STRONG VOLUME GROWTH DELIVERS GOOD RESULTS

Coca-Cola HBC AG, a leading bottler of The Coca-Cola Company, reports its financial results for the six months ended 29 June 2018.

Half-year highlights

- Strong revenue growth, 6.4% in the first half on an FX-neutral basis; acceleration in the second quarter, supported by new product launches, good weather and the FIFA World Cup
- FX-neutral revenue per case increased by 1.8%, delivered through pricing, as well as continued improvements in category and package mix in all three segments
- Volume accelerated in the second quarter, resulting in 4.6% growth in the first half. Sparkling beverages volume was particularly strong, also up by 4.6%
  - Established markets volume increased by 0.9%, with good performances in Greece and Ireland
  - Strong growth in the Developing markets continues, with volume up 8.9%, led by Poland and Hungary
  - Emerging markets delivered 5.1% volume growth, supported by a return to growth in Nigeria and Russia in the second quarter
- Revenue growth, coupled with cost control, resulted in a 60 basis point improvement in comparable operating expenses as percentage of net sales revenue
- Comparable operating profit margin increased by 60 basis points to 9.6%, notwithstanding a 30 basis point increase in marketing investments to support product launches and FIFA world cup activations; operating profit margin increased by 110 basis points to 9.4%
- Comparable earnings per share was €0.603 - a 4.7% increase on the prior-year period; basic earnings per share was €0.590 - a 12.2% increase

	Half-Year		Change
	2018	**2017**	
Volume (m unit cases)	**1,067.4**	1,020.9	4.6%
Net sales revenue (€ m)	**3,228.3**	3,213.4	0.5%
Net sales revenue per unit case (€)	**3.02**	3.15	-3.9%
FX-neutral net sales revenue[1] (€ m)	**3,228.3**	3,033.2	6.4%
FX-neutral net sales revenue per unit case[1] (€)	**3.02**	2.97	1.8%
Operating expenses / Net sales revenue (%)	**28.1**	29.1	-90bps
Comparable operating expenses / Net sales revenue (%)	**28.0**	28.6	-60bps
Operating profit (EBIT)[2] (€ m)	**303.9**	266.4	14.1%
Comparable EBIT[1] (€ m)	**310.5**	291.1	6.7%
EBIT margin (%)	**9.4**	8.3	110bps
Comparable EBIT margin[1] (%)	**9.6**	9.1	60bps
Net profit[3] (€ m)	**216.9**	191.6	13.2%
Comparable net profit[1,3] (€ m)	**221.7**	209.6	5.8%
Basic earnings per share (EPS) (€)	**0.590**	0.526	12.2%
Comparable EPS[1] (€)	**0.603**	0.576	4.7%
Free cash flow[1] (€)	**126.8**	95.1	33.3%

[1]For details on APMs refer to 'Alternative Performance Measures' and 'Definitions and reconciliations of APMs' sections.
[2] Refer to the condensed consolidated income statement.
[3]Net Profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent.

Zoran Bogdanovic, Chief Executive Officer of Coca-Cola HBC AG, commented:

"The evolution of our portfolio is gathering pace and gaining traction with customers across our markets. We have delivered a strong set of results as product launches and tailored commercial activation enabled us to capitalise on favourable market conditions and the FIFA World Cup. Revenue growth was excellent driven by both volume and price/mix improvements across all three of our geographic segments. Margins continue to improve as we keep our focus on driving top-line growth and cost control.

"We continue to make good progress against the 2020 targets and expect to deliver another year of revenue growth and improvement in margins."

Coca-Cola HBC Group

Coca-Cola HBC is a leading bottler of The Coca-Cola Company with an annual 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 primarily 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.

Financial information in this announcement is presented on the basis of International Financial Reporting Standards ('IFRS').

Conference call

Coca-Cola HBC will host a conference call for financial analysts and investors to discuss the 2018 half-year financial results on 9 August 2018 at 13:30 pm, Swiss time (12:30 pm London, 14:30 pm Athens, and 7:30 am New York time). Interested parties can access the live, audio webcast of the call through Coca-Cola HBC's website (http://coca-colahellenic.com/en/investors/).

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Special Note Regarding the Information set out herein

Unless otherwise indicated, the condensed consolidated interim financial statements and the financial and operating data or other information included herein relate to Coca-Cola HBC AG and its subsidiaries ("Coca-Cola HBC" or the "Company" or "we" or the "Group").

Forward-Looking Statements

This document contains forward-looking statements that involve risks and uncertainties. These statements may generally, but not always, be identified by the use of words such as "believe", "outlook", "guidance", "intend", "expect", "anticipate", "plan", "target" and similar expressions to identify forward-looking statements. All statements other than statements of historical facts, including, among others, statements regarding our future financial position and results, our outlook for 2018 and future years, business strategy and the effects of the global economic slowdown, the impact of the sovereign debt crisis, currency volatility, our recent acquisitions, and restructuring initiatives on our business and financial condition, our future dealings with The Coca-Cola Company, budgets, projected levels of consumption and production, projected raw material and other costs, estimates of capital expenditure, free cash flow, effective tax rates and plans and objectives of management for future operations, are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they reflect our current expectations and assumptions as to future events and circumstances that may not prove accurate. Our actual results and events could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in the 2017 Integrated Annual Report for Coca-Cola HBC AG and its subsidiaries.

Although we believe that, as of the date of this document, the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we, nor our directors, employees, advisors nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. After the date of the condensed consolidated interim financial statements included in this document, unless we are required by law or the rules of the UK Financial Conduct Authority to update these forward-looking statements, we will not necessarily update any of these forward-looking statements to conform them either to actual results or to changes in our expectations.

Alternative Performance Measures

The Group uses certain Alternative Performance Measures ("APMs") in making financial, operating and planning decisions as well as in evaluating and reporting its performance. These APMs provide additional insights and understanding to the Group's underlying operating and financial performance, financial condition and cash flow. The APMs should be read in conjunction with and do not replace by any means the directly reconcilable IFRS line items. For more details on APMs please refer to 'Definitions and reconciliations of APMs' section.

Group Operational Review

We delivered a strong revenue performance in the first half. Effective commercial initiatives and new product launches enabled us to take advantage of the favourable backdrop presented by good weather and the FIFA World Cup. Volume growth accelerated in the second quarter, driving revenue growth in the first half to 6.4% on an FX-neutral basis. FX-neutral revenue growth was particularly strong in the Developing markets as well as in the Emerging markets, where volumes returned to growth in Nigeria and Russia. Despite the resumption of currency depreciation in our Emerging markets, we achieved revenue growth of 0.5% on a reported basis.

Input costs were marginally lower on an FX-neutral and per case basis compared to the prior-year period, and foreign exchange movements were a moderate headwind in line with our expectations. The operating leverage in the business drove a 60 basis point improvement in comparable operating expenses as a percentage of revenue. We are pleased to report a 60 basis point expansion in comparable operating margin to 9.6% during a period when we increased marketing investments by 30 basis points to support the evolution of our product portfolio and our FIFA World Cup activations.

Volume performance by segment

Volume in the first half of the year grew by 4.6%, with growth across all three segments.

The Established segment grew by 0.9%, with Greece, Ireland and Austria performing well, while Italy and Switzerland declined marginally. The Developing segment grew by 8.9%, with increases in all categories apart from Ready-to-drink Tea (RTD Tea). Poland, Hungary and Croatia were the best performers in the segment. The Emerging segment grew by 5.1%, with flattish performance in the first quarter followed by a 9.1% increase in the second quarter. Russia, Romania, Ukraine and Serbia delivered the fastest growth in the segment. As anticipated, Nigeria returned to growth in the second quarter and recovered almost fully the volume lost in the first quarter, closing the first half with a small decline of 0.7%.

Volume performance by category

We are pleased to report that our initiatives to meet the changing preferences of our consumers and take advantage of the evolving dynamics of our customers are gathering pace. We sold 34 million cases of innovative products, flavours and packages in the first half, representing 3.2% of our first half volume.

Sparkling beverages grew by 4.6%, an acceleration compared to the 1.8% increase in the prior-year period, with growth in all markets apart from Italy and Nigeria. Within the sparkling beverages category, the low- and no-calorie variants grew strongly by 18.8% in the first half, compared to the full-sugar variants, which grew by 2.9%. Coca-Cola Zero, with our cherry, lemon, lime, peach, vanilla and ginger flavours, was the fastest growing brand at 24.9%. Our initiatives to support our 'adult' propositions Schweppes and Kinley, led to 9.4% and 12.6% growth in these brands, respectively. Royal Bliss, launched in six flavours and four markets in March, grew well in the second quarter.

Water volume was up by 4.8%, with growth in all three segments. Poland, where we benefited from having started promotional activities ahead of the peak season, was the biggest contributor to growth. Smartwater was launched in April in 10 countries, contributing 0.2 million cases of volume in the first half.

Juice volume was broadly stable in the first half, driven by lower volume in the Established markets, which more than offset growth in Developing and Emerging markets.

The RTD Tea category, which was revitalised by the launch of FUZE tea in 27 markets, declined by 0.6%, following several years of mid single-digit declines. Volumes showed sequential improvement, with the first quarter being down by 2.5% followed by 0.5% increase in the second quarter. Overall in the first half, Established and Developing market segments declined, while in the Emerging segment, volume was up 3.4% as a result of good performances in Romania, Ukraine and Belarus.

Energy sustained its good momentum and grew by 33.5% in the first half, with a strong performance by both Monster and Burn, which posted organic growth of 37.6% and 32.4%, respectively.

AdeZ, our new range of plant-based beverages, was launched in May in 11 countries. While this is a niche category for the business, we are very pleased with the launch and the initial feedback from our customers.

Group Operational Review (continued)

Our Premium Spirits business generated revenues of €78.4 million, a 12.2% decline compared to the prior-year period. In the period, we developed our business further by taking on the distribution of new brands in Italy and the Czech Republic, however one of our partners took distribution in-house in Russia.

Selling a larger proportion of high-value single-serve packages continues to be a priority. In the period, single-serve packages increased by 8.2%, while multi-serves increased by 1.9%, leading to a 150 basis point mix improvement. All three segments improved their package mix, with the biggest change coming from the Emerging markets, following the launch of the 0.9 litre PET pack in Russia. Sparkling and Water package mix improved by 1.5 and 0.6 percentage points, respectively.

Key financials

FX-neutral revenue per case improvement moderated to 1.8% in the first half as expected. Emerging markets slowed down markedly to 3.8%, mainly as a result of cycling the price increases taken in Nigeria in 2017. In the Developing markets, FX-neutral revenue per case improved by 0.9% despite the impact of high Water volume combined with higher promotional activity during the Easter period. In the Established markets, new product launches and a slightly more inflationary environment supported price/mix, delivering FX-neutral revenue per case at 1.1%. Price increases, category and package mix made positive contributions in all three segments, while channel mix was negative.

Net sales revenue of €3.2 billion was up by 6.4% on an FX-neutral basis. Although the net impact from currency movements was negative in the period, reported net sales revenue was up 0.5%.

Input costs per case decreased by 0.9% on an FX-neutral basis, with the lower cost of sugar partly offsetting the higher cost of PET and aluminium. The adverse impact from foreign currency movements amounted to €23 million in the period, driven mainly by the Russian Rouble, the Nigerian Naira and the Swiss Franc.

Our past and ongoing initiatives to drive efficiencies have resulted in a more competitive cost base which, coupled with strong top-line growth, led to operating leverage and resulted in a 60 basis point improvement in comparable operating expenses as a percentage of net sales revenue, notwithstanding the 30 basis point increase in investments in marketing and other revenue growth management initiatives. On a segmental basis, Developing markets operating expenses improved by 320 basis points as a percentage of revenue due to the cycling of the prior year's bad debt provision in Croatia as well as partial recovery thereof in the first half. Established markets also improved, while Emerging markets deteriorated slightly.

Comparable EBIT was €310.5 million, up 6.7% compared to the prior-year period, resulting in a 60 basis point expansion in comparable EBIT margin to 9.6%. The key driver of this was the operating leverage effect of strong topline growth, supported by volume and price/mix improvements, partially offset by adverse foreign exchange movements. The reduction in operating expenses in the Developing markets lifted the segment's comparable EBIT margin by 320 basis points, while the profitability of the Established markets increased by 30 basis points. Emerging markets margin deteriorated by 20 basis points, reflecting mainly the phasing of marketing and FIFA World Cup investments in the first half. On a reported basis, we delivered €303.9 million of EBIT in the period, a 14.1% improvement on the prior-year period.

We implemented restructuring projects across all segments in the period, incurring €4.0 million in pre-tax restructuring charges. Restructuring benefits in the first half from 2017 and 2018 initiatives amounted to €5 million.

Financing costs amounted to €19.1 million in the first half, €1.6 million higher compared to the prior-year period. Comparable net profit of €221.7 million and comparable basic earnings per share of €0.603 were 5.8% and 4.7 % higher than in the prior-year period, respectively. Reported net profit and reported basic earnings per share were €216.9 million and €0.590, respectively, in the period.

We generated €126.8 million of free cash flow in the first half of the year, a €31.7 million improvement compared to the prior-year period. Higher operational profitability and lower tax payments were partly offset by higher capital expenditure and adverse change in working capital.

Operational Review by Reporting Segment

Established markets

	Half-Year		Change
	2018	**2017**	
Volume (m unit cases)	**301.9**	299.2	0.9%
Net sales revenue (€ m)	**1,207.4**	1,202.1	0.4%
Net sales revenue per unit case (€)	**4.00**	4.02	-0.5%
FX-neutral net sales revenue (€ m)	**1,207.4**	1,183.6	2.0%
FX-neutral net sales revenue per unit case (€)	**4.00**	3.96	1.1%
Operating profit (EBIT) (€ m)	**108.3**	99.0	9.4%
Comparable EBIT (€ m)	**110.8**	106.7	3.8%
EBIT margin (%)	**9.0**	8.2	70bps
Comparable EBIT margin (%)	**9.2**	8.9	30bps

- Established markets volume increased by 0.9% in the first half of the year, with growth driven mainly by Greece and Ireland. Sparkling was the largest contributor to volume expansion, followed by Energy and Water, while Juice and RTD Tea volumes declined.
- Net sales revenue increased by 0.4% in the first half. Volume growth, favourable category and package mix, pricing driven by sugar tax implementation in Ireland and small price increases taken in some countries, more than offset the adverse currency movements and channel mix. FX-neutral net sales revenue per case increased by 1.1% in the period.
- Volume in Italy was down by 0.5%. We saw strong growth in RTD Tea, Coca-Cola Zero and Fanta Zero, and benefited from the contribution of Coca-Cola with Stevia, which was launched in the fourth quarter last year. Energy continues to contribute positively. On the other hand, volumes of full-sugar variants in Sparkling declined, as did Water.
- Volume in Greece grew by mid single digits in the first half, helped by the warm weather and the gradually improving economic environment. Water contributed the most to volume growth, closely followed by Sparkling beverages. We saw good performances in Coca-Cola Zero and Schweppes, along with a return to growth for Sprite following the launch of Sprite Zero Lemon Mint in April. Energy continued its positive trajectory, helped by new flavour launches and additional Monster coolers in the market.
- In the second quarter both Northern Ireland and the Republic of Ireland implemented a sugar tax. We passed this tax on to our customers as intended by the legislation. The impact so far has been in line with our plans; we have seen a shift in volumes from full-sugar to low- and no-sugar variants. Volume grew by low single digits in the first half. Sparkling was the main growth driver, with all brands growing apart from Coca-Cola Regular and Sprite. Schweppes, supported by the launch of a new premium glass bottle, and Energy also grew well. This was partly offset by some delistings of multi-serve packages in Water and the gradual discontinuation of dilutes in Juice had a negative impact on volume.
- In Switzerland, volume declined by low single digits, mainly driven by RTD Tea and Water. Growth in Sparkling, with good performance by Coca-Cola Zero and Coca-Cola Regular, helped limit the decline.
- In Austria, volume grew by low single digits, with a strong second quarter more than offsetting the soft start to the year. All categories grew apart from Juice, with the biggest contribution coming from Water. Sparkling also performed well, with growth in the low- and no-calorie variants across all brands apart from Coca-Cola Light.
- Comparable operating profit in the Established segment increased by 3.8% to €110.8 million in the period, leading to a 30 basis point expansion in comparable operating profit margin to 9.2%. Volume growth, combined with favourable pricing and package mix and lower operating expenses, more than offset the negative impact of higher cost and adverse currency movements, especially the Swiss Franc. On a reported basis, operating profit improved by 9.4% to €108.3 million.

Operational Review by Reporting Segment (continued)

Developing markets

	Half-Year		Change
	2018	**2017**	
Volume (m unit cases)	**205.4**	188.6	8.9%
Net sales revenue (€ m)	**616.0**	557.4	10.5%
Net sales revenue per unit case (€)	**3.00**	2.96	1.5%
FX-neutral net sales revenue (€ m)	**616.0**	560.8	9.8%
FX-neutral net sales revenue per unit case (€)	**3.00**	2.97	0.9%
Operating profit (EBIT) (€ m)	**55.4**	31.2	77.6%
Comparable EBIT (€ m)	**56.5**	33.3	69.7%
EBIT margin (%)	**9.0**	5.6	340bps
Comparable EBIT margin (%)	**9.2**	6.0	320bps

- Developing markets volume increased by 8.9% in the first half. All markets in the segment had positive volume growth with particularly good growth in Poland, Hungary and Croatia. On a category basis, growth was driven primarily by Sparkling and Water.
- Net sales revenue increased by 10.5% in the first half. Improvements in category and package mix, as well as selective price increases, helped to drive FX-neutral revenue, more than offsetting negative channel mix. In addition, we benefited from the stronger Czech Koruna and Polish Zloty. On an FX-neutral basis, net sales revenue per unit case improved by 0.9%.
- In Poland, volume increased by 10.2%, with good weather in the second quarter building on the very strong start in the first quarter. We saw high single-digit growth in Sparkling, with growth across all the brands. The Adults Sparkling brand Kinley had particularly rapid growth helped by the launch of a premium bottle. Water volumes were also strong, benefiting from warm weather and increased promotional activity. Fast growth in Energy continued showing that our dual brand strategy in the country works well.
- Volume in Hungary increased by high single digits in the period, with growth in all categories apart from Juice, and strong results from our new launches. Volume growth was helped by both the good weather and favourable consumer environment. Sparkling grew high single digits supported by strong performance from flavours launched in Coke Zero. RTD Tea also saw strong volume growth.
- In the Czech Republic, volume grew by low single digits. Sparkling volume increased by mid single digits, with good results from Trademark Coke and Fanta. Energy grew by high teens with strong performance from Monster, while Water volumes declined.
- The Developing markets segment delivered comparable operating profit of €56.5 million, a 69.7% increase. Comparable operating profit margin for the segment improved by 320 basis points to 9.2%. In absolute terms, comparable operating profit improved by €23.2 million. Approximately half of the improvement is due to the cycling of prior year's bad debt provision in Croatia as well as partial recovery thereof in the first half, with the remainder being driven by operating leverage. Reported operating profit increased by 77.6% to €55.4 million.

Operational Review by Reporting Segment (continued)

Emerging markets

	Half-Year		Change
	2018	**2017**	
Volume (m unit cases)	**560.1**	533.1	5.1%
Net sales revenue (€ m)	**1,404.9**	1,453.9	-3.4%
Net sales revenue per unit case (€)	**2.51**	2.73	-8.0%
FX-neutral net sales revenue (€ m)	**1,404.9**	1,288.8	9.0%
FX-neutral net sales revenue per unit case (€)	**2.51**	2.42	3.8%
Operating profit (EBIT) (€ m)	**140.2**	136.2	2.9%
Comparable EBIT (€ m)	**143.2**	151.1	-5.2%
EBIT margin (%)	**10.0**	9.4	60bps
Comparable EBIT margin (%)	**10.2**	10.4	-20bps

- Emerging markets volume increased by 5.1%. Both Russia and Nigeria returned to growth in the second quarter, and we saw continued strong volume growth from the other countries in the segment.
- Net sales revenue declined by 3.4%. The benefits of higher volume and price increases, along with improved category and package mix, were more than offset by an unfavourable currency impact, predominantly from the Nigerian Naira and Russian Rouble, and negative channel mix. FX-neutral net sales revenue per case grew by a more moderate 3.8% following strong price increases in the prior year.
- Volume in Russia grew by low single digits. Strong execution around the FIFA World Cup, combined with slightly increased promotional activity in a competitive market, helped our growth in an NARTD market that is gaining momentum. In Sparkling, the mid single-digit volume increase was driven by growth in Trademark Coke, and strong growth in Fanta following the successful launch of Fanta Pear. Adult Sparkling and Energy saw strong double-digit growth, while Juice volume declined by low single digits.
- Nigeria volume declined by 0.7% in the first half, with the strong volume growth in the second quarter largely offsetting the decline in the first quarter. Sparkling volumes were stable, benefiting from better availability of certain popular PET packages and strong volume growth from Coke Zero and our local affordable brand Limca. Water volume declined by low single digits, as the mid single-digit growth in the second quarter was not enough to offset declines at the start of the year. We saw double-digit growth from Energy.
- Romania volume grew by 11.0%, with strong growth across all categories. Sparkling volume increased by low teens, with the fastest growth coming from Schweppes. Coke Zero grew by double digits, following dedicated campaigns to strengthen the position of low- and no-sugar variants in the market. Still volumes grew by low teens with Water up by high single digits, and RTD Tea and Juice up by low teens.
- In Ukraine, volume increased by high single digits. Growth was led by Sparkling which grew in the low teens with strong contributions across Trademark Coke, Fanta and Sprite. Schweppes grew by double digits, benefiting from the launch of two new flavours. RTD Tea grew volumes in the low teens.
- The Emerging segment delivered comparable operating profit of €143.2 million, a decrease of 5.2%, leading to a 20 basis points reduction in comparable operating margin to 10.2%. In contrast to the first half of 2017, where we benefited from the appreciating Rouble, the more typical depreciation in our most relevant Emerging segment currencies resumed in 2018. This, combined with the timing of marketing expenditures associated with the FIFA World Cup, explains the slightly lower EBIT margin compared to the first half of 2017. On a reported basis, operating profit was €140.2 million, an increase of 2.9% compared to prior-year period.

Business Outlook

We are very pleased with the delivery of volume growth in the first half of the year and expect the scaling up of our innovations in the second half to continue to support our volume growth. We expect the Established markets to grow slightly faster, while Developing and Emerging markets moderate their growth compared to the very strong first-half performance.

Our revenue growth management initiatives, selective price increases and more balanced promotional activity in certain markets are expected to deliver an acceleration in FX-neutral net sales revenue per case growth in the second half of the year.

Having experienced significant currency volatility in our emerging markets in the last few years, we are seeing more normalised levels of currency depreciation. Taking into account our hedged positions and current spot rates, we expect that the adverse impact from foreign exchange movements on our P&L in the full year will be approximately €45 million. This is in line with our previous guidance.

Input costs have been slightly more benign than expected, with a 0.9% decrease in FX-neutral input cost per case in the first half. We have contracts in place for the vast majority of the raw materials we use with the exception of PET resin, which we do not hedge. In the second half, we expect PET resin prices to be higher, resulting in slightly less favourable FX-neutral input cost per case compared to the first half. In total, our full year expectation is for a flattish year-on-year outcome, which is slightly better than our previous guidance of very low single-digit increase.

As our revenue grows we are benefiting from having right-sized our operating cost base over several years. Aided by the operating leverage of the expected growth in our revenue, we should continue to deliver a reduction in operating expenses as a percentage of net sales revenue in the year.

In the first six months of the year, we made another significant step towards achieving our 2020 financial targets. Looking to the full year, we continue to expect volume and price/mix growth, as well as slightly more favourable input cost movements. Altogether, we expect to make progress in both revenue and margin growth in 2018.

Technical guidance

We have identified additional restructuring opportunities to improve operational efficiencies, which will increase the cost of restructuring initiatives to approximately €25 million in 2018. We expect these initiatives to yield €12 million in annualised benefits from 2018 onwards. The initiatives already taken in 2017 and those that we will take in 2018 are also expected to yield €11 million of total benefits in 2018.

Considering the dynamics of the evolving mix of profitability in our country portfolio, we expect our comparable effective tax rate to be in a range between 24% and 26%.

Group Financial Review

Income statement

	Half-Year		
	2018 € million	**2017 € million**	**% Change**
Volume (m unit cases)	**1,067.4**	1,020.9	4.6%
Net sales revenue	**3,228.3**	3,213.4	0.5%
Net sales revenue per unit case (€)	**3.02**	3.15	-3.9%
FX-neutral net sales revenue[1]	**3,228.3**	3,033.2	6.4%
FX-neutral net sales revenue per unit case (€)[1]	**3.02**	2.97	1.8%
Cost of goods sold	**(2,015.8)**	(2,013.5)	0.1%
Comparable cost of goods sold[1]	**(2,013.2)**	(2,002.0)	0.6%
Gross profit	**1,212.5**	1,199.9	1.1%
Comparable gross profit[1]	**1,215.1**	1,211.4	0.3%
Operating expenses	**(908.6)**	(933.5)	-2.7%
Comparable operating expenses[1]	**(904.6)**	(920.3)	-1.7%
Operating profit (EBIT)[2]	**303.9**	266.4	14.1%
Comparable operating profit (EBIT)[1]	**310.5**	291.1	6.7%
Adjusted EBITDA[1]	**465.9**	423.2	10.1%
Comparable adjusted EBITDA[1]	**473.0**	448.0	5.6%
Finance costs, net	**(19.1)**	(17.5)	9.1%
Share of results of equity method investments	**5.3**	5.3	-
Tax	**(73.0)**	(62.4)	17.0%
Comparable tax[1]	**(74.8)**	(69.3)	7.9%
Net profit[3]	**216.9**	191.6	13.2%
Comparable net profit[1,3]	**221.7**	209.6	5.8%
Basic earnings per share (€)	**0.590**	0.526	12.2%
Comparable basic earnings per share (€)[1]	**0.603**	0.576	4.7%

[1] *Refer to the 'Definitions and reconciliations of APMs' section.*
[2] *Refer to the condensed consolidated income statement.*
[3] *Net Profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent.*

On an FX-neutral basis, net sales revenue improved by 6.4% during the first half of 2018, compared to the prior-year period. Net sales revenue improved by 0.5% during the first half of 2018, compared to the prior-year period, driven by higher volume, pricing and favourable category and package mix.

Comparable cost of goods sold increased by 0.6% and cost of goods sold increased marginally in the first half of 2018, compared to the prior-year period, as the impact from higher volume was largely offset mainly by lower input costs resulting from decrease in cost of sugar, which more than offset increases in the cost of our other main commodities.

Comparable operating expenses declined by 1.7% and operating expenses by 2.7% in the first half of 2018, compared to the prior-year period, mainly driven by savings in sales and administrative costs which more than offset increased marketing expenses.

Comparable operating profit increased by 6.7% in the first half of 2018, compared to the prior-year period, reflecting the benefits from volume and revenue growth management initiatives, supported by lower input costs and operating expenses, which were only partially offset by adverse foreign currency movements. Operating profit increased by 14.1% in the first half of 2018, compared to the prior-year period, as the benefits from volume and revenue growth management initiatives, lower input costs including the impact from the mark-to-market valuation of commodity economic hedges, lower operating expenses and restructuring costs more than offset the adverse foreign exchange movements.

Net finance costs increased by €1.6 million during the first half of 2018, compared to the prior-year period, mainly due to lower interest returns on cash deposits.

Group Financial Review (continued)

Income statement (continued)

On a comparable basis, the effective tax rate was 25.2% for the first half of 2018 and 24.8% for the first half of 2017. On a reported basis, the effective tax rate was 25.2% for the first half of 2018 and 24.5% for the first half of 2017. 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 5.8%, while net profit increased by 13.2%, in the first half of 2018 compared to the prior-year period, mainly driven by the higher operating profitability.

Balance sheet

	As at		
Assets	**29 June 2018 € million**	**31 December 2017 € million**	**Change € million**
Total non-current assets	**4,396.9**	4,344.6	52.3
Total current assets	**2,779.4**	2,285.6	493.8
Total assets	**7,176.3**	**6,630.2**	546.1
Liabilities			
Total current liabilities	**2,433.4**	1,896.4	537.0
Total non-current liabilities	**1,718.6**	1,721.6	-3.0
Total liabilities	**4,152.0**	**3,618.0**	534.0
Equity			
Owners of the parent	**3,019.5**	3,007.4	12.1
Non-controlling interests	**4.8**	4.8	-
Total equity	**3,024.3**	**3,012.2**	12.1
Total equity and liabilities	**7,176.3**	**6,630.2**	546.1
Net current assets	**346.0**	**389.2**	-43.2

Total non-current assets increased by €52.3 million in the first half of 2018, mainly driven by additions of property, plant and equipment. Net current assets decreased by €43.2 million in the first half of 2018, driven mainly by declared dividends, partially offset by increased inventories and receivables.

Cash flow

	Half-Year		
	2018 € million	**2017 € million**	**% Change**
Net cash from operating activities[1]	**305.2**	258.9	17.9%
Capital expenditure[1]	**(178.4)**	(163.8)	8.9%
Free cash flow[1]	**126.8**	95.1	33.3%

[1] *Refer to the 'Definitions and reconciliations of APMs' section.*

Net cash from operating activities increased by 17.9% or €46.3 million, in the first half of 2018, compared to the prior-year period, mainly driven by increased operating profitability.

Capital expenditure, net of receipts from the disposal of assets and including principal repayments of finance lease obligations, increased by 8.9% in the first half of 2018, compared to the prior-year period.

In the first half of 2018, capital expenditure amounted to €178.4 million of which 50% was related to investment in production equipment and facilities and 36% to the acquisition of marketing equipment. In the first half of 2017, capital expenditure amounted to €163.8 million of which 48% was related to investment in production equipment and facilities and 24% to the acquisition of marketing equipment.

Group Financial Review (continued)

Cash flow(continued)

In the first half of 2018, free cash flow increased by 33.3% or €31.7 million, compared to the prior-year period, reflecting the increased cash from operating activities, only partially offset by increased capital expenditure.

Supplementary Information

The volume, net sales revenue and net sales revenue per unit case on a reported and FX-neutral base, are provided for NARTD and premium spirits, as set out below:

	Half-Year		%
NARTD	**2018**	**2017**	**Change**
Volume (m unit cases)[1]	**1,066.3**	1,019.8	4.6%
Net sales revenue (€ m)	**3,149.9**	3,124.1	0.8%
Net sales revenue per unit case (€)	**2.95**	3.06	-3.6%
FX-neutral net sales revenue (€ m)	**3,149.9**	2,949.2	6.8%
FX-neutral net sales revenue per unit case (€)	**2.95**	2.89	2.1%
	Half-Year		**%**
Premium Spirits	**2018**	**2017**	**Change**
Volume (m unit cases)[1]	**1.078**	1.052	2.5%
Net sales revenue (€ m)	**78.4**	89.3	-12.2%
Net sales revenue per unit case (€)	**72.73**	84.89	-14.3%
FX-neutral net sales revenue (€ m)	**78.4**	84.1	-6.8%
FX-neutral net sales revenue per unit case (€)	**72.73**	79.94	-9.0%
	Half-Year		**%**
Total	**2018**	**2017**	**Change**
Volume (m unit cases)[1]	**1,067.4**	1,020.9	4.6%
Net sales revenue (€ m)	**3,228.3**	3,213.4	0.5%
Net sales revenue per unit case (€)	**3.02**	3.15	-3.9%
FX-neutral net sales revenue (€ m)	**3,228.3**	3,033.3	6.4%
FX-neutral net sales revenue per unit case (€)	**3.02**	2.97	1.8%

[1] For NARTD volume, one unit case corresponds to approximately 5.678 litres or 24 servings, being a typically used measure of volume. For premium spirits volume, one unit case also corresponds to 5.678 litres.

Definitions and reconciliations of Alternative Performance Measures ("APMs")

1. Comparable APMs[1]

In discussing the performance of the Group, "comparable" measures are used, which are calculated by deducting from the directly reconcilable IFRS measures the impact of the Group's restructuring costs, the mark-to-market valuation of the commodity hedging activity and certain other tax items, which are collectively considered as items impacting comparability, due to their nature. More specifically the following items are considered as items that impact comparability:

1) *Restructuring costs*
   Restructuring costs comprise costs arising from significant changes in the way the Group conducts business, such as significant supply chain infrastructure changes, outsourcing of activities and centralisation of processes. These costs are included within the income statement line "Operating expenses". However, they are excluded from the comparable results in order for the user to obtain a better understanding of the Group's operating and financial performance achieved from underlying activity.
2) *Commodity hedging*
   The Group has entered into certain commodity derivative transactions in order to hedge its exposure to commodity price risk. Although these transactions are economic hedging activities that aim to manage our exposure to sugar, aluminium and gas oil price volatility, hedge accounting has not been applied. In addition, the Group recognises certain derivatives embedded within commodity purchase contracts that have been accounted for as stand-alone derivatives and do not qualify for hedge accounting. The fair value gains and losses on the derivatives and embedded derivatives are immediately recognised in the income statement in the cost of goods sold and operating expenses line items. The Group's comparable results exclude the gains or losses resulting from the mark-to-market valuation of these derivatives and embedded derivatives. These gains or losses are reflected in the comparable results in the period when the underlying transactions occur, to match the profit or loss to that of the corresponding underlying transactions. We believe this adjustment provides useful information related to the impact of our economic risk management activities.
3) *Other tax items*
   Other tax items represent the tax impact of changes in income tax rates affecting the opening balance of deferred tax arising during the year, included in the Tax line item of the income statement. These are excluded from comparable after tax results in order for the user to obtain a better understanding of the Group's underlying financial performance.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both periods for which these measures are presented.

The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows:

[1] Comparable APMs refer to comparable COGS, comparable Gross Profit, comparable Operating expenses, comparable EBIT, comparable EBIT margin, comparable Adjusted EBITDA, comparable tax, comparable net profit and comparable EPS.

Definitions and reconciliations of APMs (continued)

Reconciliation of comparable financial indicators *(numbers in € million except per share data)*

	Half-year 2018							
	COGS	Gross Profit	Operating expenses	EBIT	Adjusted EBITDA	Tax	Net Profit[1]	EPS (€)
As reported	**(2,015.8)**	**1,212.5**	**(908.6)**	**303.9**	**465.9**	**(73.0)**	**216.9**	**0.590**
Restructuring costs	**-**	**-**	**4.0**	**4.0**	**4.5**	**(0.9)**	**3.1**	**0.008**
Commodity hedging loss / (gain)	**2.6**	**2.6**	**-**	**2.6**	**2.6**	**(0.5)**	**2.1**	**0.006**
Other tax items	**-**	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**	**(0.001)**
Comparable	**(2,013.2)**	**1,215.1**	**(904.6)**	**310.5**	**473.0**	**(74.8)**	**221.7**	**0.603**
	Half-year 2017							
	COGS	Gross Profit	Operating expenses	EBIT	Adjusted EBITDA	Tax	Net Profit[1]	EPS (€)
As reported	(2,013.5)	1,199.9	(933.5)	266.4	423.2	(62.4)	191.6	0.526
Restructuring costs	-	-	13.0	13.0	13.1	(3.5)	9.7	0.027
Commodity hedging loss / (gain)	11.5	11.5	0.2	11.7	11.7	(3.4)	8.3	0.023
Other tax items	-	-	-	-	-	-	-	-
Comparable	(2,002.0)	1,211.4	(920.3)	291.1	448.0	(69.3)	209.6	0.576

[1] Net Profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent. Net profit for 2018 includes € nil from restructuring within joint ventures (2017: € 0.2 million).

Reconciliation of Comparable EBIT per reportable segment *(numbers in € million)*

	Half-year 2018			
	Established	Developing	Emerging	Consolidated
EBIT	**108.3**	**55.4**	**140.2**	**303.9**
Restructuring costs	**1.1**	**0.5**	**2.4**	**4.0**
Commodity hedging	**1.4**	**0.6**	**0.6**	**2.6**
Comparable EBIT	**110.8**	**56.5**	**143.2**	**310.5**
	Half-year 2017			
	Established	Developing	Emerging	Consolidated
EBIT	99.0	31.2	136.2	266.4
Restructuring costs	7.5	2.0	3.5	13.0
Commodity hedging	0.2	0.1	11.4	11.7
Comparable EBIT	106.7	33.3	151.1	291.1

2. FX-neutral APMs

The Group also evaluates its operating and financial performance on an FX-neutral basis (i.e. without giving effect to the impact of variation of foreign currency exchange rates from period to period). FX-neutral APMs are calculated by adjusting prior period amounts for the impact of exchange rates applicable to the current period. FX-neutral measures enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from period to period. The most common FX-neutral measures used by the Group are:

Definitions and reconciliations of APMs (continued)

1) *FX-neutral net sales revenue and FX-neutral net sales revenue per unit case*
   FX-neutral net sales revenue and FX-neutral net sales revenue per unit case are calculated by adjusting prior-period net sales revenue for the impact of changes in exchange rates applicable in the current period.

2) *FX-neutral comparable input costs per unit case*
   FX-neutral comparable input costs per unit case is calculated by adjusting prior-period commodity costs and more specifically, sugar, resin, aluminium and fuel commodity costs, excluding commodity hedging as described above; and other raw materials costs for the impact of changes in exchange rates applicable in the current period.

The calculations of the FX-neutral APMs and the reconciliation to the most directly related measures calculated in accordance with IFRS is as follows:

Reconciliation of FX-neutral net sales revenue per unit case *(numbers in € million unless otherwise stated)*

	Half-year 2018			
	Established	**Developing**	**Emerging**	**Consolidated**
Net sales revenue	**1,207.4**	**616.0**	**1,404 .9**	**3,228.3**
Currency impact	**-**	**-**	**-**	**-**
FX-neutral net sales revenue	**1,207.4**	**616.0**	**1,404.9**	**3,228.3**
Volume (m unit cases)	**301.9**	**205.4**	**560.1**	**1,067.4**
FX-neutral net sales revenue per unit case (€)	**4.00**	**3.00**	**2.51**	**3.02**

	Half-year 2017			
	Established	**Developing**	**Emerging**	**Consolidated**
Net sales revenue	1,202.1	557.4	1,453.9	3,213.4
Currency impact	(18.5)	3.4	(165.1)	(180.2)
FX-neutral net sales revenue	1,183.6	560.8	1,288.8	3,033.2
Volume (m unit cases)	299.2	188.6	533.1	1,020.9
FX-neutral net sales revenue per unit case (€)	3.96	2.97	2.42	2.97

Reconciliation of FX-neutral input costs per unit case *(numbers in € million unless otherwise stated)*

	Half-year 2018	Half-year 2017
Input costs	**830.1**	862.9
Commodity hedging	**(2.6)**	(11.5)
Comparable input costs	**827.5**	851.4
Currency impact	**-**	(52.9)
FX-neutral comparable input costs	**827.5**	798.5
Volume (m unit cases)	**1,067.4**	1,020.9
FX-neutral comparable input costs per unit case (€)	**0.78**	0.78

Definitions and reconciliations of APMs (continued)

3. Other APMs

Adjusted EBITDA

Adjusted EBITDA is calculated by adding back to operating profit the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and performance share costs and items, if any, reported in line "Other non-cash items" of the consolidated cash flow statement. Adjusted EBITDA is intended to provide useful information to analyse the Group's operating performance excluding the impact of operating non-cash items as defined above. It is also intended to measure the level of financial leverage of the Group by comparing Adjusted EBITDA to Net debt.

Adjusted EBITDA is not a measure of profitability and liquidity under IFRS and has limitations, some of which are as follows: Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements. Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us and should be used only as a supplementary APM.

Free cash flow

Free cash flow is an APM used by the Group and defined as cash generated by operating activities after payments for purchases of property, plant and equipment net of proceeds from sales of property, plant and equipment and including principal repayments of finance lease obligations. Free cash flow is intended to measure the cash generation from the Group's business, based on operating activities, including the efficient use of working capital and taking into account its net payments for purchases of property, plant and equipment. The Group considers the purchase and disposal of property, plant and equipment as ultimately non-discretionary since ongoing investment in plant, machinery, technology and marketing equipment, including coolers, is required to support the day-to-day operations and the CCHBC Group's growth prospects. The Group presents free cash flow because it believes the measure assists users of the financial statements in understanding the Group's cash generating performance as well as availability for interest payment, dividend distribution and own retention. The free cash flow measure is used by management for its own planning and reporting purposes since it provides information on operating cash flows, working capital changes and net capital expenditure that local managers are most directly able to influence.

Free cash flow is not a measure of cash generation under IFRS and has limitations, some of which are as follows: Free cash flow does not represent the Group's residual cash flow available for discretionary expenditures since the Group has debt payment obligations that are not deducted from the measure; free cash flow does not deduct cash flows used by the Group in other investing and financing activities and free cash flow does not deduct certain items settled in cash. Other companies in the industry in which the Group operates may calculate free cash flow differently, limiting its usefulness as a comparative measure.

Capital expenditure

The Group uses capital expenditure as an APM to ensure that the cash spending is in line with its overall strategy for the use of cash. Capital expenditure is defined as payments for purchases of property, plant and equipment plus principal repayments of finance lease obligations less proceeds from sale of property, plant and equipment.

The following table illustrates how Adjusted EBITDA, Free Cash Flow and Capital Expenditure are calculated:

Definitions and reconciliations of APMs (continued)

	Half-year	
	2018	**2017**
	€ million	**€ million**
Operating profit (EBIT)	**303.9**	**266.4**
Depreciation and impairment of property, plant and equipment	**153.2**	153.2
Amortisation of intangible assets	**0.3**	0.2
Employee stock options and performance shares	**8.5**	3.5
Other non-cash items included in operating income	**-**	(0.1)
Adjusted EBITDA	**465.9**	**423.2**
Gain on disposal of non-current assets	**(3.1)**	(1.8)
Increase in working capital	**(107.3)**	(101.4)
Tax paid	**(50.3)**	(61.1)
Net cash inflow from operating activities	**305.2**	**258.9**
Payments for purchases of property, plant and equipment	**(177.4)**	(164.4)
Principal repayments of finance lease obligations	**(3.9)**	(3.7)
Proceeds from sale of property, plant and equipment	**2.9**	4.3
Capital expenditure	**(178.4)**	**(163.8)**
Free cash flow	**126.8**	**95.1**

Net debt

Net debt is an APM used by management to evaluate the Group's capital structure and leverage. Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents and financial assets (time deposits, treasury bills and money market funds), as illustrated below:

	As at	
	29 June 2018	**31 December 2017**
	€ million	**€ million**
Current borrowings	**113.8**	166.4
Non-current borrowings	**1,456.9**	1,459.8
Cash and cash equivalents	**(659.4)**	(723.5)
Other financial assets	**(299.9)**	(150.9)
Net debt	**611.4**	**751.8**

Principal risks and uncertainties

The principal risks and uncertainties to which the Company will be exposed in the second half of 2018 are substantially the same as those outlined in the 2017 Integrated Annual Report for the year ended 31 December 2017, pages 60 to 63.

Defining 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 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.

Our principal risks

Principal Risks	Risk	Potential impact	Key mitigations	Link to material issues
1. Consumer health	Failure to adapt to changing consumer health trends and address misconceptions about the health impact of soft drinks.	- Failure to achieve our growth plans - Damage to our brand and corporate reputation - Loss of consumer base	- 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	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.	- Financial loss - Asset impairment - Limitations on cash repatriation	- 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	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.	- Long-term damage to our corporate reputation - Less influence in shaping the citizenship and sustainability agenda - Reduced profitability	- 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	Carbon and energy Packaging, recycling and waste management Sustainable sourcing Water stewardship

Principal Risks	Risk	Potential impact	Key mitigations	Link to material issues
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.	- Reduced profitability	- 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	Direct and indirect economic impacts
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 Information 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 - Whistleblower hotline - Legal function in constant dialogue with regulators	Corporate governance, business ethics and anti-corruption Human rights and diversity
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

Principal Risks	Risk	Potential impact	Key mitigations	Link to material issues
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	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	- 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	Direct and indirect economic impacts
13. Health and safety	The risk of health and safety issues being ineffectively managed. This incorporates the management of third-party providers, particularly fleet and logistics.	- Death or injury of employees, contractors or third parties - Employee engagement and motivation	- 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	Employee well-being and engagement

Related party transactions

Related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of Coca-Cola HBC during the period, as well as any changes in the related party transactions as described in the 2017 Integrated Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of current financial year, are described in section "Condensed consolidated interim financial statements for the six months ended 29 June 2018", note 13 "Related party transactions".

Going concern statement

The Group has considerable financial resources together with long term contracts with a number of customers and suppliers across different countries. Accordingly, and having reassessed the principal risks, the Directors continue to adopt the going concern basis of accounting in preparing these condensed consolidated interim 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 condensed consolidated interim financial statements.

Responsibility statement

The Directors of the Company, whose names are set out below, confirm that to the best of their knowledge:

(a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board and adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole for the period ended 29 June 2018 as required by the Disclosure Guidance and Transparency Rules sourcebook of the UK FCA ("DTR") 4.2.4R; and

(b) the interim management report includes a fair review of the information required by:

- DTR 4.2.7R of the DTRs, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- DTR 4.2.8 R of the DTRs, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the 2017 Integrated Annual Report for Coca-Cola HBC AG and its subsidiaries for the year ended 31 December 2017, that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

Name	**Title**
Anastassis G. David	Non-Executive Chairman
Zoran Bogdanovic	Chief Executive Officer
Anastasios I. Leventis	Non-Executive Director
Christo Leventis	Non-Executive Director
José Octavio Reyes	Non-Executive Director
Ahmet C. Bozer	Non-Executive Director
Robert Ryan Rudolph	Non-Executive Director
Reto Francioni	Senior Independent Non-Executive Director
Charlotte J. Boyle	Independent Non-Executive Director
John P. Sechi	Independent Non-Executive Director
Alexandra Papalexopoulou	Independent Non-Executive Director
Olusola (Sola) David-Borha	Independent Non-Executive Director
William W. (Bill) Douglas III	Independent Non-Executive Director

Signed on behalf of the Board
Zoran Bogdanovic
Chief Executive Officer

9 August 2018

Independent review report to Coca-Cola HBC AG

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements (the "interim financial statements") in the half-yearly financial report of Coca-Cola HBC AG (the "Company") for the six months ended 29 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated interim balance sheet as at 29 June 2018;
- the condensed consolidated interim income statement for the six month period then ended;
- the condensed consolidated interim statement of comprehensive income for the six month period then ended;
- the condensed consolidated interim statement of changes in equity for the six month period then ended;
- the condensed consolidated interim cash flow statement for the six month period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors of the Company. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Marios Psaltis
the Certified Auditor, Reg. No. 38081
for and on behalf of PricewaterhouseCoopers S.A.
Certified Auditors, Reg. No. 113
9 August 2018
Athens, Greece

Notes:

(a) The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom and Switzerland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed consolidated interim financial statements for the six months ended 29 June 2018

Condensed consolidated interim income statement (unaudited)

	Note	Six months ended 29 June 2018 € million	30 June 2017 € million
Net sales revenue	3	**3,228.3**	3,213.4
Cost of goods sold		**(2,015.8)**	(2,013.5)
Gross profit		**1,212.5**	**1,199.9**
Operating expenses	4	**(908.6)**	(933.5)
Operating profit	3	**303.9**	**266.4**
Finance costs, net	5	**(19.1)**	(17.5)
Share of results of equity method investments		**5.3**	5.3
Profit before tax		**290.1**	**254.2**
Tax	6	**(73.0)**	(62.4)
Profit after tax		**217.1**	**191.8**
Attributable to:			
Owners of the parent		**216.9**	191.6
Non-controlling interests		**0.2**	0.2
		217.1	**191.8**
Basic earnings per share (€)	7	**0.59**	0.53
Diluted earnings per share (€)	7	**0.59**	0.52

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim statement of comprehensive income (unaudited)

	Six months ended	
	29 June 2018 € million	30 June 2017 € million
Profit after tax	**217.1**	191.8
Other comprehensive income:		
Items that may be subsequently reclassified to income statement:		
Valuation gain on available-for-sale assets	**-**	0.1
Net gain on cash flow hedges	**5.2**	10.0
Foreign currency translation	**(24.0)**	(150.6)
Share of other comprehensive income / (loss) of equity method investments	**0.6**	(4.8)
Income tax relating to items that may be subsequently reclassified to income statement	**(0.1)**	(1.2)
	(18.3)	**(146.5)**
Items that will not be subsequently reclassified to income statement:		
Valuation loss on equity investments at fair value through other comprehensive income	**(0.1)**	-
Actuarial gains	**5.1**	13.8
Income tax relating to items that will not be subsequently reclassified to income statement	**(1.1)**	(2.4)
	3.9	**11.4**
Other comprehensive loss for the period, net of tax	**(14.4)**	**(135.1)**
Total comprehensive income for the period	**202.7**	**56.7**
Total comprehensive income for the period		
Owners of the parent	**202.5**	56.5
Non-controlling interests	**0.2**	0.2
	202.7	**56.7**

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim balance sheet (unaudited)

	Note	As at	
		29 June 2018	31 December 2017
		€ million	€ million
Assets			
Intangible assets	8	**1,830.6**	1,829.9
Property, plant and equipment	8	**2,372.8**	2,322.0
Other non-current assets		**193.5**	192.7
Total non-current assets		**4,396.9**	**4,344.6**
Inventories		**582.5**	416.8
Trade, other receivables and assets		**1,233.0**	991.1
Other financial assets	10	**299.9**	150.9
Cash and cash equivalents	10	**659.4**	723.5
		2,774.8	**2,282.3**
Assets classified as held for sale		**4.6**	3.3
Total current assets		**2,779.4**	**2,285.6**
Total assets		**7,176.3**	**6,630.2**
Liabilities			
Borrowings	10	**113.8**	166.4
Other current liabilities		**2,319.6**	1,730.0
Total current liabilities		**2,433.4**	**1,896.4**
Borrowings	10	**1,456.9**	1,459.8
Other non-current liabilities		**261.7**	261.8
Total non-current liabilities		**1,718.6**	**1,721.6**
Total liabilities		**4,152.0**	**3,618.0**
Equity			
Owners of the parent		**3,019.5**	3,007.4
Non-controlling interests		**4.8**	4.8
Total equity		**3,024.3**	**3,012.2**
Total equity and liabilities		**7,176.3**	**6,630.2**

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim statement of changes in equity (unaudited)

	Attributable to owners of the parent									
	Share capital € million	Share Premium € million	Group Reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2017	**1,990.8**	**4,854.6**	**(6,472.1)**	**(70.7)**	**(801.8)**	**245.1**	**3,119.7**	**2,865.6**	**4.5**	**2,870.1**
Shares issued to employees exercising stock options	8.9	15.2	-	-	-	-	-	**24.1**	-	**24.1**
Share-based compensation:										
Options and performance shares	-	-	-	-	-	3.5	-	**3.5**	-	**3.5**
Appropriation of reserves	-	-	-	-	-	0.1	(0.1)	-	-	-
Dividends (note 12)	-	(162.0)	-	-	-	-	1.5	**(160.5)**	(0.2)	**(160.7)**
	1,999.7	**4,707.8**	**(6,472.1)**	**(70.7)**	**(801.8)**	**248.7**	**3,121.1**	**2,732.7**	**4.3**	**2,737.0**
Profit for the period net of tax	-	-	-	-	-	-	191.6	**191.6**	0.2	**191.8**
Other comprehensive loss for the period, net of tax	-	-	-	-	(155.4)	8.9	11.4	**(135.1)**	-	**(135.1)**
Total comprehensive income for the period net of tax [(1)]	-	-	-	-	(155.4)	8.9	203.0	**56.5**	0.2	**56.7**
Balance as at 30 June 2017	**1,999.7**	**4,707.8**	**(6,472.1)**	**(70.7)**	**(957.2)**	**257.6**	**3,324.1**	**2,789.2**	**4.5**	**2,793.7**
Shares issued to employees exercising stock options	15.4	31.5	-	-	-	-	-	**46.9**	-	**46.9**
Share-based compensation:										
Options and performance shares	-	-	-	-	-	13.7	-	**13.7**	-	**13.7**
Movement in shares held for equity compensation plan	-	-	-	(0.6)	-	0.1	-	**(0.5)**	-	**(0.5)**
Appropriation of reserves	-	-	-	-	-	0.3	(0.3)	**-**	-	**-**
	2,015.1	**4,739.3**	**(6,472.1)**	**(71.3)**	**(957.2)**	**271.7**	**3,323.8**	**2,849.3**	**4.5**	**2,853.8**
Profit for the period net of tax	-	-	-	-	-	-	234.4	**234.4**	0.3	**234.7**
Other comprehensive income for the period, net of tax	-	-	-	-	(69.1)	(0.5)	(6.7)	**(76.3)**	-	**(76.3)**
Total comprehensive income for the period net of tax	-	-	-	-	(69.1)	(0.5)	227.7	**158.1**	0.3	**158.4**
Balance as at 31 December 2017	**2,015.1**	**4,739.3**	**(6,472.1)**	**(71.3)**	**(1,026.3)**	**271.2**	**3,551.5**	**3,007.4**	**4.8**	**3,012.2**

[(1)] *The amount included in the exchange equalisation reserve of €155.4 million loss for the first half of 2017 represents the exchange loss attributed to the owners of the parent, mainly related to the Nigerian naira and the Russian rouble, including €4.8 million loss relating to share of other comprehensive income of equity method investments.*

The amount included in other reserves of €8.9 million gain for the first half of 2017 consists of gain on valuation of available-for-sale financial assets of €0.1 million, cash flow hedges gains of €10.0 million, and the deferred tax expense thereof amounting to €1.2 million.

The amount of €203.0 million gain attributable to owners of the parent comprises profit for the period of €191.6 million plus actuarial gain of €13.8 million less deferred tax expense of €2.4 million. The actuarial gain is mainly attributed to an increase in discount rates of plans in the established markets.

The amount of €0.2 million gain included in non-controlling interests for the first half of 2017 represents the share of non-controlling interests in retained earnings.

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim statement of changes in equity (unaudited)

	Attributable to owners of the parent									
	Share Capital € million	Share Premium € million	Group Reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2018	**2,015.1**	**4,739 .3**	**(6,472.1)**	**(71.3)**	**(1,026.3)**	**271.2**	**3,551.5**	**3,007.4**	**4.8**	**3,012.2**
Shares issued to employees exercising stock options	4.7	8.0	-	-	-	-	-	**12.7**	-	**12.7**
Share-based compensation:										
Options and performance shares	-	-	-	-	-	(4.3)	-	**(4.3)**	-	**(4.3)**
Dividends (note 12)	-	(200.6)	-	-	-	-	1.8	**(198.8)**	(0.2)	**(199.0)**
	2,019.8	**4,546.7**	**(6,472.1)**	**(71.3)**	**(1,026.3)**	**266.9**	**3,553.3**	**2,817.0**	**4.6**	**2,821.6**
Profit for the period net of tax	-	-	-	-	-	-	216.9	**216.9**	0.2	**217.1**
Other comprehensive loss for the period, net of tax	-	-	-	-	(23.4)	5.0	4.0	**(14.4)**	-	**(14.4)**
Total comprehensive income for the period net of tax[2]	-	-	-	-	(23.4)	5.0	220.9	**202.5**	0.2	**202.7**
Balance as at 29 June 2018	**2,019.8**	**4,546.7**	**(6,472.1)**	**(71.3)**	**(1,049.7)**	**271.9**	**3,774.2**	**3,019.5**	**4.8**	**3,024.3**

[2] The amount included in the exchange equalisation reserve of €23.4 million loss for the first half of 2018 represents the exchange loss attributed to the owners of the parent, mainly related to the Russian rouble, partially offset by a gain related to the Nigerian naira, including €0.6 million gain relating to share of other comprehensive income of equity method investments.

The amount included in other reserves of €5.0 million gain for the first half of 2018 consists of loss on valuation of equity investments at fair value through other comprehensive income of €0.1 million, cash flow hedges gains of €5.2 million, and the deferred tax expense there of amounting to €0.1 million.

The amount of €220.9 million gain attributable to owners of the parent comprises profit for the period of €216.9 million plus actuarial gain of €5.1 million less deferred tax expense of €1.1 million.

The amount of €0.2 million gain included in non-controlling interests for the first half of 2018 represents the share of non-controlling interests in retained earnings.

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim cash flow statement (unaudited)

	Note	Six months ended 29 June 2018 € million	30 June 2017 € million
Operating activities			
Profit after tax for the period		**217.1**	191.8
Finance costs, net	5	**19.1**	17.5
Share of results of equity method investments		**(5.3)**	(5.3)
Tax charged to the income statement		**73.0**	62.4
Depreciation and impairment of property, plant and equipment	8	**153.2**	153.2
Employee stock options and performance shares		**8.5**	3.5
Amortisation of intangible assets	8	**0.3**	0.2
Other non- cash items		**-**	(0.1)
		465.9	**423.2**
Gain on disposal of non-current assets		**(3.1)**	(1.8)
Increase in inventories		**(171.2)**	(115.2)
Increase in trade and other receivables		**(255.8)**	(132.6)
Increase in trade and other payables		**319.7**	146.4
Tax paid		**(50.3)**	(61.1)
Net cash inflow from operating activities		**305.2**	**258.9**
Investing activities			
Payments for purchases of property, plant and equipment		**(177.4)**	(164.4)
Payments for purchases of intangible assets		**(1.5)**	(1.8)
Proceeds from sales of property, plant and equipment		**2.9**	4.3
Net payments for investments in financial assets at amortised cost		**(92.4)**	-
Net payments for investments in financial assets at fair value through profit or loss		**(56.5)**	-
Net payments for investments in financial assets		**-**	(5.4)
Net receipts from equity investments	13	**5.0**	5.6
Interest received		**4.7**	3.8
Proceeds from loans to related parties		**-**	0.9
Net cash outflow from investing activities		**(315.2)**	**(157.0)**
Financing activities			
Proceeds from shares issued to employees	11	**12.7**	24.1
Payments for shares held by non-controlling interests		**-**	(0.3)
Proceeds from borrowings	10	**25.0**	30.8
Repayments of borrowings	10	**(63.9)**	(35.4)
Principal repayments of finance lease obligations		**(3.9)**	(3.7)
Settlement of derivatives regarding financing activities		**0.6**	-
Interest paid		**(23.5)**	(20.3)
Net cash outflow from financing activities		**(53.0)**	**(4.8)**
Net (decrease) / increase in cash and cash equivalents		**(63.0)**	**97.1**
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		**723.5**	573.2
Net (decrease) / increase in cash and cash equivalents		**(63.0)**	97.1
Effect of changes in exchange rates		**(1.1)**	(21.6)
Cash and cash equivalents at the end of the period		**659.4**	**648.7**

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Selected explanatory notes to the condensed consolidated interim financial statements (unaudited)

1. Basis of preparation and accounting policies

Basis of preparation

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') applicable to Interim Financial Reporting ('IAS 34'). These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's 2017 annual consolidated financial statements.

Operating results for the first half of 2018 are not indicative of the results that may be expected for the year ending 31 December 2018 because of business seasonality. Business seasonality results from higher unit sales of the Group's products in the warmer months of the year. The Group's methods of accounting for fixed costs such as depreciation and interest expense are not affected by business seasonality.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements of Coca-Cola HBC AG ('Coca-Cola HBC', the 'Company' or the 'Group') are consistent with those used in the 2017 annual financial statements, except for the adoption of new and amended accounting standards effective as of 1 January 2018.

New and amended Standards adopted by the Group

The Group adopted IFRS 9, *Financial Instruments* in accordance with the standard's transitional provisions and IFRS 15, *Revenue from Contracts with Customers*, using the modified retrospective approach. Neither the adoption of IFRS 9 or IFRS 15 resulted in the restatement of comparatives. The impact of the adoption is described below:

a) IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the recognition, classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement of financial assets

Under IFRS 9, financial assets are measured at fair value plus, in the case of financial assets not at fair value through profit and loss (FVPL), transaction costs. Subsequently debt instruments are measured at FVPL, amortised cost or fair value through other comprehensive income (FVOCI). The classification depends on two criteria a) the Group's business model for managing assets and b) whether the instruments' contractual cashflows represent "solely payments for principal and interest" on the principal amount outstanding (the "SPPI criterion").

On 1 January 2018 the Group's management has assessed which business models apply to the financial assets held by the group and has classified its debt instruments at amortised cost. These include Trade receivables, investments in time deposits and treasury bills.

Other financial assets are classified and subsequently measured as follows:

The Group's investments in equity instruments are classified at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. The Group intends to hold these equity instruments for the foreseeable future and for which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's investments in equity instruments were classified as Available-for-Sale financial assets.

Financial assets at FVPL comprise derivative instruments and money market funds.

1. Basis of preparation and accounting policies (continued)

Impairments of financial assets

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group uses past experience for determining the risk of default as well as forward looking information at the end of each reporting period specific to the debtors and the economic environment. On this basis, the Group has determined the loss allowance as at 1 January 2018 which didn't result in material differences compared to the 31 December 2017 loss allowance.

All other financial assets at amortised cost are considered to have a low credit risk and the fair value approximates the carrying value.

Hedge accounting

The new hedge accounting requirements have aligned the accounting for hedging instruments more closely with the Group's risk management practices and therefore more hedge relationships are eligible for hedge accounting. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Since adoption of IFRS 9 the Group recognises the changes in time value of option contracts as a deferred amount in a new 'costs of hedging' reserve within equity. The deferred amounts are recognised against the related hedged transaction when it occurs. However, as amounts were not material prior periods have not been restated.

b) IFRS 15 *Revenue from Contracts with Customers*

The Group produces, distributes and sells primarily non-alcoholic beverages. Under IFRS 15, *Revenue from Contracts with Customers* the Group recognises revenue when control of the products is transferred, being when the products are delivered to the customer, therefore the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Net sales revenue is measured at the fair value of the consideration received or receivable and is stated net of sales discounts and consideration paid to customers. These mainly take the form of promotional incentives and are amortised over the terms of the related contracts as a deduction in revenue. The Group examined these in terms of the variable consideration and classification. The adoption of IFRS 15 did not have any impact on either of these.

Net sales revenue includes excise and other duties where the Group acts as a principal but excludes amounts collected by third parties such as value added taxes as these are not included in the transaction price. The Group assesses these taxes and duties on a jurisdiction-by-jurisdiction basis to conclude on the appropriate accounting treatment.

Other amendments and interpretations

Other amendments and interpretations that came into effect on 1 January 2018 did not have an impact on the condensed consolidated interim financial statements of the Group.

1. Basis of preparation and accounting policies (continued)

Impact of Standards issued but not yet adopted by the Group

IFRS 16, *Leases*. The new standard supersedes IAS 17 and its objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019 and the Group does not intend to early adopt the standard. The standard will primarily affect the accounting of the Group's operating leases; however, the Group is currently evaluating the impact these operating lease commitments will have on its consolidated financial statements.

2. Foreign currency and translation

The Group's reporting currency is the Euro (€). Coca-Cola HBC translates the income statements of foreign operations to the Euro at average exchange rates and the balance sheets at the closing exchange rates at 29 June and 31 December respectively. The principal exchange rates used for translation purposes in respect of one Euro are:

	Average rate for the six months ended		Closing rate as at	
	29 June 2018	30 June 2017	**29 June 2018**	31 December 2017
US dollar	**1.21**	1.08	**1.16**	1.19
UK sterling	**0.88**	0.86	**0.88**	0.89
Polish zloty	**4.22**	4.27	**4.35**	4.19
Nigerian naira	**436.65**	332.22	**417.09**	428.75
Hungarian forint	**313.54**	309.53	**327.61**	310.12
Swiss franc	**1.17**	1.08	**1.15**	1.17
Russian rouble	**71.91**	62.70	**72.96**	68.67
Romanian leu	**4.65**	4.54	**4.65**	4.65
Ukrainian hryvnia	**32.49**	28.97	**30.57**	33.12
Czech koruna	**25.49**	26.79	**25.94**	25.93
Serbian dinar	**118.32**	123.44	**118.06**	118.29

Selected explanatory notes to the condensed consolidated interim financial statements (unaudited)

3. Segmental analysis

The Group has one business, being the production, sale and distribution of ready-to-drink, primarily non-alcoholic, beverages. The Group operates in 28 countries which are aggregated in reportable segments as follows:

Established markets: Austria, Cyprus, Greece, Italy, Northern Ireland, the Republic of Ireland and Switzerland.

Developing markets: Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

Emerging markets: Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, FYROM, Moldova, Montenegro, Nigeria, Romania, the Russian Federation, Serbia (including the Republic of Kosovo) and Ukraine.

a) Volume and net sales revenue

The Group sales volume in million unit cases[1] was as follows:

	Six months ended	
	29 June 2018	30 June 2017
Established	**301.9**	299.2
Developing	**205.4**	188.6
Emerging	**560.1**	533.1
Total volume	**1,067.4**	**1,020.9**

[1] *One unit case corresponds to approximately 5.678 litres or 24 servings, being a typically used measure of volume. Volume data is derived from unaudited operational data.*

Net sales revenue per reportable segment for the six months ended 29 June 2018 and 30 June 2017 is presented in the table below:

	Six months ended	
	29 June 2018 € million	30 June 2017 € million
Established	**1,207.4**	1,202.1
Developing	**616.0**	557.4
Emerging	**1,404.9**	1,453.9
Total net sales revenue	**3,228.3**	**3,213.4**

In addition to non-alcoholic ready-to-drink beverages ("NARTD"), the Group sells and distributes premium spirits. An analysis of volume and net sales revenue per product type for the six months ended 29 June 2018 and 30 June 2017 is presented below:

3. Segmental analysis (continued)

a) Volume and net sales revenue (continued)

	Six months ended	
	29 June 2018	30 June 2017
Volume in million unit cases[1]		
NARTD[2]	1,066.3	1,019.8
Premium spirits[1]	1.1	1.1
Total volume	**1,067.4**	**1,020.9**
Net sales revenue (€ million)		
NARTD	3,149.9	3,124.1
Premium spirits	78.4	89.3
Total net sales revenue	**3,228.3**	**3,213.4**

[1] *One unit case corresponds to approximately 5.678 litres or 24 servings, being a typically used measure of volume. For premium spirits volume, one unit case also corresponds to 5.678 litres. Volume data is derived from unaudited operational data.*
[2] *NARTD: non-alcoholic, ready-to-drink beverages.*

b) Other income statement items

	Six months ended	
	29 June 2018	30 June 2017
	€ million	€ million
Operating profit		
Established	**108.3**	99.0
Developing	**55.4**	31.2
Emerging	**140.2**	136.2
Total operating profit	**303.9**	**266.4**
Reconciling items		
Finance costs, net	**(19.1)**	(17.5)
Tax	**(73.0)**	(62.4)
Share of results of equity method investments	**5.3**	5.3
Non-controlling interests	**(0.2)**	(0.2)
Profit after tax attributable to owners of the parent	**216.9**	**191.6**

c) Other items

The Group continues to monitor the situation in Nigeria in order to ensure that timely actions and initiatives are undertaken to minimise potential adverse impact on its performance, particularly in relation to potential currency volatility. During 2018 revenue of our operations in Nigeria amounted to 8% of consolidated net sales revenue; as at 29 June 2018 non-current assets of our operations in Nigeria amounted to 10% of the consolidated non-current assets.

4. Restructuring expenses

As part of the effort to optimise its cost base and sustain competitiveness in the marketplace, the Company undertakes restructuring initiatives. The restructuring concerns mainly employees' costs and impairment of property, plant and equipment and are included within operating expenses. Restructuring expenses per reportable segment for the six months ended 29 June 2018 and 30 June 2017 are presented below:

	Six months ended	
	29 June 2018	30 June 2017
	€ million	€ million
Established	**1.1**	7.5
Developing	**0.5**	2.0
Emerging	**2.4**	3.5
Total restructuring expenses	**4.0**	**13.0**

5. Finance costs, net

	Six months ended	
	29 June 2018	30 June 2017
	€ million	€ million
Interest income	**(3.6)**	(4.8)
Finance costs	**22.9**	21.8
Net foreign exchange (gains)/losses	**(0.2)**	0.5
Finance costs, net	**19.1**	**17.5**

6. Tax

	Six months ended	
	29 June 2018	30 June 2017
	€ million	€ million
Profit before tax	**290.1**	254.2
Tax	**(73.0)**	(62.4)
Effective tax rate	**25.2%**	**24.5%**

The Group's effective tax rate for 2018 may differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities, as a consequence of a number of factors, the most significant of which are the application of statutory tax rates of the countries in which the Group operates, the non-deductibility of certain expenses, the non-taxable income and one off tax items.

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the owners of the parent by the weighted average number of shares outstanding during the period (first half of 2018: 367,737,898, first half of 2017: 363,917,901). Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares arising from exercising employee stock options.

Selected explanatory notes to the condensed consolidated interim financial statements (unaudited)

8. Intangible assets and property, plant and equipment

	Intangible assets € million	Property, plant and equipment € million
Net book value as at 1 January 2018	1,829.9	2,322.0
Additions	1.5	229.8
Reclassified to assets held for sale	-	(2.8)
Disposals	-	(5.3)
Depreciation, impairment and amortisation	(0.3)	(153.2)
Foreign currency translation	(0.5)	(17.7)
Net book value as at 29 June 2018	**1,830.6**	**2,372.8**

9. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and commodity price risk), credit risk, liquidity risk and capital risk. There have been no changes in the risk management policies since the year end.

The Group's derivative financial instruments recorded at fair value are included in Level 2 within the fair value hierarchy. There have been no changes in valuation techniques and inputs used to determine their fair value since 31 December 2017 (as described in the 2017 Integrated Annual Report available on the Coca-Cola HBC's web site: www.coca-colahellenic.com). As at 29 June 2018, the total derivatives included in Level 2 were financial assets of €16.2 million and financial liabilities of €7.9 million.

The Group recognises embedded derivatives whose risks and economic characteristics were not considered to be closely related to the commodity contract in which they were embedded. The valuation techniques used to determine their fair value maximised the use of observable market data. The fair value of the embedded derivatives as at 29 June 2018 amounted to a financial asset of €2.8 million and are classified within Level 2.

The money market funds recorded at fair value are included in Level 1 within the fair value hierarchy. As at 29 June 2018, the fair value of the money market funds amounted to €56.5 million (31 December 2017: €nil).

There were no transfers between Level 1, 2 and 3 during the first six months of 2018. The fair value of bonds and notes payable applying the clean market price, as at 29 June 2018, was €1,477.4 million compared to their book value of €1,394.3 million, as at the same date.

10. Net debt

	As at	
	29 June 2018 € million	31 December 2017 € million
Current borrowings	**113.8**	166.4
Non-current borrowings	**1,456.9**	1,459.8
Less: Cash and cash equivalents	**(659.4)**	(723.5)
- Financial assets held to maturity	-	(150.9)
- Financial assets at amortised cost	(243.4)	-
- Financial assets at fair value through profit or loss	(56.5)	-
Less: Total other financial assets	**(299.9)**	(150.9)
Net debt	**611.4**	751.8

10. Net debt (continued)

Cash and cash equivalents include an amount of €18.5 million equivalent in Nigerian Naira and €0.2 million held by the Group's subsidiary, Nigerian Bottling company Ltd, including an amount of €4.9 million equivalent in Nigerian Naira, which relates to the outstanding balance of the bank account held for the repayment of its former minority shareholders, following the 2011 acquisition of non-controlling interests.

The financial assets at amortised cost primarily comprise of time deposits but also include an amount of €8.6 million equivalent in Nigerian Naira invested in Treasury Bills, which relates to the outstanding balance of the bank account held for the repayment of its former minority shareholders as described above. The financial assets at fair value through profit or loss relate to Money Market Funds.

11. Share capital and share premium

	Number of shares (authorised and issued)	Share capital € million	Share premium € million
Balance as at 1 January 2017	**366,640,638**	**1,990.8**	**4,854.6**
Shares issued to employees exercising stock options	4,122,401	24.3	46.7
Dividends (note 12)	-	-	(162.0)
Balance as at 31 December 2017	**370,763,039**	**2,015.1**	**4,739.3**
Shares issued to employees exercising stock options	821,763	4.7	8.0
Dividends (note 12)	-	-	(200.6)
Balance as at 29 June 2018	**371,584,802**	**2,019.8**	**4,546.7**

In 2017, the share capital of Coca-Cola HBC increased by the issue of 4,122,401 new ordinary shares following the exercise of stock options pursuant to the Coca-Cola HBC AG's employees' stock option plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €71.0 million.

For the six months ended 29 June 2018, the share capital of Coca-Cola HBC increased by the issue of 821,763 new ordinary shares following the exercise of stock options pursuant to the Coca-Cola HBC AG's employees' stock option plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €12.7 million.

Following the above changes, on 29 June 2018 the share capital of the Group amounted to €2,019.8 million and comprised 371,584,802 shares with a nominal value of CHF 6.70 each.

12. Dividends

The shareholders of Coca-Cola HBC AG approved the dividend distribution of 0.54 euro cents per share at the Annual General Meeting held on 11 June 2018. The total dividend amounted to €200.6 million and was paid on 24 July 2018. Of this an amount of €1.8 million relates to shares held by the Group.

On 20 June 2017, the shareholders of Coca-Cola HBC AG at the Annual General Meeting approved the dividend distribution of 0.44 euro cents per share. The total dividend amounted to €162.0 million and was paid on 25 July 2017. Of this an amount of €1.5 million related to shares held by the Group.

13. Related party transactions

a) The Coca-Cola Company

As at 29 June 2018, The Coca-Cola Company and its subsidiaries (collectively, ''TCCC'') indirectly owned 22.9% (31 December 2017: 23.0%) of the issued share capital of Coca-Cola HBC. The below table summarises transactions with The Coca-Cola Company and its subsidiaries:

	Six months ended	
	29 June 2018	30 June 2017
	€ million	€ million
Purchases of concentrate, finished goods and other items	**839.7**	716.1
Net contributions received for marketing and promotional incentives	**69.5**	39.0
Sales of finished goods and raw materials	**9.2**	5.6
Other expenses	**0.7**	1.7
Other income	**2.0**	2.2

Other income primarily comprises rent, facility and other items. As at 29 June 2018, the Group had a total amount of €94.9 million due from TCCC (€79.3 million as at 31 December 2017), and had a total amount of €356.6 million due to TCCC (€260.2 million as at 31 December 2017).

During the six months ended 30 June 2017, the remaining consideration of €0.5 million regarding the sale in December 2016 of 50% of the Group's share in its subsidiary Neptuno Vandenys, UAB to European Refreshments, a subsidiary of TCCC, was collected and is included in line 'Net receipts from equity investments' in the consolidated cash flow statement.

b) Frigoglass S.A. ('Frigoglass') and Kar-Tess Holding and AG Leventis (Nigeria) Plc

Frigoglass, a company listed on the Athens Exchange, is a manufacturer of coolers, cooler parts, glass bottles, crowns and plastics. Truad Verwaltungs AG, currently indirectly owns 48.6% of Frigoglass and 50.7% of AG Leventis (Nigeria) Plc and also indirectly controls Kar-Tess Holding, which holds approximately 23.0% (31 December 2017: 23.0%) of Coca-Cola HBC's total issued capital. Frigoglass has a controlling interest in Frigoglass Industries Limited and Frigoglass West Africa Ltd., in which Coca-Cola HBC has a 23.9% effective interest, through its investment in Nigerian Bottling Company Ltd (NBC).

The below table summarises transactions with Frigoglass, Kar-Tess Holding and AG Leventis (Nigeria) Plc:

	Six months ended	
	29 June 2018	30 June 2017
	€ million	€ million
Purchases of coolers and other equipment, raw and other materials	**102.0**	75.1
Maintenance, rent and other expenses	**11.8**	12.8

As at 29 June 2018, Coca-Cola HBC owed €51.4 million (€14.8 million as at 31 December 2017) to and was owed €0.5 million (€0.2 million as at 31 December 2017) from Frigoglass and its subsidiaries. As at 29 June 2018, Coca-Cola HBC owed €nil (€1.3 million as at 31 December 2017) to and was owed €0.8 million (€nil as at 31 December 2017) from AG Leventis (Nigeria) Plc. Capital commitments with Frigoglass and its subsidiaries as at 29 June 2018, amounted to €10.3 million (€21.9 million as at 31 December 2017).

In 2017, Frigoglass Industries Nigeria Limited and Frigoglass West Africa Ltd, became guarantors under the amended banking facilities and notes issued by the Frigoglass Group, as part of the debt restructuring of the latter. The Group has no direct exposure arising from these guarantee arrangements, but the Group's investment in these associates, which stood at €19.2 million as at 29 June 2018 (€15.8 million as at 30 June 2017), would be at potential risk if there was a default under the terms of the amended banking facilities or the notes and the Frigoglass Group (including the guarantors) were unable to meet their obligations there under.

13. Related party transactions (continued)

c) Other related parties

Beverage Partners Worldwide ("BPW")

BPW was a 50/50 joint venture between TCCC and Nestlé. Effective 1 January 2018, TCCC and Nestle agreed to dissolve BPW. The Group purchased inventory from BPW of €49.8 million during the six months ended 30 June 2017. As at 29 June 2018, the Group owed €nil (€4.5 million as at 31 December 2017) to, and was owed €nil (€4.5 million as at 31 December 2017) from BPW.

Other

During the six months ended 29 June 2018, the Group incurred other expenses of €10.5 million (€11.5 million in the respective prior-year period) and subsequent expenditure for fixed assets of €1.3 million. As at 29 June 2018, the Group owed €2.0 million (€0.4 million as at 31 December 2017) to, and was owed €0.1 million (€0.8 million as at 31 December 2017) by other related parties.

d) Joint ventures

The below table summarises transactions with joint ventures:

	Six months ended	
	29 June 2018	30 June 2017
	€ million	€ million
Purchases of inventory	**3.1**	14.2
Sales of finished goods and raw materials	**1.1**	6.7

As at 29 June 2018, the Group owed €29.2 million including loans payable of €7.1 million (€24.0 million as at 31 December 2017 including loans payable of €4.3 million) to, and was owed €14.8 million including loans receivable of €3.7 million (€8.6 million as at 31 December 2017 including loans receivable of €3.6 million) by joint ventures. During the six months ended 29 June 2018 the Group received dividends of €0.2 million (€0.6 million in the respective prior-year period) from Brewinvest SA Group of companies, which are included in line 'Net receipts from equity investments' of the consolidated cash flow statement, while dividends of €1.3 million were declared but not received as at 29 June 2018.

e) Directors

There were no transactions between Coca-Cola HBC and the directors and senior management except for remuneration for both the six months ended 29 June 2018 and the prior-year period.

There were no other significant transactions with other related parties for the six months ended 29 June 2018.

14. Contingencies

There have been no significant adverse changes in contingencies since 31 December 2017 (as described in our 2017 Integrated Annual Report available on the Coca-Cola HBC's web site: www.coca-colahellenic.com).

15. Commitments

As at 29 June 2018 the Group, including joint ventures, had capital commitments of €111.3 million (31 December 2017: €76.3 million), which mainly relate to plant and machinery equipment.

16. Number of employees

The average number of full-time equivalent employees in the first half of 2018 was 28,957 (29,651 for the first half of 2017).

17. Subsequent events

There were no subsequent events following 29 June 2018.