COCA-COLA HBC FINANCE B.V.

AMSTERDAM, THE NETHERLANDS

ANNUAL REPORT 2019

Coca-Cola HBC Finance B.V. – Annual Report 2019

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Coca-Cola HBC Finance B.V. – Annual Report 2019

DIRECTORS' REPORT

In accordance with the Articles of Association of Coca-Cola HBC Finance B.V. (the 'Company'), the Board of Directors herewith submits the Company's annual report for the year ended 31 December 2019.

General

Coca-Cola HBC Finance B.V., a private company with limited liability, was incorporated in the Netherlands on 13 April 2001, as a 100% owned subsidiary of CC Beverages Holdings II B.V. with its statutory seat in Amsterdam. The Company functions under the Laws of the Netherlands and is included in a fiscal unity with CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. and Coca-Cola HBC Sourcing B.V. for income tax purposes.

The Company acts as a finance vehicle for Coca-Cola HBC AG and its subsidiaries (the 'Group' or the 'Coca-Cola HBC Group'). The Group operates in 28 countries. Funding of these activities is achieved mainly through the debt capital markets. The ultimate parent company of the Group is Coca-Cola HBC AG based in Zug, Switzerland (the 'Parent').

Financial Review

Interest revenue for the 2019 financial year amounted to €107.6 million (2018: €91.7 million) and net profit for the 2019 financial year amounted to €15.1 million (2018: €11.0 million). Year-on-year profit before taxation amounted to €20.8 million which represented an increase of €4.2 million compared to the prior year mainly due to an increase in net interest revenue.

In 2019, on average the Russian rouble strengthen, resulting in a net foreign exchange loss of €1.1 million (2018: €1.4 million).

In 2016 the Company incurred a loss on settled forward starting swap contracts amounting to €55.4 million which was classified in the cash flow hedge reserve. The loss is amortised to the income statement as an interest expense over the term of the bond maturing November 2024. The interest expense of 2019 includes an amount of €6.4 million cash flow hedge amortisation related to the settled forward starting swaps (2018: €6.4 million).

In May 2019, the Company completed the issue of a €700.0 million Euro-denominated fixed rate bond maturing in May 2027 with a coupon rate of 1% and the issue of a €600.0 million Euro-denominated fixed rate bond maturing in May 2031 with a coupon rate of 1.625%. The net proceeds of the new issue were used to partially repay €236.6 million of the 2.375%, 7-year fixed rate bond due in June 2020. In November 2019, the Company completed the issue of a €500.0 million Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%. All three bonds were issued under the Company's €5.0 billion Euro Medium Term Note ('EMTN') Programme, which was updated in April 2019.

The Company entered into swaption contracts to hedge the forecast issuance of the bonds with respect to interest rate risk and formally designated these contracts as cash flow hedges. The swaption contracts were settled in May and November 2019 and the accumulated loss (primarily cost of hedging) of €7.5 million was recorded in other comprehensive income in 2019 which will be amortised to the income statement. The interest expense of 2019 includes an amount of €0.4 million relating to these contracts.

The Coca-Cola HBC Group aims to maintain a conservative financial profile. This is evidenced by the Investment Grade credit ratings maintained with both Standard & Poor's and Moody's.

Standard & Poor's changed the Company's positive outlook to stable in April 2019 and Moody's affirmed the Company's stable outlook in May 2019. Both institutions affirmed their credit ratings.

Outlook and future developments

The Company mainly operates as an intragroup financing vehicle as well as a hedging entity with respect to currency, interest rate and commodity risk. Looking ahead to 2020, the Board of Directors do not expect a significant deviation from the current policy and purpose of the Company.

COVID-19
The outbreak of novel coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including certain countries in which the Group operates. The Company considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019.

At this stage the impact of COVID-19 on the Company is limited. The Company's primary asset are receivables from Group companies which amount to EUR 2.930 million as per 31 December 2019. Management has carefully assessed the recoverability of amounts falling due in 2020 and 2021 and has no indication that the obligations will not be met as they fall due.

The Group has a strong balance sheet and liquidity position and has leading market shares and largely variable cost base and a unique portfolio of brands and resilient and talented people that will allow the Group to weather this unprecedented crisis. Furthermore, the Group has implemented appropriate contingency and business continuity plans in order to safeguard that the Group's production plants and supply chain remain fully operational. Going forward, as governments step up their efforts to control the spread of COVID-19, the Directors understand that the Group may see some disruption, although the extent and duration is unknown but that the Group continues to monitor the COVID-19 pandemic and its impact on the Company's business.

The Group's trading in January and February was in line with expectations. During March, trading across the Group's markets has been dependant on the severity of restrictions on mobility. The Group is already looking at cost-saving measures and reassessing marketing and capex investments. These actions will help to support the Group's profitability. It is still too early to quantify the impact that the COVID-19 pandemic will have on the Group's year 2020 results.

The Group benefits from a very strong balance sheet and has adequate liquidity for working capital and investment needs. As of the end of 2019, the Group's net debt to EBITDA ratio was 1.54. None of the Group's debt facilities are subject to any financial covenants that would impact the Group's liquidity or access to capital.

Therefore, although the current impact of COVID-19 on the Company is limited, uncertainties remain as it is not reasonably possible to estimate the full impact of COVID-19. The Directors will continue to monitor the pandemic and any potential impact on the Company. The Directors believe that the Company will be able to continue as a going concern and meets its obligations as these fall due.

The Company has a robust liquidity management framework in place, which ensures that there are sufficient funds available to cover its short and long-term commitments.

Principal risks and uncertainties

In the ordinary course of its business, the Company is exposed to several financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. These include amongst others, foreign currency risk, interest rate risk, credit risk and liquidity risk.

These risks are managed and monitored in accordance with the Treasury Policy, which describes objectives, responsibilities and management of the treasury risks. The policy is updated on a regular basis.

Foreign currency risk
The Company is exposed to the effect of foreign currency risk on cash balances and on funding provided to the Group. Derivative instruments are used to hedge the Company's foreign currency risk. These contracts normally mature within one year. As a matter of policy, the Company does not enter into speculative derivative financial instruments. The policy is to negotiate the terms of the hedge derivatives to match the terms of the hedged item in order to maximize hedging effectiveness.

Interest rate risk
The short-term and long-term borrowings from the capital market have a fixed interest rate. Any short-term borrowings from Group companies have a fixed interest rate whilst long-term borrowings from Group companies have a floating interest rate. Almost all the lending to Group companies have a floating interest rate based on the average borrowing cost of the Company, which is reset on a quarterly basis.

Interest rate options (swaptions) and forward starting swaps may also be utilized by the Company to reduce the impact of adverse change in interest rates on current and future debt.

Credit risk
The Company has policies in place that limit the amount of counterparty exposure to any single financial institution. The investment policy objective is to minimise counterparty risks, with strict investment limits on the excess cash balances invested set per counterparty, as well as the credit quality of the counterparties. The Board of Directors of the Company approve counterparty limits to ensure that risks are controlled effectively and that transactions are undertaken with approved counterparties. The Company is also exposed to credit risks from loans to Group companies. However, the risk exposure is not considered to be significant.

Liquidity risk
The Company actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. The Euro medium-term note ('EMTN') programme, the Euro commercial paper programme and the unutilized revolving credit facility are used to manage the liquidity risk. Cash and cash equivalents as at 31 December 2019 increased compared to the balance as at 31 December 2018 and amounted to €667.3 million (2018: €574.5 million).

The syndicated loan facility, which is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG, was increased in April 2019 from €500.0 million to €800.0 million and extended to April 2024 with the option to be extended up for two more years until April 2026. The facility is not subject to any financial covenants that would impact the Company's liquidity or access to capital. The commercial paper programme and the EMTN programme are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

Management is comfortable with how risks are addressed within the Company.

The Corporate Audit Department monitors the internal financial control system across all Coca-Cola HBC Group companies, including Coca-Cola HBC Finance B.V. and reports the findings to management and the Audit & Risk Committee of Coca-Cola HBC AG. The audit plan and audit scope for the Company is focused on the areas of greatest risks, using a risk-based approach.

Coca-Cola HBC Group has adopted a strategic Enterprise Wide Risk Management ('EWRM') approach to risk management, providing a fully integrated common risk management framework across the Coca-Cola HBC Group, including Coca-Cola HBC Finance B.V.

The primary aim of this framework is to minimise the organisation's exposure to unforeseen events and to provide certainty to the management of identified risks in order to create stable environment within which the Company can deliver its operational and strategic objectives for the Group. These objectives are achieved by:

- Monthly management reporting
- Regular reviews by the Board of Directors of the Company.

Dividends

The Directors do not recommend the distribution of dividends for the year 2019 (2018: nil).

Managing Directors

During the year under review, the Company had four Managing Directors, who received no remuneration during the current or previous financial year. The Company has no Supervisory Directors.

The size and composition of the Board of Directors and the combined experience and expertise should reflect the best fit for the profile and strategy of the Company. Since 2012, the Board has, with the exception of a few months in 2013, one female Director. The Company is aware that the gender diversity is still below the goals as set out in article 2:276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

Code of conduct and corporate social responsibility

All employees and the Directors of the Company should comply to the following codes and principles of the Coca-Cola HBC Group: Business Code of Conduct, Whistleblowing Policy, Anti-Bribery Policy, Sanctions Policy and Compliance Handbook and Human Rights Policy, all available on the Group's website: www.coca-colahellenic.com.

Directors' statement

The Directors of the Company hereby declare that, to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the year ending 31 December 2019 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company, and that the Directors' report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces.

Amsterdam, 14 April 2020

Directors

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Garyfallia Spyriouni	**Michail Imellos**	**Sjors van der Meer**	**Huig Johan Braamskamp**

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2019 €'000	2018 €'000
Interest revenue from financing to related parties	**8, 21**	93,555	78,289
External interest revenue on an amortised cost basis	**8**	807	716
Other external interest revenue	**8**	13,254	12,665
Total interest revenue		**107,616**	**91,670**
External interest expense	**8**	(58,183)	(44,296)
Interest expense from financing from related parties	**8, 21**	(22,537)	(26,899)
Total interest expense		**(80,720)**	**(71,195)**
Net interest revenue		**26,896**	**20,475**
Other finance costs	**8**	(2,857)	(1,405)
Net finance income		**24,039**	**19,070**
Net foreign exchange losses	**9**	(1,098)	(1,406)
Fair value changes in investments	**13**	(761)	(136)
Net other income and expenses	**10**	(1,423)	(922)
Profit before tax		**20,757**	**16,606**
Income tax expense	**12**	(5,684)	(5,618)
Profit after tax for the year		**15,073**	**10,988**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2019 €'000	2018 €'000
Profit after tax for the year		15,073	10,988
Other comprehensive income/(expense): Items that may be reclassified to the income statement:			
Cash flow hedges:	**17**		
Net loss on cash flow hedges		(1,011)	(237)
Cost of hedging		(6,457)	(1,836)
Losses reclassified to the income statement for the year		6,797	6,388
Total other comprehensive income/(expense)		(671)	4,315
Total comprehensive income for the year		**14,402**	**15,303**

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER

(after profit appropriation)

	Notes	2019 €'000	2018 €'000
Assets			
Property, plant and equipment	**18**	233	233
Financial assets at amortised cost - receivables from related parties	**21**	2,881,181	971,926
Financial assets at FVPL - derivative financial instruments	**13**	546	192
Other non-current assets	**19**	1,274	250
Total non-current assets		**2,883,234**	**972,601**
Financial assets at amortised cost - receivables from related parties	**21**	48,521	940,659
Financial assets at amortised cost – time deposits	**13**	349,832	243,886
Financial assets at FVPL - derivative financial instruments	**13**	7,054	10,656
Financial assets at FVPL – investments in money market funds	**13**	371,423	34,864
Other current assets		631	649
Financial assets at amortised cost - cash and cash equivalents	**13, 15**	667,306	574,495
Total current assets		**1,444,767**	**1,805,209**
Total assets		**4,328,001**	**2,777,810**
Liabilities			
Financial liabilities at amortised cost – short-term borrowings	**14**	663,052	95,000
Accrued interest on short-term borrowings		19,738	11,827
Financial liabilities at amortised cost - payables to related parties	**21**	530,700	666,432
Financial liabilities at FVPL - derivative financial instruments	**13**	7,878	8,918
Current tax liabilities	**20**	10,789	10,905
Other current liabilities		1,895	4,850
Total current liabilities		**1,234,052**	**797,932**
Financial liabilities at amortised cost - long-term borrowings	**14**	2,381,006	1,395,203
Financial liabilities at amortised cost - payables to related parties	**21**	343,440	229,920
Financial liabilities at FVPL - derivative financial instruments	**13**	548	191
Other non-current liabilities		56	67
Total non-current liabilities		**2,725,050**	**1,625,381**
Total liabilities		**3,959,102**	**2,423,313**
Equity	**17**		
Share capital		1,018	1,018
Share premium		263,064	263,064
Hedging reserve		(40,215)	(39,544)
Retained earnings		145,032	129,959
Total equity		**368,899**	**354,497**
Total equity and liabilities		**4,328,001**	**2,777,810**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Share capital €'000	Share premium €'000	Hedging Reserve €'000	Retained earnings €'000	Total shareholders' equity €'000
As at 1 January 2018	1,018	263,064	(43,859)	118,971	**339,194**
Profit for the year	-	-	-	10,988	**10,988**
Other comprehensive income for the year	-	-	4,315	-	**4,315**
Total comprehensive income for the year	**-**	**-**	**4,315**	**10,988**	**15,303**
As at 31 December 2018	**1,018**	**263,064**	**(39,544)**	**129,959**	**354,497**
Profit for the year	**-**	**-**	**-**	**15,073**	**15,073**
Other comprehensive income for the year	**-**	**-**	(671)	**-**	**(671)**
Total comprehensive income for the year	**-**	**-**	**(671)**	**15,073**	**14,402**
As at 31 December 2019	**1,018**	**263,064**	**(40,215)**	**145,032**	**368,899**

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2019 €'000	2018 €'000
Operating activities			
Profit before tax		20,757	16,606
Adjustments for:			
Interest expense	**8**	80,720	71,195
Interest revenue	**8**	(107,616)	(91,670)
Amortisation of prepaid fees		600	344
Depreciation of right-of-use assets	**18**	49	-
Depreciation of property, plant and equipment	**18**	121	82
		(5,369)	**(3,443)**
Loan issuances to the Group	**21**	(3,893,572)	(112,930)
Loan repayments to the Group	**21**	2,881,924	145,597
Loan repayments from the Group	**21**	6,720,863	4,810,529
Loan issuances from the Group	**21**	(6,738,823)	(4,705,299)
Net payments for investments in financial assets:			
time deposits	**16**	(106,000)	(92,953)
money market funds	**16**	(337,320)	(34,864)
Decrease/(increase) in other assets		4,250	(6,108)
(Decrease) in other liabilities		(16,861)	(9,461)
Increase in right-of-use assets (net)	**18**	(76)	-
Payments for purchases of property, plant and equipment	**18**	(94)	(45)
Interest received		101,999	90,103
Interest paid		(86,454)	(46,595)
Taxes paid	**12**	(34)	(13)
Cash flow (used in)/generated from operating activities		**(1,475,567)**	**34,518**
Financing activities			
Net proceeds from external borrowings	**14**	2,260,000	-
Net repayment of external borrowings	**14**	(691,573)	(25,000)
Net repayment of lease liability		(49)	-
Cash flow generated from/(used in) financing activities		**1,568,378**	**(25,000)**
Increase in cash and cash equivalents		**92,811**	**9,518**
Cash and cash equivalents at 1 January		574,495	564,977
Increase in cash and cash equivalents		92,811	9,518
Cash and cash equivalents at 31 December	**15**	**667,306**	**574,495**

The accompanying notes form an integral part of these financial statements.

1. General information

Coca-Cola HBC Finance B.V. (the "Company"), a private company with limited liability, was incorporated in the Netherlands on 13 April 2001, as a 100% owned subsidiary of CC Beverages Holdings II B.V. with its statutory seat in Amsterdam. The Company functions under the Laws of the Netherlands.

Registered Company number: 34154633.

Up to and including 1 March 2020 the registered address of the Company was Radarweg 29, 1043 NX, Amsterdam, the Netherlands, after which the registered address was changed to:
Radarweg 60, 1043 NT, Amsterdam, the Netherlands.

The Company acts as a finance vehicle for Coca-Cola HBC AG (the ultimate "Parent" and controlling entity) and its subsidiaries (together the "Group" or the "Coca-Cola HBC Group"). Funding of these activities is primarily performed through the debt capital markets.

The Parent owns 100% of the ordinary shares of the Company through its subsidiary CC Beverages Holdings II B.V.

Copies of the Group's consolidated financial statements are available on the Group's website, www.coca-colahellenic.com, and from its registered office:

Coca-Cola HBC AG
Turmstrasse 26
6312 Steinhausen
Switzerland

2. Basis of preparation

The financial statements of Coca-Cola HBC Finance B.V. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of the derivative financial instruments and money market funds to fair value.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined below.

Estimates

Impairment losses (refer to Note 13)

Unless otherwise stated, the figures are presented in thousands of Euro's, rounded to the nearest thousand.

4. Foreign currency and translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Euro, which is the functional currency of the Company.

(b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when such assets or liabilities are designated hedging instruments in a qualifying cash flow hedge relation. In that case, the results are deferred in other comprehensive income.

Non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions.

5. Accounting pronouncements

(a)Accounting pronouncements adopted in 2019

In the current period, the Company has adopted the following standards and amendments which were issued by the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2019:

- IFRS 16, *Leases*. The Company has adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. With the adoption of IFRS 16 'Leases' the Company has recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.31%.

  The table below shows the reconciliation of operating lease commitment previously recognised under IAS 17 and lease liabilities initially recognised under IFRS 16:

	1 January 2019
	€'000
Total operating lease commitments as at 31 December 2018	205
Discounted using the lessee's incremental borrowing rate at the date of initial application	(33)
Lease liability recognised as at 1 January 2019	**172**
Of which are:	
Current lease liabilities	49
Non-current lease liabilities	123
	172

The related right-of-use asset refers to office premises and a vehicle and is presented in the balance sheet on the line ‘Property, plant and equipment’; at initial recognition, the right-of-use assets amounted to €172 thousand. (refer to Note 18). The related lease liabilities are presented in the balance sheet on the line ‘Other current liabilities’ and ‘Other non-current liabilities’.

After the adoption of IFRS 16 and the initial recognition of the right-of-use assets and related lease liabilities, the office lease contract has been early terminated in the third quarter of 2019 (before the contractual end date) with effective date 29 February 2020.

Short-term leases (lease term 12 months or less) and leases of low-value assets (mainly IT equipment) are recognised on a straight-line basis as an expense in the income statement.

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, which addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- Annual improvement to IFRSs: 2015 – 2017 Cycle, which contains amendments to IFRS 3 (‘Business combinations’), IFRS 11 (‘Joint arrangements’), IAS 12 (‘Income taxes’) and IAS 23 (‘Borrowing costs’).

(b) Accounting pronouncements not yet adopted

At the date of approval of these financial statements, the following standards and interpretations relevant to the Company’s operations were issued but not yet effective and not early adopted.

- Amendments to IAS 1 and IAS 8: *Definition of material*.

The above amendments, interpretations and improvements are not expected to have a material impact on the financial statements of the Company.

6. Financial risk management

Financial risk factors

The Company’s activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Company's cash flows. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is performed with the support or the contribution of Group Treasury, consistent with policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s subsidiaries. The Group’s Board of Directors has approved the Treasury Policy which provides the control framework for all treasury and treasury related transactions.

Market risk

a) Foreign currency risk

The Company is exposed to the effect of foreign currency risk on recognised monetary assets and liabilities that are denominated in currencies other than the functional currency. Foreign currency derivative instruments are used to hedge the Company’s foreign currency risk. The Company also enters into foreign currency derivatives with financial institutions to hedge Group exposures and which are mirrored by derivatives with relevant Group companies (i.e. on a back-to-back basis with Group companies). The majority of the foreign currency forward contracts have maturities of less than one year. The Company primarily borrows in Euro in the debt capital and commercial paper market. Both borrowing

and lending to Group companies is mainly in Euro. Financing with Group companies denominated in currencies other than Euro is hedged with derivative instruments.
The following tables present details of the Company's sensitivity to reasonably possible increases and decreases in the Euro against the relevant foreign currencies. In determining reasonable possible changes, the historical volatility over a twelve-month period of the respective foreign currencies in relation to the Euro has been considered.

The sensitivity analysis determines the potential gains and losses in the income statement or equity arising from the Company's foreign exchange positions as a result of the corresponding percentage increases and decreases in the Company's main foreign currencies, relative to the Euro. The sensitivity analysis includes outstanding foreign currency denominated monetary items, external loans as well as loans with the Group where the denomination of the loan is in a currency other than the functional currency of the Company. The foreign currency exposures are not subject to cash flow hedges, therefore weakening or strengthening of the Euro does not have an impact directly in equity.

2019 exchange risk sensitivity analysis

		Euro strengthens against local currency	Euro weakens against local currency
	% of historical volatility over a 12-month period	(Gain)/loss in income statement	Loss/(gain) in income statement
		€'000	€'000
Bulgarian lev	0.41%	(56.19)	56.66
Czech koruna	2.31%	2.49	(2.70)
Hungarian forint	4.28%	7.42	(8.22)
Polish zloty	3.26%	5.00	(5.41)
Romanian leu	2.26%	(8.30)	8.87
Russian rouble	7.98%	(291.28)	369.57
Swiss franc	3.93%	3.45	(3.97)
UK sterling	7.49%	70.09	(88.08)
US dollar	4.91%	(9.21)	14.01
Total		**(276.53)**	**340.73**

2018 exchange risk sensitivity analysis

		Euro strengthens against local currency	Euro weakens against local currency
	% of historical volatility over a 12-month period	(Gain)/loss in income statement	Loss/(gain) in income statement
		€'000	€'000
Bulgarian lev	0.79%	(33.18)	33.70
Croatian kuna	1.49%	(0.15)	0.16
Czech koruna	2.93%	3.55	(3.88)
Hungarian forint	4.10%	2.91	(3.30)
Polish zloty	4.76%	(0.85)	0.99
Romanian leu	2.44%	(43.05)	46.31
Russian rouble	13.32%	(538.45)	802.43
Swiss franc	5.05%	4.56	(5.37)
UK sterling	6.03%	65.70	(77.96)
US dollar	7.23%	32.48	(37.47)
Total		**(506.48)**	**755.61**

b) Price risk

Although the Company itself is not exposed to commodity price risk, the Company enters into commodity contracts with financial institutions, which are mirrored by derivatives with relevant Group companies (i.e. on a back-to-back basis with Group companies) and therefore there is no material risk exposure for the Company.

c) Interest rate risk

Long-term borrowings, including the effect of swap contracts, from the debt capital market as well as short-term borrowings, i.e. commercial paper, have fixed interest rates. Short-term borrowings from Group companies are fixed rate instruments, while long-term borrowings from Group Companies are floating rate instruments. Almost all the lending to Group companies is based on the average borrowing cost of the Company plus a fixed mark-up. This average borrowing cost is reset on a quarterly basis. The fixed mark-up is reviewed annually.

The sensitivity analysis in the following paragraphs has been determined based on exposure to interest rates of both derivative and non-derivative instruments existing at the balance sheet date and assuming constant foreign exchange rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point for 2019 and 50 basis point for 2018 increase or decrease represents management's assessment of a reasonably possible change in interest rates.

	2019		**2018**	
	Loss/(gain) in income statement	**Loss/(gain) in equity**	**Loss/(gain) in income statement**	**Loss/(gain) in equity**
	€'000	**€'000**	**€'000**	**€'000**
Increase in basis points	2,249	-	2,611	(6,845)
Decrease in basis points	(2,184)	-	(258)	-

The direct impact in the Company's equity is attributable to the changes in the fair value of the swaptions entered into 2018 and designated as cash flow hedging instruments.

Credit risk

The Company is exposed to credit risk from loans or deposits to Group companies and to financial institutions as well as from derivative financial instruments.

The investment policy objective is to minimise counterparty risk whilst ensuring an acceptable return on the excess cash position. Counterparty limits are approved by the Board of Directors of the Company in order to ensure that risks are controlled effectively and transactions are undertaken with approved counterparties as described in the Treasury Policy. The Company is also exposed to credit risk from loans to Group companies.

The Company's maximum exposure to credit risk, in the event that counterparties fail to perform their obligations at 31 December 2019 in relation to each class of recognised financial assets, is the carrying amount of those assets.

The credit quality of financial assets, none of which are guaranteed by the Group, can be assessed by reference to external credit ratings (if available) or to historic information about counterparty default rates.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Company's maximum credit risk exposure for each derivative instrument is the carrying amount of the derivative (see under 'derivative financial instruments').

In addition, the Company regularly makes use of time deposits and investments in money market funds to invest temporarily excess cash balances and to diversify its counterparty risk. As at 31 December 2019, €503.8 million was invested in time deposits (2018: €531.9 million) of which €154.0 million (2018: €288.0 million) have a maturity of 3 months or less and are classified as 'Financial assets at amortised cost - cash and cash equivalents' (refer to Note 15) and the remaining €349.8 million (2018: €243.9 million) are classified as 'Financial assets at amortised cost – time deposits'.

As at 31 December 2019, €371.4 million was invested in money market funds and are classified as ‘financial assets at fair value through profit or loss’ (2018: €34.9 million).

The Company only undertakes investment with third parties and derivative transactions with banks and financial institutions that have a minimum credit rating of ‘BBB-’ from Standard & Poor’s or ‘Baa3’ from Moody’s. Any negative change of the credit rating subsequent to the initial investment which may bring the investment’s rating below this threshold may lead to potential sale of the debt security prior to its maturity (for Government debt or Corporate commercial paper) or to immediate withdrawal of all balances in a money market fund. In the case of a time deposit the Company will try to cancel on a best effort basis. The Company also uses the Credit Default Swaps (‘CDS’) of a counterparty in order to measure in a timelier way the credit worthiness of a counterparty and set up a tier-based approach to assign maximum exposure and tenor per tier. If the CDS Rate of a certain counterparty exceeds 400 basis points, the Company will stop trading derivatives with that counterparty. If, in case of investments in time deposits, the CDS level is above the acceptable range for three consecutive business days, Group CFO approval is required for continuing trading in these time deposits.

Liquidity risk

The Company actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. The EMTN programme, the Euro commercial paper programme as well as the unused revolving credit facility, are used to manage this risk.

The Company manages liquidity risk by maintaining adequate cash reserves and committed banking facilities, access to the debt capital markets, and by continuously monitoring forecast and actual cash flows. In Note 14, the undrawn facilities that the Company has in its disposal to manage liquidity are discussed under the headings ‘commercial paper programme’ and ‘committed credit facilities’.

Coca-Cola HBC AG is guarantor for the €800.0 million syndicated loan facility (refer to Note 14(b)). Furthermore, Coca-Cola HBC AG is guarantor for the Euro commercial paper programme (refer to Note 14(a)) and the EMTN programme (refer to Note 14(c)). In addition, Coca-Cola HBC AG has given a Letter of Comfort for the Citibank pool bank accounts, which are part of the Multi Currency Zero Balancing and Notional Pooling and Citibank credit facility lines.

The following tables detail the Company’s remaining contractual maturities for its financial liabilities. The table includes undiscounted cash flows for both interest and principal, assuming the interest rates remain constant as at 31 December:

2019	**Less than 1 year €’000**	**1 to 2 years €’000**	**2 to 5 years €’000**	**More than 5 years €’000**
Bonds, bills and unsecured notes	707,933	31,125	693,375	1,904,875
Payables to related parties	563,724	329,277	22,814	-
Foreign currency forward contracts	2,584	-	-	-
Other payables	1,826	-	-	-
Estimated net outflow for the liabilities as at 31 December	**1,276,067**	**360,402**	**716,189**	**1,904,875**

2018	**Less than 1 year €’000**	**1 to 2 years €’000**	**2 to 5 years €’000**	**More than 5 years €’000**
Bonds, bills and unsecured notes	125,250	830,250	33,750	611,250
Payables to related parties	692,955	234,420	-	-
Foreign currency forward contracts	1,096	-	-	-
Other payables	4,812	-	-	-
Estimated net outflow for the liabilities as at 31 December	**824,113**	**1,064,670**	**33,750**	**611,250**

The net present value of the liabilities from foreign currency forward contracts are included in the above table. The contracts included in the liquidity overview do not include the back-to-back contracts with Group companies.

Capital management

The Company acts as a finance vehicle for the Group and operates within the goals and objectives set out by the Group. Coca-Cola HBC AG is the guarantor for the syndicated loan facility of the Company. Coca-Cola HBC AG is also the guarantor for the other external financial liabilities of the Company as described under 'Liquidity risk' above.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may increase or decrease debt, issue or buy back shares, adjust the amount of dividends paid to shareholders, or return capital to shareholders.

The Group's goal is to maintain a conservative financial profile. This is evidenced by the credit ratings maintained with Standard & Poor's and Moody's. In April 2019, Standard & Poor's affirmed Coca-Cola HBC's 'BBB+' long term, 'A2' short term corporate credit ratings and changed the positive outlook to stable. The corporate credit ratings by Moody's remained unchanged, 'Baa1' long term, 'P2' short term and stable outlook, after the latest assessment in May 2019.

The Group monitors its financial capacity and credit ratings by reference to a number of key financial ratios including net debt to comparable adjusted EBITDA, which provides a framework within which the Group's capital base is managed. This ratio is calculated as net debt divided by comparable adjusted EBITDA. The ratio of the Group at 31 December 2019 and 31 December 2018 are included in the Group's consolidated financial statements.

7. Segmental analysis

The Company has one main operating segment being the finance vehicle of the Group. Refer to Notes 21(a) and 21(b) analysis of interest revenue and expense and receivables and payables by counterparty.

8. Interest revenue, interest expense and other finance cost

Accounting policy

The Company's major activity is obtaining financing, predominately from debt capital markets, and providing financing to Group companies.

Interest revenue is recognised on a time proportion basis using the effective interest rate method.
Interest expense is recognised in the income statement in the period in which it is incurred using the effective interest rate method and therefore includes the amortisation of the paid transactions costs, the paid discount and received premium of the financial instruments as well as the commitment fee of the facility.

Interest revenue, interest expense and other finance cost for the years ended 31 December comprised:

	2019	2018
	€'000	€'000
Interest revenue on loans to related parties	93,356	78,022
Interest revenue on In-House-Cash	199	267
Interest revenue from financing to related parties (Note 21)	**93,555**	**78,289**

The In-House-Cash ('IHC') program is used for processing internal and external payment transactions within the Group. Under this program, the Company is the IHC bank centre in which the Group subsidiaries hold current accounts.

	2019	2018
	€'000	€'000
Interest differential (forward points) on derivatives contracts	13,254	12,665
Interest revenue on current bank accounts	429	305
Interest revenue on commercial paper	378	349
Other external interest revenue	-	62
External interest revenue	**14,061**	**13,381**
Total interest revenue	**107,616**	**91,670**

	2019	2018
	€'000	€'000
Bond financing costs	52,370	38,317
Interest differential (forward points) on derivatives contracts	4,431	4,608
Interest on lease liabilities	3	-
Other external interest	1,379	1,371
External interest expense	**58,183**	**44,296**
Interest expense on loans to related parties	19,573	24,177
Interest expense on In-House-Cash	449	365
Coca-Cola HBC AG's guarantee fee	2,515	2,357
Interest expense from financing from related parties (Note 21)	**22,537**	**26,899**
Total interest expense	**80,720**	**71,195**

	2019	2018
	€'000	€'000
Revolving facility financing costs	1,078	876
Finance advisory and bank costs	1,779	529
Other finance costs	**2,857**	**1,405**

9. Net foreign exchange losses

Net foreign exchange losses include net exchange losses on borrowings, cash and cash equivalents, intercompany receivables and foreign currency derivatives.

Net foreign exchange loss for the years ended 31 December comprised:

	2019	2018
	€'000	€'000
Fair value loss on forward contracts	(359)	(779)
Net foreign exchange loss on other activities	(739)	(627)
Total net foreign exchange losses	**(1,098)**	**(1,406)**

The total net foreign exchange losses include an amount of €0.8 million (2018: €1.3 million) relating to the hedging of the Company borrowing in Russian roubles, which is partially offset by the movement in other foreign currencies as disclosed in Note 6.

10. Net other income and expenses

Net other income and expenses for the years ended 31 December comprised:

	2019 €'000	2018 €'000
Independent auditor's fees	(60)	(50)
Non-recoverable VAT	(679)	(172)
Intra-Group recharge for In-House Cash and treasury services	2,118	1,892
Other general administrative expenses	(2,802)	(2,592)
Total net other income and expenses	**(1,423)**	**(922)**

The independent auditor's fees only relate to the audit of the financial statements.

Other general administrative costs primarily comprise employee costs, fees for professional services and consultants and office costs.

11. Employee costs

Accounting policy
The Company operates a defined contribution pension plan. The Company's contributions to the defined contribution pension plan are charged to the income statement in the period to which the contributions relate.

Employee costs are included in other general administrative expenses (refer to Note 10) and can be analysed as follows:

	2019 €'000	2018 €'000
Wages and salaries	1,290	1,150
Social security costs	179	166
Relocation costs	1	36
Other benefits	228	283
Pension costs – defined contribution plan	88	54
Total employee costs	**1,786**	**1,689**

The Company has a defined contribution pension plan for the Company's employees in place and all pension premiums are paid by the Company.

During the year 2019, the average number of employees calculated on a full-time-equivalent basis was 18 (2018: 17).

12. Income tax expense

Accounting policy

The Company, CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. (from 1 January 2019) and Coca-Cola HBC Sourcing B.V. (from 20 May 2019) form a fiscal unity for Dutch corporate income tax purposes. The companies ('Members') have entered into a tax sharing agreement, with effective date 1 January 2019, pursuant to which Coca-Cola Holdings B.V., as head of the fiscal unity, settles the corporate income tax for the Members. The head of the fiscal unity records the full corporate income tax position of the fiscal unity and settles the corporate income tax of the Members based on each Member's statutory book profit before tax excluding dividends or capital gains/losses. The Member's current tax expense is therefore based on its statutory taxable profit or loss and no deferred tax assets nor deferred tax liabilities are recorded in the financial statements of the Members but only in the financial statements of the head of the fiscal unity if applicable.

All Members are jointly and severally liable for the income tax liability.

The tax expense for the period comprises of current income tax. Current income tax is recognized in the income statement based on the applicable enacted tax rates for the year applied to the current year statutory profit before tax. No deferred taxes are recognized at the level of the Company as a result of the tax sharing agreement by which the tax effect of book-tax differences of the fiscal unity are accounted for at the level of the parent of the fiscal unity.

The Company primarily performs financing activities for the Group with the required funds for its activity being borrowed from both Group and external funding sources. For these activities, the Company charges the Group companies an arm's length remuneration and as a result, thereof a profit (interest) margin is earned in the Netherlands. This interest margin, after deduction of administrative expenses, is subject to taxation in the Netherlands.

The Company has recorded an income tax charge in its financial statements for the year 2019 of €5.7 million (2018: €5.6 million) as if it is a stand-alone entity liable to pay corporate income tax.

The income tax charge can be analysed as follows:

	2019	**2018**
	€'000	**€'000**
Current income tax charge for the year	**5,189**	**5,599**
Income tax charge previous years	461	6
Current income tax in income statement	**5,650**	**5,605**
Withholding tax	34	13
Tax in income statement	**5,684**	**5,618**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average Dutch tax rate.

	2019 €'000	2018 €'000
Profit before tax	**20,757**	**16,606**
Tax calculated at the Dutch tax rate (2019: 25%; 2018: 25%)*	5,189	4,141
Tax effects of:		
- tax deduction investment premium	-	(12)
- IFRS 16 'Leases'	-	-
- non-deductible interest	-	1,461
- different depreciation rates fixed assets, non-recoverable VAT fixed assets and non-deductible costs related to employees	-	9
Current income tax charge for the year	**5,189**	**5,599**

* The first €200 thousand of profit is taxed at 20% for tax year 2018

13. Financial risk management and financial instruments

Accounting policy

The Company classifies its loan receivables at amortised cost as both of the following criteria are met:

- the loan receivables are held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Loan receivables are initially recognised at the fair value net of transaction costs incurred. After initial recognition, all interest-bearing loans are subsequently measured at amortised cost, less provision for impairment. Amortised cost is calculated using the effective interest rate method whereby any discount, premium or transaction costs associated with a loan are amortised to the income statement over the borrowing period.

Loan receivables, which are due within 1 year, are classified as current.

Since the principal activity of the Company is the provision of financial services to the Parent and its subsidiaries, receivables to related parties primarily relate to the lending activities of the Company within the Group.

Impairment losses

The Company follows an Expected Credit Losses ('ECLs') approach for measuring impairment.

Based upon historical performance and forward-looking information the intercompany loans granted by the Company are considered to be low risk and therefore expected credit losses can be assessed under stage 1 of the general model being a 12-month expected credit loss. On a semi-annual basis an assessment is performed in order to identify any subsequent credit deterioration of a counterparty to the loans which might lead to change the ECL from a 12-month PD ('probability of default') to a lifetime PD (stage 2). This assessment consists mainly of assessing the financial performance of the counterparties and checking if the capital repayments and interest payments are current and in line with the relevant loan agreement.

The calculation of PD is based upon a 'short-cut' approach: according to this approach it is assumed that the Company uses a PD which is based upon actual market information, more specific, the average 1-year PD of BBB- to BBB+ issued EUR bonds adjusted with an appropriate credit spread.

Finally, for the calculation of the LGD ('loss given default'), the Company uses the potential recovery rates considering available market data.

The method described above of calculating the ECL for the intercompany loans resulted in an immaterial amount for the current year.

Other financial assets: time deposits, money market funds & cash and cash equivalents
Other financial assets are initially recorded at fair value including, where permitted by IFRS 9, any directly attributable transaction costs. For those financial assets that are not subsequently held at fair value, the Company assesses them for impairment as described above.

The classification of financial assets depends on two criteria a) the Company's business model for managing assets and b) whether the instruments' contractual cash flows represent "solely payments for principal and interest" on the principal amount outstanding (the 'SPPI criterion'). If both criteria are met, the financial assets of the Company are classified as debt instruments which are initially recognised at fair value and subsequently measured at amortised cost. These include time deposits and cash and cash equivalents. The accounting policy for loan receivables is described above.

The Company also has investments in money market funds which are financial assets at fair value through profit or loss. These are investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income and are therefore mandatorily measured at fair value through profit or loss. The fair value changes related to these investments are presented in the income statement as 'fair value changes in investments'.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement immediately, unless it is permitted by IFRS 9 to include the transaction costs in the fair value. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Offsetting financial assets and liabilities

Accounting policy
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

a) Financial assets

The following financial assets are subject to offsetting,

As at 31 December 2019 (€ '000)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Net amount
Derivative financial assets	7,600	-	**7,600**	(37)	**7,563**
Financial assets:					
at amortised cost	349,832	-	**349,832**	-	**349,832**
at fair value through profit or loss	371,423	-	**371,423**	-	**371,423**
Cash and cash equivalents	667,306	-	**667,306**	-	**667,306**
Total	**1,396,161**	**-**	**1,396,161**	**(37)**	**1,396,124**

As at 31 December 2018 (€ '000)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Net amount
Derivative financial assets	10,848	-	**10,848**	(818)	**10,030**
Financial assets:					
at amortised cost	243,886	-	**243,886**	-	**243,886**
at fair value through profit or loss	34,864	-	**34,864**	-	**34,864**
Cash and cash equivalents	574,495	-	**574,495**	-	**574,495**
Total	**864,093**	**-**	**864,093**	**(818)**	**863,275**

b) Financial liabilities

The following financial liabilities are subject to offsetting,

As at 31 December 2019 (€ '000)	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets set off in the balance sheet**	**Net amounts of financial liabilities presented in the balance sheet**	**Related amounts not set off in the balance sheet** Financial instruments	**Net amount**
Derivative financial liabilities	8,426	-	**8,426**	(37)	**8,389**
Total	**8,426**	**-**	**8,426**	**(37)**	**8,389**

As at 31 December 2018 (€ '000)	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets set off in the balance sheet**	**Net amounts of financial liabilities presented in the balance sheet**	**Related amounts not set off in the balance sheet** Financial instruments	**Net amount**
Derivative financial liabilities	9,109	-	**9,109**	(818)	**8,291**
Total	**9,109**	**-**	**9,109**	**(818)**	**8,291**

The Company enters into derivative transactions under International Swaps and Derivatives Association ('ISDA') master netting agreements or similar agreements. In general, under such agreements the counterparties can elect to settle into one single net amount the aggregated amounts owed by each counterparty on a single day with respect of all outstanding transactions of the same currency and the same type of derivative. In the event of default or early termination, all outstanding transactions under the agreement are terminated and subject to any set-off. These agreements do not meet all of the IAS 32 criteria for offsetting in the balance sheet, as the Company does not have any current legally enforceable right to offset amounts since the right can be applied if elected by both counterparties.

Derivative financial instruments

Accounting policy

The Company uses derivative financial instruments, including currency, commodity and interest rate derivatives, to manage currency, commodity price and interest rate risk associated with the Group's underlying business activities. The Company does not enter into derivative financial instruments for trading activity purposes.

All derivative financial instruments are initially recognised on the balance sheet at fair value and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised at each reporting date either in the income statement or in equity, depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or a cash flow hedge.
Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if:

a) their economic characteristics and risks are not closely related to those of the host contracts;
b) the host contracts are not designated as at fair value through profit or loss; and
c) a separate instrument with the same terms as the embedded derivative meets the definition of a derivative.

These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

All derivative financial instruments that are not part of an effective hedging relationship (undesignated hedges) are classified as assets or liabilities at fair value through profit or loss ('FVPL').

At the inception of a hedge transaction the Company documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking the derivative financial instrument designated as a hedging instrument to the specific asset, liability, firm commitment or forecast transaction. There is an economic relationship between the hedged items and the hedging instruments as the critical terms of the hedging instrument match the critical terms of the expected highly probable forecast transaction. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments are identical to the hedged risks component. The economic relationship between the hedged item and the hedging instrument is assessed on an ongoing basis. Ineffectiveness may arise if the timing or the notional of the forecast transaction changes or if the credit risk changes impacting the fair value movements of the hedging instruments.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in the statement of other comprehensive income and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity and the statement of other comprehensive income are recycled to the income statement as the related asset acquired or liability assumed affects the income statement.
Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Regular purchases and sales of investments are recognised on the trade date, which is the day the Company commits to purchase or sell. The investments are recognised initially at fair value plus transaction costs, except in the case of FVPL. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Hedge accounting has not been applied to the below derivatives, other than the swaptions, which economically hedge the Company's risks.

The derivative financial instruments are included in the Company's balance sheet as follows:

As at 31 December 2019

Contracts with positive fair values

	Notional Amount	Carrying Amount	Maturity Date
Non-current	**€ million**	**€ million**	
Commodity swap contracts	5.3	0.5	Jan. 21 – Oct. 21
Current			
Foreign currency forward contracts	223.6	1.8	Jan. 20 – Dec. 20
Commodity swap contracts	(25.1)	5.3	Jan. 20 – Dec. 20
Total current	**198.5**	**7.1**	

Contracts with negative fair values

	Notional Amount	Carrying Amount	Maturity Date
Non-current	**€ million**	**€ million**	
Commodity swap contracts	(5.3)	0.5	Jan. 21 – Oct. 21
Current			
Foreign currency forward contracts	333.8	2.6	Jan. 20 – Dec. 20
Commodity swap contracts	25.1	5.3	Jan. 20 – Dec. 20
Total current	**358.9**	**7.9**	

As at 31 December 2018

Contracts with positive fair values

	Notional Amount	Carrying Amount	Maturity Date
Non-current	**€ million**	**€ million**	
Commodity swap contracts	(5.0)	0.2	Jan. 20 – Oct. 20
Current			
Foreign currency forward contracts	291.2	3.3	Jan. 19 – Dec. 19
Interest rate instruments - swaption	350.0	2.2	Dec. 19
Commodity swap contracts	(59.9)	5.1	Jan. 19 – Dec. 19
Total current	**581.3**	**10.6**	

Contracts with negative fair values

	Notional Amount	Carrying Amount	Maturity Date
Non-current	**€ million**	**€ million**	
Commodity swap contracts	5.0	0.2	Jan. 20 – Oct. 20
Current			
Foreign currency forward contracts	332.3	3.8	Jan. 19 – Dec. 19
Commodity swap contracts	59.9	5.1	Jan. 19 – Dec. 19
Total current	**392.2**	**8.9**	

Forward starting swap contracts

The Company entered into forward starting swaps of €500.0 million in 2014 and an additional €100.0 million in August 2015 to hedge the interest rate risk related to its Euro-denominated forecasted issuance of fixed rate debt in March 2016. The forward starting swap contracts were settled on issuance of the forecasted fixed rate debt in March 2016 and the loss is amortised to the income statement as an interest expense over the term of the bond maturing November 2024.

Swaptions

The Company entered into swaption contracts of €350.0 million in 2018 and €1,050.0 million in 2019 to hedge the interest rate risk related to its Euro denominated forecasted issuance of fixed rate debt in 2019 and formally designated them as cash flow hedges. In May and November 2019 the swaption contracts were settled and, at the same time, the new notes were issued. The accumulated loss of €9.6 million (primarily cost of hedging) recorded in other comprehensive income (2019: €7.5 million and 2018: €2.1 million) is being amortised to the income statement (refer to Note 17).

Derivatives gains and losses

Derivatives held by the Company have given rise to the following gains and losses being recorded in the income statement and the statement of comprehensive income:

Cash flow hedges

The amount recognised in other comprehensive income related to swaption contracts amounted €7.5 million loss, consisting of intrinsic value €1.0 million and cost of hedging €6.5 million. The amount reclassified from other comprehensive income to the income statement for the period amounted to a €6.8 million loss (2018: €6.4 million loss) all of which was recorded as external interest expense and relating to the interest rate instruments (refer to Note 17). No significant ineffectiveness has been recognised in 2019 and 2018.

Undesignated hedges

The net gains on foreign currency contracts at fair value through income statement (for which hedge accounting was not applied) amounted to a €17.4 million gain (2018: €3.8 million gain) which was recorded in the line items other external interest revenue, external interest expense and net foreign exchange losses.

Financial instruments categories

Categories of financial instruments as at 31 December were as follows:

As at 31 December 2019

	Debt financial instruments at amortised cost €'000	Assets at fair value through profit or loss €'000	Assets held at amortised cost €'000	Total €'000
Derivative financial instruments	-	7,600	-	7,600
Financial assets at amortised cost	-	-	349,832	349,832
Financial assets at fair value through profit or loss	-	371,423	-	371,423
Receivables from related parties	2,929,702	-	-	2,929,702
Cash and cash equivalents	667,306	-	-	667,306
Total	**3,597,008**	**379,023**	**349,832**	**4,325,863**

	Other financial liabilities at amortised cost €'000	Liabilities at fair value through profit or loss €'000	Total €'000
Borrowings	3,044,058	-	3,044,058
Derivative financial liabilities	-	8,426	8,426
Payables to related parties	874,140	-	874,140
Accrued interest on borrowings	19,738	-	19,738
Other (non-) current liabilities	1,951	-	1,951
Total	**3,939,887**	**8,426**	**3,948,313**

As at 31 December 2018

	Debt financial instruments at amortised cost €'000	Assets at fair value through profit or loss €'000	Assets held at amortised cost €'000	Total €'000
Derivative financial instruments	-	10,848	-	10,848
Financial assets at amortised cost	-	-	243,886	243,886
Financial assets at fair value through profit or loss	-	34,864	-	34,864
Receivables from related parties	1,912,585	-	-	1,912,585
Cash and cash equivalents	574,495	-	-	574,495
Total	**2,487,080**	**45,712**	**243,886**	**2,776,678**

	Other financial liabilities at amortised cost €'000	Liabilities at fair value through profit or loss €'000	Total €'000
Borrowings	1,490,203	-	1,490,203
Derivative financial liabilities	-	9,109	9,109
Payables to related parties	896,352	-	896,352
Accrued interest on borrowings	11,827	-	11,827
Other (non-) current liabilities	4,917	-	4,917
Total	**2,403,299**	**9,109**	**2,412,408**

Fair values of financial assets and liabilities

For financial instruments such as cash, deposits, short-term borrowings (excluding the current portion of bonds and notes payable) and other financial liabilities (other than bonds and notes payable), carrying values are a reasonable approximation of their fair values. For the loans receivable/payable from/to related parties the carrying values are a reasonable approximation of their fair values, as the interest rate is reset quarterly, based on the average borrowing cost of the Company and the margin interest is set at an arm's-length basis. According to the fair value hierarchy, the financial instruments measured at fair value are classified as follows:

Level 1
The fair value of assets held at fair value through profit or loss is based on quoted prices and comprises investments in money market funds. The fair value of bonds is based on quoted market prices at the reporting date.

Level 2
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of foreign currency forward contracts, foreign currency option contracts, commodity swap contracts and forward starting swap contracts is determined by using valuation techniques. These valuation techniques maximise the use of observable market data. The fair value of the foreign currency forward contracts, foreign currency option contracts, commodity swap contracts and cross currency swap contracts is calculated by reference to quoted forward exchange, deposit rates and forward rate curve of the underlying commodity at 31 December 2019 for contracts with similar maturity dates. The fair value of interest rate swap contracts and forward starting swap contracts is determined as the difference in the present value of the future interest cash inflows and outflows based on observable yield curves.

Level 3
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) and comprises PET derivatives.

The fair values of financial instruments that are not traded in an active market (level 2) are determined using fair valuation techniques. The Company uses its judgement to select a variety of fair valuation methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

As at 31 December 2019 and 2018, all financial assets and financial liabilities recorded at fair value are included in level 1, 2 and level 3 as depicted in the tables below:

As at 31 December 2019	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
Financial assets at FVPL				
Money market funds	371,423	-	-	371,423
Commodity derivatives		2,154	3,688	5,842
Foreign currency forward/option derivatives		1,758	-	1,758
Total financial assets	**371,423**	**3,912**	**3,688**	**379,023**
Financial liabilities at FVPL				
Commodity derivatives	-	2,156	3,686	5,842
Foreign currency forward/option derivatives	-	2,584	-	2,584
Total financial liabilities	**-**	**4,740**	**3,686**	**8,426**

As at 31 December 2018	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
Financial assets at FVPL				
Money market funds	34,864	-	-	34,864
Commodity derivatives	-	2,166	3,149	5,315
Foreign currency forward/option derivatives	-	3,329	-	3,329
Swaptions	-	2,204	-	2,204
Total financial assets	**34,864**	**7,699**	**3,149**	**45,712**
Financial liabilities at FVPL				
Commodity derivatives	-	2,164	3,149	5,313
Foreign currency forward/option derivatives	-	3,796	-	3,796
Derivative financial liabilities used for cash flow hedging				
Total financial liabilities	**-**	**5,960**	**3,149**	**9,109**

All commodity derivatives are structured on a back-to-back basis. Foreign currency forward and option derivatives on behalf of Group subsidiaries are also structured on a back-to-back basis. Therefore, these derivatives do not have an impact in the income statement.

14. Borrowings

Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Liabilities arising from leases are initially measured on a net present value basis and are recognised as part of 'Short-term borrowings' and 'Long-term borrowings' in the balance sheet. The lease payments are discounted using the interest rate implicit in the lease (if that rate can be determined), or the incremental borrowing rate of the lease, being the rate that the individual lessee would have to pay to borrow the fund necessary to obtain an asset of similar value in a similar environment with similar terms, security and conditions. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement as part of 'Other finance cost', over the lease period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised (straight-line) over the period of the facility to which it relates.

Cash and cash equivalents comprise cash balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Time deposits which do not meet the definition of cash and cash equivalents are classified as financial assets at amortised cost. Bank overdrafts are classified as short-term borrowings in the balance sheet and in the cash flow statement.

The Company's borrowings plus accrued interest at 31 December can be analysed as follows:

	2019	2018
	€'000	€'000
Commercial paper	100,000	95,000
Accrued interest on short term borrowings	19,738	11,827
Bonds, bills and unsecured notes falling due with one year	563,052	-
Total borrowings falling due within one year	**682,790**	**106,827**
Bonds, bills and unsecured notes falling due within two to five years	597,414	798,321
Bonds, bills and unsecured notes falling due after five years	1,783,592	596,882
Total borrowings falling due after one year	**2,381,006**	**1,395,203**
Total borrowings	**3,063,796**	**1,502,030**

a) Commercial paper programme

In October 2013, the Company established a €1.0 billion Euro-Commercial Paper programme ('CP programme'). The CP programme was updated in September 2014 and then again in May 2017. All commercial paper issued under the CP programme must be repaid within 7 to 364 days. The CP programme has been granted the Short-Term Euro Paper label ('STEP') and commercial paper is issued through the Company and is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The outstanding amount under the CP programme as at 31 December 2019 was €100.0 million (2018: €95.0 million).

b) Committed credit facilities

In June 2015, the Company replaced its then existing €500.0 million syndicated revolving credit facility with a new €500.0 million syndicated loan facility, provided by various financial institutions, expiring on 24 June 2020, with the option to be extended for one more year. In June 2016, the Company exercised its option and the majority of the banks agreed to extend the facility for one more year until 24 June 2021. On 24 April 2019, the Company increased the loan facility to €800.0 million and extended its maturity to April 2024 with the option to be extended up for two more years until April 2026. The facility is not subject to any financial covenants that would impact the Company's liquidity or access to capital.

This facility can be used for general corporate purposes and carries a floating interest rate over EURIBOR and LIBOR. No amounts have been drawn under the syndicated loan facility since inception. The facility is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

c) Euro medium-term note programme ('EMTN')

In June 2013, the Company established a €3.0 billion Euro Medium-Term Note programme ('the EMTN Programme'). The EMTN programme was updated in September 2014, September 2015 and then again in April 2019. With the most recent update in April 2019, the EMTN programme was increased to €5.0bn. Notes are issued under the EMTN programme through the Company and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In June 2013, the Company completed the issue of €800.0 million 2.375% seven-year fixed rate Euro-denominated notes due in June 2020. The net proceeds of the new issue were used to repay the US$500.0 million notes due in September 2013 and partially repay €183.0 million of the 7.875% five-year fixed rate notes due in January 2014.

In March 2016, the Company completed the issue of a €600.0 million Euro-denominated fixed rate bond maturing in November 2024. The coupon rate of the new bond is 1.875% which, including the amortisation of the loss on the forward starting swap contracts over the term of the fixed rate bond, results in an effective interest rate of 2.99%. The net proceeds of the new issue were used to partially repay €214.6 million of the 4.25% seven-year fixed rate notes due in November 2016, the remaining €385.4 million was repaid in November 2016 upon its maturity.

In May 2019, the Company completed the issue of a €700.0 million Euro-denominated fixed rate bond maturing in May 2027 with a coupon rate of 1% and a €600.0 million Euro-denominated fixed rate bond maturing in May 2031 with a coupon rate of 1.625%.
The net proceeds of the new issue were used to partially repay €236.6 million of the 2.375%, seven-year fixed rate bond due in June 2020.

In November 2019, the Company completed the issue of a €500.0 million Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%.

As at 31 December 2019, a total of €3.0 billion in notes issued under the EMTN programme were outstanding.

Bonds and notes summary

The summary of the bonds of the Company at 31 December 2019 is as follows:

	Start date	Maturity date	Fixed coupon	Book value 2019 € '000	Book value 2018 € '000
€800m Eurobond	18 June 2013	18 June 2020	2.375%	563,052	798,321
€600m Eurobond	10 March 2016	11 November 2024	1.875%	597,414	596,882
€700m Eurobond	14 May 2019	14 May 2027	1.000%	695,190	-
€600m Eurobond	14 May 2019	14 May 2031	1.625%	595,201	-
€500m Eurobond	21 November 2019	21 November 2029	0.625%	493,201	-
Total				**2,944,058**	**1,395,203**

d) Fair value, foreign currencies and interest rate information

As at 31 December 2019 the fair value of all bonds and notes payable, including the current portion, was €3,073.5 million (2018: €1,455.0 million) compared to their book value, including the current portion, of €2,944.1 million (2018: €1,395.2 million). The fair values are within level 1 of the fair value hierarchy, refer to Note 13.

The carrying amounts of the borrowings as at 31 December can be analysed as follows:

2019	Fixed interest rate € '000	Total 2019 € '000	Fixed rate liabilities Weighted Average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	3,044,058	3,044,058	2.06%	6.8
Financial liabilities	**3,044,058**	**3,044,058**	**2.06%**	**6.8**

2018	Fixed interest rate € '000	Total 2018 € '000	Fixed rate liabilities Weighted Average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	1,490,203	1,490,203	2.47%	3.2
Financial liabilities	**1,490,203**	**1,490,203**	**2.47%**	**3.2**

The majority of the Company's borrowing from external parties only comprise of fixed rate borrowings as at 31 December 2019 and 31 December 2018.

15. Cash and cash equivalents

Cash and cash equivalents at 31 December comprise the following:

	2019 €’000	2018 €’000
Cash at bank, in transit and on hand	513,306	286,495
Short-term deposits	154,000	288,000
Total cash and cash equivalents	**667,306**	**574,495**

The short-term deposits have different tenors ranging from 3 to 92 days as at 31 December 2019. These deposits bear, on average, a negative interest rate of 0.38%. Time deposits of €349.8 million (2018: €243.9 million), which do not meet the definition of cash and cash equivalents, are recognised as financial assets and disclosed in the line ‘financial assets at amortised cost – time deposits’ in the balance sheet. These time deposits have an average tenor of 179 days.

16. Net debt reconciliation

Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents, and certain other financial assets. This section sets out the analysis of net debt as at the end of 2019 and 2018 and the movement in net debt for these years.

	2019 €’000	2018 €’000
Cash and cash equivalents	667,306	574,495
Financial assets at amortised cost	349,832	243,886
Financial assets at fair value through profit or loss	371,423	34,864
Short-term borrowings including accrued interest	(682,790)	(106,827)
Long-term borrowings	(2,381,006)	(1,395,203)
Net debt	**(1,675,235)**	**(648,785)**

	Cash and cash equivalents €’000	Held-to-maturity investments €’000	Financial assets at amortised cost €’000	Financial assets at FVPL €’000	Short-term borrowings incl.accrued interest €’000	Long-term borrowings €’000	Total €’000
Net debt at 31 December 2017	**564,977**	**150,933**	**-**	**-**	**(131,827)**	**(1,393,524)**	**(809,441)**
Reclassifications	-	(150,933)	150,933	-	-	-	-
Cash flows	9,518	-	92,953	34,864	25,000	-	162,335
Other non-cash movements	-	-	-	-	-	(1,679)	(1,679)
Net debt at 31 December 2018	**574,495**	**-**	**243,886**	**34,864**	**(106,827)**	**(1,395,203)**	**(648,785)**
Adoption IFRS 16	-	-	-	-	(49)	(123)	(172)
Cash flows	92,811	-	106,000	337,320	(5,000)	(1,563,427)	(1,032,296)
Other non-cash movements	-	-	(54)	(761)	(570,914)	577,747	6,018
Net debt at 31 December 2019	**667,306**	**-**	**349,832**	**371,423**	**(682,790)**	**(2,381,006)**	**(1,675,235)**

17. Equity

Accounting policy
Ordinary shares are classified as equity.

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

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds and recorded to the share premium reserve.

Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any direct attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders and recorded in the share premium reserve.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

The authorised capital of the Company is €5.0 million and is divided into 50,000 shares of €100 each. The issued share capital at 31 December 2019 and 2018 comprised 10,180 shares of €100 each fully paid, with total nominal value €1,018,000.

As at 31 December 2019, the Company's share premium amounted to €263.1 million (2018: €263.1 million).

There is only one class of shares, of which the par value is €100. Each share provides the right to one vote at general meetings of the Company and entitles the holder to dividends declared by the Company.

The hedging reserve amounts to a €40.2 million loss as at 31 December 2019 (2018: €39.5 million loss), which is not available for distribution.

The movement in the hedging reserve during the year can be analysed as follows:

	2019	**2018**
	€'000	**€'000**
Net book value as per January 1	**39,544**	**43,859**
Losses in current year		-
Net loss on cash flow hedges	1,011	237
Cost of hedging	6,457	1,836
Losses reclassified to the income statement	(6,797)	(6,388)
Net book value as per December 31	**40,215**	**39,544**

18. Property, plant and equipment

Accounting policy

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

Computers and software	4 years
Leasehold buildings and improvements	5 years
Furniture and fittings	8 years

The depreciation charges are recorded in the 'Net other income and expenses' in the income statement.

With the implementation of IFRS 16, leases, for which the Company is in a lessee position, are recognised as a right-of-use asset as part of 'Property, plant and equipment'. Assets arising from a lease are initially measured on a net present value basis. The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis. The right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The movements of property, plant and equipment by class of assets are as follows:

	Computers €'000	**Buildings €'000**	**Furniture and fittings €'000**	**Total €'000**
Net book value as at 1 January 2019	**89**	**85**	**59**	**233**
Additions	73	-	21	94
Depreciation charge	(41)	(68)	(12)	(121)
Net book value as at 31 December 2019	**121**	**17**	**68**	**206**
Cost	261	182	108	551
Accumulation depreciation	(140)	(165)	(40)	(345)
Net book value as at 31 December 2019 excluding right-of-use assets	**121**	**17**	**68**	**206**
Net book value of right- of-use assets as at 31 December 2019	**-**	**15**	**12**	**27**
Net book value as at 31 December 2019	**121**	**32**	**80**	**233**

The Company's net additions to right-of-use assets are:

	2019 €'000
Buildings	54
Furniture and fittings	22
Total additions	**76**

The income statement includes the following amounts relating to the net depreciation charge of right-of-use assets:

	2019 €'000
Buildings	39
Furniture and fittings	10
Total depreciation charge	**49**

The Company's carrying amount of lease liability is presented below as at 31 December:

	2019 €'000
Current lease liabilities	25
Non-current lease liabilities	1
Total lease liability	**26**

2018:

	Computers €'000	Buildings €'000	Furniture and fittings €'000	Total €'000
Net book value as at 1 January 2018	**83**	**121**	**66**	**270**
Additions	41	-	4	45
Depreciation charge	(35)	(36)	(11)	(82)
Net book value as at 31 December 2018	**89**	**85**	**59**	**233**
Cost	188	182	87	457
Accumulation depreciation	(99)	(97)	(28)	(224)
Net book value as at 31 December 2018	**89**	**85**	**59**	**233**

The office lease contract has been early terminated (before the contractual end date) with effective date 29 February 2020.

19. Other non-current assets

The other non-current assets consist mainly of deferred facility fees. In 2018 this related mainly to a security deposit for the leased office property.

20. Current tax liabilities

The current tax liabilities which amounted to €10.8 million as at 31 December 2019 (2018: €10.9 million), reflect the current account balance with CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. and Coca-Cola HBC Sourcing B.V. in relation to income tax liabilities.

21. Related party transactions

Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.
Since the principal activity of the Company is the provision of financial services to the Group, related party transactions relate to the borrowing and lending activities of the Company with the Group.
The four directors of the Company have been appointed by the shareholder of the Company. There have been no transactions between the Company and the directors during the year.

Refer to Note 20 for the income tax liability, which is a short-term payable to CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. and Coca-Cola HBC Sourcing B.V. and which is not included in the paragraphs (a) to (d) below.

Refer to Note 12 for the fiscal unity for corporate income taxes and the related tax sharing agreement between the Company and CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. and Coca-Cola HBC Sourcing B.V.

a) *Interest revenue and receivables*

		Related parties receivable as at 31 December		**Interest revenue**	
		2019	**2018**	**2019**	**2018**
Company	**Country**	**€'000**	**€'000**	**€'000**	**€'000**
CC Beverages Holdings II B.V.	The Netherlands	1,712,067	1,130,876	52,023	44,783
Coca-Cola HBC Italia S.r.l.	Italy	338,721	288,318	11,222	11,459
Coca-Cola HBC AG	Switzerland	191,635	8,743	6,146	43
Coca-Cola HBC Holdings B.V.	The Netherlands	185,102	-	2,753	-
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	174,606	165,355	8,451	9,190
CCB Management Services GmbH	Austria	106,942	85,908	3,483	3,524
Coca-Cola HBC Česko a Slovensko, s.r.o. - organizačná zložka	Slovakia	47,250	54,775	1,897	2,082
Coca-Cola HBC Greece S.A.I.C.	Greece	46,068	54,172	2,009	2,165
Coca-Cola HBC Hungary Ltd	Hungary	44,331	37,623	1,671	1,204
Coca-Cola HBC Austria GmbH	Austria	95	20,769	684	1,269
Other related parties		82,885	66,046	3,216	2,570
Total		**2,929,702**	**1,912,585**	**93,555**	**78,289**

b) Interest expense and payables

		Related parties payable as at 31 December		Interest expense	
		2019	**2018**	**2019**	**2018**
Company	**Country**	**€'000**	**€'000**	**€'000**	**€'000**
Star Bottling Limited	Cyprus	170,635	2,805	2,802	19
Coca-Cola HBC Procurement GmbH (1)	Austria	119,118	163,557	(1,909)	6,056
Coca-Cola HBC Italia Srl	Italy	88,446	140,801	-	-
ZAO Multon	Russia	84,412	-	6,339	-
Coca-Cola HBC Switzerland Ltd	Switzerland	81,727	67,973	816	751
LLC Coca-Cola HBC Eurasia	Russia	46,491	108,484	6,199	9,306
Coca-Cola HBC Romania Ltd	Romania	35,066	113,779	2,619	3,603
Coca-Cola HBC Austria GmbH	Austria	31,166	1,711	-	-
CCB Management Services GmbH	Austria	24,259	3,287	1	15
Coca-Cola HBC Slovenija d.o.o.	Slovenija	20,469	13,937	313	159
CCHBC Insurance (Guernsey) Ltd	Guernsey	21,542	21,542	-	344
Coca-Cola HBC Ireland Ltd	Ireland	21,306	8,446	1	-
Coca-Cola HBC Services MEPE	Greece	19,158	14,365	226	216
Coca-Cola HBC Polska sp. z.o.o.	Poland	18,213	32,379	260	275
CCHBC Bulgaria AD	Bulgaria	13,718	25,631	278	349
Coca-Cola HBC Armenia CJSC	Armenia	10,589	8,508	265	118
Adelink Limited (Nicosia)	Cyprus	2,239	27,169	-	744
Coca-Cola HBC Hrvatska d.o.o.	Croatia	2,144	32,239	800	1,121
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia	705	33,986	443	513
Coca-Cola HBC AG	Switzerland	170	22	2,515	2,671
Coca-Cola HBC Holdings B.V.	The Netherlands	-	13,600	16	209
CC Beverages Holdings II B.V.	The Netherlands	7,776	767	59	11
Other related parties		54,791	61,364	494	419
Total		**874,140**	**896,352**	**22,537**	**26,899**

(1) Interest expense for the year 2019 is a credit amount due to the reversal of a previous year recognised interest expense.

The amount of interest expense from Coca-Cola HBC AG relates mainly to the guarantee fee. The Parent Company, as guarantor of the EMTN and CP programmes, and the revolving credit facility charges a guarantee fee to the Company that is recharged as part of the mark-up calculated in the average borrowing costs for lending to Group companies.

c) Financing with the Group by category

The loans to and borrowings from Group companies per category are as follows:

	As at 31 December 2019		As at 31 December 2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	€'000	**€'000**	**€'000**	**€'000**
Long-term loans and borrowings	2,881,181	343,440	971,926	229,920
Short-term loans and borrowings	39,363	290,365	926,503	390,351
IHC-balances	7,742	240,063	12,640	275,293
Other	1,416	272	1,516	788
Total	**2,929,702**	**874,140**	**1,912,585**	**896,352**

The non-current receivables will fall due in over five years. The interest revenue and expense on loans to/from the Coca-Cola HBC Group for the year was settled, for most of the loans listed above, on a three-month basis. The interest accrual related to the last quarter of 2019 was settled in January 2020.

Both the receivable In-House-Cash ('IHC') balances as well as the payable IHC balances are classified under current Group receivables, respectively payables, as the IHC balances have the same liquidity characteristics as bank balances. The interest revenues and expenses from the IHC program are reflected in Note 8. The remaining contractual maturities for the Company's liabilities to related parties are included in the liquidity tables in Note 6.

d) Currency and interest characteristics of the financing to and from Group companies

The financing to and from Group companies per currency is as follows:

	As at 31 December 2019		**As at 31 December 2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	€'000	**€'000**	**€'000**	**€'000**
Euro	2,683,923	569,685	1,698,228	501,095
Russian rouble	-	133,143	-	135,653
UK sterling	174,605	6,826	165,355	12,633
Swiss franc	-	81,742	-	68,053
Hungarian forint	44,331	4,833	30,081	3,261
Romanian leu	65	29,176	-	106,845
Polish Zloty	7,079	17,949	-	32,078
Other	19,699	30,786	18,921	36,734
Total	**2,929,702**	**874,140**	**1,912,585**	**896,352**

Financing in other currencies than Euro is hedged with forward contracts.

The financing to and from Group companies by interest rate profile is as follows:

	31 December 2019		**31 December 2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	€'000	**€'000**	**€'000**	**€'000**
Average borrowing cost rate*	2,920,553	-	1,891,437	-
Fixed rate*	-	132,214	-	192,624
Floating rate*	7,742	741,663	12,640	702,941
Other	1,407	263	8,508	787
Total	**2,929,702**	**874,140**	**1,912,585**	**896,352**

* Amounts include related interest accruals.

The average borrowing cost rate is reset on a quarterly basis and is based on the average borrowing cost of the Company. The weighted average fixed rate for loans received in 2019 amounted to 0.2% (2018: 0.2%).

The floating rates are based upon the underlying currency reference rate plus a margin that varies depending on the underlying currency and risk profile.

e) Intra-group charge for In-House-Cash and treasury services

The Company charges fees for the In-House-Cash and treasury services which are included in the net other income and expenses (refer to Note 10).

f) Intra-group guarantees

The external debt under the EMTN Programme, the Euro Commercial Paper Programme and the Committed Credit facilities (Note 14) are guaranteed by the related party entity of the Company, Coca-Cola HBC AG.

22. Directors' remuneration

The directors did not receive any remuneration during the year (2018: nil).

23. Commitments

The Company, CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. and Coca-Cola HBC Sourcing B.V. form a fiscal unity for Dutch corporate income tax purposes. All companies included in the fiscal unity are jointly and severally liable for Dutch tax liabilities of the companies.

24. Proposed appropriation of result and dividends

No dividends have been declared or distributed during 2019 (2018: nil).

The Board of Directors proposes that the net profit for the period ended 31 December 2019, be added to retained earnings:

	€'000
Addition to retained earnings	15,073
Net profit	**15,073**

This proposal has already been included in the financial statements.

25. Events after the balance sheet date

Distribution of loan receivable from related party
As at 31 December 2019 the Company had a loan receivable from Coca-Cola Imbuteliere Chisinau SRL, a related party, of EUR 8.0 million (principal amount). On 28 February 2020 the Company's immediate parent (CC Beverages Holdings II B.V.) determined, and subsequently Company's the Directors approved, the distribution of this loan receivable to CC Beverages Holdings II B.V. This resulted in the reduction of assets and equity by EUR 8.0million (principal amount).

COVID-19
The outbreak of novel coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including countries in which the Group operates. The Company considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019.

At this stage the impact of COVID-19 on the Company is limited. The Company's primary asset are receivables from Group companies which amount to EUR 2.930 million as per 31 December 2019. Management has carefully assessed the recoverability of amounts falling due in 2020 and 2021 and has no indication that the obligations will not be met as they fall due.

The Group has a strong balance sheet and liquidity position and has leading market shares and largely variable cost base and a unique portfolio of brands and resilient and talented people that will allow the Group to weather this unprecedented crisis. Furthermore, the Group has implemented appropriate contingency and business continuity plans in order to safeguard that the Group's production plants and supply chain remain fully operational. Going forward, as governments step up their efforts to control the spread of COVID-19, the Directors understand that the Group may see some disruption, although the extent and duration is unknown but that the Group continues to monitor the COVID-19 pandemic and its impact on the Group's business.

Therefore, although the current impact of COVID-19 on the Company is limited, uncertainties remain as it is not reasonably possible to estimate the full impact of COVID-19. The Directors will continue to monitor the pandemic and any potential impact on the Company. The Directors believe that the Company will be able to continue as a going concern and meets its obligations as these fall due.

The financial statements on pages 5 to 8 and the attached notes on pages 9 to 40 have been approved by the Directors in Amsterdam on 14 April 2020.

Directors

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Garyfallia Spyriouni	**Michail Imellos**	**Sjors van der Meer**	**Huig Johan Braamskamp**

Profit appropriation according to the Articles of Association

According to article 18 of the Articles of Association, the net result for the year is at the disposal of the General Meeting of Shareholders.

Independent auditor's report

The Independent Auditor's report can be found on page 42.

Independent auditor’s report

To: the general meeting of Coca-Cola HBC Finance B.V.

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of Coca-Cola HBC Finance B.V. (‘the Company’) give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Coca-Cola HBC Finance B.V., Amsterdam.

The financial statements comprise:
- the balance sheet as at 31 December 2019;
- the following statements for 2019: the income statement, the statements of comprehensive income, changes in shareholders’ equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section ‘Our responsibilities for the audit of the financial statements’ of our report.

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

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Independence

We are independent of Coca-Cola HBC Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

The Company's main activity is the financing of Coca-Cola HBC A.G. and its subsidiaries (the 'group' or the 'Coca-Cola HBC group'), through bond offerings on the international capital markets.
The company finances the loans it provides to the companies of the group through bond offerings in international capital markets, commercial paper programs and also through a syndicated revolving credit facility. The repayment of the bonds to the investors is guaranteed by the ultimate parent Coca Cola HBC A.G. as disclosed in note 14 to the financial statements. Further, the commercial paper and the syndicated revolving credit facility are also guaranteed by the ultimate parent Coca-Cola HBC A.G. Loans are issued to group companies with financial instruments in place to mitigate currency risk. The company has derivative financial instruments in place to mitigate interest rate risk and currency risk. For facilitating the Coca-Cola HBC group in its financing activities, the Company receives a margin. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 3 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in expected credit losses/valuation of loans issued, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued as key audit matter because the importance of existence for users of the financial statements.

Other areas of focus, that were not considered as key audit matters, were the adoption and implementation of IFRS 16 and the income tax position. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included specialists in the area of financial instruments and experts in the area of tax in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €43.2 million (2018: €27.7 million). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders are the most important ones.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with management that we would report to them misstatements identified during our audit above €2.2 million (2018: €1.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to management. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there has been one key audit matter less, due to the fact that there are no active hedge relationships in place.

Key audit matter	How our audit addressed the matter
Measurement of expected credit losses *Notes 13 and 21* We consider the valuation of the loans issued, as disclosed in notes 13 and 21 to the financial statements for a total amount of €2,929.7 million, to be a key audit matter. This is due to the size of the loan portfolio and impairment rules. Management has determined that all loans issued are categorised as stage 1 loans, hence only a 12-month expected credit loss ('ECL') has been recognised. The impairment rules in IFRS 9 are complex and require judgement to calculate the ECL.	We performed the following procedures to test management's assessment of the expected credit loss to support the valuation of the loans issued to Coca-Cola group companies: • With respect to the ECL calculation, we determined that the loans qualify as stage 1 loans by assessing the actual performance of the loans (i.e. no significant deterioration of credit risk).

Key audit matter	*How our audit addressed the matter*
Amongst other things, this applies to choices and judgements made in the impairment methodology, including the determination of the probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). These calculations also take into account forward-looking information ('FLI') of macro-economic factors considering multiple scenarios. Mainly with respect to the PD and LGD used in the determination of the expected credit losses, management has applied significant judgement given the low default character of the entity's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD.	• For the expected credit loss, we assessed, with assistance of our specialists, that the impairment methodology and model applied by the entity were in accordance with the requirements of IFRS 9. We assessed that the FLI used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of Coca-Cola HBC Finance B.V. • We assessed for a sample of financial instruments that the PD and LGD, applied by management, were based upon data from external data source providers and we have recalculated the impairment recorded in the financial statements. We found management's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.
Existence of the loans issued *Notes 13 and 21* We consider the existence of the loans issued, as disclosed in notes 13 and 21 to the financial statements for a total amount of €2,929.7 million, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.	We performed the following procedures to support the existence of the loans issued to Coca-Cola HBC group companies: • We confirmed the existence of the loans with the counterparties on a sample basis. • We tested the input of contracts in the Company's treasury management system. • We performed a substantive analytical procedure on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread. • We compared interest receipts with bank statements. Based on the procedures as set out above, we found no material differences.

Emphasis of matter - uncertainty related to the effects of the corona virus (COVID-19)

We draw attention to note 25 in the financial statements in which management has described the potential impact and consequences of the corona virus (COVID-19) on the company and the environment in which the company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Coca-Cola HBC Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held on 25 April 2019. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 17 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 10 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of management

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 14 April 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by V.S. van der Reijden RA

Appendix to our auditor's report on the financial statements 2019 of Coca-Cola HBC Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.