

COCA-COLA HBC FINANCE B.V.

AMSTERDAM, THE NETHERLANDS

ANNUAL REPORT 2016

Coca-Cola HBC Finance B.V. – Annual Report 2016

CONTENTS

DIRECTORS' REPORT	2
FINANCIAL STATEMENTS	
Income Statement	5
Statement of Comprehensive Income	5
Balance Sheet	6
Statement of Changes in Shareholder's Equity	7
Cash Flow Statement	8
Notes to the Financial Statements for the year ended 31 December 2016:	9
1. General information	9
2. Summary of significant accounting policies	9
3. Financial risk management	16
4. Critical accounting estimates and assumptions	24
5. Interest income, interest expense and other finance cost	24
6. Net foreign exchange gains and losses	25
7. Net other (expenses) / income	26
8. Employee costs	26
9. Income tax expense	26
10. Financial instruments	28
11. Derivative financial instruments	29
12. Property, plant and equipment	30
13. Other assets	31
14. Cash and cash equivalents	31
15. Borrowings	31
16. Current tax liabilities	33
17. Share capital and share premium	33
18. Retained earnings	33
19. Hedging reserve	33
20. Dividends	34
21. Directors' remuneration	34
22. Commitments	34
23. Related party transactions	34
24. Segmental analysis	37
25. Average number of employees	37
26. Proposed appropriation of result	37
27. Events after the balance sheet date	37
OTHER INFORMATION	38

Coca-Cola HBC Finance B.V. – Annual Report 2016

DIRECTORS' REPORT

In accordance with the Articles of Association of Coca-Cola HBC Finance B.V. (the “Company”), the Board of Directors herewith submits the Company’s annual report for the year ended 31 December 2016.

General

Coca-Cola HBC Finance B.V., a private company with limited liability, was incorporated in the Netherlands on 13 April 2001, as a 100% owned subsidiary of CC Beverages Holdings II B.V. with its statutory seat in Amsterdam. The Company functions under the Laws of the Netherlands and is included in a fiscal unity with CC Beverages Holdings II B.V. for income tax purposes.

The Company acts as a finance vehicle for Coca-Cola HBC A.G. and its subsidiaries (the ‘Group’ or the ‘Coca-Cola HBC Group’). Funding of these activities is achieved mainly through the debt capital markets. The ultimate parent company of the Group is Coca-Cola HBC A.G. based in Zug, Switzerland (the “Parent”).

Financial Review

Interest income for the 2016 financial year amounted to €104.4 million (2015: €98.2 million) and profit for the 2016 financial year amounted to €11.0 million (2015: €17.2 million). Year-on-year profit before taxation amounted to €14.7 million and decreased by €8.3 million, mainly due to an €11.8 million lower net foreign exchange result, the write off of an intercompany loan (Molino Services S.A.) of €5.2 million and the tender offer premium of €6.2 million paid in March 2016, on the early redemption of a part of 4.25% bonds maturing in November 2016; these negative effects were only partially offset by an increase in total interest income of €6.2 million, mainly from related parties due to a decrease in the average interest rate applied.

In 2015 the net foreign exchange gain of €9.3 million comprised primarily of gains on the UK sterling loan, which was only partially hedged, while fully hedged in 2016 as well as gains due to the volatility of the Russian rouble, whereas in 2016 the average position in Russian rouble decreased and the currency was less volatile; therefore, overall 2016 was a net foreign exchange loss of €2.5 million.

On 10 March 2016, the Company issued a fixed rate bond of €600.0 million due 11 November 2024, under the €3.0 billion Euro medium-term note programme. The coupon rate of the new bond is 1.875%, which, including the amortisation of the loss on the forward starting swap contracts over the term of the fixed rate bond, results in an effective interest rate of 2.99%. The new bond is guaranteed by Coca-Cola HBC AG and Coca-Cola HBC Holdings B.V. The net proceeds of the new issue were used to partially repay €214.6 million of the 4.25% fixed rate bond in March 2016, while the remaining €385.4 million was repaid upon its maturity in November 2016.

The above-mentioned loss on the settled forward starting swap contracts amounted to €55.4 million and is classified in the cash flow hedge reserve. The loss will be amortised to the income statement as an interest expense over the term of the new bond. The interest expense of 2016 includes an amount of €5.2 million cash flow hedge amortisation related to the settled forward starting swaps.

The Coca-Cola HBC Group’s goal is to maintain a conservative financial profile. This is evidenced by the Investment Grade credit ratings maintained with both Standard & Poor’s and Moody’s. Standard & Poor’s revised the Company’s outlook to positive from stable in May 2016 and Moody’s affirmed the Company’s stable outlook in November 2016. Both institutions affirmed their credit ratings.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Outlook

The Company operates as an intragroup financing and currency and commodity risk hedging entity and only operates for this purpose.

The Company has a robust liquidity management framework in place, which ensures that there are sufficient funds available to cover its short and long-term commitments.

Principal risks and uncertainties

In the course of its business, the Company is exposed to several financial risks. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. These include amongst others, foreign currency risk, interest rate risk, credit risk and liquidity risk. These risks are managed and monitored in accordance with the Treasury Policy, which describes objectives, responsibilities and management of the treasury risks. The policy is updated on a regular basis.

Foreign currency risk

The Company is exposed to the effect of foreign currency risk on cash balances and on funding provided to the Group. Derivative instruments are used to hedge the Company's foreign currency risk. These contracts normally mature within one year. As a matter of policy, the Company does not enter into speculative derivative financial instruments. The policy is to negotiate the terms of the hedge derivatives to match the terms of the hedged item in order to maximize hedging effectiveness.

Interest rate risk

The long-term borrowings from the capital market have a fixed interest rate. Any short-term borrowings from external parties, excluding commercial paper, as well as most of the borrowings from Group companies are primarily floating rate instruments. Almost all the lending to Group companies have a floating interest rate based on the average borrowing cost of the Company, which is reset on a quarterly basis.

Interest rate option contracts may also be utilized by the Company to reduce the impact of adverse change in interest rates on current and future debt.

Credit risk

The Company has policies in place that limit the amount of counterparty exposure to any single financial institution. The investment policy objective is to minimise counterparty risks, with strict investment limits on the excess cash balances invested set per counterparty, as well as the credit quality of the counterparties. The Board of Directors of the Company approve counterparty limits to ensure that risks are controlled effectively and that transactions are undertaken with approved counterparties.

Liquidity risk

The Company actively manages liquidity risk to ensure there are sufficient funds available for any short term and long-term commitments. The EMTN program, the commercial paper program and the unutilized revolving credit facility are used to manage the liquidity risk. Cash and cash equivalents as at 31 December 2016 increased slightly compared to the balance as at 31 December 2015 and amounted to €393.0 million (2015: €387.2 million).

Management is comfortable with how risks are addressed within the Company.

Coca-Cola HBC Finance B.V. – Annual Report 2016

The Corporate Audit Department monitors the internal financial control system across all Coca-Cola HBC Group companies, including Coca-Cola HBC Finance B.V. and reports the findings to management and the Audit Committee of Coca-Cola HBC A.G. The audit plan and audit scope for the Company is focused on the areas of greatest risks, using a risk based approach.

Coca-Cola HBC Group has adopted a strategic Enterprise Wide Risk Management (EWRM) approach to risk management, providing a fully integrated common risk management framework across the Coca-Cola HBC Group, including Coca-Cola HBC Finance B.V. The primary aim of this framework is to minimise the organisation's exposure to unforeseen events and to provide certainty to the management of identified risks in order to create stable environment within which the Company can deliver its operational and strategic objectives for the Group. These objectives are achieved by:

- Monthly management reporting
- Regular reviews by the Board of Directors of Coca-Cola HBC Finance B.V.

Dividends

The directors do not recommend the distribution of dividends for the year 2016 (2015: nil).

Managing Directors

During the year under review, the Company had four Managing Directors, who received no remuneration during the current or previous financial year. On 18 May 2016, Rutger van Hilst resigned as Managing Director and Huig Johan Braamskamp was appointed as Managing Director. On 13 January 2017, Wilhelmus Joseph Langeveld resigned as Managing Director and Sjors van der Meer was appointed as Managing Director. The Company has no Supervisory Directors.

The size and composition of the Board of Directors and the combined experience and expertise should reflect the best fit for the profile and strategy of the Company. Since 2012, the Board has, with the exception of a few months in 2013, one female Director. The Company is aware that the gender diversity is still below the goals as set out in article 2:276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

Directors' statement

The 2016 annual report of Coca-Cola HBC Finance B.V. has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and, in our opinion gives a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 2016.

Amsterdam, 28 April 2017

Directors

Garyfallia Spyriouni

Michail Imellos

Sjors van der Meer

Huig Johan Braamskamp

Coca-Cola HBC Finance B.V. – Annual Report 2016

INCOME STATEMENT

YEAR ENDED 31 DECEMBER

	Notes	2016 €'000	2015 €'000
Interest income from financing to related parties	5,23	95,618	81,685
External interest income	5	8,784	16,552
Total interest income		104,402	98,237
External interest expense	5	(62,389)	(62,300)
Interest expense from financing from related parties	5,23	(16,732)	(19,423)
Total interest expense		(79,121)	(81,723)
Net interest income		25,281	16,514
Other finance costs	5	(1,598)	(2,034)
Net finance income		23,683	14,480
Net foreign exchange (losses) / gains	6	(2,480)	9,319
Net other expenses	7	(6,525)	(796)
Profit before tax		14,678	23,003
Income tax expense	9	(3,690)	(5,765)
Profit for the year		10,988	17,238

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER

	2016 €'000	2015 €'000
Profit after tax	10,988	17,238
Other comprehensive income:		
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
(Losses) / gains during the year	(30,906)	115
Losses reclassified to the income statement	5,198	4,573
Total other comprehensive income	(25,708)	4,688
Total comprehensive income for the year	(14,720)	21,926

The accompanying notes form an integral part of these financial statements.

Coca-Cola HBC Finance B.V. – Annual Report 2016

BALANCE SHEET

AS AT 31 DECEMBER

(before profit appropriation)

	Notes	2016 €'000	2015 €'000
Assets			
Property, plant and equipment	12	331	78
Receivables from related parties	23	2,262,310	2,219,282
Derivative financial instruments assets	11	1,036	2,546
Prepayments		879	1,224
Other assets	13	59	15
Total non-current assets		2,264,615	2,223,145
Receivables from related parties	23	70,654	215,386
Derivative financial instruments assets	11	3,935	6,794
Prepayments		469	457
Other current assets		-	20
Cash and cash equivalents	14	393,034	387,248
Total current assets		468,092	609,905
Total assets		2,732,707	2,833,050
Liabilities			
Short-term borrowings	15	108,500	773,303
Payables to related parties	23	614,803	607,549
Accrued interest payable		11,827	13,440
Derivative financial instruments liabilities	11	6,681	29,207
Current tax liabilities	16	9,400	21,221
Other current liabilities/accruals		690	783
Total current liabilities		751,901	1,445,503
Long-term borrowings	15	1,391,844	794,874
Payables to related parties	23	271,077	258,561
Derivative financial instruments liabilities	11	1,037	2,536
Other liabilities		-	8
Total non-current liabilities		1,663,958	1,055,979
Total liabilities		2,415,859	2,501,482
Equity			
Share capital	17	1,018	1,018
Share premium	17	263,064	263,064
Hedging reserve	19	(50,247)	(24,539)
Retained earnings	18	103,013	92,025
Total equity		316,848	331,568
Total equity and liabilities		2,732,707	2,833,050

The accompanying notes form an integral part of these financial statements.

Coca-Cola HBC Finance B.V. – Annual Report 2016

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY YEAR ENDED 31 DECEMBER

	Share capital €'000	Share premium €'000	Hedging Reserve €'000	Retained earnings €'000	Total shareholder's equity €'000
As at 1 January 2015	1,018	263,064	(29,227)	74,787	309,642
Profit for the year	-	-	-	17,238	17,238
Other comprehensive income for the year	-	-	4,688	-	4,688
Total comprehensive income for the year	-	-	4,688	17,238	21,926
As at 31 December 2015	1,018	263,064	(24,539)	92,025	331,568
Profit for the year	-	-	-	10,988	10,988
Other comprehensive income for the year	-	-	(25,708)	-	(25,708)
Total comprehensive income for the year	-	-	(25,708)	10,988	(14,720)
As at 31 December 2016	1,018	263,064	(50,247)	103,013	316,848

The accompanying notes form an integral part of these financial statements.

Coca-Cola HBC Finance B.V. – Annual Report 2016

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER

	2016	2015
	€'000	€'000
Operating activities		
Profit before tax	14,678	23,003
Adjustments for:		
Interest expense	79,121	81,723
Interest income	(104,402)	(98,237)
Write-off Group receivable loan	5,235	-
Amortisation of prepaid fees	1,335	653
Depreciation of property, plant and equipment	57	7
Other	-	11
Increase in financing to the Group	(1,164,666)	(3,210,940)
Decrease in financing to the Group	1,265,217	3,252,273
Increase in financing from the Group	5,252,471	4,879,025
Decrease in financing from the Group	(5,233,337)	(4,820,561)
Increase in other assets	(683)	(8,982)
Increase in other liabilities	5,653	607
Payments for purchases of property, plant and equipment	(311)	(85)
Interest received	100,916	101,966
Interest paid	(79,541)	(80,896)
Taxes paid	(15,512)	(36)
Cash flow generated from operating activities	126,231	119,531
Financing activities		
Proceeds from external borrowings	1,110,500	715,529
Repayment of external borrowings	(1,230,945)	(991,857)
Cash flow used in financing activities	(120,445)	(276,328)
Increase (decrease) in cash and cash equivalents	5,786	(156,797)
Cash and cash equivalents at 1 January	387,248	544,045
Increase (decrease) in cash and cash equivalents	5,786	(156,797)
Cash and cash equivalents at 31 December	14	387,248

The accompanying notes form an integral part of these financial statements.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

1. General information

Coca-Cola HBC Finance B.V. (the “Company”), a private company with limited liability, was incorporated in the Netherlands on 13 April 2001, as a 100% owned subsidiary of CC Beverages Holdings II B.V. with its statutory seat in Amsterdam. The Company functions under the Laws of the Netherlands.

Registered Company number: 34154633

Until and including 1 November 2016 the registered address of the Company was Naritaweg 165, 1043 BW, Amsterdam, the Netherlands, after which the registered address was changed to:

Radarweg 29, 1043 NX Amsterdam, the Netherlands.

The Company acts as a finance vehicle for Coca-Cola HBC A.G. (the ultimate “Parent” and controlling entity) and its subsidiaries (the “Group” or the “Coca-Cola HBC Group”). Funding of these activities is primarily through the debt capital markets.

The Parent owns 100% of the ordinary shares of the Company through its subsidiary CC Beverages Holdings II B.V.

Copies of the Group’s consolidated financial statements are available on the website of the Group, www.coca-colahellenic.com, and from its registered office:

Coca-Cola HBC A.G.
Turmstrasse 26
Zug, CH 6300
Switzerland

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Coca-Cola HBC Finance B.V. have been prepared in accordance with International Financial Reporting Standards “IFRS” as issued by the International Accounting Standards Board (“IASB”) and as adopted by the European Union (“EU”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of the derivative financial instruments to fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Unless otherwise stated, the figures are presented in thousand of euro’s, rounded to the nearest thousand.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

2.1.1 Changes in accounting policy and disclosures

(a) Accounting pronouncements adopted in 2016

In the current period, the Company has adopted the following standards and amendments which were issued by the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2016:

Annual Improvements to IFRSs: 2012-2014 Cycle;
Amendments to IAS 1: Disclosure initiative.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Accounting pronouncements not yet adopted

At the date of approval of these financial statements, the following standards and interpretations relevant to the Company's operations were issued but not yet effective and not early adopted.

IFRS 15, *Revenue from Contracts with Customers* that will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Management has completed an initial impact assessment on areas that might be affected. The areas of focus have been the identification of material rights that should be accounted for as performance obligations, accounting for contract fulfilment costs and variable consideration. Based on the assessment, the Company believes that the adoption of IFRS 15 will not have a significant impact on its financial statements.

IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The new hedge accounting requirements will align the accounting for hedging instruments more closely with the Group's risk management practices and therefore more hedge relationships are expected to be eligible for hedge accounting. Based on a preliminary assessment, it would appear that the Company's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Furthermore, the Company will assess possible changes related to the application of the new hedge accounting requirements in relation to the accounting treatment to be applied to the forward element of the forward contracts and the future time value of options in more detail in 2017.

IFRS 16, *Leases*. The new standard supersedes IAS 17 and its objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Company is currently evaluating the impact IFRS 16 will have on its financial statements.

In addition, the below amendments have been issued by the IASB and are not yet effective. The Company is currently evaluating the impact of those amendments and interpretations on its financial statements:

Amendment to IAS 12: Recognition of deferred tax assets for unrealised losses
Amendment to IAS 7: Disclosure initiative
Amendment to IFRS 2: Classification and measurement of shared-based payment transactions
IFRIC 22 "Foreign currency transactions and advance consideration"
Annual Improvements to IFRSs 2014 (2014 – 2016 Cycle).

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in Euro, which is the functional currency of the Company.

(b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when such assets or liabilities are designated hedging instruments in a qualifying cash flow hedge relation. In that case, the results are deferred in other comprehensive income. Foreign exchange gains and losses related to borrowings and cash and cash equivalents are presented in the income statement within ‘net foreign exchange gains or losses’ together with all other foreign exchange gains and losses.

Non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

2.3 Recognition of interest income

Interest income is measured at the fair value of the consideration received or receivable, and represents amounts receivable for financing provided to related Group companies or for deposits held with financial institutions.

The Company’s major activity is obtaining financing, predominately from debt capital markets, and providing financing to Group companies.

Interest income is recognised on a time proportion basis using the effective interest rate method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.4 Interest expense

Interest expenses are recognised in the income statement in the period in which they are incurred using the effective interest rate method and therefore includes the amortisation of the paid transactions costs, the paid discount and received premium of the financial instruments as well as the commitment fee of the facility.

2.5 Employee benefits

The Company operates a defined contribution pension plan. The Company’s contributions to the defined contribution pension plan are charged to the income statement in the period to which the contributions relate.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

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

Computers and software 4 years

Leasehold buildings and improvements 5 years

Furniture and fittings 8 years

The depreciation charges are recorded in the 'Net other (expenses)/income' in the income statement.

2.7 Financial assets

2.7.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedging instrument in a hedge accounting relationship. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'Receivables from related parties', 'Other current assets' and 'Cash and cash equivalents' in the balance sheet (notes 2.10 and 2.11).

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement immediately. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'exchange gains and losses' in the period in which they arise.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of assets is impaired.

A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'); and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is estimated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.10 Derivative financial instruments and hedging activities

The Company uses financial instruments, including interest rate swap contracts, forward starting interest rate swap contracts, cross currency swap contracts, interest rate option contracts and currency derivatives. Their use is undertaken only to manage interest and currency risk associated with the Company's underlying business activities. In addition, the Company enters into commodity contracts and currency derivatives to manage respectively the commodity and currency risk associated the Group's underlying business activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

All derivative financial instruments that are not part of an effective hedging relationship (undesignated hedges) are classified as assets or liabilities at fair value through profit and loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Regular way purchases and sales of financial assets are accounted for at trade date.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 11. Movements on the hedging reserve in other comprehensive income are described in Note 19. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging fixed interest risk on borrowings and risk for firm commitments on payments in foreign currency. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'external interest expense'. The gain or loss relating to the ineffective portion is also recognised in the income statement within 'external interest expense'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk, are recognised in the income statement within 'external interest expense'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are recognised and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'external interest expense'.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss (for example, when the interest payment that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'external interest expense'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'external interest expense'.

2.11 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Receivables, which are due within 1 year, are classified as current.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

2.11.1 Receivables from related parties

Since the principal activity of the Company is the provision of financial services to the Parent and its subsidiaries, receivables to related parties primarily relate to the lending activities of the Company with the Group.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Bank overdrafts are classified as short-term borrowings in the balance sheet and for the purpose of the cash flow statement.

2.13 Payables

Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.13.1 Payables to related parties

Since the principal activity of the Company is the provision of financial services to the Parent and its subsidiaries, payables to related parties primarily relate to the borrowing activities of the Company with the Group.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised (straight-line) over the period of the facility to which it relates.

2.15 Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company generates taxable income. Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts to be paid to the tax authorities.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

2.16 Share capital

Ordinary shares are classified as equity.

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 costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds and recorded to the share premium reserve.

Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any direct attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders and recorded in the share premium reserve.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Company's cash flows. The Company uses derivative financial instruments to hedge certain risk exposures.

Group Treasury carries out risk management activities in accordance with policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's subsidiaries. The Group's Board of Directors has approved the Treasury Policy and Chart of Authority, which together provide the control framework for all treasury and treasury related transactions. They contain written procedures for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign currency risk

The Company is exposed to the effect of foreign currency risk on recognised monetary assets and liabilities that are denominated in currencies other than the functional currency. Foreign currency derivative instruments are used to hedge the Company's foreign currency risk. The majority of the foreign currency forward contracts have maturities of less than one year.

Except for the US dollar bond redeemed in 2015, which was hedged to Euro for both the principal and the interest payments, the Company primarily borrows in Euro in the debt capital and commercial paper market. Both borrowing and lending to Group companies is mainly in Euro. Financing with Group companies denominated in currencies other than Euro is hedged with derivative instruments.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

The following tables present details of the Company's sensitivity to reasonably possible increases and decreases in the Euro against the relevant foreign currencies. In determining reasonable possible changes, the historical volatility over a twelve-month period of the respective foreign currencies in relation to the Euro has been considered. The sensitivity analysis determines the potential gains and losses in the income statement or equity arising from the Company's foreign exchange positions as a result of the corresponding percentage increases and decreases in the Company's main foreign currencies, relative to the Euro. The sensitivity analysis includes outstanding foreign currency denominated monetary items, external loans as well as loans with the Group where the denomination of the loan is in a currency other than the functional currency of the Company. The foreign currency exposures are not subject to cashflow hedges, therefore weakening or strengthening of the Euro does not have an impact in equity.

The sensitivity analysis for exchange rate risk for 2016 and 2015 are as follows:

2016 exchange risk sensitivity analysis

	% of historical volatility over a 12-month period	Euro strengthens against local currency	Euro weakens against local currency
		(Gain)/loss in income statement €'000	Loss/(gain) in income statement €'000
US dollar	8.29%	(15)	18
Romanian leu	2.58%	(2)	2
Russian rouble	20.12%	(659)	1,209
Polish zloty	7.29%	(15)	19
UK sterling	11.91%	91	(134)
Bulgarian lev	0.70%	(9)	9
Hungarian forint	4.91%	7	(8)
Czech koruna	0.69%	-	-
Croatian kuna	1.63%	(1)	1
Swiss franc	4.47%	3	(4)
Total		(600)	1,112

2015 exchange risk sensitivity analysis

	% of historical volatility over a 12-month period	Euro strengthens against local currency	Euro weakens against local currency
		(Gain)/loss in income statement €'000	Loss/(gain) in income statement €'000
US dollar	12.26%	25	(32)
Romanian leu	3.63%	(31)	33
Russian rouble	28.12%	(346)	818
Polish zloty	7.13%	(16)	20
UK sterling	9.82%	76	(104)
Bulgarian lev	0.54%	(1)	1
Hungarian forint	7.43%	5	(7)
Czech koruna	3.41%	2	(2)
Croatian kuna	2.11%	(1)	1
Swiss franc	22.61%	29	(66)
Total		(258)	662

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

(ii) Price risk

The Company does not invest in equities. Although the Company itself is not exposed to commodity price risk, the Company enters into commodity contracts with financial institutions, which are mirrored by derivatives with relevant Group companies (i.e. on a back-to-back basis with Group companies).

(iii) Interest rate risk

The long-term borrowings, including the effect of swap contracts, from the debt capital market and the commercial paper have a fixed interest rate. Short-term borrowings from Group companies are fixed rate instruments, while long term borrowings are floating rate instruments. Almost all the lending to Group companies is based on the average borrowing cost of the Company plus a fixed mark-up. This average borrowing cost is reset on a quarterly basis.

The combination of the interest rate swap agreements and cross-currency interest rate swap agreements utilised by the Company modifies the Company's exposure to interest rate risk and the changes in fair value of debt by converting the Company's fixed rate US dollar debt into a fixed rate obligation based on Euro over the life of the underlying US dollar notes. The cross currency and interest rate swap contracts that were related to the \$400 million USD denominated debt, matured on 17 September 2015, being the date the US dollar debt matured and was fully repaid.

A portion of the coupon of the forecasted bond, which was finally issued in March 2016, that was affected from the fluctuation of interest rates was hedged against a fixed interest rate payable by means of three forward interest rate swap agreements concluded in the third quarter of 2014 and one contract concluded in the third quarter of 2015 with 10-year duration. The cumulative amount hedged was €600.0 million with a weighted average fixed interest rate payable of 1.4559%. The derivatives were settled on issuance of the bond.

The sensitivity analysis in the following paragraphs has been determined based on exposure to interest rates of both derivative and non-derivative instruments existing at the balance sheet date and assuming constant foreign exchange rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point for 2015 and 50 basis point for 2016 increase or decrease represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's income statement for the year ended 31 December 2016 would have been affected by a loss of €1.5 million (2015: €4.3 million loss for 100 basis points increase), while the effect on equity would be nil (2015: €53.7 million gain for 100 basis points increase).

If interest rates had been 50 basis points lower and all other variables were held constant, the Company's income statement for the year ended 31 December 2016 would have affected by €0.5 million gain (2015: €3.6 million gain for 100 basis points decrease), while the effect on equity would be nil (2015: €58.4 million loss for 100 basis points decrease).

The impact in the Company's income statement is mainly attributable to the Company's exposure to interest rate fluctuations. The impact in the Company's equity in 2015 was attributable to the changes in the fair value of the forward starting swaps entered into in 2014 and 2015 used as cash flow hedging instruments assuming 100% hedge effectiveness.

(b) Credit risk

The Company is exposed to credit risk from loans or deposits to Group companies and to financial institutions as well as from derivative financial instruments.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

The investment policy objective is to minimise counterparty risks whilst ensuring an acceptable return on the excess cash position. Counterparty limits are approved by the Board of Directors of the Company in order to ensure that risks are controlled effectively and transactions are undertaken with approved counterparties as described in the Treasury Policy.

The Company's maximum exposure to credit risk, in the event that counterparties fail to perform their obligations at 31 December 2016 in relation to each class of recognised financial assets, is the carrying amount of those assets.

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 Company's maximum credit risk exposure for each derivative instrument is the carrying amount of the derivative (refer to note 11). In addition, when market conditions are favourable, the Company makes use of time deposits to invest temporarily excess cash balances and to diversify its counterparty risk. As at 31 December 2016, €238.6 million was invested in time deposits.

The Company only undertakes investment with third parties and derivative transactions with banks and financial institutions that have a minimum credit rating of 'BBB-' from Standard & Poor's or 'Baa3' from Moody's. The Company also uses the Credit Default Swap rate of a counterparty in order to measure more timely the credit worthiness of a counterparty and set up a tierbased approach to assign maximum exposure and tenor per tier. If the Credit Default Swap Rate of a certain counterparty exceeds 400 basis points, the Company will stop trading derivatives with that counterparty and will try to cancel any outstanding deposits on a best effort basis.

(c) Liquidity risk

The Company actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. The EMTN programme, the commercial paper programme as well as the unused revolving credit facility, are used to manage this risk.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, access to the debt capital markets, and by continuously monitoring forecast and actual cash flows. In note 15, the undrawn facilities that the Company has in its disposal to manage liquidity are discussed under the headings 'Commercial paper programme' and 'Committed credit facilities'.

Coca-Cola HBC A.G. and Coca-Cola HBC Holdings B.V. are guarantors for all the external financial liabilities of the Company. In addition, Coca-Cola HBC A.G. has given a Letter of Comfort for the Citibank pool bank accounts, which are part of the Multi Currency Notional Pooling and Citibank credit facility lines.

The following tables detail the Company's remaining contractual maturities for its financial liabilities. The table includes undiscounted cash flows for both interest and principal, assuming the interest rates remain constant as at 31 December 2016:

2016

	Less than 1 year €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000
Bonds, bills and unsecured notes	138,750	30,250	861,624	632,236
Payables to related parties	640,943	210,991	64,089	8,502
Foreign currency forward contracts	2,951	-	-	-
Other Borrowings	673	-	-	-
Estimated net outflow for the liabilities as at 31 December	783,317	241,241	925,713	640,738

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

2015	Less than 1 year €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000
Bonds, bills and unsecured notes	818,000	19,000	857,000	-
Payables to related parties	636,910	258,886	3,783	-
Foreign currency forward contracts	479	-	-	-
Forward starting swap contracts	24,559	-	-	-
Other Borrowings	783	7	-	-
Estimated net outflow for the liabilities as at 31 December	1,480,731	227,893	860,783	-

The Company hedges exposures to changes in the fair value of debt, as well as in the foreign exchange cash flows of debt, redeemed in 2015, by using a combination of interest rate and cross-currency swap contracts (refer to note 11.a and 11.b). The cash outflow from the forward starting interest rate swap contracts, which was payable in March 2016, is also included in the table.

The net present value of the liabilities from foreign currency forward contracts is included in the above table. The contracts included in the liquidity overview do not contain the back-to-back contracts with Group companies.

3.2 Capital management

The Company acts as a finance vehicle for the Group and operates within the goals and objectives set out by the Group. Coca-Cola HBC A.G. and Coca-Cola HBC Holdings B.V. are the guarantors for all external financial liabilities of the Company.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may increase or decrease debt, issue or buy back shares, adjust the amount of dividends paid to shareholders, or return capital to shareholders. The Company may increase or decrease its debt in order to reach the optimal capital structure.

The Group's goal is to maintain a conservative financial profile. This is evidenced by the credit ratings maintained with Standard & Poor's and Moody's. In May 2016, Standard & Poor's changed the outlook from stable to positive and affirmed "BBB+" long term, "A2" short term corporate credit ratings. The corporate credit ratings by Moody's remained unchanged, "Baa1" long term, P2 short term and stable outlook, after the latest assessment in November 2016.

The Group monitors its financial capacity and credit ratings by reference to a number of key financial ratios including net debt to comparable adjusted EBITDA, which provides a framework within which the Group's capital base is managed. This ratio is calculated as net debt divided by comparable adjusted EBITDA. The ratio of the Group at 31 December 2016 and 2015 are included in the Group's consolidated financial statements.

3.3 Fair values estimation

For financial instruments such as cash, deposits, short-term borrowings (excluding the current portion of bonds and notes payable) and other financial liabilities (other than bonds and notes payable), carrying values are a reasonable approximation of their fair values. For the loans receivable/payable from/to related parties the carrying values are a reasonable approximation of their fair values, as the interest rate is reset quarterly, based on the average borrowing cost of the company and the margin interest is set at an arm's-length basis. According to the fair value hierarchy, the financial instruments measured at fair value are classified as follows:

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

- Level 1 - Quoted prices in active markets for identical assets and liabilities. The fair value of bonds is based on quoted market prices at 31 December 2016.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of foreign currency forward contracts, foreign currency option contracts, commodity swap contracts and forward starting swap contracts is determined by using valuation techniques. These valuation techniques maximise the use of observable market data. The fair value of the foreign currency forward contracts, foreign currency option contracts, commodity swap contracts and cross currency swap contracts is calculated by reference to quoted forward exchange, deposit rates and forward rate curve of the underlying commodity at 31 December 2016 for contracts with similar maturity dates. The fair value of interest rate swap contracts and forward starting swap contracts is determined as the difference in the present value of the future interest cash inflows and outflows based on observable yield curves.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at 31 December 2016 and 2015, all financial assets and financial liabilities against fair value were within level 2 as depicted in the tables below:

As at 31 December 2016	Level 2 € 000	Total € 000
Financial assets at FVTPL		
Commodity contracts	2,713	2,713
Foreign currency forward/option contracts	2,258	2,258
Total financial assets	4,971	4,971
Financial liabilities at FVTPL		
Commodity contracts	2,716	2,716
Foreign currency forward/option contracts	5,002	5,002
Derivative financial liabilities used for cash flow hedging		
Total financial liabilities	7,718	7,718

As at 31 December 2015	Level 2 € 000	Total € 000
Financial assets at FVTPL		
Commodity contracts	4,701	4,701
Foreign currency forward/option contracts	4,639	4,639
Total financial assets	9,340	9,340
Financial liabilities at FVTPL		
Commodity contracts	4,690	4,690
Foreign currency forward/option contracts	2,494	2,494
Derivative financial liabilities used for cash flow hedging		
Forward starting swap contracts	24,559	24,559
Total financial liabilities	31,743	31,743

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting,

As at 31 December 2016 (€ '000)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	
				Financial instruments	Net amount
Derivative financial assets	4,971	-	4,971	1,764	3,207
Cash and cash equivalents	393,034	-	393,034	-	393,034
Total	398,005	-	398,005	1,764	396,241

As at 31 December 2015 (€ '000)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	
				Financial instruments	Net amount
Derivative financial assets	9,340	-	9,340	2,613	6,727
Cash and cash equivalents	387,248	-	387,248	-	387,248
Total	396,588	-	396,588	2,613	393,975

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

(b) Financial liabilities

The following financial liabilities are subject to offsetting,

As at 31 December 2016	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	
				Financial instruments	Net amount
Derivative financial liabilities	7,718	-	7,718	1,764	5,954
Total	7,718	-	7,718	1,764	5,954

As at 31 December 2015	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	
				Financial instruments	Net amount
Derivative financial liabilities	31,743	-	31,743	2,613	29,130
Total	31,743	-	31,743	2,613	29,130

The Company enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements or similar agreements. In general, under such agreements the counterparties can elect to settle into one single net amount the aggregated amounts owed by each counterparty on a single day with respect of all outstanding transactions of the same currency and the same type of derivative. In the event of default or early termination, all outstanding transactions under the agreement are terminated and subject to any set-off. These agreements do not meet all of the IAS 32 criteria for offsetting in the balance sheet, as the Company does not have any current legally enforceable right to offset amounts since the right can be applied if elected by both counterparties.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

4. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal to the related actual result. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Income taxes

The tax filings of the Company are subject to final assessment by the tax authorities. Where the final tax assessment of these filings is different from the amounts that were initially recorded, such differences will affect the income tax provision in the period in which such determination is made.

(b) Fair value of derivatives and other financial instruments

The fair values of financial instruments that are not traded in an active market (level 2) are determined using fair valuation techniques (refer to notes 3.1 and 3.3). The Company uses its judgement to select a variety of fair valuation methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

5. Interest income, interest expense and other finance cost

	2016	2015
	€'000	€'000
Interest income on loans to related parties	95,592	81,609
Interest income on In-House-Cash	26	76
Interest income from financing to related parties (note 23)	95,618	81,685

In-House-Cash (IHC) program is used for processing internal and external payment transactions within the Group. Under this program, the Company is the IHC bank centre in which the Group subsidiaries hold current accounts.

Interest differential (forward points) on derivatives contracts	8,121	16,007
Interest income on current bank accounts	123	215
Interest income on time deposits	64	272
Interest income on commercial paper / investment funds	187	10
Other external interest income	289	48
External interest income	8,784	16,552
Total interest income	104,402	98,237

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

	2016	2015
	€'000	€'000
Bond financing costs	57,425	56,737
Ineffectiveness cash flow and fair value hedges (note 11d)	(16)	20
Interest differential (forward points) on derivatives contracts	4,702	5,421
Interest on Commercial paper	8	57
Other external interest	270	65
External interest expense	62,389	62,300
Interest on loans to related parties	13,850	17,245
Interest on In-House-Cash	176	179
Coca-Cola HBC A.G.'s guarantee fee	2,706	1,999
Interest expense from financing from related parties (note 23)	16,732	19,423
Total interest expense	79,121	81,723

	2016	2015
	€'000	€'000
Revolving facility financing costs	879	1,067
Amortisation of revolving credit facility	-	331
Finance advisory and bank costs	719	636
Other finance costs	1,598	2,034

6. Net foreign exchange (losses) / gains

	2016	2015
	€'000	€'000
Fair value (loss) /gain on forward contracts	(4,903)	5,174
Net foreign exchange gain on financing activities	2,423	4,145
Total net foreign exchange (loss) / gain	(2,480)	9,319

The hedging of the Group borrowing in Russian roubles led to a gain in 2016 of €3.5 million (2015: €14.0 million), of which €5.7 million (2015: €10.4 million) relates to the forward points of the related forward contracts and recorded in interest income and expense.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

7. Net other (expenses) / income

	2016	2015
	€'000	€'000
Independent auditor's remuneration	(25)	(25)
Non-recoverable VAT	(517)	(179)
Intra-Group recharge for In-House Cash and treasury services	1,693	434
Write-off of an intercompany loan	(5,235)	(11)
Other general administrative expenses	(2,441)	(1,015)
Total net other expenses	(6,525)	(796)

The independent auditor's remuneration only relates to the audit of the financial statements. The Company received other services from the independent auditor's firm network in 2016 and 2015 of €57 thousand and €37 thousand respectively relating to assurance services for the update of the EMTN programme which are included in other finance costs.

Included in the net other expenses is the write-off in 2016 of the intercompany loan to Molino Services S.A. Other general administrative costs primarily comprise employee costs, fees for professional services and consultants and office costs.

8. Employee costs

Employee costs are included in other general administrative expenses and can be analysed as follows:

	2016	2015
	€'000	€'000
Wages and salaries	844	134
Social security costs	110	15
Relocation	112	9
Other benefits	295	23
Pension costs – defined contribution plan	28	-
Total staff costs	1,389	181

Towards the end of 2016 a defined contribution pension plan for the Company's employees has been implemented and all pension premiums are paid by the Company.

9. Income tax expense

The Company primarily performs financing activities for the Group with the required funds for its activity being borrowed from both Group and external funding sources. For these activities, the Company charges the Group companies an arm's length remuneration and as a result, thereof a profit (interest) margin is earned in the Netherlands. This interest margin, after deduction of administrative expenses, is subject to taxation in the Netherlands.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

The Company and CC Beverages Holdings II B.V. form a fiscal unity for Dutch corporate income tax purposes. All companies included in the fiscal unity are jointly and severally liable for the income tax liability.

As agreed with CC Beverages Holdings II B.V, the Company has recorded an income tax charge in its financial statements for the year 2016 of €3.7 million (2015: €5.7 million) as if it is a stand-alone entity liable to pay corporate income tax

	2016 €'000	2015 €'000
Current income tax charge for the year	3,656	5,729
Income tax charge previous years	19	-
Current income tax in income statement	3,675	5,729
Withholding tax	15	36
Tax in income statement	3,690	5,765

In March 2011, the Company signed an Advanced Pricing Agreement (APA) with the Dutch tax authorities for the period 1 January 2010 through 31 December 2013. The APA was prolonged until 31 December 2014 in agreement with the Dutch tax authorities. In 2015, a Transfer Pricing study was prepared in order to determine an arm's length remuneration for the long-term and short-term financing activities which are performed by the Company within the Group; the study, which was prepared in accordance with the OECD Transfer Pricing Guidelines and the Dutch Corporate Income Tax Act 1969, has been communicated to the Dutch Tax Authorities.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average Dutch tax rate.

	2016 €'000	2015 €'000
Profit before tax	14,678	23,003
Tax calculated at the Dutch tax rate (2016: 25 %; 2015: 25%)*	3,660	5,741
Tax effects of:		
- tax deductible items	-	(9)
- tax deduction investment premium	(8)	(4)
- different depreciation rates fixed assets and non-deductible mixed costs related to staff	4	1
Current income tax charge for the year	3,656	5,729

* The first €200 thousand of profit is taxed at 20%.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

10. Financial instruments

(a) Financial Instruments by category

Categories of financial instruments as at 31 December were as follows:

As at 31 December 2016

	Loans and receivables €'000	Assets at fair value through profit or loss €'000	Total €'000
Derivative financial instruments	-	4,971	4,971
Receivables excluding prepayments	2,332,964	-	2,332,964
Cash and cash equivalents	393,034	-	393,034
Total	2,725,998	4,971	2,730,969

	Other financial liabilities at amortised cost €'000	Liabilities at fair value through profit or loss €'000	Total €'000
Borrowings	1,500,344	-	1,500,344
Derivative financial liabilities	-	7,718	7,718
Trade and other payables	907,776	-	907,776
Total	2,408,120	7,718	2,415,838

As at 31 December 2015

	Loans and receivables €'000	Assets at fair value through profit or loss €'000	Total €'000
Derivative financial instruments	-	9,340	9,340
Receivables excluding prepayments	2,434,703	-	2,434,703
Cash and cash equivalents	387,248	-	387,248
Total	2,821,951	9,340	2,831,291

	Other financial liabilities at amortised cost €'000	Liabilities at fair value through profit or loss €'000	Derivatives used for hedging €'000	Total €'000
Borrowings	1,568,177	-	-	1,568,177
Derivative financial liabilities	-	7,184	24,559	31,743
Trade and other payables	901,562	-	-	901,562
Total	2,469,739	7,184	24,559	2,501,482

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

(b) Credit quality of the financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (if available) or to historic information about counterparty default rates. Refer to note 3.1(b).

11. Derivative financial instruments

The derivative financial instruments are included in the Company's balance sheet as follows:

	As at 31 December 2016		As at 31 December 2015	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Foreign currency forward and option contracts – undesignated hedge	2,255	4,999	4,639	27,053
Commodity contracts – undesignated hedge	2,716	2,719	4,701	4,690
Total	4,971	7,718	9,340	31,743
Less non-current portion:				
Commodity contracts – undesignated hedge	1,036	1,037	2,546	2,536
	1,036	1,037	2,546	2,536
Current portion	3,935	6,681	6,794	29,207

Hedge accounting has not been applied to the undesignated derivatives, which economically hedge the Company's risks.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months.

The forward starting swap contracts were settled on issuance of the forecasted fixed rate debt in March 2016 and will impact the income statement over the term of the debt issued.

(a) Forward starting swap contracts

The Company entered into forward starting swaps of €500 million in 2014 and an additional €100 million in August 2015 to hedge the interest rate risk related to its Euro-denominated forecasted issuance of fixed rate debt in March 2016. The notional principal amounts of the outstanding forward starting swap contracts at 31 December 2016 is nil (2015: €600 million).

(b) Foreign currency forward and option contracts

The notional principal amounts of the outstanding foreign currency forward and option contracts as at 31 December 2016 was €688.9 million (2015: €662.1 million). Most of the foreign currency forward and option contracts are back-to-back contracts with Group entities. Those forward contracts that are not back-to-back with the Group's entities cover the Company's foreign currency risk from the intercompany loans.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

(c) Commodity swap contracts

The notional principal amount of the outstanding commodity swap contracts at 31 December 2016 was €44.1 million (2015: €55.4 million). All of the commodity swap contracts with financial institutions are mirrored with back-to-back contracts with Group entities.

(d) Derivatives gains and losses

Derivatives held by the Company have given rise to the following losses (gains) being recorded in the income statement and the statement of comprehensive income:

Cash flow hedges

The net amount reclassified from other comprehensive income to the income statement for the period amounted to a €5.2 million loss (2015: €4.6 million loss) all of which was recorded as external interest expense. No significant ineffectiveness has been recognised in 2016 and 2015.

Undesignated hedges

The net losses on foreign currency contracts at fair value through income statement (for which hedge accounting was not applied) amounted to a €47.7 million loss (2015: €3.5 million loss) all of which was recorded in net foreign exchange losses.

12. Property, plant and equipment

	Computers €'000	Furniture and fittings €'000	Total €'000
Net book value as at 1 January 2015	0	0	0
Additions	73	12	85
Depreciation charge	(6)	(1)	(7)
Net book value as at 31 December 2015	67	11	78
Cost	73	12	85
Accumulation depreciation	(6)	(1)	(7)
Net book value as at 31 December 2015	67	11	78

	Computers €'000	Buildings €'000	Furniture and fittings €'000	Total €'000
Net book value as at 1 January 2016	67	0	11	78
Additions	66	177	67	310
Depreciation charge	(27)	(24)	(6)	(57)
Net book value as at 31 December 2016	106	153	72	331
Cost	139	177	79	395
Accumulation depreciation	(33)	(24)	(7)	(64)
Net book value as at 31 December 2016	106	153	72	331

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

13. Other assets

The other assets consist mainly of a security deposit for the leased office property.

14. Cash and cash equivalents

Cash and cash equivalents at 31 December comprise the following:

	2016 €'000	2015 €'000
Cash at bank, in transit and on hand	154,434	31,948
Short term deposits	238,600	355,300
Total cash and cash equivalents	393,034	387,248

The short term deposits have different tenors ranging from 3 to 123 days as at 31 December 2016. These deposits bear, on average, no interest. Cash and cash equivalents are freely available for the Company.

15. Borrowings

The Company borrowings at 31 December can be analysed as follows:

	2016 €'000	2015 €'000
Commercial paper	108,500	173,500
Current portion of long-term bonds, bills and unsecured notes	-	599,803
Total borrowings falling due within one year	108,500	773,303
Bonds, bills and unsecured notes falling due within two to five years	796,025	794,874
Bonds, bills and unsecured notes falling due after five years	595,819	-
Total borrowings falling due after one year	1,391,844	794,874
Total borrowings	1,500,344	1,568,177

(a) Commercial paper programme

In October 2013, the Group has established a €1.0bn Euro-commercial paper programme ("CP programme") which was updated in September 2014, to further diversify its short-term funding sources. The Euro-commercial paper notes may be issued either as non-interest-bearing notes sold at a discount or as interest-bearing notes at a fixed or floating rate. All commercial paper issued under the CP programme must be repaid within 7 to 364 days. The CP programme has been granted the Short Term Euro Paper label ("STEP") and commercial paper is issued through the Company and is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The outstanding amount under the CP programme as at 31 December 2016 was €108.5 million (2015: €173.5 million).

(b) Committed credit facilities

In June 2015, the Company replaced its then-existing €500.0m syndicated revolving credit facility with a new €500.0m syndicated loan facility, provided by various financial institutions, expiring on 24 June 2020, with the option to be extended for one more year. In June 2016, the Company exercised its option and the banks agreed to extend the facility for one more year until 24 June 2021. This facility can be used for general corporate purposes and carries a floating interest rate over EURIBOR and LIBOR. No amounts have been drawn under the syndicated loan facility since inception. The facility is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG and Coca-Cola HBC Holdings B.V. and is not subject to any financial covenants.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

(c) Euro medium-term note programme ('EMTN')

In June 2013, the Group established a new 3.0bn Euro medium-term note programme ('the EMTN Programme'). The EMTN programme was updated in September 2014 and then again in September 2015. Notes are issued under the EMTN programme through Coca-Cola HBC's 100%-owned subsidiary Coca-Cola HBC Finance B.V. and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In June 2013, Coca Cola HBC Finance B.V. completed the issue of €800.0 million 2.375% seven-year fixed rate euro-denominated notes. The net proceeds of the new issue were used to repay the US\$500.0 million notes due in September 2013 and partially repay €183.0 million of the 7.875% five-year fixed rate notes due in January 2014.

In March 2016, Coca-Cola HBC Finance B.V. completed the issue of a €600.0 million Euro-denominated fixed rate bond maturing in November 2024. The coupon rate of the new bond is 1.875% which, including the amortisation of the loss on the forward starting swap contracts over the term of the fixed rate bond, results in an effective interest rate of 2.99% (refer to Note 23). The net proceeds of the new issue were used to partially repay €214.6 million of the 4.25% seven year fixed rate notes due in November 2016, the remaining €385.4 million was repaid in November 2016 upon its maturity.

As at 31 December 2016, a total of €1.4bn in notes issued under the EMTN programme were outstanding.

Bonds and notes summary

The summary of the bonds of the Company at 31 December 2016 is as follows:

	Start date	Maturity date	Fixed Coupon
€800m Eurobond	18 June 2013	18 June 2020	2.375%
€600m Eurobond	10 March 2016	11 November 2024	1.875%

(d) Fair value, foreign currencies and interest rate information

As at 31 December 2016 the fair value of all bonds and notes payable, including the current portion, is €1,490.7 million (2015: €1,465.8 million) compared to their book value, including the current portion, of €1,391.8 (2015: €1,394.7 million). The fair values are within level 1 of the fair value hierarchy, refer to note 3.3.

The carrying amounts of the borrowings as at 31 December can be analysed as follows:

2016	Fixed interest rate € '000	Total 2016 € '000	Fixed rate liabilities Weighted Average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	1,500,344	1,500,344	2.44%	5.0
Financial liabilities	1,500,344	1,500,344	2.44%	5.0

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

2015	Fixed interest rate € '000	Total 2015 € '000	Fixed rate liabilities Weighted Average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	1,568,177	1,568,177	2.8%	2.6
Financial liabilities	1,568.177	1,568,177	2.8%	2.6

The Company did not hold floating interest rate borrowings as at 31 December 2016 and 2015.

Financial liabilities represent fixed rate borrowings to external parties held by the Company.

16. Current tax liabilities

The current tax liabilities which amounted to €9.4 million as at 31 December 2016 (2015: €21.2 million), reflect the current account balance with CC Beverages Holdings II B.V. connected with income tax liabilities.

17. Share capital and share premium

The authorised capital of the Company is €5.0 million and is divided into 50,000 shares of €100 each. The issued share capital at 31 December 2016 and 2015 comprised 10,180 shares of €100 each fully paid, with total nominal value €1,018,000.

In August 2004, 10,000 shares with a nominal value of €100 each were issued at an issue price of €4.5 million. The difference between the issue price and the total nominal value of the new shares was recorded as share premium.

In October 2009, the Company received a capital contribution recorded in share premium for an amount of 384.6 million.

On 2 February 2011, the Company repaid to CC Beverages Holdings II B.V. the amount of €125.0 million in share premium. As at 31 December 2016, the Company's share premium amounted to €263.1 million (2015: €263.1 million).

There is only one class of shares, of which the par value is €100. Each share provides the right to one vote at general meetings of the Company and entitles the holder to dividends declared by the Company.

18. Retained earnings

The profit for the year is the only movement in retained earnings in 2016 and 2015.

19. Hedging reserve

The movement in the hedging reserve during the year can be analysed as follows:

	2016 €'000	2015 €'000
Net book value as per January 1	24,539	29,227
Losses/(profit) in current year	30,906	(115)
Amortisation to income statement	(5,198)	(4,573)
Net book value as per December 31	50,247	24,539

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

The hedging reserve amounts to a €50.2 million loss as at 31 December 2016 (2015: €24.5 million loss), which is not available for distribution.

20. Dividends

No dividends have been declared or distributed during 2016 (2015: nil).

21. Directors' remuneration

The directors did not receive any remuneration during the year (2015: nil).

22. Commitments

The Company and CC Beverages Holdings II B.V. form a fiscal unity for Dutch corporate income tax purposes. Both companies included in the fiscal unity are jointly and severally liable for Dutch tax liabilities of both companies.

23. Related party transactions

Since the principal activity of the Company is the provision of financial services to the Group, related party transactions relate to the borrowing and lending activities of the Company with the Group.

The four directors of the Company have been appointed by the shareholder of the Company. There have been no transactions between the Company and the directors during the year.

There are no related transactions with other related parties for the year ended 31 December 2016.

Refer to note 16 for the income tax liability, which is a short-term payable to CC Beverages Holdings II B.V. and which is not included in the paragraphs (a) to (d) below.

(a) Interest income and receivables

The table below show the most important related parties in both interest income and related party receivables:

Company	Country	Related parties receivable as at 31 December		Interest income	
		2016	2015	2016	2015
		€'000	€'000	€'000	€'000
CC Beverages Holdings II B.V.	The Netherlands	1,279,798	1,326,536	46,304	44,037
Coca-Cola HBC Italia Srl	Italy	390,369	530,154	21,797	21,043
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	217,177	257,914	11,721	1,995
CCB Management services GmbH	Austria	89,364	100,776	3,675	3,138
Coca-Cola HBC Austria GmbH	Austria	64,170	65,490	2,739	2,585
Coca-Cola Beverages Ceska-Bratislava	Slovakia	73,632	-	2,222	-
Coca-Cola HBC A.G.	Switzerland	66,604	78,298	3,051	6,127
Coca-Cola HBC Greece SAIC	Greece	54,183	-	1,022	-
Coca-Cola Finance Plc	England and Wales	-	2,682	306	1,074
Other related parties		97,667	72,818	2,781	1,686
Total		2,332,964	2,434,668	95,618	81,685

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

(c) Interest expense and payables

Company	Country	Related parties payable as at 31 December		Interest expense	
		2016 €'000	2015 €'000	2016 €'000	2015 €'000
Coca-Cola HBC Procurement GmbH	Austria	170,995	160,195	793	734
Star Bottling Limited	Cyprus	97,261	117,280	1,542	1,061
Coca-Cola HBC Finance Plc	England and Wales	-	89,791	344	584
Coca-Cola HBC Romania Ltd	Romania	105,663	87,079	1,553	943
Coca-Cola HBC Switzerland Ltd	Switzerland	71,644	57,989	69	22
LL Coca-Cola HBC Eurasia	Russia	99,623	36,450	6,735	10,946
Brewinvest S.A.	Greece	-	-	-	144
Coca-Cola HBC Holdings B.V.	The Netherlands	59,500	19,100	2	3
Coca-Cola HBC A.G.	Switzerland	656	577	2,706	1,999
Other related parties		280,538	297,649	2,988	2,987
Total		885,880	866,110	16,732	19,423

The amount of interest expense from Coca-Cola HBC A.G. relates entirely to the guarantee fee. The Parent Company, as guarantor for the EMTN and CP programmes, and the revolving credit facility charges a guarantee fee to the Company that is recharged as part of the mark-up calculated in the average borrowing costs for lending to Group companies.

c) Financing with the Group by category

The loans to and borrowings from Group companies per category is as follows:

	As at 31 December 2016		As at 31 December 2015	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Long term loans and borrowings	2,262,310	271,077	2,219,282	258,561
Short term loans and borrowings	63,304	422,121	204,017	461,532
IHC-accounts	6,424	192,026	11,133	145,416
Other	926	656	236	601
Total	2,332,964	885,880	2,434,668	866,110

Of the non-current receivables, an amount of €1,674 million will fall due within less than five years. The interest income and expense on loans to/from the Coca-Cola HBC Group for the year was settled, for most of the loans listed above, on a three-month basis. The interest accrual related to the last quarter of 2016 was settled in January 2017.

Both the receivable In-House-Cash (IHC) accounts as well as the payable IHC accounts are classified under current Group receivables, respectively payables, as the IHC accounts have the same liquidity characteristics as bank accounts. The interest revenues and expenses from the IHC program are reflected in note 5.

The remaining contractual maturities for the Company's liabilities to related parties are included in the liquidity tables in note 3.1.c.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

(d) Currency and interest characteristics of the financing to and from Group companies

The financing to and from Group companies per currency is as follows:

	As at 31 December 2016		As at 31 December 2015	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
EUR	2,073,799	562,584	2,136,359	624,388
RUB	-	99,623	-	36,450
GBP	217,158	3,934	257,985	1,237
CHF	-	71,653	-	58,315
RON	-	96,700	-	78,239
Other	42,007	51,386	40,324	67,481
Total	2,332,964	885,880	2,434,668	866,110

Financing in other currencies than Euro is hedged with forward contracts.

The financing to and from Group companies by interest rate profile is as follows:

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Average borrowing cost rate*	2,322,171	-	2,419,899	-
Fixed rate*	-	284,889	-	196,993
Floating rate*	6,425	600,334	11,133	668,516
Other	4,368	657	3,636	601
Total	2,332,964	885,880	2,434,668	866,110

* Amounts include related interest accruals.

The average borrowing cost rate is reset on a quarterly basis and is based on the average borrowing cost of the Company. The weighted average fixed rate for loans received in 2016 amounted to 2.01% (2015: 2.97%).

The floating rates are based upon the underlying currency reference rate plus a margin that varies depending on the underlying currency and risk profile.

(e) Intra-group recharge for In-House-Cash and treasury services

The Company recharges fees for the In-House-Cash and treasury services which are included in the net other (expenses)/income (refer to note 7).

(f) Intra-group guarantees

The external debt under the EMTN Programme and the Commercial Paper Programme (note 15) is guaranteed by the related party entity of the Company, Coca-Cola HBC A.G. The external debt under the Committed Credit facilities is guaranteed by the related party entities of the Company, Coca-Cola HBC A.G. and Coca-Cola HBC Holdings B.V.

Coca-Cola HBC Finance B.V. – Annual Report 2016

Notes to the financial statements for the year ended 31 December 2016

24. Segmental analysis

The Company has one operating segment being the finance vehicle of the Group. Refer to note 23(a) and 23(b) analysis of interest income and receivables by counterparty.

25. Average number of employees

During the year 2016, the average number of employees calculated on a full-time-equivalent basis was 12 (2015: 2).

26. Proposed appropriation of result

The Board of Directors proposes that the net profit for the period ended 31 December 2016, be added to retained earnings:

	€'000
Addition to retained earnings	10,988
Net profit	10,988

This proposal has already been included in the financial statements.

27. Events after the balance sheet date

There are no events after the balance sheet date which should be reported.

The financial statements on pages 5 to 8 and the attached notes on pages 9 to 37 have been approved by the Directors in Amsterdam on 28 April, 2017.

Directors:

Garyfallia Spyriouni

Michail Imellos

Sjors van der Meer

Huig Johan Braamskamp

Coca-Cola HBC Finance B.V. – Annual Report 2016

OTHER INFORMATION

Profit appropriation according to the Articles of Association

According to article 18 of the Articles of Association, the net result for the year is at the disposal of the General Meeting of Shareholders.

Independent auditor's report

The Independent Auditor's report can be found on page 39.



Independent auditor's report

To: the general meeting of Coca-Cola HBC Finance B.V.

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Coca-Cola HBC Finance B.V. as at 31 December 2016, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Coca-Cola HBC Finance B.V., Amsterdam ('the company').

The accompanying financial statements comprise:

- the balance sheet as at 31 December 2016;
- the following statements for 2016: the income statement, the statement of comprehensive income, changes in shareholder's equity and the cash flow statement; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of the company in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

PricewaterhouseCoopers Accountants N.V., Paterswoldseweg 806, 9728 BM Groningen, P.O. Box 8060, 9702 KB Groningen, the Netherlands

T: +31 (0) 88 792 00 50, F: +31 (0) 88 792 94 24, www.pwc.nl

PwC is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.

Our audit approach

Overview and context

The main purpose of the company is the financing of Coca-Cola HBC A.G. and its subsidiaries (the 'group' or the 'Coca-Cola HBC group'). The company finances the loans it provides to the companies of the group through bond offerings in the international capital markets, commercial paper programs and also through a syndicated revolving credit facility. The repayment of the bonds to the investors and the commercial paper is guaranteed by the ultimate parent Coca-Cola HBC A.G. as disclosed in note 15 to the financial statements. Furthermore, the syndicated revolving credit facility are guaranteed by the ultimate parent Coca-Cola HBC A.G. and the group company Coca-Cola HBC Holdings B.V. Loans are issued to group companies with financial instruments in place to mitigate the currency risk. The company has derivative financial instruments in place to mitigate interest rate risk and currency risk. For facilitating the Coca-Cola HBC group in its financing activities, the company receives a margin. We paid specific attention to the areas of focus following from the operations of the company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 4 of the financial statements the company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the valuation of (loan) receivables, we considered this to be a key audit matter as set out in the key audit matters section of this report. Furthermore, we have identified hedge accounting as key audit matter because of the specific IFRS requirements which have to be met for this classification and the impact of the presentation on the balance sheet and the statement of other comprehensive income. More information can be found in the section 'key audit matters'.

Besides the above mentioned key audit matters, the other area of focus was the income tax position. As in all of our audits, we also addressed the risk of management override of internal controls, which included evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments and tax experts in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and to evaluate the effect of identified misstatements on our opinion.



Based on our professional judgement we determined the materiality for the financial statements as a whole at €27.3 million (2015: €28.3 million). We determined materiality based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. Based thereon we applied a benchmark of 1% of total assets. Inherent to the nature of the company's business, the amounts in the financial statements are large in proportion to the income statement line items Net foreign exchange (losses)/gains, Net other (expenses)/income and Income tax expense. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 5% of profit before tax.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the directors that we would report to them misstatements identified during our audit above €1.4 million (2015: €1.4 million), as well as misstatements below these amounts that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were the most significant in the audit of the financial statements. We have communicated the key audit matters to the directors, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We have described the key audit matters below and have included a summary of the audit procedures we performed on those key audit matters.

Due to the nature of the company's business we recognise that key audit matters which we reported in our independent auditor's report on the financial statements 2015 may be long-standing and therefore may not change significantly year over year. As compared to last year there is one key audit matter less, as the (combined) positions of the derivative financial instruments in the balance sheet are no longer material.

The key audit matters were addressed in the context of our audit of the financial statements as a whole and in our forming of an opinion thereon. We do not provide a separate opinion on these key audit matters individually or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<i>Valuation and existence of the (loan) receivables from related parties</i> <i>Note 7 and 23</i> We consider the valuation and existence of the loans issued, as disclosed in note 23 to the financial statements for a total amount of €2,333.0 million, to be a key audit matter. This is due to the size of the loan portfolio in combination with the fact that the directors' assessment of objective evidence of impairment is very important and judgmental. As a result, any impairment may have a material effect on the financial statements. Management identified objective evidence that a loan is	We performed the following procedures to test the directors' assessment of possible loss events to address the valuation: <ul style="list-style-type: none">• We evaluated the financial situation of the group companies to which loans have been provided by analysing their respective current financial data (such as result and equity) and their ability to repay the notional and interest payments to the company.• We evaluated the financial position of Coca-Cola HBC group companies by verifying observable data from rating agencies, developments in credit spreads and other publicly available data.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>impaired and has performed an impairment test. Management is of the opinion that the loan is not fully collectible and has recorded an impairment loss of €5.2 million as disclosed in note 7 to the financial statements.</p>	<ul style="list-style-type: none"> • We analysed if there were any loss events at an individual loan level by challenging the valuation assessments prepared by the directors, which we did by analysing the financial situation of the group companies to which loans have been provided. • We evaluated the impairment test made by management and challenged the assumptions made by management with external data such as the financial information of the group companies to whom the loans have been provided. • We performed a margin analysis. • We recalculated the amortised cost value based on the effective interest method. • We audited data input to calculate the fair value of the loans, including cash flows, based on underlying contracts, credit spread and market interest. • We compared interest receipts with bank statements. • We performed confirmation procedures with the counterparties of the loans. • We tested the input of contracts in the company's treasury management system. <p>We discussed the recorded impairment with management and assessed and evaluated management's analysis based on the procedures mentioned above. We agree on the identified loss events as disclosed in Note 7 to the financial statements. Based on the procedures performed as set out above we found that the recognised impairment was accurately calculated using reasonable assumptions and was applied appropriately against the related assets.</p>
<p><i>Hedge accounting</i> Note 11 and 19</p> <p>We consider the application of hedge accounting to be a key audit matter. Refer to note 11 and 19 to the financial statements. This is because of the detailed formal and technical requirements that are relevant to the application of hedge accounting and because inappropriate application of these requirements can lead to a material effect on the financial statements.</p>	<p>We performed the following procedures to assess the appropriateness of the application of hedge accounting:</p> <ul style="list-style-type: none"> • We tested in full basis whether the hedge documentation and hedge effectiveness testing as prepared by the directors met the requirements of IAS 39 <i>Financial Instruments</i>, and whether the hedge effectiveness test was mathematically correct. • We reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements. <p>Based on the procedures as set out above we found the application of hedge accounting to be appropriate.</p>

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The directors are responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of the company following the passing of a resolution by the shareholders at the annual meeting held on 29 April 2016. The appointment has been renewed annually by the shareholders representing a total period of uninterrupted engagement appointment of more than 10 years.

Responsibilities for the financial statements and the audit

Responsibilities of the directors

The directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the directors should prepare the financial statements using the going-concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so. The directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.



Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

Groningen, 28 April 2017

PricewaterhouseCoopers Accountants N.V.

Original has been signed by H.D.M. Plomp RA

Appendix to our auditor's report on the financial statements 2016 of Coca-Cola HBC Finance B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the accompanying financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluding on the appropriateness of the directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.