

COCA-COLA HBC FINANCE B.V.

AMSTERDAM, THE NETHERLANDS

ANNUAL REPORT 2017

Coca-Cola HBC Finance B.V. – Annual Report 2017

CONTENTS

DIRECTORS' REPORT	2
FINANCIAL STATEMENTS	
Income Statement	5
Statement of Comprehensive Income	5
Balance Sheet	6
Statement of Changes in Shareholders' Equity	7
Cash Flow Statement	8
Notes to the Financial Statements for the year ended 31 December 2017	
Basis of reporting and financial risk management	
1. General information	9
2. Basis of preparation	9
3. Critical accounting estimates and judgements	9
4. Foreign currency and translation	10
5. Accounting pronouncements	10
6. Financial risk management	12
Result for the year	
7. Segmental analysis	16
8. Interest income, interest expense and other finance cost	16
9. Net foreign exchange results	18
10. Net other income and expenses	18
11. Employee costs	18
12. Income tax expense	19
Risk management and capital structure	
13. Financial risk management and financial instruments	21
14. Borrowings	29
15. Cash and cash equivalents	31
16. Net debt reconciliation	31
17. Equity	32
Other assets and liabilities	
18. Property, plant and equipment	33
19. Other assets	34
20. Current tax liabilities	34
Additional financial information	
21. Related party transactions	34
22. Directors' remuneration	37
23. Commitments	37
24. Proposed appropriation of result and dividends	38
25. Events after the balance sheet date	38
OTHER INFORMATION	39

Coca-Cola HBC Finance B.V. – Annual Report 2017

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 2017.

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 AG 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 AG based in Zug, Switzerland (the “Parent”).

Financial Review

Interest income for the 2017 financial year amounted to €89.0 million (2016: €104.4 million) and profit for the 2017 financial year amounted to €16.0 million (2016: €11.0 million). Year-on-year profit before taxation amounted to €21.3 million which represented an increase of €6.6 million compared to the prior year mainly due to the write off of an intercompany loan (Molino Services S.A.) in 2016 of €5.2 million.

In 2017, on average the Russian rouble strengthened, resulting in a net foreign exchange loss of €1.2 million (2016: €2.5 million).

On 10 March 2016, the Company issued a fixed rate bond of €600.0 million due on 11 November 2024, under the €3.0 billion Euro medium-term note programme (‘EMTN programme’). The coupon rate of the 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 bond was originally guaranteed by Coca-Cola HBC AG and Coca-Cola HBC Holdings B.V. The guarantee provided by Coca-Cola HBC Holdings B.V. was released effective 16 November 2016 as of which date Coca-Cola HBC AG is the sole guarantor of the bond. 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 was 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 2017 includes an amount of €6.4 million cash flow hedge amortisation related to the settled forward starting swaps (2016: €5.2 million).

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 affirmed the Company’s positive outlook in April 2018 and Moody’s affirmed the Company’s stable outlook in October 2017. Both institutions affirmed their credit ratings.

Outlook and future developments

The Company mainly operates as an intragroup financing and currency and commodity risk hedging entity and only operates for this purpose. Looking ahead to 2018, the Board of Directors doesn’t expect a significant deviation from the current policy and purpose of the Company.

Coca-Cola HBC Finance B.V. – Annual Report 2017

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. The Company is also exposed to credit risks from loans to Group companies. However, the risk exposure is not considered to be significant.

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 and the unutilized revolving credit facility are used to manage the liquidity risk. Cash and cash equivalents as at 31 December 2017 increased compared to the balance as at 31 December 2016 and amounted to €565.0 million (2016: €393.0 million).

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

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 AG. 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 Finance B.V. – Annual Report 2017

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 2017 (2016: 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 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 2017 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 2017 and of the results of the Company's operations and cash flows for the financial year 2017.

Amsterdam, 26 April 2018

Directors

Garyfallia Spyriouni

Michail Imellos

Sjors van der Meer

Huig Johan Braamskamp

Coca-Cola HBC Finance B.V. – Annual Report 2017

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2017 €'000	2016 €'000
Interest income from financing to related parties	8, 21	75,433	95,618
External interest income	8	13,555	8,784
Total interest income		88,988	104,402
External interest expense	8	(45,145)	(62,389)
Interest expense from financing from related parties	8, 21	(18,673)	(16,732)
Total interest expense		(63,818)	(79,121)
Net interest income		25,170	25,281
Other finance costs	8	(1,568)	(1,598)
Net finance income		23,602	23,683
Net foreign exchange losses	9	(1,220)	(2,480)
Net other expenses	10	(1,107)	(6,525)
Profit before tax		21,275	14,678
Income tax expense	12	(5,317)	(3,690)
Profit for the year		15,958	10,988

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	2017 €'000	2016 €'000
Profit after tax	15,958	10,988
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
Losses during the year	-	(30,906)
Gains reclassified to the income statement for the year	6,388	5,198
Total other comprehensive income/(expense)	6,388	(25,708)
Total comprehensive income/(expense) for the year	22,346	(14,720)

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

BALANCE SHEET

AS AT 31 DECEMBER

(after profit appropriation)

	Notes	2017 €'000	2016 €'000
Assets			
Property, plant and equipment	18	270	331
Receivables from related parties	21	1,880,710	2,262,310
Derivative financial instruments assets	13	1,113	1,036
Prepayments		535	879
Other assets	19	59	59
Total non-current assets		1,882,687	2,264,615
Receivables from related parties	21	62,667	70,654
Derivative financial instruments assets	13	6,128	3,935
Held-to-maturity investments	13	150,933	-
Prepayments		509	469
Cash and cash equivalents	15	564,977	393,034
Total current assets		785,214	468,092
Total assets		2,667,901	2,732,707
Liabilities			
Short-term borrowings	14	120,000	108,500
Payables to related parties	21	485,015	614,803
Accrued interest on borrowings		11,827	11,827
Derivative financial instruments liabilities	13	5,818	6,681
Current tax liabilities	20	8,961	9,400
Other current liabilities/accruals		935	690
Total current liabilities		632,556	751,901
Long-term borrowings	14	1,393,524	1,391,844
Payables to related parties	21	301,479	271,077
Derivative financial instruments liabilities	13	1,115	1,037
Other non-current liabilities		33	-
Total non-current liabilities		1,696,151	1,663,958
Total liabilities		2,328,707	2,415,859
Equity	17		
Share capital		1,018	1,018
Share premium		263,064	263,064
Hedging reserve		(43,859)	(50,247)
Retained earnings		118,971	103,013
Total equity		339,194	316,848
Total equity and liabilities		2,667,901	2,732,707

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Share capital €'000	Share premium €'000	Hedging Reserve €'000	Retained earnings €'000	Total shareholders' equity €'000
As at 1 January 2016	1,018	263,064	(24,539)	92,025	331,568
Profit for the year	-	-	-	10,988	10,988
Other comprehensive expenses for the year	-	-	(25,708)	-	(25,708)
Total comprehensive expenses for the year	-	-	(25,708)	10,988	(14,720)
As at 31 December 2016	1,018	263,064	(50,247)	103,013	316,848
Profit for the year	-	-	-	15,958	15,958
Other comprehensive income for the year	-	-	6,388	-	6,388
Total comprehensive income for the year	-	-	6,388	15,958	22,346
As at 31 December 2017	1,018	263,064	(43,859)	118,971	339,194

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

		2017	2016
	Notes	€'000	€'000
Operating activities			
Profit before tax		21,275	14,678
Adjustments for:			
Interest expense	8	63,818	79,121
Interest income	8	(88,988)	(104,402)
Write-off Group receivable loan	10	-	5,235
Amortisation of prepaid fees		344	1,335
Depreciation of property, plant and equipment	18	78	57
		(3,473)	(3,976)
Increase in financing to the Group	21	(883,424)	(1,164,666)
Decrease in financing to the Group	21	1,271,429	1,265,217
Increase in financing from the Group	21	4,211,543	5,252,471
Decrease in financing from the Group	21	(4,316,817)	(5,233,337)
Net payments in held-to-maturity investments	13	(150,933)	-
Increase in other assets		(3,497)	(683)
(Decrease)/increase in other liabilities		(920)	5,653
Payments for purchases of property, plant and equipment	18	(17)	(311)
Interest received		90,971	100,916
Interest paid		(54,407)	(79,541)
Taxes paid	12	(12)	(15,512)
Cash flow generated from operating activities		160,443	126,231
Financing activities			
Proceeds from external borrowings	14	603,000	1,110,500
Repayment of external borrowings	14	(591,500)	(1,230,945)
Cash flow generated from/(used in) financing activities		11,500	(120,445)
Increase in cash and cash equivalents		171,943	5,786
Cash and cash equivalents at 1 January		393,034	387,248
Increase in cash and cash equivalents		171,943	5,786
Cash and cash equivalents at 31 December	15	564,977	393,034

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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.

The registered address of the Company is Radarweg 29, 1043 NX Amsterdam, the Netherlands.

The Company acts as a finance vehicle for Coca-Cola HBC AG (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 AG
Turmstrasse 26
6312 Steinhausen

Switzerland

2. 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.

3. Critical accounting estimates and judgements

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 outlined below.

Estimates

Income taxes (refer to Note 12)

Fair value of derivatives and other financial instruments (refer to Note 13)

Impairment losses (refer to Note 13)

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

4. Foreign currency and 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.

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

5. Accounting pronouncements

(a) Accounting pronouncements adopted in 2017

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 2017:

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, which clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

Disclosure initiative – amendments to IAS 7, which makes narrow-scope amendments to IAS 7 ‘Cash flow Statements’ with the purpose to improve disclosures about the Company’s financing activities and changes in related liabilities.

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. However, the amendments to IAS 7 require disclosure of changes in liabilities from financing activities (see Note 16).

(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 assessment on areas that might be affected and has concluded that the adoption of IFRS 15 will not have an impact on its financial statements.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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 an assessment, it appears that there will be no material impact following the new requirements for classification and measurement. Management also completed an assessment of the impact of the new requirements on a potential impairment of the intercompany loan balances as per 31 December 2017 and based upon this assessment it appears that no material impairment will be required. Finally, the Company's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9.

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:

IFRS 2 *Classification and Measurement of Share based Payment Transactions - Amendments to IFRS 2*, that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*, which clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or a non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. The amendments may be applied on a fully retrospective basis. Alternatively, the amendments may be applied prospectively to all assets, expenses and income in its scope that are initially recognized on or after:

- the beginning of the reporting period in which the entity first applies the interpretation, or
- the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation is effective for annual periods beginning on or after 1 January 2018. Early application is permitted and must be disclosed.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, which addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

6. Financial risk management

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.

Risk management is performed with the support or the contribution of Group Treasury, consistent 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 which provides the control framework for all treasury and treasury related transactions.

Market risk

a) 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.

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.

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.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

The sensitivity analysis for exchange rate risk for 2017 and 2016 is as follows:

2017 exchange risk sensitivity analysis

		Euro strengthens against local currency	Euro weakens against local currency
	% of historical volatility over a 12-month period	(Gain)/loss in income statement	Loss/(gain) in income statement
		€'000	€'000
Bulgarian lev	0.59%	(7.6)	7.7
Croatian kuna	1.95%	(0.4)	0.5
Czech koruna	3.46%	(9.9)	10.9
Hungarian forint	3.54%	2.3	(2.6)
Polish zloty	4.56%	(5.0)	5.8
Romanian leu	2.83%	(43.1)	46.8
Russian rouble	12.10%	(408.7)	587.2
Swiss franc	4.89%	6.4	(7.5)
UK sterling	8.17%	82.1	(103.7)
US dollar	7.34%	(1.9)	2.3
Total		(385.8)	547.4

2016 exchange risk sensitivity analysis

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

b) 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) and therefore there is no material risk exposure for the Company.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

c) Interest rate risk

Long-term borrowings, including the effect of swap contracts, from the debt capital market as well as commercial paper have fixed interest rates. 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 issuance of the fixed rate bond, which was issued in March 2016, 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 a 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 upon 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 50 basis point for 2017 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 2017 would have been affected by a loss of €1.9 million (2016: €1.5 million loss for 50 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 2017 would have been affected by €1.6 million gain (2016: €0.5 million gain for 50 basis points decrease).

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.

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 is also exposed to credit risks from loans to Group companies. However, the risk exposure is not considered to be significant.

The Company's maximum exposure to credit risk, in the event that counterparties fail to perform their obligations at 31 December 2017 in relation to each class of recognised financial assets, is the carrying amount of those 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.

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 (see under 'derivative financial instruments').

In addition, the Company regularly makes use of time deposits to invest temporarily excess cash balances and to diversify its counterparty risk. As at 31 December 2017, €422.7 million was invested in time deposits (2016: €238.6 million) of which €271.8 million have a maturity of 3 months or less and are classified as 'Cash and cash equivalents' (refer to Note 15) and the remaining €150.9 million are classified as 'Held-to-maturity investments'.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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 Swaps of a counterparty in order to measure in a timelier way the credit worthiness of a counterparty and set up a tier based 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.

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 cash reserves and committed banking facilities, access to the debt capital markets, and by continuously monitoring forecast and actual cash flows. In note 14, 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 AG and Coca-Cola HBC Holdings B.V. are guarantors for the €500.0m syndicated loan facility (refer to Note 14(b)). Furthermore, Coca-Cola HBC AG is guarantor for the commercial paper programme (refer to Note 14(a)) and the EMTN programme (refer to Note 14(c)). In addition, Coca-Cola HBC AG 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:

2017	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	150,250	30,250	852,750	622,500
Payables to related parties	508,643	302,853	-	-
Foreign currency forward contracts	216	-	-	-
Other borrowings	857	-	-	-
Estimated net outflow for the liabilities as at 31 December	659,966	333,103	852,750	622,500

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

The cash outflow from the forward starting interest rate swap contracts, which was payable in March 2016, is included in the table.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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

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 AG and Coca-Cola HBC Holdings B.V. are the guarantors for the external financial liabilities of the Company as described under 'Liquidity risk' above.

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 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 April 2018, Standard & Poor's affirmed Coca-Cola HBC's 'BBB+' long term, 'A2' short term corporate credit ratings and positive outlook. The corporate credit ratings by Moody's remained unchanged, 'Baa1' long term, 'P2' short term and stable outlook, after the latest assessment in October 2017.

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 2017 and 31 December 2016 are included in the Group's consolidated financial statements.

7. Segmental analysis

The Company has one main operating segment being the finance vehicle of the Group. Refer to Notes 21(a) and 21(b) analysis of interest income and expense and receivables and payables by counterparty.

8. Interest income, interest expense and other finance cost

Accounting policy

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 or 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.

Interest expenses is recognised in the income statement in the period in which it is 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.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

Interest income, interest expense and other finance cost for the years ended 31 December comprised:

	2017	2016
	€'000	€'000
Interest income on loans to related parties	75,282	95,592
Interest income on In-House-Cash	151	26
Interest income from financing to related parties (note 21)	75,433	95,618

The 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.

	2017	2016
	€'000	€'000
Interest differential (forward points) on derivatives contracts	11,668	8,121
Interest income on current bank accounts	88	123
Interest income on commercial paper	430	187
Other external interest income	1,369	353
External interest income	13,555	8,784
Total interest income	88,988	104,402

	2017	2016
	€'000	€'000
Bond financing costs	38,320	57,425
Interest differential (forward points) on derivatives contracts	4,842	4,702
Other external interest	1,983	262
External interest expense	45,145	62,389

	2017	2016
	€'000	€'000
Interest on loans to related parties	16,170	13,850
Interest on In-House-Cash	111	176
Coca-Cola HBC AG's guarantee fee	2,392	2,706
Interest expense from financing from related parties (note 21)	18,673	16,732
Total interest expense	63,818	79,121

	2017	2016
	€'000	€'000
Revolving facility financing costs	876	879
Finance advisory and bank costs	692	719
Other finance costs	1,568	1,598

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

9. Net foreign exchange losses

Foreign exchange losses related to borrowings and cash and cash equivalents are presented in the income statement within 'net foreign exchange losses'.

Net foreign exchange results for the years ended 31 December comprised:

	2017	2016
	€'000	€'000
Fair value gain/(loss) on forward contracts	3,055	(4,903)
Net foreign exchange (loss)/gain on financing activities	(4,275)	2,423
Total net foreign exchange loss	(1,220)	(2,480)

The total net foreign exchange loss includes €1.0 million (2016: €2.2 million) relating to the hedging of the Company borrowing in Russian roubles.

10. Net other income and expenses

Net other income and expenses for the years ended 31 December comprised:

	2017	2016
	€'000	€'000
Independent auditor's fees	(50)	(25)
Non-recoverable VAT	(155)	(517)
Intra-Group recharge for In-House Cash and treasury services	1,749	1,693
Write-off intercompany loan	-	(5,235)
Other general administrative expenses	(2,651)	(2,441)
Total net other expenses	(1,107)	(6,525)

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

Included in the 2016 net other expenses is the write-off 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.

11. Employee costs

Accounting policy

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 2017

Notes to the financial statements for the year ended 31 December 2017

Employee costs are included in other general administrative expenses (refer to Note 10) and can be analysed as follows:

	2017	2016
	€'000	€'000
Wages and salaries	1,066	844
Social security costs	141	110
Relocation costs	22	112
Other benefits	312	295
Pension costs – defined contribution plan	61	28
Total employee costs	1,602	1,389

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.

During the year 2017, the average number of employees calculated on a full-time-equivalent basis was 15 (2016: 12).

12. Income tax expense

Accounting policy

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.

Critical accounting estimates

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.

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.

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.

The Company has recorded an income tax charge in its financial statements for the year 2017 of €5.3 million (2016: €3.7 million) as if it is a stand-alone entity liable to pay corporate income tax.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

The income tax charge can be analysed as follows:

	2017 €'000	2016 €'000
Current income tax charge for the year	5,305	3,656
Income tax charge previous years	-	19
Current income tax in income statement	5,305	3,675
Withholding tax	12	15
Tax in income statement	5,317	3,690

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

	2017 €'000	2016 €'000
Profit before tax	21,275	14,678
Tax calculated at the Dutch tax rate (2017: 25 %; 2016: 25%)*	5,308	3,660
Tax effects of:		
- tax deduction investment premium	(5)	(8)
- different depreciation rates fixed assets and non-deductible costs related to employees	2	4
Current income tax charge for the year	5,305	3,656

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

13. Financial Instruments

Accounting policy

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.

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 within the Group.

Financial assets

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

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.

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. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for those with maturities within 12 months from the balance sheet date, which are classified as current assets.

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.

Impairment losses

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.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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 Company 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.

Offsetting financial assets and liabilities

Accounting policy

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.

a) Financial assets

The following financial assets are subject to offsetting,

As at 31 December 2017 (€ '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	7,241	-	7,241	1,007	6,234
Held-to-maturity investments	150,933	-	150,933	-	150,933
Cash and cash equivalents	564,977	-	564,977	-	564,977
Total	723,151	-	723,151	1,007	722,144

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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

b) Financial liabilities

The following financial liabilities are subject to offsetting,

As at 31 December 2017	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	6,933	-	6,933	1,007	5,926
Total	6,933	-	6,933	1,007	5,926

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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.

Derivative financial instruments

Accounting policy

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).

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 further in this note. Movements on the hedging reserve in other comprehensive income are described in Note 18. 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.

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'.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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.

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'.

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

	As at 31 December 2017		As at 31 December 2016	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Foreign currency forward and option contracts – undesignated hedge	2,795	2,483	2,255	4,999
Commodity contracts – undesignated hedge	4,446	4,450	2,716	2,719
Total	7,241	6,933	4,971	7,718
Less non-current portion:				
Commodity contracts – undesignated hedge	1,113	1,115	1,036	1,037
	1,113	1,115	1,036	1,037
Current portion	6,128	5,818	3,935	6,681

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

Forward starting swap contracts

The Company entered into forward starting swaps of €500.0 million in 2014 and an additional €100.0 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 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.

Foreign currency forward and option contracts

The notional principal amounts of the outstanding foreign currency forward and option contracts as at 31 December 2017 was €676.6 million (2016: €688.9 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 2017

Notes to the financial statements for the year ended 31 December 2017

Commodity swap contracts

The notional principal amount of the outstanding commodity swap contracts at 31 December 2017 was €32.9 million (2016: €44.1 million). All of the commodity swap contracts with financial institutions are mirrored with back-to-back contracts with Group entities.

Derivatives gains and losses

Derivatives held by the Company have given rise to the following gains and losses 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 €6.4 million loss (2016: €5.2 million loss) all of which was recorded as external interest expense. No significant ineffectiveness has been recognised in 2017 and 2016.

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 €7.3 million gain (2016: €47.7 million loss) all of which was recorded in net foreign exchange losses.

Financial instruments categories

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

As at 31 December 2017

	Loans and receivables €'000	Assets at fair value through profit or loss €'000	Assets held to maturity €'000	Total €'000
Derivative financial instruments	-	7,241	-	7,241
Held-to-maturity investments	-	-	150,933	150,933
Receivables excluding prepayments	1,943,377	-	-	1,943,377
Cash and cash equivalents	564,977	-	-	564,977
Total	2,508,354	7,241	150,933	2,666,528

	Other financial liabilities at amortised cost €'000	Liabilities at fair value through profit or loss €'000	Total €'000
Borrowings	1,513,524	-	1,513,524
Derivative financial liabilities	-	6,933	6,933
Trade and other payables	808,250	-	808,250
Total	2,321,774	6,933	2,328,707

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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

Fair values of financial assets and liabilities

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:

Level 1

Quoted prices in active markets for identical assets and liabilities. The fair value of bonds is based on quoted market prices at the recorded date.

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 2017 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.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of financial instruments that are not traded in an active market (level 2) are determined using fair valuation techniques. 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.

As at 31 December 2017 and 2016, all financial assets and financial liabilities recorded at fair value were within level 2 as depicted in the tables below:

As at 31 December 2017	Level 2 € 000	Total € 000
Financial assets at FVTPL		
Commodity contracts	4,446	4,446
Foreign currency forward/option contracts	2,795	2,795
Total financial assets	7,241	7,241
Financial liabilities at FVTPL		
Commodity contracts	4,450	4,450
Foreign currency forward/option contracts	2,483	2,483
Derivative financial liabilities used for cash flow hedging		
Total financial liabilities	6,933	6,933

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

14. Borrowings

Accounting policy

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.

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. Time deposits which do not meet the definition of cash and cash equivalents are classified as held-to-maturity investments.

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

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

	2017	2016
	€'000	€'000
Commercial paper	120,000	108,500
Total borrowings falling due within one year	120,000	108,500
Bonds, bills and unsecured notes falling due within two to five years	797,173	796,025
Bonds, bills and unsecured notes falling due after five years	596,351	595,819
Total borrowings falling due after one year	1,393,524	1,391,844
Total borrowings	1,513,524	1,500,344

a) Commercial paper programme

In October 2013, the Group 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 2017 was €120.0 million (2016: €108.5 million).

b) Committed credit facilities

In June 2015, the Company replaced its then existing €500.0 million syndicated revolving credit facility with a new €500.0 million 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 2017

Notes to the financial statements for the year ended 31 December 2017

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 the Company and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In June 2013, the Company 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, the Company 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 21). 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 2017, a total of €1.4bn in notes issued under the EMTN programme were outstanding.

The EMTN programme has not been updated since September 2015; due to its pending update, further issues under the EMTN programme are currently not possible.

Bonds and notes summary

The summary of the bonds of the Company at 31 December 2017 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 2017 the fair value of all bonds and notes payable, including the current portion, is €1,485.1 million (2016: €1,490.7 million) compared to their book value, including the current portion, of €1,393.5 million (2016: €1,391.8 million). The fair values are within level 1 of the fair value hierarchy, refer to Note 13.

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

2017	Fixed interest rate € '000	Total 2017 € '000	Fixed rate liabilities Weighted Average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	1,513,524	1,513,524	2.42%	4.1
Financial liabilities	1,513,524	1,513,524	2.42%	4.1

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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

The Company did not hold floating interest rate borrowings as at 31 December 2017 and 2016.

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

15. Cash and cash equivalents

Cash and cash equivalents at 31 December comprise the following:

	2017 €'000	2016 €'000
Cash at bank, in transit and on hand	293,177	154,434
Short-term deposits	271,800	238,600
Total cash and cash equivalents	564,977	393,034

The short-term deposits have different tenors ranging from 3 to 90 days as at 31 December 2017. These deposits bear, on average, no interest. Time deposits of €150.9 million, which do not meet the definition of cash and cash equivalents, are recognised as financial assets and disclosed in the line 'held-to-maturity investments' in the balance sheet. These time deposits have an average tenor of 134 days.

16. Net debt reconciliation

Net debt is defined as current borrowing plus non-current borrowing less cash and cash equivalents. This section sets out the analysis of net debt as at the end of 2017 and 2016 and the movement in net debt for these years.

	2017 €'000	2016 €'000
Cash and cash equivalents	564,977	393,034
Held-to-maturity investments	150,933	-
Borrowings (including accrued interest) – repayable within one year	(131,827)	(120,327)
Borrowings – repayable after one year	(1,393,524)	(1,391,844)
Net debt	(809,441)	(1,119,137)

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

	Cash and cash equivalents €'000	Held-to- maturity investments €'000	Borrow. due within 1 year €'000	Borrow. due after 1 year €'000	Total €'000
Net debt as at 31 December 2016	393,034	-	(120,327)	(1,391,844)	(1,119,137)
Cash flows	172,542	150,933	(11,500)	-	311,975
Foreign exchange adjustments	(599)	-	-	-	(599)
Other non-cash movements	-	-	-	(1,680)	(1,680)
Net debt as at 31 December 2017	564,977	150,933	(131,827)	(1,393,524)	(809,441)

17. Equity

Accounting policy

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.

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.

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 2017 and 2016 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).

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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.

The hedging reserve amounts to a €43.9 million loss as at 31 December 2017 (2016: €50.2 million loss), which is not available for distribution.

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

	2017 €'000	2016 €'000
Net book value as per January 1	50,247	24,539
Losses in current year	-	30,906
Amortisation to income statement	(6,388)	(5,198)
Net book value as per December 31	43,859	50,247

18. Property, plant and equipment

Accounting policy

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.

The movements of property, plant and equipment by class of assets are as follows:

	Computers €'000	Buildings €'000	Furniture and fittings €'000	Total €'000
Net book value as at 1 January				
2017	106	153	72	331
Additions	9	4	4	17
Depreciation charge	(32)	(36)	(10)	(78)
Net book value as at 31				
December 2017	83	121	66	270
Cost	148	181	83	412
Accumulation depreciation	(65)	(60)	(17)	(142)
Net book value as at 31				
December 2017	83	121	66	270

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

	Computers €'000	Buildings €'000	Furniture and fittings €'000	Total €'000
Net book value as at 1 January				
2016	67	-	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

19. Other assets

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

20. Current tax liabilities

The current tax liabilities which amounted to €9.0 million as at 31 December 2017 (2016: €9.4 million), reflect the current account balance with CC Beverages Holdings II B.V. connected with income tax liabilities.

21. Related party transactions

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.

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.

Refer to Note 20 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.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

a) Interest income and receivables

Company	Country	Related parties receivable as at 31 December		Interest income	
		2017	2016	2017	2016
		€'000	€'000	€'000	€'000
CC Beverages Holdings II B.V.	The Netherlands	1,135,348	1,279,798	41,201	46,304
Coca-Cola HBC Italia S.r.l.	Italy	278,792	390,369	12,644	21,797
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	188,129	217,177	8,830	11,721
CCB Management Services GmbH	Austria	98,437	89,364	3,114	3,675
Coca-Cola HBC Austria GmbH	Austria	42,209	64,170	1,950	2,739
Coca-Cola HBC Česko a Slovensko, s.r.o. – organizačná zložka	Slovakia	52,785	73,632	2,270	2,222
Coca-Cola HBC AG	Switzerland	177	66,604	1,224	3,051
Coca-Cola HBC Greece S.A.I.C.	Greece	54,106	54,183	1,853	1,022
Coca-Cola HBC Hungary Ltd	Hungary	34,579	28,654	948	1,395
Other related parties		58,815	69,013	1,399	1,692
Total		1,943,377	2,332,964	75,433	95,618

b) Interest expense and payables

Company	Country	Related parties payable as at 31 December		Interest expense	
		2017	2016	2017	2016
		€'000	€'000	€'000	€'000
Coca-Cola HBC Procurement GmbH	Austria	173,292	170,995	1,572	793
Star Bottling Limited	Cyprus	1,054	97,261	305	1,542
Coca-Cola HBC Romania Ltd	Romania	114,510	105,663	1,937	1,553
Coca-Cola HBC Switzerland Ltd	Switzerland	75,308	71,644	507	69
LLC Coca-Cola HBC Eurasia	Russia	121,039	99,623	8,947	6,735
Coca-Cola HBC Hrvatska d.o.o.	Croatia	22,044	16,089	639	709
CC Beverages Holdings II B.V.	The Netherlands	37,943	15,354	-	-
Coca-Cola HBC Holdings B.V.	The Netherlands	20,844	59,500	159	2
Coca-Cola HBC AG	Switzerland	18,430	656	2,392	2,706
CCHBC Bulgaria AD	Bulgaria	30,660	29,783	276	156
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia	30,266	30,264	474	400
CCHBC Insurance (Guernsey) Limited	Guernsey	21,197	20,854	344	196
Other related parties		119,907	168,194	1,121	1,871
Total		786,494	885,880	18,673	16,732

The amount of interest expense from Coca-Cola HBC AG 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.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

c) Financing with the Group by category

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

	As at 31 December 2017		As at 31 December 2016	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Long term loans and borrowings	1,880,710	301,479	2,262,310	271,077
Short term loans and borrowings	48,425	342,143	63,304	422,121
IHC-accounts	13,035	142,156	6,424	192,026
Other	1,207	716	926	656
Total	1,943,377	786,494	2,332,964	885,880

Of the non-current receivables, an amount of €889.9 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 2017 was settled in January 2018.

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 8. The remaining contractual maturities for the Company's liabilities to related parties are included in the liquidity tables in Note 6.

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 2017		As at 31 December 2016	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Euro	1,702,914	418,659	2,073,799	562,584
Russian rouble	-	121,039	-	99,623
UK sterling	188,128	14,110	217,158	3,934
Swiss franc	-	75,505	-	71,653
Hungarian forint	34,585	10,526	-	-
Romanian leu	-	107,129	-	96,700
Other	17,750	39,526	42,007	51,386
Total	1,943,377	786,494	2,332,964	885,880

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

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

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

	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Average borrowing cost rate*	1,925,542	-	2,322,171	-
Fixed rate*	-	161,707	-	284,889
Floating rate*	13,292	624,052	6,425	600,334
Other	4,543	735	4,368	657
Total	1,943,377	786,494	2,332,964	885,880

* 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 2017 amounted to 1.60% (2016: 2.01%).

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 charge for In-House-Cash and treasury services

The Company charges fees for the In-House-Cash and treasury services which are included in the net other income and expenses (refer to Note 10).

f) Intra-group guarantees

The external debt under the EMTN Programme and the Commercial Paper Programme (Note 14) are guaranteed by the related party entity of the Company, Coca-Cola HBC AG. The external debt under the Committed Credit facilities (Note 14) is guaranteed by the related party entities of the Company, Coca-Cola HBC AG and Coca-Cola HBC Holdings B.V.

22. Directors' remuneration

The directors did not receive any remuneration during the year (2016: nil).

23. 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.

The Company has entered into an operating lease for office space. The lease commenced on 1 May 2016 and is valid for a period of five years, until 30 April 2021. After this period, the lease can be, subject to notice of termination, continued for an additional period of three years. The future minimum lease payments for the non-cancellable part of the lease as at 31 December 2017 due within one year amounts to €88 thousand and after one year but no more than five years it amounts to €205 thousand.

Coca-Cola HBC Finance B.V. – Annual Report 2017

Notes to the financial statements for the year ended 31 December 2017

24. Proposed appropriation of result and dividends

No dividends have been declared or distributed during 2017 (2016: nil).

The Board of Directors proposes that the net profit for the period ended 31 December 2017, be added to retained earnings:

	€'000
Addition to retained earnings	15,958
Net profit	15,958

This proposal has already been included in the financial statements.

25. 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 38 have been approved by the Directors in Amsterdam on 26 April 2018.

Directors:

Garyfallia Spyriouni

Michail Imellos

Sjors van der Meer

Huig Johan Braamskamp

Coca-Cola HBC Finance B.V. – Annual Report 2017

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 40.



Independent auditor's report

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

Report on the financial statements 2017

Our opinion

In our opinion Coca-Cola HBC Finance B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its result and 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 2017 of Coca-Cola HBC Finance B.V., Amsterdam ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the 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.

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

W6YYEZEWNDA3-1633038261-19

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, The Netherlands

T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, 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 54226388), 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.

Independence

We are independent of Coca-Cola HBC Finance B.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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 is guaranteed by the ultimate parent Coca-Cola HBC A.G. as disclosed in note 14 to the financial statements. Furthermore, the commercial paper is also guaranteed by the ultimate parent Coca-Cola HBC A.G. and the syndicated revolving credit facility is 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 3 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. 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'.



Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. 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, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €26.6 million (2016: €27.3 million). We used our professional judgement to determine overall materiality. As a basis for our judgment we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, 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.

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 €1.3 million (2016: €1.4 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

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

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 2016 may be long-standing and therefore may not change significantly year over year. As compared to last year there have been one key audit matter less, due to the fact that there are no active hedge relationships in place.

Key audit matter

Valuation and existence of the (loan) receivables from related parties

Note 13 and 21

We consider the valuation and existence of the loans issued, as disclosed in note 21 to the financial statements for a total amount of €1,943.4 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.

How our audit addressed the matter

We performed the following procedures to test the Directors' assessment of possible loss events to address the valuation:

- 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.
- 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 the directors and challenged the assumptions made by the directors 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.

We found the directors' assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

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 the 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 of 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 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors on 29 March 2018 following the passing of a resolution by the shareholders at the annual meeting and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of more than 10 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

- We have not provided any non-audit services to the company and its controlled entities, for the period to which our statutory audit relates, as disclosed in note 10 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

The directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the directors determines 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 have 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Amsterdam, 26 April 2018
PricewaterhouseCoopers Accountants N.V.

Original has been signed by V.S. van der Reijden RA

Appendix to our auditor's report on the financial statements 2017 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 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. In this respect we also issue an additional report to the directors in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 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.