

Coca-Cola Hellenic Bottling Company S.A.
Results for the year ended 31 December 2005 (IFRS)

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Report of the auditors

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

We have audited the accompanying consolidated balance sheet of Coca-Cola Hellenic Bottling Company S.A. and its subsidiaries (the "Group") as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 2 to 62 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Greek Auditing Standards which conform with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We also assessed the consistency of the information included in the Directors' Report which is attached to the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

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



PricewaterhouseCoopers S.A.
Athens
28 March 2006

Consolidated income statement

Year ended 31 December

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

The Notes on pages 6-62 are an integral part of these Consolidated financial statements.

Consolidated cash flow statement

Year ended 31 December

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

The Notes on pages 6-62 are an integral part of these Consolidated financial statements.

Consolidated balance sheet

As at 31 December

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

The Notes on pages 6-62 are an integral part of these Consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to equity holders of the Group					Total € million	Minority interest € million	Total equity € million
	Share capital € million	Share premium € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million			
Balance as at 31 December 2003	118.5	1,621.7	23.0	295.6	(187.0)	1,871.8	80.8	1,952.6
Change in accounting policy	-	-	-	(0.5)	(2.6)	(3.1)	-	(3.1)
Restated balance	118.5	1,621.7	23.0	295.1	(189.6)	1,868.7	80.8	1,949.5
Net profit for 2004	-	-	-	-	106.7	106.7	14.3	121.0
Valuation gains on available-for-sale investments taken to equity	-	-	-	0.6	-	0.6	-	0.6
Cash flow hedges:								
Losses taken to equity	-	-	-	(12.0)	-	(12.0)	-	(12.0)
Losses transferred to profit and loss of the year	-	-	-	6.3	-	6.3	-	6.3
Foreign currency translation	-	-	36.7	-	-	36.7	(2.2)	34.5
Tax on items taken directly to or transferred from equity	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Comprehensive income	-	-	36.7	(5.3)	106.7	138.1	12.1	150.2
Shares issued to employees exercising stock options	0.6	18.6	-	-	-	19.2	-	19.2
Share based compensation								
Options	-	-	-	1.4	-	1.4	-	1.4
Movement in shares held for equity compensations plan	-	-	-	0.3	-	0.3	-	0.3
Acquisition of shares held by minority interests	-	-	-	-	-	-	(0.1)	(0.1)
Reinvestment of shares held by minority interests	-	-	-	-	-	-	0.2	0.2
Appropriation of reserves	-	-	-	15.0	(15.0)	-	-	-
Dividends	-	-	-	-	(47.4)	(47.4)	(5.3)	(52.7)
Balance as at 31 December 2004	119.1	1,640.3	59.7	306.5	(145.3)	1,980.3	87.7	2,068.0
Net profit for 2005	-	-	-	-	308.1	308.1	12.3	320.4
Valuation gains on available-for-sale investments taken to equity	-	-	-	1.4	-	1.4	-	1.4
Cash flow hedges:								
Losses taken to equity	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Losses transferred to profit and loss of the year	-	-	-	3.7	-	3.7	-	3.7
Foreign currency translation	-	-	84.5	-	-	84.5	5.2	89.7
Tax on items taken directly to or transferred from equity	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Comprehensive income	-	-	84.5	4.9	308.1	397.5	17.5	415.0
Shares issued to employees exercising stock options	1.2	35.4	-	-	-	36.6	-	36.6
Share based compensation								
Options	-	-	-	3.6	-	3.6	-	3.6
Movements in shares held for equity compensations plan	-	-	-	1.3	-	1.3	-	1.3
Acquisition of shares held by minority interests	-	-	-	-	-	-	(0.1)	(0.1)
Reinvestment of shares held by minority interests	-	-	-	-	-	-	0.1	0.1
Appropriation of reserves	-	-	-	(45.2)	45.2	-	-	-
Dividends	-	-	-	-	(66.7)	(66.7)	(9.9)	(76.6)
Balance as at 31 December 2005	120.3	1,675.7	144.2	271.1	141.3	2,352.6	95.3	2,447.9

For further details, please refer to Note 25, share capital and share premium; Note 26 for shares held for equity compensation; Note 27 for reserves; and Note 28 for dividends. The Notes on pages 6-62 are an integral part of these Consolidated financial statements.

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies

Description of business

Coca-Cola Hellenic Bottling Company S.A. ('CCHBC'), is a Societe Anonyme (corporation) incorporated in Greece and was formed in 1969 and took its current form in August 2000 through the acquisition of the Coca-Cola Beverages plc ('CCB') by Hellenic Bottling Company S.A. ('HBC'). CCHBC and its subsidiaries (collectively 'the Company' or 'the Group') are principally engaged in the production and distribution of alcohol-free beverages, under franchise from The Coca-Cola Company ('TCCC'). The Company distributes its products in Europe and Nigeria. Information on the Company's operations by segment is included in Note 3.

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

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

Basis of preparation

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

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

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, derivative financial instruments and the financial statements of certain subsidiaries operating in hyper-inflationary economies, which are restated and expressed in terms of the measuring unit currency at the balance sheet date.

Basis of consolidation

Subsidiary undertakings are those companies in which the Group, directly or indirectly, has an interest of more than one-half of the voting rights or otherwise has power to exercise control over the operations. Subsidiary undertakings are consolidated from the date on which effective control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

All material intercompany transactions and balances between Group companies are eliminated. Where necessary, accounting policies of subsidiaries are modified to ensure consistency with policies adopted by the Group.

Use of estimates

In conformity with generally accepted accounting principles, the preparation of financial statements for CCHBC requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

Income taxes

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

Revenue recognition

Revenues are recognised when all of the following conditions are met: evidence of a binding arrangement exists (generally, purchase orders), products have been delivered and there is no future performance required and amounts are collectible under normal payment terms.

Revenue is stated net of sales discounts, listing fees and marketing and promotional incentives paid to customers. Listing fees are incentives provided to customers for carrying the Company's products in their stores. Fees that are subject to contractual-based term arrangements are amortised over the term of the contract. All other listing fees are expensed as incurred. The amount of listing fees capitalised at 31 December 2005 was €20.7m (2004: €8.1m). Of this balance, €0.9m (2004: €4.8m) was classified as prepayments (current) and the remainder as non-current prepayments. Listing fees expensed for the year ended 31 December 2005 amounted to €55.3m with €32.8m for 2004. Marketing and promotional incentives paid to customers during 2005 amounted to €80.6m compared with €89.3m in 2004.

CCHBC receives certain payments from TCCC in order to promote sales of Coca-Cola branded products. Contributions for price support and marketing and promotional campaigns in respect of specific customers are recognised as an offset to promotional incentives paid to customers. These reimbursements are accrued and matched to the expenditure with which they relate. In 2005, such contributions totalled €17.6m as compared to €21.1m in 2004.

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Group by the weighted average number of shares that were in existence during the year. Diluted earnings per share take account of stock options, for which the average share price for the year is in excess of the exercise price of the stock option.

Intangible assets

Intangible assets consist mainly of goodwill and trademarks. Goodwill is the excess of the cost of an acquisition over the fair value of the share of net assets acquired. Until 31 December 2004, all intangible assets were amortised on a straight-line basis over their useful economic life up to a presumed maximum of 20 years. Amortisation of intangible assets was recognised in operating expenses in the income statement. From 1 January 2005, amortisation of goodwill and indefinite-lived intangible assets ceased. Instead, goodwill and indefinite-lived intangible assets are tested annually and whenever there is an indication of impairment and carried at cost less accumulated impairment losses.

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

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

The useful life of trademarks is determined after considering potential limitations that could impact the life of the trademark, such as technological and market limitations and the intent of management. The majority of trademarks recorded by CCHBC have been assigned an indefinite useful life as they have an established sales history in the applicable region, it is our intention to receive a benefit from them indefinitely and there is no indication that this will not be the case. The useful economic life assigned to trademarks is evaluated on an annual basis.

Goodwill and fair value adjustments arising on the acquisition of subsidiaries are included in the assets and liabilities of those subsidiaries. These balances are denominated in the currency of the subsidiary and are translated to Euro on a consistent basis with the other assets and liabilities held in the subsidiary.

Property, plant and equipment

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

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

Freehold buildings	40 years
Leasehold buildings and improvements	Over the term of the lease, up to 40 years
Production equipment	5 to 12 years
Vehicles	5 to 8 years
Computer hardware and software	3 to 7 years
Marketing equipment	3 to 7 years
Fixtures and fittings	8 years
Returnable containers	3 to 12 years

Freehold land is not depreciated as it is considered to have an indefinite life.

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

Impairment of tangible assets

Property, plant and equipment and other non-current tangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Borrowing costs

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

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

Investment in associates

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

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

Investment in joint ventures

The Group's interest in jointly controlled entities, Brewinvest S.A. and Multon group, is accounted for by proportional consolidation. Under this method, the Group includes its share of the joint venture's income and expenses, assets, liabilities and cash flows on a line-by-line basis in the relevant components of the financial statements.

Other investments

The Group classifies its investments in debt and equity securities into the following categories: Financial assets at fair value through profit or loss ('FVTPL'), held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investment was acquired. FVTPL and available-for-sale investments are carried at fair value. Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as FVTPL investments and included in current assets. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for those with maturities within 12 months from the balance sheet date, which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date or unless they will need to be sold to raise operating capital.

Investments are recognised using trade date accounting, namely, investments are recognised on the day the Group commits to purchase the investments and derecognised on the day when the Group commits to sell the investments. The cost of purchase includes transaction costs for investments other than those carried at FVTPL. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. Gains and losses on investments held as trading are recognised in the income statement in the period in which they arise. Unrealised gains and losses on available-for-sale investments are recognised in equity until the financial assets are derecognised at which time the cumulative gains or losses previously in equity are recognised in the income statement.

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

Non-current assets held for sale

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

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

Inventories

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

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

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

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

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

Trade receivables

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

Foreign currency and translation

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

The assets and liabilities of overseas subsidiaries are translated to Euros at the rate of exchange ruling at the balance sheet date. The income statements of overseas subsidiaries are translated using the average monthly exchange rate. The exchange differences arising on retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal.

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, with the exception of differences on foreign currency qualifying for cash flow hedges which are deferred in equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

Entities operating in hyper-inflationary environments prepare financial statements that are recorded in accordance with IAS 29, *Financial Reporting in Hyper-Inflationary Economies*. In hyper-inflationary countries, the gain or loss on the net monetary position is included in finance costs. CCHBC's subsidiary in Belarus operated in a hyper-inflationary environment in 2005. It will cease applying hyper-inflationary accounting with effect from 1 January 2006. The subsidiary in Serbia and Montenegro ceased applying hyper-inflationary accounting with effect from 1 January 2005.

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and highly liquid investments with a maturity of three months or less when purchased. For the purpose of the cash flow statement, bank overdrafts are considered as borrowings.

Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the loan or borrowing.

After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. For liabilities carried at amortised cost which are not part of a hedging relationship, any gain or loss is recognised in the income statement when the liability is derecognised or impaired, as well as through the amortisation process.

Derivative financial instruments

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

The Group uses financial instruments, including interest rate swaps, options, currency and commodity derivatives. Their use is undertaken only to manage interest, currency and commodity risk associated with the Group's underlying business activities. The Group does not undertake any trading activity in financial instruments.

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

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges and are effective, are recorded in the income statement, along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Credit risk

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

Liquidity risk

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

Leases

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

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

Each lease payment is allocated between liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. Property, plant and equipment acquired under finance lease is depreciated in accordance with the Group policy unless there is no reasonable certainty that the Company will obtain ownership of the asset at the end of the lease term. In this case property, plant and equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

Provisions

Provisions are recognised as follows: when the Group has a present obligation (legal or constructive) as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset when such reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Employee benefits – pensions and post retirement benefits

The Group operates a number of defined benefit and defined contribution pension plans in its territories.

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

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

For defined benefit pension plans, pension costs are assessed using the projected unit credit method. Actuarial gains and losses are recognised as income or expense, when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the greater of the defined benefit obligation or the fair value of plan assets, in accordance with the valuations made by qualified actuaries. The defined benefit obligations are measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments or changes in assumptions are recognised over the average remaining service lives of employees. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise amortised over the average remaining service lives of the employees.

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

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

Share-based payments

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

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

The inputs into the model are as follows:

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

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

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

Termination benefits

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

Deferred taxes

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

Franchise incentive arrangements

TCCC, at its sole discretion, provides the Group with various incentives, including contributions toward the purchase of cold drink equipment. Payments are made on placement of coolers and are based on franchise incentive arrangements. The terms and conditions of these arrangements require reimbursement if certain conditions stipulated in the agreements are not met, including minimum volume through-put requirements. Support payments received from TCCC for the placement of cold drink equipment are deducted from the cost of the related asset.

Share capital

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

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

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

Comparative figures

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

Adoption of new accounting standards

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

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

From 1 January 2005, the Group applied IFRS 2, *Share-Based Payments* ('IFRS 2'). This standard requires compensation costs related to share based payments to be recognised in the financial statements. Under the standard, the compensation cost is determined based on the grant date fair value of the equity or liability instrument issued. The standard is applicable to grants of shares, share options or any equity instruments granted after 7 November 2002 and have not yet vested at the effective date of the standard. The adoption of IFRS 2 results in the Group reflecting a charge to the income statement for share options. In addition, there is a change to the timing of the charge for stock appreciation rights. As a consequence, prior year comparatives have been revised. The effect on the comparative net results of 2004 is a decrease of €1.4m. The charge to the Group in 2005 for existing share options is €3.6m.

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

New Accounting Pronouncements

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

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

Notes to the consolidated financial statements

I. Basis of preparation and accounting policies (continued)

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

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

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

Notes to the consolidated financial statements

2. Exchange rates

CCHBC translates the income statements of subsidiary operations to Euro at average exchange rates and the balance sheets at the closing exchange rates at 31 December. The principal exchange rates used for transaction and translation purposes in respect of one Euro are:

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

3. Segmental analysis

CCHBC has one business, being the production, distribution and sale of alcohol free, ready-to-drink beverages. The Group operates in 26 countries, and its financial results are reported in the following segments:

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

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

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

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

Notes to the consolidated financial statements

3. Segmental analysis (continued)

Year ended 31 December	Note	2005 € million	2004 € million
EBITDA¹			
Established		382.3	332.8
Developing		115.7	102.7
Emerging		309.8	244.6
Total EBITDA		807.8	680.1
Depreciation of property, plant and equipment			
Established		120.0	119.5
Developing		69.1	64.2
Emerging		126.2	105.7
Total depreciation of property, plant and equipment	10	315.3	289.4
Amortisation of intangible assets			
Established		0.1	80.7
Developing		-	7.8
Emerging		0.5	18.1
Total amortisation of intangible assets	9	0.6	106.6
Other non-cash items			
Established		26.2	25.8
Developing		3.3	3.2
Emerging		1.5	0.6
Total other non-cash items²		31.0	29.6
Operating profit			
Established		235.9	107.0
Developing		43.4	27.2
Emerging		181.6	120.3
Total operating profit		460.9	254.5
Reconciling items			
Finance costs	6	(54.8)	(64.8)
Taxation	7	(86.6)	(69.9)
Share of income of associates	11	0.9	1.2
Profit of the year		320.4	121.0
Capital additions			
Established		130.5	141.8
Developing		85.5	69.3
Emerging		230.0	180.9
Total capital additions	10	446.0	392.0

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

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

Notes to the consolidated financial statements

3. Segmental analysis (continued)

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

Notes to the consolidated financial statements

4. Operating profit

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

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

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

5. Adjustments to intangible assets

During 2005, the Group recognised deferred tax assets on losses that had previously not been recognised on acquisition of CCB by HBC. In accordance with IAS 12 revised, *Income Taxes*, when deferred tax assets on losses have not been recognised on acquisition and are subsequently recognised, both goodwill and deferred tax assets are adjusted with corresponding entries to operating expense and taxation in the income statement. Therefore, a charge of €26.5m (2004: €24.6m) has been recorded in operating expense, and a deferred tax credit of €26.5m (2004: €24.6m) included within taxation in the income statement.

6. Finance costs

Net finance costs for the years ended 31 December comprise:

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

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

Notes to the consolidated financial statements

7. Taxation

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

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

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

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

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

8. Earnings per share

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

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

Notes to the consolidated financial statements

9. Intangible assets

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	Total € million
Cost					
As at 1 January 2005	2,468.7	1.8	29.3	1.2	2,501.0
Arising on recognition of deferred tax assets in connection with the acquisition of CCB (refer to Note 5)	(26.5)	-	-	-	(26.5)
Intangible assets arising on current acquisitions (refer to Note 29)	101.0	-	80.2	2.0	183.2
Disposals	-	-	(6.4)	-	(6.4)
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(815.3)	(0.8)	(1.4)	-	(817.5)
Foreign currency translation	9.2	0.1	4.3	-	13.6
As at 31 December 2005	1,737.1	1.1	106.0	3.2	1,847.4
Amortisation					
As at 1 January 2005	815.3	0.8	1.4	-	817.5
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(815.3)	(0.8)	(1.4)	-	(817.5)
Charge for the year	-	-	0.5	0.1	0.6
As at 31 December 2005	-	-	0.5	0.1	1.7
Net book value as at 1 January 2005	1,653.4	1.0	27.9	1.2	1,683.5
Net book value as at 31 December 2005	1,737.1	1.1	105.5	3.1	1,846.8

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

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

Notes to the consolidated financial statements

9. Intangible assets (continued)

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	Total € million
Cost					
As at 1 January 2004	2,459.8	1.9	50.9	-	2,512.6
Additions	-	-	-	0.3	0.3
Arising on recognition of deferred tax assets in connection with the acquisition of CCB (refer to Note 5)	(24.6)	-	-	-	(24.6)
Intangible assets arising on current acquisitions (refer to Note 29)	6.5	-	-	0.4	6.9
Intangible assets arising on prior year acquisitions	9.3	-	(21.6)	0.5	(11.8)
Foreign currency translation	17.7	(0.1)	-	-	17.6
As at 31 December 2004	2,468.7	1.8	29.3	1.2	2,501.0
Amortisation					
As at 1 January 2004	706.5	0.9	-	-	707.4
Charge for the year	105.2	-	1.4	-	106.6
Foreign currency translation	3.6	(0.1)	-	-	3.5
As at 31 December 2004	815.3	0.8	1.4	-	817.5
Net book value as at 1 January 2004	1,753.3	1.0	50.9	-	1,805.2
Net book value as at 31 December 2004	1,653.4	1.0	27.9	1.2	1,683.5

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

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

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

Notes to the consolidated financial statements

9. Intangible assets (continued)

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

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

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

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

Notes to the consolidated financial statements

10. Property, plant and equipment

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

Notes to the consolidated financial statements

10. Property, plant and equipment (continued)

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

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

Notes to the consolidated financial statements

10. Property, plant and equipment (continued)

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

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

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

II. Investment in associates

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

	Country of incorporation	Effective interest held 2005	Effective interest held 2004	Carrying value 2005 € million	Carrying value 2004 € million
Frigoglass Industries Limited	Nigeria	16%	18%	12.0	9.5
Multivita Sp.z o.o.	Poland	50%	50%	1.8	0.3
Valsler Springs GmbH	Switzerland	50%	50%	0.3	0.3
Total investment in associates				14.1	10.1

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

Changes in holdings in associates are as follows:

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

Notes to the consolidated financial statements

12. Available-for-sale investments

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

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

13. Deferred taxation

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

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

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

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

Notes to the consolidated financial statements

13. Deferred taxation (continued)

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

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

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

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

14. Other non-current assets

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

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

Notes to the consolidated financial statements

15. Inventories

Inventories consist of the following at 31 December:

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

16. Trade receivables

Trade receivables consist of the following at 31 December:

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

17. Other receivables

Other receivables consist of the following at 31 December:

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

18. Cash and cash equivalents

Cash and cash equivalents at 31 December comprise the following:

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

Notes to the consolidated financial statements

18. Cash and cash equivalents (continued)

Cash and cash equivalents are held in the following currencies:

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

There are restrictive controls on the movement of funds out of certain countries in which we operate, in particular Nigeria. These restrictions do not have a material impact on our liquidity, as the amounts of cash and cash equivalents held in such countries are generally retained for capital expenditures.

19. Borrowings

The Group holds the following borrowings at 31 December:

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

Notes to the consolidated financial statements

19. Borrowings (continued)

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

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

In March 2002, CCHBC established a €1.0bn global commercial paper programme with various financial institutions to further diversify its short term funding sources. The programme consists of a multi-currency Euro-commercial paper facility and a US dollar denominated US commercial paper facility. The commercial paper notes may be issued either as non-interest bearing notes sold at a discount or as interest bearing notes at a fixed or at a floating rate, or by reference to an index or formula. All commercial paper issued under the programme must be repaid within 1 to 365 days. The outstanding amount under the commercial paper programme at 31 December 2005 was €210.0m (2004: nil).

As at 31 December 2004, CCHBC had a €900.0m syndicated loan facility, of which the first tranche of €450.0m matured on 14 May 2005. During August 2005, CCHBC replaced its remaining €450.0m syndicated loan facility with a €600.0m facility issued through various financial institutions. This facility will be used as a backstop to the €1.0bn global commercial paper programme and carries a floating interest rate over EURIBOR and LIBOR. The facility allows us to draw down, on one to five days notice, amounts in tranches and repay them in periods ranging from one to six months, or any other period agreed between the financial institutions and CCHBC. In the aggregate, CCHBC has a maximum available borrowing under the global commercial paper programme and the backstop facility of €1.0bn. No amounts have been drawn under this facility.

On 17 September 2003, CCHBC successfully completed, through its wholly owned finance subsidiary Coca-Cola HBC Finance B.V., a US\$900.0m (€760.6m at 31 December 2005 exchange rates) global offering of privately placed notes with registration rights. The first tranche consisted of an aggregate principal amount of US\$500.0m (€422.6m) due in 2013 and the second tranche consisted of an aggregate principal amount of US\$400.0m (€338.0m) due in 2015. The net proceeds of the offering were used to refinance certain outstanding debt, including the repayment of €200.0m bonds which matured on 17 December 2003, the leveraged re-capitalisation of the Group and the acquisition of Römerquelle GmbH. In December 2003, an exchange offer was made by CCHBC in order to effect the exchange of the privately placed notes for similar notes registered with the US Securities and Exchange Commission (SEC). Acceptances under the offer, which was finalised in February 2004, were US\$898.1m. The notes are fully, unconditionally and irrevocably guaranteed by CCHBC. These notes are not subject to financial covenants.

In December 2003, CCHBC filed a registration statement with the SEC for a shelf registration. The amount registered was US\$2.0bn. As at 28 March 2006, no amounts had been drawn under the shelf registration.

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

Notes to the consolidated financial statements

19. Borrowings (continued)

The summary of the outstanding bonds is as follows:

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

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

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

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

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

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

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

Notes to the consolidated financial statements

19. Borrowings (continued)

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

Financial liabilities represent fixed and floating rate borrowings held by the Group. The Group hedges exposures to changes in interest rates and the fair value of debt by using a combination of floating and fixed rate interest rate swaps. Of the total fixed rate debt, 100% of the USD and Euro amounts have been swapped into a floating rate obligations for the life of the underlying Euro and US bond financings. The USD bond issues have been fully swapped into Euro obligations with no residual currency risk for the life of the respective bonds.

Financial assets contain cash and cash equivalents of €182.4m in 2005 (2004: €38.3m). Financial assets and liabilities falling due within one year exclude all debtors and creditors, other than borrowings.

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

UK sterling	6 month LIBOR (London inter-bank offer rate)
US dollar	6 month LIBOR (London inter-bank offer rate)
Euro	6 month EURIBOR (European inter-bank offer rate)
Czech koruna	1-3 month PRIBOR (Prague inter-bank offer rate)
Polish zloty	1-6 month WIBOR (Warsaw Inter-bank offer rate)
Slovak koruna	1 - 6 month BRIBOR (Bratislava inter-bank offer rate)
Nigerian naira	1 month NIBOR (Nigerian inter-bank offer rate)

Notes to the consolidated financial statements

20. Financial instruments

Foreign currency transaction exposures

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

Fair values of financial assets and liabilities

For primary financial instruments of cash, deposits, investments, short term borrowings and other financial liabilities (other than long term borrowings), fair values equate to book values. For long term borrowings, including the current portion, the fair value is €1,535.9m (2004: €1,422.0m) compared to a book value, including the current portion, of €1,521.1m (2004: €1,421.5m).

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

The fair value of forward contracts is calculated by reference to current forward exchange rates at 31 December 2005 for contracts with similar maturity dates. The fair value of interest rate swap contracts is determined as the difference in the present value of the future interest cash flows. The fair value of commodities is based on independent quoted market valuations. The fair value of options is based on application of the binomial stock option valuation model and implied volatilities.

The Group holds interest bearing borrowings at both fixed and floating interest rates. However, as indicated above, interest rate swaps and options have been used to manage the Group's exposure to interest rates, in line with the Group's fixed/floating rate strategy.

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

Interest rate

The fair value swap agreements utilised by the Group effectively modify the Group's exposure to interest rate risk and the changes in the fair value of debt by converting the Group's fixed rate debt to a floating rate based on EURIBOR over the life of the underlying debt. The agreements involve the receipt of fixed rate amounts in exchange for floating rate interest payments over the life of the agreements without an exchange of the underlying principal amount.

During 2004, CCHBC purchased interest rate caps on floating rate debt. The decision to purchase option caps versus using swaps was taken in order to continue benefiting from the lower floating interest rate environment, while having in place protection against adverse interest rate movements. The options are marked to market with the gains and losses taken to the income statement. The option premium is expensed in the income statement through the option revaluation process.

Notes to the consolidated financial statements

20. Financial instruments (continued)

Foreign currency

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

Commodities

The Group is exposed to the effect of changes in the price of sugar. To manage a portion of the risk of sugar costs, the Group uses sugar futures contracts traded on regulated futures exchanges. The sugar futures entered into typically have maturities of up to 18 months after the balance sheet date. The changes in market values of such contracts have historically been highly effective in offsetting sugar price fluctuations. No commodities futures contracts were outstanding at 31 December 2005.

Credit risk exposure

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2005 in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure for each derivative instrument is as follows:

	Assets € million	Liabilities € million
At 31 December 2005		
Interest rate swaps	8.4	-
Interest rate options	0.7	-
Foreign currency option contracts	0.1	-
Forward foreign exchange contracts	0.3	(1.3)
Total current	9.5	(1.3)
Non-current		
Cross currency swaps	-	(43.3)
Interest rate swaps	21.7	(1.6)
Total non-current	21.7	(44.9)

Notes to the consolidated financial statements

20. Financial instruments (continued)

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

Net fair values of derivative financial instruments

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

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

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

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

Notes to the consolidated financial statements

20. Financial instruments (continued)

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

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

Forward foreign exchange contracts

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

Interest rate swaps

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

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

Notes to the consolidated financial statements

20. Financial instruments (continued)

Cross-currency swaps

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

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

Interest rate options

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

Foreign currency option contracts

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

21. Trade and other liabilities

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

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

Notes to the consolidated financial statements

22. Provisions

Provisions consist of the following at 31 December:

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

The movement in restructuring and other provisions comprise:

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

Restructuring provisions

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

Other provisions

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

Notes to the consolidated financial statements

22. Provisions (continued)

Employee benefits

Employee benefits consist of the following at 31 December:

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

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

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

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

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

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

Notes to the consolidated financial statements

22. Provisions (continued)

Reconciliation of defined benefit obligation:

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

Reconciliation of plan assets:

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

To develop our expected long-term rate of return assumptions the Company, in consultation with its advisors uses forward-looking assumptions in the context of historical returns and volatilities for each asset class, as well as correlations among asset classes. Adjustments are made to the expected long-term rate of return assumptions annually based upon revised expectations of future investment performance of the overall capital markets, as well as changes to local laws that may affect the investment strategy. The weighted average expected long-term rate of return assumption used in computing 2005 net periodic pension cost for the plans was 5.63%.

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

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

Notes to the consolidated financial statements

22. Provisions (continued)

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

22. Provisions (continued)

Plan assets are invested as follows:

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

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

Defined contribution plans

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

23. Contingencies

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

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

In relation to the Greek Competition Authority's decision of 25 January 2002, one of our competitors has filed a lawsuit claiming damages in an amount of €7.7m. At present, it is not possible to predict the outcome of this lawsuit or quantify the likelihood or materiality of any potential liability arising from it.

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

Notes to the consolidated financial statements

23. Contingencies (continued)

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

In recent years, customs authorities in some Central and East European countries have attempted to challenge the classification under which the Company imports concentrate into these countries to produce our products. Local authorities have argued that a classification with higher custom duties than the current classification should apply. In the past, such issues were successfully resolved in most of these countries. The Company still has similar issues outstanding before the Romanian Custom Authorities. At this time, it is not possible to quantify the risk of a negative outcome in these cases.

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

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

24. Commitments

(a) Operating leases

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

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

(b) Capital commitments

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

(c) Long term purchase commitments

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

25. Share capital and share premium

	Number of shares (authorized and issued)	Share Capital € million	Share premium € million	Total € million
As at 1 January 2004	236,925,277	118.5	1,621.7	1,740.2
Stock issued to employees exercising stock options	1,334,852	0.6	18.6	19.2
As at 31 December 2004	238,260,129	119.1	1,640.3	1,759.4
Stock issued to employees exercising stock options	2,431,873	1.2	35.4	36.6
As at 31 December 2005	240,692,002	120.3	1,675.7	1,796.0

Notes to the consolidated financial statements

25. Share capital and share premium (continued)

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

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

On 21 December 2005, CCHBC's Board of Directors resolved to increase the share capital of the Company by 2,431,873 ordinary shares, following the exercise of stock options by option holders pursuant to the Company's stock option plan. Proceeds from the issue of the shares were €36.6m.

26. Shares held for equity compensation plan

The Group operates a stock purchase plan, the Coca-Cola HBC Stock Purchase Plan, which is an equity compensation plan that eligible employees can participate in.

Under the terms of this plan, employees have the opportunity to invest 1% to 15% of their salary in ordinary CCHBC shares by contributing to the plan monthly. CCHBC will match up to a maximum of 3% of the employees' salary by way of contribution. Employer contributions are used to purchase matching shares on a monthly basis on the open market, currently the Athens Stock Exchange. Shares are either held in the employees name or by a trust, The Coca-Cola HBC Employee Stock Purchase Trust. Matching shares vest 350 days after the purchase. However, forfeited shares are held in a reserve account of the plan, do not revert back to the Company and may be used to reduce future employer contributions. Dividends received in respect of shares held in the plan accrue to the employees.

In order to adapt the plan to the Greek legal framework in the case of employees resident in Greece, CCHBC matches the contribution of the employees resident in Greece with an annual employer contribution of up to 5% of salary, which we make in December, and matching shares purchased in December vest immediately.

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

No provision is made for any increase or decrease in value of these shares, as they will vest to employees, and the risks and rewards of fluctuations of the share price are borne by those employees.

Notes to the consolidated financial statements

27. Reserves

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

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

Exchange equalisation reserve

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

Shares held for equity compensation plan

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

Hedging reserve

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

Tax-free reserve

Tax-free reserve includes investment tax incentive and other tax-free partially taxed reserves of the parent entity, CCHBC. The tax-free reserve may be distributed if taxed, where applicable.

Statutory and other reserves

Statutory and other reserves are particular to the various countries the Group operates in. The amount of statutory reserves of the parent entity, CCHBC, with restrictions on distribution is €31.4m (2004: €27.2m).

Stock option reserve

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

Available-for-sale financial instruments valuation reserve

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

Notes to the consolidated financial statements

28. Dividends

The directors propose a dividend of €0.30 per share (totalling €72.2m) for the year ended 31 December 2005. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 20 June 2006. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2006.

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

29. Business combinations

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

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

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

Notes to the consolidated financial statements

29. Business combinations (continued)

2005

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

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

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

Details of the acquisition are as follows:

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

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

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

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

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

Notes to the consolidated financial statements

29. Business combinations (continued)

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

On 20 April 2005, CCHBC acquired jointly with TCCC the Multon Z.A.O. group, a leading juice producer in the Russian Federation. Multon has production facilities in Moscow and St. Petersburg and produces and distributes juice products under the brands 'Rich', 'Nico' and 'Dobry'.

Total consideration for the acquisition was €359.9m (excluding acquisition costs), plus the assumption of debt of €27.4m. CCHBC's share of the purchase price was €168.2m, and debt was €27.4m. The business is being managed as a joint venture and is being accounted for as such.

Details of the acquisition are as follows:

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

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

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

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

Notes to the consolidated financial statements

29. Business combinations (continued)

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

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

Details of the acquisition are as follows:

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

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

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

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

Notes to the consolidated financial statements

29. Business combinations (continued)

(d) Acquisition of Vendit Ltd

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

Details of the acquisition are as follows:

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

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

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

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

Notes to the consolidated financial statements

29. Business combinations (continued)

2004

Acquisition of Gotalka d.o.o.

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

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

Details of the acquisition are as follows:

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

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

30. Directors' remuneration

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

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

Notes to the consolidated financial statements

31. Stock option compensation plans

CCHBC operates a stock-based compensation plan, under which senior managers are granted awards of stock options, based on an employee's performance and level of responsibility. Options are granted at an exercise price of the average mid-price of the Company's shares at close of trading on the Athens Exchange over the last ten working days before the date of the grant. Options vest in one-third increments each year for three years and can be exercised for up to ten years from the date of award.

When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (at the nominal value) and share premium.

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

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

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

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

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

The Company adopted the employee stock option plan on 13 December 2001. Previously, the Company had issued stock appreciation rights to certain of its employees, including employees who previously held options in CCB. Upon adoption of the stock option plan, all such rights, except those held by retirees and employees located in countries where granting and exercising stock options was impractical or not permitted, were converted into stock options carrying over the same exercise prices, vesting periods and expiration dates.

Notes to the consolidated financial statements

32. Stock appreciation rights

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

The following table summarises information on SARs outstanding:

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

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

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

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

Notes to the consolidated financial statements

33. Related party transactions

a) The Coca-Cola Company

As at 31 December 2005, TCCC indirectly owned 56,741,386 shares in CCHBC. This represented 23.6% (2004: 23.8%) of the issued share capital of CCHBC. TCCC considers CCHBC to be an 'anchor', and has entered into bottler's agreements with CCHBC in respect of each of CCHBC's territories. All the bottler's agreements entered into by TCCC and CCHBC are Standard International Bottler's ('SIB') agreements. The terms of the bottler's agreements grant CCHBC's territories the right to produce and the exclusive right to sell and distribute the beverages of TCCC. Consequently, CCHBC is obliged to purchase all its requirements for concentrate for TCCC's beverages from TCCC, or its designee, in the ordinary course of business. These agreements extend to 2013 and may be renewed at TCCC's discretion until 2023.

TCCC owns or has applied for the trademarks that identify its beverages in all of CCHBC's countries. TCCC has authorised CCHBC and certain of its subsidiaries to use the trademark Coca-Cola in their corporate names.

Total purchases of concentrate, finished products and other materials from TCCC and its subsidiaries during the year amounted to €1,003.2m (2004: €910.8m).

TCCC makes discretionary marketing contributions to CCHBC's operating subsidiaries. The participation in shared marketing agreements is at TCCC's discretion and, where co-operative arrangements are entered into, marketing expenses are shared. Such arrangements include the development of marketing programmes to promote TCCC's beverages. Total contributions received from TCCC for marketing and promotional incentives during the year amounted to €39.8m (2004: €47.0m). Contributions for price support and marketing and promotional campaigns in respect of specific customers are recorded in net sales revenue as an offset to promotional incentives paid to customers. In 2005, such contributions totalled €17.6m (2004: €21.1m). Contributions for general marketing programmes are recorded as an offset to selling expenses. In 2005, these contributions totalled €22.2m (2004: €25.9m). TCCC has also customarily made additional payments for marketing and advertising direct to suppliers as part of the shared marketing arrangements. The proportion of direct and indirect payments, made at TCCC's discretion, will not necessarily be the same from year to year.

In addition, support payments received from TCCC for the placement of cold drink equipment were €26.6m (2004: €15.0m).

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

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

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

Notes to the consolidated financial statements

33. Related party transactions (continued)

In 2005, the company received €6.4m from TCCC for the sale of the water brand trademark 'Bankia' and €2.6m for the Bosnian water brand 'Olimpija' sold in 2004. In 2004, the Company sold trademarks to TCCC for €11.2m. Of this, €8.6m related to the sale of Gotalka water brands, and the remainder to the sale of the brand, 'Olimpija'.

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

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

Frigoglass, a company listed on the Athens Stock Exchange, is a manufacturer of coolers, PET resin, glass bottles, crowns and plastics. Frigoglass is related to CCHBC by way of 44.1% ownership by The Kar-Tess Group (see below). Frigoglass has a controlling interest in Frigoglass Industries Limited, a company in which CCHBC has an 15.8% effective interest, through its investment in Nigerian Bottling Company plc.

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

During the year, the Group made purchases of €144.2m (2004: €166.6m) of coolers, raw materials and containers from Frigoglass and its subsidiaries. As at 31 December 2005, CCHBC owed €7.5m (2004: €17.6m) to Frigoglass and was owed €0.9m (2004: €0.7m).

(c) Directors

Mr George A. David, Mr Haralambos K. Leventis, Mr Leonidas Ioannou and Mr Anastassios P. Leventis have been nominated by the Kar-Tess Group on the board of CCHBC. Mr Irial Finan and Mr A.R.C. (Sandy) Allan have been nominated by TCCC on the board of CCHBC. There have been no transactions between CCHBC and the directors except for remuneration (refer to Note 30).

d) Other

Beverage Partners Worldwide ('BPW')

BPW is a 50/50 joint venture between TCCC and Nestlé. During 2005, the Group purchased inventory from BPW amounting to €44.2m (2004: €27.8m). As at 31 December 2005, CCHBC owed €2.4m (2004: €1.2m) to BPW and was owed €0.4m (2004: €2.0m).

The Kar-Tess Group

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

Leventis Overseas & AG Leventis (Nigeria) PLC

Leventis Overseas and AG Leventis (Nigeria) PLC are related to CCHBC by way of common directors, where significant influence exists. During 2005, CCHBC's Nigerian subsidiary purchased chemicals, raw materials, spare parts

Notes to the consolidated financial statements

33. Related party transactions (continued)

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

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

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

Other Coca-Cola Bottlers

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

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

34. List of principal subsidiary undertakings

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

	Country of registration	% ownership	
		2005	2004
3E (Cyprus) Ltd	Cyprus	100.0%	100.0%
AS Coca-Cola HBC Eesti	Estonia	100.0%	100.0%
Balkaninvest Holdings Ltd	Cyprus	100.0%	100.0%
CC Beverages Holdings II B.V.	The Netherlands	100.0%	100.0%
CCB Management Services GmbH	Austria	100.0%	100.0%
CCB Production Services d.o.o. ³	Bosnia and Herzegovina	-	100.0%
CCB Services Ltd	England and Wales	100.0%	100.0%
CCBC Services Ltd	Republic of Ireland	100.0%	100.0%
Chisinau Beverage Services S.R.L.	Moldova	100.0%	100.0%
Clarina Bulgaria Ltd	Bulgaria	100.0%	100.0%
Clarina Holding S.à.r.l.	Luxembourg	100.0%	100.0%
Coca-Cola HBC Italia S.r.l.	Italy	100.0%	100.0%
Coca-Cola Beverages (Hungary) Kft	Hungary	100.0%	100.0%
Coca-Cola Beverages AG	Switzerland	99.9%	99.9%
Coca-Cola Beverages Austria GmbH	Austria	100.0%	100.0%
Coca-Cola Beverages Belorussiya	Belarus	100.0%	100.0%
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia and Herzegovina	100.0%	100.0%
Coca-Cola Beverages Ceska republika, spol s.r.o.	Czech Republic	100.0%	100.0%
Coca-Cola Beverages Holdings Ltd	Republic of Ireland	100.0%	100.0%

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

Notes to the consolidated financial statements

34. List of principal subsidiary undertakings (continued)

	Country of registration	% ownership 2005	2004
Coca-Cola Beverages Hrvatska d.d. ⁴	Croatia	99.9%	99.9%
Coca-Cola HBC Polska sp. z o.o.	Poland	100.0%	100.0%
Coca-Cola Beverages Slovakia, s.r.o.	Slovakia	100.0%	100.0%
Coca-Cola Beverages Slovenia d.d.	Slovenia	100.0%	100.0%
Coca-Cola Beverages Ukraine Ltd	Ukraine	100.0%	100.0%
Coca-Cola Bottlers (Ulster) Ltd	Northern Ireland	100.0%	100.0%
Coca-Cola Hellenic Bottling Company Armenia	Armenia	90.0%	90.0%
Coca-Cola Bottlers Chisinau S.R.L.	Moldova	100.0%	100.0%
Coca-Cola Bottlers Iasi S.A.	Romania	99.2%	99.2%
Coca-Cola Bottlers Oryel LLC	Russia	100.0%	100.0%
Coca-Cola Bottling Company (Dublin) Ltd	Republic of Ireland	100.0%	100.0%
Coca-Cola Bottling Enterprise Galati S.A.	Romania	100.0%	100.0%
Coca-Cola HBC Bulgaria AD	Bulgaria	85.4%	85.4%
Coca-Cola HBC Finance B.V.	The Netherlands	100.0%	100.0%
Coca-Cola HBC Finance plc	England and Wales	100.0%	100.0%
Coca-Cola HBC Kosovo L.L.C.	Kosovo	100.0%	100.0%
Coca-Cola HBC Romania Ltd	Romania	100.0%	100.0%
Coca-Cola Magyarország Italog Kft	Hungary	100.0%	100.0%
Coca-Cola Molino Beverages Ltd	Cyprus	100.0%	100.0%
Deepwaters Investments Ltd	Cyprus	50.0%	50.0%
Dorna Apemin S.A.	Romania	49.9%	49.9%
Dorna Investments Ltd	Guernsey	50.0%	50.0%
Dunlogan Ltd	Northern Ireland	100.0%	100.0%
Elxym S.A.	Greece	100.0%	100.0%
Coca-Cola HBC Srbija A.D.	Serbia & Montenegro	89.1%	89.1%
Coca-Cola HBC Corna Gora d.o.o.	Serbia & Montenegro	89.1%	89.1%
Jayce Enterprises Ltd	Cyprus	100.0%	100.0%
John Daly and Company Ltd	Republic of Ireland	100.0%	100.0%
Killarney Mineral Water Manufacturing Company Ltd	Republic of Ireland	100.0%	100.0%
Leman Beverages Holding S.à.r.l.	Luxembourg	90.0%	90.0%
LLC Coca-Cola HBC Eurasia	Russia	100.0%	100.0%
LLC Coca-Cola Stavropolye Bottlers	Russia	100.0%	100.0%
LLC Coca-Cola Vladivostok Bottlers ⁵	Russia	-	100.0%
Molino Beverages Holding S.à.r.l.	Luxembourg	100.0%	100.0%
MTV West Kishinev Bottling Company S.A.	Moldova	100.0%	100.0%
Nigerian Bottling Company plc	Nigeria	66.2%	66.2%
Panpak Ltd	Republic of Ireland	100.0%	100.0%
Römerquelle GmbH	Austria	100.0%	100.0%
S.C. Cristalina S.A.	Romania	49.9%	42.4%
SIA Coca-Cola HBC Latvia	Latvia	100.0%	100.0%
Softbev Investments Ltd	Cyprus	100.0%	100.0%
Softbul Investments Ltd	Cyprus	100.0%	100.0%

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

⁵ Merged into LLC CCHBC Eurasia on 31 December 2005

Notes to the consolidated financial statements

34. List of principal subsidiary undertakings (continued)

	Country of registration	% ownership	
		2005	2004
Softinvest Holdings Ltd	Cyprus	100.0%	100.0%
Standorg Assets Kft	Hungary	100.0%	100.0%
Star Bottling Ltd	Cyprus	100.0%	100.0%
Telerex S.A.	Greece	100.0%	100.0%
Tsakiris S.A.	Greece	100.0%	100.0%
UAB Coca-Cola HBC Lietuva	Lithuania	100.0%	100.0%
Valsler Mineralquellen AG	Switzerland	99.9%	99.9%
CCHBC Insurance (Guernsey) Ltd	Channel Islands	100.0%	-
Acquisition of subsidiary undertakings that took place in 2005			
Bankya Mineral Waters Bottling Company EOOD	Bulgaria	100.0%	-
Vlasinka d.o.o.	Serbia & Montenegro	50.0%	-
Vendit Ltd	Republic of Ireland	100.0%	-

35. Joint venture

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

The joint ventures are accounted for by proportionate consolidation, whereby the share of ownership of assets, liabilities, revenues and expenses are taken into the consolidated balance sheet and consolidated income statement.

The following represents the Group's share of the assets, liabilities, revenues and expenses of the joint ventures at 31 December:

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

Notes to the consolidated financial statements

36. Post-balance sheet events

On 27 January, 2006 our subsidiary 3E (Cyprus) Limited has launched a public offer to the shareholders of Lanitis Bros Public Limited ("Lanitis Bros") for the acquisition of up to 100% of the issued share capital of Lanitis Bros. The consideration offered for each share in Lanitis Bros is CYP 0.172 in cash. As at 27 March 2006, a total of 238,927,035 shares or approximately 95.57% of the outstanding share capital of Lanitis Bros have either been tendered in response to the Public Offer launched by CCHBC's subsidiary, 3E (Cyprus) Limited on 27 January 2006, or purchased by 3E (Cyprus) Limited on the Cyprus Stock Exchange since 27 January 2006. The total consideration to be paid for the shares above is CYP 41.1m.

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

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

On 13 March 2006, we acquired, jointly with TCCC, 100% of Fresh & Co, one of the leading producers of fruit juices in Serbia & Montenegro. The acquisition includes a production facility located at Subotica and the juice and nectar brands "Next" and "Su-Voce". The net consideration for the transaction is €18.5m (excluding acquisition costs) with the assumption of a debt of an additional €23.6m. CCHBC's share of the purchase price and debt was €21m. It is not practicable, at this stage, to disclose details about the fair values of the assets acquired and the liabilities assumed as these have not been finalised. The deal has received both EU and Serbian competition Authority approval.

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

Report of the auditors

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

We have audited the accompanying balance sheet of Coca-Cola Hellenic Bottling Company S.A. (the "Company") as of 31 December 2005 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 2 to 38 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Greek Auditing Standards which conform with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We also assessed the consistency of the information included in the Directors' Report which is attached to the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

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



PricewaterhouseCoopers S.A.
Athens
28 March 2006

Income statement

Year ended 31 December

	Note	2005 € million	2004 € million
Net sales revenue		584.2	596.0
Cost of goods sold		(323.0)	(336.2)
Gross profit		261.2	259.8
Management fee income	27	15.9	12.2
Selling expenses		(81.2)	(83.1)
Delivery expenses		(42.1)	(40.4)
Administrative expenses		(69.9)	(65.5)
Amortisation of intangible assets	6	-	(1.0)
Restructuring costs	18	(1.3)	(2.5)
Stock option expense	26	(2.1)	(0.8)
Total operating expenses		(180.7)	(181.1)
Operating profit	2	80.5	78.7
Interest expense	3	(15.1)	(16.2)
Dividend income	4	62.9	30.1
Profit before taxation		128.3	92.6
Taxation	5	(48.4)	(34.8)
Profit for the year attributable to shareholders of the Company		79.9	57.8

The Notes on pages 6-38 are an integral part of these financial statements.

Cash flow statement

Year ended 31 December

	Note	2005 € million	2004 € million
Operating activities			
Operating profit		80.5	78.7
Depreciation of property, plant and equipment	2	30.5	30.8
Amortisation of intangible assets		-	1.0
Stock option expense		2.1	0.8
Other non-cash items	2	-	0.9
		113.1	112.2
Loss on disposals of non-current assets	2	4.9	1.4
Decrease (increase) in inventories		3.8	(2.2)
Decrease (increase) in trade and other receivables		13.1	(0.8)
Decrease in trade payables and other liabilities		(3.0)	(1.3)
Taxation paid		(39.5)	(30.7)
Cash flow generated from operating activities		92.4	78.6
Investing activities			
Payments for purchase of property, plant and equipment		(30.1)	(35.7)
Receipts from disposals of property, plant and equipment		1.7	0.3
Net receipts for investments		0.8	-
Payments for acquisition of subsidiaries	8	(29.4)	-
Payments for capital increases in subsidiaries	8	(11.2)	(9.3)
Net cash used in investing activities		(68.2)	(44.7)
Financing activities			
Return of capital to shareholders		-	(0.4)
Proceeds from shares issued to employees exercising stock options	21	36.6	19.2
Net decrease in borrowings	15	(9.1)	(4.2)
Principal repayments of finance lease obligations		(0.2)	(0.2)
Interest paid		(15.1)	(16.0)
Dividends paid		(66.7)	(47.4)
Dividends received		44.0	21.7
Net cash used in financing activities		(10.5)	(27.3)
Increase in cash and cash equivalents		13.7	6.6
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		7.5	0.9
Increase in cash and cash equivalents		13.7	6.6
Cash and cash equivalents at 31 December	14	21.2	7.5

The Notes on pages 6-38 are an integral part of these financial statements.

Balance sheet

As at 31 December

	Note	2005 € million	2004 € million
Assets			
Goodwill	6	7.5	7.5
Property, plant and equipment	7	182.3	191.1
Available-for-sale investments	9	3.7	3.1
Investments in subsidiaries and joint ventures	8	2,348.9	2,306.8
Deferred tax assets	10	8.8	6.9
Non-current prepayments		1.6	1.8
Total non-current assets		2,552.8	2,517.2
Inventories	11	34.0	37.8
Trade receivables	12	97.6	93.0
Other receivables	13	20.6	37.2
Cash and cash equivalents	14	21.2	7.5
Total current assets		173.4	175.5
Total assets		2,726.2	2,692.7
Liabilities			
Short term borrowings	15	20.7	19.7
Trade and other liabilities	17	73.9	80.0
Current tax liabilities		26.1	33.9
Total current liabilities		120.7	133.6
Long term borrowings	15	478.2	488.5
Non-current provisions	18	25.1	22.9
Total non-current liabilities		503.3	511.4
Total liabilities		624.0	645.0
Equity			
Share capital	21	120.3	119.1
Share premium	21	1,675.7	1,640.3
Other reserves	23	220.0	267.3
Retained earnings		86.2	21.0
Total shareholders' equity		2,102.2	2,047.7
Total equity and liabilities		2,726.2	2,692.7

The Notes on pages 6-38 are an integral part of these financial statements.

Statement of changes in shareholders' equity

	Share capital € million	Share premium € million	Other reserves € million	Retained earnings € million	Total equity € million
Balance as at 31 December 2003	118.5	1,621.7	251.6	24.3	2,016.1
Change in accounting policy	-	-	1.0	(1.0)	-
Restated balance	118.5	1,621.7	252.6	23.3	2,016.1
Net profit for 2004	-	-	-	57.8	57.8
Valuation gains on available-for-sale investments taken to equity (net of tax of nil)	-	-	0.6	-	0.6
Comprehensive income	-	-	0.6	57.8	58.4
Shares issued to employees exercising stock options	0.6	18.6	-	-	19.2
Share based compensation - options	-	-	1.4	-	1.4
Appropriation of reserves	-	-	12.7	(12.7)	-
Dividends	-	-	-	(47.4)	(47.4)
Balance as at 31 December 2004	119.1	1,640.3	267.3	21.0	2,047.7
Net profit for 2005	-	-	-	79.9	79.9
Valuation gains on available-for sale Investments taken to equity (net of tax of €0.3m)	-	-	1.1	-	1.1
Comprehensive income	-	-	1.1	79.9	81.0
Shares issued to employees exercising stock options	1.2	35.4	-	-	36.6
Share based compensation - options	-	-	3.6	-	3.6
Appropriation of reserves	-	-	(52.0)	52.0	-
Dividends	-	-	-	(66.7)	(66.7)
Balance as at 31 December 2005	120.3	1,675.7	220.0	86.2	2,102.2

For further details please refer to Note 21 share capital and share premium, Note 23 for reserves and Note 24 for dividends.
The Notes on pages 6-38 are an integral part of these financial statements.

Notes to the financial statements

I. Basis of preparation and accounting policies

Description of business

Coca-Cola Hellenic Bottling Company S.A. ('CCHBC' or the 'Company'), is incorporated in Greece and is principally engaged in the production and distribution of alcohol-free beverages, under franchise from The Coca-Cola Company ('TCCC'). CCHBC has subsidiaries in 26 countries also principally engaged in the same activities. CCHBC's shares are listed on the Athens Stock Exchange, with secondary listings on the London and Australian Stock Exchanges. CCHBC's American Depositary Receipts (ADRs) are listed on the New York Stock Exchange.

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

Basis of preparation

The financial statements included in this document are prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the European Union. All IFRS issued by the IASB, which apply to the preparation of these financial statements have been adopted by the European Council following an approval process undertaken by the European Commission ('EC'), except for International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement. Following this process and as a result of representations made by the Accounting Regulatory Committee of the European Council, the latter issued the Directives 2086/2004 and 1864/2005 that require the application of IAS 39 by all listed companies with effect from the 1 January 2005, except for specific sections that relate to hedging of deposit portfolios. As the Company is not impacted by the sections that relate to hedging of deposit portfolios, as reflected in the IAS 39 approved by the EC, these financial statements have been prepared in compliance with IFRS that have been approved by the EC and IFRS that have been issued by the IASB. The financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities.

These stand alone financial statements should be read in conjunction with CCHBC's consolidated financial statements for the year ended 31 December 2005 prepared in accordance with IFRS. The consolidated financial statements are not included in this document, but are available from the Company's registered office at 9 Fragoklissias Street, 151 25 Maroussi, Athens, Greece.

Use of estimates

In conformity with generally accepted accounting principles, the preparation of financial statements for CCHBC requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities with the next financial year are discussed below:

(a) Estimated impairment of goodwill

The Company tests annually whether the goodwill has suffered any impairment, in accordance with the accounting policy stated within this section. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The assumptions used are stated in note 6.

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

(b) Income taxes

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

Revenue recognition

Revenues are recognised when all of the following conditions are met: evidence of a binding arrangement exists (generally, purchase orders), products have been delivered and there is no future performance required and amounts are collectible under normal payment terms.

Revenue is stated net of sales discounts, listing fees and marketing and promotional incentives paid to customers. Listing fees are incentives provided to customers for carrying the Company's products in their stores. Fees that are subject to contractual-based term arrangements are amortised over the term of the contract. Marketing and promotional incentives paid to customers during 2005 amounted to €46.1m compared with €54.9m in 2004.

CCHBC receives certain payments from TCCC in order to promote sales of Coca-Cola branded products. Contributions for price support and marketing and promotional campaigns in respect of specific customers are recognised as an offset to promotional incentives paid to customers. These reimbursements are accrued and matched to the expenditure with which they relate. In 2005, such contributions totalled €8.2m as compared to €7.6m in 2004.

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

Dividend income

Dividend income is recognised when the Company's right to receive the dividend is established.

Management fee income

The Company charges management fees to its subsidiaries for services provided in accordance with the individual agreement of each subsidiary. Income from management fees is recognised in accordance with the substance of the relevant agreements.

Goodwill

Goodwill is the excess of the cost of an acquisition over the fair value of the share of net assets acquired. Until 31 December 2004, goodwill was amortised on a straight-line basis over the useful economic life up to a presumed maximum of 20 years. From 1 January 2005, amortisation of goodwill ceased. Instead, goodwill is tested annually and whenever there is an indication of impairment and is carried at cost less accumulated impairment losses.

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

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

Property, plant and equipment

All property, plant and equipment are initially recorded at cost, and are subsequently measured at cost less accumulated depreciation and impairment losses. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the operation. All other subsequent expenditure is expensed in the period in which it is incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Freehold buildings	40 years
Leasehold buildings and improvements	Over the term of the lease, up to 40 years
Production equipment	5 to 12 years
Vehicles	5 to 8 years
Computer hardware and software	3 to 7 years
Marketing equipment	3 to 7 years
Fixtures and fittings	8 years
Returnable containers	3 to 12 years

Freehold land is not depreciated as it is considered to have an indefinite life.

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

Impairment of tangible assets

Property, plant and equipment and other non-current tangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Borrowing costs

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

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

Other investments

Equity investments in subsidiaries, joint ventures and associates are measured at cost less impairment. In addition, following D17 - IFRS 2 - *Group and Treasury Share Transactions*, the charge for stock option related to subsidiaries is passed to the subsidiaries by way of the investment in subsidiaries account.

The Company classifies its investments in debt and equity securities into the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investment was acquired. FVTPL and available-for-sale investments are carried at fair value. Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as FVTPL investments and included in current assets. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date, which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date or unless they will need to be sold to raise operating capital.

Investments are recognised using trade date accounting, namely, investments are recognised on the day the Company commits to purchase the investments and derecognised on the day when the Company commits to sell the investments. The cost of purchase includes transaction costs for investments other than those carried at FVTPL. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices.

For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. Gains and losses on investments held as trading are recognised in the income statement in the period in which they arise. Unrealised gains and losses on available-for-sale investments are recognised in equity until the financial assets are derecognised or impaired at which time the cumulative gains or losses previously in equity are recognised in the income statement.

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

Non-current assets held for sale

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

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

Inventories

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

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

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

Cost includes all costs incurred in bringing the product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

Trade receivables

Trade receivables are carried at original invoice amount less allowance for doubtful debts. An allowance for doubtful debts 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 receivables.

Foreign currency and translation

The functional currency of the Company is Euro. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and highly liquid investments with a maturity of three months or less when purchased. For the purpose of the cash flow statement, bank overdrafts are considered as borrowings.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the loan or borrowing. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. For liabilities carried at amortised cost, any gain or loss is recognised in the income statement when the liability is derecognised or impaired, as well as through the amortisation process.

Credit risk

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

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

Liquidity risk

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

Leases

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

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

Each lease payment is allocated between liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. Property, plant and equipment acquired under finance lease is depreciated in accordance with the Company policy unless there is no reasonable certainty that the Company will obtain ownership of the asset at the end of the lease term. In this case property, plant and equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

Provisions

Provisions are recognised as follows: when the Company has a present obligation (legal or constructive) as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset when such reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Employee benefits – pensions and post retirement benefits

The Company operates two defined benefit plans and a defined contribution pension plan. The defined benefit plans are made up of both a funded pension plan and employee leaving indemnities. The assets of the funded plan are held in a separate trustee-administered fund and are financed by payments from the company after taking into account the recommendations of independent qualified actuaries.

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

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

For defined benefit plans, pension costs are assessed using the projected unit credit method. Actuarial gains and losses are recognised as income or expense, when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the greater of the defined benefit obligation or the fair value of plan assets, in accordance with the valuations made by qualified actuaries. The defined benefit obligations are measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments or changes in assumptions are recognised over the average remaining service lives of employees. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise amortised over the average remaining service lives of the employees. The Company's contributions to the defined contribution pension plan are charged to the income statement in the period to which the contributions relate.

Employee benefits – long term incentive plan

The Company operates a long term incentive plan where employees are entitled to additional cash benefits that have a vesting period of three years. The cost of the benefits is recording in the income statement over the vesting period.

Share-based payments

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

The inputs into the model are as follows:

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

In addition, the Company operates a stock purchase plan, in which eligible employees can participate. The Company's contributions to the stock purchase plan are charged to the income statement over their vesting period.

Termination benefits

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

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

Deferred taxes

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Franchise incentive arrangements

TCCC, at its sole discretion, provides the Company with various incentives, including contributions toward the purchase of cold drink equipment. Payments are made on placement of coolers and are based on franchise incentive arrangements. The terms and conditions of these arrangements require reimbursement if certain conditions stipulated in the agreements are not met, including minimum volume through-put requirements. Support payments received from TCCC for the placement of cold drink equipment are deducted from the cost of the related asset.

Share capital

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

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

Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

Adoption of new accounting standards

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

In March 2004, the IASB issued IFRS 3, *Business Combinations*, and revised standards IAS 36, *Impairment of Assets* and IAS 38, *Intangible Assets*. The main effect to the Company is that amortisation of goodwill has ceased. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a possible impairment.

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

CCHBC has applied IFRS 3 and the revised provisions of IAS 36 and IAS 38 from 1 January 2005. As the standard is applicable prospectively, prior year comparatives have not been restated.

From 1 January 2005, the Company applied IFRS 2, *Share-Based Payments*. This standard requires compensation costs related to share based payments to be recognised in the financial statements. Under the standard, the compensation cost is determined, based on the grant date fair value of the equity or liability instrument issued. The standard is applicable to grants of shares, share options or any equity instruments granted after 7 November 2002 and have not yet vested at the effective date of the standard. The adoption of IFRS 2 results in the Company reflecting a charge to the income statement for share options. As a consequence, prior year comparatives have been revised. The effect on the comparative net results for the full year is a decrease of €0.8m. The effect for the full year of 2005 for existing share options is €2.1m. In addition, following DI7 - *IFRS 2 - Group and Treasury Share Transactions*, the stock option reserve reflects, in addition to the accumulated expense in relation to the Company, the accumulated expense for stock options granted to employees of the Company's subsidiaries. The charge for the stock option passes to the subsidiaries by way of the investment in subsidiaries account.

In December 2003, the IASB published revisions to IAS 39, *Financial Instruments: Recognition and Measurement*. The revised standard was applied from 1 January 2005 and clarifies terms in relation to derecognition of financial assets, measurement of fair value, impairment, hedge accounting and embedded derivatives in non-financial contracts. Also, the revised standard no longer permits the recognition of unrealised gains or losses on the valuation of available-for-sale assets in the income statement. Instead, changes in fair value of available-for-sale assets are recognised directly in equity until the financial assets are derecognised, at which time the cumulative gain or loss previously in equity is recognised through the income statement. The effect on the comparative net results for 2004 is a decrease of €0.6m.

New Accounting Pronouncements

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

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

In June 2005, The IASB issued Amendment to IAS 39, *Financial Instruments: Recognition and Measurement — The Fair Value Option*. The amendment limits the use of the fair value option to financial instruments that meet any of the following conditions: (1) the instrument is classified as held for trading; (2) the use of the fair value option

Notes to the financial statements

I. Basis of preparation and accounting policies (continued)

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

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

Notes to the financial statements

2. Operating profit

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

	2005 € million	2004 € million
Depreciation of property, plant and equipment (refer to Note 7)	30.5	30.8
Impairment of property, plant and equipment (refer to Note 7)	-	0.9
Loss on disposal of property, plant and equipment	4.9	1.4
Operating lease charges		
Plant and equipment	1.9	1.7
Property	5.2	5.0
Total operating lease charges	7.1	6.7
Provision set aside for doubtful debts	1.6	4.9
Staff costs		
Wages and salaries	82.2	75.9
Social security costs	18.3	17.7
Pension and other employee benefits	23.9	21.5
Termination benefits	0.6	1.6
Total staff costs	125.0	116.7

The average number of full-time equivalent employees in 2005 was 2,241 (2004: 2,393).

3. Interest expense

Interest costs for the years ended 31 December comprise:

	2005 € million	2004 € million
External interest expense	0.4	0.8
Interest expense charged from subsidiaries	14.7	15.4
Total interest expense	15.1	16.2

Notes to the financial statements

4. Dividend income

Dividend income for the years ended 31 December comprise:

	2005 € million	2004 € million
Dividend income from subsidiaries	62.8	30.1
Dividend income from other investments	0.1	-
Total dividend income	62.9	30.1

5. Taxation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Greek corporate tax rate as follows:

	2005 € million	2004 € million
Profit before tax per the income statement	128.3	92.6
Tax calculated at a tax rate of 32% (2004: 35%)	41.1	32.4
Additional local taxes	2.6	2.4
Tax holidays	(0.4)	-
Expenses non-deductible for tax purposes	7.5	7.5
Income not subject to tax	(5.9)	(3.6)
Changes in tax laws and rates	2.9	0.6
Other	0.6	(4.5)
Income tax charge per the income statement	48.4	34.8

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

	2005 € million	2004 € million
Current tax charge	50.6	50.1
Deferred tax charge	(2.2)	(15.3)
Total income tax charge	48.4	34.8

Notes to the financial statements

6. Goodwill

Goodwill arose in the Company as a result of its merger with two subsidiaries, PET Plastics S.A. and Cretan Bottling Company in 1997 and 2002 respectively.

	2005 € million	2004 € million
Cost		
As at 1 January	21.9	21.9
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(14.4)	-
As at 31 December	7.5	21.9
Amortisation		
As at 1 January	14.4	13.4
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(14.4)	-
Charge for the year	-	1.0
As at 31 December	-	14.4
Net book value as at 1 January	7.5	8.5
Net book value as at 31 December	7.5	7.5

For both management and impairment testing purposes the Company is considered as one cash generating unit.

The recoverable amount of the operation has been determined through a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Board of Directors covering a three year period. Cash flow projections for years four to ten have been projected by management based on operation and market specific high level assumptions. Cash flows beyond the ten year period (the period in perpetuity) have been extrapolated using an estimated growth rate in perpetuity of 3.0%. Other key assumptions used are an average gross margin of 44.6% and a discount rate of 6.4%.

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

The impairment review that was conducted for Goodwill did not indicate any impairment.

Notes to the financial statements

7. Property, plant and equipment

	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	Total € million
Cost					
As at 1 January 2005	58.8	320.0	34.9	0.4	414.1
Additions	0.1	12.2	2.4	14.5	29.2
Disposals	-	(23.4)	-	-	(23.4)
Reclassifications	0.8	12.1	-	(12.9)	-
As at 31 December 2005	59.7	320.9	37.3	2.0	419.9
Depreciation					
As at 1 January 2005	21.5	191.5	10.0	-	223.0
Charge for the year	1.3	25.6	3.6	-	30.5
Disposals	-	(15.9)	-	-	(15.9)
As at 31 December 2005	22.8	201.2	13.6	-	237.6
Net book value as at 1 January 2005	37.3	128.5	24.9	0.4	191.1
Net book value as at 31 December 2005	36.9	119.7	23.7	2.0	182.3

	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	Total € million
Cost					
As at 1 January 2004	54.1	295.7	31.4	6.5	387.7
Additions	0.3	15.8	3.5	15.2	34.8
Disposals	-	(7.5)	-	-	(7.5)
Impairment	-	(0.9)	-	-	(0.9)
Reclassifications	4.4	16.9	-	(21.3)	-
As at 31 December 2004	58.8	320.0	34.9	0.4	414.1
Depreciation					
As at 1 January 2004	20.8	169.7	7.5	-	198.0
Charge for the year	0.7	27.6	2.5	-	30.8
Disposals	-	(5.8)	-	-	(5.8)
As at 31 December 2004	21.5	191.5	10.0	-	223.0
Net book value as at 1 January 2004	33.3	126.0	23.9	6.5	189.7
Net book value as at 31 December 2004	37.3	128.5	24.9	0.4	191.1

Assets under construction include advances for equipment purchases of €0.2m (2004: €nil).

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

	2005 € million	2004 € million
As at 1 January	0.6	0.8
Depreciation charge	(0.2)	(0.2)
As at 31 December	0.4	0.6

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

Notes to the financial statements

8. Investments in subsidiaries and joint ventures

The interests held and the carrying values of the investments in subsidiaries and joint ventures at 31 December are:

	Country of incorporation	Interest held 2005	Interest held 2004	Carrying value 2005 € million	Carrying value 2004 € million
Telerex S.A	Greece	100%	100%	2.6	2.6
Brewinvest S.A	Greece	50%	50%	30.8	30.8
Elxym S.A	Greece	100%	100%	12.0	0.8
Tsakiris S.A.	Greece	100%	100%	15.5	15.5
Clarina Holding S.A	Luxembourg	75%	75%	9.2	9.2
Dunlogan Ltd	United Kingdom	55%	55%	11.7	11.7
Softinvest Holding Ltd	Cyprus	100%	100%	845.8	845.8
Softbev Investment Ltd	Cyprus	100%	100%	15.4	15.4
Balkaninvest Holding Ltd	Cyprus	100%	100%	35.3	35.3
3E Cyprus Ltd	Cyprus	100%	100%	1,209.9	1,209.9
Ulster Coca-Cola Bottlers Ltd	Northern Ireland	100%	100%	131.3	129.8
Softbul Investment Ltd	Cyprus	100%	-	29.4	-
Total investments in subsidiaries and joint ventures				2,348.9	2,306.8

The above list contains direct investment in subsidiaries and joint ventures only. Refer to note 28 and 29 for a list of the principal direct and indirect interests in subsidiaries and joint ventures.

Changes in holdings in subsidiaries and joint ventures are as follows:

	2005 € million	2004 € million
As at 1 January	2,306.8	2,296.9
Share capital injection	11.2	9.3
Purchase of investment from subsidiary	29.4	-
Increase in stock options attributable to subsidiaries	1.5	0.6
As at 31 December	2,348.9	2,306.8

Notes to the financial statements

9. Available-for-sale investments

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

	2005 € million	2004 € million
As at 1 January	3.1	2.5
Disposals	(0.8)	-
Unrealised gain on available-for-sale investments	1.4	0.6
As at 31 December	3.7	3.1
Non-current investments	3.7	3.1

10. Deferred taxation

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

	2005 € million	2004 € million
As at 1 January	6.9	(8.4)
Credited to the income statement	2.2	15.3
Charged to equity	(0.3)	-
As at 31 December	8.8	6.9

Deferred income tax assets and liabilities are off-set when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

	2005 € million	2004 € million
Deferred tax assets		
Provisions	6.6	5.3
Other deferred income tax assets	9.8	25.6
Total gross deferred tax assets	16.4	30.9
Deferred tax liabilities		
Differences in depreciation	(3.0)	(17.5)
Other deferred tax liabilities	(4.6)	(6.5)
Gross deferred income tax liabilities	(7.6)	(24.0)
Net deferred tax asset	8.8	6.9

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

Notes to the financial statements

II. Inventories

Inventories consist of the following at 31 December:

	2005 € million	2004 € million
Finished goods	17.5	19.3
Raw materials and work in progress	11.6	12.9
Consumables	4.6	4.7
Payments on account	0.3	0.9
Total inventories	34.0	37.8

I2. Trade receivables

Trade receivables consist of the following at 31 December:

	2005 € million	2004 € million
Trade debtors	112.2	109.6
Less: provision for doubtful debts	(14.6)	(16.6)
Total trade receivables	97.6	93.0

I3. Other receivables

Other receivables consist of the following at 31 December:

	2005 € million	2004 € million
Receivables from subsidiaries	5.7	9.7
Receivables from related parties	4.5	10.6
Prepayments	6.5	8.2
Other current assets	3.9	8.7
Total other receivables	20.6	37.2

I4. Cash and cash equivalents

Cash and cash equivalents of €21.2m and €7.5m at 31 December 2005 and 2004 respectively, comprise of cash at bank or in hand. All cash and cash equivalents are held in Euros.

Notes to the financial statements

15. Borrowings

The Company holds the following borrowings at 31 December:

	2005 € million	2004 € million
Short term borrowings	-	0.3
Short term borrowings from subsidiaries	20.5	19.2
Obligations under finance leases falling due within one year	0.2	0.2
Total borrowings falling due within one year	20.7	19.7
Borrowings from subsidiaries due in more than one year	478.0	488.1
Obligations under finance leases falling due in more than one year	0.2	0.4
Total borrowings falling due after one year	478.2	488.5
Total borrowings	498.9	508.2

All borrowings including borrowings from subsidiaries are denominated in Euros.

Borrowings from subsidiaries comprises of three loans with CCHBC Finance plc, an indirect subsidiary of the Company. The first loan is for €5.0m repayable on 31 December 2006 (2004: €19.2m repayable on 31 December 2005) and carries an interest rate of the European Overnight Index Average (EONIA) plus 0.4%. The second loan of €15.5m was taken out in 2005 and is repayable on 31 December 2006. The loan carries an interest rate of 6 month EURIBOR plus 0.75%. The third loan of €478.0m (2004: €488.1m) was repayable at 27 June 2006 but was extended on 31 December 2005 for 3 years from 24 March 2006 at 3 months EURIBOR plus 0.36%. During the year, this loan carried an interest rate of 6 month EURIBOR plus 0.647%.

The weighted average interest rate on borrowings from subsidiaries is 2.79% (2004: 2.82%). The weighted average interest rate on the short term external borrowing in 2004 is 3.07%.

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

	2005 € million	2004 € million
Less than one year	0.2	0.2
Later than one year but less than two years	0.2	0.2
Later than two years but less than three years	-	0.2
Present value of finance lease liabilities	0.4	0.6

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

	2005 € million	2004 € million
Less than one year	0.2	0.2
Later than one year but less than two years	0.3	0.2
Later than two years but less than three years	-	0.3
	0.5	0.7
Future finance charges on finance leases	(0.1)	(0.1)
Present value of finance lease liabilities	0.4	0.6

Notes to the financial statements

16. Financial instruments

Foreign currency transaction exposures

The Company has minor foreign exchange transaction exposures where it holds a small amount of monetary assets and liabilities, which are not denominated in its functional currency (Euros).

Fair values of financial assets and liabilities

For primary financial instruments of cash, deposits, investments, short term and long term borrowings and other financial liabilities, fair values equate to book values. There is no difference between the book value and the fair value of debtors and creditors falling due within one year.

The Company holds interest bearing borrowings at floating interest rates. However, as indicated above, the majority of borrowings is from subsidiaries and therefore not hedged at entity level as interest rate exposure exists outside the Group with external parties.

The following is a summary of the Company's risk management strategies:

Foreign currency

The Company is exposed to only minor effect of foreign currency risk on expenditures that are denominated in currencies other than the Euro.

Credit risk exposure

The Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2005 in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the balance sheet.

17. Trade and other liabilities

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

	2005 € million	2004 € million
Trade creditors	24.3	32.6
Payables to related parties	6.8	12.8
Payables to subsidiaries	7.2	0.5
Interest accrual on loans from subsidiaries	0.2	0.2
Accruals	14.7	13.5
Deposit liabilities	11.5	11.6
Other taxation and social security liabilities	2.2	2.0
Current portion of provisions (refer to Note 18)	0.1	0.8
Salaries and employee related payable	5.5	5.0
Other payables	1.4	1.0
Total trade and other liabilities	73.9	80.0

Notes to the financial statements

18. Provisions

Provisions consist of provisions for employee benefits and provisions for restructuring. At 31 December 2005 and 2004 there were no outstanding balances for restructuring provisions. During the year the Company incurred €1.3m of restructuring charges (2004: €2.5m) all of which was paid in the year. Of the €1.3m, €0.6m relates to termination costs (2004: €1.6m) and the remainder relates to other restructuring costs.

Employee benefits consist of the following at 31 December:

	2005 € million	2004 € million
Defined benefit plans		
Employee leaving indemnities	21.2	19.6
Pension plans	0.7	1.5
Total defined benefits plans	21.9	21.1
Other employee benefits		
Long term incentive plan	3.2	2.0
Other employee benefits	0.1	0.6
Total other employee benefits	3.3	2.6
Total employee benefits obligations	25.2	23.7

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

	2005 € million	2004 € million
Current	0.1	0.8
Non-current	25.1	22.9
Total employee benefits obligations	25.2	23.7

Employees of CCHBC are entitled to employee leaving indemnities, generally based on each employee's length of service, employment category and remuneration. CCHBC also sponsor's a defined benefit pension plan.

Reconciliation of defined benefit obligation:

	2005 € million	2004 € million
Present value of defined benefit obligation at the beginning of the year	39.4	32.0
Service cost	2.7	2.4
Interest cost	1.8	1.4
Curtailment/settlement	0.6	1.2
Benefits paid	(4.8)	(4.3)
Actuarial loss	2.8	6.7
Present value of defined benefit obligation at end of year	42.5	39.4

Notes to the financial statements

18. Provisions (continued)

Reconciliation of plan assets:

	2005 € million	2004 € million
Fair value of plan assets at the beginning of the year	3.8	3.7
Expected return on plan assets	0.2	0.2
Actual employers contributions	1.3	-
Actual benefits paid	(1.3)	(0.1)
Fair value of plan assets at end of year	4.0	3.8

To develop our expected long term rate of return assumptions the Company, in consultation with its advisors uses forward-looking assumptions in the context of historical returns and volatilities for each asset class, as well as correlations among asset classes. Adjustments are made to the expected long term rate of return assumptions annually based upon revised expectations of future investment performance of the overall capital markets, as well as changes to local laws that may affect the investment strategy. The weighted average expected long term rate of return assumption used in computing 2005 net periodic pension cost for the plans was 5.20%.

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

	2005 € million	2004 € million
Present value of funded obligations	5.5	6.1
Fair value of plan assets	(4.0)	(3.8)
	1.5	2.3
Present value of unfunded obligations	37.0	33.3
Unrecognised actuarial loss	(16.1)	(13.9)
Unrecognised past service cost	(0.5)	(0.6)
Net defined benefit obligations	21.9	21.1
Actual return on plan assets	0.2	0.2

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

	2005 € million	2004 € million
As at 1 January	21.1	19.9
Expense recognised in the income statement	5.6	5.4
Employer contributions	(1.3)	-
Benefits paid	(3.5)	(4.2)
As at 31 December	21.9	21.1

Notes to the financial statements

18. Provisions (continued)

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

	2005 %	2004 %
Discount rate	4.25	4.75
Expected return on assets	5.20	5.20
Rate of compensation increase	4.25	4.50

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

	2005 € million	2004 € million
Current service cost	2.7	2.4
Interest cost	1.8	1.4
Expected return on plan assets	(0.2)	(0.2)
Amortisation of unrecognised actuarial obligation loss	0.6	0.5
Amortisation of unrecognised past service costs	0.1	0.1
Curtailement/settlement	0.6	1.2
Total	5.6	5.4

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

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

	2005 %	2004 %
Discount rate	4.75	4.50
Expected return on assets	5.20	5.20
Rate of compensation increase	4.50	4.30

Notes to the financial statements

18. Provisions (continued)

Plan assets are invested as follows:

	2005 %	2004 %
Asset category		
Equity securities	13	12
Debt securities	85	86
Other	2	2
Total	100	100

The total employer contributions expected to be paid in 2006 is €0.2m.

Defined contribution plans

The expense recognised in the income statement in 2005 for the defined contribution plan is €1.2m (2004: €1.0m). This is included in staff costs and recorded in cost of sales, selling, delivery and administrative expenses.

19. Contingencies

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

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

Notes to the financial statements

19. Contingencies (continued)

In relation to the Greek Competition Authority's decision of 25 January 2002, one of our competitors has filed a lawsuit claiming damages in an amount of €7.7m. At present, it is not possible to predict the outcome of this lawsuit or quantify the likelihood or materiality of any potential liability arising from it. The Company has not provided for any losses related to the above matters.

The Company is also involved in various other legal proceedings. Management believes that any liability to the Company that may arise as a result of these pending legal proceedings will not have a material adverse effect on the financial condition of the Company taken as a whole. The tax filings of CCHBC are routinely subjected to audit by tax authorities in Greece. These audits may result in assessments of additional taxes. The Company provides additional tax in relation to the outcome of such tax assessments, to the extent that a liability is probable and estimable.

Guarantees have been given to banks in respect of borrowings held by subsidiaries of the Company, in the amount of €1,517.0m (2004: €1,423.9m).

20. Commitments

(a) Operating leases

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

	2005 € million	2004 € million
Less than one year	1.2	0.8
Later than one year but less than five years	1.3	-
Future minimum lease payments	2.5	0.8

(b) Capital commitments

At 31 December 2005, the Company had capital commitments amounting to €8.0m (2004: €1.5m).

(c) Long term purchase commitments

As at 31 December 2005 and 2004, the Company had no commitments to purchase raw materials.

Notes to the financial statements

21. Share capital and share premium

	Number of shares (authorised and issued)	Share Capital € million	Share premium € million	Total € million
As at 1 January 2004	236,925,277	118.5	1,621.7	1,740.2
Stock issued to employees exercising stock options	1,334,852	0.6	18.6	19.2
As at 31 December 2004	238,260,129	119.1	1,640.3	1,759.4
Stock issued to employees exercising stock options	2,431,873	1.2	35.4	36.6
As at 31 December 2005	240,692,002	120.3	1,675.7	1,796.0

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

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

On 21 December 2005, CCHBC's Board of Directors resolved to increase the share capital of the Company by 2,431,873 ordinary shares, following the exercise of stock options by option holders pursuant to the Company's stock option plan. Proceeds from the issue of the shares were €36.6m.

22. Equity compensation plan

The Company operates a stock purchase plan, the Coca-Cola HBC Stock Purchase Plan, which is an equity compensation plan that eligible employees can participate in.

Under the terms of this plan, employees have the opportunity to invest 1% to 15% of their salary in ordinary CCHBC shares by contributing to the plan monthly. CCHBC will match up to a maximum of 5% of the employees' salary by way of contribution, in December, and matching shares purchased in December vest immediately.

The charge to the income statement totalled €0.6m both for the year ended 31 December 2005 and the year ended 31 December 2004.

Notes to the financial statements

23. Reserves

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

	2005 € million	2004 € million
Tax-free reserve	180.9	197.0
Statutory reserve	31.4	27.2
Stock option reserve	5.2	1.6
Available-for-sale financial instruments valuation reserve	2.5	1.4
Other	-	40.1
Total reserves	220.0	267.3

Tax-free reserve

The tax-free reserve includes investment tax incentive and other tax-free and partially taxed reserves of the Company. The tax-free reserve may be distributed if taxed, where applicable.

Statutory reserve

The statutory reserve is based on Greek law and cannot be distributed.

Stock option reserve

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

Available-for-sale financial instruments valuation reserve

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

24. Dividends

The directors propose a dividend of €0.30 per share (totalling €72.2m) for the year ended 31 December 2005. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 20 June 2006. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2006.

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

Notes to the financial statements

25. Directors' remuneration

The total remuneration including the fair value of stock option grants (in accordance with IFRS 2) paid to or accrued for our directors and the senior management team during 2005 amounted to €7.8m (2004: €6.0m). Pension and post employment benefits for directors and for the senior management team during 2005 amounted to €0.4m (2004: €0.2m).

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

26. Stock option compensation plans

CCHBC operates a stock-based compensation plan, under which senior managers are granted awards of stock options, based on an employee's performance and level of responsibility. Options are granted at an exercise price of the average mid-price of the Company's shares at close of trading on the Athens Exchange over the last ten working days before the date of the grant. Options vest in one-third increments each year for three years and can be exercised for up to ten years from the date of award.

When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (at the nominal value) and share premium.

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

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

Notes to the financial statements

26. Stock option compensation plans (continued)

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

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

The charge to income statement for employee stock option awards for 2005 amounted to €2.1m (2004: €0.8m).

27. Related party transactions

a) Transactions with direct and indirect subsidiaries

The Company owns directly and indirectly, shareholdings in the subsidiaries and joint ventures as shown in Note 28 and 29 respectively.

The Company had the following transactions with subsidiary undertakings:

	2005 € million	2004 € million
Dividend income	62.8	30.1
Purchase of raw materials and finished goods	27.5	33.1
Purchase of fixed assets	0.1	0.1
Rent of office space expense	0.1	0.1
Interest expense	14.7	15.4
Other purchases	1.7	1.0
Sales of raw materials and finished goods	9.9	10.4
Sales of fixed assets	1.6	-
Management fee income	15.9	12.2
Rental income and other cost recharges	3.4	3.2

In addition the Company purchased Softbul Investment Ltd from an indirect subsidiary for €29.4m (2004: nil) and made share capital increases in subsidiaries of €11.2m (2004: €9.3m)

Notes to the financial statements

27. Related party transactions (continued)

At 31 December 2005, the Company had the following balances with subsidiary undertakings:

	2005 € million	2004 € million
Payables to subsidiaries	7.2	0.5
Interest accrual on loan from subsidiaries	0.2	0.2
Receivables from subsidiaries	5.7	9.7
Total borrowings from subsidiaries	498.5	507.3

b) The Coca-Cola Company (TCCC)

As at 31 December 2005, TCCC indirectly owned 56,741,386 shares in CCHBC. This represented 23.6% (2004: 23.8%) of the issued share capital of CCHBC. TCCC considers CCHBC to be a 'key bottler', and has entered into a standard European bottler's agreement with CCHBC. The terms of the bottler's agreement grant CCHBC the right to produce and the exclusive right to sell and distribute the beverages of TCCC in Greece. Consequently, CCHBC is obliged to purchase all its requirements for concentrate for TCCC's beverages from TCCC, or its designee, in the ordinary course of business. The agreement extends to 2013 and may be renewed at TCCC's discretion until 2023. TCCC owns or has applied for the trademarks that identify its beverages in all of Greece. TCCC has authorised CCHBC to use the trademark Coca-Cola in its corporate name.

Total purchases of concentrate, finished products and other materials from TCCC and its subsidiaries during the year amounted to €95.9m (2004: €94.5m).

TCCC makes discretionary marketing contributions to CCHBC. The participation in shared marketing agreements is at TCCC's discretion and, where co-operative arrangements are entered into, marketing expenses are shared. Such arrangements include the development of marketing programmes to promote TCCC's beverages. Total contributions received from TCCC for marketing and promotional incentives during the year amounted to €8.2m (2004: €7.6m). Contributions for price support and marketing and promotional campaigns in respect of specific customers are recorded in net sales revenue as an offset to promotional incentives paid to customers. In 2005, such contributions totalled €7.4m (2004: €4.9m). Contributions for general marketing programmes are recorded as an offset to selling expenses. In 2005, these contributions totalled €0.8m (2004: €2.7m). TCCC has also customarily made additional payments for marketing and advertising direct to suppliers as part of the shared marketing arrangements. The proportion of direct and indirect payments, made at TCCC's discretion, will not necessarily be the same from year to year.

During the year, the Company sold €2.0m of finished goods and raw materials to TCCC (2004: nil).

At 31 December 2005, the Company had a total of €4.5m (2004: €4.3m) due from TCCC, and a total amount due to TCCC of €5.4m (2004: €7.0m).

c) Frigoglass S.A. ('Frigoglass')

Frigoglass, a company listed on the Athens Stock Exchange, is a manufacturer of coolers, PET resin, glass bottles, crowns and plastics. Frigoglass is related to CCHBC by way of 44.1% ownership by The Kar-Tess Group (see below).

Notes to the financial statements

27. Related party transactions (continued)

Frigoglass has a controlling interest in Frigoglass Industries Limited, a company in which CCHBC has a 15.8% effective interest, through its indirect investment in Nigerian Bottling Company plc. Under the terms of a supply agreement entered into in 1999, and extended in 2004 on substantially similar terms, CCHBC and its subsidiaries are obliged to obtain at least 60% (at prices which are negotiated on an annual basis and which must be competitive) of its annual requirements for coolers, glass bottles, PET resin, PET preforms, as well as plastic closures, crates, sleeves and labels from Frigoglass. The current agreement expires on 31 December 2008. CCHBC has the status of most favoured customer of Frigoglass, on a non-exclusive basis.

During the year, the Company made purchases of €25.9m (2004: €27.3m) of coolers, raw materials and containers from Frigoglass and its subsidiaries. As at 31 December 2005, CCHBC owed €1.4m (2004: €2.8m) to Frigoglass.

d) Directors

Mr George A. David, Mr Haralambos K. Leventis, Mr Leonidas Ioannou and Mr Anastassios P. Leventis have been nominated by the Kar-Tess Group on the board of CCHBC. Mr Irial Finan and Mr A.R.C. (Sandy) Allan have been nominated by TCCC on the board of CCHBC. There have been no transactions between CCHBC and the directors except for remuneration (refer to Note 25).

e) Other

Beverage Partners Worldwide ('BPW')

BPW is a 50/50 joint venture between TCCC and Nestlé. During 2005, the Company purchased inventory from BPW amounting to €3.9m (2004: €5.5m).

The Kar-Tess Group

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

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

Plias S.A. is related to CCHBC by way of some common shareholdings. There were no sales of finished goods to Plias S.A. in 2005 (2004: €0.6m). At 31 December 2005, Plias S.A. owed nothing to the Company (2004: €6.3m) and was owed nothing (2004: €3.0m).

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

Notes to the financial statements

28. List of principal subsidiary undertakings

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

	Country of registration	% ownership	
		2005	2004
3E (Cyprus) Ltd	Cyprus	100.0%	100.0%
AS Coca-Cola HBC Eesti	Estonia	100.0%	100.0%
Balkaninvest Holdings Ltd	Cyprus	100.0%	100.0%
CC Beverages Holdings II B.V.	The Netherlands	100.0%	100.0%
CCB Management Services GmbH	Austria	100.0%	100.0%
CCB Production Services d.o.o. ¹	Bosnia and Herzegovina	-	100.0%
CCB Services Ltd	England and Wales	100.0%	100.0%
CCBC Services Ltd	Republic of Ireland	100.0%	100.0%
Chisinau Beverage Services S.R.L.	Moldova	100.0%	100.0%
Clarina Bulgaria Ltd	Bulgaria	100.0%	100.0%
Clarina Holding S.à.r.l	Luxembourg	100.0%	100.0%
Coca-Cola HBC Italia S.r.l.	Italy	100.0%	100.0%
Coca-Cola Beverages (Hungary) Kft	Hungary	100.0%	100.0%
Coca-Cola Beverages AG	Switzerland	99.9%	99.9%
Coca-Cola Beverages Austria GmbH	Austria	100.0%	100.0%
Coca-Cola Beverages Belorussiya	Belarus	100.0%	100.0%
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia and Herzegovina	100.0%	100.0%
Coca-Cola Beverages Ceska republika, spol sr.o.	Czech Republic	100.0%	100.0%
Coca-Cola Beverages Holdings Ltd	Republic of Ireland	100.0%	100.0%
Coca-Cola Beverages Hrvatska d.d. ²	Croatia	99.9%	99.9%
Coca-Cola HBC Polska sp. z o.o.	Poland	100.0%	100.0%
Coca-Cola Beverages Slovakia, s.r.o.	Slovakia	100.0%	100.0%
Coca-Cola Beverages Slovenia d.d.	Slovenia	100.0%	100.0%
Coca-Cola Beverages Ukraine Ltd	Ukraine	100.0%	100.0%
Coca-Cola Bottlers (Ulster) Ltd	Northern Ireland	100.0%	100.0%
Coca-Cola Hellenic Bottling Company Armenia	Armenia	90.0%	90.0%
Coca-Cola Bottlers Chisinau S.R.L.	Moldova	100.0%	100.0%
Coca-Cola Bottlers Iasi S.A.	Romania	99.2%	99.2%
Coca-Cola Bottlers Oryel LLC	Russia	100.0%	100.0%
Coca-Cola Bottling Company (Dublin) Ltd	Republic of Ireland	100.0%	100.0%
Coca-Cola Bottling Enterprise Galati S.A.	Romania	100.0%	100.0%
Coca-Cola HBC Bulgaria AD	Bulgaria	85.4%	85.4%
Coca-Cola HBC Finance B.V.	The Netherlands	100.0%	100.0%
Coca-Cola HBC Finance plc	England and Wales	100.0%	100.0%
Coca-Cola HBC Kosovo L.L.C.	Kosovo	100.0%	100.0%
Coca-Cola HBC Romania Ltd	Romania	100.0%	100.0%
Coca-Cola Magyarorszag Italok Kft	Hungary	100.0%	100.0%

¹ Merged into Coca-Cola HBC B-H d.o.o Sarajevo effective 1 January 2005

² Gotalka d.o.o. was merged with Coca-Cola Beverages Hrvatska d.d. on 30 July 2004

Notes to the financial statements

28. List of principal subsidiary undertakings (continued)

	Country of registration	% ownership	
		2005	2004
Coca-Cola Molino Beverages Ltd	Cyprus	100.0%	100.0%
Deepwaters Investments Ltd	Cyprus	50.0%	50.0%
Dorna Apemin S.A.	Romania	49.9%	49.9%
Dorna Investments Ltd	Guernsey	50.0%	50.0%
Dunlogan Ltd	Northern Ireland	100.0%	100.0%
Elxym S.A.	Greece	100.0%	100.0%
Coca-Cola HBC Srbija A.D.	Serbia & Montenegro	89.1%	89.1%
Coca-Cola HBC Corna Gora d.o.o.	Serbia & Montenegro	89.1%	89.1%
Jayce Enterprises Ltd	Cyprus	100.0%	100.0%
John Daly and Company Ltd	Republic of Ireland	100.0%	100.0%
Killarney Mineral Water Manufacturing Company Ltd	Republic of Ireland	100.0%	100.0%
Leman Beverages Holding S.à.r.l.	Luxembourg	90.0%	90.0%
LLC Coca-Cola HBC Eurasia	Russia	100.0%	100.0%
LLC Coca-Cola Stavropolye Bottlers	Russia	100.0%	100.0%
LLC Coca-Cola Vladivostok Bottlers ³	Russia	-	100.0%
Molino Beverages Holding S.à.r.l.	Luxembourg	100.0%	100.0%
MTV West Kishinev Bottling Company S.A.	Moldova	100.0%	100.0%
Nigerian Bottling Company plc	Nigeria	66.2%	66.2%
Panpak Ltd	Republic of Ireland	100.0%	100.0%
Römerquelle GmbH	Austria	100.0%	100.0%
S.C. Cristalina S.A.	Romania	49.9%	42.4%
SIA Coca-Cola HBC Latvia	Latvia	100.0%	100.0%
Softbev Investments Ltd	Cyprus	100.0%	100.0%
Softbul Investments Ltd	Cyprus	100.0%	100.0%
Softinvest Holdings Ltd	Cyprus	100.0%	100.0%
Standorg Assets Kft	Hungary	100.0%	100.0%
Star Bottling Ltd	Cyprus	100.0%	100.0%
Telerex S.A.	Greece	100.0%	100.0%
Tsakiris S.A.	Greece	100.0%	100.0%
UAB Coca-Cola HBC Lietuva	Lithuania	100.0%	100.0%
Valsler Mineralquellen AG	Switzerland	99.9%	99.9%
CCHBC Insurance (Guernsey) Ltd	Channel Islands	100%	-
The following acquisition of subsidiary undertakings took place in 2005			
Bankya Mineral Waters Bottling Company EOOD	Bulgaria	100.0%	-
Vlasinka d.o.o.	Serbia & Montenegro	50.0%	-
Vendit Ltd	Republic of Ireland	100.0%	-

³ Merged into LLC CCHBC Eurasia on 31 December 2005

Notes to the financial statements

29. Joint ventures

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

30. Post-balance sheet events

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

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

Coca-Cola Hellenic Bottling Company S.A.
 Reg. No. 13630/06/B/86/49
 Fragoklissias 9, Maroussi 15125
 Results and notes for the Year ended 31st of December 2005

The following financial statements, notes and information aim at providing a general update on the financial position and the results of "Coca-Cola Hellenic Bottling Company S.A." Group. We therefore recommend to the reader, that before making any investment choice or any transaction with the company, to refer to the company's internet address, www.coca-colahbc.com where the full set of the 2004 and 2005 annual financial statements respectively, in accordance with the International Financial Reporting Standards (IFRS), along with the report of the auditors.

The following annual financial statements have been approved by the Board of Directors on 28 March 2006.
 Certified Auditor Accountant of the stand alone financial statements: Antonis Papageorgiou - PricewaterhouseCoopers
 Certified Auditor Accountant of the consolidated financial statements: Vasilios Goutis - PricewaterhouseCoopers
 Audit opinion: Unqualified

BALANCE SHEET
 Amounts in € mil.

	Group		Company	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
ASSETS				
Intangible assets	1,846.8	1,683.5	7.5	7.5
Property, plant and equipment	2,287.4	2,061.1	182.3	191.1
Investments in subsidiaries	0.0	0.0	2,348.9	2,306.8
Other non-current assets	87.5	77.1	14.1	11.8
Total non-current-assets	4,221.7	3,821.7	2,552.8	2,517.2
Inventories	377.1	334.9	34.0	37.8
Trade and other receivables	803.7	671.9	118.2	130.2
Cash and cash equivalents	182.4	38.3	21.2	7.5
Total current assets	1,363.2	1,045.1	173.4	175.5
TOTAL ASSETS	5,584.9	4,866.8	2,726.2	2,692.7
LIABILITIES AND EQUITY				
Short-term borrowings	575.8	95.0	20.7	19.7
Other current liabilities	990.2	885.0	100.0	113.9
Total current liabilities	1,566.0	980.0	120.7	133.6
Long-term borrowings	1,327.5	1,454.0	478.2	488.5
Other non-current-liabilities	243.5	364.8	25.1	22.9
Total non-current-liabilities	1,571.0	1,818.8	503.3	511.4
Shareholders' equity	2,352.6	1,980.3	2,102.2	2,047.7
Minority interests	95.3	87.7	0.0	0.0
Total equity	2,447.9	2,068.0	2,102.2	2,047.7
TOTAL LIABILITIES AND EQUITY	5,584.9	4,866.8	2,726.2	2,692.7

CASH FLOW STATEMENT
 Amounts in € mil.

	Group		Company	
	Year ended 31 Dec 2005	Year ended 31 Dec 2005	Year ended 31 Dec 2005	Year ended 31 Dec 2005
Operating activities:				
Operating profit	460.9	254.5	80.5	78.7
Depreciation of property, plant and equipment	315.3	289.4	30.5	30.8
Amortisation of intangible assets	0.6	106.6	0.0	1.0
Adjustments to intangible assets	26.5	24.6	0.0	0.0
Employee share options	3.8	1.4	2.1	0.8
Other non cash items	0.9	3.6	0.0	0.9
	807.6	680.1	113.1	112.2
Loss/(gain) on disposal of non-current assets	-10.9	-6.1	4.9	1.4
Decrease/(increase) in working capital	-53.6	-14.6	13.9	-4.3
Taxation paid	-105.3	-106.1	-39.5	-30.7
Total cash flow from operating activities	638.0	553.3	92.4	78.6
Investing activities:				
Payment for purchase of property, plant and equipment	-423.5	-362.0	-30.1	-35.7
Receipts from disposal of property, plant and equipment	29.7	21.2	1.7	0.3
Net (payments) receipts from investments	-0.2	6.0	0.8	0.0
Proceeds from sale of trademark	9.0	8.6	0.0	0.0
Net payments for acquisitions	-195.0	-3.1	-29.4	0.0
Payments for capital increase in subsidiaries	0.0	0.0	-11.2	-9.3
Total cash flow from investing activities	-580.0	-329.3	-68.2	-44.7
Financing activities:				
Return of capital to shareholders	0.0	-0.4	0.0	-0.4
Proceeds from shares issued to employees exercising stock options	36.6	19.2	36.6	19.2
Net increase/(decrease) in borrowings	183.8	-125.6	-9.1	-4.2
Principal repayments of finance lease obligations	-16.8	-11.7	-0.2	-0.2
Net interest paid	-43.2	-55.3	-15.1	-16.0
Dividends received/(paid)	-76.5	-53.1	-66.7	-47.4
Dividends received	0.0	0.0	44.0	21.7
Total cash flow from financing activities	83.9	-226.9	-10.5	-27.3
Increase/(Decrease) in cash and cash equivalents	141.9	-2.9	13.7	6.6
Cash and cash equivalents at the beginning of the period	38.3	39.4	7.5	0.9
Effect of changes in exchange rates	2.2	1.8	0.0	0.0
Cash and cash equivalents at the closing of the period	182.4	38.3	21.2	7.5

Additional notes and information:

1. In the consolidated financial statements the consolidated or non-consolidated financial statements, as the case may be, of the following companies are included:

Company:	Registered office:	%	Consolidation method:
COCA-COLA H.B.C.	Maroussi	Parent co.	Full
TELEREX S.A.	Maroussi	100%	Full
ELXYM S.A.	Maroussi	100%	Full
TSAKIRIS S.A.	Atalandi	100%	Full
COCA-COLA BOTTLERS (ULSTER) LTD	Lisburn N. Ireland	100%	Full
DUNLOGAN LTD	Lisburn N. Ireland	100%	Full
CLARINA HOLDINGS S.a.r.l	Luxemburg	100%	Full
SOFTINVEST HOLDINGS LTD	Nicosia, Cyprus	100%	Full
SOFTBEN INVESTMENTS LTD	Nicosia, Cyprus	100%	Full
BALKANINVEST HOLDINGS LTD	Nicosia, Cyprus	100%	Full
3E (Cyprus) LTD	Nicosia, Cyprus	100%	Full
SOFTBUL INVESTMENTS LTD	Nicosia, Cyprus	100%	Full
BREWINVEST S.A.	Maroussi	50%	Proportional

- The Group issues financial statements in accordance with IFRS since 2000, in parallel with the Greek GAAP financial statements according to the Law 2190/1920. As a result IFRS 1 "First time adoption of IFRS" has not been applied in the preparation of the 2005 financial statements.
- The accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31.12.2004 except for the revision of IAS 36 "Impairment of Assets", IAS 38 "Intangible Assets" and IAS 39 "Financial Instruments recognition and valuation" as well as the application of IFRS 2 "Share-Based Payments" and IFRS 3 "Business Combination". Analytical information on the effect of these changes is disclosed in the financial statements of the period.
- The Parent Company has been audited for tax purposes by the tax authorities up to and including the fiscal year 2002.
- There are no pledges and mortgages on the property, plant and equipment of the Company and the Group.
- On 29 June 2005, the Greek Competition Authority requested the Company to provide information on our commercial practices as a result of a complaint by certain third parties regarding our level of compliance with its decision of 25 January 2002. On 7 October 2005, the Company was served with notice to appear before the Competition Authority. On such date, the Company was also made aware that in its recommendation to the Competition Authority the Secretariat of the Competition Authority claims that the Company did not properly comply with the decision of the Competition Authority of 25 January 2002 during the period covered by its investigation and proposes the imposition of a fine on the Company of €5,869 for each day that the Company delayed to comply since the decision of 25 January 2002 which, through the date the Company was served with notice, could amount up to approximately €7.9m. The hearings before the Competition Authority have been concluded and a decision is expected to be issued in the first half of 2006. We believe we have substantial legal and factual defences to the Secretariat's claims. However, at this time we cannot predict the outcome of these proceedings.
- The number of employees for the current period for the Group and the company were respectively 41,101 and 2,241.
- The total amount of purchases, sales and contributions to/from related parties for the Group for the period are €1,203.1mil, €22.2 mil, and €66.4mil correspondingly. The closing balances for the receivables and payables from/to related parties for the period for the Group are €70.5 mil, and €110.9 mil, correspondingly. Moreover, the total amount of sales, purchases and contributions to/from related parties for the Company for the period are €185.2 mil, €13.5 mil, and €6.4 mil correspondingly. The closing balances for the receivables and payables from/to related parties for the period for the Company are €10.2mil, and €512.7 mil, correspondingly.
- During the period we completed the acquisitions of Multon group, a leading juice producer in the Russia, Vtasinka, a Serbian mineral water company, Bankya, a Bulgarian mineral water company and Vendit, one of the largest independent vending operators in Ireland.
 For more information, please refer to the Company's 2005 Annual Report and the condensed financial statements of the current year, at our web site www.coca-colahbc.com

INCOME STATEMENT
 Amounts in € mil.

	Group		Company	
	Year ended 31 Dec 2005	Year ended 31 Dec 2004	Year ended 31 Dec 2005	Year ended 31 Dec 2004
Net sales revenue	4,780.3	4,247.5	584.2	596.0
Cost of goods sold	-2,818.8	-2,525.6	-323.0	-336.2
Gross profit	1,961.5	1,721.9	261.2	259.8
Operating expenses	-1,459.7	-1,286.7	-180.7	-180.1
Amortisation of intangible assets	-0.6	-106.6	0.0	-1.0
Adjustments to intangible assets	-26.5	-24.6	0.0	0.0
Restructuring costs	-13.8	-49.5	0.0	0.0
Total operating expenses	-1,500.6	-1,467.4	-180.7	-181.1
Total operating profit	460.9	254.5	80.5	78.7
Finance costs	-54.8	-64.8	-15.1	-16.2
Dividends income	0.0	0.0	62.9	30.1
Profit before taxation	406.1	189.7	128.3	92.6
Taxation	-86.6	-69.9	-48.4	-34.8
Share of results of associates	0.9	1.2	0.0	0.0
Profit after taxation	320.4	121.0	79.9	57.8
Attributable to:				
Minority interests	12.3	14.3	0.0	0.0
Shareholders	308.1	106.7	79.9	57.8
Basic & diluted earnings per share (Euro)	1.29	0.45		

STATEMENT OF MOVEMENTS IN EQUITY
 Amounts in € mil.

	Group		Company	
	Year ended 31 Dec 2005	Year ended 31 Dec 2004	Year ended 31 Dec 2005	Year ended 31 Dec 2004
Opening balance	2,068.0	1,952.6	2,047.7	2,016.1
Changes in accounting policies	0.0	-3.1	0.0	0.0
Restated balance	2,068.0	1,949.5	2,047.7	2,016.1
Profit for the period	320.4	121.0	79.9	57.8
Foreign currency translation	89.7	34.7	0.0	0.0
Dividends	-76.6	-52.7	-66.7	-47.4
Other transactions	-46.4	15.5	41.3	21.2
Closing balance	2,447.9	2,068.0	2,102.2	2,047.7

TABLE OF DIFFERENCES IN THE OPENING NET EQUITY (1.1.2005 & 1.1.2004) BETWEEN GREEK GAAP AND IFRS
 Amounts in € mil.

	Group		Company	
	1.1.2005	1.1.2004	1.1.2005	1.1.2004
Opening Net Equity - Greek GAAP	364.9	177.5	2,299.2	2,315.0
Accounting treatment of intangibles (goodwill)	1,670.7	1,793.2	0.0	0.0
Adjustments of tangible and intangible assets depreciation and valuation	20.1	4.9	20.1	13.7
Adjustment in valuation of subsidiaries	0.0	0.0	-290.0	-290.0
Adjustment in valuation & costing of inventories	-0.6	-0.8	-0.3	-0.5
Adjustment in provision for doubtful debts	-29.2	-23.5	-29.2	-23.5
Adjustment in provision for staffleaving indemnities	-16.3	-14.3	-16.3	-14.3
Recognition of deferred tax	6.9	-21.0	6.9	-21.0
Adjustment in other provisions.	-12.5	-12.0	-12.5	-12.0
Write back of appropriation of dividends	66.7	47.4	66.7	47.4
Other differences	-2.7	1.2	3.1	1.3
Opening Net Equity - IFRS	2,068.0	1,952.6	2,047.7	2,016.1

**Board of Directors' Report
Of the «Coca-Cola Hellenic Bottling Company S.A.»
for the Financial Statements (consolidated and of the parent entity) as of
31.12.2005**

Dear Shareholders,

In accordance with articles 107 paragraph 3 and 43^a paragraph 3, as it was amended with article 35 of the Presidential Decree 409/86, of the commercial law 2190/1920, we submit to the General Shareholders Assembly the accompanying financial statements (consolidated and of the parent entity) for the year ended 31.12.2005, together with our comments, for approval.

The consolidated net profit for the year increased by 189% compared to 2004, and amounted to Euro 308.1m. The equivalent net profit of the parent company increased by 38%, compared to 2004, and amounted to Euro 79.9m. This result, in line with our plans, has been achieved through consolidated revenue growth, continued realisation of operating efficiencies and a favourable currency impact.

Capital expenditure in 2005 amounted to Euro 423.5m for the Group (Euro 30.1m for the parent entity) and relates mainly to improvements in plant, production and sales equipment.

Investment in associates for the Group increased by Euro 4m and amounted to Euro 14.1m. Analysis of these investments is disclosed in Note 11, of the accompanying consolidated financial statements while the investments in subsidiaries and joint-ventures of the parent company are disclosed in Note 8 of the accompanying financial statements of the parent company.

The total equity of the Group amounted to Euro 2,447.9m and was increased by 18% in relation to prior year (Euro 2,102.2m and increase of 2,7% for the parent entity). This is due to the very good results for the year 2005 as well as the inflow of Euro 36.6m from the capital increase of the parent entity with the issuance of 2,431,873 new shares, coming from the stock options that were exercised during the year. The share capital of the parent entity after the above capital increase consists of 240,692,002 shares, with nominal value of Euro 0.50 each.

The total borrowings of the Group as at 31 December 2005 amounted to Euro 1,903.3m compared to Euro 1,549.0m in prior year, mainly due to the issuance of commercial paper under our global commercial paper program. The proceeds from the issuance were used mainly to fund the acquisitions of Russian juice maker Multon and the mineral water companies Vlasinka and Bankya in Serbia & Montenegro and Bulgaria, respectively. The total borrowings of the parent entity as at 31 December 2005 amounted to Euro 498.9m compared to Euro 508.2m in the prior year.

The Directors propose to the Annual Shareholders Meeting a dividend of Euro 0.30 per share (totaling Euro 72.2m) for the year ended 31 December 2005.

The parent company has been audited from the tax authorities up to and including the fiscal year 2002.

The branches of the parent entity are analyzed at 31 December 2005 as follows:

The branches of the parent company are analyzed as follows:

Group head offices	9, Fragoklissias – Maroussi
Greek operation central offices	60, Kifissias– Maroussi
Athens branch	15 ^o klm N.R. Athens – Lamia 14510
Thessaloniki branch	17 ^o klm N.R. Thessaloniki – Poligiros 57001
Patra branch	7 ^o klm N.R. Patra– Korinth 26000
Schimatari branch	VI.PE. Sximatari, Viotia
Egio branch	29, Temenis, Egio 25100
Volos branch	VI.PE. Aisonia, Volos
Messologi branch	Evinochori, Messologi
Iraklion branch A	VI.PE. Iraklion, Crete
Iraklion branch B	11 ^o Manufacturing block, Iraklion, Crete
Mallia branch	Chamoprina , Mallia
Rhodes branch	Kampos Marits, Rhodes
Corfu branch	N.R. Lefkimis - Corfu

The significant post balance sheet events are disclosed in the accompanying financial statements in note 36 for the consolidated financial statements and in note 30 for the financial statements of the parent company.

The successful execution of our strategy continues to provide a robust platform for growth. We believe that we have the passion and expertise to continue to leverage the potential of our unique country portfolio and expect our ongoing initiatives to deliver yet another year of solid performance.

Dear Shareholders,

Taking into account the above comments, the accompanying financial statements as well as the audit report of the Certified Auditor Accountant, you can proceed in discharging us from any responsibility that relates to the financial statements of 2005, according to the commercial law as well as the statute of the company.

Maroussi, 28 March 2006
By order of the Board of Directors

Doros G. Konstantinou
Managing Director

This report, which consists of three (3) pages, is the report that we refer to in our audit report of
28 March 2006

Athens, 28 March 2006

Vasilios Ch. Goutis
Certified Auditor Accountant
SOEL reg. no. 10411