



## **Coca-Cola HBC AG Publishes 2017 integrated annual report “UNDERSTAND, EVOLVE, ENERGISE”**

**Zug, Switzerland – 16 March 2018** - Coca-Cola HBC AG today published its 2017 Integrated Annual Report, “Understand, Evolve, Energise”. This highlights progress made on all aspects of business, governance and sustainability performance during 2017.

Zoran Bogdanovic, CEO, Coca-Cola HBC, said: “2017 was a busy and exciting year for us as we continued to evolve our business, our product portfolio and market execution in ways that meet changing consumer and customer needs and preferences. We are energised by our position and our excellent progress to date against our strategy, which leaves us confident for the year ahead.”

You can find our 2017 Integrated Annual Report, here <http://www.coca-colahellenic.com/investorrelations/annualreports>

The report also provides an update on progress towards our 2020 sustainability targets, as highlighted in Zoran Bogdanovic’s article, which can be viewed here: <https://coca-colahellenic.com/en/media/news/building-sustainability-into-our-business-for-the-long-term/>

A copy of the Annual Report will be submitted to the National Storage Mechanism and will be shortly available for inspection at: [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm)

Printed copies of the Annual Report will be available from 9 April 2018 and can be requested by shareholders, free of charge, at <http://coca-colahellenic.com/en/investors/order-a-report/>

The information in the Group’s preliminary results announcement released on 14 February 2018, together with the information set out in the Appendix to this announcement, which is extracted from the Annual Report, constitutes the material required by the Disclosure Guidance and Transparency Rules (DTR 6.3.5R) to be communicated to the media in unedited full text through a Regulatory Information Service. Page numbers and notes to the accounts mentioned in the extracts from the Annual Report, refer to page numbers and notes to the accounts in the Annual Report. Terms used, but not otherwise defined in this announcement, have the meanings given to them in the Annual Report. This material is not a substitute for reading the Annual Report in its entirety.

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## APPENDIX

### 1. Principal risks and uncertainties

The principal risks and uncertainties relating to the Company are as set out in the “Effective management of risk” section of the Annual Report, pages 58 to 63.

The following is extracted in full and unedited text from the Annual Report and is repeated here solely for the purpose of complying with DTR 6.3.5R.

#### 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 emphasizes 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.

Principal risks	Description	Potential impact	Key mitigations	Link to material issues	Risk Status
<b>1. Consumer health</b>	Failure to adapt to changing consumer health trends and address misconceptions about our formulations and the health impact of soft drinks..	<ul style="list-style-type: none"> <li>- Failure to achieve our growth plans</li> <li>- Damage to our brand and corporate reputation</li> <li>- Loss of consumer base</li> </ul>	<ul style="list-style-type: none"> <li>- Focus on product innovation and expansion to a 24/7 total beverage portfolio</li> <li>- Expand our range of low- and no-calorie beverages</li> <li>- Introduce smaller entry packs</li> <li>- Reduce the calorie content of products in the portfolio</li> <li>- Clearer labelling on packaging</li> <li>- Promote active lifestyles through consumer engagement programmes focused on health and wellness</li> </ul>	<ul style="list-style-type: none"> <li>Health and nutrition</li> <li>Responsible marketing</li> <li>Product quality and integrity</li> </ul>	Stable
<b>2. Foreign currency</b>	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.	<ul style="list-style-type: none"> <li>- Financial loss</li> <li>- Asset impairment</li> <li>- Limitations on cash repatriation</li> </ul>	<ul style="list-style-type: none"> <li>- Treasury policy requires the hedging of 25% to 80% of rolling 12-month forecasted transactional exposure</li> <li>- Hedging beyond 12 months may occur in exceptional cases subject to approval of the Group CFO</li> <li>- Derivative financial instruments are used, where available, to reduce net exposure to currency fluctuations</li> </ul>	Direct and indirect economic impacts	Decreasing
<b>3. Climate, carbon and water</b>	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.	<ul style="list-style-type: none"> <li>- Long-term damage to our corporate reputation</li> <li>- Less influence in shaping the citizenship and sustainability agenda</li> <li>- Reduced profitability</li> </ul>	<ul style="list-style-type: none"> <li>- 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)</li> <li>- Carbon and energy management programmes</li> <li>- Packaging waste management programmes</li> <li>- Partnering with NGOs and international NGOs on common issues such as nature conservation</li> <li>- Partnering with local communities to minimise environmental impact</li> <li>- Focus on sustainable procurement</li> </ul>	<ul style="list-style-type: none"> <li>Carbon and energy</li> <li>Packaging, recycling and waste management</li> <li>Sustainable sourcing</li> <li>Water stewardship</li> </ul>	Stable
<b>4. Channel mix</b>	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.	<ul style="list-style-type: none"> <li>- Reduced profitability</li> </ul>	<ul style="list-style-type: none"> <li>- Continued to increase our presence in the discounter channel during 2017</li> <li>- Working closely with our customers to identify opportunities for joint value creation</li> <li>- Right Execution Daily (RED) strategy continues to support our commitment to operational excellence, enabling us to respond to changing customer needs across all channels</li> </ul>	Direct and indirect economic impacts	Stable

Principal risks	Description	Potential impact	Key mitigations	Link to material issues	Risk Status
<b>5. Declining consumer demand</b>	Challenging and volatile macroeconomic, security and political conditions can affect consumer demand and create security risks across our diverse mix of markets.	<ul style="list-style-type: none"> <li>- Eroded consumer confidence affecting spending</li> <li>- Inflationary pressures</li> <li>- Social unrest</li> <li>- Safety of people and security of assets</li> </ul>	<ul style="list-style-type: none"> <li>- Seeking to offer the right brand, at the right price, in the right package through the right channel</li> <li>- Robust security practices and procedures to protect people and assets</li> <li>- Crisis response and business continuity strategies</li> </ul>	<p>Direct and indirect economic impacts</p> <p>Community investment and engagement</p>	Stable
<b>6. Discriminatory taxes</b>	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.	<ul style="list-style-type: none"> <li>- Reduction in profitability</li> </ul>	<ul style="list-style-type: none"> <li>- 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</li> <li>- Shaping the sustainability agenda as it relates to packaging and waste recovery</li> <li>- Engaging with stakeholders including NGOs and the communities in which we operate on strategies to protect the environment and build consumer trust</li> </ul>	<p>Direct and indirect economic impacts</p>	Increasing
<b>7. Quality</b>	The occurrence of quality issues, or the contamination of our products, across our diverse total beverage portfolio.	<ul style="list-style-type: none"> <li>- Damage to brand and corporate reputation</li> <li>- Loss of consumer trust</li> <li>- Reduction in volume and net sales revenue</li> </ul>	<ul style="list-style-type: none"> <li>- Stringent quality processes in place to minimise the occurrence of quality issues</li> <li>- Early warning systems (Consumer Interaction Centres and social media monitoring) that enable issue identification</li> <li>- 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</li> </ul>	<p>Product quality and integrity</p>	Stable
<b>8. Regulatory challenges</b>	Inadvertent non-compliance, by the Company or related third parties, with laws and regulations, that exist across our diverse mix of markets.	<ul style="list-style-type: none"> <li>- Damage to our corporate reputation</li> <li>- Significant financial penalties</li> <li>- Management time diverted to resolving legal issues</li> </ul>	<ul style="list-style-type: none"> <li>- Annual 'tone from the top' messaging</li> <li>- Code of Business Conduct training and awareness</li> <li>- Anti-Bribery Policy and commercial compliance training</li> <li>- Internal control assurance programme with local management accountability</li> <li>- Risk-based internal control framework</li> <li>- Whistle-blower hotline</li> <li>- Legal function in constant dialogue with regulators</li> </ul>	<p>Corporate governance, business ethics and anti-corruption</p> <p>Human rights and diversity</p>	Stable

Principal risks	Description	Potential impact	Key mitigations	Link to material issues	Risk Status
<b>9. People attraction</b>	Inability to attract and retain sufficient numbers of qualified and experienced employees in competitive talent markets.	- Failure to achieve our growth plans	<ul style="list-style-type: none"> <li>- Upgrade our employer value proposition and employer brand</li> <li>- Develop leaders and people for key positions internally</li> <li>- Improve leaders' skills and commitment to talent development</li> <li>- 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</li> <li>- Expand employee pool by hiring a more diverse workforce</li> </ul>	Employee well-being and engagement	Stable
<b>10. People engagement</b>	Inability to ensure ongoing engagement and commitment of our workforce.	- Failure to achieve our growth plans	<ul style="list-style-type: none"> <li>- Promote operational excellence and remove barriers to performance</li> <li>- Listen to our people to measure engagement and address findings</li> <li>- Improve well-being of employees</li> <li>- Improve leaders' skills so that they can enable, engage and energise employees sustainably</li> <li>- Promote an inclusive environment that allows all employees to realise their full potential</li> </ul>	Employee well-being and engagement	Stable
<b>11. Cyber</b>	A cyber-attack or data centre failure resulting in business disruption, or the loss of personal data.	<ul style="list-style-type: none"> <li>- Financial loss</li> <li>- Operational disruption</li> <li>- Damage to corporate reputation</li> <li>- Non-compliance with statutory data protection legislation</li> </ul>	<ul style="list-style-type: none"> <li>- Monitoring, identifying and addressing cyber threats and suspicious internal computer activity</li> <li>- Training on information management and the protection of information</li> <li>- Disaster recovery testing and enhanced crisis response capabilities</li> </ul>	Direct and indirect economic impacts	Increasing
<b>12. Strategic stakeholder relationships</b>	We rely on our strategic relationships and agreements with The Coca-Cola Company, Monster Energy and our premium spirits partners.	- Termination of agreements or unfavourable renewal terms could adversely affect profitability	<ul style="list-style-type: none"> <li>- Management focus on effective day-to-day interaction with our strategic partners</li> <li>- Working together as effective partners for growth</li> <li>- Engagement in joint projects and business planning with a focus on strategic issues</li> <li>- Participation in 'top to top' senior management forums</li> </ul>	Direct and indirect economic impacts	Stable
<b>13. Health and safety</b>	The risk of health and safety issues being ineffectively managed. This incorporates the management of third-party providers, particularly fleet and logistics.  Not linked to viability	<ul style="list-style-type: none"> <li>- Death or injury of employees, contractors or third parties</li> <li>- Employee engagement and motivation</li> </ul>	<ul style="list-style-type: none"> <li>- Standardised programmes, policies and legislation applied locally</li> <li>- Group oversight by the health and safety team</li> <li>- Health and Safety Board with the clear purpose to accelerate the implementation of the health and safety step-change plan</li> </ul>	Employee well-being and engagement	Stable

## **2. Directors' responsibility statement**

The following statement relates to and is extracted from the Annual Report, page 126. It is repeated here solely for the purpose of complying with DTR 6.3.5R. It is not connected to the extracted information presented in this announcement or in the Company's results announcement published on 14 February 2018.

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report, including the consolidated financial statements, and the Corporate Governance Report including the Remuneration Report and the Strategic Report, in accordance with applicable law and regulations.

The Directors, whose names and functions are set out on pages 72 to 75, confirm to the best of their knowledge that:

- (a) The Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- (b) The consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation of the Group taken as a whole.
- (c) The Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated Coca-Cola HBC Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

The activities of the Group, together with the factors likely to affect its future development, performance, financial position, cash flows, liquidity position and borrowing facilities are described in the Strategic Report (pages 1 to 70). In addition, Notes 23 'Financial risk management and financial instruments', 24 'Net debt' and 25 'Equity' include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different countries. The Directors have also assessed the principal risks and the other matters discussed in connection with the Viability Statement on page 70. The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements and have not identified any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of these financial statements.

By order of the Board

Anastassis G. David

Chairman of the Board

16 March 2018

**About Coca-Cola HBC**

Coca-Cola HBC is a leading bottler of The Coca-Cola Company with a sales volume of more than 2 billion unit cases. It has a broad geographic footprint with operations in 28 countries serving a population of approximately 600 million people. Coca-Cola HBC offers a diverse range of non-alcoholic ready to drink beverages in the sparkling, juice, water, sport, energy, tea and coffee categories. Coca-Cola HBC is committed to promoting sustainable development in order to create value for its business and for society. This includes providing products that meet the beverage needs of consumers, fostering an open and inclusive work environment, conducting its business in ways that protect and preserve the environment and contribute to the socio-economic development of the local communities. Coca-Cola HBC is ranked beverage industry leader in the Dow Jones Sustainability World and Europe Indices, and is also included in the FTSE4Good Index.

Coca-Cola HBC has a premium listing on the London Stock Exchange (LSE: CCH) and its shares are listed on the Athens Exchange (ATHEX: EEE). For more information, please visit <http://www.coca-colahellenic.com>.