ANNUAL REPORT

(Translation of the Estonian original)

Beginning of the reporting period:	01.01.2017
End of the reporting period:	31.12.2017

Name of the entity:	AKTSIASELTS COCA-COLA HBC EESTI
Commercial registry number:	10345833
Street:	Mustamäe tee
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Table of Contents

Management report

The main business activity of AS Coca-Cola HBC Eesti is the marketing and sales of soft drinks on the permission of The Coca-Cola Company.

The company is certified by the Lloyd's Quality Assurance Register and owns the quality system ISO 9001 and the certificate of health and safety management system OHSAS 18001.

In 2017, the company's product range included the following soft drinks: Coca-Cola, Fanta, Sprite, Linnuse Kali. In addition Bonaqua water, Römerquelle water, Nestea ice tea, Cappy Ice Fruit juice, Cappy juices, Burn and Monster energy drinks, and Schweppes tonic.

The entire assortment of products is bought in. The main suppliers are from Poland, Hungary, Czech Republic, Austria and Romania.

The selling and administrative headquarter of the Baltic countries is located in Estonia.

Key events in 2017 were:

- In February 2017, Burn Passion Punch in 0.3 litre can was launched;
- In March 2017, Nestea Forest Fruits 0.5 and 1.5 litre package was launched;
- In May 2017, Fanta Raspberry 0.5 and 2 litre package, Coca-Cola Lime 0.5 and 1.5 litre package were launched;
- In April 2017 Monster Ultra Red 0.5 litre can was launched;
- In June 2017 Monster Lewis Hamilton 0.5 litre can was launched;

In 2017, the company continued selling premium class alcohol. Alcohol assortment of product includes: Finlandia Vodka, Jack Daniels Whisky, Woodward Whisky, Famous Grouse, Highland Park, Macallan, Cutty Sark Whisky, Bols, Brugal, Chambord Liqueur. The entire assortment of alcoholic products is purchased from Finland, Italy, Belgium, France, Holland and United States of America.

The average number of employees of AS Coca-Cola HBC Eesti in 2017 was 98 (in 2016: 103). Employee's wages totalled EUR 3,381 (2016: 3,514) thousand, including taxes. As of 31 December 2017 and 31 December 2016, the Management Board consisted of three members, where the chairman of the Management Board is also operating as the CEO.

The company's activity does not affect the environment, but has a social impact through the jobs for local population.

There is no impact of changes in the exchange rates, interest rates and other trends to the company during 2017 and the preparation of financial statements.

The company's most important economic indicators were:

In thousand EUR (exc.ROIC)	2017	2016	Change
Gross profit	11,773	11,970	-1.65%
EBIT	889	1,342	-33.76%
EBIDTA	1,623	1,932	-15.99%
ROIC	3.02%	4.6%	

EBIT = operating profit

EBITDA = EBIT + amortization expense

ROIC = EBIT / (loans + equity)

Financial statements

Balance sheet

(in thousands of EUR)

	31.12.2017	31.12.2016	Note
Assets			
Current assets			
Cash and cash equivalents	102	92	
Receivables and prepayments	6,681	5,454	2
Inventories	1,041	1,017	3
Total current assets	**7,824**	**6,563**	
Non-current assets			
Financial investments	23,705	23,705	5
Property, plant and equipment	1,585	1,547	6
Intangible assets	2,534	2,751	7
Total non-current assets	**27,824**	**28,003**	
Total assets	**35,648**	**34,566**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	6,237	5,125	9
Total current liabilities	**6,237**	**5,125**	
Non-current liabilities			
Payables and prepayments	0	905	9
Total non-current liabilities	**0**	**905**	
Total liabilities	**6,237**	**6,030**	
Equity			
Issued capital	1,349	1,349	11
Share premium	3,658	3,658	
Statutory reserve capital	135	135	
Retained earnings (loss)	23,394	19,538	
Net profit (loss) for the financial period	875	3,856	
Total equity	**29,411**	**28,536**	
Total liabilities and equity	**35,648**	**34,566**	

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Income statement

(in thousands of EUR)

	2017	2016	Note
Revenue	25,626	25,907	12
Cost of sales	-13,853	-13,937	13
Gross profit (loss)	**11,773**	**11,970**	
Distribution costs	-5,934	-6,042	14
Administrative expense	-4,948	-4,628	15
Other income	1	43	
Other expense	-3	-1	
Operating profit (loss)	**889**	**1,342**	
Profit (loss) from subsidiaries	0	2,553	5
Interest expenses	-14	-39	17
Profit (loss) before tax	**875**	**3,856**	
Net profit (loss) for the financial period	**875**	**3,856**	

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Statement of cash flows

(in thousands of EUR)

	2017	2016	Note
Cash flows from operating activities			
Operating profit (loss)	889	1,342	
Adjustments			
Depreciation and impairment loss (reversal)	734	590	6,7
Profit (loss) from sale of non-current assets	2	-51	6
Total adjustments	**736**	**539**	
Changes in receivables and prepayments related to operating activities	-1,227	-1,898	2
Changes in inventories	-24	-217	3
Changes in payables and prepayments related to operating activities	733	282	9
Interest paid	-23	-63	
Total cash flows from operating activities	**1,084**	**-15**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-569	-361	6,7
Proceeds from sales of property, plant and equipment and intangible assets	2	1,089	6
Loans given	0	-106	17
Repayments of loans given	106	0	17
Dividends received	0	2,553	5
Total cash flows from investing activities	**-461**	**3,175**	
Cash flows from financing activities			
Loans received	292	0	17
Repayments of loans received	-905	-700	17
Dividends paid	0	-2,553	5
Total cash flows from financing activities	**-613**	**-3,253**	
Total cash flows	**10**	**-93**	
Cash and cash equivalents at beginning of period	92	185	
Change in cash and cash equivalents	**10**	**-93**	
Cash and cash equivalents at end of period	102	92	

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Statement of changes in equity

(in thousands of EUR)

					Total
	Issued capital	Share premium	Statutory reserve capital	Retained earnings (loss)	
31.12.2015	1,349	3,658	135	22,091	27,233
Annual period profit (loss)	0	0	0	3,856	3,856
Declared dividends	0	0	0	-2,553	-2,553
31.12.2016	1,349	3,658	135	23,394	28,536
Annual period profit (loss)	0	0	0	875	875
31.12.2017	1,349	3,658	135	24,269	29,411

More detailed information provided in Note 11.

Notes to the financial statements

Note 1: Accounting policies

General information

The 2017 financial statements of AS Coca-Cola HBC Eesti have been prepared in accordance with the Estonian financial reporting standard. The Estonian financial reporting standard's principles are prescribed by the Accounting Act of Estonia and supplemented by the guidelines issued by the Accounting Standards Board.

The financial statements have been prepared under the historical cost convention, except as disclosed in the following accounting principles.

The amounts in financial statements are presented in thousands of euros.

AS Coca-Cola HBC Eesti has not prepared consolidated financial statements because 100% of its shares belong to Coca-Cola Beverages Holding II B.V registered in the Netherlands (state belonging to the European Economic Area), who belongs to Coca-Cola HBC AG group, who prepares and publishes the consolidated audited financial statements.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, bank account balances (except for overdraft) and term deposits with original maturities of three months or less. Bank overdrafts are recorded in the balance sheet under current borrowings.

Foreign currency transactions, assets, and liabilities denominated in a foreign currency

Foreign currencies include all currencies other than the Company's functional currency, the euro. Foreign currency transactions are recorded on the basis of the foreign currency exchange rates of the European Central Bank prevailing at the dates of the transactions. Monetary financial assets and liabilities denominated in foreign currencies (receivables and loans payable in cash) are translated based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. As a result of the translation, foreign currency gains and losses are presented in the income statement for the reporting period.

Shares of subsidiaries and associates

A subsidiary is an entity on which the parent company has control. The subsidiary is under control of the parent if the parent, directly or indirectly, has interest of more than 50% of the shares with voting rights or otherwise has power to govern the operating and financial policies of the subsidiary.

Investment in subsidiary is initially recorded using purchase method (except for transactions involving entities under common control, for which adjusted purchase method is used). According to the purchase method, the assets, liabilities and contingent liabilities of the acquired subsidiary (i.e. net assets) are recorded in fair value and the difference between the cost of acquisition and the fair value of the acquired net assets is recorded as positive or negative goodwill.

Investments in subsidiaries are carried at cost minus impairment losses if the recoverable amount of an investment has declined below its carrying amount. Under cost method, investment in subsidiary is initially recorded at cost, which is the fair value of the consideration payable and any costs directly attributable to the acquisition. At each balance sheet date, an assessment must be made on whether there are any indications that the recoverable amount of an investment has declined below its carrying amount. If there are any such indications, an impairment test shall be performed. Upon determining the recoverable amount of the investment, the principles described in section „Impairment of assets" are used.

The dividends payable by the subsidiary are recognised as financial income at the moment the parent company receives the right to these dividends, regardless the dividends are paid from retained earnings the subsidiary had earned before or after acquired by the parent company.

Receivables and prepayments

Short-term receivables arising in the course of ordinary operating activities (except for receivables from other group entities) are classified as trade receivables. Trade receivables are carried at amortised cost (i.e. their nominal value less any impairment allowances).

All other receivables (accrued income, loan receivable and other short-term receivables) are measured at amortised cost.

Impairment of receivables is recognised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Evidence of potential impairment includes the bankruptcy or major financial difficulties of the debtor and non-adherence to payment dates. The impairment of the receivables that are individually significant (i.e. need for a write-down) is assessed individually for each customer, based on the present value of expected future collectible amounts. Receivables that are not individually significant or for which no objective evidence of impairment exists, are collectively assessed for impairment using previous years' experience on uncollectible receivables. The amount of the impairment loss is the difference between the carrying amounts of receivables and the present value of expected future cash flows discounted at the effective interest rate. The carrying amount of receivables is reduced by the amount of the impairment loss of doubtful receivables and the impairment loss is recognised in income statement within "Other operating expenses". If a receivable is deemed irrecoverable, the receivable and the impairment loss are taken off the balance sheet. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance loss for doubtful receivables.

Inventories

Inventories are initially recorded at cost, consisting of the purchase costs, production costs and other costs incurred in bringing the inventories to their present location and condition. The purchase costs of inventories include the purchase price, customs duties and other non-refundable taxes and direct transportation costs related to the purchase, less discounts and subsidies.

Inventories are expensed using the weighted average cost method. Inventories are measured in the balance sheet at the lower of acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Plant, property and equipment and intangible assets

Property, plant and equipment are non-current assets used in the operations of the company with a useful life of over one year and a cost of over EUR 1,917. Assets with a useful life of over 1 year, but with the cost of less than EUR 1,917 are included within low-value items (in inventories) and are charged to expenses at the time the asset is taken into use. The exception are the refrigerators installed in stores for advertising purposes, which cost less than 1,917 euros, but have a useful life of over 1 year. In addition, computer software purchased in wholesale is recognised as property, although the cost is under 1,917 euros. Low-value items that have been expensed are accounted for off-balance sheet.

An item of property, plant and equipment is initially recognised at its cost which consists of the purchase price (incl. customs duties and other non–refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. An item of property, plant and equipment is subsequently carried in the financial statements at its cost less any accumulated depreciation and any impairment losses. Property held on operating lease is recognised by the same principles.

Subsequent expenditures incurred for items of tangible assets are recognised as property, plant and equipment when it is probable that expected future benefits relating to the asset will flow to the Company and the cost of the asset can be measured reliably. Other maintenance and repair costs are recognised as expenses at the time they are incurred.

The straight-line method is used for determining depreciation. The depreciation rates are set separately for each item of property, plant and equipment depending on its useful life. For assets with material residual value, only the difference between cost and the residual value that is subject to depreciation is depreciated over the useful life of the asset. When an item of property, plant and equipment consists of identifiable components with different useful lives, these components are recorded as separate property, plant and equipment items and separate depreciation rates are also applied to them depending on their estimated useful lives.

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount or when the asset is permanently withdrawn from use.

At each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual value are reviewed.

Where an asset's carrying amount exceeds its estimated recoverable amount (i.e. the higher one of asset's fair value less costs to sell or its value in use), it is immediately written down to its recoverable amount.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from recognition of items of property, plant and equipment are included either within other income or other expenses in the income statement.

Returnable containers

Returnable containers are recorded under “Other property, plant and equipment” at cost less any accumulated depreciation and any impairment losses. Returnable containers include returnable glass bottles, returnable crates and dynos, which have deposit value.

For returnable glass bottles, the difference between cost and deposit value is amortised over the period of three years and for returnable plastic containers the difference between cost and deposit value is amortised over the period of seven years.

At each balance sheet date write-off is made for the unreturned containers from market and for broken tare in production and warehousing. After the approval of management, the returnable containers are removed from the balance sheet.

Intangible assets (development costs, patents, licenses, trademarks, software) are recognised in the balance sheet when the asset is controlled by the company, future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. An intangible asset is initially recognised at cost, comprising of its purchase price and any directly attributable costs on preparing the asset for its intended use. After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are divided into assets with finite useful lives and assets with indefinite useful lives. Intangible assets with finite useful lives are amortised using the straight-line method, depending on their estimated useful lives. At each balance sheet date, the amortisation periods and methods are assessed for appropriateness.

Assets with finite useful lives are tested for impairment whenever there is any evidence of an impairment loss.

Software

Computer software, which is not an integral part of the related hardware, is recognised as an intangible asset. Software development costs are included within intangible assets when they are directly related to the development of such software items that can be distinguished from one another, are controlled by the company and from which the future economic benefits for a period longer than one year are expected to flow to the company. Software development costs subject to capitalisation include labour costs and other expenses directly related to development. Ongoing software maintenance costs are recognised as expenses in the income statement. Capitalised software costs are amortised over the estimated useful life between 4-10 years.

Other intangible assets

Expenses on licenses are capitalized when it is possible to estimate the related future economic benefits. Other intangible assets are amortized on straight-line basis over the expected useful lives, not exceeding 5 years period.

Useful lives of groups of property, plant and equipment (years):

Group of property, plant and equipment	Useful life
Buildings	40 years
Machinery and equipment	5 – 8 years
IT equipment	3 – 7 years
Other tangible assets	3- 10 years
Returnable containers	3 – 7 years
Intangible assets	4 – 10 years

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Assets with indefinite useful life (land) are not depreciated.

Impairment of assets

At each balance sheet date assets are assessed whether there are any indications that an asset may be impaired.

If any indications exist, the recoverable amount of an asset is estimated and compared to the carrying amount.

An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, the recoverable amount is assessed for each individual asset or for the smallest identifiable group of assets for which cash flows can be determined (cash generating unit). Impairment losses are recognised in profit or loss.

At each following balance sheet date, assets that have been written down are assessed to determine whether their recoverable amount has increased. If the impairment test indicates that the recoverable value of an asset or asset group (cash-generating unit) has increased above its carrying amount, the previous impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in the income statement as a deduction of the impairment loss.

Leases

The company is the lessee

The finance lease is lease of assets, which transfer substantially all the risks and rewards incidental to ownership to the lessee. Other leases are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

The company is the lessor

Lessors presents assets leased out under an operating lease in their balance sheet similarly to other assets presented in the company's balance sheet. Operating lease payments are recognised in income on a straight-line basis over the lease term.

Financial liabilities

The company's financial liabilities (trade payables, accrued expenses and other short- and long-term borrowings) are initially recorded at cost, including transaction costs incurred. They are subsequently measured at amortised cost.

The amortised cost of current financial liabilities normally equals their cost; therefore, current financial liabilities are stated in the balance sheet at their redemption amount. For calculating the amortised cost of long-term financial liabilities they are initially recognised at the fair value of the consideration payable (less transaction costs), by determining interest expense on the liabilities in the following periods using the effective interest rate method.

A financial liability is classified as short-term when it is due to be settled within 12 months after the balance sheet date, or if the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings that are due within 12 months after the balance sheet date, but which are refinanced after the balance sheet date as non-current, are recognised as short-term. Also, borrowings are classified as short-term if the lender had at the balance sheet date the contractual right to demand immediate repayment of the borrowing due to the breach of conditions set forth in the agreement.

Provisions and contingent liabilities

Present obligations arising from past events, whose timing or amounts are uncertain, are recognised as provisions. Provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. The amount recognised as a provision is the best estimate of the management regarding the expenditure required to settle the present obligation at the balance sheet date or to transfer it to a third party. When a provision is expected to be settled later than 12 months after the balance sheet date, it is measured at the discounted value (at the present value of payments relating to the provisions), unless the effect of discounting is immaterial.

The deposit value of the tare deposit liability

On the sale of returnable tare to the customer, deposit liability is recorded in the balance sheet in the amount the company is obliged to pay customers when returning the returnable containers. Deposit paid by the customers is recorded in the balance sheet under other short-term liabilities.

Other potential or present obligation whose settlement is less probable than its non-settlement or whose amount cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Revenue recognition

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates granted. Revenue from the sale of goods is recognised when all significant risks and rewards of ownership of the goods are transferred to the buyer, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the company. Revenue from the rendering of services is recognised upon rendering of the service or when services are performed over a longer period of time, based on the stage of completion.

Interest income is recognised from loan receivables, when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the company. Interest income is recognised based on the agreed interest rate.

Taxation

According to the current legislation, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The corporate income tax arising from the payment of dividends is recognised as an income tax expense in the income statement of the period in which the dividends are declared, regardless of the period for which the dividends are paid or the actual payment date. In certain circumstances, it is possible to distribute dividends without any additional income tax expense.

Tax rate applied to profit distributed as dividends is 20/80 of the net amount disbursed.

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Due to the nature of the taxation system, the companies registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability, which would arise upon the payment of dividends, is not recognised in the balance sheet. The maximum income tax liability, which would accompany the distribution of the company's retained earnings, is disclosed in the notes to the financial statements.

Note 2: Receivables and prepayments

(in thousands of EUR)

	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	2,665	2,665	0	0	
Accounts receivables	2,704	2,704	0	0	
Allowance for doubtful receivables	-39	-39	0	0	
Other receivables	410	410	0	0	
Prepayments	84	84	0	0	
Receivables from related parties	3,522	3,522	0	0	17
Total receivables and prepayments	**6,681**	**6,681**	**0**	**0**	
	31.12.2016	**Allocation by remaining maturity**			**Note**
		Within 12 months	**1 - 5 years**	**Over 5 years**	
Accounts receivable	2,730	2,730	0	0	
Accounts receivables	2,742	2,742	0	0	
Allowance for doubtful receivables	-12	-12	0	0	
Other receivables	449	449	0	0	
Prepayments	50	50	0	0	
Receivables from related parties	2,225	2,225	0	0	17
Total receivables and prepayments	**5,454**	**5,454**	**0**	**0**	

Note 3: Inventories

(in thousands of EUR)

	31.12.2017	31.12.2016
Raw materials	4	4
Merchandise	927	916
Spare parts	110	97
Total Inventories	**1,041**	**1,017**

Since the net realizable value of inventories has fallen below their acquisition cost and due to exceeding of the expiry date, inventories have been written down and expensed in the amount of 1 thousand euros (2016: 1 thousand euros) in 2017. There has been no reversals of previously recorded allowances.

Additional information about inventory write-off is disclosed in Note 13.

Note 4: Tax prepayments and liabilities

(in thousands of EUR)

	31.12.2017		31.12.2016	
	Tax prepayments	**Tax liabilities**	**Tax prepayments**	**Tax liabilities**
Value added tax	0	386	0	362
Personal income tax	0	38	0	32
Fringe benefit income tax	0	11	0	11
Social tax	0	74	0	75
Contributions to mandatory funded pension	0	4	0	3
Unemployment insurance tax	0	5	0	4
Total tax prepayments and liabilities	**0**	**518**	**0**	**487**

Additional information is disclosed in Notes 2 and 9.

Note 5: Shares of subsidiaries

(in thousands of EUR)

Shares of subsidiaries, general information					
Subsidiary's registry code	**Name of subsidiary**	**Country of incorporation**	**Principal activity**	**Ownership interest (%)**	
				31.12.2016	**31.12.2017**
40003108882	SIA Coca-Cola Latvia	Latvia	Wholesale of other beverages	100	100
111484678	UAB Coca-Cola Lietuva	Lithuania	Production and wholesale of other beverages	100	100

Shares of subsidiaries, detailed information:		
Name of subsidiary	**31.12.2016**	**31.12.2017**
SIA Coca-Cola Latvia	8,399	8,399
UAB Coca-Cola Lietuva	15,306	15,306
Total shares of subsidiaries, at end of previous period	**23,705**	**23,705**

In 2017, no dividends were received.

In 2016, the company received dividends from its subsidiary UAB Coca-Cola Lietuva in the amount of 2,553 thousand euros.

Note 6: Property, plant and equipment

(in thousands of EUR)

					Total
	Land	Buildings	Machinery and equipment	Other property, plant and equipment	
31.12.2015					
Carried at cost	71	151	10	6,047	6,279
Accumulated depreciation	0	-53	-5	-3,754	-3,812
Residual cost	71	98	5	2,293	2,467
Acquisitions and additions	0	0	0	269	269
Depreciation	0	-5	-1	-167	-173
Disposals	0	0	0	-1,016	-1,016
31.12.2016					
Carried at cost	71	151	10	4,406	4,638
Accumulated depreciation	0	-58	-6	-3,027	-3,091
Residual cost	71	93	4	1,379	1,547
Acquisitions and additions	0	0	0	318	318
Depreciation	0	-5	-1	58	52
Disposals	0	0	0	-332	-332
31.12.2017					
Carried at cost	71	151	10	4,389	4,621
Accumulated depreciation	0	-63	-7	-2,966	-3,036
Residual cost	71	88	3	1,423	1,585

Disposed property, plant and equipment at selling price

	2017	2016
Machinery and equipment	0	51
Transportation	0	51
Other property, plant and equipment	2	1,038
Total	**2**	**1,089**

Note 7: Intangible assets

(in thousands of EUR)

	Computer software	Unfinished projects and prepayments	Total
31.12.2015			
Carried at cost	4,937	13	4,950
Accumulated depreciation	-1,835	0	-1,835
Residual cost	3,102	13	3,115
Acquisitions and additions	32	59	91
Depreciation	-455	0	-455
Reclassifications	13	-13	0
31.12.2016			
Carried at cost	4,982	59	5,041
Accumulated depreciation	-2,290	0	-2,290
Residual cost	2,692	59	2,751
Acquisitions and additions	70	181	251
Depreciation	-467	0	-467
Reclassifications	58	-59	-1
31.12.2017			
Carried at cost	5,110	181	5,291
Accumulated depreciation	-2,757	0	-2,757
Residual cost	2,353	181	2,534

Note 8: Operating lease

(in thousands of EUR)

Accounting entity as lessor

	2017	2016	Note
Operating lease income	309	296	12

The company rents accounting and business software and returnable containers to Latvia and Lithuania that it also partially used for its own business activities.

The carrying value of accounting and business software as at 31.12.2017 was in amount of 2,353 thousand euros (31.12.2016: 2,692 thousand euros). For more detailed information refer to Note 7.

The carrying value of the returnable containers on 31.12.2017 was 480 thousand euros (31.12.2016: 487 thousand euros). For more detailed information refer to Note 6.

Accounting entity as lessee

	2017	2016	Note
Operating lease expenses	1,092	1,076	13,14,15

AS Coca-Cola HBC Eesti has paid operating lease payments for cars, facilities and equipment hire.

Lease contracts are generally concluded with the deadline of 3 to 5 years. AS Coca-Cola HBC Eesti rental agreements are related to its main activity the assumption that lease contracts will not be predetermined has been used.

Note 9: Payables and prepayments

(in thousands of EUR)

	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	2,471	2,471	0	0	
Employee payables	463	463	0	0	
Tax payables	518	518	0	0	4
Other payables	559	559	0	0	
Short-term liabilities to related parties	2,226	2,226	0	0	17
Total payables and prepayments	**6,237**	**6,237**	**0**	**0**	

	31.12.2016	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	2,373	2,373	0	0	
Employee payables	873	873	0	0	
Tax payables	487	487	0	0	4
Other payables	592	592	0	0	
Short-term liabilities to related parties	800	800	0	0	17
Long-term liabilities to related parties	905	0	905	0	17
Total payables and prepayments	**6,030**	**5,125**	**905**	**0**	

Since 13.12.2012 the company has overdraft limit in the amount of 640 thousand euros, which was valid until 30.11.2015. New contract was signed 26.01.2016 with the overdraft limit of 450 thousand euros and is valid until 26.01.2017.

In 2016, the company used overdraft in the amount of 2,633 thousand euros. In 2016, the company returned overdraft in the amount of 2,633 thousand euros. At 31.12.2016 the balance of the overdraft payable was 0. The overdraft interest rate is 6-month Euribor. There are no other significant conditions. In the cash flow statement, the overdraft is recorded in net amount.

The company received the loan from Coca-Cola HBC Finance BV with the payment term on 08.11.2024 and interest rate at 3.97%. The loan balance at the 31.12.2017 was 0 (31.12.2016: 905) thousand euros.

The company has received the overdraft from the group with the interest rate of 3.07%. The overdraft balance as at 31.12.2017 was 292 thousand euros (31.12.2016: 0 thousand euros).

Buyback obligation relating to reusable packaging

The company has a legal obligation to collect back from the market packaging with deposit and single-use packaging. Reusable packaging with no deposit value is being bought back by the company under agreements made with customers. For the package repurchase a provision is made according to the current packaging deposit value.

Note 10: Contingent liabilities and assets

(in thousands of EUR)

Potential liabilities arising from tax provision

The tax authorities have the right to verify the company's tax records up to 5 years from the time of submitting the tax declaration and upon finding errors, impose additional taxes, interests and fines.

The company's management estimates that there are no circumstances, which may lead the tax authorities to impose additional significant taxes on the company.

Note 11: Share capital

(in thousands of EUR)

	31.12.2017	31.12.2016
Share capital	1,349	1,349
Number of shares (pcs)	21,105	21,105
Nominal value of shares	63.90	63.90

The share capital of the company as at 31.12.2017 consists of 21,105 shares at nominal value of EUR 63.90, which are fully paid.

The company's retained earnings at 31.12.2017 were in the amount of 24,269 (2015: 23,394) thousand euros. Payment of dividends to holders is accompanied by income tax expense of 20/80 from the net dividends amount. At the 31.12.2017 retained earnings can be paid out as dividends in amount of 19,415 (2016: 18,715) thousand euros and income tax expense would be 4,854 (2016: 4,679) thousand euros.

Note 12: Net sales

(in thousands of EUR)

	2017	2016	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	21,826	22,123	
Latvia	1,554	1,481	
Lithuania	1,672	2,123	
Poland	153	39	
Austria	141	141	
Belgium	280	0	
Total net sales in European Union	**25,626**	**25,907**	
Total net sales	**25,626**	**25,907**	
Net sales by operating activities			
Wholesale of other beverages	22,422	22,215	
Non-specialized wholesale trade	174	229	17
Sale of management services	2,690	3,128	17
Other services	340	335	8,17
Total net sales	**25,626**	**25,907**	

Note 13: Cost of goods sold

(in thousands of EUR)

	2017	2016	Note
Inventory write-off	1	1	3
Goods purchased for resale	13,403	13,438	
Transportation expense	44	45	
Leases	48	37	8
Labor expense	50	255	16
Depreciation	20	49	6,7
Other staff-related costs	20	39	16
Other	267	73	
Total cost of goods sold	**13,853**	**13,937**	

Depreciation costs include depreciation cost, impairment and write off.

Note 14: Distribution expense

(in thousands of EUR)

	2017	2016	Note
Leases	910	889	8
Transportation expense	1,246	1,280	
Labor expense	1,873	1,898	16
Depreciation	212	126	6,7
Repair and material costs	176	209	
Insurance costs	26	11	
Communal and communication costs	70	62	
Other staff-related costs	138	178	16
Advertising costs	494	624	
Management fees	541	461	
Other	248	304	
Total distribution expense	**5,934**	**6,042**	

Depreciation costs include depreciation cost, impairment and write off.

Note 15: Administrative expense

(in thousands of EUR)

	2017	2016	Note
Leases	134	150	8
Labor expense	1,465	1,356	16
Depreciation	502	415	6,7
Other	261	321	
Repair and material costs	39	38	
Insurance costs	15	14	
Communal and communication costs	94	110	
Other staff-related costs	296	290	16
Management fees	1,588	1,449	
Outsourced accounting and consulting services	554	485	
Total administrative expense	**4,948**	**4,628**	

Depreciation costs include depreciation cost, impairment and write off.

Note 16: Labor expense

(in thousands of EUR)

	2017	2016
Wage and salary expense	2,518	2,645
Taxes	863	869
Other	454	507
Total labor expense	**3,835**	**4,021**
Average number of employees in full time equivalent units	98	103

Salaries and wages also include benefits and benefit taxes to employees.
Other costs also include employees' health care, training and secondment costs.
Additional information about staff costs is set out Notes 13, 14, 15.

Note 17: Related parties

(in thousands of EUR)

Name of accounting entity's parent company	Coca-Cola Beverages Holding II B.V.
Country where accounting entity's parent company is registered	Holland
Group name where parent company belongs	Coca-Cola HBC AG
Country where group's parent company is registered	Switzerland

Related party balances according to groups

	31.12.2017		31.12.2016	
	Receivables	Liabilities	Receivables	Liabilities
Subsidiary	3,363	976	2,118	522
Other entities belonging into same consolidation group	159	1,250	107	1,020

2017	Loans given repayments	Loans received	Loans received repayments
Other entities belonging into same consolidation group			
Other entities belonging into same consolidation group	106	292	905

2016	Loans given	Loans received repayments
Other entities belonging into same consolidation group		
Other entities belonging into same consolidation group	106	700

Purchases and sales

	2017		2016	
	Purchases	**Sales**	**Purchases**	**Sales**
Subsidiary	6,056	3,220	9,261	3,491
Other entities belonging into same consolidation group	7,542	587	4,309	1,704

Additional information about receivables and prepayments is disclosed in Note 2 and about liabilities and prepayments in Note 9.

In preparing the financial statements of AS Coca-Cola HBC Eesti, the following are considered as related parties:

a. owners (parent company and the persons controlling the parent company or having significant influence over it);
b. other firms belonging to the same consolidation group (incl. fellow subsidiaries);
c. management and supervisory boards;
d. close family members of the persons mentioned above and the companies under their control or significant influence.

As at 31.12.2017 the company's Management Board consisted of three members, whereas the by the Chairman of the Board also acts as the Company's CEO. Management and Supervisory Board members have not received any remuneration for their activities from the perspective of Commercial Code §314 and §326. Management and Supervisory Board members have not entered into agreements that foresee any significant termination benefits or compensations when they vacate the office or are displaced. Management and Supervisory Board members received fringe benefits in 2017 in the amount of EUR 73 thousand (2016: EUR 34 thousand).

The breakdown of purchases and sales shows turnover of purchases and sales of goods (including finished goods, pallets and other transactions (non-current assets)) and services. Other services include transactions that are recorded in the financial statements as a reduction of cost of goods sold. For related party transactions refer also to Notes 12, 13, 14 and 15.

Purchase transactions in 2017 (in thousands of euros):
Total purchases of goods 10,286 (subsidiaries 5,206, other companies in the same consolidation group 5,080)
Purchases of services 3,312 (subsidiaries 850, other companies in the same consolidation group 2,462)

Sales transactions in 2017 (in thousands of euros):
Total sales of goods 319 (subsidiaries 157, other companies in the same consolidation group 162)
Sales of services 3,488 (subsidiaries 3,063, other companies in the same consolidation group 425)
Total sales of property, plant and equipment to other companies in the same consolidation group 2.

Purchase transactions in 2016 (in thousands of euros):
Total purchases of goods 10,848 (subsidiaries 8,569, other companies in the same consolidation group 2,279)
Purchases of services 2,722 (subsidiaries 692, other companies in the same consolidation group 2,030)

Sales transactions in 2016 (in thousands of euros):
Total sales of goods 327 (subsidiaries 283, other companies in the same consolidation group 44)
Sales of services 3,830 (subsidiaries 3,208, other companies in the same consolidation group 622)
Total sales of property, plant and equipment to other companies in the same consolidation group 1,038.

As at 31.12.2017 receivables from subsidiaries and other companies in the same consolidation group formed 3,363 (2016: 2,119) thousand euros for sale of goods and services. There is no allowance made on receivables for related parties in 2017 and 2016.

As at 31.12.2017 payables to subsidiaries and other companies in the same consolidation group formed 1,934 (2016: 598) thousand euros for purchases of goods and services. Short term loan payables 292 thousand euros.

Signatures of the Management to the 2017 Annual Report

The 2017 Annual Report of AS Coca-Cola HBC Eesti signed on June 29, 2018:

/signed/

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Ernesto Vanoli

Member of the Management Board

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholder of AS Coca-Cola HBC Eesti

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS Coca-Cola HBC Eesti (the Company) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Estonian financial reporting standard.

We audited the Company's financial statements that comprise:

- the balance sheet as at 31 December 2017;
- the income statement for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information contained in the annual report in addition to the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with the Estonian financial reporting standard and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

/signed/

Eva Jansen-Diener
Auditor's certificate no.501

29 June 2018

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[*] *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*