2017 has been a busy and exciting year for Coca-Cola HBC.

Changing market environments and evolving consumer preferences compel us to better **UNDERSTAND** our consumers' needs and to **EVOLVE** and reformulate our portfolio.

We are **ENERGISED** by our position now, and our excellent progress against our strategy leaves us in a confident position for the year ahead.
Coca-Cola Zero Lemon launch in Italy and the Czech Republic helped grow Coke Zero volumes in these countries by more than 20% in 2017.
We work hard to understand the preferences of our consumers and the changing dynamics of our customers.

Consumer preferences are changing faster than ever before, with an increasing number of people looking for healthier, more functional or simply unique beverages to suit their lifestyles. We work hand-in-hand with The Coca-Cola Company to understand the consumer insights that shape the non-alcoholic ready-to-drink (NARTD) beverages industry and are excited about the opportunities these trends offer our business.

The retail landscape is also in constant evolution, driven by the needs of shoppers, with established formats being challenged. The fastest growing retail sectors are all driven by the need for a convenient and cost-effective shopping trip, whether this is online shopping and home delivery or the emergence of smaller stores or discounters. We work hard in our markets to support the established formats capture the changing shopper and also take advantage of the opportunity in the faster growing formats. In turn, we are mindful of the impact that latest consumer trends have on packaging decisions and we continue our strategy to use more recycled packaging and less packaging overall.

See more on market trends in the Market review section.
A very successful innovation launched in Russia in 2017, Sprite Cucumber will be rolled out in several other countries.
To meet changing consumer preferences, we evolve our portfolio, creating new beverages and reformulating our products.

Jointly with our partners The Coca-Cola Company, we develop new beverages, flavours and packages to meet the changing needs of our consumers. We also evolve our recipes, providing more options to consumers with fewer calories, while keeping the great taste that consumers love. Key developments in 2017 have been Coca-Cola Zero Lemon, Coca-Cola with stevia and no calories, Sprite Cucumber, Schweppes Pomegranate, Monster Hydro and Vegified juice.

Our route-to-market (RTM) initiatives deliver tailored solutions to the continuously changing retail landscape, ensuring that we capture the growth opportunities in every market and every channel. The consistent growth of smaller households is boosting the search for convenience, while discounters are the most dynamic segment. We are gaining incremental revenue by accelerating our ‘small baskets’ initiatives and single-serve packages. Digital commerce is also redefining the grocery shopping experience, presenting us with opportunities in increased transactions and closer engagement with the consumer.

See more on our initiatives in the Consumers and Customers sections

Growth achieved from new launches in 2017

We sold 47 million cases of innovative products and packages, accounting for 2.3% volume growth vs 2016.

5% Calories reduced in total portfolio vs 2016
Schweppes Pomegranate is one of our adult drink offerings. Launched in Russia in 2017, this variant was instrumental in growing Schweppes volumes by 15% in the year.
We have a cash-generative business and a tremendous opportunity to deploy the cash to take advantage of volume and value growth opportunities. In production, we are investing in new technologies for categories such as plant-based beverages and innovative packaging. Cooler technology is also advancing, with digital coolers that can ‘connect’ with our consumers as well as more energy-efficient and environmentally friendly coolers, which will further drive down carbon emissions.

In markets where we can generate higher value by increasing single-serve volumes, we intend to continue our investment in coolers. It is crucial that we invest in the promising new categories and brands we are launching, in the form of both advertising and in-store execution. We have strong plans for investment in this area and our investment is matched by our partner, The Coca-Cola Company.

We energise our business by investing in it and nurturing it for long-term growth.

Investing in revenue growth

5.9%
FX-neutral revenue growth in 2017
We have built the foundation for future growth and long-term SUCCESS

We have unique strengths to support our future journey

We are primed for growth. The fundamentals supporting our long-term growth potential include the opportunities and demographics in our countries, our diverse and attractive product portfolio, and our strong position in the vast majority of our markets. These fundamentals are supported by our relentless focus on maximising the value of every case we sell and the lean infrastructure we have built through significant restructuring.

Our strategy and ambitions are clear, and we measure and manage our ongoing progress using financial and non-financial targets set for 2020.

See more in the Strategy and KPIs sections

We have a diverse portfolio of some of the world’s leading brands

We have substantially developed our product portfolio over the years, expanding the share of still drinks in our volumes to 31%. This is quite unique in the Coca-Cola System and gives us an edge, as many still drinks categories, such as water and plant-based beverages, are forecast to grow faster than the industry as a whole.

Our experience with product innovation and new product launches, coupled with the evolution of our beverage portfolio pursued with The Coca-Cola Company to address changing consumer preferences, powers our plans for more innovation, reformulation and selective acquisitions in still drinks.

See more in the Consumers section

We seek efficiency in everything we do

The optimisation of our production and logistics infrastructure and the right-sizing of operating costs give us an efficient cost base with sufficient capacity headroom to continue to grow our revenues. Importantly, efficiency is a discipline that runs through everything we do at Coca-Cola HBC. We continue to look for ways to reduce the cost of our inputs and the resources we use, and to minimise our impact on the environment.

-31% reduction in number of plants since 2008

-290bps fall in comparable operating expenses as % of net sales revenue since 2008

See more in the Efficiencies section
We lead the way in sustainability in the beverage industry

The recognition we have received globally as the sustainability leader amongst beverage companies in the Dow Jones World and Europe Sustainability Indices (‘DJSI’), and as the leader of the wider food, tobacco and beverage sector, reflects our success in operating an efficient, profitable business that is also responsible and trusted by stakeholders. This trust allows us to be even more ambitious in creating shared value, and serves to position our business as fit for purpose in a changing world.

Our priorities are driven by the material issues which have the potential to alter our business environment in the medium to long term, including health and nutrition, and packaging. We also seek to address existing needs as well as new opportunities in our markets to strengthen communities and maximise our impact by carefully measuring the value we add and partnering with others to leverage combined expertise.

-9.1% reduction in direct carbon emissions ratio
4 years consecutive leadership in our industry in the Dow Jones World and Europe Sustainability Indices

We can develop and fuel growth in our markets

During the period from 2009 to 2015, our business faced unprecedented challenges from macroeconomic turmoil. This situation served to demonstrate our strength and resilience and the commitment and dedication of our people. In the last couple of years, we have seen the macroeconomic environment in our markets gradually improve and this is driving growth in the non-alcoholic ready-to-drink (NARTD) beverages industry.

Our forecasts indicate that NARTD beverages should grow by 1.5% per annum on average in our markets between 2016 and 2020. We continue to invest in our markets to grow volumes ahead of the industry and extract value out of our business under these more favourable conditions.

Emerging markets
GDP per capita
US$5,502
Consumption
97 servings
Revenue in 2017
+7.2%

Developing markets
GDP per capita
US$15,117
Consumption
208 servings
Revenue in 2017
+7.2%

Established markets
GDP per capita
US$37,854
Consumption
187 servings
Revenue in 2017
+1.2%

We remain agile in the changing retail landscape and execute with excellence

As the market leader in every market where we operate except for Slovakia, we work closely with our customers to develop and satisfy consumer demand, growing their business as well as ours. There are also efficiencies we can gain when taking our products to market. In a very dynamic retail landscape, we focus on route-to-market initiatives that deliver tailored solutions for the continuously changing retail landscape, ensuring that we capture growth opportunities in every market.

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JOINT Q&A WITH THE CHAIRMAN AND
CHIEF EXECUTIVE OFFICER
IN A STRONG POSITION TO ACHIEVE FUTURE GROWTH OPPORTUNITIES

In 2017, we steered our organisation through another year of success and growth.

We are building on the strong foundation that we established with Dimitris Lois, who led Coca-Cola HBC as CEO from 2011 until his untimely death in October.

We continue to successfully implement our strategic plans, evolving our Company by diversifying our portfolio of beverages and modifying our offerings to be even more relevant to consumers and customers.

Q: How was 2017 for Coca-Cola HBC?

AD: Our impressive results for the year are very pleasing and a clear demonstration of our long-term efforts to establish a strong strategic framework. The implementation of our internal succession plan, and the reinforcement of corporate governance and sustainability commitments, are also a testament to the effectiveness of the Board.

I feel privileged to have worked with Dimitris Lois, a special person and an inspiration to the whole Coca-Cola HBC family. He had remarkable values, and placed our people at the centre of everything we do.

This is reflected in the Company’s 2017 employee engagement results, which set the bar for the Coca-Cola System and ranked Coca-Cola HBC above the Willis Towers Watson benchmarking pool of high-performing companies. This is an achievement that forms the foundation for much of the Company’s success.

I was delighted to announce Zoran’s appointment as Chief Executive Officer in December. He will bring a deep understanding of our markets and corporate culture along with fresh, innovative insights to address new challenges.

Anastassis G. David
Chairman

Zoran Bogdanovic
Chief Executive Officer
ZB: Needless to say, we are proud that, once again, we achieved solid currency-neutral revenue growth as well as improvement in operating margin. We started the year excited about the recovering economies in our markets and the well-thought-through plans every person was charged with implementing. As the year progressed, the operational and financial results we delivered invigorated everyone in the Company. As Region Director for part of the business before my appointment as CEO, I have been witness to the day-to-day motivation and energy throughout the business. Improvements in the macroeconomic environment in Russia and our success in managing the challenging circumstances in Nigeria were key developments in 2017, and provide good momentum for 2018.

Q: How would you summarise the operational and financial highlights for the year?

ZB: We have been making significant changes to drive volume and enhance value in an ever-changing environment, with consumers looking for more choice to suit their preferences and customers making changes to ensure the long-term health of their businesses.

Each market in the Company had a set of clear ‘revenue growth management’ initiatives, ranging from identifying new revenue pools and improving mix to adjusting pricing and promotional management. These initiatives have been very successful in supporting revenue growth. Our commitment to continuous efficiency improvements remains unchanged, as does our steady focus on attracting, developing and retaining the best people. Finally, we are proud to have been named the food, tobacco and beverage supersector leader this year in addition to remaining beverages industry leader in the Dow Jones Sustainability Indices for the fourth year in a row. This is an important indication of our commitment to our stakeholders and communities as well as our success in managing critical material issues.

Our strong results for the year have us on track to achieve the 2020 financial targets we announced in 2016. We delivered 5.9% revenue growth on a currency-neutral basis. Importantly, this was achieved with a good balance between volume growth and price and mix improvements. As anticipated, the operational leverage in the business meant that this revenue growth resulted in a 120 basis-point expansion in our comparable operating margin to 9.5%.

We also continued to convert our profits to cash, delivering €426 million of free cash flow.

Q: Can you elaborate on the 2017 Integrated Annual Report theme: Understand, Evolve, Energise?

ZB: Consumers’ lifestyles are changing, with growth coming from lower calorie and more unique product propositions, some of which offer additional functions in addition to satisfying thirst. Demographics in many of our markets are also changing, with populations in many European markets ageing and more people living alone. As lifestyles change, shopping habits are also changing, making the adult segment and ‘small baskets’ increasingly important.

Understanding these trends is important to ensure that we evolve our business, our product portfolio and market execution in ways that meet changing consumer and customer needs and preferences. As consumers are spending more time at work, or at home having ‘me time’, we are evolving our approach to cater to these occasions alongside the more traditional occasions such as ‘Coke with meals’. Digital technology is also impacting consumption patterns and shopping habits, opening up new sales channels.

"Consumers' lifestyles are changing, with growth coming from lower calorie and more unique product propositions, some of which offer additional functions in addition to satisfying thirst."

Zoran Bogdanovic
“We have been making significant changes to drive volume and enhance value in an ever-changing environment.”

Zoran Bogdanovic

In this report you will read about our plans for innovation, reformulation, new packaging formats, changes to our route to market, digital coolers and e-commerce, all of which contribute to this evolution, energising our business for growth and success in the long term.

Q: What innovations are being prioritised for the year ahead?
ZB: Firstly, in order to shape choice and proactively support low- and no-calorie sparkling drinks consumption, we are working with The Coca-Cola Company to evolve the recipes. Sparkling drinks account for two thirds of our portfolio and we will continue to accelerate their growth. We are also refreshing the juice portfolio with smoothies and seasonal flavours. In ready-to-drink tea, we are launching FUZE tea, which will replace Nestea in all but three of our markets.

Q: How is the Company tracking against its strategy?
ZB: The financial results speak for themselves. What is important for me is how well entrenched our strategy is in the hearts and minds of our people. After all, our people and our culture are the most critical differentiating factors of our Company as well as being the drivers of growth.

We believe that the innovative flavour and herb combinations of FUZE tea and the marketing investment to support the brand will revitalise the ready-to-drink tea category.

We are very excited about new categories, too. AdeZ plant-based beverages are coming in 13 markets. Coffee, which is critical to our efforts to grow the ‘at work’ occasion, has already been launched in several markets. Finally, we are running a new initiative called Incubate & Grow, which will pilot certain products such as Appletiser, glaceau smartwater and ZICO Coconut Water in affluent cities in our territory. In my 21 years at Coca-Cola HBC, I have never witnessed as many launches as we will have in 2018.

Having applied revenue growth management principles in our business for a few years, we have gained greater impetus. The understanding and discipline we now have, coupled with the tools we have developed, will support volume and value growth in a sustainable way.

With the total beverage portfolio evolution that we are pursuing with The Coca-Cola Company, we are collaborating in realising an unprecedented level of innovation, leading to new categories, brands, packages and channels. We are in touch with consumers 24/7, for every occasion.

Our route-to-market and execution capabilities have recently been upgraded, helping to make sure we can support our existing customers in the established channels as well as taking advantage of opportunities presented by newly emerging channels.

Gaining efficiencies in production, logistics and operating cost base are a way of life at Coca-Cola HBC, and our continued focus on efficiency is key to streamlining packaging, reducing energy use and minimising our impact. Finally, we are determined to continue to invest in the business for growth.

These are, I believe, the key factors for the fulfilment of our vision.

Q: Two years into the 2020 plan and you have delivered very well. Are your plans and financial targets still valid until 2020?
AD: When the Company first announced its 2020 financial targets in 2016, the targets were seen as ambitious by the investment community. We indicated that our progress would be slow through 2017, picking up significantly as the macroeconomic environment improved.

That we are well on track to achieve our 2020 plan goals is very pleasing and shows that our confidence in our business and our people was justified. I am just as pleased that the Company is on course to achieve the vast majority of its ambitious sustainability targets.

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AD: Our consumers are key stakeholders, and understanding their needs is crucial. We are also mindful that all of the other stakeholders we engage with, from investors and customers to employees and suppliers, are keen to understand how our business is evolving to remain fit for purpose and energised to grow in a changing world.

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This investment is lower than our commitment to spend 2% of our pre-tax profit on communities due to the fact that our programmes take longer to ramp up while the increase in profitability is nearly 60% in two years.

I am particularly happy with our achievement of a 9% reduction in carbon emissions from operations in 2017, compared to 2016 levels. Moreover, we reduced the amount of water we use and energy we consume to produce a litre of beverage by 6% and 4% respectively. These actions demonstrate our commitment to grow our business profitably, whilst lowering our impact on the environment.

We also introduced a new commitment in 2017. As part of an overall industry pledge, we will by 2020 reduce the amount of added sugars in our sparkling soft drinks across the EU and Switzerland by 10% against the 2015 baseline. We have already made a good start in 2017, and ongoing work to reformulate recipes supports this objective – and global health and wellness – while helping us meet consumer needs.

We will keep our commitments relevant and maintain our focus on our key material issues; in 2018, we will review our sustainability commitments with a view beyond 2020.

AD: 2017 has been a pivotal year for our sustainability agenda. Along with the improvements that Zoran mentions, we have successfully rolled out our flagship community programme, #YouthEmpowered, in 21 of our markets. We know that the future of our business is linked to the futures of young people across our markets. #YouthEmpowered seeks to address persistent underemployment for young people between 18 and 30 years old. During 2017, more than 21,500 youngsters participated in a combination of on-site workshops and online training sessions. In December, I attended a town hall session with youth participants in Athens, along with our Operating Committee, and all of the country General Managers, and saw for myself how meaningful it is to contribute to the futures of people in this age group.

“That we are well on track to achieve our 2020 plan goals is very pleasing and shows that our confidence in our business and our people was justified.”

Anastassis David

ZB: Our strategy is clear and implementation has been successful because our people really understand their role in making it happen. The success we are achieving validates the strategy, and we believe we are gaining speed. Barring unforeseen circumstances, we are committed to our plans and reiterate our financial targets for 2020.

Q: As a signatory to the United Nations’ (UN) Global Compact since 2005, and a supporter of the UN’s Sustainable Development Goals (SDGs), the business has a very strong sustainability focus. Can you explain how this strengthens your business?

ZB: During 2017, we continued to make substantial progress against our ambitious sustainability targets. These targets, set for 2020, range from science-based goals for carbon reduction to increasing the recycled content used in product packaging.

Let me summarise our progress. We are partly behind on our commitment to increase the use of recycled PET and plant-based PET materials for our PET packaging due to the higher cost of these materials in our geographies. On the other hand, we are pleased that in 2017 we have already met our 2020 packaging recovery target, collecting for recycling approximately 41% of the total packaging we put in the marketplace. Encouraged by this strong performance, we are working on revising the recovery rate target.

We have also joined the World Without Waste global packaging commitment of The Coca-Cola Company, developing plans for drastic packaging reduction and increased recovery beyond 2020.

In 2017, we invested €7.4 million in our communities, which is 2% higher than 2016 and is equivalent to 1.3% of our pre-tax profit.

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Our sustainability efforts are also recognised internationally. In 2017, Coca-Cola HBC was named the industry leader amongst beverage companies in the Dow Jones World and Europe Sustainability Indices (‘DJSI’) for the fourth consecutive year. In addition, we became the leader in the wider food, tobacco and beverage sector for the first time ever. We are committed to remaining a force for positive change in our communities.

**Q: With the change in leadership, should one expect a change in the culture of the business?**

**AD:** The Board believes that Coca-Cola HBC has an incredibly strong corporate culture, and that this is a valuable asset which requires attention and investment. The Company has very deep roots, both within our markets and within the Coca-Cola System, and our culture is also deeply rooted.

However, as reflected in the theme of this report, we are focused on the need for our business to evolve, and we expect that this will impact our culture. As our Company evolves as a total beverage company, agility will become even more critical. Innovation has already become much more important.

**ZB:** Our stakeholders, particularly employees, can expect our core values to remain unchanged. Our values are the cornerstone of our culture and the work we do to embed them will continue.

We have defined important behaviours that represent the essential building blocks of our culture: the behaviours we encourage. There are also behaviours, such as being curious, adopting innovative ideas with speed, taking risks and learning from both winning and failing, that will come to the fore with the evolution of the business. We have likewise identified behaviours that are not in alignment with our culture, including accepting the status quo or failing to respond to customer needs. As our business evolves, we will adjust the set of behaviours to ensure it is always one that supports our business the most.

**Q: What are the Board’s areas of focus as we go into 2018?**

**AD:** The Board will focus on supporting the evolution of the business, the acceleration of product innovation in alignment with The Coca-Cola Company and nurturing our culture and values, all of which are critical for the long-term growth and success of Coca-Cola HBC.

We will also seek to continue demonstrating leadership in sustainability, working to continually improve and meet or exceed our commitments. To maintain resiliency and a strong pipeline of diverse talent, the Board will build on its succession planning work for Board and senior management positions.

**Q: How do you see the outlook for 2018?**

**ZB:** In 2018, we expect further economic growth and healthy inflation in Europe and Russia. In Nigeria, high inflation impacted consumers in 2017, but economic conditions are forecast to improve in 2018.

Overall, we expect volume to continue to grow in all three of our segments, with the Emerging markets segment accelerating, as Russia and Nigeria return to volume growth.

We are excited about the year ahead, which has a particularly strong pipeline of product innovation and commercial activity around our route to market and in-store execution. There is good momentum in the business and a determination to build on our success. We are confident that 2018 will be another successful year.

Anastassis G. David
Chairman

Zoran Bogdanovic
Chief Executive Officer
UNDERSTANDING EVOLVING TRENDS AND PREFERENCES

Market trends
Success involves anticipating the future. We continually track and monitor evolving consumer preferences, shifting market conditions and emerging trends.

How we are responding
To win with customers and delight consumers, we take proactive approaches, navigate changing expectations and demonstrate business agility.

Dynamic retail environment
The retail landscape keeps shifting as lifestyles and shopping habits change. Smaller and more frequent shopping trips and the increase of smaller households is driving growth in the proximity and convenience channel. E-commerce is also seeing rapid growth. We expect these channels to be the highest incremental revenue contributors in our industry by 2020. Socialising occasions such as ‘Away from home’ show signs of growth and recovery in most of our markets, following an upward trend in consumer sentiment. This places increased emphasis on sales through hotels, restaurants and cafes (HoReCa).

Digital evolution
We see a consistently growing reliance on digital communications which affects the way consumers connect with brands. The total shopping experience is being digitalised, from market research for the most appropriate product to online orders and home delivery. Social media is increasingly powerful for shaping category and brand perceptions. Mobile phones and wearables allow constant connectivity, providing opportunities for companies to disseminate information on promotional activities, new launches and brands.

Increased connectivity of consumers creates new opportunities for sales, brand awareness and consumer feedback. Digital solutions are being rolled out across our business to activate customers, empower our people and engage communities. We launched the WOAH (‘Where only awesome happens’) app to connect with teenagers in eight countries. The WOAH app, launched in partnership with The Coca-Cola Company, interacts with connected coolers, sending our consumers push notifications for customised promotions. It also provides useful information to business developers and helps to minimise the time needed for administrative tasks.

Delivered through
- Working with our customers
- Being relevant to our consumers
- Efficiencies

+2.2% Online purchase of groceries is forecast to increase by 1 billion euros by 2020, accounting for 2.2% of the total future consumption channel value

0.55m WOAH app downloaded 0.55m times in the first eight countries during 2017
As a responsible category leader, we have taken steps to drive sustainable, profitable growth for our brands, while enabling consumers to control their sugar intake. We are accelerating sales growth of low- and no-calorie drinks, offering smaller packages and reformulating our sparkling beverages to include fewer calories. We also support the Evolved Nutrition Labelling initiative along with The Coca-Cola Company and four other industry players, for clear and uniform product information across the European Union. We contribute to the fight against childhood obesity by not advertising to children younger than 12 and are taking steps to remove sugar-sweetened drinks from secondary schools.

### Regulatory environment
The regulatory environment for the food and beverage industry is becoming increasingly prescriptive. Tax on products with added sugar, especially beverages, is a reality in a number of countries and is a trend that is gaining strength. To guide consumers and address public health concerns, the World Health Organization recommends that added sugars be limited to 10% of daily calorie intake. Product labelling regulations and packaging and environmental legislation are also higher on regulators’ agendas.

### Changing consumer preferences
Health and wellness is becoming a greater priority, triggering a clear shift towards natural, organic and functional offerings that contain less sugar, have pure ingredients and are sourced locally. The demand for more differentiation and more choice provides an opportunity for the creation and growth of smaller brands. The European population is ageing, leading to an increase in adult consumers looking for more sophisticated offers focusing on taste and premiumisation.

### Sustainability
Consumers have become more conscious of the social and environmental impact of consumption decisions. Sustainability considerations shape choice, especially among those who are less price-sensitive. As this preference is more pronounced among younger consumers, we expect this trend to accelerate. Companies that follow sustainable practices are able to develop greater brand loyalty and customer engagement, strengthening their competitive advantage. In addition, as natural resources become more scarce and environmental regulations stricter, companies that engage in sustainable practices benefit from financial incentives and reduced supply chain risk.

We are greatly expanding our product portfolio with new brands and new categories to satisfy a broader range of beverage needs. New, innovative products include natural juices, premium water, plant-based beverages and adult sparkling soft drinks. To address concerns about sugar intake, our innovation in sparkling drinks focuses on low- and no-calorie options and on the development of smaller packages. As new product launches become key drivers of future growth, and to remain competitive, we are investing in enhancing our processes to manage multiple launches simultaneously and to ensure that the speed to market is fast.

### -5%
In 2017, the implementation of our plans resulted in reducing the number of calories per 100ml in our sparkling portfolio by almost 5%.

### +20% p.a.
Plant-based beverages are expected to grow by 20% p.a. between now and 2020.

### #1
We are number one in the DJSI and one of just 25 companies in all industries to score A in both climate and water in the CDP.
CREATING VALUE FOR ALL STAKEHOLDERS

Our business model is at the heart of everything we do. It supports our growth and defines the activities we engage in, the relationships we depend on and the outputs and outcomes we aim to achieve in order to create value for all of our stakeholders in the short, medium and long term.

Our resources and relationships

<table>
<thead>
<tr>
<th>Human</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural</td>
</tr>
<tr>
<td>Social and relationship</td>
</tr>
<tr>
<td>Financial</td>
</tr>
<tr>
<td>Intellectual</td>
</tr>
<tr>
<td>Manufactured</td>
</tr>
</tbody>
</table>

What we do

We are a bottling partner of The Coca-Cola Company. This means that we use the concentrates, or syrups, from The Coca-Cola Company to manufacture, package, merchandise and distribute the final branded products to our trade partners and consumers.

Sourcing sustainable materials

We work with 35,000 suppliers to procure the finest ingredients, raw materials, equipment and services.

Serving consumers and communities

We continue to innovate our product portfolio to meet the changing consumer preferences in the market.

Leveraging our growth model

Marketing
- Brand investment – The Coca-Cola Company
- In-store activation – Coca-Cola HBC

In-market execution
- Growth in category volume
- Share gains

Cost efficiencies
- Investment in production optimisation
- Operating expense reduction

Use of cash
- Working capital management
- Disciplined CapEx investment

See more on page 20
Value created

Direct and indirect economic impacts

Operating in 28 countries, we are an important contributor to local economies. Our business has an impact either directly through our core operating activities, or indirectly through the value we create in our communities. For more financial performance details see pages 64-67.

| 28 countries in Europe and Africa |

Our activities generate income for employees, provide revenue for suppliers and contractors, improve our customers’ profitability, and support public well-being and infrastructure. In 2017, we met or exceeded our customers’ expectations 94.2% of the time. We paid €313 million in total taxes, contributing to our communities.

| €313m paid in total taxes |

According to a survey conducted within the European Union, the Coca-Cola System supports more than 500,000 direct and indirect jobs across our value chain through the sourcing of ingredients, raw materials, equipment and services. In 2017, our total supplier spend reached €2,687 million.

| 500,000 direct and indirect jobs supported |
| €2,687m supplier spend |

We measure our impact through the regular conduct of socio-economic impact studies (SEIS) across our markets. In 2017, we published SEIS in seven of our countries and we expect to conduct them in six more by the end of 2018.

| 7 number of countries where we conducted SEIS |

Through the process of managing all inputs to our business well, we also create profits which benefit shareholders through dividend payments and share value.

| €426m net profit achieved |

GRI topics: economic performance; market presence; indirect economic impacts. UN SDGs: 8, 11, 17
The resources and relationships we depend on to create value

**Human**
Our 29,427 people bring talent and strong capabilities relevant to all aspects of our business, from community and customer relations to the innovative thinking necessary to drive value growth and efficiency.

**Natural**
Water is the most important ingredient for nearly all of our products. Energy, sugar, aluminium and resin are also critical inputs which we seek to source responsibly and use efficiently.

**Social and relationship**
Our social ‘licence to operate’ is due to our reputation and the trust of key stakeholders. Our most valuable stakeholder relationships are with The Coca-Cola Company, and our people, customers, suppliers and partners as well as governments and regulators.

**Financial**
Our business activities require financial capital, which includes shareholders’ equity, debt and reinvested cash. Coca-Cola HBC has only one class of shares: ordinary shares.

**Intellectual**
Our intellectual property includes our packaging, product and cooler innovations and our operational excellence systems. As we evolve our beverage portfolio, the importance of these types of innovation is increasing.

**Manufactured**
As a bottler, we require production and logistics assets that allow us to manufacture, package and deliver our products to meet the demands of customers and consumers.
FOCUSED ON DELIVERY

Our strategy is designed to achieve responsible, sustainable and profitable growth. We have identified specific initiatives to drive the business and a 2020 scorecard against which we measure our progress.

A sustainable business
We create a sustainable business by growing profitably, responsibly and sustainably, and by driving positive change in our communities.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Drive volume growth</th>
<th>Focus on value</th>
<th>Improve efficiency</th>
<th>Invest in the business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiatives</td>
<td>Expand and deepen route to market</td>
<td>Capitalise on meals and socialising occasions for sparkling drinks</td>
<td>Continue production infrastructure and logistics optimisation</td>
<td>Invest in revenue-generating assets and innovative technology</td>
</tr>
<tr>
<td></td>
<td>Execute in-store with excellence</td>
<td>Increase share of single-serve packs, driving transactions</td>
<td>Capitalise on contiguous territory and Emerging markets opportunities</td>
<td>Acquire water and juice brands in existing territory</td>
</tr>
<tr>
<td></td>
<td>Create joint value with customers</td>
<td>Improve performance in hotels, restaurants and cafes (HoReCa)</td>
<td>Utilise shared services to gain process efficiency</td>
<td>Maintain negative working capital balance sheet position</td>
</tr>
<tr>
<td></td>
<td>Drive the water category, focusing on value</td>
<td>Grow in the energy category</td>
<td>Drive packaging harmonisation and innovation (light-weighting)</td>
<td></td>
</tr>
</tbody>
</table>

How we measure our performance
We have five key performance indicators (KPIs) that are chosen to measure our progress. We report on these every year. Please see pages 24-25 for our 2017 KPIs.

Scorecard

<table>
<thead>
<tr>
<th>Average currency-neutral revenue growth</th>
<th>Comparable OpEx as % of revenue</th>
<th>Capital expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-5% p.a.</td>
<td>26-27% by 2020</td>
<td>5.5-6.5% of revenue</td>
</tr>
</tbody>
</table>

Comparable EBIT
11% by 2020

Our people
Our most important enablers of growth are our people: unparalleled talent and a high-performance mindset are what we strive for. Our people make our Company what it is and create value by growing our business responsibly and sustainably. Strengthening the capabilities of our people as well as engaging them and rewarding them appropriately are priorities at every level of our Company, enabling us to continue to attract and retain the best talent in every position.
ENERGISING OUR STRATEGY

Progress against our strategy

Drive volume growth

What we said we would do
- Grow volumes in Emerging and Developing market segments
- Stabilise volumes in Established markets
- Expand and deepen route to market

Challenges in 2017
- Economic conditions challenged our consumers in Nigeria and to a lesser extent in Russia
- Consumers’ preferences continued to evolve in our Established markets

What we did in 2017
- We revitalised our portfolios with launches of variants of our brands, most of them containing no or low sugar
- We made changes to our route to market, e.g. in Poland
- Specifically in Nigeria, we changed our price pack architecture to provide consumers with affordable options
- We delivered volume growth in all three segments

Priorities for 2018
- Continue launches of new products, variants, flavours and packaging formats
- Continue to drive the water category, focusing on value
- Successfully migrate to the new FUZE tea brand

Key performance indicators
- Volume growth

Risk management approach
Addressed under principal risks
- Consumer health and Channel mix

Delivered through
- Being relevant to consumers
- Working with our customers

See more on page 60

Focus on value

Progress against our strategy

What we said we would do
- Deliver a substantial increase in FX-neutral net sales revenue per case
- Capitalise on occasions and HoReCa
- Increase share of single-serve packs
- Grow the energy category
- Drive pricing strategies

Challenges in 2017
- Pack mix was negatively impacted in the Emerging markets segment as consumers in Nigeria and Russia continued to seek affordable packs and formats
- Continued growth in the organised trade had an adverse impact on channel mix

What we did in 2017
- We increased the share of single-serve packs overall
- We achieved double-digit growth in the energy category
- We adjusted the price pack architecture in Nigeria and drove pricing with minimal impact on volumes
- We delivered improvements in FX-neutral revenue per case in all three segments

Priorities for 2018
- Drive category and pack mix as well as price strategies in countries where there is currency depreciation
- Expand the distribution of the Monster energy brand
- Capitalise on HoReCa
- Develop Incubate & Grow unit in affluent cities in Europe

Key performance indicators
- FX-neutral net sales revenue per case growth (%)
- FX-neutral net sales revenue growth (%)

Risk management approach
Addressed under principal risks
- Channel mix and Declining consumer demand

Delivered through
- Working with our customers
- Being relevant to our consumers
- Winning the trust of our communities

See more on pages 60 and 61
Progress against our strategy

What we said we would do
– Gain further efficiencies in our operating cost base
– Optimise production and logistics infrastructure
– Procure and use all resources efficiently

Challenges in 2017
– Increased cost of commodities, e.g. PET resin
– Increased pressure on packaging and recycling of packaging
– One-off operating costs

What we did in 2017
– We consolidated production and distribution centres in Russia and Nigeria
– We gained efficiencies in administration and warehousing costs
– We invested in marketing
– We fully delivered on our packaging recycling target

Priorities for 2018
– Continue to optimise production and logistics
– Make further enhancements to procurement processes
– Review our sustainability commitments with a view beyond 2020

Key performance indicators
– OpEx as percentage of net sales revenue (%)
– Comparable EBIT margin (%)

Risk management approach
Managed as an operational risk by the business units and functions in line with our risk management processes

Delivered through
Heart Efficiencies
Heart Winning the trust of our communities

Invest in the business

Progress against our strategy

What we said we would do
– Continue to invest in revenue-generating assets and innovative technology
– Acquire water and juice brands in existing territory
– Maintain discipline to ensure return on the capital invested

Challenges in 2017
– Potential acquisition targets were either not available or did not meet our strategic and financial criteria

What we did in 2017
– We invested in new ‘smart’ coolers
– We invested in infrastructure relevant to FUZE tea
– We developed digital solutions for production
– We added production capabilities for glacéau smartwater in Hungary

Priorities for 2018
– Invest to support the production of plant-based beverages, juice smoothies, and PET juice packaging in Nigeria
– Continue optimising and investing in our production in Nigeria
– Maintain working capital discipline

Key performance indicators
– CapEx as percentage of net sales revenue (%)
– ROIC (%)

Risk management approach
Managed as an operational risk by the business units and functions in line with our risk management processes

Delivered through
Heart Efficiencies
Heart Being relevant to our consumers

See more on pages 48 and 34
**A STRONG TRACK RECORD**

**Objectives**

**Drive volume growth**

**How we track our progress**

Volume is measured in million cases sold, where one unit case represents 5.678 litres.

**What happened in the year**

Volumes grew by 2.2%, with particularly strong growth in our Emerging and Developing markets, despite a challenging operating environment in both Nigeria and Russia.

**KPIs**

<table>
<thead>
<tr>
<th>Volume (m unit cases)</th>
<th>FX-neutral revenue per case growth (%)</th>
<th>FX-neutral revenue growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>2,000</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>1,500</td>
<td>2.9</td>
<td>3.6</td>
</tr>
<tr>
<td>1,000</td>
<td>2.9</td>
<td>3.6</td>
</tr>
<tr>
<td>500</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

**Focus on value**

Net sales revenue (NSR) comprises revenues from Coca-Cola HBC’s primary activities. We track this on an FX-neutral basis.

Net sales revenue generated per case sold is calculated on an FX-neutral basis.

FX-neutral revenue per case grew strongly, up 3.6%, supported by better price, category and package mix in all segments.

**Underpinned by our enablers and values**

Nurture unparalleled talent and a high-performance mindset

**Objectives**

**How we measure our performance**

We track the percentage of employees responding positively to a Group-wide engagement survey.

We record the number of key people in key positions and the number of women in our Company.

**What happened in the year**

Based on survey results, the employee engagement score was 89% in 2017. 92% of our key people were in key positions – up from 87% in 2016.

Women make up 26% of our total workforce, 35% of our managers, 35% of our senior leaders and 25% of our Board of Directors.

**KPIs**

<table>
<thead>
<tr>
<th>Employee engagement score (%)</th>
<th>Key people in key positions (%)</th>
<th>Women in management (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>100</td>
<td>40</td>
</tr>
<tr>
<td>80</td>
<td>80</td>
<td>30</td>
</tr>
<tr>
<td>60</td>
<td>60</td>
<td>10</td>
</tr>
<tr>
<td>40</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

See page 104
2020 sustainability targets status update

<table>
<thead>
<tr>
<th>Target</th>
<th>Status at the end of 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. 40% of total packaging recovered for recycling</td>
<td>✔️ 41%</td>
</tr>
<tr>
<td>20% of PET sourced from rPET and/or PET from renewable materials</td>
<td>✔️ 9%</td>
</tr>
<tr>
<td>25% less packaging per litre of beverage produced*</td>
<td>✔️ 18%</td>
</tr>
<tr>
<td>30% water use reduction in operations*</td>
<td>✔️ -21%</td>
</tr>
<tr>
<td>Water stewardship certification for all plants</td>
<td>✔️ 26</td>
</tr>
<tr>
<td>10% reduction in added sugar per 100 ml of sparkling beverage in EU&amp;CH</td>
<td>✔️ -5%</td>
</tr>
<tr>
<td>Community investment at 2% of pre-tax profit</td>
<td>✔️ 1.3%</td>
</tr>
<tr>
<td>10% of our people volunteering during work hours</td>
<td>✔️ 11%</td>
</tr>
<tr>
<td>&gt;95% of key agricultural ingredients sustainably sourced</td>
<td>✔️ 33%</td>
</tr>
<tr>
<td>50% less direct carbon emissions*</td>
<td>✔️ -42%</td>
</tr>
<tr>
<td>25% less carbon emissions in value chain *</td>
<td>✔️ -23%</td>
</tr>
<tr>
<td>40% of total energy from clean and renewable energy sources</td>
<td>✔️ 34%</td>
</tr>
</tbody>
</table>

* versus baseline year

OpEx (operating expenses) as a percentage of net sales revenue is calculated by dividing comparable operating expenses by total net sales revenue.

Comparable EBIT margin refers to comparable profit before tax excluding finance income or cost and share of results of equity method investments divided by net sales revenue.

Operating leverage resulted in a 30 basis-point reduction in OpEx as a percentage of revenue. This, combined with the improvement in gross margin, gave us 120 basis-point expansion in comparable EBIT margin.

Working capital is operating current assets minus operating current liabilities, excluding financing and investment activities.

CapEx (capital expenditure) is calculated as a percentage of NSR.

Return on invested capital (ROIC) is comparable operating profit before finance costs divided by capital employed (average equity and net debt).

We kept the year-end working capital balance sheet position under negative €100 million. We increased capital expenditure to 5.8% of revenue to support the growth opportunities in our business.
Dimitris Lois
1961-2017
Dimitris Lois had been our leader at Coca-Cola HBC for nine years until his untimely and sudden death in 2017. He was a willing mentor and inspiration to the whole Coca-Cola HBC family. Under Dimitris’s leadership, our Company has gone from strength to strength.

In 2017, Dimitris launched a photo competition designed to capture and celebrate life at Coca-Cola HBC. Throughout this report, you will see photographs taken by our people within the business—a fitting epitaph to an inspirational leader.

“The safest way to win is to deserve it.”

Dimitris Lois
Creating an inspiring workplace for our people

We seek to offer a workplace where our people are inspired to take advantage of opportunities to learn, grow and take charge of their careers.

Our people and our culture: catalysing our evolution

Our journey to evolve our Company and to make a distinct difference for a better and happier world is supported by the capabilities of our people and the strength of our culture. We seek to offer a workplace where our people can enjoy accelerated personal growth, where they are celebrated as they deliver results with speed and agility, and where diverse backgrounds and perspectives are always welcome.

Our people strategy supports the long-term success of our business by emphasising workforce engagement and growth behaviours, and developing the capabilities, leadership and talent that are necessary for the evolution of our Company. The three focus areas of this approach are:

- Maintain high levels of employee engagement and commitment to Company values and make our business more agile and innovative;
- Focus more than ever on developing skills and capabilities to take advantage of growth opportunities; and
- Have the best person in every position today and tomorrow.

Every leader is accountable for delivering in each area, as our leadership plays an essential role in enhancing the capabilities of our people and in strengthening our culture.

High levels of employee engagement

We believe high employee engagement leads to best-in-class performance. Successfully engaging our people is therefore a material issue which we take seriously.

We conduct an employee engagement survey annually, and partner with Willis Towers Watson to benchmark our performance against other companies in the Coca-Cola System as well as other high-performing companies. We are pleased by our progress during 2017, with our Employee Engagement Index score increasing to 89% from 88% in the prior year. Survey participation also increased to include 97% of our people.

Our engagement results for 2017 meant not only that we remained the benchmark in the Coca-Cola System, but also that we retained a leading position in our industry and among the Willis Towers Watson benchmarking pool of high-performing companies.

2017 progress

- Improved talent pool, working on our key positions and refined employer value proposition to aid in attracting and hiring the best people
- Upgraded our revenue growth management, route-to-market and customer-centric market execution capabilities
- Employee Engagement and Values Indices increased to 89% and 91%, respectively
- New cloud-based applications deployed to digitalise learning and to simplify our processes

2018 priorities

- Continued focus to have the best person in every position
- Maintaining employee engagement and commitment to Company values
- Further developing skills and capabilities to take advantage of growth opportunities
- Making our business more agile and innovative

Our people strategy supports the long-term success of our business by emphasising workforce engagement and growth behaviours, and developing the capabilities, leadership and talent that are necessary for the evolution of our Company. The three focus areas of this approach are:

- Maintain high levels of employee engagement and commitment to Company values and make our business more agile and innovative;
- Focus more than ever on developing skills and capabilities to take advantage of growth opportunities; and
- Have the best person in every position today and tomorrow.
The results are also considerably higher than the 80% average for FTSE 100 companies participating in this pool.

Results from this survey are reviewed, and our people may be challenged to suggest ideas for improvements or solutions to remove barriers to their performance. This level of vigilance ensures that engagement levels are sustained and business results are improved.

**Employee engagement:**
outperforming peer companies (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>CCHBC</th>
<th>Coca-Cola Bottles</th>
<th>Coca-Cola System</th>
<th>FMCG Norm</th>
<th>FTSE 100</th>
<th>High-performing norm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>87</td>
<td>86</td>
<td>88</td>
<td>88</td>
<td>88</td>
<td>91</td>
</tr>
</tbody>
</table>

Data for FTSE 100 companies and high-performing companies represents those companies participating in Willis Towers Watson benchmarking. This does not include all FTSE 100 companies.

**Living our values and making our culture more agile and innovative**

Everything in our Company starts with our six core values: authenticity, excellence, learning, caring for our people, performing as one and winning with customers. These values represent the foundation of our Company culture.

We promote behaviours that embody our values, such as adopting innovative ideas with speed, taking risks and learning from both winning and failing. We have likewise identified behaviours we aim to eliminate, such as accepting the status quo or failing to respond to customer needs.

As is the case with employee engagement, we closely monitor our progress in embedding and living our values. Our Values Index captures employees’ awareness of and commitment to the values. The survey also asks employees their opinion about the relevance of the values.

- **Direct employment**: 29,427 (2016: 31,083)
- **Key people in key positions**: 92% (2016: 87%)
- **Employee Engagement Index**: 89% (2016: 88%)
- **Values Index**: 91% (2016: 90%)
Every digital people conversation starts with a simple HELO.

We further digitalised our workplace by introducing new cloud-based applications under the new HELO platform. This is designed to help our people to grow, learn and lead within our organisation.

From the results of our annual Values Index survey, we know that over 80% of our employees are aware of and committed to our values, and 88% find them relevant and useful. These numbers are components of our overall Value Index, which was 91% for 2017, a 1% improvement on the prior year.

Our performance framework links team performance and individual results, actions and skills, and aligns to our six core values. Our team performance management system allows us to bridge our strategy and its execution by aligning priorities across functions and teams and applying an iterative ‘plan, act and review’ cycle to improve output continuously. In 2017, we fully deployed this approach across our territory.

To ensure that our people balance short- and long-term objectives, in addition to assessing performance against financial objectives, we also plan and measure achievement for innovation, fostering of partnerships, people leadership, managing resources, and compliance with policies and procedures.

We continue improving and simplifying the elements of this framework to support growth and create a line of sight between our values and behaviours and our results.

**Strengthening capabilities**

Evolving our business to offer a total beverage portfolio requires specific organisational capabilities. We are building the capabilities our business needs to grow by improving our business processes, structures and performance systems as well as the knowledge and skills of our people.

We made particularly strong progress during 2017 in bolstering our internal capabilities in revenue growth management and route-to-market capabilities. In 2018, we are poised to continue this work in even more areas to support our Company’s evolution and growth.

To match internal skills with business needs, our learning and leadership development architecture reflects the priorities of our business strategy. We have identified when learning needs to happen to be the most impactful and where development is needed; focusing on prioritised skills and performance differentiators that can accelerate the performance of all our people. In 2017, we completed an upgrade of our core leadership development programmes and we significantly improved our onboarding, induction and leadership transition programmes. These programmes are increasingly blended, using technology to engage wider communities, with line manager resources to sustain development and maximise learning from critical work experiences.

New cloud-based applications introduced in 2017 empower our people with more accessible tools for learning, onboarding and recruitment. Additional applications deployed for performance and talent management will be introduced, extending the scope of this platform, which we call HELO (hiring, empowering and learning online).

HELO is available to all our employees, democratising learning, accelerating development and helping our people fulfil their potential.

**The best person in every position**

Having the best people in every position today and tomorrow is an important issue and it is the underlying principle of our decision-making processes, placing the development of our people at the centre of everything we do.

Every position contributes to our success, but every workforce segment delivers different types of results and requires different skills. We have segmented our workforce to target recruitment and development efforts, and identified key positions across all segments that have a disproportionate impact on the Company’s performance.

As of the end of 2017, 92% of our key positions are occupied by key people, compared with 87% at the end of 2016. Our focus on succession for business unit function heads also paid off as we enriched our successor pool for this critical workforce segment in 2017.

To support our efforts to recruit the best people into all positions, we refreshed our employer value proposition with customised benefits for different workforce segments. In 2018, we will finalise updates to our employer brand and digital communication to talent pools. Finally, our recruiters have received training in using new candidate selection tools.

Our ability to develop leaders internally is an important competitive advantage, ensuring cultural continuity. Career progression in our Company depends on performance against standards, potential and alignment with core values. Leadership acceleration centres have been established to support developing successors for leadership positions. They help our people understand their strengths and the areas of opportunity for their development in their current and future roles.

To accelerate the development of our people with leadership potential, we offer experiential learning to build new skills through our Fast Forward programmes. In 2017, we redesigned three Fast Forward programmes and introduced one new Fast Forward programme for a segment not previously covered. We also upgraded our management trainee programme with an aim to make it more relevant for the new generation of graduates and a more effective entry point for our leadership pipeline.

Our leadership plays an essential role in ensuring that we have the best people in every position, with every leader accountable for attracting, developing, retaining and engaging the right talent and then empowering them to execute our strategy. As our programmes and tools have been improved and streamlined, our leaders have become even more motivated and engaged.
Championing inclusion, diversity and human rights

We believe that fostering a workforce that reflects the diversity of our markets is essential to remaining the strategic partner of choice for all our customers. Our business benefits greatly from the diverse range of people who work for us, and we actively seek to attract and retain employees with a range of backgrounds, skills and experiences. Beyond our own footprint, we champion international human rights principles in our supply chain and expect our partners to uphold prized workplace values.

We know that to maximise everyone’s contribution, we must ensure that every employee feels respected and heard. This is why respect for individuals is at the core of our values, and why we foster behaviours that create an inclusive culture. These behaviours are enshrined in our formal Inclusion and Diversity Policy, our Code of Business Conduct and our Human Rights Policy.

At the end of 2017, 35% of management roles in our Company were held by women, a 2% increase vs 2016. We foster diversity in our talent pipeline by recruiting a balanced number of male and female management trainees. In keeping with this approach, 49% of the 181 management trainees we hired in 2017 were women.

As an example of our efforts to foster the success of women in management, we support women to develop their confidence and leadership skills. More than 1,300 women employees were invited to participate in a webinar series called Elevate, which helps women understand how to drive their performance, impact and exposure.

Our Human Rights Policy adheres to international human rights standards and covers issues such as diversity, collective bargaining and workplace security. Regular reviews ensure that we adhere to all applicable laws and regulations, that processes are well implemented, that targets are set and reached and that reporting is timely and accurate.

We also maintain a zero-tolerance approach to breaches of our Code of Business Conduct, or of our anti-bribery policies, and regarding retaliation against individuals who in good faith report potential violations.

We have established grievance mechanisms, including an independently operated whistle-blower hotline, available in all Coca-Cola HBC countries in local languages. In 2017, we received 292 allegations, of which 98 were received through the whistle-blower hotline. For details concerning the handling of allegations received in 2017 see our website. We ran a dedicated ‘Human rights week’ campaign across all our 28 countries, as part of our annual ‘Ethics and compliance week’. Beyond these dedicated weeks, ongoing training on human rights and ethics is also provided.

We are pleased that once again, in 2017 Coca-Cola HBC received no fines for non-compliance with human rights-related laws and regulations.

UN Sustainable Development Goals 5 and 16 are supported through our activities and initiatives to champion human rights and diversity. These relate to gender equality and peace, justice and strong institutions.

### Talent pipeline improved

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key people in key positions (‘KPo’)</td>
<td>92%</td>
<td>87%</td>
</tr>
<tr>
<td>Key position succession rate</td>
<td>0.69</td>
<td>0.67</td>
</tr>
<tr>
<td>Key position bench strength (% of key positions with successors ready now or within the year)</td>
<td>57%</td>
<td>50%</td>
</tr>
<tr>
<td>Turnover of key people</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Total turnover rate</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Management trainees</td>
<td>181</td>
<td>231</td>
</tr>
<tr>
<td>Participants in Fast Forward programmes</td>
<td>612</td>
<td>902</td>
</tr>
<tr>
<td>Promotion rate for Fast Forward programme participants</td>
<td>75%</td>
<td>71%</td>
</tr>
<tr>
<td>Total number of employees in leadership acceleration centres</td>
<td>5,596</td>
<td>3,525</td>
</tr>
<tr>
<td>% of workforce covered during annual people review</td>
<td>53%</td>
<td>46%</td>
</tr>
</tbody>
</table>
The health and safety of our people is paramount

While health and safety has always been closely monitored as a strategic risk, we elevated it to a principal risk in 2017. This emphasises the critical importance of ensuring the safety and well-being of our employees and contractors, and the safety of others in the workplace. We know that an enabling and socially supportive work environment fosters sustained engagement. To address this, we seek to create a culture of well-being that exemplifies our values and enhances productivity and our reputation.

For the eighth consecutive year in 2017, the number of employee workplace accidents fell. In 2017, the Lost Time Accident Rate (LTAR) was 0.40, compared with 0.43 the prior year.

While we continue to improve our focus on safety, we regret that four employees and four contractors lost their lives in fatal road traffic accidents in 2017. While we have worked hard to strengthen our vehicle safety programmes, each of these tragedies was caused by other drivers.

Our Fleet Safety Policy and training programmes were improved in 2017, providing customised approaches for different types of drivers within the Group. The blend of online, classroom and on-the-road training elements is adjusted for different groups, reflecting their relative risk classification. Overall, 7,366 employees received training in these programmes in 2017.

We also continued installing collision avoidance technology in fleet vehicles, and 82.5% of the Company’s light fleet vehicles are now equipped with OEM or MobilEye collision driver warning technology to avoid collisions.

As a result of these efforts, the number of accidents per million kilometres travelled fell to 3.92 in 2017, a 7% reduction compared to 2016. This was our fifth consecutive year of improvement, resulting in a cumulative reduction of 56%.

While we are pleased with our improvements, we are determined to do more to ensure employee safety and well-being. After analysing the causes of all accidents and near-misses, we launched a new behaviour-based safety programme to create a truly proactive safety culture. In 2017, we introduced this programme at four company sites in Italy, Hungary, Northern Ireland and Serbia. We will use the insights from these locations to deploy the programme in manufacturing sites and selected logistics units in 2018.

This behaviour-based programme complements safety reviews of our manufacturing sites, our safety recognition programmes and our Safety week. In 2017, we conducted full-scope safety assessments in eight manufacturing locations and we upgraded our safety recognition programmes. Activities for our 2017 Safety week provided helpful information on driving safety, manual handling, falls and slips and contractor management.

Well-being and sustaining energy during work

Under our well-being umbrella, we have developed a Health and Dependent Care Framework which includes two pillars, one related to health care and the other to dependent care. Within each pillar there are a number of initiatives from which our countries provide at least one initiative per pillar to the employees. Regarding health care, these initiatives include: employee medical and health insurance benefits; vaccination programmes, cancer screening and other preventative health measures; on-site sports and gym facilities, as well as subsidised gym memberships; and nutrition information. Regarding dependent care, these initiatives include days off for dependent care, subsidies for school activities and supplies, internships and career days. To help employees financially, as well as benefits such as pensions and savings schemes and life insurance, measures have included financial planning and literacy and a variety of partner discount programmes.

Countries have also covered emotional well-being through on-site counselling, relaxation techniques, and energy balance programmes; and social well-being with family days, Christmas events, employee bonding days and teambuilding events.

We have a well-being toolkit for countries, sharing best practice approaches for developing holistic employee well-being programmes, and in 2017 we introduced a guide to help managers recognise, prevent and manage work and personal stress in themselves and their teams. Training was also provided to our HR business partners in a ‘train the trainer’ approach to help our managers manage stress.

Five of our markets invested in employees’ core energy needs to fuel their passion, resilience and excitement about work. Through the Energy Project programme our people learn how to recognise their energy-draining habits, and are encouraged to take responsibility for changing them, using various techniques to improve their physical, emotional, mental and spiritual energy. Energy level increased by 14% based on our energy audit for these business units.

Our initiatives for well-being and safety contribute to UN Sustainable Development Goals 3 and 8, which relate to good health and well-being and decent work and economic growth, respectively.
Number of lost time accidents (LTA>1 day)  
120  
(13% reduction vs 2016)

Fleet accidents per million kilometres travelled  
3.92  
(7% reduction vs 2016)

Absenteeism days due to sickness per full-time employee  
1.67  
(2% reduction vs 2016)

Values in action

**Adopting innovative ideas**

Awards for ‘Vegified’, ‘Impulse screens’ and ‘Illuminated bridge’

To accelerate our culture of entrepreneurship and innovation we operate an innovation platform across eight business units of the Company called Ideas for Growth. The ideation process, the tools, the programmes and the communication solutions represent the critical ingredients of the platform.

We recognise the best innovations, and in 2017 23 ideas were shortlisted and the following three won Innovation Awards:

- ‘Vegified’ – a new juice product fortified with vitamins, developed and marketed in Ireland;
- ‘Impulse screens’ – a solution to increase impulse consumption in stores, launched in Greece; and
- the ‘Illuminated bridge’ – where 5,000 glass Coke bottles formed a replica of Croatia’s biggest bridge.

The award event also looked ahead into 2018 and recognised six new bold ideas as ‘Big Bet Ideas’ including a suggestive selling competition to increase sparkling incidence in HoReCa.

**Recognising deeply held values and behaviours**

We reinforce values through many recognition programmes in our countries.

To motivate high performance, inject entrepreneurial spirit and encourage values ambassadors, our Russian business unit has introduced ‘Premier League’, an employee recognition programme. Through an innovative platform, employees recognised their colleagues and teams exhibiting value behaviours more than 8,000 times during 2017.

In Romania our programme includes awards that recognise individuals and teams that have a high-performance mindset, inspire others by creating a positive work environment, exceed customer expectations, take action towards innovation and optimisation and are active Coke ambassadors.

The platform facilitates on-the-spot recognition, through which employees can endorse any colleague for a specific behaviour. Over 400 badges were granted on the digital platform in the second half of 2017.

**Listening and acting to remove blockages to performance**

‘Make My Life Easy’ – the most popular in-house social media network in 2017

To achieve more with less, eliminating unnecessary blockages to performance is the guiding idea behind our ‘Make My Life Easy’ (MMLE) initiative. Among other ways of sharing and spreading MMLE ideas, we operate an in-house voluntary social media network that became the Company’s most popular network in 2017 among our employees.

Network participants shared almost 100 MMLE ideas and successful practices, triggering many ‘likes’ and online discussions as well as voluntary adoption across several business units. The majority of posts were around thoughtful email communication practices, effective meeting management, improvements in workplace conditions, caring leadership behaviours and reducing complexity of how we operate and communicate. Many of the practices provided tips to leverage our tools and technology applications better, further digitalising our workplace.

**Understand**

We know that engaged employees from diverse backgrounds and with different perspectives are critical to our ability to serve consumers, customers and communities.

**Evolve**

We are working to develop key capabilities and a more agile, innovative culture.

**Energise**

We make substantial investments in recruiting, attracting, training and retaining talented people to ensure our long-term success.
We are a trusted partner in the communities in which we operate because of the way we run our business and work with stakeholders to deliver value locally. This trust gives us licence to be ever more ambitious in tackling societal challenges.

2017 progress
- 21 countries launched #YouthEmpowered, our flagship community programme
- 2,767 tonnes of waste were collected from river banks and sea shores
- 18,118 employee hours volunteered during worktime

2017 investments
In 2017, we invested €7.4 million in our communities, which is 2% more than 2016 and is equivalent to 1.3% of our pre-tax profit. The biggest proportion of this investment was allocated to youth development, as seen in the chart below, and more specifically to our flagship #YouthEmpowered programme (see page 35).

Alongside financial investments, we enable employees to volunteer a portion of their working week to support community programmes. This not only positively impacts our communities, but also provides learning and development opportunities for our employees and supports employee engagement and well-being.

In 2017, our employees volunteered more than 18,118 work hours in support of strategic community programmes.

While we continue to report this data, we recognise these figures represent inputs and not the effectiveness of our efforts, an issue we will be addressing during 2018.

Strategic priorities for community investment
Over the years, our community investments have evolved from philanthropic initiatives to long-term programmes aligned to three key strategic priorities:
- Youth development
- Environmental and water stewardship
- Community well-being

Focus of community investment

In addition, we are active in emergency relief efforts, providing help in times of disaster, either directly or via our stakeholder partnerships.
Youth development

We believe in harnessing the potential of young people for the benefit of our communities. While levels of youth unemployment vary from country to country—from 3% in Switzerland to more than 60% in Bosnia—it remains an urgent concern in all the countries in which we are active.

This led us to launch #YouthEmpowered in 2017, a Group-wide flagship initiative to help young people to achieve their career ambitions by providing guidance, support and assistance during their transition from school to meaningful employment.

To help youth develop business acumen and other skills, we have developed in-person and online training, alongside mentoring sessions with our employees that help participants to complete a range of programme activities. In addition, #YouthEmpowered enables young people to build valuable and long-lasting professional and personal networks that create employment and life opportunities.

In 2017, we ran live workshops in 21 countries and piloted free online e-learning and mentorship platforms in Greece, Italy and Nigeria, with plans to engage 16 more countries in the #YouthEmpowered community through an online platform in 2018.

This initiative makes substantial contributions to SDG 8: Decent work and economic growth, and SDG 11: Sustainable cities and communities.

Results from the 2017 pilots include:
- >21,500 youths participated either through live workshops/training or in an engaging online session with value-adding e-learning skills content;
- >550 of our employees became mentors;
- >3,200 hours of employee volunteer time was dedicated exclusively to helping young participants; and
- >6,500 online learners participated in our free, innovative educational platforms.

Within #YouthEmpowered, we tailor our approach to address specific needs in different countries.

As a result of these targeted efforts, at the end of the pilot year 2017, already more than 100 young people reported having found employment.

Eventually, our strategic business goal is to integrate #YouthEmpowered graduates in our own workforce or into meaningful roles with our customers and partners. We also expect to see a benefit in terms of employee engagement and pride in the Company, and improved opportunities for the participants. We are currently refining our targets based on the learnings from the pilot programmes and will report more detail on programme impacts in 2018.

Belarus #YE workshop for people with disabilities.
Environmental protection and water stewardship

Our focus on natural resources follows a two-pronged approach. First, we are driving improvements in eco-efficiency within our operations, e.g. minimising our water consumption and replenishing the water we use in our manufacturing processes. Second, we prioritise support for community water stewardship programmes to protect water sources, wetlands, biodiversity and ecological processes.

Our 2020 commitment is to improve our water intensity ratio by 30% compared to our 2010 baseline and we are on track to achieve this. In 2017, the level of reduction reached 21% vs 2010. Our Top 10 Water Savers programme is mandatory for all our plants, encouraging water saving developments and initiatives throughout our facilities. The current implementation rate is 72.3% and in addition we implemented more than 110 water saving projects that saved 1.5 million cubic metres of water in our plants. At the end of 2017, we achieved 26 Gold certificates under the European Water Stewardship Standard and we have committed to certify 100% of our plants by 2020 to the European Water Stewardship Standard or Alliance for Water Stewardship. We also consider water used in agriculture as part of our supplier evaluation assessments.

By implementing water stewardship programmes at the community level, we help to preserve the natural habitat of key water basins and access to clean water. Moreover, we invest in programmes to prevent environmental damage from packaging waste and climate change. All activities are done in partnership with or after engaging local water users, authorities and other key stakeholders in the community.

We also work together with environmental ministries, and intergovernmental and civil organisations, to preserve and protect important ecosystems.

We invested €1 million in environmental community programmes during 2017.

With the dedicated support of employee volunteers, in 2017 we collected 2,767 tonnes of waste at river and sea shores and cleaned more than 1,950 kilometres of river banks and beaches. During the same time period, we have also contributed to reforestation by planting more than 109,696 trees in over 203,400 square metres of land.

Our contributions in this area aid global progress toward SDG 6: Clean water and sanitation, and SDG 13: Climate action.

During 2017, we have also further consolidated our environmental community initiatives. Consequently, our future efforts will be more clearly focused on water and environmental protection.

Community well-being

As well as being committed to reducing the amount of sugar in our products by 2020 (see Consumers section), we continue to support initiatives across our 28 countries to improve community well-being and health. These encourage physical activity and include the installation of active zones, walking trails and paths, and support for sports events and social gatherings. Many of the programmes are implemented in partnership with The Coca-Cola Company.

These programmes contribute to SDG 3: Good health and well-being, and SDG 11: Sustainable cities and communities. As our business and product portfolio evolves, we expect that more of our impact on well-being will come directly from new products that support healthy lifestyles.
Understand
Building and maintaining trust involves understanding what our stakeholders value.

Evolve
While our approach is consistently strategic, our community investment reflects the evolving needs of the communities in which we work.

Energise
Our ambitious 2020 commitments provide internal momentum and allow us to make substantial contributions to global progress towards the UN’s Sustainable Development Goals.

Stakeholder partnerships
We have a long record of delivering meaningful community programmes by investing creativity, innovation and resources and ensuring that our efforts align with our own strategic interests. We carefully measure the value that we add and are constantly looking for opportunities to partner with local stakeholders to combine our expertise and maximise this value. This also contributes to SDG 17: Partnerships.

In 2017, this led us to work with more than 300 non-governmental organisations and non-trade partners in 28 countries, including the International Federation of the Red Cross, the International Commission for the Preservation of the Danube River, World Wide Fund for Nature, Junior Achievement, Teach for All and the Global Water Partnership.

Looking ahead
We will continue the roll-out of #YouthEmpowered in 2018, with the aim of reaching all our markets by year end.

We are also excited to launch the #YouthEmpowered DigiHub, our innovative online educational and mentorship platform, in 19 countries in 2018.

We will continue driving water and environmental protection through specific water stewardship programmes to preserve water sources and wetlands.

Overall, our approach has become more strategic and we are also applying better metrics to measure and manage the impacts of our key community programmes, with focus on both youth development and environmental and water stewardship. We will report on our progress in these areas in our 2018 Integrated Annual Report.

Greece – Mission Water

Greece is projected to be among the most water-stressed countries by 2040, with water scarcity a particular concern on the Greek islands.

The Mission Water programme has promoted water conservation, primarily through rainwater harvesting on dry islands, since 2006. The project involves a partnership between the Coca-Cola System in Greece, Global Water Partnership – Mediterranean (GWP-Med) and authorities, with funding from The Coca-Cola Foundation since 2011.

In 2017, the programme worked with local authorities to install three new water storage tanks on Kythera island, which was suffering a water shortage crisis, increasing the municipal water supply’s volume.

Kythera is the 31st island to be aided by the programme.

Armenia – ASPIRED project

In Armenia, we have joined forces with the United States Agency for International Development (USAID) to help communities denied reliable access to water as a result of uncontrolled water use by fish farms.

Our joint project, the Advanced Science and Partnerships for Integrated Resource Development (ASPIRED) project, implemented an initiative during 2017 to reduce groundwater use in the Ararat Valley. Water from fisheries, which was previously dumped into the drainage network, is now used for irrigating farmland. This has benefited the Hayanist community, where workforce migration decreased by 50-60% because the Hayanist are able to cultivate land again.

As a result, 1.1 million cubic metres of water was saved, 11 times the amount used annually by our Armenian manufacturing site.
INNOVATING OUR PORTFOLIO FOR OUR CONSUMERS

People’s tastes and lifestyles are changing and with that comes a desire for different drink choices.

An evolving portfolio for a healthier world

Our focus is on providing healthier new options across our portfolio of sparkling and still beverages, and emphasising low or no-sugar choices to our consumers. These efforts are helping us to maintain our strength in sparkling beverages and we also have strong foundations on which to grow in the stills category, since 30% of our revenues are from still drinks, the highest proportion amongst the listed Coca-Cola bottlers.

On average people in our markets drink six beverages each day, and although our share in sparkling soft drinks is at an average of 43% across our markets, our share of total beverage consumption is still low at around 5%, which offers huge potential for growth. Our evolving portfolio equips us to better serve consumers at every occasion in which they want to enjoy a drink, which, when combined with our ability to get this portfolio into the hands of our end consumer, allows us opportunities to better serve our consumers and grow our business sustainably.

Coca-Cola HBC has committed, in partnership with the Union of European Soft Drinks Associations (UNESDA), to reduce sugar in sparkling soft drinks by 10% between 2015 and 2020 across the EU and Switzerland. With more than 30 years of experience in launching low- and no-calorie beverages, we are on track to achieve this goal with a reduction of nearly 5% in 2017 compared to 2016. We achieved our sugar reduction target in 2017 through our portfolio evolution towards no-sugar variants and reformulations with lower sugar content. For that purpose, we are accelerating the rollout of our pipeline across all innovation pillars, i.e. reformulation of existing products, more zero-sugar formulations with improved taste, new products with low or no sugar and the development of small packages.

We are applying a holistic approach to the reduction of sugar which considers sweetness taste profiles, the impact on appearance, mouthfeel and taste and advanced sensory knowledge. Our aim is to produce drinks with fewer calories, that consumers love. We believe these efforts support progress toward several of the Sustainable Development Goals (SDGs) adopted by the UN, including SDG 3: Good health and well-being, SDG 9: Industry innovation and infrastructure, and SDG 12: Responsible consumption and production.

2017 progress

- Excellent growth from our low- and no-sugar portfolio; with positive customer reactions to both reformulations and no-sugar variants
- Adult-focused flavours and brands saw strong growth
- Second year of growth above 20% in energy drinks
- Growth, with a focus on value in stills
- Ongoing progress on creating a nimble organisation that can manage a faster pace of launches

An evolving portfolio for a healthier world

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2018 priorities

- 2018 will see more launches from Coca-Cola HBC than at any time in recent history, both within the existing portfolio and in new categories

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We support, along with The Coca-Cola Company, the recommendation of the World Health Organization and other health authorities that intake of added sugar should be no more than 10% of total energy or calories consumed per day.

**Trademark Coca-Cola brands**

To highlight our evolving approach to our brands and to build awareness of low- and no-sugar drinks, we launched the ‘One Brand’ marketing strategy in Trademark Coca-Cola in collaboration with The Coca-Cola Company. With ‘One Brand’ we offer our consumers a Coca-Cola with a range of choices: Coke Zero; Coca-Cola Light; or Coca-Cola.

As the category leader, we believe it is our responsibility to actively shape consumer choice towards lower calorie options. In order to achieve this we have taken the decision to make the sugar-free variants of Coke the focal point in marketing efforts and are dedicating a greater proportion of shelf space to sugar-free Coke variants than their current share of the mix, ensuring increased prominence and availability of our sugar-free Coke drinks.

We initiated a pilot of this approach at the start of 2017 in Poland and Romania with excellent results. Sales grew, versus a control group, for both Coke Zero and for Trademark Coca-Cola overall. We subsequently rolled out ‘One Brand’ throughout our markets. In addition, we completed the relaunch of Coke Zero by February 2017 and launched new light variants such as Coca-Cola Zero with Lemon, which achieved 88% distribution within 20 weeks of launch. This strong execution supported growth for Trademark Coke variants exceeding that of the sparkling drinks category overall in our markets in 2017 (2.7% and 2.3% respectively). These results were aided by the 22% growth in sales of Coke Zero during the year.

**Fanta and Sprite**

In Fanta, a combination of ongoing innovation and strong market activation delivered growth. New flavour launches for Fanta, including Dragonfruit, Shokata and Raspberry, helped to keep excitement in the brand high. Sprite Cucumber was launched in Russia early in 2017, and strong execution of the launch and fast distribution supported double-digit year-on-year growth for Sprite in Russia.

Fanta and Sprite are also benefiting from innovative reformulations to reduce their sugar content. Sprite Fresh contains half the sugar of the original version, while Fanta Orange contains 30% less sugar than regular Fanta. We began the rollout of Sprite Fresh in 2017 and will roll out the reformulated Fanta Orange in 2018. We are also launching no-calorie Fanta Lemon in a number of our markets in 2018.
Driving the water and juice categories while focusing on value creation

Water represents 30% of the underlying non-alcoholic beverage market value across our regions and is expected to drive almost a quarter of the non-alcoholic beverage incremental value growth to 2020. The fastest growth is expected to be seen in the premium segment including water with functional benefits or flavours. We are currently under-indexed to water with under 20% of our volumes coming from the category.

We intend to grow our water business in line with two pillars. The first is to grow our existing mainstream brands while enriching the portfolio with flavoured water, and the second is to enter new premium segments.

Growing adult opportunity

As the overall population in Europe is getting older, there is greater demand for sophisticated flavour profiles and for adult sparkling beverages. Two of our brands targeted to this consumer segment are Schweppes and Kinley. For Schweppes, our premiumisation strategy, combined with a strong launch of Schweppes Pomegranate during the year, helped to deliver mid single-digit growth for the brand. We are excited about the launch of Coca-Cola’s Royal Bliss brand in a few of our countries in 2018. Royal Bliss is a line of premium mixers, with complex and nuanced flavour profiles, which will be available exclusively in hotels, restaurants and cafes.

Growth in energy

Energy remains a small category for us, but one that is growing fast and with attractive revenue per case. For the second year in a row our sales in the energy category grew over 20%. We aim to sustain our growth in the energy segment with a dual brand strategy focused on Burn and Monster. With the launch of Monster in Nigeria in 2017, the brand is now available in all but three of our countries.

To meet growing consumer interest in the juice category we are evolving our offering to include more innovative flavours and no-added-sugar varieties, while working to grow value in excess of volume. In Russia, for example, we launched three unique flavour mixes reflecting local heritage. The new flavours were marketed as a premium offering within the mainstream Dobriy brand and sold only in a one-litre size to improve pack mix.
In Ireland we launched Vegified, a vegetable and fruit drink fortified with vitamins which was offered at an affordable price in single-serve packs intended to help busy people who are trying to achieve a healthier lifestyle.

In addition to our focus on organic growth and innovation, we will continue to look at bolt-on M&A in the juice and water categories. Where we find strong local and regional brands that fit well with our footprint, we will seek to add these to our portfolio.

**Satisfying demand: consumption occasions**

To meet consumer demand we need to understand what drives someone’s desire for a beverage at different times throughout the day.

We segment possible consumption opportunities into occasions. For each occasion, we aim to provide every consumer with the perfect brand in the right package, from the right channel and at the right price. We call this process Occasion, Brand, Pack, Price, Channel, or OBPPC, and it helps us to construct our business plans on a country and brand level.

We seek to capture the opportunities in these occasions, with The Coca-Cola Company, through co-ordinated campaigns including television and traditional media, in-store displays, sampling and social media.

**Meals and socialising occasions**

We prioritise the largest and most valuable occasions for beverages: meals and socialising. At-home consumption is the largest opportunity across our markets, accounting for 54% of the value share within the non-alcoholic ready-to-drink market and as such it will always be a priority for our business.

Away-from-home consumption represents an interesting growth opportunity, as it delivers a higher revenue per case than the average for the Group. We seek to capture away-from-home consumption by focusing on increasing our sales in hotels, restaurants and cafes and offering single-serve packages which can earn two to three times the revenue per case of multi-serve packages and beverages bought for future consumption.

**Engaging with consumers digitally**

In order to remain relevant, we also consider changes in the way consumers use technology. Digitalisation presents new opportunities to communicate with consumers and new information about consumption.

Connected coolers offer opportunities for more direct communication with our consumers. In 2017, with The Coca-Cola Company, we launched a new consumer app called WOAH, which stands for ‘Where only awesome happens’, in eight of our countries.

The WOAH app delivers engaging content from The Coca-Cola Company and helps us in communicating directly to consumers. Once downloaded, the WOAH app can serve push notifications on promotions from a nearby, digitally connected cooler. Connectivity also helps position coolers by providing data on door openings and how coolers are used. In addition, they can gain our sales force four days of selling time a year. Less than 10% of our 1.4 million coolers are currently digitally connected, but we aim to achieve 100% connectivity by 2022.

**Long-term success**

To ensure that our business continues to deliver what consumers need and want we prioritise successfully growing our revenues ahead of volumes and volumes ahead of calories, ensuring product quality and marketing our products responsibly.

**Revenue growth management**

We aim to grow transactions and revenue faster than volume since this will both create a more sustainable business and improve our profitability. Coca-Cola HBC, in partnership with The Coca-Cola Company, has developed a comprehensive approach to achieve this goal of revenue growth management which we call RGM 2.0. RGM 2.0 puts in place a 10-step framework to address consumers, shoppers and customers together. After considerable work in conjunction with external consultants we have now implemented a set of strategies, specifically targeted to each market, intended to maximise value growth. We are developing the relevant skills, capabilities and growth mindset in our teams to ensure this initiative is sustainable. We started this programme in Q3 of 2016 in Nigeria and Russia and in 2017 we expanded it into our other largest markets; we aim to complete the full rollout of these initiatives within 2018.
We comply with The Coca-Cola Company’s Global Responsible Marketing Policy and are signatories of the UNESDA commitments. This compliance is checked regularly by external third-party auditors contracted by UNESDA.

As part of UNESDA’s school sales commitment, we do not offer our products for sale in primary schools. In addition, we will ensure from 2018 onwards that only no- and low-calorie drinks are offered in secondary schools as a complement to water, which remains the primary drink available for schoolchildren and adolescents.

We are not only complying with the letter of these policies; we strive to follow the spirit of them as well. Therefore, we do not place advertising in media where the target audience includes a substantial portion of children. This applies to all media including television shows, print media, websites, social media, movies, SMS/email marketing, animation, third-party characters, celebrities/games/contests, branded toys/merchandise, talent selection, point of sale, and merchandise items. Moreover, we do not design our marketing communications in a way that directly appeals to children under 12.

Further, the number of trade quality issues declined by 58% and business losses from trade quality issues were reduced by 84% in 2017 compared to 2016. Overall consumer complaints in 2017 remained at a low level, standing at 20 per 100 million containers sold. This is, however, higher than our target of 17. While the number of consumer complaints decreased by 4% in the Emerging and Developing segments, we saw a 7% increase in the Established segment, mainly due to elevated social media activities related to product taste and carbonation.

The continued low rate of consumer complaints shows that our beverages are of high quality and people trust our products and brands. Better product quality and food safety also contribute to SDG 3: Good health and well-being, and SDG 12: Responsible consumption and production.

Product quality and integrity
Product quality, safety and integrity are necessary to build consumer trust, maintain market leadership and generate sales volumes and revenues. Product integrity for us means offering the highest quality beverages that satisfy customers’ and consumers’ expectations in every aspect. In addition to product functionality, quality, safety, taste and design, integrity also includes intangibles such as brand equity. We have zero tolerance for quality and food safety non-compliance.

Therefore, in 2017 we continued to collaborate with key ingredient and packaging suppliers. As a result of this product quality culture development and governance processes, the freshness of our soft drinks improved by 12% in 2017 compared to 2016.

The number of trade quality issues declined by 58% and business losses from trade quality issues were reduced by 84% in 2017 compared to 2016. Overall consumer complaints in 2017 remained at a low level, standing at 20 per 100 million containers sold. This is, however, higher than our target of 17. While the number of consumer complaints decreased by 4% in the Emerging and Developing segments, we saw a 7% increase in the Established segment, mainly due to elevated social media activities related to product taste and carbonation.

The continued low rate of consumer complaints shows that our beverages are of high quality and people trust our products and brands. Better product quality and food safety also contribute to SDG 3: Good health and well-being, and SDG 12: Responsible consumption and production.

Responsible marketing
Marketing our brands responsibly but effectively is of great importance to our business. Offering a wide range of products and providing clear and transparent information is at the centre of our approach.

We comply with The Coca-Cola Company’s Global Responsible Marketing Policy and are signatories of the UNESDA commitments. This compliance is checked regularly by external third-party auditors contracted by UNESDA.

As part of UNESDA’s school sales commitment, we do not offer our products for sale in primary schools. In addition, we will ensure from 2018 onwards that only no- and low-calorie drinks are offered in secondary schools as a complement to water, which remains the primary drink available for schoolchildren and adolescents.

We are not only complying with the letter of these policies; we strive to follow the spirit of them as well. Therefore, we do not place advertising in media where the target audience includes a substantial portion of children. This applies to all media including television shows, print media, websites, social media, movies, SMS/email marketing, animation, third-party characters, celebrities/games/contests, branded toys/merchandise, talent selection, point of sale, and merchandise items. Moreover, we do not design our marketing communications in a way that directly appeals to children under 12.

In our Emerging segment the likelihood of currency depreciation means that we need to balance affordability for our consumers with required price increases to offset inflation and a weaker local currency. The flexibility of our business allows us to adjust pack sizes, list prices and promotions to serve our consumers in ways that protect the viability of our business.

An example of our ‘One Brand’ strategy at work. This marketing effort presents Coke Regular, Zero and Light under one brand and emphasises the no-sugar options.
Looking ahead

In 2018, we will continue to focus on ways to shape our portfolio to better satisfy existing and emerging consumer preferences. We plan to continue our efforts to reduce the sugar content of our sparkling drinks, supported by more than 12 product reformulations or conversions to zero-calorie versions.

We will also be introducing important new brands in water, plant-based beverages and ready-to-drink tea. We will introduce glaceau smartwater in eight countries in 2018, boosting our premium water brand portfolio. Within plant-based beverages, we will launch AdeZ in 13 countries. Finally, FUZE tea is the fastest growing billion-dollar brand in the Coca-Cola System, and we believe that launching it in our markets in 2018 will enhance our proposition in a high-value and high-growth category.

Within the adult segment we are excited about the launch of Royal Bliss in premium hotel, restaurant and cafe outlets. We will also be continuing with our work on Incubate & Grow which we launched in 2017 in Milan, Rome, Zurich and Vienna. Incubate & Grow is an initiative created by The Coca-Cola Company to nurture new brands in a highly entrepreneurial and nimble environment. We are proud that Coca-Cola HBC was chosen for the global pilot for Incubate & Grow within the Coca-Cola System.

We are able to proceed with this faster pace of new launches with confidence. Coca-Cola HBC serves as a benchmark across the global Coca-Cola System in getting new products to market quickly, with an average of 19 weeks from business case approval to product launch. Efficiency in this area is increasingly important as the pace of product innovation and new product launches accelerates and we feel excited about the future that this offers the Company and our consumers.

Understand

Lifestyles and consumer preferences are changing, and we recognise that this is leading consumers to choose healthier beverage options and more innovative flavours, and to explore new categories.

Evolve

The expansion of our product portfolio and our approach to packaging and distribution reflect emerging consumer trends.

Energise

Our pace of change is gathering speed, with more new product launches in 2018 than at any other time in our recent history.
Changing lifestyles and new technologies are impacting purchasing behaviour and preferences in retail formats, causing significant change in the retail landscape.

2017 progress
- Further improvement in customer satisfaction
- Embedding of our new route-to-market initiatives across our five largest countries, resulting in an improvement in both depth and breadth of coverage
- Ongoing improvement in in-store execution
- Seizing of e-commerce opportunities by serving new and existing customers online

2018 priorities
- Rolling out our new route-to-market initiatives across all of our countries
- Improving our e-commerce capabilities
- Continuing the work and investments that make us a responsible supplier

Customer preference: customer partnership and shared growth
Changing lifestyles and new technologies are impacting purchasing behaviour and preferences in retail formats, causing significant change in the retail landscape. Successfully adapting to these market changes, and helping our customers to seize new opportunities, boosts the resilience and profitability of our business and our customers’ businesses. With all of our customers, the key objectives remain the same: excellent customer service and in-store execution, to create joint value for long-term success.

Creating satisfaction and economic benefit
Winning with customers is one of our six core values, and we work hard to build strong customer relationships to create shared success. We monitor customer satisfaction by commissioning an annual survey of more than 15,000 customers, comparing ourselves to other beverage suppliers including suppliers of beer and dairy products. In 2017, more than half of our customers, 59.8%, said we exceeded their expectations, an increase of 3.3% compared to 2016.

In addition, 94.2% of customers reported that the Company either met or exceeded their expectations.

The feedback we receive from our customers helps direct priorities for training and development, indicating where we need to improve skills and capabilities. We encourage customers to disclose the detail of their individual responses so that we can build a specific improvement plan tailored to their needs. In Italy in 2017, we managed to get nearly 100% of the customers that we engaged with to provide detailed feedback, an improvement from 41% in 2016. We believe this increase reflects our responsiveness to feedback and the value customers find in bespoke improvement plans.

Improving product accessibility
To ensure that customers can best serve consumers, we tailor our customer relationships so that we can provide each customer with the right level of sales force coverage and access to our distribution networks.

Due to the dynamism of the retail environment, outlets open and close over time.
We have to assess relevant changes in the retail universe and incorporate these appropriately into our route-to-market solutions. By performing a complete assessment of the outlet universe, we capture incremental growth opportunities, both horizontally through new outlets and vertically through improved service to existing customers. This project is called the Every Dealer Survey (EDS), and it allows us to improve by adjusting the structure of our sales force and ensuring that our capabilities address the changing needs of our customers. Our most recent assessment of outlets identified a number of specific opportunities which we then invested in in order to improve. One example was the creation of dedicated teams exclusively serving hotels, restaurants and cafes; another was the decision to make hunting for new outlets a priority and an ongoing project. Additionally, during 2017, we successfully embedded new initiatives in the routes to market in five of our largest countries. In Poland, for example, we expanded the number of outlets carrying our full portfolio from 1,800 to 7,000, while in Russia we put in place a dedicated team to serve top-end bars, cafes and restaurants, and in Switzerland we expanded home delivery of our product portfolio.

Ensuring excellent execution in store
Getting the basics right is critical to building strong relationships with our customers. For Coca-Cola HBC, this means that we seek to always deliver in full, on time and accurately invoiced, an internal metric we monitor and call by the acronym DIFOTAI. We track our success in achieving this each day, for each customer, and constantly work to improve our performance. Our overall DIFOTAI score for 2017 was 97.2%, a small decline from the result achieved in 2016 of 97.9%.

To ensure that the right product is presented in the right location, we track real-time execution in our customers’ stores and use that data to evaluate and improve in-store operations. We use an approach called Right Execution Daily, referred to by the acronym RED, which measures aspects required for strong execution and awards a score to each customer, channel and, ultimately, country on that basis. These scores reflect our execution level relative to our internal targets, and we use all this data to continually improve. In our experience, using this approach, we have found that for every percentage point of improvement in the RED score, our sales volume increases between 0.25% and 1%. The data collected for RED is also used by our business developers to pursue opportunities for growth and they are able to adjust our in-store operations to improve performance. In 2017 our RED score increased by 5.8%, helped by strong performance in Nigeria. A significant percentage of our customer base is included in this data collection and we continue to expand coverage, creating a positive feedback loop for improvement.

Creating joint value
We want to create shared value and help our customers grow their overall beverage sales. One way that we do this is by sharing our expertise to enhance the shopping experience, extending our service to customers beyond just sparkling beverages. With a supermarket chain in Romania, for example, we helped to improve shopping experiences and drive transactions by building on the ‘beverage with meals’ experience in their in-store restaurant and outside barbecue area.
As chilled single-serve packs become more important to meet the needs of busy consumers, and help to drive revenue per case and profitability, cold drinks equipment (CDE) is an essential part of our engagement with customers and our consumer experience.

At approximately 39%, refrigeration represents a significant part of our carbon emissions footprint. A major focus for improvement has been phasing out HFC refrigerants since 2015. Instead, all new equipment placed in the market is eco-friendly. These new coolers use either CO or HC (hydrocarbon) as refrigerant agents, which have zero global warming potential, and are also 57% more energy-efficient than conventional coolers.

In 2017, we introduced a total of 71,786 eco-coolers across our markets, helping our customers save 735.2 million kWh of electricity, and contributing 16% of our total electricity savings, 26% more than in 2016. In total, eco-coolers currently account for 5% of our 1.4 million units.

At the same time, we continue to optimise our cooler portfolio in order to improve our spend and reduce our energy consumption. Within five years, we have reduced the number of cooler types from 33 to 10.

Seizing opportunities in single-serve packages
The rising trend for smaller and more frequent shopping trips, and consumer decisions to reduce sugar content through buying smaller packages, has increased the importance of chilled availability for single-serve packs consumed ‘on the go’.

In Switzerland, we worked with one international customer to optimise sales of chilled single-serve drinks located beside the customer’s prepared foods by rolling out open-fronted coolers in two-thirds of their stores. The project successfully increased the number of shoppers adding a non-alcoholic beverage to their shopping basket. Careful adjustments to store layout can be extremely impactful for customers.

Right Execution Daily (RED)
An approach to executing in-store with excellence

Our people are highly engaged (%)

Met or exceeded customer expectations

<table>
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<tr>
<th>Metric</th>
<th>Score</th>
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<tbody>
<tr>
<td>% Met or exceeded expectations</td>
<td>94.2%</td>
</tr>
<tr>
<td>% Exceeded customer expectations</td>
<td>59.8%</td>
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</table>

* Expanding the coverage base

CCH countries with RED framework
Countries with >35% numerical coverage
In addition, we foster the innovation of connected coolers, using internet of things technologies to optimise the energy consumption to the actual time of use. In 2018, the ICOOL range of coolers will use a lower charge of HC refrigerant gas, while keeping the energy consumption stable, if not lowering it.

Improving performance in hotels, restaurants and cafes
Our expectation is that sales through hotels, restaurants and cafes will grow faster than our overall sales growth in the near term. This reflects the increasing trend for people to prioritise experiences and is supported by the economic recovery in our markets. To support sales in this channel we are intent on sharing best practice within Coca-Cola HBC to improve our performance. Within the Group there are countries with excellent performance in the HoReCa channel and in 2017 our sales teams met in Croatia to benefit from the Croatian team’s expertise and to further improve the Group’s performance in this channel.

Growth in e-commerce
The value of e-commerce in our markets has doubled over the last five years and is expected to double again over the next five, making the e-commerce channel one of our most dynamic.

E-commerce is still a small proportion of our overall revenue, but we are clear on its importance for the future, and we are working with new and existing customers to capture growth through this channel.

Online shopping has brought us new customers, including online takeaway food businesses. We help them to increase the value of each transaction by including a beverage with every meal. We achieved this objective with one online takeaway food business in Poland, for example, by developing combination meals (a meal and a beverage for a single price point) and improving product displays in online menus. This resulted in volume growth of 60% with this online takeaway food business, with distribution of our full portfolio increasing by 20%.

We continue to invest to improve our ability to serve online shoppers, creating the fundamentals to be ready for rapid growth. In 2017, we piloted a platform to manage our commercial digital assets, including information on how to best present our brands in online stores.

We have also developed eRED, a measurement system to score execution in online stores. eRED allows us to check that our full portfolio is available and presented with the right quality standards and messaging. This system also creates an improvement plan for each online retailer to drive incremental transactions.

Looking ahead
In 2018, we expect to make further progress in rolling out new route-to-market initiatives, improving our e-commerce capabilities and continuing to be a strong partner for our customers and a responsible supplier.

By the end of 2018, we expect to have rolled out the newly identified route-to-market initiatives in all our countries. We believe that e-commerce channels will continue to gain momentum and building our internal capabilities within this channel is ongoing.
Our focus remains on optimising both infrastructure and processes to support evolving business needs, while achieving efficiencies and ensuring the sustainability of our resources.

2017 progress
- Total cost of supply as percentage of revenue fell below 10%, following logistics initiatives
- Full integration of Nigeria into our business services organisation
- Strong cash generation with increased capital expenditure focusing on revenue-generating assets
- Enhanced relationships with suppliers, emphasising local sourcing and sustainable principles
- 41% of total packaging recovered for recycling
- Zero waste to landfill in four plants
- Renewable and clean energy accounting for 34.1% of all energy used

To drive profitability, our focus remains on those areas we can influence: optimisation of our production and logistics base, our operating cost base and our cash conversion. Careful management of all inputs to our business includes natural resources. Efforts to reduce costs are therefore directly linked to streamlined packaging and reduced water and energy use.

Infrastructure optimisation
The drive to optimise and develop our infrastructure to manage growth and to produce a broader beverage portfolio continued in 2017. Strong focus on managing and modernising cost-efficient mega-plants that can effectively serve a country or region remains our priority. In addition, we added new capabilities in selected sites during 2017 to support the expansion of our beverage portfolio, particularly for still drinks.

During the same period, we also reduced the number of our warehouses and distribution centres by 53%. Our capacity utilisation across the business was 65% during peak months in 2017, giving us plenty of room for growth without the need for additional investment.

In Russia, we closed a juice production plant in St. Petersburg, transferring the production capacity to our local production facility for sparkling drinks and to other parts of the country. This change allows for better geographic alignment between production and demand for our juice products, reducing transport distances in our vast Russian territory. In addition, we temporarily closed five filling lines for juice and three for sparkling drinks, while retaining the option to resume production on these lines as the market recovers.

We focused on creating mega-plants in Nigeria in 2017, consolidating production in Asejire, Abuja and Port Harcourt. Our plant in Ikeja, which is the largest Coca-Cola bottling plant in Africa, was also further modernised.

2018 priorities
- Ensure fast response of the supply chain to growing market’s needs
- Strong cash generation
- Further exploit digital solutions and systems
- Increase the use of recycled PET in our packaging

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We have closed 34 distribution centres in the past two years, reducing numbers from 51 in 2015 to 17 in 2017 and outsourcing distribution without disrupting our supply chain. Optimisation of production and logistics will continue in Nigeria throughout 2018, with further closures of less efficient facilities in due course.

In 2017, our ongoing work on logistics reduced the total cost to supply as a percentage of revenue to a level below 10%. Our drive to shift from fixed to variable costs across the Group continued, outsourcing logistics activities and partnering with suppliers. These initiatives reduce risk and fixed cost, while improving operational efficiency.

To support commercial initiatives, we upgraded production lines, so that our manufacturing capabilities reflect our diverse product portfolio. We made investments relevant for the packaging of the new FUZE tea brand and for the production of plant-based beverages, juice smoothies and juice drinks with PET packaging in Nigeria. In Hungary, we invested in production capabilities for glaceau smartwater, a new premium lifestyle water brand which we plan to launch in 10 markets in 2018.

Digital solutions provide great opportunities for efficiency with high quality standards. In 2017, we implemented a real-time quality monitoring and process control system in eight of our manufacturing facilities.

In nine of our largest and most important plants, we introduced a line monitoring solution to collect data automatically from production lines. These investments enhance the reliability of our production processes and the quality of our products. We also developed and piloted a control tower solution which provides end-to-end visibility of logistics activities. This allows us to monitor deliveries to our customers, supporting efficient execution and service quality.

**Business standardisation**

Nigeria was the latest addition to the Company-wide business standardisation initiative, which began with a shared business services organisation (BSO) in Bulgaria in 2011 and was followed in late 2016 by the Russian service centre in Nizhny Novgorod.

The extension of services from our BSO in Sofia, Bulgaria to our Nigerian business unit centralises and standardises the management of general accounting, cash collection, credit and dispute management and human resource processes.

Serving as a business partner, in 2017 the BSO streamlined back-office work for the commercial function, freeing up time for launching products and serving customers. New digital solutions were introduced, including travel and expense tools, a self-service supplier portal and an automated accounts payable solution.

While carrying out this transformative work, the BSO is also a part of our efforts to achieve service excellence, conducting customer workshops on process design and delivering soft skills training for Coca-Cola HBC employees with customer support responsibilities. The BSO also serves as a talent pool for our Company, with 43 people promoted to country operations and corporate service centre roles in 2017.
Cash generation

Our business is highly cash-generative, producing an average of €400 million of free cash flow per annum. In 2017, we generated €426 million of free cash flow by improving our profitability and by maintaining excellent working capital discipline – once again achieving a working capital year-end position of less than negative €100 million.

In line with our financial targets, we experienced in 2017 a bigger contribution of profits to free cash flow of €82 million, and this trend is expected to continue in the coming years. This in turn allows for an increase in capital expenditure to help our business grow.

Our medium-term target for capital expenditure is 5.5% to 6.5% of net sales revenue. The majority of this is invested in revenue-generating assets such as state-of-the-art filling lines and cold drink equipment. Our net expenditure for 2017 amounted to €378 million, equivalent to 5.8% of net sales revenue. Excluding the sale of idle assets, capital expenditure was 6.4% of net sales revenue. Given our integrated capital expenditure decisions, and our disciplined approach to allocating cash, we continue to believe our medium-term target range is appropriate for nurturing our future growth, especially in view of evolving market trends.

Efficient, responsible sourcing

To minimise our impacts and drive performance, we partner with logistics providers and suppliers. Working collaboratively, we are better able to meet the expectations of customers and consumers, supporting business growth. Local sourcing is the cornerstone of our joint value creation initiative with our suppliers.

In 2017, more than 98% of our total spend was local in our countries of operations, or within the European Union, which we regard as one geographic area for sourcing. Good examples are the local sourcing for all sugar used in Russia, Poland, Serbia, Ukraine and Belarus and for metal cans in Nigeria. Local sourcing helps us control quality and costs. This practice can be helpful in managing foreign exchange exposure, and reducing transportation expenses. It also involves a significant contribution to the economies of countries where we conduct business.

Our suppliers are required to uphold our high standards regarding human rights, labour practices, environmental impacts, health and safety, ethics and quality. We have guidelines and tools for supplier selection and governance, including Supplier Guiding Principles (SGP), Sustainable Agriculture Guiding Principles (SAGP) and a pre-assessment process with criteria for supplier selection.

Adhering to our SGPs involves, at a minimum, complying with applicable environment and labour laws and core international conventions. These principles also communicate our values, and our expectations for responsible business practices. We aim to achieve 100% of our suppliers accepting our SGPs by utilising our ‘SGP Coverage Triangle’ with three checkpoints throughout the procure-to-pay process, available on our website.

Sustainable sourcing of product ingredients is particularly important to our long-term success. As part of the Coca-Cola System, we have a uniform approach to sustainable agriculture, rooted in the principles of protecting the environment, upholding human and workplace rights and helping to build more sustainable communities. These principles are included in the SAGPs, which provide guidance to our suppliers for agricultural ingredients. We expect to meet our target of certifying at least 95% of the key agricultural ingredients we use against the SAGPs by 2020.

The impact of our supply chain efforts supports several of the UN’s Sustainable Development Goals (SDGs), including SDG 8: Decent work and economic growth, SDG 12: Responsible consumption and production, and SDG 13: Climate action.

Water use ratio in plants

(=litre/litre of produced beverage)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Target 2020</th>
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<tbody>
<tr>
<td>Ratio</td>
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<td>1.93</td>
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Operational water footprint

(=billon litres)

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<tr>
<td>Ratio</td>
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<td>4.24</td>
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</table>

Energy use ratio in plants

(=MJ/litre of produced beverage)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2015*</th>
<th>2016*</th>
<th>2017</th>
<th>Target 2020</th>
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<tbody>
<tr>
<td>Ratio</td>
<td>0.57</td>
<td>0.46</td>
<td>0.42</td>
<td>0.39</td>
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* In 2017, we slightly changed the energy use ratio as we identified missing data from CHP thermal energy. 2015 and 2016 were restated. Baseline year (2010) was not affected.
Smarter procurement
In 2013, we ran the PLATO (Procurement Lean and Agile Transformation and Optimisation) project with the objective of aggregating the spend managed by the procurement function and of achieving synergies across countries, while improving the quality of the procurement service. A pitstop named PLATO 2.0 was held in 2017, which focused on efficiency and performance with the participation of stakeholders from other functions.

In order to benefit from the large quantities our business requires, we consolidate orders for promotional materials and marketing equipment needed across our business. Our cooler supplier, for example, has helped us standardise and harmonise our cooler portfolio across our markets while stabilising costs through a multi-year contract agreement.

To leverage bargaining power related to our large volumes, all countries are requested to place their orders for promotional materials within certain time frames. Volume leverage through this ‘One Hellenic’ approach produced a 6.6% cost optimisation for FUZE tea glassware procurement – just one example of how this approach produces benefits.

Joint growth initiatives and benchmarking
To increase awareness of sustainability, engagement with strategic suppliers and the development of our people, we introduced new events, workshops and tools in 2017. We piloted three sustainability day events in 2017 with strategic suppliers in Zurich, Belgrade and Moscow, which created an opportunity to share information about our Company’s corporate social responsibility policy and sustainability commitments, share achievements and best practices, and begin working together on joint targets and initiatives.

Consistent with our interest in developing our people and our suppliers, we developed workshops and training sessions for specific commodities for packaging, such as PET plastic and metals used for cans.

The Ecovadis CSR platform, a third-party assessment tool, was introduced in 2017 to evaluate corporate social responsibility performance management systems for our suppliers. More than 120 critical suppliers have already been assessed using the platform.

Efficient use of resources
Our efforts to reduce our use of packaging materials, energy and water continued in 2017. As a leading bottler in the Coca-Cola System, we place a significant amount of packaging in the marketplace. Packaging plays a central role in our business, ensuring the quality and safety of our products, but innovative light-weight packaging reduces costs and environmental impact.

We are taking decisive action to address the risks and opportunities presented by climate change. In November 2017, Coca-Cola HBC was among the first to sign the Accounting for Sustainability (A4S) CFO statement of support for the Task Force on Climate-related Financial Disclosures (TCFD).

We have specific 2020 targets, aiming at reducing carbon emissions per litre of produced beverage by 50% in our operations and by 25% across our value chain, against a 2010 baseline, and in 2017 we continued to make good progress. Since 2015, our energy and carbon reduction initiatives have resulted in approximately €11 million aggregate savings.

CO₂ ratio (scopes 1 and 2)
(gCO₂/litre of produced beverage)

<table>
<thead>
<tr>
<th>Year</th>
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<th>2016*</th>
<th>2017</th>
<th>Target 2020 goal</th>
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<td>45</td>
<td>32.7</td>
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</tr>
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<td>60</td>
<td>30</td>
<td>23.5</td>
<td>21.5</td>
<td>20.4</td>
<td>18.4</td>
</tr>
</tbody>
</table>

* Restated 2015 and 2016 figures to include the new plant acquisition.

CO₂ ratio (scopes 1, 2 and 3)
(gCO₂/litre of produced beverage)

<table>
<thead>
<tr>
<th>Year</th>
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<th>2015*</th>
<th>2016*</th>
<th>2017</th>
<th>Target 2020 goal</th>
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<td>23.5</td>
<td>21.5</td>
<td>20.4</td>
<td>18.4</td>
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* Restated 2015 and 2016 figures to include the new plant acquisition.

Landfill waste ratio
(g/litre of produced beverage)

<table>
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<tr>
<th>Year</th>
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</tbody>
</table>

* Restated 2015 and 2016 figures to include the new plant acquisition.
Progress in packaging and waste management

We have a holistic approach to packaging, intended to minimise our impact at every stage of the lifecycle by reducing weight, increasing the use of recyclable materials and increasing the overall recyclability of packaging. Further, we have been using renewable (plant-based) materials, as well as improving our post-consumer waste management.

With our light-weighting initiatives, we reduced the main packaging materials used for our beverages, namely PET, aluminium cans and glass bottles, by 18% in 2017 vs our baseline of 2010.

Our packaging-related targets commit us to source 20% of the total PET we use from recycled PET or PET from renewable materials by 2020. We are partly behind on this commitment due to the higher cost of these materials in our geographies. We invested more than €14.9 million in packaging optimisation and efficiency. We used 13,100 tonnes of recycled PET material and 11,050 tonnes of plant PET material, which together with light-weighting initiatives helped us to save more than 36,000 tonnes of CO₂. We have dedicated teams at a country level who work on developing thorough plans for further weight reduction for each container size and type, without impacting the quality of the bottles or product taste.

Streamlining packaging is, by itself, not enough. We champion increases in recycling and other solutions to packaging waste, and we want to close the recycling loop, converting used packaging into new. We support 19 packaging waste management schemes across our markets and we have a Group-wide policy on post-consumer waste management. We have initiated projects in Russia, Nigeria and Ukraine for packaging recovery with a target of 20% in each by 2020. In Poland, we have initiated a separate collection system, working with four other companies, to focus on increased collection of PET. In 2017, 41% of the total packaging we placed in the market was recovered for recycling, exceeding our 2020 target of 40%.

Our 2020 target for waste from plants to landfill was also overachieved in 2017, reaching 0.39g/lpb, compared to a target of 0.5g/lpb. At the same time, four of our plants had zero waste to landfill in 2017.

Energy efficiency

Climate change brings significant potential risks to Coca-Cola HBC, with the potential for increased energy costs, carbon taxation, reduced access to water and business disruption due to severe weather conditions. However, it also presents us with an opportunity to make our value chain more efficient and sustainable.

Our efforts to address climate change and its impacts contribute to the UN Sustainable Development Goal on climate action (SDG 13) and affordable and clean energy (SDG 7).

To seize this opportunity, we were among the first companies to introduce science-based climate targets. These commit us to use energy from renewable and clean energy sources for at least 40% of the total energy we use by 2020, and reduce the total energy Coca-Cola HBC consumes per litre of produced beverage by 47% compared to a 2010 baseline.

To ensure we meet our targets, we use an internal carbon price of €25 per metric tonne of CO₂ to guide decision-making, hold regular reviews to confirm that we adhere to all our internal standards and external environmental laws and regulations, and have third parties annually audit our environmental management systems and all bottling plant data.

We are well placed to achieve our 2020 targets: during 2017, renewable and clean energy (CHP – combined heat and power) accounted for 34.1% of all the energy we used, and we reduced the total amount of energy consumed per litre of produced beverage by 26.5% compared to the 2010 baseline. Our energy intensity dropped by 4% in 2017 compared to 2016. Direct carbon emissions also declined by 9.1% during 2017, and indirect emissions from our value chain fell by 3.2%.
Understand
Maximising our performance requires us to prioritise and focus on those areas where we have the most control: optimising our production and logistics, our operating costs and our cash conversion.

Evolve
To support the expansion of our beverage portfolio, we are using all resources more efficiently and effectively, while adding new capabilities.

Energise
Our long-term growth is nurtured and energised through investments in new technologies which support new product categories and energy efficiency.

Looking ahead
As we enter a year of strong innovation, we will accelerate our investments in revenue-generating activities and assets.

In 2018, we will continue to optimise our production and logistics, make enhancements to our procurement processes, increase awareness on sustainability issues, and continue minimising the use of packaging materials. We will also extend the implementation of our carbon, water and energy-saving projects.

In addition to the ongoing focus on light-weighting projects for packaging, we will increase the use of recycled PET content. We are currently working on two joint value creation projects with our PET resin suppliers to develop the technology required to achieve this.

Digital solutions supporting efficiency and automation will also continue to be rolled out across the Group. These include pilot programmes, such as an integrated business planning cloud platform to strengthen collaboration in sales and operations and optimise inventories, which was tested in six countries in 2017.

The outcome from PLATO 2.0 will be the roadmap for procurement for the coming years. The streamlining of procurement processes, the simplification of guidelines and the exploitation of digital solutions are the tools we will put in place to reinforce relationships with our suppliers.

Based on the positive feedback received, we will extend our sustainability events and workshops in 2018, with supplier events held in additional countries and new training workshops covering raw materials such as sugar, juices and other ingredients. We also expect to assess the corporate social responsibility systems of at least 200 more suppliers using the third-party platform we implemented in 2017.

We are committed to reaching our 2020 sustainability targets and in 2018 we will critically review them and raise the bar higher, expanding our time horizon. Moreover, as part of the Coca-Cola System we are working with The Coca-Cola Company to achieve the goals set out in the ‘World Without Waste’ System platform, to collect and recover 100% of primary packaging we place in the market.
Reducing our environmental footprint remains a key priority. In 2017, we invested in innovative solutions across our territories to improve energy efficiency.

1. **Biogas from waste water treatment plant used in Istra manufacturing site, Russia**
   After a €35,000 investment, the Istra plant in Russia now burns biogas taken from its waste water treatment process, rather than natural gas. Through this, we expect savings of 181,000 Nm³ of natural gas each year, and 540 tonnes of CO₂. This is the first renewable energy of its kind to be used in our Russian operations. The concept was deployed in our Novosibirsk plant and in 2018 we will implement it in the Oricola plant in Italy.

2. **New cooling system in Kostinbrod plant, Bulgaria**
   We invested €310,000 in a new cooling system in our manufacturing site in Kostinbrod, Bulgaria. We introduced chillers with direct evaporation/heat exchange in the water tanks and now use water instead of mono propylene glycol. This has contributed not only to chemical reduction and a safer environment, but also to 530 MWh of energy savings annually.

3. **Waste heat recovery boilers, Nigeria**
   A €1.4 million investment in waste heat recovery boilers in our Nigerian sites is expected to save over 400 tonnes of carbon emissions each year. The waste heat coming from our generators is converted to steam and used again in the plant. This steam can also be used to create chilled water with vapour absorption chillers (‘VAC’).

4. **Water, energy and CO₂ emissions reduction, Switzerland**
   We are working with the Swiss start-up company Climeworks, which has developed a process for capturing CO₂ from air with the world’s first commercial carbon removal technology. The CO₂ produced by Climeworks causes 66% fewer CO₂ emissions than traditionally produced CO₂. This technology demonstrates our commitment to sustainability and local sourcing. The CO₂ will be used for carbonation of our mineral water Valser Classic in 2018.
Understanding and proactively managing our material issues and principal risks is vital. This is because they have the greatest potential to impact our ability to create and sustain value, which can influence our ability to remain viable over time.

Due to their critical importance, our material issues and principal risks are integrated into our business planning processes and monitored on a regular basis by our Operating Committee and our Board. They offer two complementary lenses for viewing our future course.

One is the risk management lens, which provides insight into future threats and uncertainty, and opportunities for seizing advantage. The other is the material issues lens, which provides a filter for prioritising those environmental, social, economic and financial issues that are critically important to our ability to create value for all of our stakeholders.

In this section, we outline how our material issues and principal risks are identified, managed and reported.
Our material issues are those that matter most to our stakeholders and contribute to our business success. Assessing their importance provides a guide to strategically managing the risks and opportunities they represent.

Engaging stakeholders
We engage with our stakeholders to listen and to understand their insights into the issues that matter most to our communities and our business. This engagement enables our leadership to understand emerging trends and different perspectives, strengthens our relationships and helps us make better business decisions to deliver on our commitments. Our key internal and external stakeholders include investors, employees, customers, suppliers, local communities, NGOs and governments, among others.

Environmental, social, economic and financial issues touch on every aspect of our business. Engaging with stakeholders is, therefore, a cross-functional process that takes place across all of our markets. This is done through co-operation with trade associations, governments, civil organisations and alliances, in various meetings, forums and events.

Once a year, together with The Coca-Cola Company, we invite a selected group of people to a Group stakeholder forum, where we present briefs on two to three material issues and seek input regarding these and our other material issues. Our 2017 stakeholder forum took place in Vienna in November.

Attendees included 25 high-level academics, suppliers, customers and NGO representatives, and discussions centred on the two material issues we presented: health and nutrition and employee engagement and well-being.

Beyond this, we ask more than 460 key stakeholders to provide online feedback every year via our material issues survey. This gives them the opportunity to prioritise our material issues based on their own interests and perception of the value we create.

The survey includes open-ended questions allowing stakeholders to share feedback on anything we may have missed. A similar survey is conducted internally to collect input from our top 300 business leaders, which includes the senior leadership teams in our 28 countries, as well as the regional management teams and the Group top management. The output of these surveys is used to derive our materiality matrix.

In 2017, we continued the standardisation of materiality assessment and stakeholder engagement at the country level, with Russia, Poland and FYROM among the first countries to implement this initiative. The objective is to gauge input from a broad array of stakeholders in a structured way, both at the Group and country level. Local teams use the same standard set of material issues as the Group, and may amend them by adding up to three others which reflect the unique characteristics of their local market, following the endorsement of the local senior leadership.

You can read more about our stakeholder engagement processes in the Governance section of this report and on our website.
MANAGING OUR MATERIAL ISSUES

We continue to regard the 12 material issues identified below as the most relevant and important to our business, and believe they will remain so.

By combining the importance of these issues for stakeholders with the significance of their economic, environmental and social impacts on our business, we derive the relative materiality of each issue. This is shown in the materiality matrix graphic below.

Following the process of prioritising our material issues, our Operating Committee ensures that they are proactively managed within our overall strategic framework.

This includes setting and disclosing targets and metrics to measure progress. Executive compensation is linked to these targets.

We use the Sustainable Development Goals (SDGs) adopted by the United Nations in 2016 as a framework to guide us in creating value for all stakeholders through the proactive management of our material issues.

Our contributions to the specific SDGs below, which we believe are relevant to our business, are noted in the Communities, Consumers, Customers and Efficiencies sections of this report.

You can find more details on our sustainability performance in the GRI Content Index: https://coca-cola-hellenic.com/en/investors/2017-integrated-annual-report/

Materiality matrix

Key
Economic dimension
1. Corporate governance, business ethics and anti-corruption
2. Direct and indirect economic impacts
3. Health and nutrition
4. Product quality and integrity
5. Responsible marketing

Environmental dimension
6. Carbon and energy
7. Packaging, recycling and waste management
8. Sustainable sourcing
9. Water stewardship

Social dimension
10. Community investment and engagement
11. Employee well-being and engagement
12. Human rights and diversity

Significance of economic, social and environmental impacts on our business
EFFECTIVE MANAGEMENT OF RISK

Risk management

Intrinsically linked to materiality is the management of risk. During 2017, we further embedded our enterprise risk management programme into our Company culture. Informed risk-taking allows us to innovate and leverage opportunities for growth across our 28 countries and forms the foundation of our effective risk management strategy. The enterprise risk management programme is led by the Group Chief Risk Officer (CRO) who works in close collaboration with the risk owners in specialised functions on specific business risks.

The Board is ultimately responsible for the Group’s risk management and internal control systems, and for reviewing their effectiveness. The Board has defined the Group’s risk appetite and reviews quarterly the Company’s risk exposure to ensure that material matters and principal risks facing the Company are managed in alignment with our strategic goals and objectives. While oversight responsibility rests with the Audit and Risk Committee (as described in the Governance section of this report), the Board is updated on outcomes and all significant issues.

Collaboration is central to the success of the risk management programme and strong partnerships have been forged across all business functions which actively support the enterprise risk management programme. Successful collaborations in 2017 included:

- an updated Board-endorsed risk management policy;
- Group statements on strategic direction, ethics and values;
- clear business strategies, objectives and principles;
- an annually reviewed enterprise risk management framework that articulates the continuous process for the identification and evaluation of significant risks to the achievement of business objectives;
- programme integration into the business planning cycle;
- continual monitoring of our internal and external environment for factors that may change our risk profile or create opportunities;
- training and awareness programmes across all operations and functions focused on embedding a risk management culture into our DNA and creating informed risk-taking leaders at all levels, which builds the capability to leverage opportunities; and
- the annual evaluation of the type and amount of Group insurance purchased from the market while leveraging our captive insurance entity. This is with reference to the availability of cover and cost measured against the probability and magnitude of the associated risks.

Programme review

The risk management programme is audited annually by the Company’s internal audit department. It measures the programme, its processes and their application against best practice and the International Accounting Standard. The Corporate Audit Director makes recommendations to improve the overall risk management programme with the findings submitted to the Audit and Risk Committee.

Our principal risks

Leveraging our robust risk management programme, we are constantly vigilant to uncertainty in our operating environments. In this way, we proactively identify new opportunities and risks, and understand the threats to our business viability.

This overview of our most important risks, which involves an assessment of the likelihood of occurrence and the potential consequences, does not include all risks that can ultimately affect the Company. There are risks not yet known to us, or currently believed to be immaterial, that could ultimately have an impact on our business or financial performance.

For the current reporting period, we have made three changes to our principal risk categories. Moving off the list is the risk of change management. With our major business transformation projects involving supply chain and information technology effectively implemented, the probability and impact of this risk was further reduced in 2017 and therefore it is no longer evaluated as a principal risk. However, the category will continue to be monitored as part of our strategic risk review processes, which allows for its reclassification if required.

The people and talent risk has transformed into two separate risks due to the differing mitigations: people attraction and people engagement. Elevated to a principal risk is health and safety. While health and safety was always closely monitored as a strategic risk, the elevation to a principal risk emphasises the critical importance of the well-being and safety of our employees and contractors, and the safety of others in the workplace.

With respect to the risk ratings, the principal risks of cyber and discriminatory taxes increased in comparison to 2016 in both likelihood and impact. The foreign currency risk observed a decrease in impact. The risk ratings were influenced by changes experienced in our operational environment.
A solid framework to manage risk

Our enterprise risk management process for the identification, review, management and escalation of both risks and opportunities is based on ISO 31000. In 2017 this process incorporated the following key activities:

- quarterly risk reviews were undertaken by the markets and corporate functions;
- the CRO and his team facilitated 20 of these sessions with senior leaders;
- management actions were reviewed quarterly. In May and November, facilitated regional-level reviews including the Regional Directors, their teams and the CRO were conducted. Stakeholder feedback was provided after these sessions, ensuring a cyclic bottom/up, top/down information loop;
- the Group Risk Forum (GRF), which acts as an internal think tank and is headed by the CRO, convened on a six-monthly basis and evaluated risk trends and the risk environment as part of the preparation of our strategic risk register and list of principal risks;
- the Operating Committee reviewed the findings of the GRF and our risk exposures with the CRO in May and November; and
- on a quarterly basis, the CRO briefed the Audit and Risk Committee on material risks, management actions, and process compliance with the UK Corporate Governance Code.
OUR PRINCIPAL RISKS

1. Consumer health

- Failure to achieve our growth plans
- Damage to our brand and corporate reputation
- Loss of consumer base

Key mitigations:
- Focus on product innovation and expansion to a 24/7 total beverage portfolio
- Expand our range of low- and no-calorie beverages
- Introduce smaller entry packs
- Reduce the calorie content of products in the portfolio
- Clearer labelling on packaging
- Promote active lifestyles through consumer engagement programmes focused on health and wellness

Link to material issues:
- Health and nutrition
- Responsible marketing
- Product quality and integrity

2. Foreign currency

- Foreign exchange exposure arises from changes in exchange rates, as well as currency depreciation in combination with capital controls, restricts movement of funds and increases the risk of asset impairment.

Key mitigations:
- Treasury policy requires the hedging of 25% to 80% of rolling 12-month forecasted transactional exposure
- Hedging beyond 12 months may occur in exceptional cases subject to approval of the Group CFO
- Derivative financial instruments are used, where available, to reduce net exposure to currency fluctuations

Link to material issues:
- Direct and indirect economic impacts

3. Climate, carbon and water

- Failure to meet our stakeholders’ expectations in making a positive contribution to the sustainability agenda, particularly relating to climate change, packaging waste and water usage.

Key mitigations:
- Water stewardship programmes that are reducing our water consumption, our footprint and assuring sustainable end-to-end water (from water sourcing, and using treated waste water for the benefit of our communities, other users and stakeholders)
- Carbon and energy management programmes
- Packaging waste management programmes
- Partnering with NGOs and international NGOs on common issues such as nature conservation
- Partnering with local communities to minimise environmental impact
- Focus on sustainable procurement

Link to material issues:
- Carbon and energy
- Packaging, recycling and waste management
- Sustainable sourcing
- Water stewardship

4. Channel mix

- A continued increase in the concentration of retailers and independent wholesalers on whom we depend to distribute our products. The immediate consumption channel remains under pressure as consumers alter consumption habits.

Key mitigations:
- Continued to increase our presence in the discounter channel during 2017
- Working closely with our customers to identify opportunities for joint value creation
- Right Execution Daily (RED) strategy continues to support our commitment to operational excellence, enabling us to respond to changing customer needs across all channels
<table>
<thead>
<tr>
<th>Principal risks</th>
<th>Description</th>
<th>Potential impact</th>
<th>Key mitigations</th>
<th>Link to material issues</th>
</tr>
</thead>
</table>
| 5. Declining consumer demand        | Challenging and volatile macroeconomic, security and political conditions can affect consumer demand and create security risks across our diverse mix of markets. | • Eroded consumer confidence affecting spending  
• Inflationary pressures  
• Social unrest  
• Safety of people and security of assets | • Seeking to offer the right brand, at the right price, in the right package through the right channel  
• Robust security practices and procedures to protect people and assets  
• Crisis response and business continuity strategies | Direct and indirect economic impacts  
Community investment and engagement |
| 6. Discriminatory taxes             | Regulations on consumer health, government misconceptions relating to formulations and the risk of the targeting of our products by governments and NGOs for discriminatory taxation and packaging waste recovery. | • Reduction in profitability | • Proactively working with governments and regulatory authorities to ensure that the facts relating to formulations are clearly understood and that our products are not singled out unfairly  
• Shaping the sustainability agenda as it relates to packaging and waste recovery  
• Engaging with stakeholders including NGOs and the communities in which we operate on strategies to protect the environment and build consumer trust | Direct and indirect economic impacts |
| 7. Quality                          | The occurrence of quality issues, or the contamination of our products, across our diverse total beverage portfolio. | • Damage to brand and corporate reputation  
• Loss of consumer trust  
• Reduction in volume and net sales revenue | • Stringent quality processes in place to minimise the occurrence of quality issues  
• Early warning systems (Consumer Interaction Centres and social media monitoring) that enable issue identification  
• Robust response processes and systems that enable us to quickly and efficiently deal with quality issues, ensuring customers and consumers retain confidence in our products | Product quality and integrity |
| 8. Regulatory challenges            | Inadvertent non-compliance, by the Company or related third parties, with laws and regulations, that exist across our diverse mix of markets. | • Damage to our corporate reputation  
• Significant financial penalties  
• Management time diverted to resolving legal issues | • Annual ‘tone from the top’ messaging  
• Code of Business Conduct training and awareness  
• Anti-Bribery Policy and commercial compliance training  
• Internal control assurance programme with local management accountability  
• Risk-based internal control framework  
• Whistle-blower hotline  
• Legal function in constant dialogue with regulators | Corporate governance, business ethics and anti-corruption  
Human rights and diversity |
<table>
<thead>
<tr>
<th>Principal risks</th>
<th>Description</th>
<th>Potential impact</th>
<th>Key mitigations</th>
<th>Link to material issues</th>
</tr>
</thead>
</table>
| 9. People attraction    | Inability to attract and retain sufficient numbers of qualified and experienced employees in competitive talent markets. | • Failure to achieve our growth plans                                            | • Upgrade our employer value proposition and employer brand  
• Develop leaders and people for key positions internally  
• Improve leaders' skills and commitment to talent development  
• Create shared value with the communities in which we work to ensure we are seen and considered as an ethical business with an attractive purpose  
• Expand employee pool by hiring a more diverse workforce | Employee well-being and engagement                                                |
| 10. People engagement   | Inability to ensure ongoing engagement and commitment of our workforce.     | • Failure to achieve our growth plans                                            | • Promote operational excellence and remove barriers to performance  
• Listen to our people to measure engagement and address findings  
• Improve well-being of employees  
• Improve leaders’ skills so that they can enable, engage and energise employees sustainably  
• Promote an inclusive environment that allows all employees to realise their full potential | Employee well-being and engagement                                                |
| 11. Cyber               | A cyber-attack or data centre failure resulting in business disruption, or the loss of personal data. | • Financial loss  
• Operational disruption  
• Damage to corporate reputation  
• Non-compliance with statutory data protection legislation | • Monitoring, identifying and addressing cyber threats and suspicious internal computer activity  
• Training on information management and the protection of information  
• Disaster recovery testing and enhanced crisis response capabilities | Direct and indirect economic impacts                                              |
### 12. Strategic stakeholder relationships

**Description:** We rely on our strategic relationships and agreements with The Coca-Cola Company, Monster Energy and our premium spirits partners.

**Potential impact:** • Termination of agreements or unfavourable renewal terms could adversely affect profitability

**Key mitigations:** • Management focus on effective day-to-day interaction with our strategic partners
• Working together as effective partners for growth
• Engagement in joint projects and business planning with a focus on strategic issues
• Participation in ‘top to top’ senior management forums

**Link to material issues:** Direct and indirect economic impacts

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### 13. Health and safety

**Description:** The risk of health and safety issues being ineffectively managed. This incorporates the management of third-party providers, particularly fleet and logistics.

**Potential impact:** • Death or injury of employees, contractors or third parties
• Employee engagement and motivation

**Key mitigations:** • Standardised programmes, policies and legislation applied locally
• Group oversight by the health and safety team
• Health and Safety Board with the clear purpose to accelerate the implementation of the health and safety step-change plan

**Link to material issues:** Employee well-being and engagement

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Principle risk heat map

This heat map illustrates the likelihood and impact of our principal risks. The timeframes for our principal risks are directly linked to our viability statement.
AN EXCEPTIONAL SET OF RESULTS

In 2017, we achieved balanced growth across our business, with a considerable improvement in every line of our income statement, making this an exceptional year in our recent history.

We delivered another year of progress towards our 2020 objectives, and with better momentum. Strong in-market execution, supported by an improving economic environment, resulted in excellent top-line growth and margin expansion in 2017. Here are the highlights:

- good balance of volume and price/mix growth drove net sales revenue up 5.9% on an FX-neutral basis; reported net sales revenue increased by 4.9%;
- FX-neutral revenue per case improved in all segments, up 3.6% overall;
- volume increased by 2.2%, with growth in all segments;
- operating leverage drove a 30 basis-point reduction in comparable operating expenses as a percentage of net sales revenue;
- comparable EBIT margin increased by 120 basis points to 9.5%; and
- comparable EPS increased by 26.9% to €1.233.

Michalis Imellos
Chief Financial Officer
Income statement

Volume grew 2.2% in the year, an acceleration from the marginal expansion of 0.1% in the prior year. We saw a good performance from both sparkling drinks (including Energy) and still drinks, which grew 2.6% and 1.5% respectively. Volume was up 1.1% in the Established segment, up 2.8% in the Developing segment and up 2.7% in the Emerging segment. Strong volume delivery from our medium-sized markets in the Developing and Emerging segments has been an important component of overall volume growth.

Net sales revenue improved by 5.9% on an FX-neutral basis. Reported revenue grew 4.9%, aided by the stronger Russian rouble when compared to the prior year. FX-neutral net sales revenue per case grew in all segments, up 3.6% overall, with positive contributions from price, category and package mix.

Cost of goods sold increased by 4.2% in 2017, compared to the prior year, as a result of volume growth as well as higher input costs, driven mainly by increases in PET resin while the cost of our other main commodities declined year on year.

Ongoing tight cost management, combined with strong revenue growth, delivered a 30 basis-point reduction in comparable operating expenses as a percentage of revenue in a year where we invested to support our revenue growth management initiatives and increased marketing spend.

Comparable operating profit increased by 20.0% in 2017, compared to the prior year, as benefits from our revenue growth management initiatives including price increases, higher sales volume and slightly positive FX impact more than offset higher cost of goods sold and increased operating expenses. Operating profit increased by 16.5% in 2017, compared to the prior year.

Key financial information

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (million unit cases)</td>
<td>2,104</td>
<td>2,058</td>
</tr>
<tr>
<td>Net sales revenue (€ million)</td>
<td>6,522</td>
<td>6,219</td>
</tr>
<tr>
<td>Net sales revenue per unit case (€)</td>
<td>3.10</td>
<td>3.02</td>
</tr>
<tr>
<td>FX-neutral net sales revenue (€ million)</td>
<td>6,522</td>
<td>6,157</td>
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<tr>
<td>FX-neutral net sales revenue per unit case (€)</td>
<td>3.10</td>
<td>2.99</td>
</tr>
<tr>
<td>Operating profit (EBIT) (€ million)</td>
<td>590</td>
<td>506</td>
</tr>
<tr>
<td>Comparable EBIT (€ million)</td>
<td>621</td>
<td>518</td>
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<tr>
<td>EBIT margin (%)</td>
<td>9.0</td>
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<tr>
<td>Comparable EBIT margin (%)</td>
<td>9.5</td>
<td>8.3</td>
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<tr>
<td>Net profit (€ million)</td>
<td>426</td>
<td>344</td>
</tr>
<tr>
<td>Comparable net profit (€ million)</td>
<td>450</td>
<td>352</td>
</tr>
<tr>
<td>Comparable basic earnings per share (€)</td>
<td>1.233</td>
<td>0.972</td>
</tr>
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</table>

Percentage changes are calculated on precise numbers.

Balance sheet

<table>
<thead>
<tr>
<th>2017 € million</th>
<th>2016 € million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>4,345</td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,286</td>
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<tr>
<td>Total assets</td>
<td>6,630</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,896</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>1,722</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,618</td>
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<tr>
<td>Equity</td>
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</tr>
<tr>
<td>Owners of the parent</td>
<td>3,007</td>
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<tr>
<td>Non-controlling interests</td>
<td>5</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,012</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>6,630</td>
</tr>
</tbody>
</table>

Figures are rounded.
Financiális megfigyelések folytatása

Net finance costs declined by €26 million during 2017, compared to the prior year, mainly driven by the issuance of the €600 million bond in March 2016 and the repayment in November 2016 of the 4.25% fixed rate bond, that had resulted in higher interest costs in 2016, as well as the lower effective interest rate of the new bond.

On a comparable basis, the effective tax rate was 24.5% for 2017 and 24.8% for 2016. On a reported basis, the effective tax rate was fairly stable at 24.5% and 24.9% for 2017 and 2016 respectively. The Group’s effective tax rate varies depending on the mix of taxable profits by territory, the non-deductibility of certain expenses, non-taxable income and other one-off tax items across its territories.

Comparable net profit increased by 27.7% and net profit by 24.0% in 2017 compared to the prior year, mainly driven by higher operating profitability and lower net finance costs, only partially offset by increased taxes.

Dividend

In view of the Group’s progressive dividend policy and the Board’s assessment of progress against the Group’s strategy, the Board of Directors has proposed a dividend of €0.54 per share. This is a 22.7% increase from €0.44 per share for 2016. The dividend payment will be subject to, among other things, shareholders’ approval at our Annual General Meeting.

Cash flow

Net cash from operating activities increased by 5.3% in 2017 compared to the prior year, as increased operating profitability was only partially offset by taxes paid.

Capital expenditure, net of receipts from the disposal of assets and including principal repayments of finance lease obligations, increased by 13.7% in 2017 compared to the prior year and represented 5.8% of net sales revenue, up from 5.3% in 2016.

We generated €426 million of free cash flow, compared to €431 million in 2016, despite increasing capital expenditure.

Balance sheet

Total non-current assets decreased by €159 million in 2017, mainly due to the impact of foreign currency translation. Net current assets increased by €296 million in 2017, driven mainly by the cash and cash equivalents generated by the Group in the year.

Financial risk management

Given the volatility in currency and commodity markets, proactively managing financial risks was critical throughout the year. We experienced certain adverse currency impacts due to our foreign currency exposures arising from changes in exchange rates between the euro, the US dollar and the currencies of our non-euro countries. In 2017, unusually for our business, we incurred an overall positive impact of €8 million at operating profit level, mainly due to the stronger Russian rouble, which more than offset the impact arising from other depreciating currencies.

We actively hedge transaction exposures in each foreign currency with an available active hedging market on a rolling 12-month basis. The Nigerian naira experienced double-digit depreciation against the euro in 2017. We mitigated a significant part of the impact of this depreciation by pre-buying certain key raw materials at the beginning of the year. On the other hand, the Russian rouble significantly appreciated versus 2016 against both euro and US dollar. The significant appreciation of the Russian rouble, the depreciating Nigerian naira and minor impacts from various other currencies resulted in a €4 million positive transaction impact to our P&L. With an additional €4 million positive impact from translation, the total impact of currencies on our P&L was €8 million in the year.

We had contracted EU sugar prices at favourable levels at the end of 2015, which proved successful. PET resin prices did increase, as expected, but careful management and certain well-timed pre-buys by our procurement team ensured that we secured better pricing compared to our plans. Overall, input cost per case on an FX-neutral basis was up by 3.1% year on year.

Our general policy is to retain a minimum amount of liquidity reserves in the form of cash and cash equivalents on our balance sheet while maintaining liquidity potential in the form of an unused committed €500 million revolving credit facility. We invest our excess cash at Group level primarily in short-term time deposits.

<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th>€ million</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments for purchases of property, plant and equipment</td>
<td>(410)</td>
<td>(348)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>39</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Principal repayments of finance lease obligations</td>
<td>(7)</td>
<td>(20)</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>426</td>
<td>431</td>
<td></td>
</tr>
</tbody>
</table>

Figures are rounded.
In principle, we do not keep excess cash in any of our countries except for the ones with various degrees of capital controls. We have a multi-currency zero balance automated pool structure in place for 15 of our countries. Fund transfer restrictions exist in Belarus, Greece, Serbia and Ukraine, but these restrictions do not have a material impact on our liquidity, as the amount of cash and cash equivalents we hold in these countries is generally retained for capital expenditure, working capital and dividend distribution purposes. Fund transfer restrictions also exist in Nigeria and the tight liquidity in the local foreign exchange market in 2016 and the start of 2017 significantly limited our ability to execute payments in foreign currency during that period. Foreign currency liquidity has improved considerably since the second quarter of 2017.

**Borrowings**

Our medium- to long-term aim is to maintain a ratio of net debt to comparable EBITDA in the range of 1.5 to 2.0 times. We ended the year with a ratio of 0.8 times. Our funding strategy in the debt capital markets involves raising financing through our wholly owned Dutch financing subsidiary, Coca-Cola HBC Finance B.V., except in the case of subsidiaries with joint control, or countries where certain legal or tax restrictions apply. In such cases, financing at lower levels in the organisation may be considered.

We use our €3 billion Euro Medium Term Note programme and our €1 billion Euro Commercial Paper programme as the main basis for our financing.

**Looking ahead**

Given the improving economic conditions in our territory, we expect volume to continue to grow in all three segments, with the Emerging markets segment accelerating, as Russia and Nigeria return to volume growth.

Our revenue growth management initiatives, which are designed to grow revenue faster than volume, have gained momentum and should continue to enhance the value we get from every case we sell. We also intend to continue with pricing actions in markets impacted by foreign currency depreciation and markets where deflationary pressures are abating. We expect our plans to continue to improve FX-neutral net sales revenue per case in the year.

On the cost side, we expect our input costs per case to increase by low single digits on an FX-neutral basis and further reduction in operating expenses as a percentage of net sales revenue in the year.

In summary, we have started the year excited about our plans for product innovation and the work we are doing in route to market and in-store execution. We expect the combination of volume growth, price/mix improvement and cost control to deliver FX-neutral revenue growth and margin expansion in the year.

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**Tax contribution by category**

- **Corporate income tax:** 42.6%
- **Withholding tax:** 1.7%
- **Payroll taxes:** 46.6%
- **VAT (cost):** 1.3%
- **Environmental taxes:** 0.2%
- **Other taxes:** 7.6%

**Taxes we contribute to our communities**

Coca-Cola HBC commits to a transparent approach to tax, and will continue paying taxes in the countries where value is created, driving a well-balanced redemption profile.

In early 2016, we issued a €600 million bond, repayable in November 2024, at an effective interest rate of 2.99%. This was utilised mainly in the refinancing of the €600 million bond maturing in November 2016. Our €800 million bond, with June 2020 maturity, is still outstanding.

We also have a €500 million syndicated revolving credit facility, which was extended until 24 June 2021. We have never drawn down on this facility, which can be used for general corporate purposes and carries a floating interest rate over EURIBOR and LIBOR.

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**Bonds issued:** 1,394

**Commercial paper:** 120

**Finance leases:** 74

**Other:** 39
BROAD-BASED GROWTH IN OUR DIVERSE GEOGRAPHIES

Established markets

“We are focusing on innovation and value in the Established markets segment, with a number of initiatives supporting Lights and Adult drinks. Therefore seeing Coca-Cola Zero up by 14% and Schweppes up by 10% in this segment is very encouraging.”

Sotiris Yannopoulos
Region Director

Volume vs 2016
+1.1%

FX-neutral net sales revenue per case vs 2016
+0.7%

Developing markets

“Developing markets grew very well in the year, showing an acceleration in the second half, mainly due to a better volume performance in Poland. Hungary and the Czech Republic grew faster compared to 2016, helped by their favourable economies and good summer weather.”

Keith Sanders
Region Director

Volume vs 2016
+2.8%

FX-neutral net sales revenue per case vs 2016
+2.7%

Emerging markets

“We are pleased to see good momentum in our medium-sized Emerging segment countries, while Nigeria and Russia produced flattish results in a challenging operating environment.

"With slightly favourable currency rates in the year, the profitability of the segment improved, delivering 300 basis points of comparable operating margin expansion."

Naya Kalogeraki
Group Chief Customer and Commercial Officer

Volume vs 2016
+2.7%

FX-neutral net sales revenue per case vs 2016
+6.9%
We achieved broad-based revenue growth in all of our segments with a good balance between volume and price/mix growth, despite facing a challenging operating environment in Nigeria and Russia.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong> (million unit cases)</td>
<td>613</td>
<td>607</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>Net sales revenue</strong> (€ million)</td>
<td>2,436</td>
<td>2,408</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Operating profit (EBIT)</strong> (€ million)</td>
<td>238</td>
<td>237</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Comparable EBIT</strong> (€ million)</td>
<td>250</td>
<td>242</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Total taxes</strong> (€ million)</td>
<td>130</td>
<td>121</td>
<td>7.6%</td>
</tr>
<tr>
<td><strong>Population</strong> (million)</td>
<td>91.2</td>
<td>90.9</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>GDP per capita</strong> (US$)</td>
<td>37,854</td>
<td>36,565</td>
<td>3.5%</td>
</tr>
<tr>
<td><strong>Bottling plants</strong> (number)</td>
<td>13</td>
<td>13</td>
<td>–</td>
</tr>
<tr>
<td><strong>Employees</strong> (number)</td>
<td>6,530</td>
<td>6,744</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Water footprint</strong> (billion litres)</td>
<td>5.0</td>
<td>5.5</td>
<td>-9.4%</td>
</tr>
<tr>
<td><strong>Carbon emissions</strong> (tonnes)</td>
<td>99,812</td>
<td>114,329</td>
<td>-12.7%</td>
</tr>
<tr>
<td><strong>Safety rate</strong> (lost time accidents &gt;1 day per 100 employees)</td>
<td>0.93</td>
<td>0.94</td>
<td>-0.7%</td>
</tr>
</tbody>
</table>

1. Total taxes include corporate income tax, withholding tax, and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.

Volume breakdown by country

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong> (million unit cases)</td>
<td>394</td>
<td>383</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>Net sales revenue</strong> (€ million)</td>
<td>1,173</td>
<td>1,094</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Operating profit (EBIT)</strong> (€ million)</td>
<td>92</td>
<td>93</td>
<td>-1.4%</td>
</tr>
<tr>
<td><strong>Comparable EBIT</strong> (€ million)</td>
<td>92</td>
<td>97</td>
<td>-4.9%</td>
</tr>
<tr>
<td><strong>Total taxes</strong> (€ million)</td>
<td>54</td>
<td>54</td>
<td>–</td>
</tr>
<tr>
<td><strong>Population</strong> (million)</td>
<td>76.1</td>
<td>76.2</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>GDP per capita</strong> (US$)</td>
<td>15,117</td>
<td>14,020</td>
<td>7.8%</td>
</tr>
<tr>
<td><strong>Bottling plants</strong> (number)</td>
<td>8</td>
<td>8</td>
<td>–</td>
</tr>
<tr>
<td><strong>Employees</strong> (number)</td>
<td>4,747</td>
<td>4,980</td>
<td>-5%</td>
</tr>
<tr>
<td><strong>Water footprint</strong> (billion litres)</td>
<td>2.6</td>
<td>2.5*</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Carbon emissions</strong> (tonnes)</td>
<td>78,630</td>
<td>84,498</td>
<td>-7.2%</td>
</tr>
<tr>
<td><strong>Safety rate</strong> (lost time accidents &gt;1 day per 100 employees)</td>
<td>0.36</td>
<td>0.66</td>
<td>-54%</td>
</tr>
</tbody>
</table>

1. Total taxes include corporate income tax, withholding tax, and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.

Volume breakdown by country

<table>
<thead>
<tr>
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<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong> (million unit cases)</td>
<td>1,097</td>
<td>1,068</td>
<td>2.7%</td>
</tr>
<tr>
<td><strong>Net sales revenue</strong> (€ million)</td>
<td>2,912</td>
<td>2,717</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Operating profit (EBIT)</strong> (€ million)</td>
<td>260</td>
<td>177</td>
<td>47.2%</td>
</tr>
<tr>
<td><strong>Comparable EBIT</strong> (€ million)</td>
<td>278</td>
<td>178</td>
<td>56.3%</td>
</tr>
<tr>
<td><strong>Total taxes</strong> (€ million)</td>
<td>129</td>
<td>106</td>
<td>20.9%</td>
</tr>
<tr>
<td><strong>Population</strong> (million)</td>
<td>432.6</td>
<td>427.8</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>GDP per capita</strong> (US$)</td>
<td>5,502</td>
<td>5,055</td>
<td>8.8%</td>
</tr>
<tr>
<td><strong>Bottling plants</strong> (number)</td>
<td>34</td>
<td>34</td>
<td>–</td>
</tr>
<tr>
<td><strong>Employees</strong> (number)</td>
<td>18,150</td>
<td>19,359</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>Water footprint</strong> (billion litres)</td>
<td>10.2</td>
<td>10.1*</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Carbon emissions</strong> (tonnes)</td>
<td>368,144</td>
<td>383,604</td>
<td>-4.4%</td>
</tr>
<tr>
<td><strong>Safety rate</strong> (lost time accidents &gt;1 day per 100 employees)</td>
<td>0.26</td>
<td>0.24</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

1. Total taxes include corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.

* In 2017 we verified our methodology for water footprint, restating 2016.

Figures are rounded.
Percentage changes are calculated on precise numbers.
**Business model and prospects**

Our business model and strategy, as outlined on pages 18-21 of this report, constitute the key factors underpinning the understanding and evaluation of our prospects, which are our:

- strong sales and execution capabilities;
- attractive geographic diversity;
- market leadership;
- global brands; and
- diverse beverage portfolio.

Our strategy is being adapted over time in order to sustainably create value for our shareholders, suppliers, employees, and the customers and communities we serve. The Group’s business model has proven to be effective and resilient even during the recent challenging market conditions. Our Board has historically applied a prudent approach to the Group’s decisions relating to major projects and investments. From 2013 to 2017, we generated free cash flow of an average of €403 million per year. The Board considers that our diverse geographic footprint, including exposure to emerging markets with low per capita consumption, and our proven strategy in combination with our leading market position, offer significant opportunities for future growth.

**The business planning process, key assumptions and viability period**

The Board believes that a viability period of five years is the most appropriate as it aligns with the Group’s strategic business planning cycle and is also consistent with the potential impact of principal risks as disclosed on pages 58-63, the Group’s debt profile and our impairment review process, where goodwill and indefinite-lived intangible assets are tested based on five-year forecasts.

**Assessment of viability**

From a qualitative perspective, we analysed the output of the enterprise risk management, business planning and liquidity management internal processes, to ensure that the risks to the Group’s viability are understood and managed. The Board has concluded that the Group’s processes continue to provide a comprehensive framework that effectively supports the operational and strategic objectives of the Group and provides a robust basis for assessment and confirmation of the Company’s ability to continue in operation and meet its obligations as they fall due over the period of assessment. Supporting the qualitative assessment was a quantitative analysis performed through the strategic business plan including, but not limited to, the Group’s ability to generate cash. We have continued to stress test the plan against several severe but plausible downside scenarios linked to certain principal risks as follows:

**Scenario 1:** the impact of changes to foreign exchange rates was considered, particularly the depreciation of key currencies – principal risk: foreign exchange

**Scenario 2:** lower estimates for sales volumes were assessed – principal risk: declining consumer demand

**Scenario 3:** lower estimates for sales revenue for reasons other than volume decline are considered – principal risk: channel mix

**Scenario 4:** the impact of higher raw material costs was also considered.

The above scenarios were tested in isolation as well as in combination and our stress testing showed that due to the stable cash generation of our business, the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts by making adjustments, if required, to its operating plans within the normal course of business. Following the above, as well as carrying out a robust assessment of the Group’s risks that could threaten our business model, future performance, solvency or liquidity, the Board has concluded that the Group is well positioned to effectively manage its financial, operational and strategic risks.

**Viability Statement**

Based on our assessment of prospects and viability as outlined above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue operating and meet its liabilities as they fall due over the five-year period ending 31 December 2022.

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