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**PASSION  
FOR  
EXCELLENCE**



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# FINANCIAL HIGHLIGHTS

In millions except per share data and ROIC	Financial indicators*			Reported figures		
	2006	2005	% change	2006	2005	% change
Volume (unit cases)	1,788	1,578	+13 %	1,788	1,578	+13 %
Net sales revenue	€ 5,616	€ 4,780	+17 %	€ 5,616	€ 4,780	+17 %
Gross profit	€ 2,253	€ 1,962	+15 %	€ 2,253	€ 1,962	+15 %
Operating profit (EBIT)	€ 576	€ 501	+15 %	€ 507	€ 461	+10 %
Net profit	€ 380	€ 320	+19 %	€ 334	€ 308	+8 %
Basic earnings per share	€ 1.58	€ 1.34	+18 %	€ 1.39	€ 1.29	+8 %
EBITDA	€ 905	€ 813	+11%	€ 875	€ 808	+8 %
ROIC	10.4%	9.4%	+100 bps			

**\*NOTE:** Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (refer table on page 35) and include the results of the acquired entities unless otherwise stated.

# SHORT PROFILE

COCA-COLA HBC IS ONE OF THE WORLD'S LARGEST BOTTLERS OF COCA-COLA PRODUCTS.

WE OPERATE IN 28 COUNTRIES, 16 OF WHICH ARE MEMBERS OF THE EUROPEAN UNION AND SERVE A POPULATION OF OVER 540 MILLION CONSUMERS.

WE REFRESH OUR CONSUMERS WITH ESTABLISHED GLOBAL BRANDS, COMPLEMENTED BY LOCAL PRODUCTS, OFFERING A FULL RANGE OF BEVERAGE CHOICES.

COCA-COLA HBC'S SHARES ARE LISTED ON THE ATHENS STOCK EXCHANGE (ATHEX: EEEK), WITH SECONDARY LISTINGS ON THE LONDON (LSE: CCB) AND AUSTRALIAN (ASX: CHB) STOCK EXCHANGES. COCA-COLA HBC'S AMERICAN DEPOSITARY RECEIPTS (ADRs) ARE LISTED ON THE NEW YORK STOCK EXCHANGE (NYSE: CCH).

# CHAIRMAN'S LETTER

Coca-Cola HBC enjoyed its best year to date in 2006. It was our sixth consecutive year of strong performance. We achieved a record net profit of €380 million, an increase of 19% over last year. These results reflect the culture of excellence we are applying across our operations. We constantly aim to provide superior financial results by being the preferred supplier to our customers and by offering unrivalled quality in end-outlet execution.

We have also further strengthened our beverage portfolio of juices, waters and low-calorie beverages to meet changing consumer needs and preferences. In 2006, we reached a milestone in our history, achieving sales of half a billion unit cases of non-carbonated beverages representing, one third of our sales.

We aim to create value not only for our shareholders and our customers but for all who come into contact with our business. To achieve this, we strive to balance financial performance with social and environmental goals. This is not only the right thing for the community but also the right thing for our own long-term success. During 2006, we continued to instil this philosophy into the way we conduct our business. For example, to address growing consumer concerns over obesity we helped develop industry commitments to the EU Platform on Diet, Physical Activity and Health.

We have also made progress in implementing certified management systems for quality, environment, health and safety achieving certification in 86% (ISO 9001), 72% (ISO 14001) and 27% (OHSAS 18001) of our facilities. We believe this to be one of the highest achievements in our industry.

Our drive for improved people development continues to gain momentum as we strive to build sustainable management capabilities. In 2006, Coca-Cola HBC was named the top destination for Irish graduates, the best place to work in the Ukraine and the third best workplace in Italy – as well as one of the top 100 employers in Europe.

As the Company continues to grow, the Board and I believe it is vital that we exercise a leadership position on issues surrounding sustainable development, which at the same time will underpin healthy financial performance.

As we focus on our 2007 goals, I commend both management and staff for their achievements and finally, thank our shareowners, our business partners, our customers and consumers for their continued support, for without them, our progress would not have been possible.

George A. David  
**CHAIRMAN**

# MANAGING DIRECTOR'S LETTER

Coca-Cola HBC delivered a strong performance in 2006, with sales volume of 1.8 billion unit cases, which was 13% ahead of 2005. Operating profit was up 15% to €576 million, while net profit increased to €380 million, 19% higher than 2005.

These excellent results were balanced across our country and beverage portfolios. Not only was there strong growth in our developing and emerging markets, but our established markets also showed improved volume performance. Both our carbonated and non-carbonated beverage portfolios demonstrate strong organic growth, and, as the economies in most of our developing and emerging markets continue to strengthen, we see longer-term growth potential.

We intend to grow carbonated beverages while continuing to broaden our range of non-carbonated beverages to meet changing consumer preferences. In 2006, we continued to focus on expanding our juice and water offerings by acquiring high quality local brands. We completed acquisitions of the Serbian juice group Fresh & Co and the mineral water operations of Fonti del Vulture in Italy, jointly with The Coca-Cola Company. We also completed the purchase of Lanitis Bros Limited of Cyprus, increasing the number of countries in which we operate to 28 and introducing dairy beverages into our portfolio. By the end of 2006, non-carbonated beverages had grown to represent 33% of our total sales volume, compared with 10% in 2001.

To ensure that these excellent results are sustainable over the longer-term, we implemented a new strategic initiative in 2006. 'Excellence Across the Board' focuses on developing best-in-class commercial and distribution capabilities, as well as streamlining the management of financial resources. In particular, we are building powerful route-to-market systems and dynamic partnerships with customers to ensure that our execution in the marketplace is unparalleled. At the same time, we seek to optimise the use of our financial working capital and rethink internal processes.

We are also working diligently to meet the challenges of our business environment. As the cost of raw materials continues to rise, we are driving supply chain efficiencies, rationalising our infrastructure and redeploying assets. In addition, we are optimising our production capacity and investing in PET and aseptic line technology. Lastly, we are focusing on product cost efficiency by reducing the weight of our packaging — with both financial and environmental benefits.

The fast-changing trade environment is becoming ever more sophisticated, with consolidation and a focus on value being key themes. We continue to exploit new channels and drive a profitable package mix to achieve unrivalled end-outlet execution. We are also investing in our 12,000-strong salesforce and developing strong marketing initiatives as we aim to be the preferred supplier to our customers. Our positive outlook is also underpinned by rising per capita consumption in most of our countries and a strong product innovation pipeline including the launch of Coke Zero in Greece, Switzerland, Ireland and other selected markets.

As we look further into 2007, based upon the solid operating performance we have seen since the inception of Coca-Cola HBC, we feel confident that we will be able to further strengthen our market position to deliver another year of strong earnings growth.

Doros Constantinou  
**MANAGING DIRECTOR**



# CONSISTENCY AND FOCUS

THE ACHIEVEMENT OF ANOTHER YEAR OF STRONG FINANCIAL PERFORMANCE BY COCA-COLA HBC IS THE RESULT OF THE CONSISTENT APPLICATION OF A PROVEN BUSINESS STRATEGY, A 'PASSION FOR EXCELLENCE' IN MARKETPLACE EXECUTION AND A FOCUS ON BUILDING THE CAPABILITIES OF OUR PEOPLE.



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# CONSISTENCY AND FOCUS

## RIGHT STRATEGIC FOCUS

Since the formation of Coca-Cola HBC in 2000, we have been delivering on our commitment to consistently grow our business by maintaining a market-driven strategic focus.

In line with our goal of driving sustainable earnings growth over the longer-term, we implemented in 2006, our new 'Excellence Across the Board' strategic initiative. At the core of this strategy is our continued focus on being the preferred supplier to our customers and building best-in-class commercial capabilities through dedicated training and development programmes. At the same time, we are improving the efficiency of our route-to-market systems to ensure the availability of our ever expanding range of products in the marketplace. The scope of this initiative is Group-wide and is expected to provide enduring financial benefits. In 2006, we further increased our presence in non-carbonated beverages through targeted acquisitions in Serbia and Italy. We also expanded our territorial reach to include Cyprus, while entering the dairy segment in this market.

Our capital commitments continue to be focused on revenue generating activities — expansion of production capacity across the carbonated and non-carbonated beverage categories and investment in cold drink equipment. During the year, we added carbonated soft drink capacity in Poland, Hungary, Bulgaria, Russia, Ukraine and Nigeria, and installed new aseptic lines to meet the growing demand for our preservative-free juice, tea and sports drink products.

We continue to pursue supply chain efficiencies as we aim to improve our competitiveness by containing costs. During the year, we achieved further packaging cost savings through the roll-out of the Ultra-light glass bottle and continued reduction of the weight of PET. We also expanded the use of recycled PET in some of our markets after modifying our infrastructure to satisfy environmental best practices.

Working with our suppliers and The Coca-Cola Company, we developed a new water bottle. This new bottle is optimally weighted, easy to hold and has strong consumer appeal. The package was launched under the Rosa water brand in Serbia, and there are plans to introduce it in additional markets in 2007.

## BUILDING PEOPLE CAPABILITIES

We remain committed to the long-term development of our people, supported by our training programmes and best practice conferences. Over 900 people across all functions and countries have completed our 'Foundation in Marketplace Excellence' and 'Excel' courses. These programmes provide the opportunity for our employees to apply our core values of leadership and team work to 'real-life' case studies, while enhancing business understanding through the transfer of best practices and cross-functional knowledge.

We have also defined an integrated model for selection, development, assessment and training at all levels in the organisation. This framework will enable us to develop a strong leadership pipeline and grow talent at Coca-Cola HBC, while utilising the large existing pool of skilled managers within the organisation.

Closely aligned to this initiative is our strategic leadership development programme which equips our senior management with the broader competencies required to manage the business, develop enduring relationships with key stakeholders and understand the implications of business decisions on the local community and environment. Our commitment to the development of our people across different functions and countries reflects our aim of shaping an organisation of future leaders who are capable of driving sustainable growth in a changing marketplace.

Over the past year, we have made progress in enhancing our sales capabilities, allowing us to offer tailored solutions to our customers across different selling channels. In 2006, we trained an additional 1,000 people within the commercial function across a number of our countries. We rolled out targeted training programmes that provide our sales people with the unique skills required to manage varying levels of customer relationships and commercial priorities. This contributed to an improvement in customer service levels in 2006, as measured by the results of an independent survey.



# CHOICE AND VARIETY

OUR PASSION FOR SATISFYING CHANGING CONSUMER TASTES AND PREFERENCES UNDERPINS OUR STRATEGY OF OFFERING A FULL PRODUCT PORTFOLIO OF NON-ALCOHOLIC BEVERAGES. TODAY, OUR PRODUCT PORTFOLIO CONSISTS OF 147 CARBONATED AND 461 NON-CARBONATED BEVERAGES ACROSS THE WATER, JUICE AND JUICE DRINKS, ENERGY DRINKS, SPORTS DRINKS, AND READY-TO-DRINK ICED TEA AND COFFEE CATEGORIES. WE OFFER OUR PRODUCTS IN A RANGE OF PACKAGE SIZES AS WE STRIVE TO ACHIEVE PROFITABLE VOLUME GROWTH ACROSS DIFFERENT RETAIL CHANNELS AND CONSUMPTION OCCASIONS. FOR EXAMPLE, IN IRELAND, WE INTRODUCED A 350ML 'MINI' PET BOTTLE FOR THE COCA-COLA AND DIET COKE BRANDS TO APPEAL TO A TARGET CONSUMER GROUP WITH A PREFERENCE FOR A 'MINI-SIZE' RESEALABLE PACKAGE.



# CHOICE AND VARIETY

## WELL BALANCED PORTFOLIO

Over the past six years, we have expanded our product portfolio in line with our clear strategic vision of becoming a more diverse non-alcoholic beverage company. The successful execution of this strategy has resulted in non-carbonated beverages accounting for 33% of our total volume today, from only 10% in 2001.

Our water portfolio consists of 31 water brands and accounts for around 19% of our total volume. As the water category continues to gain popularity amongst consumers, we are supporting profitable growth in this category through effective revenue growth initiatives and increased cooler placement to encourage impulse purchases of our immediate consumption packages. At the same time, we have significantly expanded our presence in juices through targeted local brand acquisitions and new product innovation, with this category now accounting for 10% of our total volume.

Our carbonated beverages grew by 6% in 2006, through our strong focus on quality end-outlet execution and on-going consumer shift to premium brands across several of our countries. This growth was led by the Coca-Cola trademark which grew 7%, following the successful launch of The Coke Side of Life integrated marketing campaign and strong promotional activation around the FIFA World Cup, Torino Winter Olympics and Christmas period across our markets.

## INNOVATION

The continued evolution of consumer lifestyles and tastes is leading to a proliferation of beverages in the marketplace. We aim to leverage the strength of our relationships with customers as well as the marketing and innovation capabilities of The Coca-Cola Company, to develop new product and packaging solutions for our consumers.

To satisfy a growing consumer preference for low-calorie products, we continued investing in increased marketing and promotional spend, contributing to the growth of the light/diet CSD category by 12% in 2006. As the light/diet CSD category represented only 6% of our total volume in 2006, we believe there are considerable opportunities for additional growth in our markets.

Further, changing consumer attitudes towards health and wellness have led to increased product segmentation in the juice category. In response to these trends, we introduced an Amita antioxidant juice range in Greece in raspberry and pomegranate flavours. In Russia, we launched a range of fortified juices enhanced with natural extracts and vitamins under both the Nico and Dobry trademarks as well as Live! Rich, a unique mix of seven fruits with seven vitamins.

In the water category, we are capitalising on growth opportunities by expanding into high value wellness waters under several of our existing brands. For example, Valser Viva in Switzerland, Römerquelle Emotion in Austria and Deep RiverRock Emotion in Ireland.

In 2006, we introduced Nestea Green Tea across a number of our Central and Eastern European countries with tremendous success. Ready-to-drink tea, although a relatively recent addition to our product portfolio, is one of our fastest growing beverage categories with considerable potential across all of our countries.

We also introduced products that can be consumed either hot or cold to meet seasonal requirements such as Amita Apple and Cinnamon in Greece.

During 2006, our packaging innovations included the introduction of the Burn aluminium bottle in Poland and a new sports cap water bottle under the trademark of Bonaqua in Russia, Avra in Greece and Kropla Beskidu in Poland. We introduced a new water package for the Rosa water brand in Serbia, a new 250ml premium glass bottle for Amita Motion in Greece and a 500ml Burn can in Russia.



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# Coca-Cola



# ENHANCED MARKET CAPABILITIES

## OUR PASSION FOR EXCELLENCE

AND ENHANCED MARKETPLACE CAPABILITIES REMAIN THE FOUNDATION FOR BUILDING SUSTAINABLE PROFITABLE GROWTH FOR OUR BUSINESS. WE ARE CONSTANTLY EXAMINING AND IMPROVING OUR ROUTE-TO-MARKET AND COMMERCIAL CAPABILITIES, EXCHANGING IDEAS WITH OUR CUSTOMERS AND EVOLVING OUR SUPPLY CHAIN TO RESPOND TO A CHANGING MARKETPLACE ENVIRONMENT.



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# ENHANCED MARKET CAPABILITIES

## ROUTE-TO-MARKET INITIATIVE

As we continue to expand our beverage portfolio to meet increased demand for choice from our consumers, it is critical that we build effective route-to-market systems that support the full availability of our products in the marketplace. In 2006, we rolled out our route-to-market initiative in Italy, resulting in a wider product range, improved customer service levels, expanded cooler placement and improved package and category mix. This contributed to a volume growth of 4% (excluding acquisition of Fonti del Vulture) in Italy and improved profitability.

The route-to-market project was expanded across Austria and Switzerland during the year. To support this initiative, in 2006 we added over 60 market developers in Switzerland and over 30 in Austria, resulting in increased outlet call frequency and coverage. This is expected to restore sustainable long-term growth in these markets.

## PASSION FOR MARKETPLACE EXECUTION

Coca-Cola HBC is full of talented and committed people who are passionate about excellence in marketplace execution. We are delivering unrivalled quality in end-outlet execution by sharing similar goals and values across our countries and by leveraging best practices.

Our passion for marketplace execution was exemplified through the commitment of our people during the Winter Olympic Games that were held in Torino in February 2006. During the Torino Olympic Games, approximately 3.5 million servings of our beverage products were provided at more than 35 Olympic sites. More than 200 people from 20 countries were part of a special Coca-Cola activation team focused on refreshing spectators, athletes, officials, volunteers and the media.

We also continue to increase the amount of cold drink equipment in our markets. This initiative continues to support the expansion of our brands in the marketplace and contributed to double-digit growth of our more profitable single-serve packages in 2006.

## CLOSE COLLABORATION WITH OUR CUSTOMERS

At Coca-Cola HBC, we continue to adapt our business to the changing needs of our customers. In 2006, we rolled out a number of customer-specific integrated programmes. We developed value-driven tailored solutions for our customers under our customer collaboration programme, as we aim to be their supplier of choice. This facilitates a cross-functional approach to planning for the purpose of better aligning our organisation with the way our customers do business.

Adopting this approach, we are able to create value for our customers through the preparation of joint annual sales plans encompassing promotional planning and revenue growth initiatives, inventory management and customer-specific cooler placement strategies. Using this truly collaborative approach, we have been able to capture revenue generating, as well as cost optimising opportunities for our customers. Following the success of these customer-focused initiatives in Italy, Switzerland, Hungary, Romania, Austria and the Baltic States, we are considering similar programmes for other countries.

In response to the changing retail environment we also continue to expand the availability of our brands in the discount trade channel. Working with discounters requires continuous identification of opportunities for minimising costs along the entire value chain, as well as offering the right product range. During 2006, we established successful relationships with discount trade customers across the majority of our countries.

## SUPPLY CHAIN

In 2006, we continued to realise further supply chain efficiencies by eliminating costs across the entire value chain. We streamlined our infrastructure assets in Greece, Nigeria and Bulgaria to enhance our competitiveness and support sustainable profitable growth in these countries.

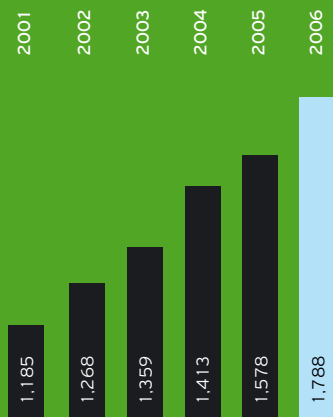
We also maintain our focus on building a network of regional production centres and view our production capacity as assets of the region, rather than belonging to an individual country.

During 2006, we continued to roll out a single SAP platform across the Group. The implementation of a common SAP platform facilitates alignment in processes across our countries as well as cross-functional planning. In addition, standardisation of reporting, analysis and monitoring across the Group offer scope for further cost savings, as well as incremental cash generation through effective working capital management.

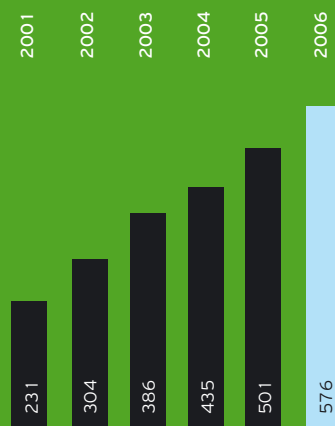


# 2006 FACT SHEET

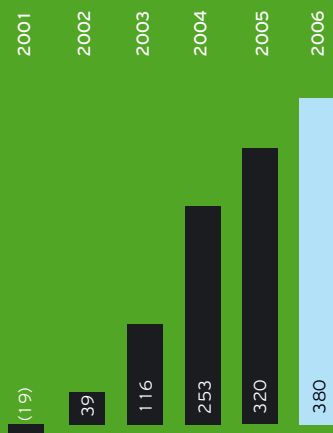
**VOLUME  
EVOLUTION**  
MILLION UNIT CASES



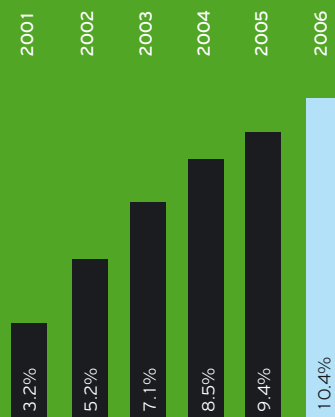
**EBIT**  
€ MILLION



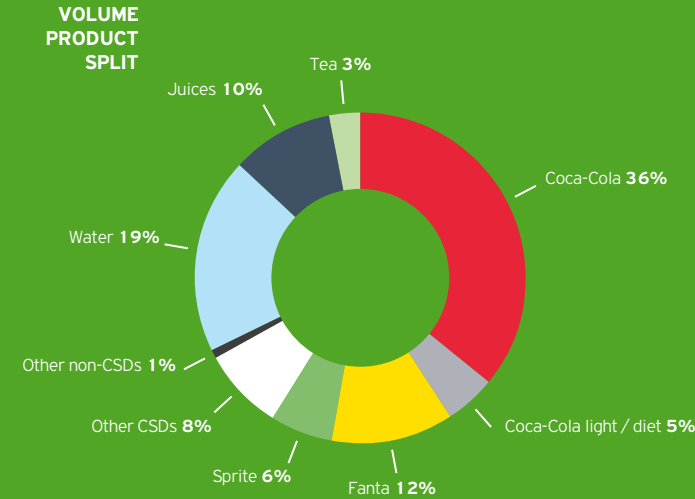
**NET  
PROFIT**  
€ MILLION



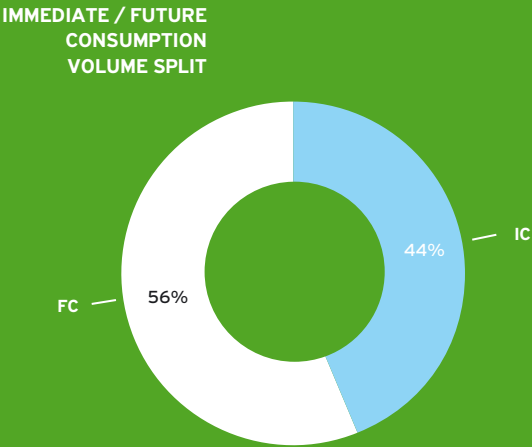
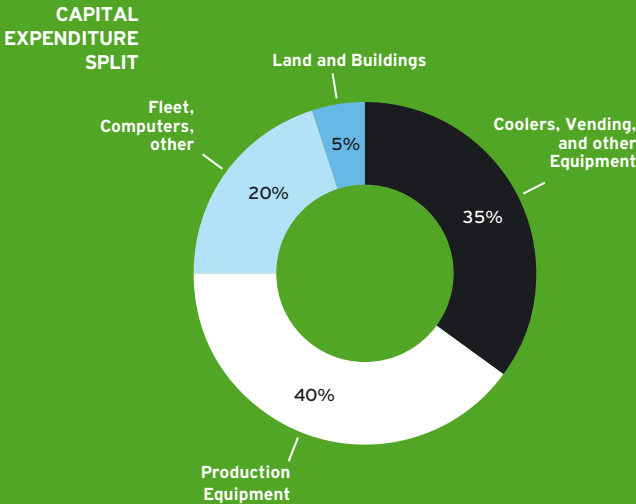
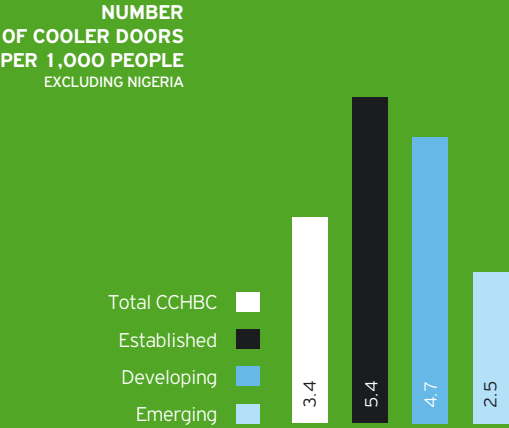
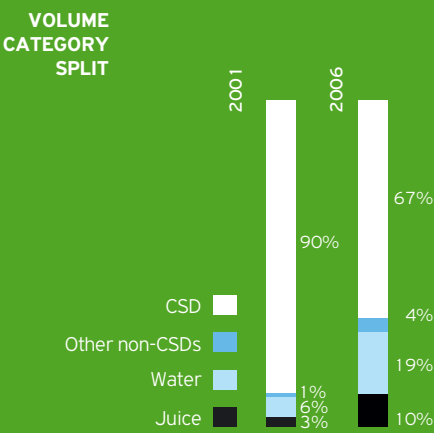
**ROIC**



**NOTE:** Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (refer table on page 35) and include the results of the acquired entities unless otherwise stated.

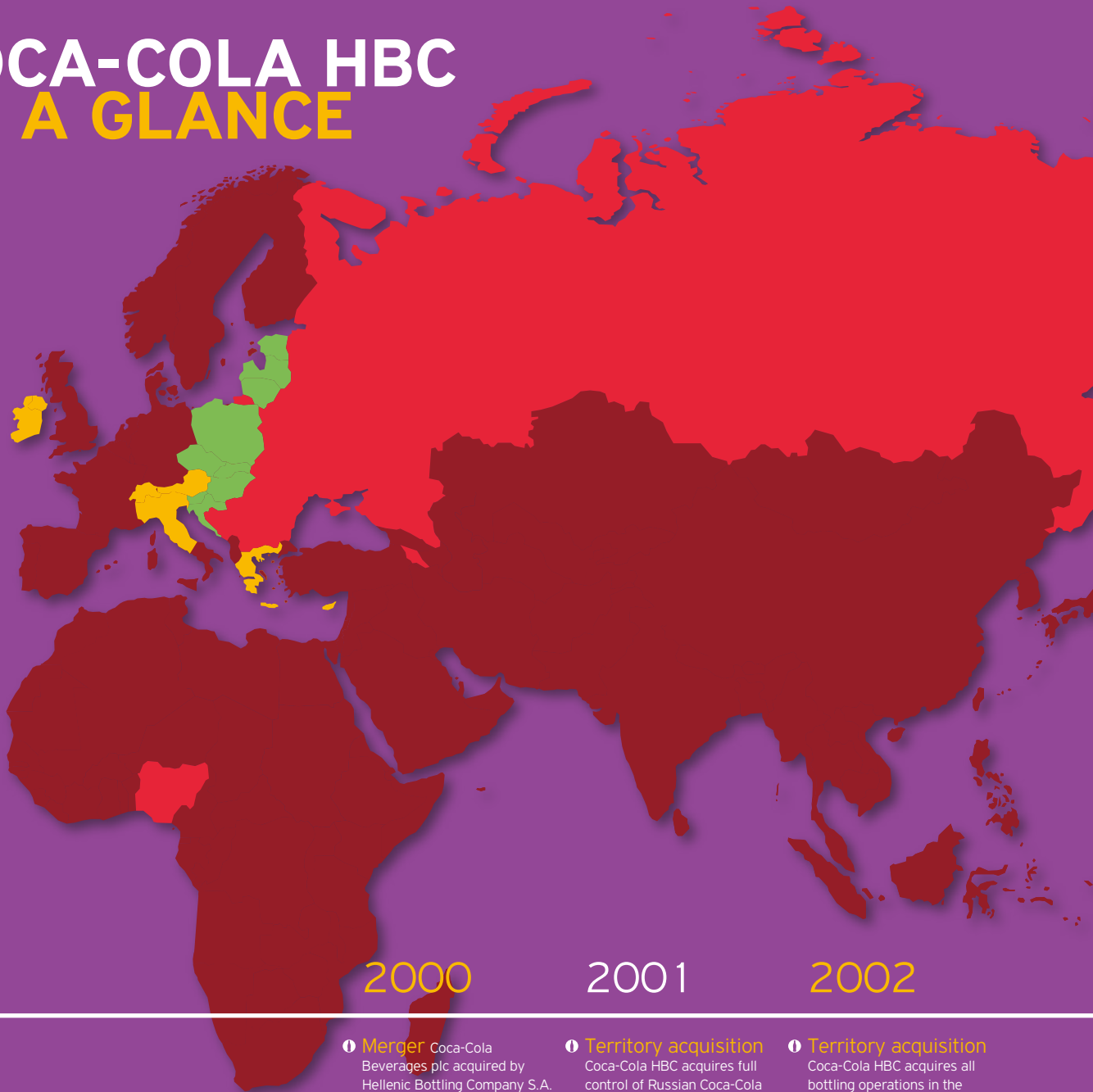


**NOTE:** 2006 figures include 100% of Multon Group and Fresh & Go which are managed as a joint venture and accounted for as such.



**NOTE:** Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (refer table on page 35) and include the results of the acquired entities unless otherwise stated.

# COCA-COLA HBC AT A GLANCE



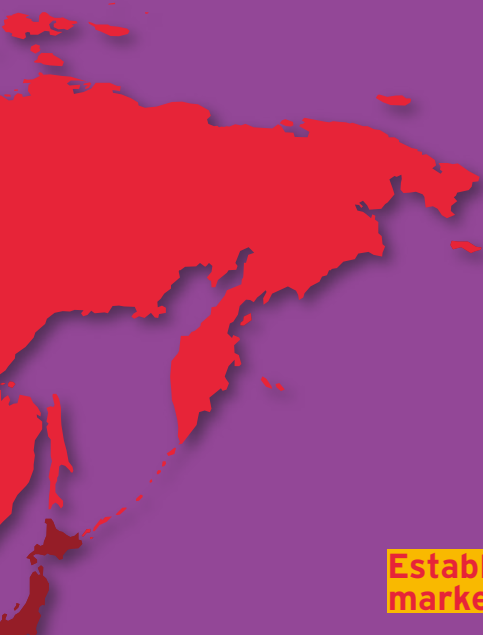
2000

2001

2002

## PRINCIPAL MILESTONES

- ❶ **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
- ❶ **Coca-Cola HBC** is included in the FTSE4GoodEurope Index which forms part of the FTSE4Good series of socially responsible indices. Companies included in the index successfully meet criteria in the areas of working towards environmental sustainability, developing positive relationships with stakeholders and upholding and supporting universal human rights
- ❶ **Territory acquisition** Coca-Cola HBC acquires full control of Russian Coca-Cola bottling operations
- ❶ **Territory acquisition** Coca-Cola HBC acquires all bottling operations in the Baltic States of Estonia, Latvia and Lithuania
- ❶ **Water acquisitions** Coca-Cola HBC expands its water presence with the acquisition of Valser Mineralquellen AG in Switzerland and Dorna Apemin S.A. in Romania
- ❶ **NYSE listing** Coca-Cola HBC lists its ADRs on the New York Stock Exchange



## Developing markets

Croatia  
Czech Republic  
Estonia  
Hungary  
Latvia  
Lithuania  
Poland  
Slovakia  
Slovenia

## Established markets

Austria  
Cyprus  
Greece  
Italy  
Northern Ireland  
Republic of Ireland  
Switzerland

## Emerging markets

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

2003

2004

2005

2006

- ❶ **Amita** juice brand, celebrates its 20th anniversary in Greece. Launched in 1983, it is the market leader in Greece with 29 flavours
- ❶ **The Coca-Cola Company** grants an extension to the bottler's agreements with Coca-Cola HBC until December 2013, with the right to request a further ten-year extension to 2023
- ❶ **Coca-Cola HBC** completes a leveraged recapitalisation plan and as a result returns €2 per share to shareholders
- ❶ **Water acquisitions** Coca-Cola HBC continues implementing its water strategy by acquiring Multivita sp. z o.o. in Poland and Römerquelle GmbH in Austria
- ❶ **Coca-Cola HBC** acquires 100% of the Greek potato chip company Tsakiris S.A.
- ❶ **Water acquisition** of Gotalka d.o.o, a mineral water company in Croatia
- ❶ **Eight** Coca-Cola HBC countries join the European Union
- ❶ **Coca-Cola HBC** is awarded a "Talent Management Award" by the US Institution of Quality and Productivity in Houston, Texas
- ❶ **Coca-Cola HBC** serves the Athens 2004 Olympic Games. 17,000 athletes and 3.5 million spectators consume Coca-Cola, PowerAde, Amita Motion and Avra products
- ❶ **Water acquisition** of Serbian mineral water company Vlasinka d.o.o. and of Bulgarian Bankya Mineral Waters Bottling Company E.O.O.D.
- ❶ **Juice acquisition** of Multon Z.A.O. Group, a leading Russian fruit juice company
- ❶ **Coca-Cola HBC** acquires Vendit Ltd, one of the largest independent vending operators in Ireland
- ❶ **Deep RiverRock** wins the Best Global TV Advertising Campaign, at the Bottled Water Global Awards in Dubai and becomes a UNICEF corporate champion in 2005
- ❶ **Coca-Cola HBC** becomes a participant in the UN Global Compact
- ❶ **Valser Viva** is recognised as the best wellness drink and most successful product innovation within this category by Switzerland's trade magazine Saldo
- ❶ **Juice acquisition** of Fresh & Co d.o.o. Group, a leading Serbian fruit juice company
- ❶ **Territory acquisition** Coca-Cola HBC expands territorial reach through acquisition of Lanitis Bros Public Limited in Cyprus
- ❶ **Water acquisition** of Fonti del Vulture S.r.l., a producer of high quality mineral water in Italy
- ❶ **Coca-Cola HBC** acquires Yoppi Kft, a hot beverages vending operator in Hungary
- ❶ **Coca-Cola HBC** sells over 500 million unit cases of non-CSDs for the first time in one-year
- ❶ **Kropla Beskidu** is voted 'Brand of the Year 2006' by Poland's number one marketing magazine 'Media & Marketing'
- ❶ **Ireland** awarded Best Environment-based CSR Project at the prestigious Chambers Ireland President's Awards for Corporate Social Responsibility
- ❶ **Bulgaria** wins the most reputable CSR award in the country, the Bulgarian Business Leaders Forum's 'Investor in the Environment' for the Green Danube Initiative 2006
- ❶ **Coca-Cola HBC** serves the Torino Winter Olympic Games. More than 200 people from 20 countries were part of a special Coca-Cola activation team focused on refreshing spectators, athletes, officials, volunteers and the media

06

# SHAREHOLDERS' INFORMATION

COCA-COLA HBC was formed through the combination of Hellenic Bottling Company S.A. and Coca-Cola Beverages plc on 9 August 2000. We have access to the world's major capital markets and an extensive international investor base. The primary market for our shares is the Athens Stock Exchange (ATHEX), where we trade under the ticker symbol EEEK. Our shares are also listed on the London Stock Exchange (LSE:CCB), the New York Stock Exchange in the form of ADRs (NYSE: CCH) and the Australian Stock Exchange in the form of CDIs (ASX:CHB).

## SHARE CAPITAL

On 20 December 2006, Coca-Cola HBC's share capital increased by €0.7 million by issuing 1,375,914 new ordinary shares as a result of the exercise of stock options. The share premium increased by €21.8 million as a result of this increase. After the increase, the share capital amounts to €121.0 million and is divided into 242,067,916 shares with a nominal value of €0.50 each.

## DIVIDEND INFORMATION

We typically pay dividends once a year. We have paid 15 consecutive annual dividends, starting in 1991. In 2003, we restructured our balance sheet through a leveraged re-capitalisation plan resulting in a capital return of €2 per share to shareholders. We will be proposing at our Annual General Meeting scheduled to take place on Wednesday 20 June 2007 in Athens a dividend for 2006 of €0.32 per share.

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
21 June 2006	22 June 2006	29 June 2006	€0.30
21 June 2007	22 June 2007	2 July 2007	€0.32

\*Greek drachmas, equivalent to €0.17

## CAPITAL RETURN

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

## TICKER SYMBOL

HLB (Reuters)  
EEEE GA (Bloomberg)

ADR RATIO: 1:1

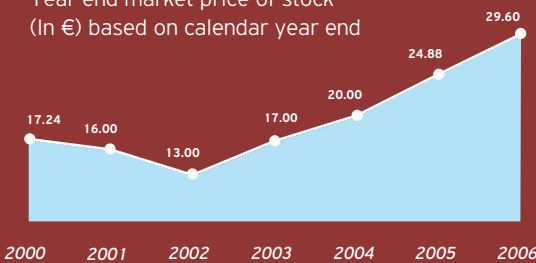
CDI RATIO: 1:1

## CREDIT RATING

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

## HISTORIC SHARE PRICE PERFORMANCE

Year end market price of stock  
(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@bankofny.com](mailto:shareowner@bankofny.com)  
Tel: 888.BNY.ADRS (toll free from within the US)  
Tel: +1 212 815 3700 (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 Coca-Cola HBC ADRs and reinvest dividends in Coca-Cola HBC 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

Coca-Cola HBC's registrar in Australia is:  
Computershare Investor Services Pty Limited  
GPO Box 7045  
Sydney, NSW 2001  
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 2007

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 Coca-Cola HBC, by contacting:  
Investor relations  
Tel: +30 210 618 3100  
Email: [investor.relations@cchbc.com](mailto:investor.relations@cchbc.com)

STOCK PRICE (€ PER SHARE) – ATHEX: EEEK

2006

Quarter ended	High	Low	Close
29 December	30.00	25.34	29.60
29 September	27.18	22.90	27.18
30 June	27.56	22.30	23.30
31 March	25.82	23.86	25.64

2005

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

GOVERNING BODY	NAME	NATIONALITY	COMPANY/ NOMINATED BY
----------------	------	-------------	--------------------------

<b>Chairman</b>	George A. David	British	The Kar-Tess Group
<b>Managing Director</b>	Doros Constantinou	Greek	Coca-Cola HBC
<b>Vice-Chairman</b>	Anastasios P. Leventis	British	The Kar-Tess Group
<b>Non-Executive Director</b>	Kent Atkinson	British	Independent
<b>Non-Executive Director</b>	Alexander B. Cummings	American	The Coca-Cola Company
<b>Non-Executive Director</b>	Antonio D'Amato	Italian	Independent
<b>Non-Executive Director</b>	Anastassis G. David	British	The Kar-Tess Group
<b>Non-Executive Director</b>	Irial Finan	Irish	The Coca-Cola Company
<b>Non-Executive Director</b>	Haralambos K. Leventis	British	The Kar-Tess Group
<b>Non-Executive Director</b>	Sir Michael Llewellyn-Smith	British	Independent
<b>Non-Executive Director</b>	Nigel Macdonald	British	Independent
<b>Non-Executive Director</b>	Samir Toubassy	American	Independent

<b>Chairman</b>	Kent Atkinson	British	Independent
<b>Member</b>	Nigel Macdonald	British	Independent
<b>Member</b>	Samir Toubassy	American	Independent

<b>Chairman</b>	Sir Michael Llewellyn-Smith	British	Independent
<b>Member</b>	Alexander B. Cummings	American	The Coca-Cola Company
<b>Member</b>	George A. David	British	The Kar-Tess Group

<b>Chairman</b>	Sir Michael Llewellyn-Smith	British	Independent
<b>Member</b>	Alexander B. Cummings	American	The Coca-Cola Company
<b>Member</b>	George A. David	British	The Kar-Tess Group

GOVERNING BODY

NAME

NATIONALITY

COMPANY/  
NOMINATED BY

The Disclosure  
Committee

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

The Operating  
Committee

Managing Director	Doros Constantinou	Greek	Coca-Cola HBC
Region Director	John Brady	American	Coca-Cola HBC
Supply Chain Services Director	Kleon Giavassoglou	Greek	Coca-Cola HBC
General Counsel and Company Secretary	Jan Gustavsson	Swedish	Coca-Cola HBC
Chief Financial Officer	Nik Jhangiani	American	Coca-Cola HBC
Human Resources Director	Bernard Kunerth	French	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

# DIRECTORS' BIOGRAPHIES

## GEORGE A. DAVID

Mr. 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 Petros Petropoulos AVEE and Titan Cement Co. SA. He is Chairman of Campion School, a trustee of the A.G. Leventis Foundation, a member of the Boards of the Hellenic Institute of Defence 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 PricewaterhouseCoopers 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.

## 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 their operations and, in particular, the expansion and development of their commercial activities. He is on the Board of Directors of Boval S.A., which has widespread investments worldwide, as well as on the boards of subsidiaries of Boval S.A. in Nigeria. Mr. Leventis is Chairman of the A.G. Leventis Foundation. On 4 April 1990, Mr. Leventis was 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 the Order of the Federal Republic of Nigeria in 2002. Mr. Leventis also serves on the councils of several non-profit organisations

## 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; a non-Executive Director and a member of the Audit Committee and the Strategy and M&A Committee of Gemalto N.V.; a Non-Executive Director, Chairman of the Audit Committee and a member of the Investment Committee of Standard Life plc; and Chairman of Link Plus Corporation. Mr. Atkinson is Chairman of our Audit Committee.

## ALEXANDER B. CUMMINGS

Mr. Cummings is President and Chief Operating Officer of the Africa Group of The Coca-Cola Company and is responsible for The Coca-Cola Company operations in Africa, which encompasses a total of 56 countries and territories across the continent. Born in Liberia, West Africa, Mr. Cummings joined The Coca-Cola Company in 1997 as Region Manager, Nigeria. In 2000, he was named President of The Coca-Cola Company North & West Africa Division. He assumed his current role in March 2001. Mr. Cummings is Chairman of The Coca-Cola Africa Foundation and is on the Boards of Africare, Clark Atlanta University and Executive Leadership Council. In addition to this board, Mr. Cummings is also a board member of the following bottling partner entities of The Coca-Cola Company - Coca-Cola Sabco (Pty.) Ltd., Equatorial Coca-Cola Bottling Company and The Coca-Cola Bottling Company of Egypt. Mr. Cummings is a member of our Human Resources Committee and Social Responsibility Committee.

## ANTONIO D'AMATO

Mr. D'Amato started his business career in 1979 with Cartoprint in Milan, part of the Finseda Group, a leading European company in the production of food packaging. He was employed in various capacities and in 1991, he became president of the Finseda Group. Since 1996, Mr. D'Amato has been a member of the board of directors of Confindustria, the Confederation of Italian Industry. From 1999 to May 2000, he was president of the Industrial Union of Naples. In May 2000, he was elected president of Confindustria. In August 2000, Mr. D'Amato was appointed vice president of UNICE (Union of Industrial and Employers' Confederations of Europe) and later that year became a member of CNEL (Italian National Council for Economy and Labour). In July 2001, he became president of the LUISS University in Rome, a leading private Italian university.

# DIRECTORS' BIOGRAPHIES

## ANASTASSIS G. DAVID

Mr. David graduated from Tufts University Massachusetts in 1993 and began his career in the Coca-Cola Bottling System in the United States. From 1994 to 1997, Mr. David held several positions in the Sales and Marketing departments of Hellenic Bottling Company S.A. During 1997, Mr. David worked for PricewaterhouseCoopers, focusing on accounting and business finance. From 1998 to date, Mr. David's principal activity has been as advisor to the Kar-Tess Group on its bottling investments. Mr. David was Chairman of Navios Corporation, a major bulk shipping company, from 2002 to 2005 and currently serves as a member on the Board of Directors of IDEAL Group S.A. and Aegean Airlines S.A. Mr. David is also a member of the Advisory Board of the Fares Center at Tufts University.

## IRIAL FINAN

Mr. Finan is Executive Vice President of The Coca-Cola Company and President of Bottling Investments and Supply Chain, a 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 appointed 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 Alltracel Pharmaceuticals and Chairman of their audit committee. He also serves as a non-Executive Director for Co-operation Ireland.

## 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 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, 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 is Chairman of our Human Resources Committee and Social Responsibility Committee.

## NIGEL MACDONALD

Mr. Macdonald was formerly a Senior Partner in Ernst & Young's UK practice, having been a partner for 27 years during which he served for a time as Vice Chairman of the Accounting and Auditing Committees of that firm's 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 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 Audit Committee. He is also chairman of a privately held retail business in London. Between 1994 and 2001, he was a member of the Industrial Development Advisory Board of the UK Government and, from 1992 until the end of 2004 he was a member of the Board of the British Standards Institute and Chairman of its Audit Committee. From 1990 until 2006 he was a member of the Review Panel of the Financial Reporting Council and 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.

## 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 is also a Board Member of the Olayan Financing Company and a Board Member of The Coca-Cola Bottling Company of Saudi Arabia. Mr. Toubassy serves on the Board of Trustees of Thunderbird – The Garvin School of International Management. He is a member of the Advisory Board for the Churchill Archives Centre, Churchill College, Cambridge University, a member of the Dean's Council, John F. Kennedy School of Government at Harvard University, and a member of the Aspen Institute's Middle East Strategy Group. Mr. Toubassy is a member of our Audit Committee.

# OPERATING AND FINANCIAL PERFORMANCE

**IN 2006** COCA-COLA HBC CONTINUED ITS STRONG PERFORMANCE, REPRESENTING THE SIXTH CONSECUTIVE YEAR OF DOUBLE-DIGIT BASIC EARNINGS PER SHARE GROWTH SINCE COCA-COLA HBC WAS FORMED. OPERATING PROFIT GREW AHEAD OF VOLUME, BUILDING ON OUR CONTINUED INVESTMENTS IN SALES FORCE CAPABILITIES, ONCE AGAIN DEMONSTRATING OUR ABILITY TO DRIVE PROFITABLE GROWTH IN CHALLENGING CONDITIONS.

During 2006, basic EPS grew by 18%, driven primarily by double-digit organic volume growth and solid revenue growth initiatives. The strong top-line performance across all reporting segments was supported by effective marketplace execution, increased penetration of cold drink equipment, balanced price realisation and favourable mix, allowing us to largely offset another year of significant raw material cost pressures.

Volume grew by approximately 11% excluding our acquisitions in Serbia, Cyprus, and Italy. Strong volume growth was achieved across all product categories and reporting segments.

CSD volume grew by 6% in 2006, mainly driven by growth of our core CSD brands. Trademark Coca-Cola grew by 7% supported by the successful launch of 'The Coke Side of Life' campaign and strong market activation around the 2006 FIFA World Cup event. Further, in response to on-going health and wellness trends, we continued to support the low-calorie CSD category with a higher level of marketing spend and promotional activities, resulting in growth of 12% over the previous year.

**NOTE:** Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (refer table on page 35) and include the results of the acquired entities unless otherwise stated.



The non-CSD category continued to deliver high double-digit growth, driven by water, juice, tea, sports and energy drinks. In line with our strategy to grow our presence in the non-CSD category, we completed acquisitions in Italy and Serbia. We also acquired Lanitis Bros Public Limited, the Coca-Cola franchisee in Cyprus which has a strong portfolio of non-CSD brands. Growth of non-carbonated beverages was further supported by our focus on new product and packaging innovation. As a result of targeted acquisitions and on-going innovation initiatives, non-carbonated beverages now account for 33% of our total volume compared to only 10% in 2001.

Volume (million u.c.)	2006	2005	% change
Established markets	614.5	563.5	+9%
Developing markets	344.8	305.9	+13%
Emerging markets	828.7	708.7	+17%
Coca-Cola HBC	1,788.0	1,578.1	+13%

# OPERATING AND FINANCIAL PERFORMANCE

Established markets



Established markets

Volume (million u.c.)	2006	2005	2004
Austria	85.2	86.8	89.7
Cyprus	11.9	-	-
Greece	149.4	144.9	145.8
Ireland	77.9	75.8	72.9
Italy	214.2	180.4	178.0
Switzerland	75.9	75.6	77.1
Total	614.5	563.5	563.5

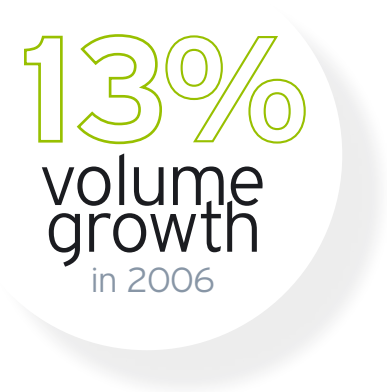
UNIT CASE VOLUME, in our established markets, (excluding the acquisition of Lanitis Bros, and Fonti del Vulture) was 575 million in 2006, 2% ahead of 2005 (including acquisitions — 615 million unit cases, 9% above 2005). In Italy, we achieved mid-single-digit growth, excluding the volume relating to our water acquisition. This strong performance reflects the successful roll-out of our route-to-market initiative across the country which led to expanded outlet coverage and increased penetration of our full product range. In Greece, modest growth in CSDs and mid-single-digit growth in non-CSD category contributed to an overall growth of 3% in 2006. Our operations in Ireland delivered solid volume growth over the year across all categories. Growth in the CSD category was led by mid-single-digit growth of the Coke trademark. In Austria and Switzerland, we continued to invest in building our commercial capabilities and our route-to-market, creating a solid platform for mid-term sustainable volume and profit growth.

Established markets contributed €270 million to the Group's EBIT (excluding acquisitions) for 2006, slightly below 2005. Italy achieved strong profit growth as investments in the route-to-market initiative began to deliver benefits. Volume decline and investments in building commercial capabilities in Austria led to a profit decline compared to 2005. Despite strong volume progress, profitability in Ireland was held back by pricing and unfavourable mix following a shift away from our profitable business in the licensed trade. Profitability in Greece was in line with last year as raw material cost pressures and higher levels of marketing and sales investments were offset by realised pricing in the marketplace.

**NOTE:** Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (refer table on page 35) and include the results of the acquired entities unless otherwise stated.

# OPERATING AND FINANCIAL PERFORMANCE

## Developing markets



**UNIT CASE VOLUME** in our developing countries, was 345 million for 2006, 13% above 2005. Most of our countries within the developing market segment reported double-digit volume growth led by strong contributions from Poland, Hungary and Czech Republic. Our on-going focus on marketplace execution, expanded cooler placement and brand building activities, all contributed to category share gains throughout the year across most product categories and countries. During the year, we achieved mid-single-digit volume growth in the CSD category driven by our core brands. Double-digit growth in the non-CSDs category was supported by increased outlet penetration and the introduction of new products and packaging. We launched Nestea Green Tea across most countries and introduced our Burn energy drink in Poland in a new aluminium package which has strong consumer appeal. The water category also grew strongly in both the immediate and future consumption channels with Bonaqua, Naturaqua and Kropla Beskidu, all benefiting from strong marketing support.

Developing markets contributed an EBIT (excluding acquisitions) of €82 million for the full year of 2006, an increase of 73% compared to 2005. This profit improvement was driven by strong volume growth, pricing initiatives and product mix benefits resulting from strong growth of our high value core brands. Our key markets of Poland, Hungary and Czech Republic were the most significant contributors to profit growth.

### Developing markets

Volume (million u.c.)	2006	2005	2004
Baltic States	24.1	20.0	16.9
Croatia	26.6	25.4	23.5
Czech Republic	52.2	45.3	42.3
Hungary	84.9	74.7	69.2
Poland	133.1	118.7	98.0
Slovakia	18.9	17.4	14.4
Slovenia	5.0	4.4	4.0
Total	344.8	305.9	268.3

**NOTE:** Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (refer table on page 35) and include the results of the acquired entities unless otherwise stated.

# OPERATING AND FINANCIAL PERFORMANCE

## Emerging markets

17%  
volume  
growth  
in 2006

### Emerging markets

Volume (million u.c.)	2006	2005	2004
Armenia	4.7	4.2	4.1
Belarus	15.9	13.5	10.7
Bosnia and Herzegovina	13.9	12.5	13.1
Bulgaria	51.3	41.3	35.3
FYROM	10.4	8.3	8.7
Moldova	2.3	1.8	1.4
Nigeria	142.2	143.6	130.1
Romania	145.6	123.5	106.0
Russia	314.9	260.1	188.7
Serbia and Montenegro	53.5	39.0	38.8
Ukraine	74.0	60.9	44.0
Total	828.7	708.7	580.9

**UNIT CASE VOLUME** in our emerging markets, excluding the acquisition of Fresh & Co in Serbia, was 826 million for 2006, 17% above 2005 (including acquisitions — 829 million unit cases, 17% above 2005). With the exception of Nigeria, volume in all countries grew in double digits over the full year. The CSD category grew in the high single digits, with all non-CSD categories achieving strong double-digit growth. We made significant progress in expanding the presence of our non-CSD brands in this segment, accounting for 37% of our total volume for the full year. In Russia, we achieved low double-digit growth in the CSD category and high double-digit growth across all non-CSD categories. Multon achieved strong double-digit organic growth as we continued to expand our coverage of Multon branded coolers and capture category growth opportunities through new product innovation. In Romania, Bulgaria and Ukraine, our continued focus on quality market execution resulted in double-digit growth across all product categories.

Emerging markets contributed €217 million to the Group's EBIT (excluding acquisitions) for the full year, representing an increase of 19% over 2005. Solid double-digit volume growth across almost all markets and favourable pricing and mix were the main drivers of the significant profit improvement.

**NOTE:** Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (refer table on page 35) and include the results of the acquired entities unless otherwise stated.

# OPERATING AND FINANCIAL PERFORMANCE

## 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 Group. 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 indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, exceptional items (see below) and include the results of acquired entities unless otherwise stated. Our key performance measures for the growth of our business and its profitability in 2006 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 tax\* divided by average invested capital (total equity plus interest-bearing debt).

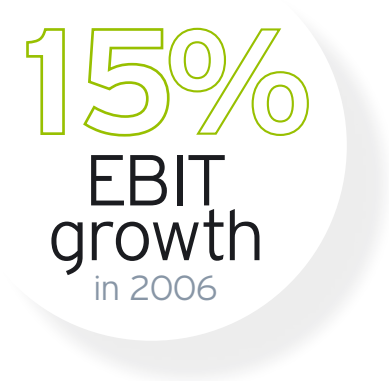
### Reconciliation of reported figures to financial indicators

In euro millions except per share data	Volume (unit cases)	EBIT	Net profit	Basic earnings per share
<b>Reported figures</b>	<b>1,788.0</b>	<b>507.1</b>	<b>333.7</b>	<b>1.39</b>
Recognition of pre-acquisition tax losses	-	7.8	-	-
Restructuring costs – cash	-	36.0	26.5	0.10
Restructuring costs – non-cash items	-	15.8	11.9	0.05
Bottle impairment – non-cash	-	15.1	11.7	0.05
Gain from the sale of the production site in Dublin	-	(14.8)	(13.2)	(0.05)
Provision for the Greek Competition Authority fine	-	9.3	9.3	0.04
<b>Financial indicators</b>	<b>1,788.0</b>	<b>576.3</b>	<b>379.9</b>	<b>1.58</b>
Acquisitions in 2006	(42.0)	(7.6)	(2.1)	(0.01)
Financial indicators, excluding acquisitions	1,746.0	568.7	377.8	1.57

\*NOTE: Tax is adjusted for the recognition of pre-acquisition tax losses, restructuring costs, exceptional items and include the results of acquired entities.

# OPERATING AND FINANCIAL PERFORMANCE

Financial results for the year



## Net sales revenue

Net sales revenue increased by approximately 17% in 2006 compared to 2005. Excluding acquisitions, on a currency neutral basis, net sales revenue per unit case for the Group increased by approximately 4% in 2006 compared to 2005. All segments achieved significant net sales revenue per unit case progress, with the established markets growing by approximately 3%, the developing markets by 4%, and the emerging markets by 8%. This positive result has been achieved through strong revenue growth initiatives including pricing as well as favourable mix.

## Capital expenditure

Coca-Cola CHBC's capital expenditure, net of receipts from disposal of assets and including principal repayments of finance lease obligations, in 2006 amounted to €502 million, compared with €410 million in 2005.

## Operating profit (EBIT)

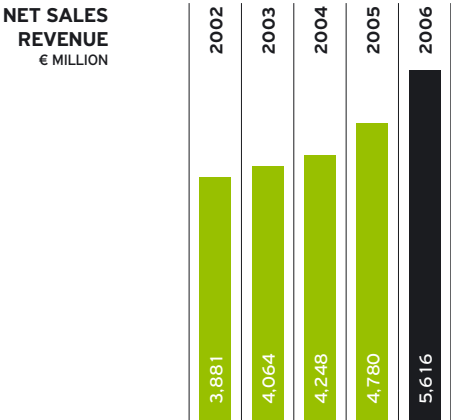
Operating profit (EBIT) increased to €576 million, 15% above 2005. This result, was achieved through solid organic volume growth coupled with significant growth in revenue per unit case, which allowed us partly to offset continuing cost pressures. This EBIT growth has been achieved while maintaining our commitment to long-term investments in the marketplace.

## Net profit

Net profit for the full year of 2006 increased to €380 million, 19% above 2005.

## Cash flow

Cash flow generated from operating activities amounted to €773 million for 2006, up from €619 million in 2005, resulting from solid EBITDA growth and flat working capital despite strong growth in our business, as well as from acquisitions. After deducting net capital expenditure, cash flow was €271 million during 2006, compared to €209 million in 2005.



**NOTE:** Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (refer table on page 35) and include the results of the acquired entities unless otherwise stated.

# OPERATING AND FINANCIAL PERFORMANCE

## Treasury and funding

### Management of financial risk

Certain financial risks faced by Coca-Cola HBC 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 Coca-Cola HBC and all its subsidiaries in a controlled manner, consistent with the Board of Directors' approved policies.

These policies include:

- ① 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; and
- ① 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 Coca-Cola HBC 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 2006, Coca-Cola HBC had consolidated borrowings of €1,905 million (€1,903 million in 2005) and consolidated cash and cash equivalents of €306 million (€182 million in 2005). Of this €1,905 million, 84% was classified as non-current debt and 16% as current debt.

# OPERATING AND FINANCIAL PERFORMANCE

## Treasury and funding

### 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. 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 fixed rate 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 2006, our Group had approximately €550 million of notional amount of interest rate options, maturing in 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:

- ❶ 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;
- ❷ devaluations of weaker currencies that are accompanied by high inflation and declining purchasing power can adversely affect sales and unit case volume; and
- ❸ 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 mainly using currency forwards.

### Derivative financial instruments

We use derivative financial instruments, such as forward exchange contracts and currency options, to reduce further 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 exposure 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.

# OPERATING AND FINANCIAL PERFORMANCE

## Contingencies and legal claims

The Greek Competition Authority issued a decision on 25 January 2002, imposing a fine on us of approximately €2.9 million for certain discount and rebate practices and required changes to our commercial practices with respect to placing coolers in certain locations and lending them free of charge. On 16 June 2004, the fine was reduced on appeal to €1.8 million. On 29 June 2005, the Greek Competition Authority requested that we provide information on our commercial practices as a result of a complaint by certain third parties regarding our level of compliance with the decision of 25 January 2002. On 7 October 2005, we were served with notice to appear before the Greek Competition Authority. On 14 June 2006, the Greek Competition Authority issued a decision imposing a daily penalty of €5,869 for each day we failed to comply with the decision of 25 January 2002. The Greek Competition Authority imposed this penalty for the period from 1 February 2002 to 16 February 2006, resulting in a total of €8.7 million. On 31 August 2006, we deposited an amount of €8.9 million, reflecting the amount of the fine and applicable tax, with the Greek authorities. This deposit was a prerequisite to our filing of an appeal pursuant to Greek law. As a result of this deposit, we increased the charge to our financial statements in connection with this case to €8.9 million. We also incurred consulting fees and additional expenses of €0.4 million in connection to this case. We believe that we have substantial legal and factual defences to the Authority's decision.

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 €7.7 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. We have not provided for any losses related to this case.

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 customs duties than the current classification should apply. In the past, such issues were successfully resolved in most of these countries. We still have several cases outstanding before the Romanian customs authorities and courts. While we have won appeals of several cases to the Romanian Supreme Court, the Romanian Supreme Court has ruled against us in two cases. We believe that we have legal and factual support for our position, which is consistent with the customs classification standards adopted by the European Union, and will continue to oppose the position taken by the Romanian customs authorities. However, it is not possible to quantify the likelihood of any potential liability arising from these legal proceedings due to the legal uncertainty surrounding customs duties in Romania prior to Romania's accession to the European Union. If we were to become liable to pay all claims of the Romanian customs authorities, the amount payable would be approximately €14.2 million. We have made a provision for €2.7 million of this amount, relating to the cases that we have lost before the Romanian Supreme Court.

We are also involved in various other legal proceedings. We believe 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 Group taken as a whole.

Our tax filings are routinely subjected to audit by tax authorities in most of the jurisdictions in which we conduct business. These audits may result in assessments of additional taxes. We provide for additional tax in relation to the outcome of such tax assessments, to the extent that a liability is probable and estimatable.

# 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 IN LINE WITH INTERNATIONAL BEST PRACTICES.



## 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 A. David is Chairman and Mr. Doros Constantinou is Managing Director. The biographies of the Company's directors can be found on page 28.

The non-Executive members of the Board include representatives of major shareholder interests as outlined 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 independent and jointly designated by the Kar-Tess Group and The Coca-Cola Company.

We recognise the important role of independent non-Executive Directors in ensuring 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 business plans. 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 Company expense. All directors also have full access to the Managing Director, senior managers and our external and internal auditors.

# CORPORATE GOVERNANCE

## 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 Coca-Cola HBC'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, Coca-Cola HBC 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 three non-Executive Directors: Sir Michael Llewellyn-Smith (Chairman), Mr. Alexander B. Cummings and Mr. George A. David. From Coca-Cola HBC'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:

- ❶ establishing the principles governing human resources policy and the compensation policy of the Company, which will guide management decision-making and action;
- ❷ overseeing succession planning, policy making and approving the appointments and terminations of senior managers of the Company;
- ❸ overseeing the talent management framework for the Company to ensure that there is a continuous development of talent for key roles;
- ❹ establishing the compensation strategy for the Company and approving Company-wide compensation and benefit plans and compensation for senior managers;
- ❺ making recommendations to the Board of Directors on compensation of the Managing Director; and
- ❻ making recommendations to the Board of Directors concerning potential non-executive directors, drawing on the best available outside resources.

# CORPORATE GOVERNANCE

## The Audit Committee

The Audit Committee comprises three non-Executive Directors: Mr. Kent Atkinson (Chairman), Mr. Nigel Macdonald and Mr. Samir Toubassy. The Committee operates under a written charter and its duties include:

- ❶ making recommendations to our shareholders in relation to the appointment, selection and termination of our external auditors and approving the remuneration and terms of engagement of the external auditors;
- ❷ discussing with the external auditors before the audit commences the nature and scope of the audit;
- ❸ reviewing our annual financial statements before submission to the Board, focusing particularly on any changes in accounting policies and practices, major decision areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards and compliance with any applicable stock exchange and legal requirements;
- ❹ discussing issues arising from the interim reviews and annual audits and any matters the external auditors may wish to discuss;
- ❺ reviewing the internal audit programme, receiving summaries of internal audit investigations and management's response and considering the responses of the internal audit department to any reports or communications submitted by the external auditors;
- ❻ reviewing the effectiveness of corporate governance and internal control system and, in particular, the external auditor's management letter and management's response;
- ❼ reviewing and recommending approval to the Board of our Code of Business Conduct, as well as our Treasury Policy and Chart of Authority, which provide the control framework for all transactions;
- ❽ administering and enforcing, in conjunction with the Board of Directors, our Code of Ethics for senior executives and directors; and
- ❾ establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Company

employees of concerns regarding questionable accounting or auditing matters.

The committee meets at least four times a year. Our Chief Financial Officer, as well as our General Counsel, our external auditors and the Head of our internal audit team, normally attend all meetings of the Audit Committee. The Committee also meets with the external auditors without others being present.

The Audit Committee is also responsible for the oversight and monitoring of the Company in compliance with Sarbanes-Oxley Act, Section 404, regarding internal control over financial reporting.

## 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 consists 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. 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.

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.

# CORPORATE GOVERNANCE

## The Disclosure Committee

The Company has established a Disclosure Committee and adopted disclosure controls and procedures to ensure the accuracy and completeness of the Company's public disclosures. The Disclosure Committee comprises the Company's Chief Financial Officer, General Counsel, Director of Investor Relations and Corporate Controller.

## 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 previous 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 Coca-Cola HBC 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 the protection of Coca-Cola HBC's earnings stream and management of its 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. The risk identification, assessment and management process has formed part of our annual Business Plan activities since 2001. It consists of four stages:

- ❶ pre-Business Plan workshop risk assessment at country and Group level involving all senior management;
- ❷ alignment of key identified business risks with specific Business Plan activities during Business Plan preparation;
- ❸ post-Business Plan country and Group level review of the effectiveness of risk management action plans; and
- ❹ regular audit of progress in management of key risks.

Our Company has insurance coverage in place to provide catastrophic 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.

# CORPORATE GOVERNANCE

## 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 composed of independent members.

Based on the shareholders' agreement between the Kar-Tess Group and The Coca-Cola Company, 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. Nigel Macdonald and Mr. Samir Toubassy.

Our Human Resources Committee, which fulfils certain duties of both a nominating/corporate governance committee and a compensation committee, consists of Mr. Alexander B. Cummings, Mr. George A. David and Sir Michael Llewellyn-Smith. 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 on-going debates and rulemaking projects in Greece, Europe and the United States in order to ensure that our corporate governance systems remain in line with international best practices.

## The Social Responsibility Committee

The Social Responsibility Committee comprises three non-Executive Directors: Sir Michael Llewellyn-Smith (Chairman), Mr. Alexander B. Cummings and Mr. George A. David. 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:

- ❶ oversee the development and supervision of procedures and systems to ensure the achievement of the Company's citizenship social and environmental goals;
- ❷ establish principles governing corporate social responsibility and environmental goals;
- ❸ ensure transparency and openness at all levels in the Company's business conduct in the context of the Company's pursuit of its corporate social responsibility and environmental goals;
- ❹ establish an Operating Council responsible for developing and implementing appropriate policies and strategies to achieve the Company's citizenship and environmental goals and ensuring Group-wide capabilities to execute such policies and strategies;
- ❺ ensure and oversee the Company's communication to stakeholders of its citizenship and environmental policies, goals and achievements, including the level of compliance with internationally accepted standards; and
- ❻ consider other topics as appropriate.

# REMUNERATION POLICY AND SENIOR MANAGERS' COMPENSATION

## WE AIM TO PROVIDE <sup>TOTAL</sup>

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. OUR EMPHASIS IS ON LINKING PAYMENT WITH PERFORMANCE BY REWARDING EFFECTIVE MANAGEMENT OF BUSINESS PERFORMANCE, AS WELL AS INDIVIDUAL ACHIEVEMENT.

# REMUNERATION POLICY AND SENIOR MANAGERS' COMPENSATION

## 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 economic profit, as well as individual accomplishments against annual objectives. 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'). 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.

## 3 Long-term incentive plan

All middle and senior management, excluding our executive team, participate in the Coca-Cola HBC 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. 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 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 Coca-Cola HBC Stock Option Plan. Options are viewed as an integral part of the total remuneration package for senior managers. Options are granted at an exercise price equal to the average value of the mid-price quotation of the Company's shares at close of trading on the Athens Stock Exchange over the last ten working days before the date of grant. Options vest in one-third increments each year for three years and can be exercised for up to ten years from the date of grant.

The number of options awarded are approved by the Board of Directors upon the recommendation of the 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.

# REMUNERATION POLICY AND SENIOR MANAGERS' COMPENSATION

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 stock option grants during 2006.

## 5 Pension and other benefits

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



# SOCIAL RESPONSIBILITY

**COCA-COLA HBC** STRONGLY BELIEVES  
THAT MEETING ITS SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES  
IS AN ESSENTIAL PART OF ITS CURRENT COMMERCIAL SUCCESS  
AND LONG-TERM FUTURE PROFITABILITY.

OUR COMMITMENT TO THESE SOCIAL AND ENVIRONMENTAL  
RESPONSIBILITIES 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 which meet 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.

# SOCIAL RESPONSIBILITY

Coca-Cola HBC's commitments, resources, efforts and progress toward achieving Corporate Social Responsibility (CSR) goals are detailed in our annual Social Responsibility Report available on our website at [www.coca-colahbc.com](http://www.coca-colahbc.com). In 2004, the report was structured to comply with the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), making it the first 'in-accordance' report by 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.

In order to oversee and guide its social and environmental progress, Coca-Cola HBC has a Social Responsibility Council which reports to the board-level Social Responsibility Committee chaired by independent non-Executive Director Sir Michael Llewellyn-Smith.

During 2006, the Council adopted the concept of Technical Stewardship as part of the overall group governance and management process. Technical Stewardship, as defined by Coca-Cola HBC, provides a direct link with operational initiatives to our group CSR programme and covers the scope of compliance to standards, management system implementation and certification, and audit in the areas of quality, environment and occupational health and safety.



# SOCIAL RESPONSIBILITY

## Marketplace



COCA-COLA HBC IS DEDICATED TO OPERATING IN THE MARKETPLACE USING THE HIGHEST STANDARDS OF BUSINESS PRACTICE, AND SERVING CONSUMERS ETHICALLY AND RESPONSIBLY.

Throughout 2006, Coca-Cola HBC continued to demonstrate its commitment to quality by achieving ISO 9001: 2000 at 70 of its 81 manufacturing sites (approximately 92% of volume), including five additional mineral water facilities and one juice facility. Coca-Cola HBC also further advanced ISO 9001: 2000 certifications in its supply chain achieving a total of 15 cold drink operations and 13 distribution and marketplace certifications during the year. New acquisitions will meet this goal within two years of joining the Group. Coca-Cola HBC has targeted an additional four distribution and marketplace operations and four cold drink operations for certification in 2007.

During the year, Coca-Cola HBC continued to expand the range of products offered to consumers by introducing new flavours and packages and entering new categories. Examples include the launch of Valser Viva in Switzerland, Dobry and Nico in Russia, Amita antioxidant juice range in Greece, flavoured milk products in Cyprus and the introduction of Nestea Green Tea, to a number of our markets.

Coca-Cola HBC recognises public concern about health issues, particularly in relation to obesity and chronic illnesses associated with poor diet and the lack of physical activity. Among the measures the Company is taking is the extension of our already diverse range of beverage options. Throughout its history, Coca-Cola HBC has been constantly adding non-carbonated beverages to its product portfolio.

By the end of 2006, our beverage varieties consisted of 147 carbonated and 461 non-carbonated products, including 31 water brands. This wider choice of beverage brands has resulted in 33% of sales volume now being in non-CSD drinks as opposed to only 10% in 2001.

Coca-Cola HBC continues to strengthen its commitment to the responsible marketing of its products, particularly with regard to the interests of children. We and other beverage manufacturers, through the beverage industry association, UNESDA, have made concrete commitment in this

area to a stakeholder forum organised by the EU Commission called the EU Platform for Action on Diet, Physical Activity and Health.

Working with the industry, we have created a Guideline Manual relating to achieving compliance with these industry commitments. This manual has been distributed to marketing departments, the sales force and public affairs and legal teams across all European territories of the Company. To ensure that the manual is thoroughly understood and the UNESDA commitment applied, internal workshops are being conducted regularly with all relevant employees.

In line with the Company's commitments, throughout 2006 we have avoided appealing to children. Coca-Cola HBC launched an initiative to stop any direct commercial activities with soft drinks in primary schools unless otherwise requested by school authorities.

Considerable progress was also achieved in offering a full range of beverages in secondary schools (including water, juices and beverages in low-calorie/calorie-free categories), along with installation of unbranded vending machines carrying images promoting a healthy and active lifestyle. Over the past year Coca-Cola HBC has made concerted efforts to not only implement, but also ensure the independent monitoring of its sales and marketing commitments. Independent third-party auditors have been engaged to monitor progress on the implementation of the commitment on behalf of the beverage industry. While full findings are not available for the purposes of this document, preliminary reports are encouraging. Our full report will be delivered to the European Commission and the Platform on Diet and Health.

# SOCIAL RESPONSIBILITY

## Workplace



EMPHASIS ON FOUR IMPORTANT ELEMENTS OF CSR WITHIN THE WORKPLACE: OCCUPATIONAL HEALTH AND SAFETY; EMPLOYEE ENGAGEMENT; EMPLOYER BRANDING; AND THE DEVELOPMENT OF DEFINITIVE CSR OBJECTIVES FOR THE SENIOR LEADERSHIP OF THE COMPANY.

Coca-Cola HBC continued to implement the OHSAS 18001 standard, with an additional 13 operations achieving certification, resulting in a total of 22 operations (approximately 40% of volume) certified throughout the Group. The planned number of 2006 certifications was not fully achieved, partly due to the need for additional auditor training to support the certification programme. As a result of this identified need, Coca-Cola HBC, in conjunction with external providers, developed and participated in an intensive programme of Auditor training and calibration. In 2007, 15 OHSAS 18001 certification audits are scheduled.

A number of regional meetings have been conducted to strengthen management engagement in the Group occupational health and safety programme. These meetings focused on management responsibility and cross-functional objective setting to drive the programme forward more effectively in 2007.

During the coming year, Coca-Cola HBC will work to reduce the number of workplace road traffic accidents, focusing especially on Nigeria.

A Coca-Cola HBC Employee Engagement Survey was carried out in March 2006 and provided the opportunity to employees to give confidential feedback on how the Company is performing in the core areas of work environment, employee development, management style and quality of leadership within Coca-Cola HBC.

In this survey, 79% of employees across all the territories in which we operate participated. The results have shaped a programme of actions that directly respond to the issues raised and seek to enhance overall levels of employee engagement.

In tandem with the Coca-Cola HBC Employee Engagement Programme, participative workshops helped the Company to define the qualities and values that are at the core of its Company identity. Employees have adopted 'a passion for excellence' as the quintessential Coca-Cola HBC Employer Brand. The Group's employer brand will also be communicated externally in recruitment campaigns.

To reinforce the importance of maintaining sustainable and ethical business practices, Coca-Cola HBC has defined challenging corporate social responsibility standards for all of its senior managers. The Company's CSR objectives in the areas of environment, community, marketplace and workplace are now integrated into the individual performance standards for all of its senior managers.

# SOCIAL RESPONSIBILITY

## Environment



### COCA-COLA HBC'S ENVIRONMENTAL PERFORMANCE CONTINUED TO IMPROVE THROUGHOUT 2006.

Water use was reduced by 8% compared to 2005 (against 2% targeted) and stands now at levels 15% below 2003 water use ratios. 71 of Coca-Cola HBC's 81 manufacturing plants (representing 94% of production volume) are connected either to a municipal wastewater treatment system or an on site wastewater treatment system, including at six new units commissioned in Nigeria. The Company aims to equip all plants by the end of 2008.

Energy efficiency was improved by 8% compared to 2005 (2% targeted), making the 2006 energy ratio about 19% lower than the 2003 ratio. Resulting CO<sub>2</sub> emissions have been reduced even more, thanks to the successful operation of the new CHP (combined heat and power) generator commissioned in 2006. Coca-Cola HBC has also joined the GHG Register and is now reporting CO<sub>2</sub> emissions accordingly.

Compared to 2005, waste generated in Coca-Cola HBC plants per litre of produced beverage has been reduced by 11% (2% targeted) and waste recycling was increased by 10% (2% targeted). Since 2003, non-recycled waste from plants has been reduced by 26%. The Group's Austrian operations have contributed to the construction of a new facility to recycle post-consumer PET bottles, allowing new bottles to be produced from recycled PET flakes.

A total of 58 of Coca-Cola HBC's manufacturing plants are ISO 14001 certified (approximately 81% of total volume) and the remainder, including recent acquisitions, are working towards implementing and certifying such environmental management systems. In addition to raising standards in its own operations, Coca-Cola HBC has maintained support of environmental initiatives in the countries in which it operates.

Notable efforts have been made in respect of packaging, recycling and the disposal of electronic waste. In 2006, Coca-Cola HBC provided €34.8 million for the collection, recovery and recycling

of post-consumer packaging waste. The Company co-owns 13 Recovery Schemes and one deposit clearing centre. 42 million inhabitants in the countries of operation now have access to packaging collection services with an average collection rate per capita per year of 30kg. In December 2006, the European Commission confirmed that Packaging and Packaging Waste targets had been met in all Coca-Cola HBC's EU countries of operation.

The EC Directive for electronics and electronic waste makes producers and importers responsible for taking back and recycling electrical and electronic equipment. Coca-Cola HBC imports coolers and vending machines and is committed to comply with national Waste, Electrical, and Electronic Equipment (WEEE) legislation. The Company is working towards Group compliance by the end of 2007.

In 2006, the Operations in Bulgaria won the most reputable CSR award in the country, the Bulgarian Business Leaders Forum's 'Investor in the Environment' for the Green Danube Initiative 2006. This programme is aimed at provoking and mobilising local communities along the Bulgarian Danube River region to protect and celebrate the river, and was implemented in partnership with the Bulgarian Ministry of Environment and NGO Eco Community.

# SOCIAL RESPONSIBILITY

## Community



### COCA-COLA HBC CREATES WEALTH FOR ITS EMPLOYEES, SHAREHOLDERS, SUPPLIERS, RETAIL CUSTOMERS AND GOVERNMENTS IN EVERY COMMUNITY IT SERVES.

Coca-Cola HBC aims to build long-term relationships based on trust and common goals and to partner on issues of shared concerns. The Company also supports the community through employment generation, support for businesses upstream and downstream and payment of taxes.

Coca-Cola HBC makes considerable programme investments in the communities in which it operates. In 2006, Coca-Cola HBC invested over €4.8 million in community programmes. This amount represents only the Company's community investment and charitable donations (including cash and in-kind donations); it does not include commercial initiatives in the community, nor does it account for staff time. Key social or environmental needs are identified through consultation. Coca-Cola HBC partners with government agencies, NGOs and other experts to conduct programmes on areas where it has greatest expertise and can contribute the most: environment and water; sports and physical activity; and youth development.

Water remained a key objective in 2006. In June 2005, Coca-Cola HBC together with The Coca-Cola Company signed the 'Green Danube Partnership', an agreement with the International Commission for the Protection of the Danube River (ICPDR), a commitment to sustainable water use through encouraging private and public stakeholders to protect and preserve the Danube River and its ecosystems. Local partnerships have been developed with government agencies, NGOs and educational institutions in Serbia, Hungary, Romania, Bulgaria and Slovakia. In 2006, activities were extended to eight Danube River-basin countries, including Austria, Ukraine and Moldova. In 2007, the Danube programme will continue to grow.

In addition to awareness-raising events, clean-up operations, river tours and exhibitions, a primary focus of the Green Danube Partnership in 2006 was the launch of an environmental education kit called the 'Danube Box' in Austria. It will be made available to school authorities in other countries along the Danube in 2007.

Another major activity included within the framework of the 'Green Danube Partnership' is the establishment of a non-profit entity called 'Business Friends of the Danube' where peer companies will be invited to join the programme.

In Hungary, a co-operation agreement was signed with the Danube-Drava national park to help develop eco-tourism. It is another leading example of our commitment to sustainability.

Under the 'Living Volga' initiative in Russia, the Company launched a sister scheme to the Danube programme to promote environmental protection and conservation of the longest river in Europe.

Coca-Cola HBC and The Coca-Cola Company has long been involved in preserving the natural environment of water habitats along the Danube, and has participated in organising events for Danube Day for the last two years. The Danube-Drava National Park received the largest charitable donation for environmental protection in Hungary to date. Jointly the Coca-Cola system donated HUF 25 million (€100,000) to improve the Danube's water quality and boost eco-tourism in the area. This co-operation between our system and the Danube-Drava National Park was awarded The Best CSR Programme of the Year 2006.

In Nigeria, Coca-Cola HBC conducts a water optimisation programme, partnering with the Nigerian Conservation Foundation and other stakeholders. The programme aims to improve plant water efficiency and wastewater treatment, protect local watersheds and provide local communities with safe drinking water.

Further efforts to promote environmental protection include a partnership between Coca-Cola HBC, TCCC and NGOs to promote the protection of the Vistula River in Poland. A range of programmes to raise awareness is in preparation.

Other local water-related programmes range from Live Water, a watershed programme in Belarus, to Water Forever, an ecological summer camp in Slovenia. Deep RiverRock water in Ireland, became a UNICEF corporate champion, raising funds from sales and supporting water education in schools.

As the above examples illustrate, Coca-Cola HBC is engaged in regular dialogue and seeks to meet and exceed the expectations of its stakeholders throughout all the areas in which it operates.

# A SNAPSHOT OF COCA-COLA HBC'S CSR PROGRESS IN 2006 >>

Coca-Cola HBC  
was named one of only  
twelve Food & Beverage  
companies worldwide  
to be accepted as  
**“notable reporter”**  
by the UN Global  
Compact

Bottle-to-Bottle  
**Recycling plant**  
built  
in Austria

**First  
Tri-Generation**  
plant installed  
in Hungary

**Winner  
of best CSR**  
programme 2006  
in Hungary  
for work  
on the Danube  
project

**Expanded  
Green Danube**  
partnership to eight  
countries  
and launched Russian  
**“living Volga”**  
sister scheme

Bulgarian Business  
Leaders Forum's  
Investor in the  
Environment award  
for the  
**Green Danube  
Initiative 2006**

Coca-Cola Beverages  
Ukraine was named  
**“The Company  
that inspires”**,  
the first among FMCG  
companies  
in Ukraine

**Best  
employer**  
for Polish students  
and  
**the most  
desirable**  
workplace  
for Irish students

In Italy,  
we ranked  
in the 3rd place for  
**best  
place to work**  
amongst  
100 Best Workplaces  
in Europe by the  
Great Place to Work  
Institute

Coca-Cola HBC in Serbia  
was **ranked 1st** place  
by Synovate Research  
in the industry sector  
and 3rd place among  
**preferred  
employers**,  
for the company's  
positive external image  
and the challenging work  
opportunities it provides

In Croatia, we  
were granted a  
**certificate  
of excellence  
in Human  
Resources**

Management and  
for Best Employer  
Partner by the  
Selectio independent  
employment group

Achieved target of ISO  
9001 certification in  
**70 of 81**  
bottling operations and  
in **15 cold drink**  
**and 13**  
**distribution**  
and marketplace  
operations


Achieved  
ISO 14001  
certification  
in  
**59 of 81**  
soft drink  
bottling operations

**Met and  
exceeded  
environmental  
targets**  
in bottling plants for  
water, energy and  
waste recycling

Poland wins  
**‘Partner of the  
Year 2006  
Award’**  
in the Drinks, Juice  
and Waters category  
organized by  
Restaurateur  
magazine'

Coca-Cola HBC  
Bulgaria win country's  
**country's most  
prestigious PR  
award** for its first  
national book donation  
campaign encouraging  
children to read

2005  
Social Responsibility  
Progress Report  
published  
in accordance with the  
**GRI reporting  
Guidelines**

Maintained  
**FTSE4Good**  
listing  
  
**FTSE4Good**

# 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>





# IFRS FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF COCA-COLA HELLENIC BOTTLING COMPANY S.A.

We have audited the accompanying consolidated financial statements of Coca-Cola Hellenic Bottling Company S.A. and its subsidiaries (the 'Group') which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 62 to 121.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers S.A.  
30 March 2007  
268 Kifissias Avenue,  
152 32 Athens, Greece

# CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER

	Note	2006 € million	2005 € million
Net sales revenue	3	5,616.3	4,780.3
Cost of goods sold		(3,363.2)	(2,818.8)
<b>Gross profit</b>		<b>2,253.1</b>	<b>1,961.5</b>
Operating expenses	5	(1,746.0)	(1,500.6)
<b>Operating profit</b>	3,4	<b>507.1</b>	<b>460.9</b>
Finance costs	6	(76.4)	(54.8)
Share of results of associates	11	0.4	0.9
<b>Profit before taxation</b>		<b>431.1</b>	<b>407.0</b>
Taxation	3,7	(89.9)	(86.6)
<b>Profit after taxation</b>		<b>341.2</b>	<b>320.4</b>
Attributable to:			
Minority interests		7.5	12.3
Shareholders of the Group		333.7	308.1
		<b>341.2</b>	<b>320.4</b>
Basic earnings per share (€)	8	1.39	1.29
Diluted earnings per share (€)	8	1.38	1.29

The Notes on pages 66 to 121 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER

	Note	2006 € million	2005 € million
<b>Operating activities</b>			
Operating profit	3,4	507.1	460.9
Depreciation of property, plant and equipment	3,10	329.1	315.3
Amortisation of intangible assets	3,9	2.4	0.6
Adjustments to intangible assets	5,9	7.8	26.5
Stock option expense	32	4.0	3.6
Impairment of property, plant and equipment	10	24.5	0.9
		<b>874.9</b>	<b>807.8</b>
Gains on disposals of non-current assets		(11.1)	(10.9)
Increase in inventories		(32.7)	(12.1)
Increase in trade and other receivables		(66.9)	(88.2)
Increase in trade payables and other liabilities		111.2	27.9
Taxation paid		(102.3)	(105.3)
<b>Cash flow generated from operating activities</b>		<b>773.1</b>	<b>619.2</b>
<b>Investing activities</b>			
Payments for purchases of property, plant and equipment		(516.6)	(423.5)
Payments for purchases of intangible assets	9	(2.7)	-
Receipts from disposals of property, plant and equipment		37.8	29.7
Net receipts from / (payments for) investments		9.3	(0.2)
Proceeds from sale of trademarks		-	9.0
Net payments for acquisitions	30	(78.1)	(195.0)
<b>Net cash used in investing activities</b>		<b>(550.3)</b>	<b>(580.0)</b>
<b>Financing activities</b>			
Proceeds from issue of shares to employees	26	22.5	36.6
Dividends paid to shareholders of the Group	29	(72.2)	(66.7)
Dividends paid to minority interests		(5.9)	(9.8)
Proceeds from external borrowings		718.0	605.4
Repayment of external borrowings		(673.4)	(395.4)
Principal repayments of finance lease obligations		(20.4)	(16.8)
Interest received		11.8	3.6
Interest paid		(79.8)	(54.2)
<b>Net cash (used in) / generated from financing activities</b>		<b>(99.4)</b>	<b>102.7</b>
<b>Increase in cash and cash equivalents</b>		<b>123.4</b>	<b>141.9</b>
Cash and cash equivalents at 1 January		182.4	38.3
Increase in cash and cash equivalents		123.4	141.9
Effect of changes in exchange rates		(0.3)	2.2
<b>Cash and cash equivalents at 31 December</b>	19	<b>305.5</b>	<b>182.4</b>

The Notes on pages 66 to 121 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

	Note	2006 € million	2005 € million
<b>Assets</b>			
Intangible assets	9	1,865.7	1,846.8
Property, plant and equipment	10	2,497.7	2,287.4
Investments in associates	11	12.5	14.1
Available-for-sale investments	12	7.6	10.6
Held-to-maturity investments		0.9	1.1
Deferred tax assets	13	24.6	24.1
Other non-current assets	14	25.2	37.6
<b>Total non-current assets</b>		<b>4,434.2</b>	<b>4,221.7</b>
Inventories	15	419.3	377.1
Trade receivables	16	674.2	582.4
Derivative assets	21	1.7	9.5
Other receivables	17	236.6	203.8
Assets classified as held for sale	18	1.8	-
Current tax assets		10.0	8.0
Cash and cash equivalents	19	305.5	182.4
<b>Total current assets</b>		<b>1,649.1</b>	<b>1,363.2</b>
<b>Total assets</b>		<b>6,083.3</b>	<b>5,584.9</b>
<b>Liabilities</b>			
Short-term borrowings	20	306.9	575.8
Trade and other liabilities	22	1,067.8	912.9
Current tax liabilities		50.3	77.3
<b>Total current liabilities</b>		<b>1,425.0</b>	<b>1,566.0</b>
Long-term borrowings	20	1,597.8	1,327.5
Cross-currency swap payables relating to borrowings	21	122.0	43.3
Deferred tax liabilities	13	79.8	77.7
Non-current provisions	23	113.3	113.0
Other non-current liabilities		21.3	9.5
<b>Total non-current liabilities</b>		<b>1,934.2</b>	<b>1,571.0</b>
<b>Total liabilities</b>		<b>3,359.2</b>	<b>3,137.0</b>
<b>Equity</b>			
Share capital	26	121.0	120.3
Share premium	26	1,697.5	1,675.7
Exchange equalisation reserve	28	132.5	144.2
Other reserves	28	297.7	271.1
Retained earnings		381.6	141.3
<b>Total shareholders' equity</b>		<b>2,630.3</b>	<b>2,352.6</b>
Minority interests		93.8	95.3
<b>Total equity</b>		<b>2,724.1</b>	<b>2,447.9</b>
<b>Total equity and liabilities</b>		<b>6,083.3</b>	<b>5,584.9</b>

The Notes on pages 66 to 121 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Group						Minority interests	Total equity
	Share capital € million	Share premium € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	Total € million	€ million	€ million
<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>	<b>2,068.0</b>
Net profit for 2005	-	-	-	-	308.1	<b>308.1</b>	12.3	<b>320.4</b>
Valuation gains on available-for-sale investments taken to equity	-	-	-	1.4	-	<b>1.4</b>	-	<b>1.4</b>
Cash flow hedges:								
Losses taken to equity	-	-	-	(0.1)	-	<b>(0.1)</b>	-	<b>(0.1)</b>
Losses transferred to profit and loss for the year	-	-	-	3.7	-	<b>3.7</b>	-	<b>3.7</b>
Foreign currency translation	-	-	84.5	-	-	<b>84.5</b>	5.2	<b>89.7</b>
Tax on items taken directly to or transferred from equity	-	-	-	(0.1)	-	<b>(0.1)</b>	-	<b>(0.1)</b>
<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>	<b>415.0</b>
Shares issued to employees exercising stock options	1.2	35.4	-	-	-	<b>36.6</b>		<b>36.6</b>
Share-based compensation								
Options	-	-	-	3.6	-	<b>3.6</b>	-	<b>3.6</b>
Movement in treasury shares	-	-	-	1.3	-	<b>1.3</b>		<b>1.3</b>
Acquisition of shares held by minority interests	-	-	-	-	-	-	(0.1)	<b>(0.1)</b>
Reinvestment of shares held by minority interests	-	-	-	-	-	-	0.1	<b>0.1</b>
Appropriation of reserves	-	-	-	(45.2)	45.2	-	-	-
Dividends	-	-	-	-	(66.7)	<b>(66.7)</b>	(9.9)	<b>(76.6)</b>
<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>	<b>2,447.9</b>
Net profit for 2006	-	-	-	-	333.7	<b>333.7</b>	7.5	<b>341.2</b>
Valuation gains on available-for-sale investments taken to equity	-	-	-	2.1	-	<b>2.1</b>	-	<b>2.1</b>
Cash flow hedges:								
Losses taken to equity	-	-	-	(0.3)	-	<b>(0.3)</b>	-	<b>(0.3)</b>
Losses transferred to profit and loss for the year	-	-	-	0.4	-	<b>0.4</b>	-	<b>0.4</b>
Foreign currency translation	-	-	(11.7)	-	-	<b>(11.7)</b>	(3.1)	<b>(14.8)</b>
Tax on items taken directly to or transferred from equity	-	-	-	(0.6)	-	<b>(0.6)</b>	-	<b>(0.6)</b>
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(11.7)</b>	<b>1.6</b>	<b>333.7</b>	<b>323.6</b>	<b>4.4</b>	<b>328.0</b>
Shares issued to employees exercising stock options	0.7	21.8	-	-	-	<b>22.5</b>	-	<b>22.5</b>
Share-based compensation								
Options	-	-	-	4.0	-	<b>4.0</b>	-	<b>4.0</b>
Movement in treasury shares	-	-	-	(0.2)	-	<b>(0.2)</b>	-	<b>(0.2)</b>
Minority interest arising on acquisition	-	-	-	-	-	-	3.7	<b>3.7</b>
Acquisition of shares held by minority interests	-	-	-	-	-	-	(3.4)	<b>(3.4)</b>
Appropriation of reserves	-	-	-	21.2	(21.2)	-	-	-
Dividends	-	-	-	-	(72.2)	<b>(72.2)</b>	(6.2)	<b>(78.4)</b>
<b>Balance as at 31 December 2006</b>	<b>121.0</b>	<b>1,697.5</b>	<b>132.5</b>	<b>297.7</b>	<b>381.6</b>	<b>2,630.3</b>	<b>93.8</b>	<b>2,724.1</b>

For further details, please refer to: Note 26 Share Capital and Share Premium; Note 27 Shares Held for Equity Compensation Plan; Note 28 Reserves; and Note 29 Dividends. The Notes on pages 66 to 121 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. 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. It 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 were approved for issue by the Board of Directors on 29 March 2007.

### 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 Board ('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, except for International Accounting Standard ('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 2086/2004 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 and derivative financial instruments.

### 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 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.

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.

### Critical accounting judgements and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### 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.

### Impairment of goodwill and indefinite-lived intangible assets

Determining whether goodwill or indefinite-lived intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. These assumptions and a discussion on how they are established are given in Note 9.

### 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 2006 was €35.9m (2005: €20.7m). Of this balance, €21.6m (2005: €0.9m) was classified as current prepayments and the remainder as non-current prepayments. Listing fees expensed for the year ended 31 December 2006 amounted to €71.6m (2005: €55.3m). Marketing and promotional incentives paid to customers during 2006 amounted to €101.5m (2005: €80.6m).

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 to which they relate. In 2006, such contributions totaled €29.9m (2005: €17.6m).

Where the Group distributes third party products, the related revenue earned is recognised based on the gross amount invoiced to the customer where CCHBC acts as principal, takes title to the products and has assumed the risks and rewards of ownership. CCHBC recognises revenue on the basis of the net amount retained (that is, the amount billed to a customer less the amount paid to a supplier) where the Group acts as an agent without assuming the relevant risks and rewards.

### Earnings per share

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### 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. Goodwill and indefinite-lived intangible assets are tested annually for impairment 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 the 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 pro-rata to the other indefinite-lived intangible assets of the unit on the basis of the carrying amount of each asset in the unit. Impairment losses recognised against goodwill are not reversed in subsequent periods.

Intangible assets with finite lives are 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 basis consistent with the other assets and liabilities held in the subsidiary.

### Property, plant and equipment

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

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

Freehold buildings	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 assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### Impairment of non-financial assets

Goodwill and other indefinite-lived assets are not subject to amortisation but are tested for impairment at least annually. Property, plant and equipment and other non-financial assets, that are subject to amortisation 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 borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. Associated undertakings are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

### Investment in joint ventures

The Group's interest in jointly controlled entities, Brewinvest S.A., Multon group and Fresh & Co d.o.o., is accounted for using the proportional consolidation method. 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.

Investments are recognised using trade date accounting. They 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

### Inventories

Inventories are stated at the lower of cost and 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. 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, adjusted for the effect of discounting (where applicable), 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 the 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 into euro 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 gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on assets and liabilities classified as cash-flow hedges which are deferred in equity until the occurrence of the hedged transaction, at which time they are recognised in the income statement. 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 ceased applying hyper-inflationary accounting with effect from 1 January 2006.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including transaction costs 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 which is amortised to the income statement over the period of the borrowings. 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, 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 as hedging instruments to specific assets, liabilities, 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 price 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 at each reporting date either in the income statement or in equity, depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or a cash flow hedge.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges and are effective, are recorded in the income statement, together with the 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.

### Financial Risk

#### Credit risk

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

#### Liquidity risk

The Group actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. Bank overdrafts and bank facilities, both committed and uncommitted, are used to manage this risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### 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 leases is depreciated in accordance with the Group policy for owned assets of the same class unless there is no reasonable certainty that the Group 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.

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 corporate or government bonds 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### 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 Group's plans. Expected volatility is determined by calculating the historical volatility of CCHBC's share price over previous years. 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.

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.

### 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 to the process of returning capital to shareholders are recorded in equity as a deduction, net of tax, in the share premium reserve. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### 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.

### Adoption of New Accounting Pronouncements

In the current year, the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretation Committee ('IFRIC') of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. None of these Standards had a significant effect on the financial statements of the Company, except the following:

In December 2004, the IASB amended IAS 19 (Amendment), *Employee Benefits*. The amendment to IAS 19 is mandatory for the Group's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group did not change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, the adoption of this amendment has only impacted the extent of disclosures presented in the financial statements.

### New Accounting Pronouncements

At the date of approval of these financial statements, the following standards and interpretations were issued but not yet effective:

In August 2005, the IASB issued IFRS 7, *Financial Instruments: Disclosures, and amendments to IAS 1, Presentation of Financial Statements – Capital Disclosures*. IFRS 7 introduces new disclosures relating to financial instruments but does not have any impact on the classification and valuation of the Group's financial instruments. The standard is effective for periods beginning on or after 1 January 2007.

In November 2005, the IFRIC issued IFRIC 7, *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*. IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. The interpretation is effective for annual periods beginning on or after 1 March 2006, and it is not expected to have a material impact on the Group's financial statements.

In January 2005, the IFRIC issued IFRIC 8, *Scope of IFRS 2*. IFRIC 8 requires consideration of transactions involving the issuance of equity instruments where the identifiable consideration received is less than the fair value of the equity instruments issued to establish whether or not they fall within the scope of IFRS 2. The interpretation is effective for annual periods beginning on or after 1 May 2006, and it is not expected to have a material impact on the Group's financial statements.

In March 2006, the IFRIC issued IFRIC 9, *Reassessment of Embedded Derivatives*. IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is effective for annual periods beginning on or after 1 June 2006, but it is not expected to have a material impact on the Group's financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

In July 2006, the IFRIC issued IFRIC 10, *Interim Financial Reporting and Impairment*. IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The interpretation is effective for annual periods beginning on or after 1 November 2006, and it is not expected to have a material impact on the Group's financial statements.

In November 2006 the IFRIC issued IFRIC 11, *IFRS 2—Group and Treasury Share Transactions*. IFRIC 11 clarifies the application of IFRS 2 *Share-based Payment* to certain share-based payment arrangements involving the entity's own equity instruments and to arrangements involving equity instruments of the entity's parent company. IFRIC 11 is effective for annual periods beginning on or after 1 March 2007, and it is not expected to have a material impact on the Group's financial statements.

In November 2006 the IFRIC issued IFRIC 12, *Service Concession Arrangements*. IFRIC 12 sets out the general principles on recognising and measuring the obligations and related rights in service concession arrangements. IFRIC 12 is effective for annual periods beginning on or after 1 January 2008. Since the Group is not involved in concession arrangements, the interpretation is not expected to have an impact on the Group's financial statements.

In November 2006, the IASB issued IFRS 8, *Operating Segments*, which replaces IAS 14 *Segment Reporting*. IFRS 8 introduces new disclosure requirements relating to segmental reporting and provides guidance on operating segments. IFRS 8 also expands significantly the requirements for segment information at interim reporting dates. IFRS 8 is applicable for annual periods beginning on or after 1 January 2009. The Group is currently assessing the effect of this standard on its financial statement disclosure. As at 29 March 2007, the European Union had not yet endorsed IFRS 8.

# 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 2006	Average 2005	Closing 2006	Closing 2005
US dollar	1.26	1.24	1.32	1.19
UK sterling	0.68	0.68	0.67	0.69
Polish zloty	3.90	4.03	3.83	3.84
Nigerian naira	161.38	162.86	169.00	153.96
Hungarian forint	264.61	248.59	253.70	251.70
Swiss franc	1.57	1.55	1.61	1.56
Russian rouble	34.11	35.15	34.70	34.19
Romanian leu	3.52	3.63	3.37	3.68

## 3. SEGMENTAL ANALYSIS

CCHBC has one business, being the production, distribution and sale of alcohol free, ready-to-drink beverages. The Group operates in 28 countries, and its financial results are reported in the following segments:

**Established countries:** Austria, Cyprus, 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, Montenegro, Nigeria, Romania, Russia, Serbia 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 the 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	2006 € million	2005 € million
Net sales revenue		
Established	2,474.1	2,262.3
Developing	993.2	841.1
Emerging	2,149.0	1,676.9
Total net sales revenue	5,616.3	4,780.3

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENTAL ANALYSIS (CONTINUED)

Year ended 31 December	Note	2006 € million	2005 € million
<b>EBITDA<sup>1</sup></b>			
Established		382.7	382.3
Developing		144.3	115.7
Emerging		347.9	309.8
<b>Total EBITDA</b>		<b>874.9</b>	<b>807.8</b>
<b>Depreciation of property, plant and equipment</b>			
Established		(125.9)	(120.0)
Developing		(66.1)	(69.1)
Emerging		(137.1)	(126.2)
<b>Total depreciation of property, plant and equipment</b>	10	<b>(329.1)</b>	<b>(315.3)</b>
<b>Amortisation of intangible assets</b>			
Established		(2.1)	(0.1)
Developing		(0.1)	-
Emerging		(0.2)	(0.5)
<b>Total amortisation of intangible assets</b>	9	<b>(2.4)</b>	<b>(0.6)</b>
<b>Other non-cash items<sup>2</sup></b>			
Established		(22.3)	(26.2)
Developing		(4.9)	(3.3)
Emerging		(9.1)	(1.5)
<b>Total other non-cash items</b>		<b>(36.3)</b>	<b>(31.0)</b>
<b>Operating profit</b>			
Established		234.2	235.9
Developing		73.3	43.4
Emerging		199.6	181.6
<b>Total operating profit</b>		<b>507.1</b>	<b>460.9</b>
<b>Interest expense and finance charges</b>			
Established		(56.4)	(22.2)
Developing		(4.0)	(2.5)
Emerging		(15.4)	(12.7)
Corporate		(139.0)	(95.5)
Intersegment interest expense		127.3	76.4
<b>Total interest expense and finance charges</b>	6	<b>(87.5)</b>	<b>(56.5)</b>
<b>Interest income</b>			
Established		2.8	2.7
Developing		2.0	1.1
Emerging		3.1	2.0
Corporate		130.4	74.3
Intersegment interest income		(127.3)	(76.4)
<b>Total interest income</b>	6	<b>11.0</b>	<b>3.7</b>
<b>Income tax expense</b>			
Established		(44.1)	(55.4)
Developing		(8.6)	(3.5)
Emerging		(27.2)	(25.0)
Corporate		(10.0)	(2.7)
<b>Total income tax expense</b>	7	<b>(89.9)</b>	<b>(86.6)</b>
<b>Reconciling items</b>			
Other finance gains/(costs)		0.1	(2.0)
Share of results of associates		0.4	0.9
<b>Net profit</b>		<b>341.2</b>	<b>320.4</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 of €7.8m (2005: €26.5m), (refer to Note 5), impairment charges to property, plant and equipment of €24.5m (2005: €0.9m), (refer to Note 10) and stock option expenses of €4.0m (2005: €3.6m), (refer to Note 32).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENTAL ANALYSIS (CONTINUED)

Year ended 31 December	Note	2006 € million	2005 € million
<b>Capital expenditure<sup>1</sup></b>			
Established		175.3	107.9
Developing		92.1	77.5
Emerging		251.9	238.1
<b>Total capital expenditure</b>		<b>519.3</b>	<b>423.5</b>
<b>Intangible assets arising on acquisitions</b>			
Established		19.3	6.5
Developing		1.7	-
Emerging		12.9	176.7
<b>Total intangible assets arising on acquisitions</b>	9	<b>33.9</b>	<b>183.2</b>
<b>Assets</b>			
Established		3,111.2	2,963.1
Developing		951.6	847.8
Emerging		1,938.6	1,729.2
Corporate (less intersegment receivables)		81.9	44.8
<b>Total assets</b>		<b>6,083.3</b>	<b>5,584.9</b>
<b>Liabilities</b>			
Established		2,206.0	1,250.9
Developing		290.0	244.2
Emerging		590.3	778.5
Corporate (less intersegment payables)		272.9	863.4
<b>Total liabilities</b>		<b>3,359.2</b>	<b>3,137.0</b>

## 4. OPERATING PROFIT

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

	2006 € million	2005 € million
Depreciation of property, plant and equipment (refer to Note 10)	329.1	315.3
Impairment of property, plant and equipment (refer to Note 10)	24.5	0.9
Gain on disposal of property, plant and equipment	(11.1)	(10.9)
<b>Operating lease charges</b>		
Plant and equipment	29.5	22.1
Property	23.1	21.2
<b>Total operating lease charges</b>	<b>52.6</b>	<b>43.3</b>
Provision set aside for doubtful debts	7.1	6.0
<b>Staff costs</b>		
Wages and salaries	660.9	577.6
Social security costs	128.6	111.0
Pension and other employee benefits	139.8	136.6
Termination benefits	29.0	5.0
<b>Total staff costs</b>	<b>958.3</b>	<b>830.2</b>

Impairment of property, plant and equipment was recorded in operating expenses (refer to Note 5).

The average number of full-time equivalent employees in 2006 was 42,942 (2005: 41,101).

<sup>1</sup> Total capital expenditure on an accrual basis for the year ended 31 December 2006 was €646.7m (2005: €478.0m)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. OPERATING EXPENSES

Year ended 31 December	Note	2006 € million	2005 € million
Selling expenses		857.3	738.6
Delivery expenses		490.2	398.9
Administrative expenses		322.9	318.6
Restructuring costs		51.8	13.8
Non-recurring Items		9.6	-
Adjustments to intangible assets	9	7.8	26.5
Stock option expense	32	4.0	3.6
Amortisation of intangible assets	9	2.4	0.6
<b>Total operating expenses</b>		<b>1,746.0</b>	<b>1,500.6</b>

### Restructuring costs

	2006 € million	2005 € million
Cash restructuring expenses	36.0	5.0
Impairment of property, plant and equipment	9.5	0.9
Accelerated depreciation	6.3	7.9
<b>Total restructuring costs</b>	<b>51.8</b>	<b>13.8</b>

On 24 February 2006, production in the Athens plant ceased. In addition, on 10 March 2006, the Greek warehouses in Messologi, Corfu and Rhodes closed. Additional restructuring was undertaken in Greece in December, following an organisational streamlining across the administrative support and logistic functions. A total restructuring charge for Greece of €22.1m (cash and non-cash) was recorded in the full year of 2006. In Nigeria, restructuring charges in the full year of 2006 amounted to €7.9m (cash and non-cash). Production that was carried out at the Onitsha and Makurdi plants has been transferred to other production sites within Nigeria. In addition, our Nigerian operation is investing in a new production facility in Abuja. In Ireland, during the full year of 2006, €6.3m of accelerated depreciation and €1.5m of redundancy charges were recorded in relation to the project to develop a single all-island production facility. In Croatia, €5.1m of restructuring charges have been recorded in 2006 in respect of rationalisation of the delivery function by outsourcing it to third party contractors. A further €8.9m of restructuring charges were incurred in relation to other restructuring activities throughout the Group.

### Non-recurring items

Non-recurring items consist of impairment of bottles and crates in Austria, Bulgaria, Nigeria, Poland, Greece and some other markets, following a decision to accelerate the implementation of the Group's refillable bottle strategy, for a total of €15.1m, the gain from the sale of the production site in Dublin of €14.8m and the provision for a fine imposed by the Greek Competition Authority of €9.3m (refer to Note 24).

### Adjustments to intangible assets

During 2005 and 2006, 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 €7.8m (2005: €26.5m) has been recorded in operating expense, and a deferred tax credit of €7.8m (2005: €26.5m) has been included within taxation in the income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. FINANCE COSTS

Net finance costs for the years ended 31 December comprise:

	2006 € million	2005 € million
Interest income	11.0	3.7
Interest expense	(80.9)	(54.0)
Fair value losses on financial instruments	-	(2.9)
Net foreign exchange translation gains	0.1	0.9
Finance charges paid with respect to finance leases	(6.6)	(2.5)
<b>Total finance costs</b>	<b>(87.4)</b>	<b>(58.5)</b>
<b>Net finance costs</b>	<b>(76.4)</b>	<b>(54.8)</b>

Capitalised borrowing costs amounted to €4.1m (2005: €3.1m).The capitalisation rate of the Group for the year was 3.72% (2005: 2.34%).

## 7. TAXATION

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

	2006 € million	2005 € million
Profit before tax per the income statement	431.1	407.0
Tax calculated at a tax rate of 29% (2005: 32%)	125.0	130.2
Effect of different tax rates in foreign jurisdictions	(27.5)	(26.4)
Additional local taxes in foreign jurisdictions	20.6	18.2
Tax holidays in foreign jurisdictions	(3.1)	(1.7)
Expenses non-deductible for tax purposes	23.0	32.5
Income not subject to tax	(23.9)	(28.6)
Changes in tax laws and rates	(0.9)	1.3
Current year tax losses not recognised	1.3	1.6
Credit related to exceptional goodwill charge concerning current recognition of pre-acquisition deferred tax assets	(7.8)	(26.5)
Utilisation of other previously unrecognised tax losses	(0.7)	(1.0)
Recognition of previously unrecognised tax losses	(8.2)	(10.2)
Other	(7.9)	(2.8)
<b>Income tax charge per the income statement</b>	<b>89.9</b>	<b>86.6</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 ended 31 December is as follows:

	2006 € million	2005 € million
Current tax charge	85.0	104.0
Deferred tax charge (refer to Note 13)	12.7	9.1
Pre-acquisition deferred tax assets recognised subsequent to acquisition of CCB and reflected in goodwill (refer to Notes 5 and 9)	(7.8)	(26.5)
<b>Total income tax charge</b>	<b>89.9</b>	<b>86.6</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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:

	2006	2005
Net profit attributable to shareholders of the Group (€ million)	333.7	308.1
Weighted average number of ordinary shares for the purposes of		
basic earnings per share (million)	240.7	238.3
Effect of dilutive stock options (million)	0.5	-
Weighted average number of ordinary shares for the purposes of		
diluted earnings per share (million)	241.2	238.3
<b>Basic earnings per share (€)</b>	<b>1.39</b>	<b>1.29</b>
<b>Diluted earnings per share (€)</b>	<b>1.38</b>	<b>1.29</b>

## 9. INTANGIBLE ASSETS

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	Total € million
<b>Cost</b>					
As at 1 January 2006	1,737.1	1.1	106.0	3.2	1,847.4
Additions	-	-	-	2.7	2.7
Arising on recognition of deferred tax assets in connection with the acquisition of CCB (refer to Note 5)	(7.8)	-	-	-	(7.8)
Intangible assets arising on current year acquisitions (refer to Note 30)	10.7	9.2	10.2	0.8	30.9
Intangible assets arising on prior year acquisitions (refer to Note 30)	1.5	-	-	1.5	3.0
Foreign currency translation	(6.8)	(0.1)	(1.1)	0.5	(7.5)
<b>As at 31 December 2006</b>	<b>1,734.7</b>	<b>10.2</b>	<b>115.1</b>	<b>8.7</b>	<b>1,868.7</b>
<b>Amortisation</b>					
As at 1 January 2006	-	-	0.5	0.1	0.6
Charge for the year 2006	-	-	0.1	2.3	2.4
<b>As at 31 December 2006</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>2.4</b>	<b>3.0</b>
Net book value as at 1 January 2006	1,737.1	1.1	105.5	3.1	1,846.8
<b>Net book value as at 31     December 2006</b>	<b>1,734.7</b>	<b>10.2</b>	<b>114.5</b>	<b>6.3</b>	<b>1,865.7</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. INTANGIBLE ASSETS (CONTINUED)

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

	2006 € million	2005 € million
<b>Intangible assets not subject to amortisation</b>		
Goodwill	1,734.7	1,737.1
Trademarks	113.7	103.9
Franchise agreements	10.2	1.1
	<b>1,858.6</b>	<b>1,842.1</b>
<b>Intangible assets subject to amortisation</b>		
Trademarks	0.8	1.6
Water rights	1.9	2.2
Distribution rights	0.4	-
Other intangible assets	4.0	0.9
<b>Total</b>	<b>1,865.7</b>	<b>1,846.8</b>

	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	<b>2,501.0</b>
Arising on recognition of deferred tax assets in connection with the acquisition of CCB (refer to Note 5)	(26.5)	-	-	-	<b>(26.5)</b>
Intangible assets arising on current year acquisitions (refer to Note 30)	101.0	-	80.2	2.0	<b>183.2</b>
Disposals	-	-	(6.4)	-	<b>(6.4)</b>
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(815.3)	(0.8)	(1.4)	-	<b>(817.5)</b>
Foreign currency translation	9.2	0.1	4.3	-	<b>13.6</b>
<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	-	<b>817.5</b>
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(815.3)	(0.8)	(1.4)	-	<b>(817.5)</b>
Charge for the year	-	-	0.5	0.1	<b>0.6</b>
<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	<b>1,683.5</b>
<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>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. INTANGIBLE ASSETS (CONTINUED)

Goodwill and other indefinite-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 indefinite-lived intangible assets as at 31 December 2006 is as follows:

	Goodwill € million	Franchise agreements € million	Trademarks € million	Total € million
Established	1,434.4	9.2	33.6	<b>1,477.2</b>
Developing	147.3	-	-	<b>147.3</b>
Emerging	153.0	1.0	80.1	<b>234.1</b>
	<b>1,734.7</b>	<b>10.2</b>	<b>113.7</b>	<b>1,858.6</b>

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 (%)	42.8-47.6	41.1-46.5	36.1-40.9
Growth rate in perpetuity (%)	2.4-3.0	3.0-3.5	3.5-4.0
Discount rate (%)	6.3-6.7	7.2-8.0	9.0-13.9

Management determined gross margins based on past performance, expectations for the development of the market and expectations about raw material costs. The growth rates used in perpetuity reflect the forecasts in line with management beliefs. These forecasts 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 2006	930.4	2,507.8	277.8	177.6	<b>3,893.6</b>
Additions	6.8	206.1	27.2	317.3	<b>557.4</b>
Arising on acquisitions	48.1	33.1	0.3	5.1	<b>86.6</b>
Disposals	(24.3)	(129.2)	(36.8)	-	<b>(190.3)</b>
Impairment	-	(9.5)	(15.0)	-	<b>(24.5)</b>
Reclassifications	65.3	194.7	-	(260.0)	<b>-</b>
Foreign currency translation	(1.8)	(6.4)	(8.1)	(0.6)	<b>(16.9)</b>
<b>As at 31 December 2006</b>	<b>1,024.5</b>	<b>2,796.6</b>	<b>245.4</b>	<b>239.4</b>	<b>4,305.9</b>
<b>Depreciation</b>					
As at 1 January 2006	156.7	1,382.8	66.7	-	<b>1,606.2</b>
Charge for the year	27.6	275.0	26.5	-	<b>329.1</b>
Disposals	(5.5)	(105.8)	(15.3)	-	<b>(126.6)</b>
Foreign currency translation	-	1.1	(1.6)	-	<b>(0.5)</b>
<b>As at 31 December 2006</b>	<b>178.8</b>	<b>1,553.1</b>	<b>76.3</b>	<b>-</b>	<b>1,808.2</b>
Net book value as at 1 January 2006	773.7	1,125.0	211.1	177.6	<b>2,287.4</b>
<b>Net book value as at 31 December 2006</b>	<b>845.7</b>	<b>1,243.5</b>	<b>169.1</b>	<b>239.4</b>	<b>2,497.7</b>

	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 acquisitions	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>

Assets under construction include advances for equipment purchases of €73.3m (2005: €30.8m).

# 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:

	2006 € million	2005 € million
As at 1 January	69.7	48.3
Additions	70.2	29.7
Disposals	(6.0)	-
Depreciation charge	(14.6)	(9.0)
Foreign currency translation	0.2	0.7
As at 31 December	119.5	69.7

Assets held under finance lease have been pledged as security in relation to the liabilities under the finance leases. The net book value of land and buildings held under finance lease was €21.6m (2005: €11.0m). The net book value of plant and equipment held under finance lease was €97.9m (2005: €58.7m).

## 11. INVESTMENTS IN ASSOCIATES

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

	Country of incorporation	Effective interest held 2006	Effective interest held 2005	Carrying value 2006 € million	Carrying value 2005 € million
Frigoglass Industries Limited	Nigeria	16%	16%	9.6	12.0
Multivita Sp. z o.o.	Poland	50%	50%	1.6	1.8
Valser Springs GmbH	Switzerland	50%	50%	0.3	0.3
PET to PET Recycling Österreich GmbH	Austria	20%	-	1.0	-
Heineken Lanitis Cyprus Ltd	Cyprus	35%	-	-	-
Total investments in associates				12.5	14.1

The Group holds an effective interest in Frigoglass Industries Limited through a 23.9% (2005: 23.9%) holding held by Nigerian Bottling Company plc, in which the Group has a 66.4% (2005: 66.2%) interest.

There are restrictive controls on the movement of funds out of Nigeria.

Changes in the carrying amount of associates are as follows:

	2006 € million	2005 € million
As at 1 January	14.1	10.1
Purchases	1.0	-
Share of results of associates (net of tax and minority interest)	0.4	0.9
Dividend paid by associate	(0.1)	(0.1)
Return of capital from associates	(1.8)	-
Foreign currency translation	(1.1)	3.2
As at 31 December	12.5	14.1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. AVAILABLE-FOR-SALE INVESTMENTS

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

	2006 € million	2005 € million
As at 1 January	10.6	9.9
Purchases	-	0.1
Disposals	(8.0)	(0.9)
Arising on acquisitions	2.6	-
Unrealised gain on available-for-sale investments	2.1	1.4
Foreign currency translation	0.3	0.1
<b>As at 31 December</b>	<b>7.6</b>	<b>10.6</b>

## 13. DEFERRED TAXATION

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

	2006 € million	2005 € million
Deferred tax assets	24.6	24.1
Deferred tax liabilities	(79.8)	(77.7)
<b>Total deferred taxation</b>	<b>(55.2)</b>	<b>(53.6)</b>

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

	2006 € million	2005 € million
As at 1 January	(53.6)	(63.0)
Charged to the income statement	(12.7)	(9.1)
Charged to equity	(0.6)	(0.7)
Pre-acquisition deferred tax assets in connection with acquisition of CCB, recognised subsequent to business combination and reflected in goodwill (Note 5)	7.8	26.5
Arising on acquisitions	1.1	(1.9)
Foreign currency translation	2.8	(5.4)
<b>As at 31 December</b>	<b>(55.2)</b>	<b>(53.6)</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:

	2006 € million	2005 € million
<b>Deferred tax assets</b>		
Provisions	34.7	27.4
Tax loss carry-forwards	17.3	10.1
Pensions and employee benefit plans	10.1	9.4
Other deferred income tax assets	48.5	58.6
<b>Total gross deferred tax assets</b>	<b>110.6</b>	<b>105.5</b>
<b>Deferred tax liabilities</b>		
Differences in depreciation	(154.8)	(144.9)
Restatement of non-monetary assets in hyper-inflationary countries	-	(1.1)
Other deferred tax liabilities	(11.0)	(13.1)
<b>Total gross deferred tax liabilities</b>	<b>(165.8)</b>	<b>(159.1)</b>
<b>Net deferred tax liability</b>	<b>(55.2)</b>	<b>(53.6)</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 €20.0m (2005:€35.6m). €6.0m of this unrecognised deferred tax asset is attributable to tax losses that expire between 2007 and 2011, and €14.0m is attributable to tax losses that have no expiry period.

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

## 14. OTHER NON-CURRENT ASSETS

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

	2006 € million	2005 € million
Non-current prepayments	21.7	13.2
Loans to non-related parties	3.5	2.7
Non-current derivative assets (refer to Note 21)	-	21.7
<b>Total other non-current assets</b>	<b>25.2</b>	<b>37.6</b>

## 15. INVENTORIES

Inventories consist of the following at 31 December:

	2006 € million	2005 € million
Finished goods	168.1	134.8
Raw materials and work in progress	174.1	176.3
Consumables	75.0	59.6
Payments on account	2.1	6.4
<b>Total inventories</b>	<b>419.3</b>	<b>377.1</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. TRADE RECEIVABLES

Trade receivables consist of the following at 31 December:

	2006 € million	2005 € million
Trade debtors	715.2	616.2
Less: provision for doubtful debts	(41.0)	(33.8)
<b>Total trade receivables</b>	<b>674.2</b>	<b>582.4</b>

## 17. OTHER RECEIVABLES

Other receivables consist of the following at 31 December:

	2006 € million	2005 € million
Prepayments	98.4	97.6
Receivables from related parties	67.8	70.4
VAT and other taxes receivable	13.0	10.4
Loans to employees	7.9	7.0
Receivables from sale of property, plant and equipment	4.5	-
Other current assets	45.0	18.4
<b>Total other receivables</b>	<b>236.6</b>	<b>203.8</b>

## 18. ASSETS CLASSIFIED AS HELD FOR SALE

It is the Group's intention to dispose of certain land and buildings as part of the restructuring plan in Greece. As at 31 December 2006, the net book value of these assets was €1.8 million. The proceeds from the sale of assets classified as held for sale, net of disposal costs, are expected to exceed their carrying value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December comprise the following:

	2006 € million	2005 € million
Cash at bank, in transit and in hand	88.0	102.1
Short-term deposits	217.5	80.3
<b>Total cash and cash equivalents</b>	<b>305.5</b>	<b>182.4</b>

Cash and cash equivalents are held in the following currencies:

	2006 € million	2005 € million
Euro	240.5	87.9
Cyprus pounds	12.3	-
FYROM dinar	11.7	5.3
Nigerian naira	7.6	7.1
Romanian leu	7.2	0.5
Russian rouble	4.1	4.2
Swiss franc	3.6	1.7
Croatian kuna	3.2	0.4
Bulgarian lev	2.6	1.5
Serbian dinar	2.4	-
UK sterling	2.0	60.9
Bosnia and Herzegovina convertible mark	1.7	-
US dollar	1.6	1.2
Belarussian rouble	1.0	0.4
Polish zloty	0.6	11.1
Other	3.4	0.2
<b>Total cash and cash equivalents</b>	<b>305.5</b>	<b>182.4</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 expenditure and working capital purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. BORROWINGS

The Group holds the following borrowings at 31 December:

	2006 € million	2005 € million
Bank overdrafts	66.2	86.1
Current portion of long-term borrowings	3.0	243.9
Bonds, bills and unsecured notes	187.1	213.2
Other	16.7	12.8
	273.0	556.0
Obligations under finance leases falling due within one year	33.9	19.8
<b>Total borrowings falling due within one year</b>	<b>306.9</b>	<b>575.8</b>
Borrowings falling due within one to two years		
Other borrowings	2.6	0.3
Borrowings falling due within two to five years		
Bonds, bills and unsecured notes	846.5	-
Other borrowings	2.0	7.1
Borrowings falling due in more than five years		
Bonds, bills and unsecured notes	664.5	1,269.8
	1,515.6	1,277.2
Obligations under finance leases falling due in more than one year	82.2	50.3
<b>Total borrowings falling due after one year</b>	<b>1,597.8</b>	<b>1,327.5</b>
<b>Total borrowings</b>	<b>1,904.7</b>	<b>1,903.3</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. BORROWINGS (CONTINUED)

As at 31 December 2006, a total of €850.0m in Eurobonds has been issued under the €2.0bn Euronote programme. A further amount of €1,150.0m is available for issuance. The bonds are not subject to any financial covenants.

On 12 July 2004, CCHBC announced a successful tender offer for €322.0m of the outstanding debt on the Eurobond which matured 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 as part of 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.

On 24 March 2006, CCHBC completed, through its wholly owned subsidiary Coca-Cola HBC Finance plc, the issue of a €350.0m 3-year Euro-denominated floating rate bond. The transaction was executed under CCHBC's existing €2.0 bn Euro Medium Term Note programme. Proceeds from the bond offering were used to fund the repayment of the remaining €233.0m outstanding debt under the Group's €625.0m 5.25% Eurobond, which matured on 27 June 2006, as well as to provide short-term liquidity at the completion of certain acquisitions made in the year. Contractual interest repricing dates for the bond are the 24<sup>th</sup> day of March, June, September and December of each year until maturity.

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 2006 was €184.0m (2005: €210.0m).

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 expiring on 1 August 2010. 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 the Company 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 of €1.0bn as at 31 December 2006. No amounts have been drawn under the syndicated loan facility.

On 17 September 2003, CCHBC successfully completed, through its wholly owned finance subsidiary Coca-Cola HBC Finance B.V., a US\$900.0m (€681.9m at 31 December 2006 exchange rates) global offering of privately placed notes with registration rights. The first tranche consisted of an aggregate principal amount of US\$500.0m (€378.8m) due in 2013 and the second tranche consisted of an aggregate principal amount of US\$400.0m (€303.1m) 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 29 March 2007, no amounts had been drawn under the shelf registration.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. BORROWINGS (CONTINUED)

The summary of the bonds outstanding at 31 December 2006 is as follows:

	Start date	Maturity date	Coupon
€350.0m Eurobond	24 March 2006	24 March 2009	Euribor + margin
€500.0m Eurobond	15 July 2004	15 July 2011	Fixed at 4.375%
US\$500.0m notes	17 September 2003	17 September 2013	Fixed at 5.125%
US\$400.0m notes	17 September 2003	17 September 2015	Fixed at 5.5%

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

	2006 € million	2005 € million
Less than one year	33.9	19.8
Later than one year but less than two years	29.6	16.7
Later than two years but less than three years	25.8	12.7
Later than three years but less than four years	12.2	8.5
Later than four years but less than five years	5.6	5.3
Later than five years	9.0	7.1
<b>Present value of finance lease liabilities</b>	<b>116.1</b>	<b>70.1</b>

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

	2006 € million	2005 € million
Less than one year	39.0	22.4
Later than one year but less than two years	32.8	18.4
Later than two years but less than three years	27.4	13.7
Later than three years but less than four years	12.7	9.4
Later than four years but less than five years	5.8	5.9
Later than five years	9.7	8.4
	127.4	78.2
Future finance charges on finance leases	(11.3)	(8.1)
<b>Present value of finance lease liabilities</b>	<b>116.1</b>	<b>70.1</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. BORROWINGS (CONTINUED)

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

	Current 2006 € million	Non-current 2006 € million	Current 2005 € million	Non-current 2005 € million
Euro	244.6	925.3	492.5	566.5
US dollar	4.0	664.8	14.8	754.0
Nigerian naira	38.1	0.3	55.4	0.5
Bulgarian lev	3.0	4.5	2.0	4.8
UK sterling	6.7	-	4.0	-
Romanian leu	5.9	-	-	-
Ukrainian hryvnia	2.1	2.8	0.3	1.7
Polish zloty	1.4	-	0.8	-
Other	1.1	0.1	6.0	-
<b>Borrowings</b>	<b>306.9</b>	<b>1,597.8</b>	<b>575.8</b>	<b>1,327.5</b>

	Fixed interest rate € million	Floating interest rate € million	Total 2006 € million	Fixed rate liabilities weighted average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	545.3	624.6	1,169.9	4.6%	4.4
US dollar	665.3	3.5	668.8	5.3%	7.6
Nigerian naira	38.4	-	38.4	12.2%	1.0
Bulgarian lev	-	7.5	7.5	-	-
UK sterling	3.4	3.3	6.7	4.1%	0.9
Romanian leu	-	5.9	5.9	-	-
Ukrainian hryvnia	-	4.9	4.9	-	-
Polish zloty	-	1.4	1.4	-	-
Other	0.8	0.4	1.2	1.0%	0.3
<b>Financial liabilities</b>	<b>1,253.2</b>	<b>651.5</b>	<b>1,904.7</b>	<b>5.2%</b>	<b>6.0</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 US dollar and euro amounts have been swapped into floating rate obligations for the life of the underlying euro and US dollar bond financings. The US dollar 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 €305.5m in 2006 (2005: €182.4m). Financial assets and liabilities falling due within one year exclude all debtors and creditors, other than borrowings.

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

Euro	6 month EURIBOR (European inter-bank offer rate)
US dollar	6 month LIBOR (London inter-bank offer rate)
Nigerian naira	1 month NIBOR (Nigerian inter-bank offer rate)
Bulgarian lev	1 month SOFIBOR (Sofia inter-bank offer rate)
UK sterling	6 month LIBOR (London inter-bank offer rate)
Romanian leu	Monthly local
Ukrainian hryvnia	Daily KIEIBOR (Kiev inter-bank offer rate)
Polish zloty	Daily WIBOR (Warsaw inter-bank offer rate)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. FINANCIAL INSTRUMENTS

### Foreign currency transaction exposures

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

### Fair values of financial assets and liabilities

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 €1,528.1m (2005: €1,535.9m) compared to a book value, including the current portion, of €1,518.6m (2005: €1,521.1m).

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 2006 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 commodity derivatives 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 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, whilst 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

## 21. FINANCIAL INSTRUMENTS (CONTINUED)

### Foreign currency

The Group is exposed to the effect of foreign currency risk on expenditures and sales 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 and sales. 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 price risk

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 offset sugar price fluctuations.

### Credit risk exposure

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2006 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 2006</b>		
<b>Current</b>		
Interest rate swaps	-	(0.1)
Interest rate options	1.1	-
Foreign currency option contracts	-	(0.2)
Forward foreign exchange contracts	0.6	(0.8)
<b>Total current</b>	<b>1.7</b>	<b>(1.1)</b>
<b>Non-current</b>		
Cross-currency swap payables related to borrowings	-	(122.0)
Interest rate swaps	-	(10.8)
<b>Total non-current</b>	<b>-</b>	<b>(132.8)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. FINANCIAL INSTRUMENTS (CONTINUED)

	Assets € million	Liabilities € million
<b>At 31 December 2005</b>		
<b>Current</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 swap payables related to borrowings	-	(43.3)
Interest rate swaps	21.7	(1.6)
<b>Total non-current</b>	<b>21.7</b>	<b>(44.9)</b>

### Net fair values of derivative financial instruments

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

	2006 € million	2005 € million
<b>Contracts with positive fair values</b>		
Forward foreign exchange contracts	0.1	0.3
<b>Contracts with negative fair values</b>		
Foreign currency option contracts	(0.1)	-
Forward foreign exchange contracts	(0.3)	(0.8)
	<b>(0.4)</b>	<b>(0.8)</b>

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

	2006 € million	2005 € million
<b>Contracts with positive fair values</b>		
Forward foreign exchange contracts	0.5	-
Interest rate swaps	-	29.9
	<b>0.5</b>	<b>29.9</b>
<b>Contracts with negative fair values</b>		
Interest rate swaps	(10.8)	(1.6)
Foreign currency option contracts	(0.1)	-
Forward foreign exchange contracts	(0.5)	(0.5)
	<b>(11.4)</b>	<b>(2.1)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2006 € million	2005 € million
Contracts with positive fair values		
Interest rate options	1.1	0.7
Interest rate swaps	-	0.2
Foreign currency option contracts	-	0.1
	1.1	1.0
Contracts with negative fair values		
Interests rate swaps	(0.1)	-
Cross-currency swaps	(122.0)	(43.3)
	(122.1)	(43.3)

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 20). At 31 December 2006 the fair value of the cross-currency swaps represented a payable of €122.0m (2005: €43.3m). The cross-currency swaps are recorded as a long-term liability, as the maturity of the instruments matches the underlying notes. The €78.7m loss (2005: €99.8m gain) of the cross-currency swaps during 2006 was offset by the €78.7m gain (2005: €99.8m loss) recorded on the translation of the US dollar-denominated debt to euro.

### Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2006 are €187.3m (2005: €145.0m).

### Interest rate swaps

At 31 December 2006, the notional principal amount of the outstanding euro denominated interest rate swap contracts total €500.0m (2005: €733.0m) and of the outstanding US dollar denominated interest rate swap contracts, US\$900.0m (2005: US\$900.0m). The interest rate swap contracts outstanding at 31 December 2006 can be summarised as follows:

Currency	Amount million	Start date	Maturity date	Receive fixed rate	Pay floating rate
EUR	500.0	15 July 2004	15 July 2011	4.375%	Euribor + margin
US dollar	500.0	17 September 2003	17 September 2013	5.125%	Libor + margin
US dollar	400.0	17 September 2003	17 September 2015	5.500%	Libor + margin
	900.0				

### Cross-currency swaps

The notional principal amounts of the outstanding cross-currency swap contracts at 31 December 2006 total €803.9m (2005: €803.9m). The cross-currency swap contracts outstanding at 31 December 2006 can be summarised as follows:

US\$ million	€ million	Start date	Maturity date	Receive floating 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
900.0	803.9				

### Interest repricing dates for swaps

Repricing dates for all US dollar interest rate swaps and cross-currency swaps are the 17<sup>th</sup> day of March and September each year until maturity. Repricing dates for all euro interest rate swaps are the 15<sup>th</sup> day of January and July of each year untill maturity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. FINANCIAL INSTRUMENTS (CONTINUED)

### Interest rate options

The notional principal amounts of the outstanding interest rate option contracts at 31 December 2006 total €550.0m (2005: €900.0m).

### Foreign currency option contracts

The notional principal amounts of the outstanding foreign currency option contracts at 31 December 2006 total €27.5m (2005: €32.9m).

### Sugar futures contracts

The outstanding sugar futures at 31 December 2006 correspond to the purchase of 17,000 metric tons of white sugar (2005: nil).

## 22. TRADE AND OTHER LIABILITIES

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

	2006 € million	2005 € million
Trade creditors	302.9	216.1
Payables to related parties	150.2	110.0
Accrued liabilities	323.7	293.6
Deposit liabilities	102.4	138.5
Other taxation and social security liabilities	63.8	56.2
Current portion of provisions (refer to Note 23)	60.1	56.4
Derivative liabilities (refer to Note 21)	1.1	1.3
Salaries and employee related payables	41.6	30.3
Deferred income	11.6	2.0
Other payables	10.4	8.5
<b>Total trade and other liabilities</b>	<b>1,067.8</b>	<b>912.9</b>

## 23. PROVISIONS

Provisions consist of the following at 31 December:

	2006 € million	2005 € million
<b>Current</b>		
Employee benefits	22.7	12.5
Restructuring and other	37.4	43.9
<b>Total current provisions</b>	<b>60.1</b>	<b>56.4</b>
<b>Non-current</b>		
Employee benefits	106.6	105.4
Restructuring and other	6.7	7.6
<b>Total non-current provisions</b>	<b>113.3</b>	<b>113.0</b>
<b>Total provisions</b>	<b>173.4</b>	<b>169.4</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. PROVISIONS (CONTINUED)

The movements in restructuring and other provisions comprise:

	Restructuring 2006 € million	Other provisions 2006 € million	Total 2006 € million	Total 2005 € million
As at 1 January	38.4	13.1	51.5	54.9
Arising during the year	33.1	9.7	42.8	6.7
Utilised during the year	(37.7)	(11.5)	(49.2)	(10.5)
Unused amount reversed	(0.4)	(1.3)	(1.7)	(0.3)
Arising on acquisition	-	0.3	0.3	-
Foreign currency translation	-	0.4	0.4	0.7
As at 31 December	33.4	10.7	44.1	51.5

### Restructuring provisions

In 2005 and 2006, certain restructuring initiatives took place in several of the Group's subsidiaries amounting to €36.0m (2005: € 5.0m), of which €3.3m (2005: nil) is related to post employment benefit costs. For further details, refer to Note 5.

### Other provisions

These are mainly comprised of a provision for long-term onerous contracts of €6.7m (2005: €7.6m) in our Russian territories. In addition, there are various customs duties, customer and employee claims.

### Employee benefits

Employee benefits consist of the following at 31 December:

	2006 € million	2005 € million
Defined benefit plans		
Employee leaving indemnities	95.1	87.6
Pension plans	5.0	7.8
Long service benefits - jubilee plans	6.3	6.1
Total defined benefit plans	106.4	101.5
Other employee benefits		
Annual leave	6.9	5.4
Stock appreciation rights	3.1	4.0
Other employee benefits	12.9	7.0
Total other employee benefits	22.9	16.4
Total employee benefit obligations	129.3	117.9

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

	2006 € million	2005 € million
Current	22.7	12.5
Non-current	106.6	105.4
Total employee benefit obligations	129.3	117.9

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

CCHBC's subsidiaries in the Austria, Greece, Northern Ireland, Republic of Ireland and Switzerland 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, Slovenia and Poland.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. PROVISIONS (CONTINUED)

Reconciliation of defined benefit obligation:

	2006 € million	2005 € million
Present value of defined benefit obligation at the beginning of the year	342.6	301.2
Service cost	19.9	19.1
Interest cost	16.2	17.2
Plan participants' contributions	3.5	4.2
Past service cost arising from amendments	-	0.8
Curtailment/settlement	2.5	1.2
Arising on acquisitions	1.2	-
Benefits paid	(30.8)	(24.9)
Actuarial loss	7.8	19.3
Foreign currency translation	(6.0)	4.5
<b>Present value of defined benefit obligation at end of year</b>	<b>356.9</b>	<b>342.6</b>

Reconciliation of plan assets:

	2006 € million	2005 € million
Fair value of plan assets at the beginning of the year	188.9	155.9
Expected return on plan assets	9.7	9.4
Actual employer's contributions	9.9	10.4
Actual participants' contributions	3.5	4.2
Actual benefits paid	(10.2)	(5.0)
Asset gain	2.2	13.1
Foreign currency translation	(3.1)	0.9
<b>Fair value of plan assets at end of year</b>	<b>200.9</b>	<b>188.9</b>

To develop its 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 2006 net periodic pension cost for the plans was 5.04%.

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

	2006 € million	2005 € million
Present value of funded obligations	235.2	222.4
Fair value of plan assets	(200.9)	(188.9)
	34.3	33.5
Present value of unfunded obligations	121.7	120.2
Unrecognised actuarial loss	(51.0)	(53.8)
Unrecognised past service benefit	1.4	1.6
<b>Net defined benefit obligations</b>	<b>106.4</b>	<b>101.5</b>
<b>Actual return on plan assets</b>	<b>11.9</b>	<b>22.5</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. PROVISIONS (CONTINUED)

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

	2006 € million	2005 € million
As at 1 January	101.5	97.4
Expense recognised in the income statement	36.2	29.8
Employer contributions	(9.9)	(10.4)
Benefits paid	(20.6)	(19.9)
Arising on acquisition	1.2	-
Foreign currency translation	(2.0)	4.6
<b>As at 31 December</b>	<b>106.4</b>	<b>101.5</b>

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

	2006 %	2005 %
Discount rate	4.66	4.83
Expected return on assets	4.08	5.04
Rate of compensation increase	3.94	4.12
Pension increases	0.85	0.63

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

	2006 € million	2005 € million
Current service cost	19.9	19.1
Interest cost	16.2	17.2
Expected return on plan assets	(9.7)	(9.4)
Amortisation of unrecognised actuarial obligation loss	2.4	1.8
Amortisation of unrecognised past service costs	(0.1)	(0.1)
Curtailment/settlement	7.5	1.2
<b>Total</b>	<b>36.2</b>	<b>29.8</b>

Defined benefit plan expenditure is included in staff costs and presented in cost of goods sold and operating expenses.

The weighted average assumptions recognised in the income statement consists of the following for the years ended 31 December:

	2006 %	2005 %
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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. PROVISIONS (CONTINUED)

Plan assets are invested as follows:

	2006 %	2005 %
<b>Asset category</b>		
Equity securities	45	44
Debt securities	43	48
Real estate	8	5
Cash	3	2
Other	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

Equity securities include ordinary shares in the Company in the amount of €0.4m (0.2% of the plan assets) and €0.3m (0.2% of the plan assets) as at 31 December 2006 and 2005, respectively.

The total employer contributions expected to be paid in 2007 are €9.2m.

The history of experience adjustments is as follows:

	2006 € million
Present value of defined benefit obligations	356.9
Fair value of plan assets	(200.9)
<b>Deficit</b>	<b>156.0</b>
Experience adjustment on plan liabilities	3.3
Experience adjustment on plan assets	2.2

### Defined contribution plans

The expense recognised in the income statement in 2006 for the defined contribution plans is €7.0m (2005: €6.3m). This is included in staff costs and recorded in cost of goods sold and operating expenses.

## 24. CONTINGENCIES

The Greek Competition Authority issued a decision on 25 January 2002, imposing a fine on the Group of approximately €2.9m for certain discount and rebate practices and required changes to its commercial practices with respect to placing coolers in certain locations and lending them free of charge. On 16 June 2004, the fine was reduced on appeal to €1.8m. On 29 June 2005, the Greek Competition Authority requested that the Group provide information on its commercial practices as a result of a complaint by certain third parties regarding the Group's level of compliance with the decision of 25 January 2002. On 7 October 2005, the Group was served with notice to appear before the Greek Competition Authority. On 14 June 2006, the Greek Competition Authority issued a decision imposing a daily penalty of €5,869 for each day the Group failed to comply with the decision of 25 January 2002. The Greek Competition Authority imposed this penalty for the period from 1 February 2002 to 16 February 2006, resulting in a total of €8.7m. On 31 August 2006, the Group deposited an amount of €8.9m, reflecting the amount of the fine and applicable tax, with the Greek authorities. This deposit was a prerequisite to the Group's filing of an appeal pursuant to Greek law. As a result of this deposit, we have increased the charge to our financial statements in connection with this case to €8.9m. We also incurred consulting fees and additional expenses of €0.4m in connection to this case. The Group believes that it has substantial legal and factual defences to the Authority's decision.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24. CONTINGENCIES (CONTINUED)

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 organisations had not sufficiently proven their compliance with the Bulgarian Waste Management Act and consequently that all participants in these organisations should pay waste recovery fees for 2005. This Ordinance was subsequently amended. As a result of this amendment, the Company believes that its Bulgarian subsidiaries have no further liabilities for waste recovery fees for 2005.

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 customs duties than the current classification should apply. In the past, such issues were successfully resolved in most of these countries. The Company still has several cases outstanding before the Romanian customs authorities and courts. While the Company has won appeals of several cases to the Romanian Supreme Court, the Romanian Supreme Court has ruled against the Company in two cases. The Company believes that it has legal and factual support for its position, which is consistent with the customs classification standards adopted by the European Union, and will continue to oppose the position taken by the Romanian customs authorities. However, it is not possible to quantify the likelihood of any potential liability arising from these legal proceedings due to the legal uncertainty surrounding customs duties in Romania prior to Romania's accession to the European Union. If the Company were to become liable to pay all claims of the Romanian customs authorities, the amount payable would be approximately €14.2m. The Company has made a provision for €2.7m of this amount, relating to the cases that the Company has lost before the Romanian Supreme Court.

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.

## 25. COMMITMENTS

### (a) Operating leases

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

	2006 € million	2005 € million
Less than one year	32.3	21.1
Later than one year but less than five years	87.4	39.3
Later than five years	12.3	5.7
<b>Future minimum lease payments</b>	<b>132.0</b>	<b>66.1</b>

### b) Capital commitments

At 31 December 2006, the Group had capital commitments amounting to €175.1m (2005: €73.9m). Of this, €8.0m related to the Company's share of the commitments of its joint ventures (2005: nil).

### (c) Long-term purchase commitments

As at 31 December 2006, the Group had commitments to purchase raw materials amounting to €222.5m (2005: €356.3m). Of this, €41.1m related to the Company's share of the commitments of its joint ventures (2005: €19.7m).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (authorised and issued)	Share capital € million	Share premium € million	Total € million
As at 1 January 2005	238,260,129	119.1	1,640.3	1,759.4
Shares 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>
Shares issued to employees exercising stock options	1,375,914	0.7	21.8	22.5
<b>As at 31 December 2006</b>	<b>242,067,916</b>	<b>121.0</b>	<b>1,697.5</b>	<b>1,818.5</b>

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 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.

On 20 December 2006, CCHBC's Board of Directors resolved to increase the share capital of the Company by 1,375,914 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 €22.5m.

## 27. 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 in which eligible employees may participate.

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 is made in December, and matching shares purchased in December vest immediately.

During 2006, 107,698 shares were purchased by CCHBC (2005: 96,884) as matching shares to employee investments. The charge to the income statement totalled €3.0m (2005: €2.2m). Of this amount, €0.8m represented employer contributions made for Greek resident employees (2005: €0.6m). The cost of unvested matching shares held by the trust at the end of 2006, before they vest to employees, was €2.2m (2005: €1.2m). The total number of shares held by the trust at 31 December 2006 was 820,365 (2005: 760,765). The total contribution made by employees to the trust during 2006 was €3.1m (2005: €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

## 28. RESERVES

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

	2006 € million	2005 € million
Exchange equalisation reserve	132.5	144.2
Shares held for equity compensation plan	(0.6)	(0.4)
Hedging reserve (net of deferred tax of €0.1m; 2005: €0.1m)	(0.3)	(0.4)
Tax-free reserve	190.6	180.9
Statutory reserve	64.8	58.5
Stock option reserve	9.2	5.2
Available-for-sale financial instruments valuation reserve	4.0	2.3
Other	30.0	25.0
<b>Total reserves</b>	<b>430.2</b>	<b>415.3</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 in which eligible employees may participate.

**Hedging reserve**

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

**Tax-free reserve**

The 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 in which the Group operates. The amount of statutory reserves of the parent entity, CCHBC, with restrictions on distribution is €37.1m (2005: €31.4m).

**Stock option reserve**

This reserve represents the cumulative charge to the profit and loss for employee stock option awards.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29. DIVIDENDS

The directors propose a dividend of €0.32 per share (totalling €77.5m) for the year ended 31 December 2006. The proposed dividend will be submitted for formal approval at the Annual General Meeting to be held on 20 June 2007. 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 2007.

During 2006, a dividend of €0.30 per share (2005: €0.28 per share) totalling €72.2m (2005: €66.7m) was paid.

## 30. BUSINESS COMBINATIONS

During 2006, the Group acquired interest or increased its controlling interest in the following entities:

	Location	Effective date of acquisition 2006	Net tangible assets acquired € million	Goodwill arising € million	Acquisition of franchise agreements € million	Trademarks € million	Other intangible assets € million	Amount of consideration € million
Fresh & Co d.o.o.	(a) Serbia	13 March	(2.6)	7.1	-	4.5	-	9.0
Lanitis Bros Public Limited	(b) Cyprus	5 April	57.0	-	9.2	5.7	0.6	72.5
Fonti del Vulture S.r.l.	(c) Italy	5 July	3.6	2.2	-	-	-	5.8
Yoppi Kft.	(d) Hungary	22 August	0.3	1.4	-	-	0.2	1.9
Acquisition of minority interests	(b) Cyprus	July-August	3.4	-	-	-	-	3.4
<b>Total acquisitions as at 31 December 2006</b>			<b>61.7</b>	<b>10.7</b>	<b>9.2</b>	<b>10.2</b>	<b>0.8</b>	<b>92.6</b>

		€ million
<b>Total consideration</b>		<b>92.6</b>
Less: cash and cash equivalents acquired		(14.1)
Less: payment for acquisition costs deferred until 2007		(0.6)
Plus: payments made for acquisition of Vendit Ltd in 2005		0.1
Plus: payments made for acquisition of Gotalka in 2004		0.1
<b>Cash outflow included in cash flow</b>		<b>78.1</b>

If the acquisition of each of the entities acquired during 2005 and 2006 respectively had been completed on the first day of each financial year, Group revenues for that year would have been €5,755.7m (2005:€4,930.5m) and Group profit attributable to shareholders of the Group would have been €294.9m (2005:€325.2m)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. BUSINESS COMBINATIONS (CONTINUED)

### 2006

#### (a) Acquisition of Fresh & Co d.o.o.

On 13 March 2006, the Group acquired, jointly with TCCC, 100% of Fresh & Co d.o.o. ('Fresh & Co') the leading producer of fruit juices in Serbia. The acquisition includes a production facility located at Subotica and the juice and nectar brands 'Next' and 'Su-Voce'. The total consideration for the transaction was €17.1m (excluding acquisition costs) with the assumption of debt of €23.5m. CCHBC's share of the purchase price and debt was €20.3m. The business is being accounted as a joint venture.

Details of the acquisition are as follows:

	€ million
Property, plant and equipment	14.6
Inventories	4.3
Other current assets	3.0
Other non-current assets	1.9
Short-term borrowings	(11.8)
Other current liabilities	(14.1)
Other non-current liabilities	(0.5)
<b>Fair value of net tangible assets acquired</b>	<b>(2.6)</b>
Trademarks	4.5
Goodwill arising on acquisition	7.1
<b>Fair value of net assets acquired</b>	<b>9.0</b>
Cash paid to former shareholders	8.6
Costs of acquisition	0.4
<b>Total consideration</b>	<b>9.0</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 as a result have not been presented here.

The contribution of Fresh & Co to the results of the Group for the year ended 31 December 2006 was a loss of €2.6m. The acquisition has resulted in the Group recording €7.1m of goodwill and €4.5m of trademarks in its emerging segment. The fair values of significant assets acquired and liabilities assumed are preliminary and pending finalisation.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. BUSINESS COMBINATIONS (CONTINUED)

### (b) Acquisition of Lanitis Bros Public Limited

On 5 April 2006, the Group completed the tender offer for the outstanding share capital of Lanitis Bros Public Limited ('Lanitis Bros'), a beverage company in Cyprus with a strong portfolio of products. Following completion of the tender offer, the Group acquired 95.43% of the share capital of Lanitis Bros. Total consideration for the acquisition was €71.5m (excluding acquisition costs) with the assumption of debt of an additional €5.6m.

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	77.9	(36.9)	41.0
Long-term investments	0.1	-	0.1
Inventories	9.5	-	9.5
Other current assets	21.4	-	21.4
Cash and cash equivalents	14.1	-	14.1
Short-term borrowings	(5.6)	-	(5.6)
Other current liabilities	(17.0)	(2.1)	(19.1)
Deferred tax liabilities	(4.9)	4.2	(0.7)
<b>Fair value of net tangible assets acquired</b>	<b>95.5</b>	<b>(34.8)</b>	<b>60.7</b>
Franchise rights		9.2	9.2
Trademarks		5.7	5.7
Other intangible identifiable assets	0.2	0.4	0.6
<b>Fair value of net assets acquired before minority interest</b>	<b>95.7</b>	<b>(19.5)</b>	<b>76.2</b>
Minority interest (4.57%)			(3.7)
<b>Fair value of net assets acquired</b>			<b>72.5</b>
Cash paid to former shareholders			71.5
Costs of acquisition			1.0
<b>Total consideration</b>			<b>72.5</b>

The contribution of Lanitis Bros to the results of the Group for the year ended 31 December 2006 was an income of €8.0m.

The acquisition has resulted in the Group recording €9.2m of franchise rights, €5.7m of trademarks and €0.6m of other intangible assets in its established segment.

Following completion of the tender offer, the Group initiated a mandatory buy-out process in accordance with Cypriot law for the purposes of acquiring the remaining shares in Lanitis Bros. Lanitis Bros has been delisted from the Cyprus Stock Exchange. As of 31 December 2006, the Group had acquired an additional 11,218,735 shares representing 4.48% of the share capital of Lanitis Bros for a total consideration of €3.4m, bringing its participation to 99.91%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. BUSINESS COMBINATIONS (CONTINUED)

**(c) Acquisition of Fonti del Vulture S.r.l.**

On 5 July 2006, the Group acquired, jointly with TCCC, 100% of Fonti del Vulture S.r.l., ('Fonti del Vulture') a producer of high quality mineral water in Italy with significant water reserves.

The Group effectively purchased the operating assets and liabilities of two production facilities in the south, whilst TCCC effectively purchased the national mineral-water brands 'Lilia' and 'Lilia Kiss' (still and sparkling) each paying €5.2m (excluding acquisition costs).

Details of the acquisition are as follows:

	Acquiree's carrying amount before combination € million	Fair value adjustments € million	Adjusted fair values € million
Property, plant and equipment	23.5	7.1	30.6
Inventories	1.7	-	1.7
Other current assets	7.3	-	7.3
Other non-current assets	4.3	(1.9)	2.4
Short-term borrowings	(11.8)	-	(11.8)
Other current liabilities	(13.8)	-	(13.8)
Long-term borrowings	(11.4)	-	(11.4)
Other non-current liabilities	(1.4)	-	(1.4)
<b>Fair value of net tangible assets acquired</b>	<b>(1.6)</b>	<b>5.2</b>	<b>3.6</b>
Goodwill arising on acquisition		2.2	2.2
<b>Fair value of net assets acquired</b>		<b>7.4</b>	<b>5.8</b>
Cash paid to former shareholders			5.2
Costs of acquisition			0.6
<b>Total consideration</b>			<b>5.8</b>

The contribution of Fonti del Vulture to the results of the Group for the year ended 31 December 2006 was a loss of €2.2m.

The acquisition has resulted in the Group recording €2.2m of goodwill in its established segment. The fair values of significant assets acquired and liabilities assumed are preliminary and pending finalisation.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. BUSINESS COMBINATIONS (CONTINUED)

### (d) Acquisition of Yoppi Kft.

On 22 August 2006, the Group acquired 100% of a hot beverages vending operator in Hungary, Yoppi Kft. Total consideration for the acquisition was €1.9m with the assumption of debt of an additional €0.1m.

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	0.2	0.2	0.4
Inventories	0.1	-	0.1
Short-term borrowings	(0.1)	-	(0.1)
Other non-current liabilities	-	(0.1)	(0.1)
<b>Fair value of net tangible assets acquired</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>
Customer contracts		0.2	0.2
Goodwill arising on acquisition		1.4	1.4
<b>Fair value of net assets acquired</b>		<b>1.7</b>	<b>1.9</b>
<b>Cash paid to former shareholders</b>			<b>1.9</b>

The contribution of Yoppi Kft. to the results of the Group was negligible for the year ended 31 December 2006.

The acquisition has resulted in the Group recording €1.4m of goodwill and €0.2m of customer contracts in its developing segment.

The goodwill arising on the acquisition of Yoppi Kft. is attributable to synergies from the enhancement of vending operations in Hungary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. BUSINESS COMBINATIONS (CONTINUED)

### 2005

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

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

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

Details of the acquisition are as follows:

	As reported in 2005 € million	Adjustments € million	Final fair values € million
Property, plant and equipment	3.8	-	3.8
Inventories	0.5	-	0.5
Other current assets	1.8	(0.1)	1.7
Current liabilities	(3.0)	(1.3)	(4.3)
Non-current liabilities	(0.2)	-	(0.2)
<b>Fair value of net tangible assets acquired</b>	<b>2.9</b>	<b>(1.4)</b>	<b>1.5</b>
Goodwill arising on acquisition	8.0	1.4	9.4
<b>Fair value of net assets acquired</b>	<b>10.9</b>	<b>-</b>	<b>10.9</b>
Cash paid to former shareholders	10.5	-	10.5
Costs of acquisition	0.4	-	0.4
<b>Total consideration</b>	<b>10.9</b>	<b>-</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 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 acquisition has resulted in the Group recording €9.4m of goodwill in its emerging segment.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. BUSINESS COMBINATIONS (CONTINUED)

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

On 20 April 2005, the Group 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. The Group's share of the purchase price was €166.3m (excluding acquisition costs) 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>Fair value of 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>Fair value of 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 contribution of Multon to the results of the Group for the year ended 31 December 2005 was €20.1m.

The acquisition has resulted in the Group recording €83.0m of goodwill and €73.8m of trademarks in its emerging segment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. BUSINESS COMBINATIONS (CONTINUED)

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

On 2 June 2005, the Group 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 contribution of Bankya to the results of the Group for the year ended 31 December 2005 was a loss of €1.5m.

The acquisition has resulted in the Group recording €4.5m of 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. BUSINESS COMBINATIONS (CONTINUED)

### (d) Acquisition of Vendit Ltd

On 28 September 2005, the Group 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 was €5.9m (excluding acquisition costs), with the assumption of debt of an additional €0.8m.

Details of the acquisition are as follows:

	As reported in 2005 € million	Adjustments € million	Final fair values € million
Property, plant and equipment	0.9	-	0.9
Inventories	0.2	-	0.2
Other current assets	0.6	-	0.6
Cash and cash equivalents	0.2	-	0.2
Short-term borrowings	(0.1)	-	(0.1)
Long-term borrowings	(0.7)	-	(0.7)
Other current liabilities	(0.8)	-	(0.8)
Other non-current liabilities	(0.6)	(1.5)	(2.1)
<b>Fair value of net tangible assets acquired</b>	<b>(0.3)</b>	<b>(1.5)</b>	<b>(1.8)</b>
Customer contracts	1.0	-	1.0
Management contract	-	1.5	1.5
Goodwill arising on acquisition	5.5	0.1	5.6
<b>Fair value of net assets acquired</b>	<b>6.2</b>	<b>0.1</b>	<b>6.3</b>
Cash paid to former shareholders	5.9	-	5.9
Costs of acquisition	0.3	0.1	0.4
<b>Total consideration</b>	<b>6.2</b>	<b>0.1</b>	<b>6.3</b>

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 acquisition has resulted in the Group recording €5.6m of goodwill, €1.5m of management contract and €1.0m of customer contracts in its established segment.

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

## 31. DIRECTORS' AND SENIOR MANAGEMENT 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 2006 amounted to €11.2m (2005: €10.2m). Pension and post employment benefits for directors and for the senior management team during 2006 amounted to €0.7m (2005: €0.7m).

The total number of stock options granted to our managing director and the senior management team in 2006 amounted to 0.65m (2005: 0.5m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. 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 tables summarise information on outstanding stock options exercisable at 31 December 2006 and stock options exercised during 2006:

	Exercise price €	Vesting status 2006	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	233,218	
Sub Plan 2	20.97	fully vested	-	-	-	29.09.2008	631	
Sub Plan 3	17.06	fully vested	-	-	-	08.12.2009	180,848	
Sub Plan 4	14.68	fully vested	-	-	-	12.12.2010	472,218	
Sub Plan 6	14.53	fully vested	-	-	-	12.12.2011	220,810	
2003 A Plan	12.95	fully vested	-	-	-	10.12.2012	28,500	
2003-2004 Plan / 2003 Grant	16.76	fully vested	-	-	-	14.12.2013	99,334	
2003-2004 Plan / 2004 Grant	18.63	two thirds	03.12.2007	-	-	02.12.2014	354,791	
2005-2009 Plan / 2005 Grant	23.30	one third	02.12.2007	02.12.2008	-	01.12.2015	762,868	
2005-2009 Plan / 2006A Grant	24.85	none	21.3.2007	21.3.2008	21.3.2009	20.03.2016	50,000	
2005-2009 Plan / 2006B Grant	23.02	none	23.6.2007	23.6.2008	23.6.2009	22.06.2016	30,000	
2005-2009 Plan / 2006 Grant	28.06	none	13.12.2007	13.12.2008	13.12.2009	12.12.2016	1,010,800	
Total							3,444,018	

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

	Number of stock options 2006	Weighted average exercise price 2006 (€)	Number of stock options 2005	Weighted average exercise price 2005 (€)
Outstanding on 1 January	3,847,059	18.19	5,506,872	16.07
Granted	1,090,800	27.77	794,600	23.30
Exercised	(1,375,914)	16.45	(2,431,873)	15.07
Forfeited	(117,927)	19.07	(22,540)	17.73
<b>Outstanding on 31 December</b>	<b>3,444,018</b>	<b>21.89</b>	<b>3,847,059</b>	<b>18.19</b>
<b>Exercisable on 31 December</b>	<b>1,619,745</b>	<b>17.27</b>	<b>2,342,039</b>	<b>16.50</b>

The charge to the income statement for employee stock option awards for 2006 amounted to €4.0m (2005: €3.6m).

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 OPTION COMPENSATION PLANS (CONTINUED)

During the year, the Board approved an amendment to the rules of all CCHBC Stock Option Compensation Plans. In accordance with the amendment, in the event of an equity restructuring, the Company shall make an equitable adjustment to the terms of the stock options. The incremental fair value granted as a result of this modification is nil.

Equity-settled share-based payments are measured at fair value at the date of grant using a binomial stock option valuation model. The inputs into the model are as follows:

	2006	2005
Weighted average fair value of options granted	<b>€6.3</b>	€5.7
Risk free interest rates	<b>4.3%</b>	3.7%
Expected volatility	<b>20.8%</b>	25.2%
Dividend yield	<b>1.0%</b>	1.2%
Expected life	<b>4.1 years</b>	4.8 years

The weighted average remaining contractual life of share options outstanding under the stock option compensation plans at 31 December 2006 was 7.3 years.

## 33. 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.

SARs outstanding at 31 December 2006:

	Exercise price €	Vesting status 2006	Vesting dates for further increments		End of exercise period	Number of SARs outstanding
Phantom Option Plan						
1998 A	23.32	fully vested	-	-	11.07.2008	111,339
1999	17.06	fully vested	-	-	08.12.2009	80,035
2000	14.68	fully vested	-	-	12.12.2010	44,900
2001	14.53	fully vested	-	-	12.12.2011	23,700
2003	16.76	fully vested	-	-	14.12.2013	4,000
2004	18.63	two thirds	03.12.2007	-	02.12.2014	10,000
2005	23.30	one third	02.12.2007	02.12.2008	01.12.2015	11,000
<b>Total</b>						<b>284,974</b>

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

	Number of SARs 2006	Weighted average exercise price 2006 (€)	Number of SARs 2005	Weighted average exercise price 2005 (€)
Outstanding on 1 January	<b>531,482</b>	<b>18.37</b>	614,062	17.66
Granted	-	-	24,500	23.30
Exercised	<b>(218,239)</b>	<b>16.86</b>	(105,607)	15.34
Forfeited	<b>(28,269)</b>	<b>21.54</b>	(1,473)	23.32
<b>Outstanding on 31 December</b>	<b>284,974</b>	<b>19.21</b>	<b>531,482</b>	<b>18.37</b>
<b>Exercisable on 31 December</b>	<b>274,306</b>	<b>19.08</b>	<b>485,547</b>	<b>18.13</b>

The inputs used for valuation of SARs are the same as those used for equity-settled share-based payments with the exception of risk free interest rates which were 4.1%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33. STOCK APPRECIATION RIGHTS (CONTINUED)

The compensation expense relating to SARs recorded for 2006 amounted to €1.0m (2005: €2.5m).

The aggregated intrinsic value for the vested SARs at 31 December 2006 was €2.9m.

The weighted average remaining contractual life of share options outstanding under the stock appreciation rights schemes at 31 December 2006 was 3.2 years.

## 34. RELATED PARTY TRANSACTIONS

### a) The Coca-Cola Company

As at 31 December 2006, TCCC indirectly owned 56,741,386 shares in CCHBC. This represented 23.4% (2005: 23.6%) 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 €1,141.7m (2005: €1,003.2m).

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 €50.4m (2005: €39.8m). 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 2006, such contributions totalled €29.9m (2005: €17.6m). Contributions for general marketing programmes are recorded as an offset to selling expenses. In 2006, these contributions totalled €20.5m (2005: €22.2m). TCCC has also customarily made additional payments for marketing and advertising direct to suppliers as part of the shared marketing arrangements. The proportion of direct and indirect payments, made at TCCC's discretion, will not necessarily be the same from year to year.

In addition, support payments received from TCCC for the placement of cold drink equipment were €83.3m (2005: €26.6m).

In 2006, the Company sold fixed assets of €0.9m (2005: €3.2m) to TCCC.

During the year, the Company sold €17.2m of finished goods and raw materials to TCCC (2005: €12.6m).

Other income primarily comprises rent, facility and other costs of €2.0m (2005: €2.1m) and a toll filling relationship in Poland of €15.6m (2005: €11.4m). Other expenses relate to facility costs charged by TCCC and shared costs. These other expenses amounted to €4.0m (2005: €1.4m) and 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' and €2.6m for the Bosnian water brand 'Olimpija' sold in 2004.

At 31 December 2006, the Company had a total of €65.8m (2005: €68.2m) due from TCCC, and a total amount due to TCCC of €122.9m (2005: €98.5).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### 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% ownership by The Kar-Tess Group (see below). Frigoglass has a controlling interest in Frigoglass Industries Limited, a company in which CCHBC has a 16% 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 €216.9m (2005: €144.2m) of coolers, raw materials and containers from Frigoglass and its subsidiaries. As at 31 December 2006, CCHBC owed €16.4m (2005: €7.5m) to, and was owed €0.1m (2005: €0.9m) by Frigoglass.

### c) Directors

Mr George A. David, Mr Haralambos K. Leventis, Mr Anastasios P. Leventis and Mr Anastassis G. David have been nominated by the Kar-Tess Group to the board of CCHBC. Mr Irial Finan and Mr Alexander B. Cummings have been nominated by TCCC to the board of CCHBC. There have been no transactions between CCHBC and the directors except for remuneration (refer to Note 31).

### d) Other

#### Beverage Partners Worldwide ('BPW')

BPW is a 50/50 joint venture between TCCC and Nestlé. During 2006, the Group purchased inventory from BPW amounting to €73.0m (2005: €44.2m). As at 31 December 2006, CCHBC owed €6.5m (2005: €2.4m) to, and was owed €1.4m (2005: €0.4m) by BPW.

#### The Kar-Tess Group

The Kar-Tess Group owned 71,848,182 shares in CCHBC as at 31 December 2006. This represented 29.7% (2005: 29.9%) of the issued share capital of CCHBC.

#### Leventis Overseas & AG Leventis (Nigeria) PLC (the 'Leventis Companies')

The Leventis Companies are related to CCHBC by way of common directors, as a result of which significant influence exists. During 2006, the Group purchased €11.5m (2005: nil) of finished goods and other materials and €7.0m (2005: €9.9m) of fixed assets from the Leventis Companies and incurred rental expenses of €0.2m (2005: €1.1m) to the Leventis Companies. At 31 December 2006, the Group owed €2.0m (2005: €2.2m) to, and was owed €0.1m (2005: €0.2m) by the Leventis Companies.

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

Plias is related to CCHBC by way of some common shareholdings. There were no purchases from Plias in 2006 (2005: €0.8m). At 31 December 2006, there were no receivables from (2005: €0.8m), or payables to (2005: €0.1m) Plias.

#### J&P Avax S.A.

CCHBC is related to J&P Avax S.A through Mr Leonidas Ioannou who is chairman of J&P Avax S.A. and was a member of the CCHBC Board from January 1981 to July 2006. In 2006 the Group purchased fixed assets from J&P Avax S.A. of €16.2m (2005: nil). At 31 December 2006, the Group owed €2.0m (2005: nil) to J&P Avax S.A.

#### Other Coca-Cola Bottlers

The Group purchased €2.5m (2005: €0.8) of finished goods from, and incurred expenses of €1.6m (2005: €0.3m) to other Coca-Cola bottlers in which TCCC has significant influence. At 31 December 2006, the Group owed €0.4m (2005: €0.2m) to, and was owed €0.4m (2005: nil) by such Coca-Cola bottlers.

There are no material transactions with other related parties for the year ended 31 December 2006.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 35. LIST OF PRINCIPAL GROUP COMPANIES

The following are the principal Group companies of CCHBC at 31 December:

	Country of registration	% ownership	
		2006	2005
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%
Bankya Mineral Waters Bottling Company EOOD	Bulgaria	100.0%	100.0%
Brewinvest S.A. <sup>1</sup>	Greece	50.0%	50.0%
CC Beverages Holdings II B.V.	The Netherlands	100.0%	100.0%
CCB Management Services GmbH	Austria	100.0%	100.0%
CCB Services Ltd	England and Wales	100.0%	100.0%
CCBC Services Ltd	Republic of Ireland	100.0%	100.0%
CCHBC Insurance (Guernsey) Ltd.	The Channel Islands	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 sr.o.	Czech Republic	100.0%	100.0%
Coca-Cola Beverages Holdings Ltd	Republic of Ireland	100.0%	100.0%
Coca-Cola Beverages Hrvatska d.d.	Croatia	99.9%	99.9%
Coca-Cola HBC Polska sp. z o.o.	Poland	100.0%	100.0%
Coca-Cola Beverages Slovakia, s.r.o.	Slovakia	100.0%	100.0%
Coca-Cola Beverages Slovenia d.d.	Slovenia	100.0%	100.0%
Coca-Cola Beverages Ukraine Ltd	Ukraine	100.0%	100.0%
Coca-Cola Bottlers (Ulster) 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 <sup>2</sup>	Russia	-	100.0%
Coca-Cola Bottling Company (Dublin) Ltd	Republic of Ireland	100.0%	100.0%
Coca-Cola Bottling Enterprise Galati S.A. <sup>3</sup>	Romania	-	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 Magyarország Italok Kft.	Hungary	100.0%	100.0%

<sup>1</sup> Joint venture  
<sup>2</sup> Merged with LLC Coca-Cola HBC Eurasia on 29th September 2006  
<sup>3</sup> Merged with Coca-Cola HBC Romania Ltd on 21st July 2006

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 35. LIST OF PRINCIPAL GROUP COMPANIES (CONTINUED)

	Country of registration	% ownership	
		2006	2005
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.	Republic of Serbia	89.1%	89.1%
Coca-Cola HBC Corna Gora d.o.o.	Republic of 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 <sup>2</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%
Multon Z.A.O. Group <sup>1</sup>	Russia	50.0%	50.0%
Nigerian Bottling Company plc <sup>4</sup>	Nigeria	66.4%	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%	49.9%
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%
Softinvest Holdings Ltd	Cyprus	100.0%	100.0%
Standorg Assets Kft. <sup>5</sup>	Hungary	-	100.0%
Star Bottling Ltd	Cyprus	100.0%	100.0%
Star Bottling Services Corp.	British Virgin Islands	100.0%	-
Telerex S.A <sup>6</sup>	Greece	-	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%
Vendit Ltd	Republic of Ireland	100.0%	100.0%
Vlasinka d.o.o.	Republic of Serbia	50.0%	50.0%
Acquisition of Group companies in 2006			
Fresh & Co d.o.o. <sup>1</sup>	Republic of Serbia	50.0%	-
Lanitis Bros Public Ltd	Cyprus	99.9%	-
Fonti del Vulture S.r.l.	Italy	50.0%	-
Yoppi Kft.	Hungary	100.0%	-

<sup>1</sup> Joint venture

<sup>2</sup> Merged with LLC Coca-Cola HBC Eurasia on 29th September 2006

<sup>4</sup> During 2006 the Group elected to receive additional shares in the Nigerian Bottling Company plc in lieu of dividends, whilst other shareholders elected to receive cash.

<sup>5</sup> Liquidated on 28 March 2006

<sup>6</sup> Merged with Coca-Cola HBC SA (the parent entity) on 28 December 2006

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. JOINT VENTURES

The Group has a 50% interest in three 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, Multon group of companies engaged in the production and distribution of juices in Russia and Fresh & Co d.o.o. a newly acquired group of companies engaged in the production and distribution of juices in Serbia.

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 and for the year ended 31 December:

	2006 € million	2005 € million
Balance sheet		
Non-current assets	347.5	255.1
Current assets	121.8	92.7
<b>Total assets</b>	<b>469.3</b>	<b>347.8</b>
Non-current liabilities	(8.2)	(6.7)
Current liabilities	(109.9)	(36.4)
<b>Total liabilities</b>	<b>(118.1)</b>	<b>(43.1)</b>
<b>Net Assets</b>	<b>351.2</b>	<b>304.7</b>
Income statement		
Income	243.6	145.9
Expenses	(210.3)	(121.3)
<b>Net profit</b>	<b>33.3</b>	<b>24.6</b>

# GLOSSARY OF TERMS

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

**‘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

**‘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’**

Non-alcoholic carbonated beverages containing flavourings and sweeteners, excluding, among others, waters and flavoured waters, juices and juice drinks, sports and energy drinks, teas and coffee

**‘CAGR’**

Compounded 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 Company’ or ‘the Group’

**‘Coca-Cola System’**

The Coca-Cola Company and its bottling partners

**‘cold drink equipment’**

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

**‘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

**‘CSR’**

Corporate Social Responsibility

**‘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

**‘Financial indicators’**

Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, exceptional items and include the results of the acquired entities unless otherwise stated

**‘IFRS’**

International Financial Reporting Standards of the International Accounting Standards Board

**‘Ireland’**

The Republic of Ireland and Northern Ireland

**‘Italy’**

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

**‘market’**

When used in reference to geographic areas, territory in which Coca-Cola HBC does business, often defined by national boundaries

**‘non-carbonated soft drinks; non-CSDs’**

Non-alcoholic beverages without carbonation 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’**

Polyethylene teraphthalate, 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)

**‘serving’**

237ml or 8oz of beverage. Equivalent to 1/24 of a unit case

**‘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

# 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, our outlook for 2007 and future years, business strategy and the effects of our recent acquisitions, and restructuring initiatives 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 Hellenic Bottling Company S.A.  
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