SAB No. 107 include: (a) valuation models – SAB No. 107 reinforces the flexibility allowed by Statement No. 123(R) to choose an option-pricing model that meets the standard's fair value measurement objective; (b) expected volatility – SAB No. 107 provides guidance on when it would be appropriate to rely exclusively on either historical or implied volatility in estimating expected volatility; and (c) expected term – the new guidance includes examples and some simplified approaches to determining the expected term under certain circumstances. The Company will apply the principles of SAB No. 107 in conjunction with its adoption of Statement No. 123(R).

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 financial statements.

In December 2004, the FASB issued Statement No. 153, *Exchanges of Non-monetary Assets-an amendment of APB Opinion No. 29* ('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

# Notes to the consolidated financial statements

## 1. Organisation and significant accounting policies (continued)

substance. Statement No. 153 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. Statement No. 153 is effective for exchanges of non-monetary assets that occur in fiscal periods beginning after 15 June 2005 (e.g. 1 July 2005 in the case of the Company) and did not have a material impact on the Company's financial statements.

## 2. Business combinations

During 2005, the Company acquired controlling interests or increased its controlling interest in the following entities:

	Location	Effective date of acquisition 2005	Net tangible assets applicable € million	Trademarks € million	Goodwill arising € million	Other intangible assets € million	Amount of consideration € million
Vlasinka d.o.o.	Serbia & Montenegro	14.04.2005	2.9	-	8.0	-	10.9
Bankya E.O.O.D.	Bulgaria	02.06.2005	(1.0)	6.4	4.5	1.0	10.9
Vendit Ltd	Republic of Ireland	28.09.2005	(0.3)	-	5.5	1.0	6.2
Acquisition of minority interests	Romania		0.2	-	-	-	0.2
<b>Total acquisitions as at 31 December 2005</b>			<b>1.8</b>	<b>6.4</b>	<b>18.0</b>	<b>2.0</b>	<b>28.2</b>

	€ million
<b>Total consideration for acquisition of controlling interests or increase in controlling interest</b>	<b>28.2</b>
Plus: cash payment for acquisition of equity investment, Multon group	168.2
Less: cash and cash equivalent balances acquired	(0.4)
<b>Cash payments for acquisitions, net of cash acquired</b>	<b>196.0</b>

# Notes to the consolidated financial statements

## 2. Business combinations (continued)

### 2005

#### a) Acquisition of Vlasinka d.o.o.

On 14 April 2005, the Company acquired 100% of the shares of the Serbian mineral water company, Vlasinka d.o.o. ('Vlasinka'), together with TCCC. The Company's share of the acquisition consideration was €10.5m (excluding acquisition costs). The Company effectively purchased the operating assets and liabilities at Surdulica in Southern Serbia and Montenegro, whilst TCCC effectively purchased the mineral water brand 'Rosa' for €10.5m.

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

	€ million
Property, plant and equipment	3.8
Inventories	0.5
Current assets	1.8
Current liabilities	(3.0)
Non-current liabilities	(0.2)
<b>Fair value of net tangible assets acquired</b>	<b>2.9</b>
Goodwill arising on acquisition	8.0
<b>Fair value of net assets acquired</b>	<b>10.9</b>
Cash paid to former shareholders	10.5
Costs of acquisition	0.4
<b>Total consideration</b>	<b>10.9</b>

The contribution of Vlasinka to the results of the Group was negligible for the year ended 31 December 2005. The acquisition has resulted in the Company recording €8.0m of goodwill in its emerging countries segment.

The goodwill arising on the acquisition of Vlasinka is attributable to expected future cash flows (including the effect of synergies) in excess of the value of identifiable assets.

# Notes to the consolidated financial statements

## 2. Business combinations (continued)

### 2005

#### b) Acquisition of Bankya Mineral Waters Bottling Company E.O.O.D.

On 2 June 2005, the Company acquired 100% of the Bulgarian mineral water company, Bankya Mineral Waters Bottling Company E.O.O.D. ('Bankya'). The acquisition includes production facilities located just outside of Sofia and the mineral water brand 'Bankia'. Total consideration for the acquisition was €10.7m (excluding acquisition costs), with the assumption of debt of an additional €2.2m.

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

	€ million
Property, plant and equipment	3.5
Inventories	0.2
Current assets	0.6
Cash and cash equivalents	0.1
Long term borrowings	(2.2)
Other current liabilities	(1.7)
Non-current liabilities	(1.5)
<b>Fair value of net tangible assets acquired</b>	<b>(1.0)</b>
Water rights	1.0
Trademarks	6.4
Goodwill arising on acquisition	4.5
<b>Fair value of net assets acquired</b>	<b>10.9</b>
Cash paid to former shareholders	10.7
Costs of acquisition	0.2
<b>Total consideration</b>	<b>10.9</b>

The contribution of Bankya to the results of the Group was a loss of €1.5m for the year ended 31 December 2005. The acquisition has resulted in the Company recording €4.5m of goodwill, €6.4m of trademarks and €1.0m of water rights in its emerging countries segment. The Bankia trademark was subsequently sold to TCCC in 2005 for €6.4m.

The goodwill arising on the acquisition of Bankya is attributable to expected future cash flows (including the effect of synergies) in excess of the value of identifiable assets.

# Notes to the consolidated financial statements

## 2. Business combinations (continued)

### 2005

#### c) Acquisition of Vendit Ltd

On 28 September 2005, the Company acquired 100% of Vendit Ltd ('Vendit'), one of the largest independent vending operators in the Republic of Ireland. Total consideration for the acquisition is currently estimated to be €5.9m (excluding acquisition costs) with the assumption of debt of an additional €0.8m.

The fair values of the significant assets and liabilities assumed and goodwill arising, which are preliminary and pending finalisation of the purchase price allocation, are as follows:

	€ million
Property, plant and equipment	0.9
Inventories	0.2
Other current assets	0.6
Cash and cash equivalents	0.2
Short term borrowings	(0.1)
Long term borrowings	(0.7)
Other current liabilities	(0.8)
Other non-current liabilities	(0.6)
<b>Fair value of net tangible assets acquired</b>	<b>(0.3)</b>
Customer contracts	1.0
Goodwill arising on acquisition	5.5
<b>Fair value of net assets acquired</b>	<b>6.2</b>
Cash paid to former shareholders	5.9
Costs of acquisition	0.3
<b>Total consideration</b>	<b>6.2</b>

The goodwill arising on the acquisition of Vendit is attributable to synergies from enhancement of vending operation in the Republic of Ireland.

The contribution of Vendit to the results of the Group was negligible for the year ended 31 December 2005. The acquisition has resulted in the Company recording €5.5m of goodwill and €1.0m of customer contracts in its established countries segment.

# Notes to the consolidated financial statements

## 2. Business combinations (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. ('Gotalka'). The acquisition includes a production facility at Budinscina and the mineral water brands Bistra, Gotalka and Claria. Total consideration for the acquisition was €7.2m (excluding acquisition costs). The acquisition was accounted for using the purchase method of accounting. Prior to 2004, the investment was accounted for as an equity investee.

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

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

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

## 3. Equity investments

The operating results include our proportionate share of income from our equity investments. The effective interest held in and carrying value of the equity investments as at 31 December are:

	Country of operation	Effective interest held 2005	Effective interest held 2004	Carrying value 2005 € million	Carrying value 2004 € million
Frigoglass Industries Limited	Nigeria	16%	18%	12.0	9.5
Multivita Sp.z o.o.	Poland	50%	50%	1.8	0.3
Valser springs GmbH	Switzerland	50%	50%	0.3	0.3
Brewinvest Group	FYROM/Bulgaria	50%	50%	53.5	50.4
Multon Group	Russia	50%	-	226.6	-
<b>Total equity investments</b>				<b>294.2</b>	<b>60.5</b>

### Multon Group

On 20 April 2005, the Company completed jointly with TCCC the acquisition of the Multon group, a leading juice producer in the Russian Federation. Multon has production facilities in Moscow and St. Petersburg and produces and distributes juice products under the brands 'Rich', 'Nico' and 'Dobry'. The total consideration for the acquisition was US\$471.0m (€359.9m) (excluding acquisition costs), plus the assumption of debt of US\$35.9m (€27.4m). The Company's share of the purchase price and debt was US\$253.5m (€193.7m). The acquisition is a joint venture and is being accounted for under the equity method.

A summary of financial information for our equity investment in Multon as at 31 December 2005 is as follows:

	2005 € million
Current assets	74.8
Goodwill	176.3
Trademarks	155.8
Other non-current assets	66.2
<b>Total assets</b>	<b>473.1</b>
Current liabilities	17.8
Non-current liabilities	2.1
<b>Total liabilities</b>	<b>19.9</b>
<b>Shareholders' equity</b>	<b>453.2</b>
<b>Company's equity investment</b>	<b>226.6</b>

The carrying amount of the investment includes goodwill arising on the acquisition of Multon and it is attributable to the anticipated future cost, revenue synergies and growth potential in Russia.

# Notes to the consolidated financial statements

## 4. Franchise rights, goodwill and other intangible assets

The following table sets forth the carrying value of intangible assets subject to, and not subject to amortisation:

	2005 € million	2004 € million
<b>Intangible assets not subject to amortisation</b>		
Franchise rights	1,996.4	1,987.4
Goodwill	756.7	734.6
Trademarks	29.0	29.3
Minimum pension liability	1.1	2.0
	<b>2,783.2</b>	<b>2,753.3</b>
<b>Intangible assets subject to amortisation</b>		
Water rights	2.2	1.2
Customer contracts	0.9	-
<b>Total intangible assets</b>	<b>2,786.3</b>	<b>2,754.5</b>

In accordance with Statement No. 142, an impairment assessment was conducted at 31 December 2005, 31 December 2004 and 31 December 2003. No impairment was indicated.

# Notes to the consolidated financial statements

## 4. 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 2004	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
<b>As at 31 December 2004</b>	<b>1,987.4</b>	<b>734.6</b>	<b>32.5</b>	<b>2,754.5</b>
Intangible assets arising on current period acquisitions	-	18.0	2.0	20.0
Amortisation	-	-	(0.2)	(0.2)
Reduction of valuation allowance on net operating losses				
from acquisitions	(3.3)	(1.4)	-	(4.7)
Adjustment in relation to minimum pension liability	-	-	(0.8)	(0.8)
Foreign exchange differences	12.3	5.5	(0.3)	17.5
<b>As at 31 December 2005</b>	<b>1,996.4</b>	<b>756.7</b>	<b>33.2</b>	<b>2,786.3</b>

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 2004	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
<b>As at 31 December 2004</b>	<b>596.3</b>	<b>117.6</b>	<b>20.7</b>	<b>734.6</b>
Goodwill arising on current period acquisitions	5.5	-	12.5	18.0
Reduction of valuation allowance on net operating losses				
from acquisitions	-	-	(1.4)	(1.4)
Foreign exchange differences	(1.4)	5.2	1.7	5.5
<b>As at 31 December 2005</b>	<b>600.4</b>	<b>122.8</b>	<b>33.5</b>	<b>756.7</b>

# Notes to the consolidated financial statements

## 5. Selling, delivery and administrative expenses

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

	2005 € million	2004 € million	2003 € million
Selling expenses	720.4	624.1	567.1
Delivery expenses	387.7	338.9	326.2
Administrative expenses	325.2	316.2	302.7
<b>Total selling, delivery and administrative expenses</b>	<b>1,433.3</b>	<b>1,279.2</b>	<b>1,196.0</b>

## 6. Allowance for doubtful debts

	2005 € million	2004 € million	2003 € million
As at 1 January	31.8	25.8	20.7
Charged to income	5.9	7.9	7.3
Uncollectible amounts written off, net of recoveries	(5.0)	(1.9)	(1.7)
Foreign currency translation	0.3	-	(0.5)
<b>As at 31 December</b>	<b>33.0</b>	<b>31.8</b>	<b>25.8</b>

## 7. Inventories

Inventories consisted of the following at 31 December:

	2005 € million	2004 € million
Finished goods	128.7	124.1
Raw materials and work in progress	166.9	149.1
Consumables	57.9	53.2
Payments on account	6.3	1.1
<b>Total inventories</b>	<b>359.8</b>	<b>327.5</b>

## 8. Long term debt and short term borrowings

Long term debt consisted of the following at 31 December:

	Interest rate %	2005 € million	2004 € million
€233m (2003: €555m) '€625m' Eurobond maturing on 27 June 2006	Fixed 5.25%	241.2	240.1
€500m Eurobond maturing on 15 July 2011	Fixed 4.375%	518.0	514.5
US\$500m notes maturing on 17 September 2013	Fixed 5.125%	417.9	370.1
US\$400m notes maturing on 17 September 2015	Fixed 5.5%	339.9	299.2
Other debt		5.3	0.7
<b>Total long term debt</b>		<b>1,522.3</b>	<b>1,424.6</b>
Less: current portion		243.9	-
<b>Total long term debt, less current portion</b>		<b>1,278.4</b>	<b>1,424.6</b>

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

## 8. Long term debt and short term borrowings (continued)

Maturities of long term debt for the years subsequent to 31 December 2005 are:

	€ million
2006	243.9
2007	0.3
2008	-
2009	2.3
2010	-
2011 and thereafter	1,275.8
<b>Total long term debt</b>	<b>1,522.3</b>

As at 31 December 2005, a total of €733.0m in Eurobonds has been issued under the €2.0bn 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 certain committed facilities with banks. The undrawn committed facilities available to the Company at 31 December 2005 were €600.0m, expiring on 1 August 2010.

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. The outstanding amount under the commercial paper programme at 31 December 2005 was €210.0m (2004: nil).

As of 31 December 2004, CCHBC had a €900.0m syndicated loan facility, of which the first tranche of €450.0m matured on 14 May 2005. During August 2005, CCHBC replaced its remaining €450.0m syndicated loan facility with a €600.0m 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. 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 (€760.6m at 31 December 2005 exchange rates) global offering of privately placed notes with registration rights. The first tranche consisted of an aggregate principal amount of US\$500.0m (€422.6m) due in 2013 and the second tranche consisted of an aggregate principal amount of US\$400.0m (€338.0m) 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

# Notes to the consolidated financial statements

## 8. Long term debt and short term borrowings (continued)

(SEC). Acceptances under the offer, which was finalised in February 2004, were US\$898.1m. The notes are fully, unconditionally and irrevocably guaranteed by CCHBC. 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 28 March 2006, 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 off of the Company's Euro Medium Term Note Program 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:

	2005 € million	2004 € million
Bank overdraft facilities	86.1	58.6
Other short term borrowings	223.9	17.4
<b>Total short term borrowings</b>	<b>310.0</b>	<b>76.0</b>

The weighted average interest on short term borrowings was 4.7%, 6.8% and 3.6% at 31 December 2005, 2004 and 2003, respectively.

Total interest paid during the years ended 31 December 2005, 2004 and 2003 was €53.9m, €60.2m and €57.9m, respectively.

The total amount of interest cost incurred in 2005 was €59.3m (2004: €66.9m, 2003: €64.7m). The amount of interest expensed in 2005 was €56.2m (2004: €66.9m, 2003: €64.7m) and the amount of interest capitalised in 2005 was €3.1m (nil in 2004 and 2003).

## 9. Income taxes

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

	2005 € million	2004 € million	2003 € million
Greece	64.5	61.9	64.0
Other	332.8	295.5	258.5
<b>Income before income taxes</b>	<b>397.3</b>	<b>357.4</b>	<b>322.5</b>

# Notes to the consolidated financial statements

## 9. Income taxes (continued)

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

	2005 € million	2004 € million	2003 € million
Current:			
Greece	30.1	42.4	20.9
Other	70.6	70.6	68.5
<b>Total current tax</b>	<b>100.7</b>	<b>113.0</b>	<b>89.4</b>
Deferred:			
Greece	(6.7)	(20.8)	(3.2)
Other	17.8	(14.8)	(2.3)
Total deferred tax	11.1	(35.6)	(5.5)
<b>Total current and deferred tax</b>	<b>111.8</b>	<b>77.4</b>	<b>83.9</b>

The above provision for deferred income taxes includes a net (charge) credit for the effect of changes in tax laws and rates of €(1.3)m in 2005, €17.9m in 2004 and €38.0m in 2003.

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

	2005 € million	2004 € million
<b>Deferred tax liabilities:</b>		
Intangible assets	577.1	567.2
Tax in excess of book depreciation	139.7	141.8
Income taxed at preferential rates	-	6.5
Foreign investments	9.1	1.9
Other	9.1	11.2
<b>Total gross deferred tax liabilities</b>	<b>735.0</b>	<b>728.6</b>
<b>Deferred tax assets:</b>		
Net operating loss (NOLs) carry-forwards	45.7	72.5
Liabilities and provisions	27.9	37.6
Book in excess of tax depreciation	23.8	8.0
Pensions and benefit plans	8.4	9.4
Other	32.6	29.5
<b>Total gross deferred tax assets</b>	<b>138.4</b>	<b>157.0</b>
Valuation allowance for deferred tax assets	(11.1)	(17.4)
<b>Net deferred tax assets</b>	<b>127.3</b>	<b>139.6</b>
<b>Net deferred tax liabilities</b>	<b>607.7</b>	<b>589.0</b>

# Notes to the consolidated financial statements

## 9. Income taxes (continued)

A summary of valuation allowance movements is as follows:

	2005 € million	2004 € million	2003 € million
As at 1 January	17.4	11.8	41.9
Charged (credited) to income	(3.4)	8.6	(6.5)
Credit related to recognition of pre-acquisition deferred tax assets	(4.7)	(2.4)	(3.3)
Effects on operations in economies ceasing to be considered as hyper-inflationary	-	-	(12.9)
Reductions arising on statutory tax law changes	-	-	(3.5)
Currency translation adjustments	1.4	0.1	(2.4)
Expired NOLs	-	(0.3)	(0.8)
Other movements	0.4	(0.4)	(0.7)
<b>As at 31 December</b>	<b>11.1</b>	<b>17.4</b>	<b>11.8</b>

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

	2005 € million	2005 %	2004 € million	2004 %	2003 € million	2003 %
Greek statutory expense	127.1	32.0	125.1	35.0	112.9	35.0
Lower tax rates of other countries	(28.9)	(7.3)	(30.6)	(8.6)	(30.3)	(9.4)
Additional local taxes	16.9	4.3	5.9	1.7	17.2	5.3
Tax holidays or exemptions	(1.7)	(0.4)	(4.4)	(1.2)	(3.1)	(1.0)
Non-deductible expenses	27.3	6.7	36.5	10.2	41.8	13.0
Capital investment incentives	(3.8)	(1.0)	(7.7)	(2.2)	(8.6)	(2.7)
Income not subject to tax	(24.2)	(6.1)	(22.3)	(6.2)	(11.5)	(3.6)
Changes in tax laws and rates	1.3	0.3	(17.9)	(5.0)	(38.0)	(11.8)
Change in valuation allowance	(3.4)	(2.1)	(1.6)	(0.4)	(4.1)	(1.3)
NOLs with no current benefit	1.6	0.4	1.9	0.5	2.7	0.8
Other, net	(0.4)	1.3	(7.5)	(2.1)	4.9	1.7
<b>Total income tax charge</b>	<b>111.8</b>	<b>28.1</b>	<b>77.4</b>	<b>21.7</b>	<b>83.9</b>	<b>26.0</b>

At 31 December 2005, the Company had net operating tax loss carry-forwards (NOLs) of €180.7m (2004: €267.0m, 2003: €308.8m) for income tax purposes. €85.4m of NOLs expire between 2006 and 2010. None of the NOLs expire between 2011 and 2013. €95.3m 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 €11.1m (2004: €11.9m, 2003: €8.1m) 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 €1,094.8m at 31 December 2005 (2004: €852.9m). 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 2005, 2004 and 2003 was €101.5m, €105.0m, and €75.0m, respectively.

# Notes to the consolidated financial statements

## 10. Employee benefit obligations

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

	2005 € million	2004 € million
<b>Defined benefit plans</b>		
Statutory termination indemnities	89.3	81.0
Pension plans	23.0	23.1
Long service benefits - jubilee plans	6.1	8.4
<b>Total defined benefit plans</b>	<b>118.4</b>	<b>112.5</b>

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 benefit 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 Emerging Issue Task Force ('EITF') No. 88-1, *Determination and Vested Benefit Obligations for a Defined Benefit Plan*, the liability recorded in the balance sheet is based on the amount that the employee would be entitled to, on the expected date of termination.

The 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 plans 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, Nigeria, Croatia and Poland.

Summarised information for the above plans is as follows:

	2005 € million	2004 € million
Present value of defined benefit obligation at the beginning of the year	301.2	265.7
Service cost	19.1	18.6
Interest cost	17.2	17.1
Plan participants' contributions	4.2	3.4
Past service cost arising from amendments	0.8	(2.4)
Curtailment/settlement	1.2	1.3
Benefits paid	(24.9)	(19.4)
Actuarial loss	19.3	18.1
Foreign currency translation	4.5	(1.2)
<b>Present value of defined benefit obligation at end of year</b>	<b>342.6</b>	<b>301.2</b>

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 €281.9m and €245.0m as at 31 December 2005 and 2004, respectively.

# Notes to the consolidated financial statements

## 10. Employee benefit obligations (continued)

	2005 € million	2004 € million
Fair value of plan assets at the beginning of the year	155.9	143.7
Actual return on plan assets	22.5	6.9
Actual employers contributions	10.4	7.3
Actual participants contributions	4.2	3.4
Actual benefits paid	(5.0)	(5.9)
Foreign currency translation	0.9	0.5
<b>Fair value of plan assets at end of year</b>	<b>188.9</b>	<b>155.9</b>

Benefits paid from pension benefit plans during 2005 and 2004 include €0.2m and €0.3m, 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 2005 and 2004 of €19.7m and €13.2m, respectively, were paid from Company assets, because these plans are unfunded.

The discount rate reflects the current rate at which the pension liabilities could be effectively settled considering the timing of expected payments for plan participants. In estimating this rate, we consider rates of return on high quality fixed-income investments. For our plans in the Eurozone area, Northern Ireland and Switzerland, which comprise approximately 90% of our projected benefit obligations, we consider the International Index Company's iBoxx Euro Corporates AA 10+ Bond Index, the International Index Company's iBoxx Sterling Corporates AA 15+ Bond Index and AA-rated corporate Swiss bonds respectively in the determination of the appropriate discount rate assumptions. For our plans in other countries, we use, where available, government bond yields of appropriate terms in setting the discount rate.

The weighted average rate we will utilise to measure our pension obligation as of 31 December 2005 and calculate our 2006 expense will be 4.83%, which is a decrease from 5.54% used in determining the 2005 expense.

# Notes to the consolidated financial statements

## 10. Employee benefit obligations (continued)

	2005 € million	2004 € million
Present value of defined benefit obligations	(342.6)	(301.2)
Fair value of plan assets	188.9	155.9
	(153.7)	(145.3)
Unrecognised actuarial loss	53.8	49.8
Unrecognised net transition liability	0.9	1.6
Unrecognised past service benefit	(1.6)	(1.9)
<b>Net defined benefit obligations</b>	<b>(100.6)</b>	<b>(95.8)</b>

Amounts recognised in the balance sheet consist of:

Accrued benefit liability	(118.4)	(112.5)
Intangible asset	1.1	2.0
Accumulated other comprehensive income	16.7	14.7
<b>Net amount recognised</b>	<b>(100.6)</b>	<b>(95.8)</b>

### Included in:

Current liabilities	(0.7)	(6.1)
Long term liabilities	(117.7)	(106.4)
Goodwill and other intangible assets	1.1	2.0
Accumulated other comprehensive income	16.7	14.7
<b>Total</b>	<b>(100.6)</b>	<b>(95.8)</b>

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

	2005 € million	2004 € million
Projected benefit obligation	311.5	294.2
Accumulated benefit obligation	259.7	240.6
Fair value of plan assets	165.0	151.1

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

	2005 %	2004 %
Discount rate	4.83	5.54
Rate of compensation increase	4.12	4.62
Pension increases	0.63	0.60

# Notes to the consolidated financial statements

## 10. Employee benefit obligations (continued)

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

	2005 € million	2004 € million	2003 € million
Service cost	19.1	18.6	17.1
Interest cost	17.2	17.1	12.5
Expected return on plan assets	(9.4)	(8.4)	(6.3)
Amortisation of transition obligations	0.8	0.8	0.8
Recognised net actuarial obligation loss	1.8	1.0	2.2
Amortisation of unrecognised past service costs	(0.1)	0.3	-
Curtailment/settlement	1.2	1.3	-
<b>Net periodic benefit cost</b>	<b>30.6</b>	<b>30.7</b>	<b>26.3</b>

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

	2005 %	2004 %
Discount rate	5.54	5.84
Expected return on assets	5.63	5.52
Rate of compensation increase	4.62	4.60
Pension increases	0.60	0.56

Plan assets were invested as follows:

	2005 %	2004 %
<b>Asset category</b>		
Equity securities	44	45
Debt securities	48	48
Real estate	5	3
Cash	2	4
Other	1	-
<b>Total</b>	<b>100</b>	<b>100</b>

Equity securities include ordinary shares in the Company in the amount of €0.3m (0.2% of the plan assets) and €0.3m (0.2% of the plan assets) as at 31 December 2005 and 2004, 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

# Notes to the consolidated financial statements

## 10. Employee benefit obligations (continued)

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 2005 is to hold approximately 62% in bonds, 26% in equities, 8% in property, and 2% in cash and 2% in other items under the investments.

The overall investment policy of the Irish plans is determined by the trustees in consultation with CCHBC Ireland and their professional advisors. The investment objectives of the Irish plans 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 plans 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 plans may hold. However for the purpose of determining whether the plans 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 2005 is to hold approximately 80% in bonds and 20% 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 annually 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 2005 net periodic pension cost for the plans was 5.63%.

### Cash flow

Estimated future benefit payments	€million
2006	12.2
2007	9.1
2008	10.7
2009	12.9
2010	14.6
Years 2011-2015	103.3

The Company plans to contribute €8.8m to its pension plans in 2006.

### Defined contribution plans

The Company also sponsors defined contribution plans covering employees at four subsidiaries. The expense recognised in the income statement in 2005 for the defined contribution plans is €6.3m (2004: €6.5m, 2003: €6.0m).

# Notes to the consolidated financial statements

## II. Restructuring

During 2005, the Company recorded restructuring charges of €10.1m (2004: €9.3m) before tax. The restructuring charges primarily result from the initiatives communicated in 2004 to consolidate our manufacturing network by rationalising sites, relocating manufacturing lines, and streamlining our warehouses. These initiatives focused primarily on the Republic of Ireland and Northern Ireland, Greece and Austria. The project to develop a single all-island production facility in Ireland is on going, and we expect to incur further charges of approximately €26.0m over the next eighteen months in relation to this project. Of the charges for 2005, €3.3m was recorded in selling, delivery and administrative expenses, and €6.8m was recorded in cost of goods sold.

The table below summarizes accrued restructuring costs included within accrued expenses and amounts charged against the accrual:

	2005 € million	2004 € million
As at 1 January	7.1	5.4
Arising during the year	10.1	9.3
Utilised during the year	(8.2)	(7.6)
<b>As at 31 December</b>	<b>9.0</b>	<b>7.1</b>

In addition, accelerated depreciation has been recorded on plant and equipment whose useful lives have been reduced as a result of the planned restructuring. The €7.9m of charges relating to this change in estimate was recorded mainly in cost of goods sold in 2005. In addition, we recorded impairment charges on equipment of €0.9m in 2005 and €3.6m in 2004.

## 12. 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 2005, 2004 and 2003 amounted to €2.2m, €2.1m 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. The fair value of unvested shares held by the trust is €1.5m (2004: €1.2m).

# Notes to the consolidated financial statements

## 13. Other comprehensive income

The components of other comprehensive income were as follows:

	Currency translation adjustments <sup>1</sup> € million	Derivative financial instruments gains (losses) € million	Minimum pension liability € million	Unrealised gain on available-for-sale investments € million	Total € million
<b>As at 1 January 2003</b>	<b>180.7</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>181.1</b>
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
<b>As at 31 December 2003</b>	<b>12.2</b>	<b>1.8</b>	<b>(7.4)</b>	<b>0.8</b>	<b>7.4</b>
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)
Loss 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 €0.7m	-	-	(3.4)	-	(3.4)
Unrealised gain on available-for-sale investments, net of applicable income taxes of €0.1m	-	-	-	0.3	0.3
<b>As at 31 December 2004</b>	<b>80.6</b>	<b>(2.7)</b>	<b>(10.8)</b>	<b>1.1</b>	<b>68.2</b>
Currency translation adjustment, net of applicable income taxes of €(4.2)m	91.2	-	-	-	91.2
Change in fair value of derivatives, net of applicable income taxes of €0.0m	-	(0.1)	-	-	(0.1)
Loss on derivatives reclassified into earnings from other comprehensive income, net of applicable income taxes of €(0.4)m	-	2.3	-	-	2.3
Change in minimum pension liability, net of applicable income taxes of €0.5m	-	-	(1.3)	-	(1.3)
Unrealised gain on available-for-sale investments, net of applicable income taxes of €(0.3)m	-	-	-	1.0	1.0
<b>As at 31 December 2005</b>	<b>171.8</b>	<b>(0.5)</b>	<b>(12.1)</b>	<b>2.1</b>	<b>161.3</b>

<sup>1</sup>Includes amounts related to equity method investees

# Notes to the consolidated financial statements

## 14. 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:

	2005 € million	2004 € million
Property, plant and equipment	93.6	71.1
Less amortisation	(31.1)	(22.8)
<b>Total leases</b>	<b>62.5</b>	<b>48.3</b>

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 2005:

	Capital leases € million	Operating leases € million
2006	22.4	21.1
2007	18.5	16.0
2008	13.8	14.0
2009	9.4	4.8
2010	5.9	4.5
2011 and thereafter	8.4	5.7
<b>Total minimum lease payments</b>	<b>78.4</b>	<b>66.1</b>
Amounts representing interest	(8.3)	
<b>Present value of net minimum lease payments</b>	<b>70.1</b>	
Long term portion of capital leases	50.3	
Current portion of capital leases	19.8	
<b>Total capital leases</b>	<b>70.1</b>	

Rental expense for operating leases for 2005 was €42.3m. The rental expense was €46.5m and €32.6m in 2004 and 2003, respectively.

### Security over assets

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

### Other

On 29 June 2005, the Greek Competition Authority requested the Company to provide information on our commercial practices as a result of a complaint by certain third parties regarding our level of compliance with its decision of 25 January 2002. On 7 October 2005, the Company was served with notice to appear before the Competition Authority.

# Notes to the consolidated financial statements

## 14. Commitments and contingencies (continued)

On such date, the Company was also made aware that in its recommendation to the Competition Authority the Secretariat of the Competition Authority claims that the Company did not properly comply with the decision of the Competition Authority of 25 January 2002 during the period covered by its investigation and proposes the imposition of a fine on the Company of €5,869 for each day that the Company delayed to comply since the decision of 25 January 2002 which, through the date the Company was served with notice, could amount up to approximately €7.9m. The hearings before the Competition Authority have been concluded, and a decision is expected to be issued in the first half of 2006.

We believe we have substantial legal and factual defenses to the Secretariat's claims. However, at this time we cannot predict the outcome of these proceedings.

In relation to the Greek Competition Authority's decision of 25 January 2002, one of our competitors has filed a lawsuit claiming damages in an amount of €7.7m. 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.

The Company's Bulgarian subsidiaries are participating in two waste recovery organisations in order to discharge their obligations under the Bulgarian Waste Management Act. On 10 March 2006, the Minister of Environment and Waters of Bulgaria issued an Ordinance stating that these organizations had not sufficiently proven their compliance with the Bulgarian Waste Management Act and consequently that all participants in these organizations should pay waste recovery fees. If the Company's subsidiaries were to become liable to pay full waste recovery fees for 2005 the amount payable would be approximately €4.2m. The decision has been appealed to the Bulgarian Supreme Administrative Court. At present it is not possible to predict the outcome of this matter or to quantify the likelihood of any potential liability arising from it.

The Company has not provided for any losses related to the above matters.

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 the past, such issues were successfully resolved in most of these countries. 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 Company 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 2005, the Company had capital commitments over the next year of €73.9m (2004: €60.4m).

At 31 December 2005, the Company had commitments to purchase €336.6m (2004: €167.0m, 2003: €140.9m) of raw materials over the next years.

# Notes to the consolidated financial statements

## 15. 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 2005 (2004: €733.0m) fixed-rate debt to a floating rate based on EURIBOR. The notional amount of the swaps is €733.0m in 2005 (2004: €733.0m). During both 2005 and 2004, 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 2005, the Company recognised a net loss of €3.0m (2004: net loss of €1.5m and 2003: net gain of €4.4m) 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 2005, 2004 and 2003, respectively.

Over the period 2003 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 €1.4m (2004: a loss of €4.2m, 2003: a loss of €2.4m) 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 and option contracts to hedge a portion of its anticipated foreign currency denominated expenditures. All of the forward and option exchange contracts have maturities of less than one year after the balance sheet date.

At 31 December 2005, the Company had recorded €2.6m of unrealised losses in accumulated other comprehensive income (2004: €3.6m of unrealised losses), 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

# Notes to the consolidated financial statements

## 15. Financial instruments (continued)

and option contracts of €(0.9)m and €(1.4)m at 31 December 2005 and 2004, 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 8). At 31 December 2005, the fair value of the cross currency swaps represented a payable of €43.3m (2004: €143.1m). The cross currency swaps were recorded as a long term liability, as the maturity of the instruments matched the underlying notes. The €99.8m gain (2004: €53.2m loss) on the cross currency swaps during 2005 was offset by the €99.8m loss (2004: €53.2m gain) recorded on the translation of the dollar denominated debt to Euro.

### 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. No commodities futures contracts were outstanding at 31 December 2005.

At 31 December 2005, the Company had not recorded any unrealised gains (2004: €0.5m, 2003: €0.3m) in accumulated other comprehensive income, as a result of the hedge contracts.

### 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.

# Notes to the consolidated financial statements

## 15. Financial instruments (continued)

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

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 2005 € million	Fair value 2005 € million	Carrying value 2004 € million	Fair value 2004 € million
<b>Derivative assets:</b>				
Interest rate swaps	8.4	8.4	-	-
Interest rate options	0.7	0.7	2.2	2.2
Foreign currency option contracts	0.1	0.1	-	-
Forward foreign exchange contracts	3.3	3.3	5.2	5.2
Commodities futures contracts	-	-	0.8	0.8
<b>Total derivative assets (current)</b>	<b>12.5</b>	<b>12.5</b>	<b>8.2</b>	<b>8.2</b>
Interest rate swaps	21.7	21.7	36.0	36.0
<b>Total derivative assets (non current)</b>	<b>21.7</b>	<b>21.7</b>	<b>36.0</b>	<b>36.0</b>
<b>Total derivative assets</b>	<b>34.2</b>	<b>34.2</b>	<b>44.2</b>	<b>44.2</b>
<b>Derivative liabilities:</b>				
Foreign currency option contract	-	-	0.3	0.3
Forward foreign exchange contracts	1.3	1.3	5.9	5.9
<b>Total derivative liabilities (current)</b>	<b>1.3</b>	<b>1.3</b>	<b>6.2</b>	<b>6.2</b>
Cross currency swaps	43.3	43.3	143.1	143.1
Interest rate swaps	1.6	1.6	-	-
<b>Total derivative liabilities (non current)</b>	<b>44.9</b>	<b>44.9</b>	<b>143.1</b>	<b>143.1</b>
<b>Total derivative liabilities</b>	<b>46.2</b>	<b>46.2</b>	<b>149.3</b>	<b>149.3</b>
<b>Long term debt (including current portion)</b>	<b>1,522.3</b>	<b>1,531.2</b>	<b>1,424.6</b>	<b>1,425.1</b>

# Notes to the consolidated financial statements

## 15. Financial instruments (continued)

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

	2005 € million	2004 € million
<b>Contracts with positive fair values:</b>		
Commodities future contracts	-	0.8
Forward foreign exchange contracts	0.3	0.3
	<b>0.3</b>	<b>1.1</b>
<b>Contracts with negative fair values:</b>		
Forward foreign exchange contracts	(0.8)	(3.9)
	<b>(0.8)</b>	<b>(3.9)</b>

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

	2005 € million	2004 € million
<b>Contracts with positive fair values:</b>		
Interest rate swaps	29.9	35.6
	<b>29.9</b>	<b>35.6</b>
<b>Contracts with negative fair values:</b>		
Interest rate swaps	(1.6)	-
Forward foreign exchange contracts	(0.5)	(2.0)
	<b>(2.1)</b>	<b>(2.0)</b>

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

	2005 € million	2004 € million
<b>Contracts with positive fair values:</b>		
Interest rate swaps	0.2	0.4
Interest rate options	0.7	2.2
Foreign currency option contracts	0.1	-
Forward foreign exchange contracts	3.0	4.9
	<b>4.0</b>	<b>7.5</b>
<b>Contracts with negative fair values:</b>		
Foreign currency option contracts	-	(0.3)
Cross currency swaps	(43.3)	(143.1)
	<b>(43.3)</b>	<b>(143.4)</b>

# Notes to the consolidated financial statements

## 16. 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 ('FYROM')), and its financial results are reported in the following segments:

<b>Established countries:</b>	Austria, Greece, Italy, Northern Ireland, Republic of Ireland and Switzerland
<b>Developing countries:</b>	Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia
<b>Emerging countries:</b>	Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, FYROM, Moldova, Nigeria, Romania, Russia, Serbia and Montenegro, and Ukraine.

The 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 cash operating profit. The accounting policies of the Company's reportable segments are the same as those described in the summary of significant accounting policies in Note I.

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	2005 € million	2004 € million	2003 € million
<b>Net sales revenue</b>			
Established	2,261.8	2,244.9	2,189.5
Developing	841.1	732.7	712.7
Emerging	1,531.0	1,224.3	1,115.3
<b>Total net sales revenue</b>	<b>4,633.9</b>	<b>4,201.9</b>	<b>4,017.5</b>
<b>Cash operating profit (COP)</b>			
Established	371.2	368.5	361.2
Developing	116.9	105.0	96.6
Emerging	269.5	235.3	193.0
<b>Total COP</b>	<b>757.6</b>	<b>708.8</b>	<b>650.8</b>
<b>Depreciation</b>			
Established	120.1	119.1	117.1
Developing	68.9	64.4	63.1
Emerging	116.8	99.9	92.7
<b>Total depreciation</b>	<b>305.8</b>	<b>283.4</b>	<b>272.9</b>

# Notes to the consolidated financial statements

## 16. Segment information (continued)

Year ended 31 December	2005 € million	2004 € million	2003 € million
<b>Impairment charges on property, plant and equipment</b>			
Established	-	3.6	-
Developing	0.9	-	-
Emerging	-	-	-
<b>Total impairment charges on property, plant and equipment</b>	<b>0.9</b>	<b>3.6</b>	<b>-</b>
<b>Amortisation</b>			
Established	0.1	-	-
Developing	0.1	-	-
Emerging	-	-	-
<b>Total amortisation</b>	<b>0.2</b>	<b>-</b>	<b>-</b>
<b>Operating profit</b>			
Established	251.0	245.8	244.1
Developing	47.0	40.6	33.5
Emerging	152.7	135.4	100.3
<b>Total operating profit</b>	<b>450.7</b>	<b>421.8</b>	<b>377.9</b>
<b>Interest expense</b>			
Established	36.9	38.9	39.5
Developing	2.5	2.3	7.8
Emerging	12.3	3.4	2.5
Corporate	80.9	87.7	78.2
Intersegment interest expense	(76.4)	(65.4)	(63.3)
<b>Total interest expense</b>	<b>56.2</b>	<b>66.9</b>	<b>64.7</b>
<b>Interest income</b>			
Established	2.7	1.2	2.0
Developing	1.1	4.3	9.9
Emerging	1.6	1.7	3.3
Corporate	74.3	64.8	59.6
Intersegment interest income	(76.4)	(65.4)	(63.3)
<b>Total interest income</b>	<b>3.3</b>	<b>6.6</b>	<b>11.5</b>

# Notes to the consolidated financial statements

## 16. Segment information (continued)

Year ended 31 December	2005 € million	2004 € million	2003 € million
<b>Income tax expense</b>			
Established	65.3	33.5	48.2
Developing	11.8	10.2	(1.2)
Emerging	36.7	25.9	33.7
Corporate	(2.0)	7.8	3.2
<b>Total income tax expense</b>	<b>111.8</b>	<b>77.4</b>	<b>83.9</b>
<b>Subtotal</b>	<b>286.0</b>	<b>284.1</b>	<b>240.8</b>
<b>Reconciling items</b>			
Other expense	(3.0)	(8.3)	(7.1)
Other income	2.5	4.2	4.9
Share of income of equity method investees	23.9	5.2	4.3
Minority interests	(10.5)	(13.1)	(11.0)
<b>Net income</b>	<b>298.9</b>	<b>272.1</b>	<b>231.9</b>

Year ended 31 December	2005 € million	2004 € million
<b>Capital expenditure</b>		
Established	107.9	108.1
Developing	77.4	74.9
Emerging	225.5	171.4
<b>Total capital expenditure</b>	<b>410.8</b>	<b>354.4</b>

As at 31 December	2005 € million	2004 € million
<b>Assets</b>		
Established	3,625.6	3,538.6
Developing	1,312.4	1,260.2
Emerging	1,714.0	1,172.8
Corporate / intersegment receivables	54.9	(8.1)
<b>Total assets</b>	<b>6,706.9</b>	<b>5,963.5</b>

# Notes to the consolidated financial statements

## 17. Shareholders' equity

### Issued capital and additional paid-in capital

On 21 December 2005, the Company's Board of Directors resolved to increase the share capital of the Company by 2,431,873 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 €36.6m. This was recorded as €1.2m to issued capital and €35.4m to additional paid-in capital.

On 22 December 2004, the Company'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. 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.

### 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 (2004: €28.0m).

At 31 December 2005, an amount of €55.3m (2004: €31.4m) of the total retained earnings balance related to the Company's share of income from equity method investments.

# Notes to the consolidated financial statements

## 18. 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 level of responsibility. 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 2005 was €0.1m (2004: negligible, 2003: €0.2m).

The following table summarises information on options outstanding:

	Exercise price € million	Vesting status 2005	Vesting dates for further increments			End of option period	Number of stock options outstanding
2001 Stock Option Plan							
Sub Plan 1	23.32	fully vested	-	-	-	11.07.2008	296,669
Sub Plan 2	20.97	fully vested	-	-	-	29.09.2008	13,103
Sub Plan 3	17.06	fully vested	-	-	-	08.12.2009	331,009
Sub Plan 4	14.68	fully vested	-	-	-	12.12.2010	840,677
Sub Plan 5	12.08	fully vested	-	-	-	27.06.2011	20,000
Sub Plan 6	14.53	fully vested	-	-	-	12.12.2011	407,810
2003 A Plan	12.95	fully vested	-	-	-	10.12.2012	68,900
2003-2004 Plan / 2003 Grant	16.76	two-thirds	15.12.2006	-	-	14.12.2013	421,905
2003-2004 Plan / 2004 Grant	18.63	one-third	03.12.2006	03.12.2007		02.12.2014	652,386
2005-2009 Plan / 2005 Grant	23.30	none	02.12.2006	02.12.2007	02.12.2008	01.12.2015	794,600
<b>Total</b>							<b>3,847,059</b>

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

	Number of stock options 2005	Weighted average exercise price <sup>2</sup> 2005	Number of stock options 2004	Weighted average exercise price <sup>2</sup> 2004	Number of stock options 2003	Weighted average exercise price <sup>2</sup> 2003
Outstanding on 1 January	5,506,872	16.07	6,441,396	15.42	5,724,958	15.40
Granted <sup>3</sup>	794,600	23.30	734,850	18.63	1,423,900	14.84
Exercised	(2,431,873)	15.07	(1,334,852)	14.39	(256,681)	13.14
Forfeited	(22,540)	17.73	(334,522)	15.85	(450,781)	14.59
<b>Outstanding on 31 December</b>	<b>3,847,059</b>	<b>18.19</b>	<b>5,506,872</b>	<b>16.07</b>	<b>6,441,396</b>	<b>15.42</b>
<b>Exercisable on 31 December</b>	<b>2,342,039</b>	<b>16.50</b>	<b>4,241,912</b>	<b>15.65</b>	<b>4,826,028</b>	<b>15.52</b>

<sup>2</sup> Reflects adjustments in the exercise prices due to re-capitalisation in 2003

<sup>3</sup> Including converted stock appreciation rights (SARs) - refer to Note 19 for further details

# Notes to the consolidated financial statements

## 19. 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 level of responsibility. 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 positive 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:

	Exercise price €	Vesting status 2005	Vesting dates for further increments			End of option period	Number of SARs outstanding
Phantom Option Plan							
1998 A	23.32	fully vested	-	-	-	11.07.2008	158,792
1999	17.06	fully vested	-	-	-	08.12.2009	115,440
2000	14.68	fully vested	-	-	-	12.12.2010	119,500
2001	14.53	fully vested	-	-	-	12.12.2011	61,100
2002	12.95	fully vested	-	-	-	10.12.2012	10,000
2003	16.76	two-thirds	15.12.2006	-	-	14.12.2013	20,000
2004	18.63	one-third	03.12.2006	03.12.2007	-	02.12.2014	22,150
2005	23.30	none	02.12.2006	02.12.2007	02.12.2008	01.12.2015	24,500
<b>Total</b>							<b>531,482</b>

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

	Number of SARs exercise price <sup>4</sup> 2005	Weighted average exercise price <sup>4</sup> 2005	Number of SARs exercise price <sup>4</sup> 2004	Weighted average exercise price <sup>4</sup> 2004	Number of SARs exercise price <sup>4</sup> 2003	Weighted average exercise price <sup>4</sup> 2003
Outstanding on 1 January	614,062	17.66	837,907	17.02	1,631,828	15.30
Granted	24,500	23.30	22,150	18.63	20,000	16.76
Exercised	(105,607)	15.34	(243,155)	15.56	-	n/a
Converted into stock options	-	-	-	-	(718,900)	12.95
Forfeited	(1,473)	23.32	(2,840)	16.43	(95,021)	18.14
<b>Outstanding on 31 December</b>	<b>531,482</b>	<b>18.37</b>	<b>614,062</b>	<b>17.66</b>	<b>837,907</b>	<b>17.02</b>
<b>Exercisable on 31 December</b>	<b>485,547</b>	<b>18.13</b>	<b>574,077</b>	<b>17.69</b>	<b>763,674</b>	<b>17.24</b>

The compensation expense relating to SARs recorded for 2005 amounted to €1.5m (2004: €1.2m, 2003: €0.9m).

<sup>4</sup> Reflects adjustments in the exercise prices due to re-capitalisation in 2003

# Notes to the consolidated financial statements

## 20. Earnings per share

	2005 million	2004 million	2003 million
Numerator (Euro):			
Net income	298.9	272.1	231.9
Denominator (number of shares):			
Basic weighted average ordinary shares outstanding	238.3	237.0	236.7
Diluted effect of stock options	1.4	1.0	-
<b>Diluted weighted average ordinary shares outstanding</b>	<b>239.7</b>	<b>238.0</b>	<b>236.7</b>

## 21. Other income

Other income of €2.5m in 2005 consists of gains on sales of financial investments of €2.1m, €0.3m of exchange gains and €0.1m of external dividends received (in 2004, gains on interest rate swaps that were not eligible for hedge accounting of €3.5m and exchange gains of €0.7m, and in 2003, €4.4m and €0.5m, respectively).

## 22. Other expense

Other expense of €3.0m in 2005 consists of losses on interest rate swaps that were not eligible for hedge accounting (in 2004, exchange losses of €3.4m and €4.9m of losses of interest rate swaps and in 2003, exchange losses of €1.0m and costs associated with the capital return of €6.1m).

# Notes to the consolidated financial statements

## 23. Related party transactions

### The Coca-Cola Company

As at 31 December 2005, TCCC indirectly owned 56,741,386 shares in CCHBC. This represented 23.6% (2004: 23.8%) 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 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 €994.9m, €907.4m and €904.3m for the years ended 31 December 2005, 2004 and 2003, 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.

Total contributions received from TCCC for marketing and promotional incentives amounted to €39.8m, €47.0m and €41.2m for the years ended 31 December 2005, 2004 and 2003 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 2005, such contributions totalled €17.6m as compared to €21.1m and €19.0m in 2004 and 2003, respectively. Contributions for general marketing programs are recorded as an offset to selling expenses. In 2005, these contributions totalled €22.2m, compared with €25.9m and €22.2m in 2004 and 2003, 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 were €26.6m, €15.0m and €22.5m, for the years ended 31 December 2005, 2004 and 2003, respectively.

The Company purchased €0.8m of fixed assets from TCCC in the year ended 31 December 2004. No fixed assets were purchased in the years ended 31 December 2003 and 2005.

During the year, the Company sold €11.8m of finished goods and raw materials to TCCC (2004: €8.4m, 2003: €7.0m).

Other income primarily comprises rent, facility and other costs of €2.1m (2004: €1.7m, 2003: €6.8m), a toll filling relationship in Poland of €11.4m 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

# Notes to the consolidated financial statements

## 23. Related party transactions (continued)

amounted to €1.4m (2004: €4.2m, 2003: €14.6m). With the exception of the toll-filling arrangements, balances are included in selling, delivery and administrative expenses.

In 2005, the Company received €6.4m from TCCC for the sale of the water brand trademark 'Bankia'. 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'. The €2.6m payment for the Olimpija brand was received in 2005. 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 2005, the Company had a total of €68.6m (2004: €45.1m and 2003: €49.3m) due from TCCC, and a total amount due to TCCC of €92.0m (2004: €69.3m and 2003: €68.4m).

### **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 €44.2m, €27.8m and €21.4m for the years ended 31 December 2005, 2004 and 2003, respectively. At 31 December 2005, the Company owed €2.4m (2004: €1.2m, 2003: €0.1m) and was owed €0.4m (2004: €2.0m, 2003: €1.2m).

### **The Kar-Tess Group**

The Kar-Tess Group owned 71,848,182 shares in CCHBC as at 31 December 2005. This represented 29.9% (2004: 30.2%) of the issued share capital of CCHBC. The Kar-Tess Group owns 44.1% of Frigoglass S.A. (see below).

### **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 15.8% 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 €143.8m, €165.1m and €155.6m for the years ended 31 December 2005, 2004 and 2003, respectively. These purchases are comprised of coolers and related materials and containers. As at 31 December 2005, the Company owed €7.0m (2004: €17.6m, 2003: €9.5m) and was owed €0.9m (2004: €0.7m, 2003: €0.3m).

# Notes to the consolidated financial statements

## 23. Related party transactions (continued)

### **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 2005, our Nigerian subsidiary purchased chemicals, raw materials, spare parts and fixed assets totalling €9.9m (2004: €6.8m, 2003: €18.3) and incurred rental expenses of €1.1m (2004: €0.9m, 2003: €1.0m). At 31 December 2005, the Company owed €2.2m (2004: €0.8m, 2003: €0.9m) and was owed €0.2m (2004: €0.1m, 2003: €0.1m).

### **Plias S.A.**

Plias S.A. is related to the Company by way of some common shareholdings. In 2005, the Company made no sales of finished goods (2004: €3.8m, 2003: €14.9m) to Plias S.A. In 2005, the Company purchased finished goods of €0.8m (2004: nil, 2003: nil) and made no purchases of fixed assets (2004: €2.3m, 2003: €1.1m) from Plias S.A. At 31 December 2005, Plias S.A. and its subsidiaries owed €0.8m to the Company (2004: €11.3m, 2003: €6.3m) and were owed €0.1m (2004: €5.7m, 2003: nil). The net balance outstanding at 31 December 2005 was settled in January 2006.

### **Other Coca-Cola bottlers**

In 2005, the Company purchased €0.8m of finished goods from other Coca-Cola bottlers in which TCCC has significant influence (2004: €1.6m, 2003: €1.1m). At 31 December 2005, the Company owed €0.2m (2004: €0.1m, 2003: €0.2m) and was not owed anything (2004: nil, 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 did not sell any packaging materials to Brewinvest S.A. (2004: €0.2m, 2003: €0.4m) and purchased €11.7m of finished goods (2004: €11.3m, 2003: €5.7m) from Brewinvest S.A. At 31 December 2005, the Company owed €0.9m (2004: nil, 2003: nil) to Brewinvest S.A.

### **Multon Group**

The Company has a 50% interest in a joint venture, Multon, a juice producer in Russia. In 2005, the Company purchased €2.6m of finished products from Multon, and sold raw materials of €1.6m and €6.4m of fixed assets to Multon. At 31 December 2005, the Company owed €10.9m to Multon Group (refer to Note 3).

# Notes to the consolidated financial statements

## 24. Subsequent events

On 27 January 2006, our subsidiary 3E (Cyprus) Limited launched a public offer to the shareholders of Lanitis Bros Public Limited ("Lanitis Bros") for the acquisition of up to 100% of the issued share capital of Lanitis Bros. The consideration offered for each share in Lanitis Bros is CYP 0.172 in cash. As at 27 March 2006, a total of 238,559,665 shares or approximately 95.43% of the outstanding share capital of Lanitis Bros have either been tendered in response to the Public Offer launched by CCHBC's subsidiary, 3E (Cyprus) Limited on 27 January 2006, or purchased by 3E (Cyprus) Limited on the Cyprus Stock Exchange since 27 January 2006. The total consideration to be paid for the shares above is CYP 41.0m.

On 14 February 2006, the Company announced that it had agreed to acquire, jointly with TCCC, 100% of Traficante Group, a producer of high quality mineral water in Italy with significant water reserves. The acquisition includes two production facilities in the south, as well as the national source-water brand "Lilia" and "Lilia Kiss" (still and sparkling). The total net consideration for the transaction is estimated to be €35m (including debt but excluding acquisition costs). The transaction is subject to regulatory approval and is expected to be finalised in the second quarter of 2006.

On 24 February 2006, the production in the Athens plant ceased and was undertaken by our Schimatari plant (which is 40km away from Athens). On 10 March 2006, the operation of the warehouses of Messologi, Corfu and Rhodes ceased. These initiatives are expected to support the growth of the business as well as yield significant operating efficiency benefits in future years.

On 13 March 2006, we acquired, jointly with TCCC, 100% of Fresh & Co, one of the leading producers of fruit juices in Serbia and Montenegro. The acquisition includes a production facility located at Subotica and the juice and nectar brands "Next" and "Su-Voce". The net consideration for the transaction was €18.5m (excluding acquisition costs) with the assumption of debt of an additional €23.6m. CCHBC's share of the purchase price and debt was €21.0m. The deal has received both EU and Serbian Competition Authority approval.

On 24 March 2006, Coca-Cola HBC Finance plc issued a €350.0m 3-year Euro denominated floating rate bond with a coupon of 3 month Euribor +20 basis points. The transaction was executed under the existing €2.0bn Euro Medium Term Note Programme.

# 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, the Company adopted IFRS 3, *Business Combinations*, and ceased amortisation of indefinitely lived intangible assets at 1 January 2005. Impairment testing of the intangible assets occurs annually or more frequently if circumstances dictate.

## **Equity accounting**

CCHBC's interest in jointly controlled entities, Brewinvest S.A. and Multon Group, 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**

In 2005, under both IFRS and US GAAP, unrealised gains and losses on investments held as available-for-sale are recognised directly in equity. Under IFRS however, in 2004, the Company followed the preferred treatment whereby unrealised gains and losses on investments held as available-for-sale were recognised in the income statement.

## **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.

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

## 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

	2005 € million	2004 € million
Net income under US GAAP	298.9	272.1
Amortisation of indefinitely-lived intangible assets	-	(106.6)
Restructuring	2.0	(30.3)
Deferred tax <sup>1</sup>	7.2	(21.3)
Costs associated with equity transactions	-	(0.3)
Other	-	(6.9)
<b>Net income under IFRS</b>	<b>308.1</b>	<b>106.7</b>

## Reconciliation of shareholders' equity

	2005 € million	2004 € million
Shareholders' equity under US GAAP	2,923.3	2,561.0
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	(711.2)	(700.4)
Restructuring	(28.3)	(30.3)
Deferred tax	19.4	7.6
Employee entitlements	10.8	6.8
Other	11.4	8.4
<b>Shareholders' equity under IFRS</b>	<b>2,352.6</b>	<b>1,980.3</b>

<sup>1</sup> Including 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 2005 and a convenience translation into US dollars at the 31 December 2005 rate of €1 = \$1.1935. 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.

	Convenience translation 2005 US\$ million	As reported under US GAAP 2005 € million
<b>Statements of operations data:</b>		
Net sales revenue	5,530.6	4,633.9
Cost of goods sold	(3,282.0)	(2,749.9)
Gross profit	2,248.6	1,884.0
Selling, delivery and administrative expenses	(1,710.6)	(1,433.3)
Operating profit	538.0	450.7
<b>Net income</b>	<b>356.8</b>	<b>298.9</b>
<b>Other operating data:</b>		
Net cash provided by operating activities	650.7	545.2
Net cash used in investing activities	(678.4)	(568.4)
Net cash provided by financing activities	188.6	158.0
<b>Reconciliation of net income to cash operating profit:</b>		
Net income	356.8	298.9
Minority interests	12.5	10.5
Share of income of equity method investees	(28.5)	(23.9)
Income tax expense	133.4	111.8
Other expense	3.6	3.0
Other income	(3.0)	(2.5)
Interest income	(3.9)	(3.3)
Interest expense	67.1	56.2
<b>Operating profit</b>	<b>538.0</b>	<b>450.7</b>
Plus: depreciation of tangible assets	365.0	305.8
Plus: amortisation	0.2	0.2
Plus: impairment charges on property, plant and equipment	1.1	0.9
<b>Cash operating profit (COP)</b>	<b>904.3</b>	<b>757.6</b>
<b>Share and per share data:</b>		
Ordinary shares outstanding (number of shares)	240,692,002	240,692,002
Net income per share as reported:		
Basic	1.49	1.25
Diluted	1.49	1.25
Cash dividend declared per share	0.33	0.28
<b>Balance sheet data:</b>		
Franchise rights	2,382.7	1,996.4
Ordinary shares	143.6	120.3
Total assets	8,004.7	6,706.9
Net assets	3,489.0	2,923.3
Long term debt less current portion	1,525.8	1,278.4

# 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%).

## **'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; CSDs'**

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

## **'CARG'**

Compound Annual Growth Rate

## **'Coca-Cola HBC', '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

## **'cold drink equipment'**

A generic term encompassing point of sale equipment such as coolers (refrigerators), vending machines and postmix machines

## **'concentrate'**

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

## **'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

## **'Ireland'**

The Republic of Ireland and Northern Ireland

# Glossary of Terms

## **'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

## **'per capita consumption'**

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

## **'PET'**

Polyethyleneterephthalate, a form of polyester used to manufacture beverage bottles

## **'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

## **'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 contains forward-looking statements that involve risks and uncertainties. These statements may generally, but not always, be identified by the use of words such as 'believe', 'outlook', 'guidance', 'intend', 'expect', 'anticipate', 'plan', 'target' and similar expressions to identify forward-looking statements. All statements other than statements of historical facts, including, among others, statements regarding our future financial position and results, business strategy and the effects of our recent acquisitions on our business and financial condition, our future dealings with The Coca-Cola Company, budgets, projected levels of consumption and production, projected raw material and other 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 annual report on Form 20-F filed with the U.S. Securities and Exchange Commission (File No 1-31466).

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.





**Coca-Cola HBC**

9 Fragoklissias Street  
151 25 Maroussi  
Athens, Greece  
[www.coca-colahbc.com](http://www.coca-colahbc.com)