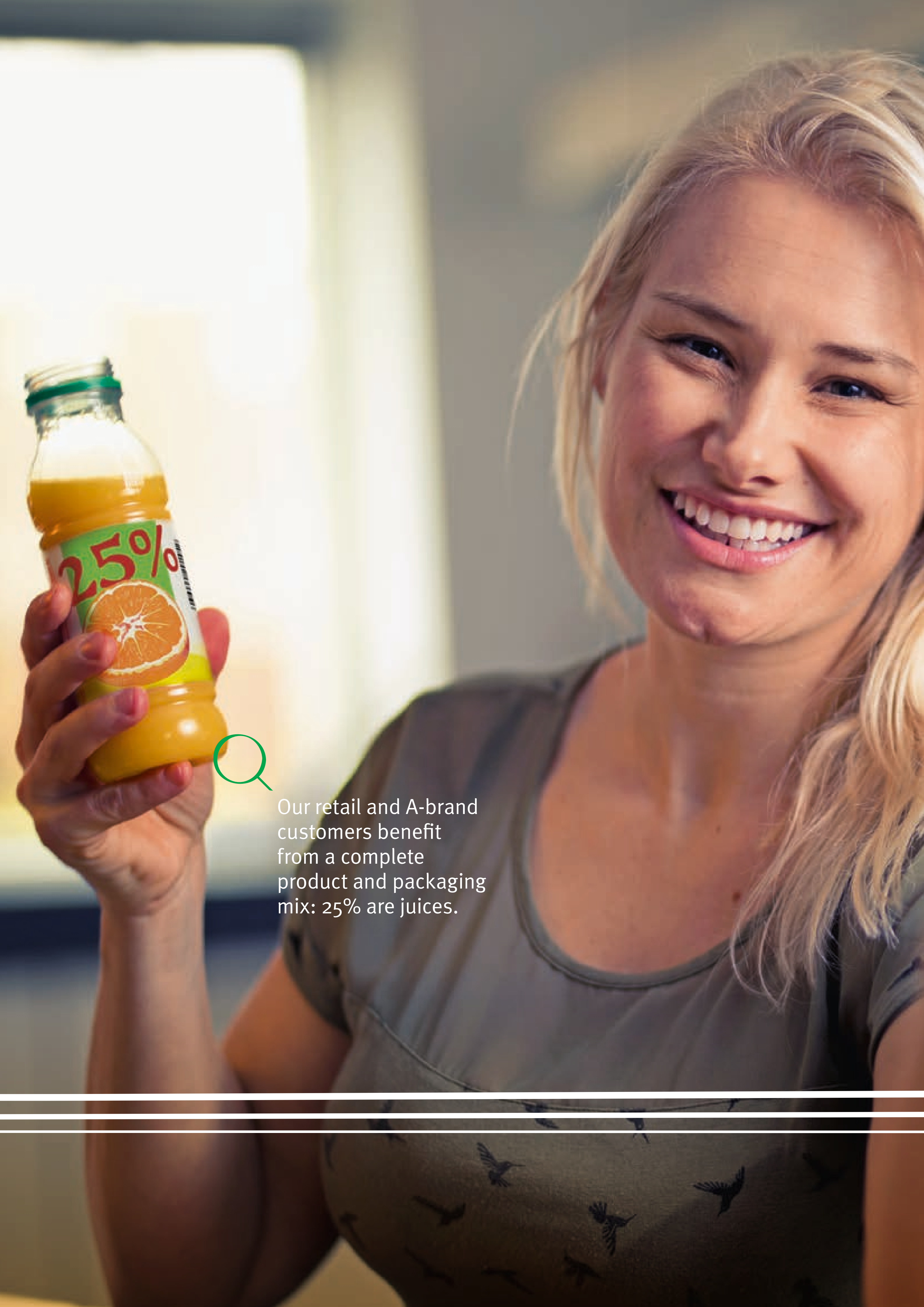
ANNUAL REPORT

Annual Report 2016

Refresco



Our retail and A-brand customers benefit from a complete product and packaging mix: 25% are juices.

In 2016, we produced 6.5 billion liters of beverages for retailers with private label assortments and leading national and international branded beverage companies. That is close to 18 million liters of beverages per day, every day. The pictures in this report show the type of products we produce and the packaging solutions we offer to our customers. Although the drinks we produce do not carry our name, we take pride in the bottling and packaging solutions we provide for our customers and take responsibility for the quality we deliver.

Contents

* Sections marked with (*) are part of the Executive Board report as defined in the Dutch Civil Code.

Who we are, what we do

We are an independent bottler of soft drinks and fruit juices for retailers and A-brands in Europe and the US.

Our unique production platform covers 29 manufacturing sites in the Netherlands, Belgium, Germany, France, Spain, Italy, Poland, Finland, the UK and the US providing customers close proximity and reliable service across geographies. Our global sourcing and local innovation capabilities offer an almost unlimited variety of soft drinks, fruit juices and other beverages, manufactured to individual customer specifications and requirements.

We have long-standing relationships with leading discounters and full-service retailers across Europe, with a broad and sophisticated range of private label offerings. We are also a co-packing partner for national and international branded beverage companies who can rely on our high quality production platform. With the recent acquisition of US-based bottler Whitlock Packaging we can now offer customers supply chain solutions in both key markets.

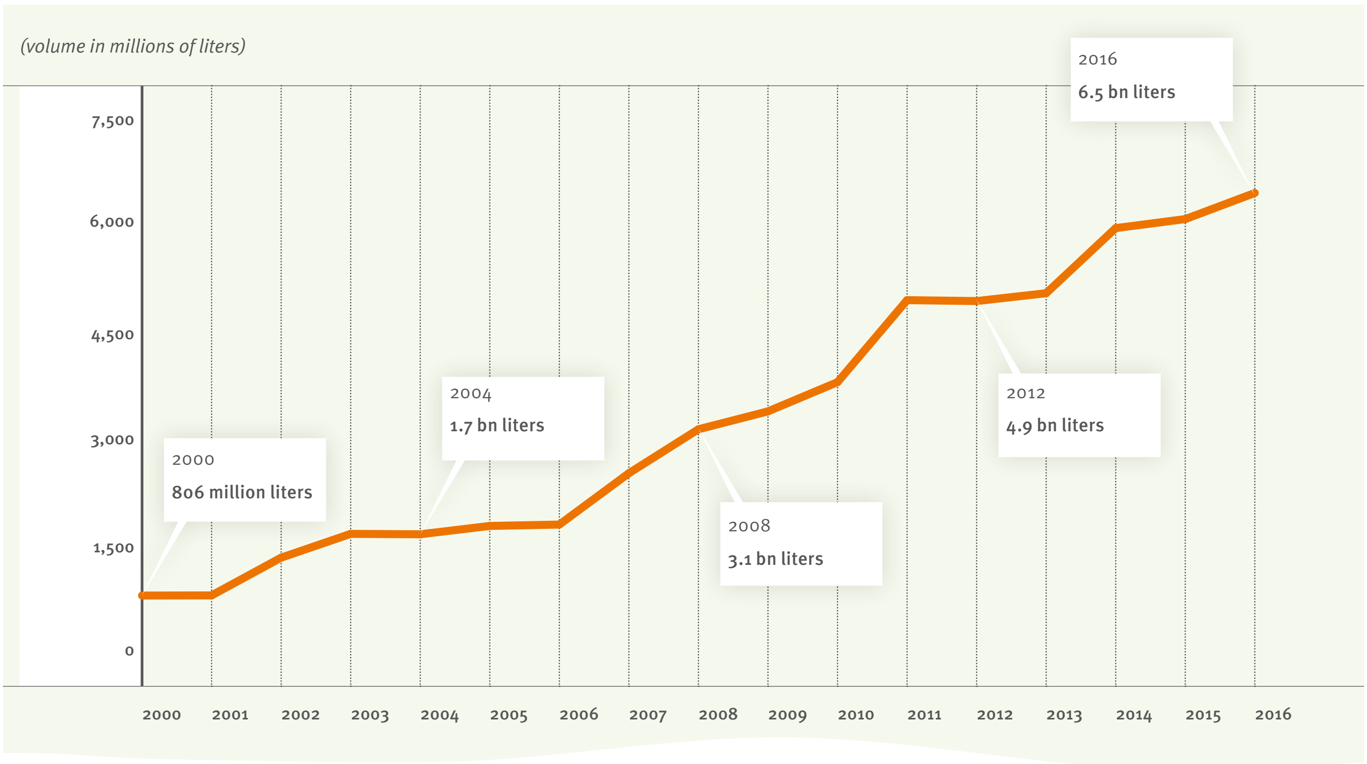
Our product range includes a wide variety of fruit juices, carbonated sof drinks, ready-to-drink teas, still drinks, energy drinks, sport drinks, water, beer and specialty drinks. We offer packaging in PET, Aseptic PET (A-PET), carton, cans and glass.

In 2016 we employed approximately 5,500 people (FTEs year-end) in Europe and the US. Our size brings economies of scale, but it is the ability of our highly skilled people to seize market opportunities and streamline operational processes that makes the difference.

Our customers benefit from

- **A unique production platform in Europe and the US**
- **Access to a complete product and packaging mix**
- **Total supply chain solutions**

16 Years of accelerated growth



Our business model combines manufacturing for retailers with private label offerings and co-packing for branded beverage companies. This provides us with several structural advantages. Firstly it enables us to combine flexibility, quality and high standards under one roof. Secondly, by working for a high number of customers and products we can run production facilities efficiently.

For retailers with a private label range, we offer an end-to-end solution that covers every step of the process. Branded beverage companies seek co-packers that have sufficient scale and geographic scope to provide the production flexibility to meet their requirements in multiple markets.

Read more on page 13.

Refresco at a glance | Highlights

UNIQUE PRODUCTION PLATFORM OF
29
MANUFACTURING SITES IN EUROPE AND THE US
2015: 25

5,548
EMPLOYEES IN EUROPE AND THE US*
2015: 4,407

VOLUME
6.5
BILLION LITERS
2015: 6.1 BILLION LITERS

NET PROFIT
81.5
MILLION EUROS
2015: 41.8 MILLION EUROS

GROSS PROFIT MARGIN**
14.2
EURO CENTS PER LITER
2015: 14.2 EURO CENTS

ROCE**
11.3%
2015: 13.6%

* Number of FTEs at year-end.

** Gross profit margin per liter, adjusted EBITDA and ROCE are not measures of our financial performance under IFRS, see glossary page 126 of this report. Reconciliation of operating profit to adjusted EBITDA is presented on page 22 of this report.

WATER RATIO***

2.1

LITERS WATER FOR EACH LITER OF BEVERAGE PRODUCED

2015: 2.0

ENERGY RATIO***

0.4

MEGA JOULES FOR EACH LITER OF BEVERAGE PRODUCED

2015: 0.4

NET CASH GENERATED FROM OPERATING ACTIVITIES**

156.5

MILLION EUROS

2015: 129.9 MILLION EUROS

51%

GREAT PLACE TO WORK TRUST INDEX

ADJUSTED EBITDA**

222.0

MILLION EUROS

2015: 216.2 MILLION EUROS

ACCIDENTS RATIO***

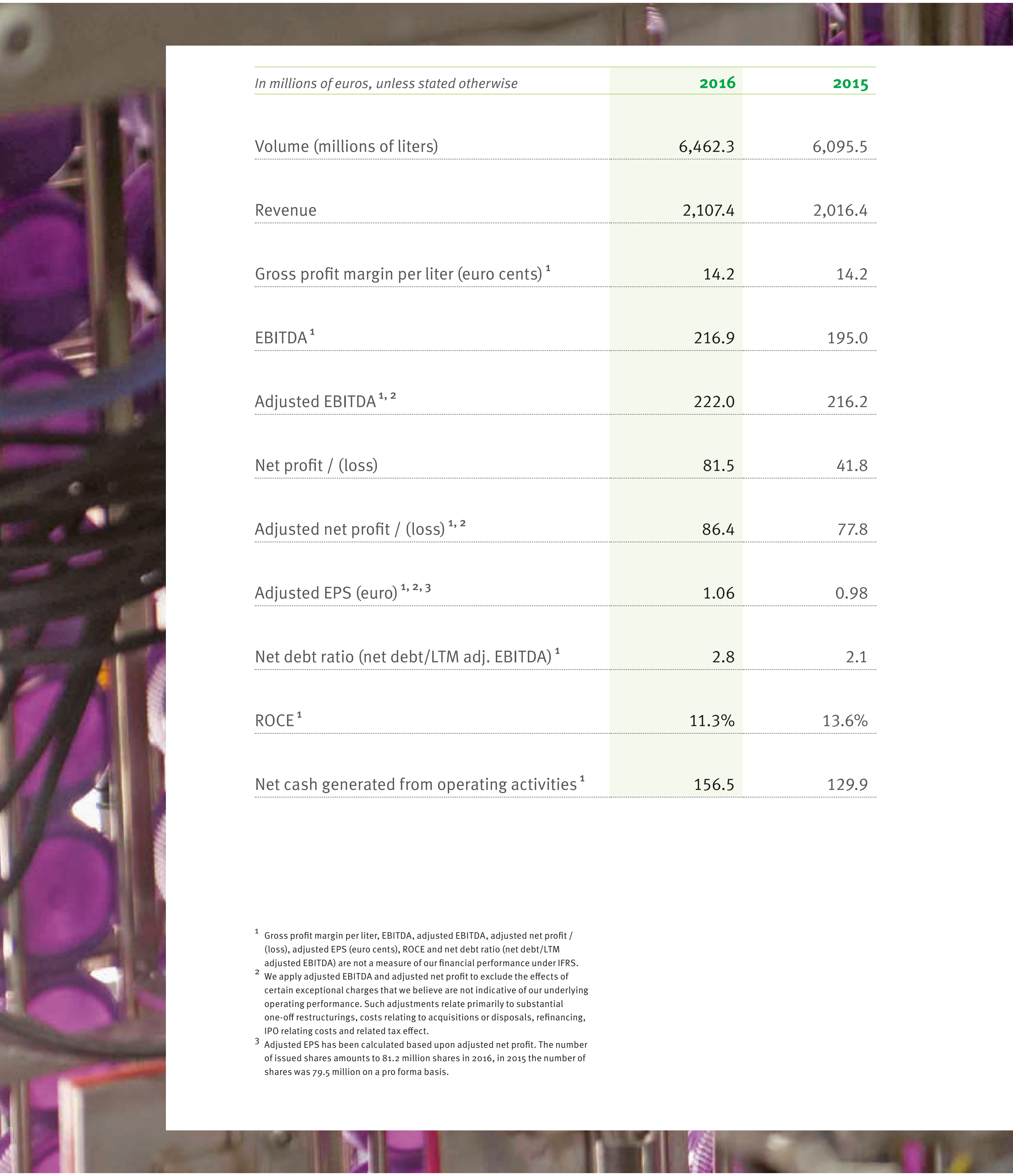
2.0

PER 100 FTES

2015: 2.9

*** Non-financial performance indicators (water ratio, energy ratio and accidents ratio) are un-audited. The data excludes our US business which was consolidated to the Group results as of September 7, 2016.

Refresco at a glance |
Key figures



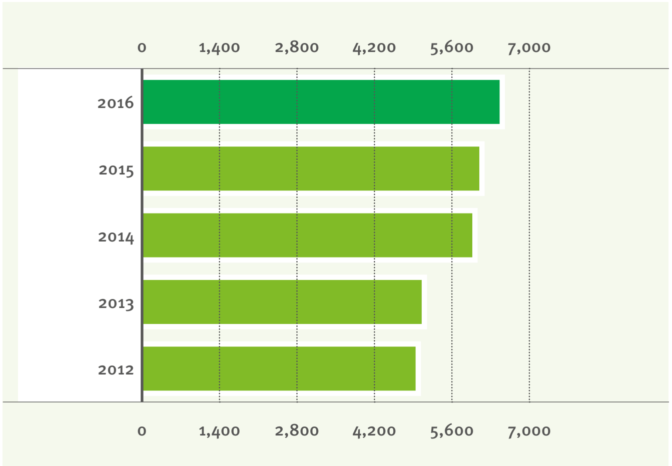
In millions of euros, unless stated otherwise	**2016**	**2015**
Volume (millions of liters)	6,462.3	6,095.5
Revenue	2,107.4	2,016.4
Gross profit margin per liter (euro cents) [1]	14.2	14.2
EBITDA [1]	216.9	195.0
Adjusted EBITDA [1, 2]	222.0	216.2
Net profit / (loss)	81.5	41.8
Adjusted net profit / (loss) [1, 2]	86.4	77.8
Adjusted EPS (euro) [1, 2, 3]	1.06	0.98
Net debt ratio (net debt/LTM adj. EBITDA) [1]	2.8	2.1
ROCE [1]	11.3%	13.6%
Net cash generated from operating activities [1]	156.5	129.9

[1] Gross profit margin per liter, EBITDA, adjusted EBITDA, adjusted net profit / (loss), adjusted EPS (euro cents), ROCE and net debt ratio (net debt/LTM adjusted EBITDA) are not a measure of our financial performance under IFRS.

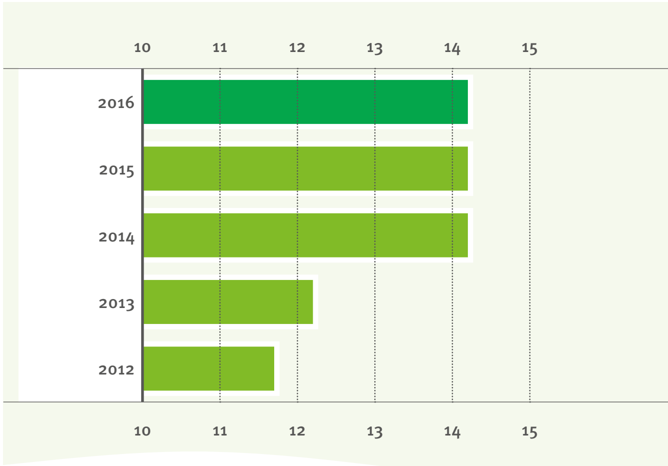
[2] We apply adjusted EBITDA and adjusted net profit to exclude the effects of certain exceptional charges that we believe are not indicative of our underlying operating performance. Such adjustments relate primarily to substantial one-off restructurings, costs relating to acquisitions or disposals, refinancing, IPO relating costs and related tax effect.

[3] Adjusted EPS has been calculated based upon adjusted net profit. The number of issued shares amounts to 81.2 million shares in 2016, in 2015 the number of shares was 79.5 million on a pro forma basis.

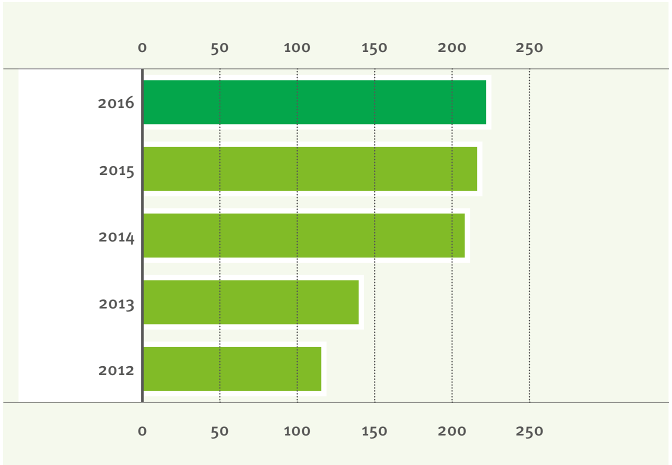
Volume *(in millions of liters)*



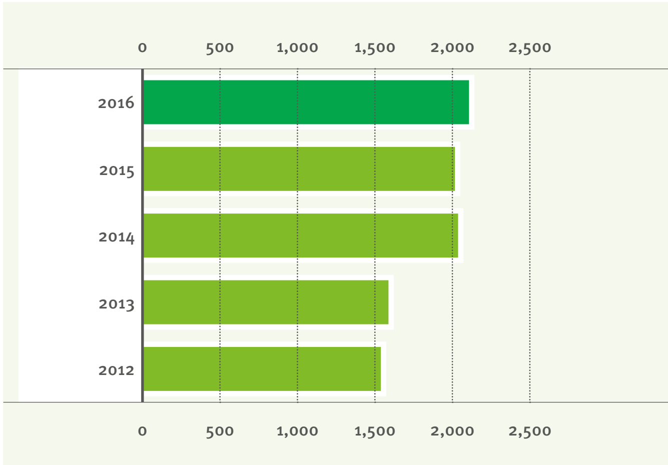
Gross profit margin per liter *(euro cents)* [1]



Adjusted EBITDA *(in millions of euros)* [1, 2]

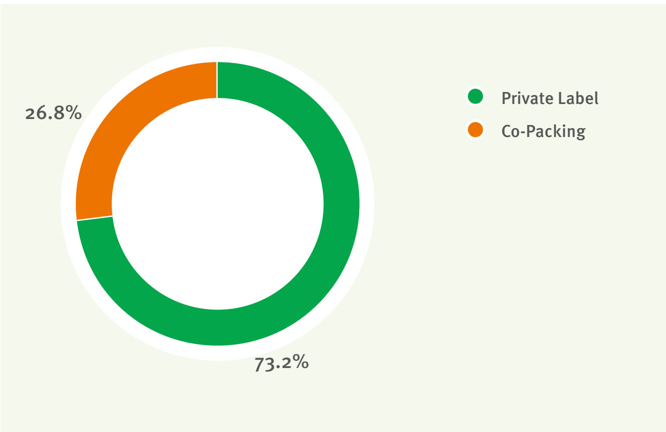


Revenue *(in millions of euros)*



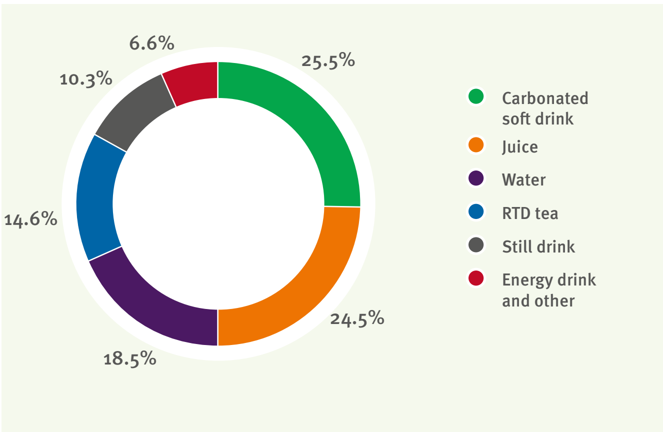
Volume per channel

(6,462.3 million liters in 2016; 6,095.5 million liters in 2015)

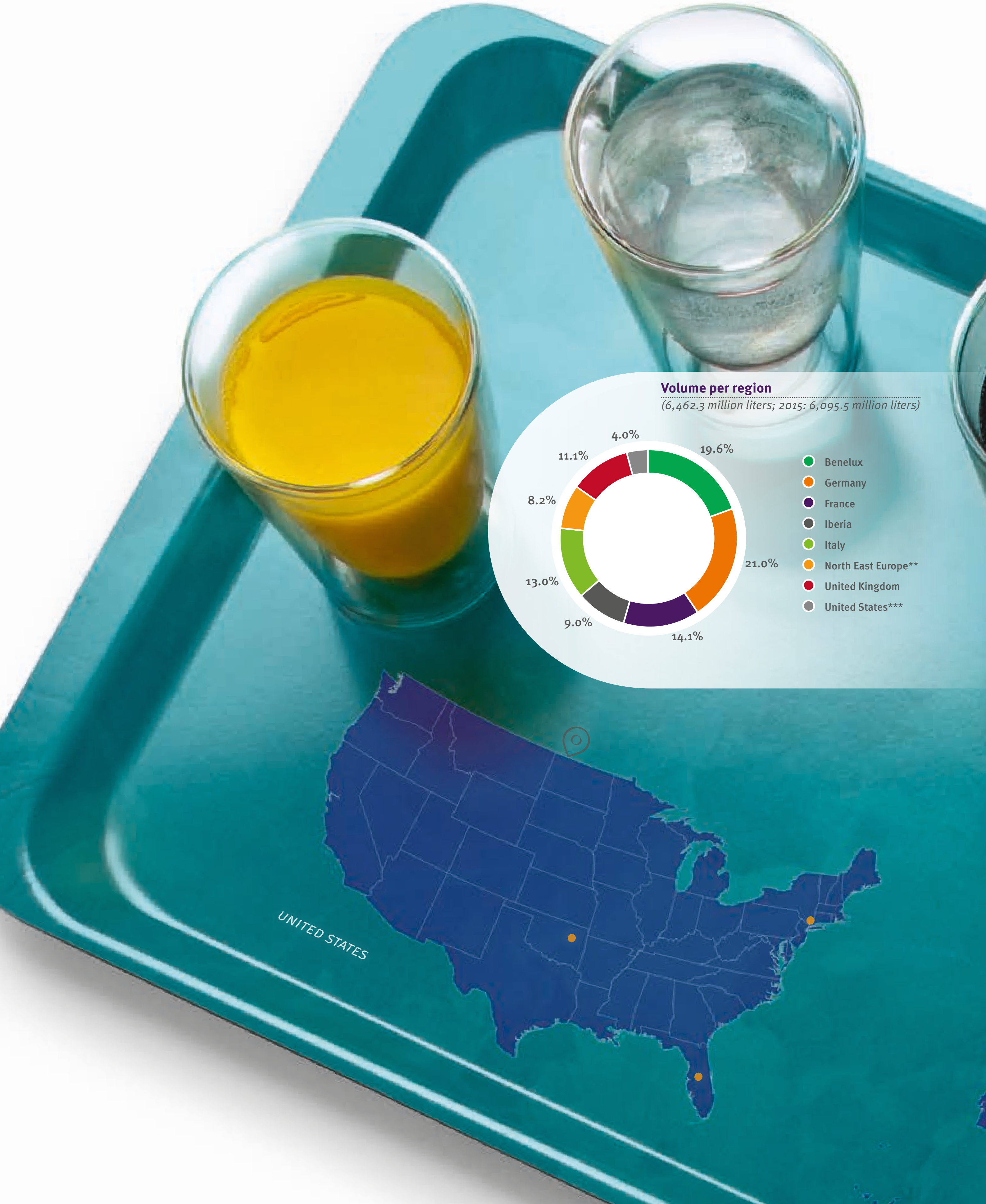


Volume per product category

(6,462.3 million liters in 2016; 6,095.5 million liters in 2015)



Manufacturing footprint



Complete customer offering of soft drinks and juices in key markets

United States
Wharton, NJ
Fort Gibson, OK
Lakeland, FL

Benelux
Maarheeze
Bodegraven
Hoensbroek
Ninove
Sittard

Germany
Calvörde
Erftstadt
Grünsfeld
Hamburg
Herrath

France
St. Donat
St. Alban
Nuits St. Georges
Le Quesnoy

United Kingdom
Bridgwater

Iberia
Oliva
Alcolea
Marcilla

Italy
Caslino al Piano
Spinone al Lago
Sulmona
Quarona Sesia

North East Europe

Poland
Kety
Kozietuly
Nieszawa*
Slemien

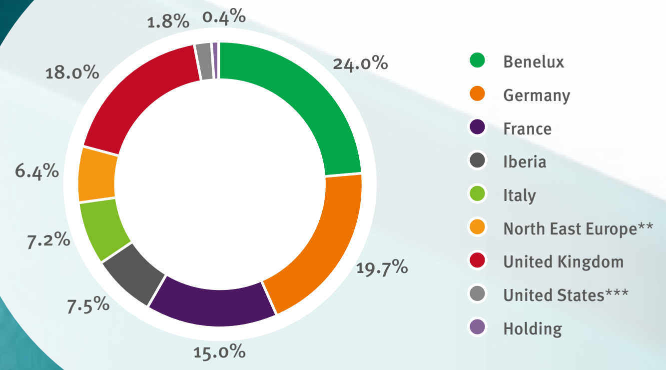
Finland
Kuopio

Refresco

Headquarters
Rotterdam, the Netherlands

Revenue per region

(2,107.4 million euros; 2015: 2,016.4 million euros)



* Refresco closed down the Nieszawa manufacturing site and has consolidated production to its main sites in Poland.
** Including Poland and Finland.
*** The US is consolidated to the Group results as of September 7, 2016.

Vision & strategy

VISION

“Our drinks on every table” is our vision for Refresco. Although the drinks we produce for our customers do not carry our name, we take pride in the bottling and packaging solutions we provide and take responsibility for the quality of what we deliver. This vision encompasses our existing soft drinks and fruit juices proposition, but it does not limit us to this. It stands for growth and opens up many possibilities. It provides the context in which we make our strategic decisions about the markets we choose to operate in and the types of drinks we choose to produce.

STRATEGY

Our strategy is to grow alongside our customers in the markets where we currently operate, to enter new products and packaging categories in selected markets and to expand geographically. To accomplish this we focus on four strategic drivers: Customers, Geographies, Operations and People.

4 Strategic drivers

Strong customer relationships

Private Label

We aim to become the preferred supplier to our Private Label customers by providing them with a full range of products and supply chain solutions in multiple geographies. To achieve this we focus on delivering high levels of customer service as well as core innovations through the introduction of new packages, flavors and varieties of beverages.

Co-Packing

We strive to expand our Co-Packing business by developing and manufacturing new, high-quality products for our A-brand customers with production flexibility that enables them to utilize their assets better, expand their packaging mix and lower their production costs. In some instances this may mean acquiring their production facilities. Obtaining contracts to exclusively supply branded beverage companies with production technologies they do not have, or products they do not offer in a particular region, is one further driver of our Co-Packing strategy. We will continue to invest in new bottling capacity as needed to achieve this goal. Further by maintaining a well invested asset base and certification, we intend to become the preferred partner for A-brands.

Geographies – Selective and value adding buy & build

We will continue to execute our ‘buy & build’ strategy where selective investments and acquisitions will enable us to increase our manufacturing capacity, expand our range of product offerings and grow our market share. When making investments, we do so with the intention of ultimately becoming the leading independent bottler in that market.

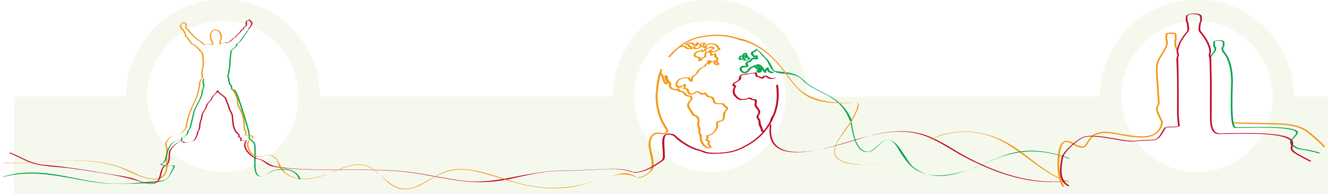
Well invested and flexible operations

Our competitive edge is created in our operations. We will continue to invest in improving production flexibility and cost efficiencies in our manufacturing and warehousing operations, to evolve and optimize our purchasing and manufacturing processes and to make selective investments in growth categories and countries. We also continue to seek ways to maximize utilization of production lines and to reduce logistic and production costs per liter.

People and organizational mind-set

Expanding a business like ours needs a healthy pipeline of professional people moving through the organization. This relies on us developing the skills of our current employees as well as recruiting talented people from outside the organization. Knowledge and experience are critical to good performance – equally important is the right mind-set. As an integral part of setting the future direction of the company we have defined five values to drive us forward: Entrepreneurial, Excellent, Market-Driven, Innovative and Responsible. Next to our values we are guided by our ‘Working together wins’ mind-set. As a Group we work together to share best practices and experience to support each other in achieving our goals not only in the business units but at a Group level as well.

SUSTAINABILITY



Happy People

- Health and safety
- Great place to work
- Contribute to communities

We want our employees to feel safe and secure in their work, enjoy working together and respect each other's individuality. We invest in training and development so that our employees are equipped with the right skills and knowledge to do the job and feel supported and fulfilled in their efforts to reach their full potential.

Being proud of what we do and who we work for, we seek opportunities to be a good local citizen in every market that we operate.

Happy Planet

- Sustainable packaging
- Natural resources
- Waste
- Transport

We believe the environment is key to safeguarding our and our customers' and suppliers' future operations and collectively we are focused on minimizing our impact on the environment.

This requires us to maximize sustainability throughout our production process from water and energy through to packaging, transportation and recycling of our waste.

Happy Products

- Food safety
- Sustainable sourcing
- Healthy nutrition / innovation

We deliver the highest quality and constantly improve the sustainability of the drinks we manufacture for our customers. In collaboration with our customers, we champion innovation to enhance our product range.

Focus on leadership in private label and co-packing

Our business model combines manufacturing for retailers with co-packing for branded beverage companies. This provides us with several structural advantages. Firstly it enables us to combine flexibility, quality and high standards under one roof. Secondly, by working for a high number of customers and products we can run production facilities efficiently.

For retailers with a private label range, we offer an end-to-end solution that covers every step of the process. Our well invested production platform and expertise place us at the forefront of private label production, and retailers choose us for our ability to consistently provide good tasting, high quality soft drinks and fruit juices.

Branded beverage companies seek co-packers that have sufficient scale and geographic scope to provide the production flexibility to meet their requirements in multiple markets.

With 172 bottling lines at our manufacturing sites we are capable of producing a complete product and packaging mix.

Global sourcing and local innovation capabilities

Everything we do is founded on sourcing quality in quantity for our customers, thereby protecting and delivering their brand promise to the consumer. Because we source raw materials from around the world, we are constantly improving our sustainable sourcing practices.

In a fast moving and constantly changing market, we never give up on our ambition to improve and we are always searching for new ways to drive innovation. Our production processes are highly flexible, enabling us not only to develop the right products in the right volumes but also to develop new product formulas and packaging combinations in line with customers' changing needs and requirements. Aseptic PET based technology, which facilitates the manufacture of soft drinks and fruit juices without additives or preservatives, is just one such example and is now a strong focus of our business.

Our drinks on every table

Our customers benefit from quality, reliability and cost leadership.

Message from the CEO

Dear stakeholder,

Looking back on the 2016 results and our strategic objectives, we are pleased to report good progress. Our strategy to rapidly grow the Co-Packing business is contributing very positively to volume and revenue visibility. We made two strategic acquisitions, in the Netherlands and the US, which further strengthen our market positions and customer offering. In our operations, continued optimization of our footprint and supply chain has helped us to maintain our cost leadership. One of the highlights of the year was the inclusion of the Refresco share in the Euronext AMX Index.

YEAR 2016 IN SUMMARY

For Refresco 2016 was a year of many milestone events in a challenging market. We continued to execute on our buy & build strategy with the announcement of four transactions in the US and Europe. In the US, a new geography for Refresco, we acquired Whitlock Packaging. In Europe we acquired DIS in the Netherlands and we invested in a strategic asset including long term Co-Packing agreements in Germany. Furthermore we announced the purchase of a bottling facility in Italy.

These acquisitions and investments contributed to the strong growth of Co-Packing, in line with our strategic priority to grow Co-Packing volumes faster than Private Label. Private Label had a difficult start of the year due to our commercial decision to let go of some lower margin contracts in water and CSD and challenging market conditions.

In May 2016 we held our first Annual General Meeting of Shareholders where a number of resolutions including the name change from Refresco Gerber N.V. into Refresco Group N.V., the proposal to pay dividend for the first time and the appointment of our first female Supervisory Board member were approved by our shareholders. A further milestone was the inclusion of the Refresco share in Euronext's AMX index, reflecting the growing interest of the financial markets in our company.

We view our employees as key to our success. In 2016 we carried out for the first time a Group-wide employee survey to guide us and to help us understand our employees better and ultimately make Refresco a better place to work.

Building on our track record of 16 years, we aim to create long-term shareholder value through profitable, responsible growth and acquisitions. To do so, we will capitalize on our market leadership and continue to work together and build close relationships with our customers.

One example of working closely with our stakeholders is our newly developed approach to sustainability that combines local efforts under one program that we can apply consistently across the business. You can read more about the sustainability framework on pages 26 – 36 of this report.

THE YEAR AHEAD

There are many reasons to be excited about the future of our business. We have entered the US where we see ample opportunities to grow and add value. Building on our US footprint, our ambition is to create a solid platform similar to the one we have in Europe. At the same time we will continue to look for opportunities to strengthen our market position in Europe via selective add-on acquisitions and organic growth.

Hans Roelofs,
Chief Executive Officer

Executive Board report

- Refresco delivers on strategic initiatives
- 6.5 billion liters of soft drinks and juices
- Gross profit margin per liter stable at 14.2 euro cents
- Net profit increased to EUR 81.5 million
- First step into North America with the acquisition of Whitlock Packaging

Hans Roelofs,
Chief Executive Officer

We are pleased with the progress we have made on our strategic focus areas in 2016, particularly in terms of our buy & build execution and growth of Co-Packing. The following section highlights our recent achievements in more detail and describes how we will continue our responsible growth.

Aart Duijzer,
Chief Financial Officer

KEY ACHIEVEMENTS THROUGH EXECUTION OF OUR GROWTH STRATEGY

Our strategy is to grow alongside our customers in the markets where we currently operate, to enter new and adjacent markets, to develop new products and packaging solutions for our customers in existing and new geographies and to be a cost leader in our industry. Our size brings economies of scale, but it is the ability of our highly skilled people to seize market opportunities and streamline operational processes that makes the difference.

It was our four pillar growth strategy – customers, geographies, operations and people – that provided us with the roadmap for our activities and gave focus and consistency to our decisions.

Customers – Creating strategic relationships with Co-Packing & Private Label customers

We built on strategic relationships with our customers in the private label and co-packing markets. With customers at the heart of our business, we leveraged our knowledge of markets and consumer preferences and with our unique capabilities helped to grow their product portfolios and business.

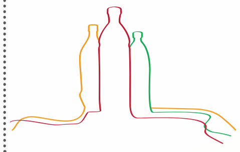
Through targeted investments we focused our efforts on best serving our customers and maximizing our growth opportunities. We saw the consumer demand shift away from fruit juices and full sugar beverages towards other lower calorie categories continue in 2016. As consumers took more care in their choice of products, we focused our innovations on consumer trends such as convenience and increased health and nutritional awareness.

Our focus is the private label and co-packing markets which are expected to outperform the overall soft drinks market development. Within private label, consumers are increasingly seeing private label products as a quality alternative to branded products. They provide an opportunity for the retailer to differentiate themselves from the competition and enhance customer loyalty. Consequently, retailers are expanding their private label shelf space to meet demand. At the same time, consolidation amongst retailers and the growth of hard discounters' share in the retail market continues.

Within co-packing, we expect that the market will continue to grow as branded beverage companies seek to outsource their manufacturing capacity as a part of their asset light strategies. When outsourcing, A-brands typically look for manufacturers who can provide high quality standards, sufficient scale and footprint to meet their geographical and service level requirements as well as requirements related to manufacturing quality, reliability and flexibility. We believe Refresco is well positioned to meet these needs.

In 2016 our strategic focus to grow Co-Packing faster than Private Label continued to pay off. In 2016 Co-Packing has grown from 19% in 2015 to 27% of total volume in 2016. The transactions this year contributed to this growth as well as contracts with existing and new Co-Packing customers.

Mineral water based products is a new growth category



We see a growing trend for more natural, lower calorie drinks across the markets and we are actively developing matching products together with our customers. Mineral water based products are one important category and our mineral water wells across Europe give us a good foundation to develop new products for our customers. In 2016 we committed to invest in our mineral water capabilities especially in Italy and Poland where we are installing a new water line to serve private label customers.
Our aim is to launch several flavoured mineral waters in 2017 building a strong position in this growing category.

Although Co-Packing increased substantially, Private Label had a more challenging start of the year. This was related to our commercial decision to discontinue low margin-large volume private label contracts in Poland and Germany that continued to impact our volumes throughout the year as well as the challenging market conditions.

In Europe, we have market leading positions in each country that we are active. To maintain and strengthen these market positions, we will focus on organic and acquisitive growth and innovation.

Geographies – focus on value adding acquisitions

Since the start of the company, we have completed and successfully integrated 20 transactions. We operate in a low growth soft drinks market where cost leadership and scale provide substantial competitive advantage. Via our buy & build strategy we aim to strengthen our position in existing markets, expand into new markets and make selective investments that complement our product portfolio.

The acquisition of US-based Whitlock Packaging creates a new growth platform for further add-on acquisitions. The company is an excellent strategic and cultural fit and our aim is to create a similar platform to the one we have in Europe. Refresco has developed a market leading private label business in Europe and over time we intend to leverage this experience to further develop Whitlock Packaging's private label capabilities. By focusing on innovation, procurement, operational excellence and industry best practices, we will also contribute to Whitlock Packaging's expansion.

In the Benelux we took the opportunity to expand and complement our production capabilities in cans by acquiring co-packer DIS. We have also increased our Co-Packing capacity in Germany, where Co-Packing was relatively unrepresented, by investing in a bottling facility in Hamburg.

For more information about the transactions we refer to pages 23 – 24 of this report.

In 2016 we completed all the remaining integration tasks and realized all synergies relating to the Gerber Emig merger, which was closed in 2013. Furthermore we made good progress in markets where we already operate, such as Germany and the Benelux, and we entered a new geographical market: North America.

Going forward, we have created a strong financial and operational platform on which to build further via acquisitions. As we have done in the past, we will consider any acquisition that generates value in terms of market, geography or operational and commercial synergies. We will be very disciplined in evaluating these acquisitions, with a strong focus on acquisitions that offer a good return on investment in the medium term.

> We are proud to work for Europe's leading retailers and branded beverage companies who trust their products to our people and manufacturing sites.

Operations – Continuous optimization, investments and improvement

Across our operations and supply chain, we drive operational excellence in the delivery of our products, services and processes, always with our customers' needs in mind. We must ensure the delivery of high quality products and services that are cost-effective, safe and sustainable.

At the end of 2016 our total number of manufacturing sites amounted to 29. We are continually optimizing our footprint and for this reason we closed our Nieszawa manufacturing site in Poland which will reduce the total number of sites in Poland to three.

We continued to invest in packaging formats, new technologies and our manufacturing footprint. Refresco spends on average 3-4% of revenue per annum on capital expenditures, which is key for us to stay ahead of competition. In 2016 investments included two Aseptic PET lines, one low-acid line and three PET filling lines in the Benelux, UK, Poland, Spain and Italy, respectively. In the UK the newly installed CSD line started production at the beginning of the year. The CSD category is a new addition to our UK product portfolio and it significantly strengthens our position in the UK. The new low-acid line in the UK expands our customer offering to UHT milk drinks, which is an exciting new growth category.

To identify areas of manufacturing improvement and savings, facilitate exchange of best practice across the business and drive training and development of employees we operate the Peak Excellence (PEX) program. As part of the program we assess and score each manufacturing site and issue certification to those reaching the target scores. The assessment is built around nine modules important for optimal manufacturing and supply chain. These vary from changeovers on the line through to performance management and distribution.

People – Resourcing for future

Being part of a winning team with an inspirational vision for the future makes Refresco an exciting place to work. We offer talented people a compelling combination of an international work environment with local entrepreneurship in a fast growing company. Refresco has grown from a local fruit juice manufacturer into a multicontinental operations. This accelerated growth and integration into one Group has been possible because of our organizational set up that combines global and local in a unprecedented way. In our opinion, it is not only knowledge and experience, but also the right mind-set, that are critical to good performance.

As we grow it is important that we build on our existing strengths and add some new ones to ensure we are properly resourced for the future. We are therefore giving much more attention to the people pillar in our strategy and a great deal of work is underway. We made solid progress in 2016 on building a more integrated people agenda and a more connected organization across the geographies. Mid way through the year, we launched our first annual Group-wide people survey to capture employee feedback and views on our culture, leadership style and work climate. We additionally launched LEAP, a new leadership acceleration program to attract and develop our top talent. Towards the end of the year we introduced new people processes for performance management across the Group.

Our values

- **Entrepreneurship**
- **Excellence**
- **Market Driven**
- **Innovation**
- **Responsible**

North America creates new People opportunities
With the acquisition of US-based Whitlock Packaging we took a leap from being a European company to a multicontinental organization. Although the newly acquired company is managed separately from the European business, it is important that we operate as one company, sharing one culture and set of standards. The exchange of talented people and best practices is therefore of great importance to us and throughout the year we have worked hard to facilitate this.

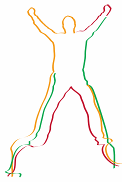
Employees
At the end of 2016 we employed 4,870 FTEs in Europe and 678 FTEs in the US. Excluding the US the number of employees increased by 464 FTEs compared to last year. The increase in headcount was attributable to the acquisition of DIS in the Netherlands, investments in manufacturing capacity in Germany and other business units partly offset by our decision to consolidate our production in Poland.

We report progress on the people agenda in more detail on pages 28 – 30 of this report.

Our structure
Refresco Group N.V. is the parent company of the Refresco Group. An overview of all the subsidiaries owned by Refresco Group N.V. can be found on page 116 of this report. The company is managed by the Executive Board, which is responsible for Refresco Group's overall management and performance and for the implementation of its strategy. The Executive Board is supervised by the Supervisory Board. Since the acquisition of Whitlock Packaging, we have split our organization at operational level into Europe and the United States.

Regarding our European operations, the Executive Board is advised by an Operating Board, comprising a Group Managing Director and a Group Finance Director and supported by three Group Directors representing HR, Operations and Purchasing. The Operating Board reports to and advises the Executive Board on the operational and sales matters in relation to our business units in Europe. The business units are Benelux, France, Germany, Iberia, Italy, North East Europe and the UK. Each of the business units is headed by a Managing Director. The Managing Director and local management teams are responsible for managing the manufacturing and sales operations in their respective countries. The Managing Directors report into the Group Managing Director.

PEX – a coordinated approach to drive continuous improvement across the Group



At Refresco we strive for excellence in all aspects of our end-to-end process. We have embraced Peak Excellence (PEX), a continuous improvement model which is helping to drive leadership development and to advance standardized activities and processes across the Group. The model, which encourages employees to get involved and take ownership in all that they do, is a natural fit with our company's DNA and our focus on delivering best-in-class results.

Introduced in 2014, the PEX program is shaping up nicely in all business units with UK and Poland preparing for certification in early 2017 and Benelux preparing for re-certification. Certification is awarded for a period of two years and confirms the business unit has reached the required maturity level and that performance is at or above our targets.

At the end of 2016 the PEX team was more than 25 people strong and still growing. Our PEX focus has extended beyond Operations and Finance and HR deployments are next in line. From 2017 we will incorporate professional certification of our PEX team into the program in order to raise the knowledge, experience and leadership of PEX coordinators across the business.

Progress on strategy

	Strong customer relationships	Selective and value adding buy & build	Well invested and flexible operations	People and organizational mind-set
Initiatives 2016	Significantly increased Co-Packing volumes.	Expanded into a new geography by acquiring Whitlock Packaging in the US.	Continued investment in improving production flexibility and cost efficiencies.	Integrated People agenda and first Group-wide employee survey.
	Developed new innovative products together with our customers.	Strategic acquisition of DIS in the Netherlands.	Continued optimization of the manufacturing footprint.	Launched LEAP: a leader-ship acceleration program to retain and develop our top talent.
	Expanded customer offering in the UK and the Netherlands.	Integration of acquired companies under way.	Expanded in innovative production technologies such as Aseptic PET.	Created the opportunity to exchange talent between the continents as a result of the US acquisition.

Regarding the US operations, the US Managing Director reports directly into the Executive Board on the operational and sales matters in the United States.

FINANCIAL PERFORMANCE 2016

Volume increased 6.0% to 6,462.3 million liters (2015: 6,095.5 million liters). Co-Packing volume amounted to 1,730.8 million liters, an increase of 49.0% compared to 2015. As a percentage of total volume Co-Packing comprised 26.8% of total group volume (2015: 19.1%). On a like-for-like basis Co-Packing reported a high single digit growth of 8.3%. Private Label volume decreased 4.1% to 4,731.5 million liters or 73.2% of total volume. Private Label had a challenging start of the year as a result of our commercial decision to discontinue low margin-large volume contracts in Poland and Germany, which impacted our volumes, but did not impact our profitability. Towards the end of the year we started to regain part of those contracts.

The private label market faces competition from branded products as the price gap has decreased, which is directly linked to raw material price movements. A smaller price difference between branded and private label products makes it easier for consumers to choose branded products. In the Benelux volume growth of 24.5% was mainly driven by the DIS acquisition. In the UK the carbonated soft drinks production line, which started production in the beginning of 2016, contributed to the 14.2% volume growth year-on-year. Germany and Poland had a challenging year in terms of volume due to the reason mentioned above. Revenue in 2016 totaled EUR 2,107.4 million, an increase of 4.5% compared to EUR 2,016.4 million in 2015. Changes in revenue are mostly driven by fluctuations in input prices which are passed on to customers, and is therefore not a representative indicator for the development of our business. We focus on volume, gross profit margin per liter, EBITDA, cash flow and ROCE to analyze our performance.

Volume per region *in millions of liters*

	2016	2015
Benelux	1,267.5	1,017.8
Germany	1,360.6	1,466.3
France	913.8	891.1
Iberia	581.1	571.5
Italy	837.4	860.3
North East Europe*	528.2	662.8
UK	714.4	625.7
Total Europe	**6,203.0**	**6,095.5**
US**	259.3	–
Total Group	**6,462.3**	**6,095.5**

Revenue per region *in millions of euros*

	2016	2015
Benelux	506.1	410.2
Germany	414.2	439.7
France	315.4	312.4
Iberia	157.7	154.8
Italy	152.6	153.7
North East Europe*	135.1	153.5
UK	378.6	377.0
Holding	8.8	15.1
Total Europe	**2,068.5**	**2,016.4**
US**	38.9	–
Total Group	**2,107.4**	**2,016.4**

* Including Poland and Finland.

** The US is consolidated to the Group results as of September 7, 2016.

In 2016 gross profit margin per liter was 14.2 euro cents, unchanged compared to 2015 (14.2 euro cents). The gross profit margin per liter also includes a positive effect as a result of the discontinuation of the low margin contracts.

Input costs and operating costs

Raw materials and consumables costs amounted to EUR 1,191.8 million, an increase of 3.8%. The main input materials for us are orange juice, apple juice, sugar, aluminum cans, liquid paperboard and PET. Raw materials, consumables and product tax accounted for 68.5% (2015: 64.0%) of total spend, and packaging materials accounted for 31.5% (2015: 36.0%).

Where feasible, we have a policy of purchasing forward raw materials and packaging materials to cover sales positions with customers. Some of the raw materials we require are priced only in USD, and we mitigate the effect of exchange rate fluctuations by using USD purchase options and forward contracts.

Employee benefits expenses amounted to EUR 243.9 million, an increase of 10.0% compared to EUR 221.7 million in 2015. The increase is explained by the higher number of employees as a result of the acquisition of DIS and Whitlock Packaging.

Depreciation, amortization and impairment costs totaled EUR 87.6 million in 2016 (2015: EUR 84.5 million). Other operating expenses increased EUR 3.3 million, or 0.7%, compared to 2015 and amounted to EUR 455.2 million.

Operating profit

EBITDA in 2016 was EUR 216.9 million (2015: EUR 195.0 million). Excluding one-off items adjusted EBITDA was EUR 222.0 million, an increase of 2.7% compared to the previous year. We have incurred a total of EUR 5.1 million (2015: EUR 21.2 million) in one-off costs in the operating profit.

Reconciliation of operating profit to adjusted EBITDA

in millions of euros

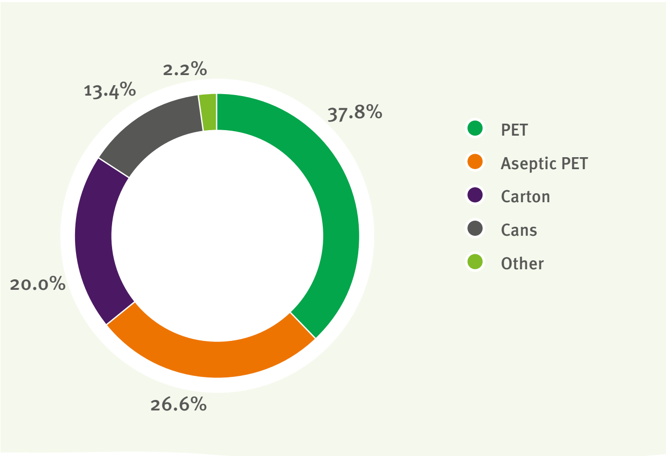
	2016	2015
Operating profit	129.3	110.5
D&A and impairment costs	87.6	84.5
EBITDA	**216.9**	**195.0**
Acquisition and restructuring costs	4.9	6.9
IPO and refinancing related costs	–	21.5
Other	0.2	(7.2)
Adjusted EBITDA	**222.0**	**216.2**

Finance result

The net finance result improved by 62.5% to EUR (18.7) million in 2016 (2015: EUR (49.9) million) mainly due to lower finance costs. Finance costs decreased from EUR 50.3 million in 2015 to EUR 18.8 million in 2016. The significant lower amount of finance expenses is the result of the refinancing in June 2015, partly offset by the EUR 200 million increase in the syndicated loan facility after the refinancing in July 2016.

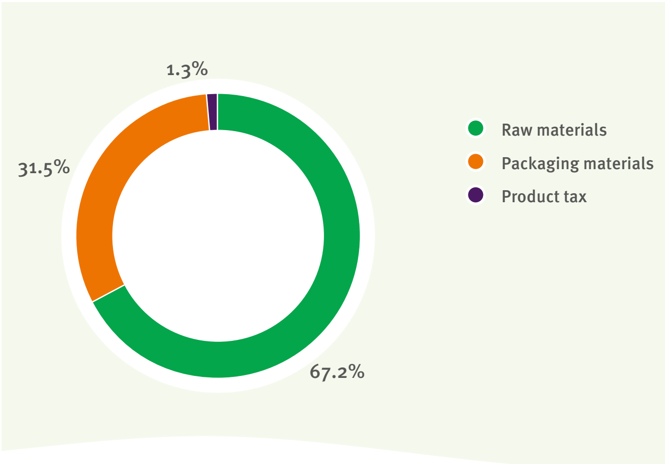
Volume per packaging type

(6,462.3 million liters in 2016; 6,095.5 million liters in 2015)



Raw materials and consumables used

(EUR 1,191.8 million in 2016; EUR 1,148.3 million in 2015)



Net profit

Net profit for 2016 was EUR 81.5 million compared to a net profit of EUR 41.8 million in 2015. The refinancing resulted in significant lower interest costs in 2016 compared to 2015. The difference in net profit between 2016 and 2015 is also explained by the one-off IPO related costs in 2015. The adjusted net profit increased 11.1% to EUR 86.4 million (2015: EUR 77.8 million).

Reconciliation of net profit to adjusted net profit

in millions of euros

	2016	2015
Net profit	81.5	41.8
Non-controlling interest	–	0.4
Profit attributable to shareholders	**81.5**	**42.2**
Acquisition and restructuring costs	4.9	6.9
IPO & refinancing related costs	–	43.4
Other	0.2	(7.2)
Impairment	1.1	4.1
Tax effect	(1.3)	(11.6)
Adjusted net profit/(loss)	**86.4**	**77.8**

Earnings per share

Earnings per share amounted to EUR 1.00 in 2016 compared to the pro-forma earnings per share of EUR 0.53 in 2015. Adjusted earnings per share for the year was EUR 1.06, up 8.6% compared to last year.

Dividend

The Executive Board shall propose to the Annual General Meeting of Shareholders a dividend of EUR 0.38 per share in cash, an increase of 11.8% on the dividend declared last year.

Cash flow

Net cash flow from operating activities increased compared to 2015 by 20.5% to EUR 156.5 million. It is for the largest part explained by the lower amount of interest paid in 2016.

The cash flow required for continuing investment activities in 2016 increased compared to last year by EUR 139.5 million to EUR 220.6 million mainly as a result of the acquisitions in 2016. Capital expenditures accounted for EUR 87.8 million. Capex was invested in the installation of two Aseptic PET lines, one low-acid line and three PET filling lines in the Benelux, UK, Poland, Spain and Italy, respectively.

Balance sheet

Total assets amounted to EUR 1,964.0 million at December 31, 2016 (2015: EUR 1,641.1 million). Property, plant and equipment increased EUR 105.6 million as a result of the acquisitions and asset purchases in 2016. Total non-current assets amounted to EUR 1,193.5 million (2015: EUR 983.9 million). Goodwill was EUR 529.0 million (2015: EUR 438.2 million), while total intangible fixed assets amounted to EUR 548.9 million (2015: EUR 445.7 million). The increase in goodwill was related to acquisitions which was partly offset by exchange rate differences.

Cash and cash equivalents at the end of 2016 were EUR 139.1 million, an increase of EUR 43.4 million compared to year-end 2015.

Net debt at the end of the year amounted to EUR 621.8 million (2015: EUR 457.5 million) consisting of EUR 760.9 million in loans and borrowings and EUR 139.1 million in cash and cash equivalents.

A full list of legal entities can be found on page 116 of this report.

Refinancing

Refresco increased and extended the existing unsecured syndicated term loan facility to refinance the EUR 672 million syndicated facilities which were arranged in April 2015. The aggregate size of the facilities, which consist of a term loan facility and a revolving facility, increased with EUR 200 million to a total of EUR 872 million and will mature in July 2021. Similar to the previous agreement, the size of the revolving credit facility amounts to EUR 150 million. The new unsecured syndicated term loan facility was signed on July 1, 2016 and subscribed to by a group of existing and new international banks.

Strategic acquisitions and investments in capacity

Bottling facility in Germany

On February 24, 2016 we announced the investment in a production facility from PepsiCo in Germany. The facility is located near Hamburg. This transaction enables us to strengthen our footprint in Germany and increase our Co-Packing volumes.

The transaction was closed on May 31, 2016. For more information about this purchase, we refer to the press release of February 24, 2016.

Acquisition in the Netherlands

On March 29, 2016 we announced the acquisition of DIS, located in the Netherlands. The annual production of DIS is approximately 300 million liters and the annual revenue is approximately EUR 90 million. The share purchase price was EUR 72 million, including debt the total purchase price equals 7.5x EBITDA.

DIS is focused on the filling of a wide range of cans with diverse non-alcoholic beverages such as carbonated soft drinks and energy drinks. DIS additionally fills beer in cans for regional and international brewers. Co-Packing for international brands accounts for 95% of the volume and the remaining 5% is Private Label business with European retailers.

DIS strengthens our position in Co-Packing, boosts innovation power in the canning segment and creates opportunities to further optimize our manufacturing footprint and supply chain in the Benelux.

The transaction was closed on May 11, 2016. More information can be found in the press release of March 29, 2016.

Acquisition in the United States

On July 26, 2016 we announced the acquisition of Whitlock Packaging which marked our first step into North America, the largest soft drinks market globally.

The acquisition of Whitlock Packaging enables us to create a new growth platform in North America with the potential to develop to a similar position as Refresco in Europe. Furthermore it significantly expands our addressable market and substantially grows Co-Packing volumes as a percentage of Group total. Whitlock Packaging has long-standing relationships with leading A-brands in the US soft drinks market and more than 80% of Whitlock Packaging volumes relate to customers currently being served by Refresco in Europe. Refresco will now be able to provide A-brands and private label customers with reliable supply chain solutions in both key markets.

We paid USD 127.9 million, equal to EUR 113.8 million[1], on a debt and cash free basis. This represented an EV/adjusted EBITDA multiple of 7.3x and is in line with the average multiple paid by Refresco. The transaction was closed on September 7, 2016 and it is expected to be earnings accretive in the first full year of consolidation.

More information about the acquisition of Whitlock Packaging can be found in the press release of July 26, 2016.

Subsequent events

The previously announced preliminary agreement to purchase Sanpellegrino's bottling facility in Recoaro, Italy, was finalized on March 1, 2017. Due to the relatively small size of the transaction, no financial details are disclosed.

Looking ahead

In the medium term Refresco targets an average organic volume growth in the low to mid-single digits based on current market outlook.

Gross profit margin per liter in the medium term may come down marginally due to product mix effects. For 2017, we expect the gross profit margin per liter to come down due to the change in product mix relating to the integration of the acquisitions in 2016.

We anticipate capital expenditures to increase compared to the level of 2016 as a result of the acquisitions and the continued upgrading of our manufacturing capabilities. These investments will be financed from available free cash flow.

We expect our average number of employees to increase as we progress in our buy & build strategy partly offset by ongoing optimization of our manufacturing footprint.

* At EUR/USD rate of 1.1239.

We offer a wide range of packaging solutions and formats: **13%** are cans.

Our drinks on every table

Dutch co-packer and can specialist DIS joined Refresco in 2016. Together we offer a unique variety of canning solutions for A-brands and retailers.

SUSTAINABILITY AT REFRESCO

As a bottler of soft drinks and fruit juices we have a direct impact on the environment through the sourcing and production process of the products we manufacture for our customers. In doing so, we touch the lives of people in our own organization as well as in our supply chain and the communities around us. We consider this a big responsibility as well as a big opportunity for producing increasingly sustainable products and creating a positive impact.

New Group-wide framework capturing local initiatives

Whilst we have commonly defined key performance indicators in place for sustainability and a number of special initiatives focused on energy efficiency, water usage and sustainable supply chains, until now our business units have been free to pursue their own approach towards these goals. At the end of 2015 we decided to scale up our approach and define a Group-wide sustainability strategy with common standards that we could consistently apply in each country.

Over the course of 2016 a core sustainability team drawn from different functions and business units worked together to define the approach taking into account the different angles of sustainability, local initiatives already in place, and the interests of our business and stakeholders.

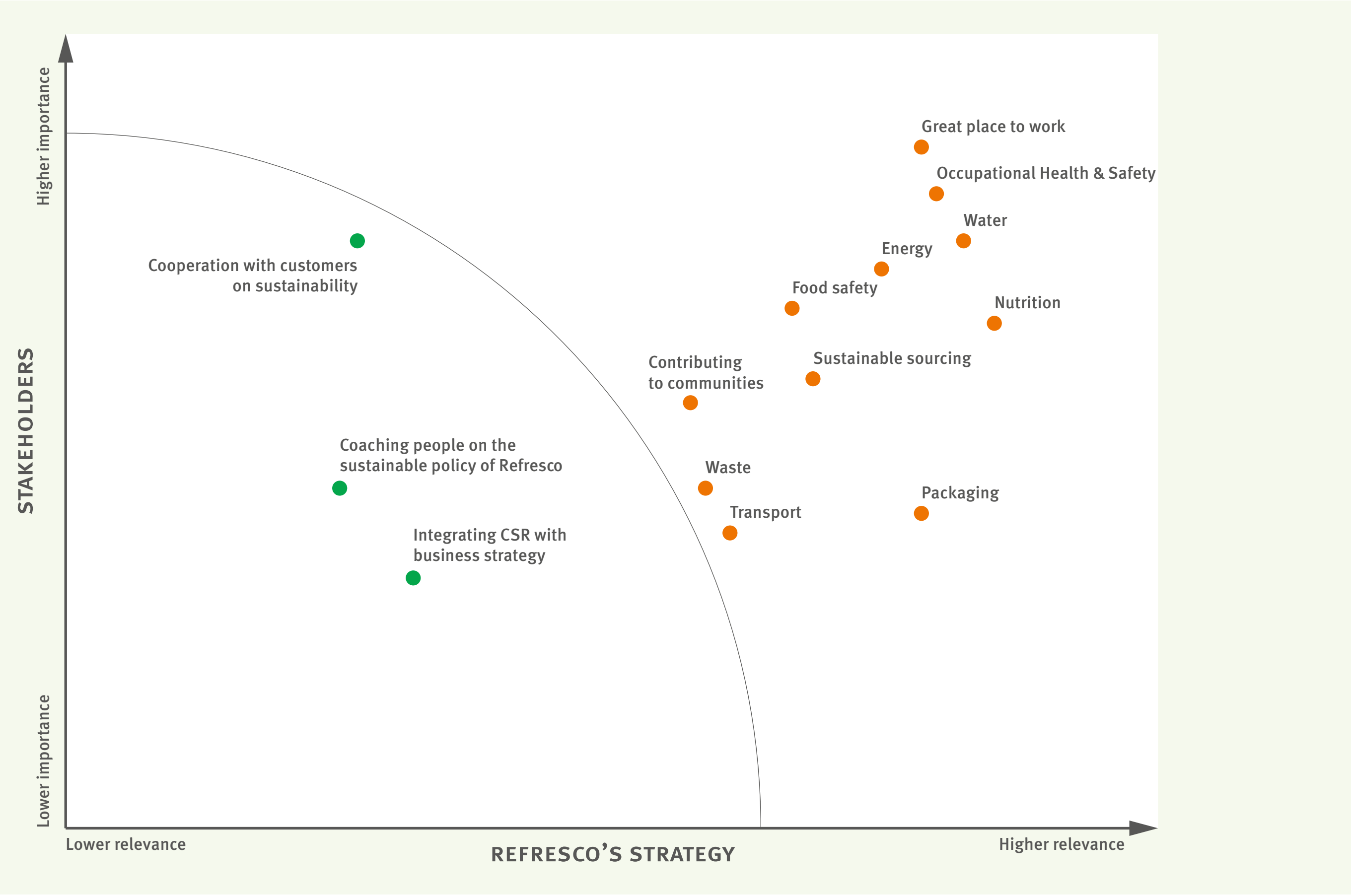
Focusing on what matters

It is important that the sustainability framework we develop focuses on material topics relevant to our strategic drivers and the expectations of our stakeholders. To this end, we engaged third party advisors to undertake a study which led to a long list of potentially material topics. These topics were discussed internally and ranked according to their importance, resulting in a selection of the most important topics for Refresco. To validate the choices made by internal stakeholders, we conducted an online survey with almost 40 stakeholders including customers, suppliers, employees and governmental representatives and interviewed some of our customers in person as well. The findings resulted in us adding a number of additional sustainability topics to the framework. The results are shown in the materiality matrix below.

Dialogue with stakeholders

Once the bones of the framework were in place we began by raising awareness of our intended approach with employees, took their feedback on-board and then refined it further. With the programme now ready to roll out, we have planned a comprehensive internal communications campaign for 2017 and beyond to bring the approach to life within the business. Once embedded in our organization, we will maintain active dialogue with external stakeholders.

Materiality matrix



Engaging with our internal and external stakeholders in this way has been a very valuable process. It has enabled us to establish an ongoing dialogue with stakeholders about long term business issues that matter and to build relationships based on trust and collaboration.

How do we manage sustainability?

Our Group-wide sustainability approach is coordinated centrally by a cross functional and cross business unit team. Sustainability framework, approach and ambitions are set by the Executive Board and reported to the Supervisory Board. Each business unit has a sustainability champion who coordinates the local efforts and ensures alignment with the Group-wide approach. Our newly acquired US business is not yet included in this.

In 2016 the sustainability team met on a regular basis and discussed the materiality analysis and stakeholder input, Group ambitions, definitions and measurement of material topics and stakeholder engagement going forward.

Happy People, Happy Planet, Happy Products

Our sustainability framework builds on three pillars, 'Happy People', 'Happy Planet' and 'Happy Products', directly aligned to the company strategy and interests of our stakeholders. We are convinced that by contributing to our people and the communities around us, minimizing the impact of our manufacturing operations on the environment and producing high quality, sustainable products we will contribute to our company's success and create value for stakeholders.

We have identified key performance indicators (KPIs) to support us in assessing our progress on our sustainability topics. This report does not include performance data for all topics, but we are committed to obtaining, tracking and being transparent with this information in the years to come as we continue to roll-out and implement our sustainability strategy throughout the company.

We include relevant information regarding material sustainability topics and what they mean in the context of Refresco's activities on pages 28 – 36. The sustainability information on pages 30 and 32 includes employee, safety and environmental data. Sustainability information refers to all business units and the Group in Europe for the financial year January 1, 2016 – December 31, 2016. We have excluded our newly acquired US business which was consolidated into the Group results as of September 7, 2016. The performance data on pages 30 and 32 is un-audited.

Our ambitions

HAPPY PEOPLE	**Health and safety** **Great place to work** **Contributing to communities**	• Become one of the safest places to work in our industry • Become a great workplace • Actively involved in the local community with clear links to the business
HAPPY PLANET	**Sustainable packaging** **Natural resources: energy and water** **Waste** **Transport**	• Reduce packaging and increase recycled materials • Reduce water & energy consumption in manufacturing processes • Reduce total material waste • Minimize road miles and maximize green transport
HAPPY PRODUCTS	**Food safety** **Sustainable sourcing** **Healthy nutrition / innovation**	• Maintain highest food safety standards • Actively contribute to more sustainable supply chains • Drive product innovation to develop more sustainable products and products with less calories

HAPPY PEOPLE – CONTRIBUTING TO OUR PEOPLE AND THE COMMUNITIES AROUND US

Health & safety

We want our own employees as well as our visitors, contractors and other third party workers at our manufacturing and warehouse locations to feel safe and secure in their work, day in day out, no matter where they are.

How do we manage health & safety?

Alongside the requirements set out in local legislation and third party certificates, we have developed our own safety and environmental standards that are coordinated centrally as part of our continuous improvement programme and implemented locally. The standards seek to ensure occupational safety at our manufacturing and warehouse locations. To verify each business unit's self-assessment scores and ensure a common application of the standards we have a Group-wide programme to review performance.

By the end of 2016 each business unit had performed a self-assessment and nominated a Health Safety & Environment coordinator to ensure action plans derived from the self-assessment results were implemented.

We work to improve our safety record by identifying best practices across the business and replicating these in locations where we could improve. Our firm focus on safety is paying off as our accidents ratio decreased from 2.9 per 100 employees in 2015 to 2.0 per 100 employees in 2016. This is a great achievement, but not the end of the line. We are committed to bring down the accidents ratio further by continuing to work to increase awareness and encourage positive safety behaviour amongst our employees through a mixture of communications, engagement and consultation.

Great place to work

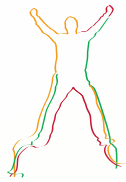
Next to providing our people a safe place to work, we also have responsibility to build our people's capabilities and take care of our work climate.

Building on two-way communication and employee engagement

Our buy & build strategy means that we are regularly integrating new businesses into Refresco. To keep our company culture and values alive we keep our employees closely informed of what Refresco stands for and what is happening across the business through annual town hall meetings, regular communications updates and local employee communications.

We want to build on our two-way communication channels and in June 2016 we launched our first company-wide employee survey to hear what our employees think about our leadership style, our organizational culture, working environment and the way we manage, develop and recognize our people's contribution.

Improving safety performance in Italy



Our goal is for colleagues, contractors and other third party workers to be safe wherever they work. In 2016 our team in Italy worked to raise awareness on safety with increased employee communication on this topic. We initiated specific safety trainings, raising awareness of past safety performance and areas for improvement. We also started to record near misses in our operations to remind our people how important safety is. Near misses are promptly resolved incidents that could have otherwise led to accidents and are a proven tool to identify risks and ultimately prevent accidents from happening. Finally we aligned our interests with stakeholders by adding new safety related clauses in our collective agreement. Our efforts are paying off as accidents ratio in Italy came down to 2.0 accidents per 100 employees, a great result.

Ultimately we want to be a workplace where we trust each other, enjoy the people we work with and take pride in what we do. We are pleased to report that 70% of the colleagues across the European business units participated in this first survey. Trust index, which is the average of all survey responses, shows that 51% of all respondents gave a positive answer as their rating for the Great Place to Work statements. Although there is still room for us to improve this is a good result we can build upon. Insight from the survey was discussed across the business to draw improvement areas and plans during the second half of the year. We are committed to continue this process and our ultimate goal is to improve the level of pride, trust and fun across the company every year. The results will also help us make the right adjustments to company policies and practices to ensure that the talented people who work with us – and who will be joining us this year – are keen to stay.

Talented people – the essential ingredient to our continued success

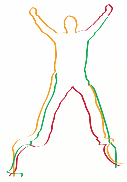
As the business is growing fast, identifying employees who can step up to wider responsibilities is vital. LEAP, which was successfully launched in the second half of 2016, is our new Leadership Acceleration Programme intended to fast-track our people to grow into next generation Refresco leaders.

The programme comprises best practice sharing, understanding what it means to be a leader of the future and to work in an entrepreneurial way. There is also a greater emphasis on sustainable development, so that business leaders recognize what they need to do to develop themselves and their teams, in order to meet the longer-terms aims of the business. Individuals are offered a range of experiences – including international assignments and joining international expert networks or projects – which will help create a more mobile workforce.

Contributing to communities

Each of our manufacturing sites has a role to play in the surrounding community and we seek opportunities to contribute to these communities with a clear and direct link to our business. As we continue to embed the sustainability into our business, each manufacturing site aims to initiate at least one community initiative a year with a clear and direct link to the business.

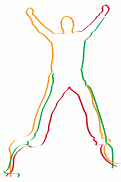
Building a great place to work together in the Benelux



Becoming a great place to work is a process that starts from understanding our employee's views and continues by translating results into priorities and concrete action plans. With this in mind, our team in the Benelux presented local results to individual site and head office management teams in September 2016. They in turn cascaded the results to their staff in follow up town hall meetings. Although anonymous, the results were filtered by manufacturing site and department. This provides real insights for managers about the level of trust, pride, respect, feeling of fairness and satisfaction within the teams. And this is exactly what we want. We want to see what's working and what's not in the different pockets of the organization. We want to identify what we need to keep doing and what we need to change and improve.

Action planning will follow into 2017 and this will differ from site to site. In some locations this will involve straight forward discussions with works councils and representative staff. In others, for instance where results might be low, discussion of the results with a larger number of employees can help to better understand the triggers behind the scores. What's key to this whole process is that the results communication and subsequent action planning is owned at a plant level.

UK team raised funds for Movember



Movember is a foundation that is committed to raising money and awareness for prostate and testicular cancer, mental health and suicide prevention. (www.movember.org).

The idea for Refresco to get involved was suggested by our team responsible for Um Bongo, one of Refresco's own brand licensed products in the UK. This children's drink is a household name for many dads who drank it when they were young and now buy it for their kids therefore a perfect platform on which to build a targeted fundraising campaign.

For each limited edition Um Bongo pack that was purchased in the month of November 2016, Um Bongo donated 12 pence to the Movember Foundation. Including donations from the staff, customers, suppliers and the Um Bongo contribution the UK team raised £ 26,000 for the Movember Foundation.

Happy People – Key developments in 2016

- All manufacturing sites are working to improve their health & safety processes and to re-inforce this via awareness training. Safety communication cards, visualization of safety performance, training sessions and safety awards are just a few examples of our efforts to raise safety awareness and to ensure common standards and understanding across the company.
- An integrated people agenda focusing on building a more connected global organization, developing people capabilities, and improving performance and work climate under way.
- Group-wide people survey introduced in 2016 – translation of results and actions started in the second half of 2016 and continues into 2017.
- LEAP – our new Leadership Acceleration Programme was successfully launched in the second half of the year.
- Improvement of core people processes such as performance management, talent management, succession planning and remuneration and launch of a SAP-based people portal.

Employees per gender and employment type*

(5,548 FTEs at year-end including Europe and the US)

	Total number of employees	% male employees	% female employees
Employees per gender	5,548	78.6	21.4
Employment type			
Permanent	4,917	78.9	21.1
Temporary	632	76.2	23.8

* Employee data per gender and employment type is collected locally from local HR systems and consolidated at the Group level.

Accident ratio*

	2016	2015
Accident ratio	2.0	2.9

* The sustainability performance data is unaudited. The data excludes our US business which was consolidated to the Group as of September 7, 2016.

HAPPY PLANET – MINIMIZING OUR IMPACT ON THE ENVIRONMENT

Making sure our impact on the environment is as low as possible requires us to maximize sustainability throughout our production process from water and energy through to packaging, recycling of our waste and optimizing transportation.

Sustainable packaging

Our key packaging materials are PET preforms, liquid paper board and metal cans. We buy these packaging materials mainly from major global suppliers with some volumes purchased from smaller European manufacturers. We source packaging materials primarily for our retail customers while our A-brand customers typically deliver their packaging materials to our manufacturing sites.

How do we manage sustainable packaging?

We aim to minimize our impact on the environment by decreasing the aggregate amount of material used in our primary and secondary packaging. Besides reducing materials used we also aim for a higher degree of recycled materials in our packaging.

We work closely with our suppliers to create lighter PET bottles and aluminium cans as well as reducing weight of closures of different products such as carton packaging. Furthermore we are participating in a project for the development of sustainable PET bottle packaging from bio-materials.

Natural resources

Water

Water is a key ingredient for many of the products we manufacture for our customers. It is also an exciting growth category. We have several water wells, and protecting these is crucial in our ability to provide our customers high quality products.

Furthermore, we closely monitor the water/product ratio in our manufacturing processes, with the aim of reducing overall water consumption. Combi solutions where PET bottles are no longer rinsed with water but with air, is just one example of our tools to reduce water consumption in the manufacturing process. Water deficit is a growing problem across the globe we are working to improve our water management, especially in Spain, as the area is one of the most vulnerable in Europe.

Using old PET bottles to produce new in France

Our French team has been championing recycling since 2008 when it was among the first manufacturers to use recycled PET (R-PET) in the packaging of food and drinks in France. As a raw material, PET is globally recognized as a safe, non-toxic and flexible material that is 100% recyclable. Producing new plastic products from recycled materials does not only reduce the virgin material used but also saves energy. Today our team continues to lead the way in France where we can offer up to 50% R-PET used in preforms.

Choosing for environmental friendly options on new lines

In 2016, we increased our Aseptic PET capacity with investments in two new lines in the Benelux. This technology enables us to provide A-brands and retailers with more natural, preservative free products. Because Aseptic PET technology increases the absolute energy and water usage in our manufacturing processes, we have selected to use environmentally friendly Combi machines which compensate for the increase. Integrated blow moulding, air rinse and more efficient electric motors are just some of the machine features significantly reducing energy and water consumption compared to traditional technologies.

Energy

Energy consumption is important to us, both in maintaining our cost leadership and in minimizing the negative environmental impact of our operations. Cooling, warming, machinery, and compressed air form the bulk of our energy consumption. Our aim here is to reduce energy consumption through optimal utilization of our machinery and through investment in reduced energy equipment.

In 2016 we experienced some increases in energy and water consumption related to our product mix, for example more Aseptic PET production and chilled products and smaller packaging sizes which were only partly compensated in energy reduction measures elsewhere in the business.

Sustainability data*

	2016	2015
Water ratio	2.10	1.97
Energy ratio	0.44	0.43

* The sustainability performance data is unaudited. The data excludes our US business which was consolidated to the Group as of September 7, 2016.

Waste

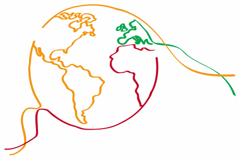
With a common definition for waste set in 2016 we are now better able to benefit from best practices and re-inforce our efforts in the area of waste management across the business.

Today all manufacturing sites separate waste (plastics, paper, metal) that is collected in special containers at each site. We work together with waste management companies and materials suppliers who collect, process and recycle our packaging waste.

Several continuous improvement (PEX) and quality projects are aimed at reducing overall waste and we are raising awareness amongst our employees to highlight the importance of recycling and the difference we can make when we manage waste correctly.

Our sustainability approach builds on Happy People, Happy Planet and Happy Products.

Finland is leading the way in recycling waste



Working together with a local waste management company our Finnish team has set up internal collection points for different types of waste so that it is pre-sorted by us before leaving the manufacturing site. We have also spent time talking to staff about the importance of recycling and about the difference we can all make to the company and environment by simply placing the right product in the right waste outlet.

Last year when we started the intensified process our recycling rate was 65% and like all changes, the new process took time to embed. Regular assessments have helped a lot but the biggest motivating factor was the results. At the end of 2016 close to 100% of our waste in Finland is recycled.

Transport

With the broad geographical spread of our manufacturing sites we can supply with short transportation lines and provide the close proximity our customers need. By combining different customer and product deliveries, we aim for fully loaded trucks and optimal pallet usage at all times. In our search for optimal efficiency transportation with minimum impact on the environment, we place a high priority on identifying suppliers that have a similar approach and can make a meaningful contribution to a sustainable supply chain.

Happy Planet – Key developments in 2016

- In new investments to production lines we opted for more environmental friendly configurations saving both water and energy.
- We are working towards improving our water usage in Spain, one of Europe's most vulnerable areas for ground water.
- Working together with our suppliers we continued our light weighting programme to reduce total material in PET bottles, aluminium cans and closures.
- We established a common definition for waste across the business allowing us to harmonize and improve our waste management.
- We have defined a common approach for transport and implementation has begun with initiatives focused on less road miles and greener transport.

HAPPY PRODUCTS – HIGH QUALITY, SUSTAINABLE AND INNOVATIVE

We deliver the highest quality and constantly improve the sustainability of the drinks we manufacture for our customers. In collaboration with our customers, we champion innovation to drive more natural products with less calories and to enhance our product range.

Food safety

Food safety encompasses actions aimed at ensuring fit for consumption by the end-user and no detraction or damage for health. All our manufacturing sites in Europe are certified to a recognized Global Food Safety Initiative Standard (GFSI) – which, depending on the country, is Global Food Standard (BRC), FSSC 22000 or the International Features Standard Food (IFS Food). To ensure food safety and quality, every manufacturing site has implemented its own quality system tailored to the critical control and quality aspects applicable to its manufacturing processes. Quality control forms part of each production line. Furthermore, the majority of our manufacturing sites in Europe were ISO14001 certified at the end of 2016. In the US our three manufacturing sites are regulated through US Food & Drug Administration (FDA) and certified under Safe Quality Food (SQF) Program. Our sites are also regularly audited by our retail and A-brand customers.

Sustainable sourcing

We align the ambition for purchasing sustainable materials with the needs of our customers and secure long-term availability of our key raw materials while working towards improving social compliance and environmental standards across our supply chains.

Our aim is to work closely with producers of raw materials and we aim to decrease our dependency on certain regions in a world where economic or political turmoil and extreme weather can severely disrupt our supply chain. When we choose to work with trading partners who buy raw and packaging materials for their own manufacturing processes we require them to ensure that their own suppliers comply with the same conditions Refresco expects from them.

Organic, Fairtrade and Rainforest Alliance are examples of the most common sustainable sourcing schemes we use for our Private Label customers. Furthermore Refresco buys its juice raw materials according to the SGF-IRMA guidelines that are generally accepted in the global fruit juices industry. SGF stands for Safe-Global-Fair and is a non-profit organization that carries out supplier audits and grants SGF-IRMA certifications that cover the vast majority of raw materials used in the European fruit juice industry. Furthermore Refresco is a member of the Fruit Juice CSR Platform designed to facilitate collaboration for a more sustainable fruit juice sector. Through its membership of Unesda – Soft drinks Europe Refresco aims to contribute to long term success of the soft drink and fruit juice industry.

Transport collaboration for less road miles

Working with customers, carriers and other Fast Moving Consumer Goods (FMCG) companies to share transport capacity is a proven way to optimize efficiencies and minimize empty kilometres ultimately resulting in lower CO_2 emissions. In the Benelux our team took part in a collaborative transport pilot platform that aims to create more efficient supply chains by exchanging information between carriers. This project, called SMiLe (Samen Minder Leeg ie. less empty together), involved combined deliveries from a number of FMCG companies and intensive information sharing between carriers. Although it is complex to realize large scale cooperation based on flexibility, trust and openness, we expect these innovative collaboration models to play a major role in our future transport plans.

> We believe that sustainable drinks should be available on every table.

Our key raw materials are orange juice concentrate, apple juice concentrate and sugar. In 2016, our orange juice concentrate supply was sourced mainly from Brazil. We have our own pressing capacity of not from concentrate orange juice (NFC) at our Oliva manufacturing site in Spain. This supplements our supply of NFC orange juice sourced from Brazil and from other suppliers in Spain.

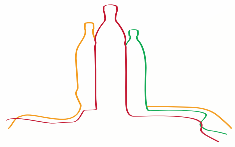
We sourced the majority of our apple juice concentrate in 2016 from Central Europe – Poland, in particular. The majority of sugar was sourced within the European Union – Germany, France, the Netherlands, Belgium and Poland in particular.

We expect every supplier in our supply chain to conduct all its business operations with honesty, integrity and transparency and in accordance with the principles set out in the Refresco Supplier Code of Conduct, which we started to roll out to our supplier base in 2016. We are committed to continue dialogue on sustainability topics with our suppliers further aligning our sustainability ambitions and goals with them.

Code of Conduct sets supplier environmental and social requirements

We expect our suppliers to commit to protect the environment in compliance with international standards relevant for their business as well as the applicable laws and regulations. We require suppliers to strive to continuously minimize the adverse environmental impacts of their activities, products and services through a responsible management of environmental aspects.

Organic products match sustainability ambitions



Consumer demand for organic products is taking off. With our well-established supply chains we are well positioned to produce matching organic beverages for our customers.

But what makes an 'organic' product? First, the sourcing of organic products from reliable suppliers with whom we can build long term relationships is important. Secondly, our manufacturing sites need to be able to demonstrate that there is no crossover between organic and conventional products during production.

In 2016, we launched three new organic products for one of our customers in France. These are 'nectars' – juice based fruit drinks with no added sugar – aimed primarily at the kids market. Product knowledge is being shared with all Business Units so that organic products can be produced in many other regions going forward. Alongside France and Italy, Germany, Benelux and the UK are particularly active in this area.

If they wish to secure long term business relationship with Refresco suppliers shall respect the UN Universal Declaration of Human Rights and the eight fundamental Conventions of the International Labour Organisation (ILO). In particular, suppliers shall ensure that in their respective organizations and supply chain:

- The minimum employment age limit defined by national law, applicable regulation and the relevant fundamental Convention of the ILO is adhered to;
- Compulsory or forced labor is prohibited;
- Wages and working hours meet or exceed the national legal standards;
- Discrimination and harassment of any kind will not be tolerated; and
- There is freedom of association.

We expect our suppliers to continuously improve their overall social performance. The supplier Code of Conduct is available at our website www.refresco.com.

Healthy nutrition / Innovation

In a fast moving and constantly changing market, we never give up on our ambition to improve and we are always searching for new ways to drive innovation. Our production processes are highly flexible, enabling us not only to develop the right products in the right volumes but also to develop new product formulas and packaging combinations in line with customers' changing needs and requirements.

It is our ambition to drive product innovation to develop more sustainable products in collaboration with our customers. Organic, low calorie / no added sugar, natural flavors and fair trade products are just a few examples of the new innovative products we launched to the market in 2016.

We continued to invest in Aseptic PET based technology, which facilitates the manufacture of soft drinks and fruit juices without additives or preservatives with two new lines installed in 2016.

Happy Products – Key developments in 2016

- We require our juice raw material suppliers to sign the AIJN Business Code of Conduct and the overall supplier base to endorse Refresco supplier Code of Conduct, which was introduced in 2016.
- We invested in two new Aseptic PET lines and one low-acid line enabling more natural, preservative free production in the years to come.
- We worked closely with our customers on new product development to match customer requirements and consumer trends in the smoothie, preservative-free sparkling drink, tonic water and flavoured water categories.

Supervisory Board report

CHAIRMAN'S FOREWORD

Refresco has built a successful business over 16 years creating Europe's largest independent bottler of beverages for retailers and A-brands and an unrivalled production platform. Solid growth in volumes, net profit and adjusted EPS was fuelled by the company's buy & build strategy. 2016 was another year of expansion with milestone acquisitions in the Netherlands and the United States as well as significant increase in the Co-Packing business. At the same time, the Group has continued to optimize its operations and footprint, ensuring a solid platform for future growth. The Private Label market remains challenging which was noted in the volume development throughout the year.

The Supervisory Board closely monitors the company's strategy as well as the financial and operational performance. While markets may be challenging from time to time, we believe that the Executive Board and the employees of Refresco are managing the company's performance well and that Refresco is in a solid position to continue its growth strategy.

Yiannis Petrides,
Chairman of the Supervisory Board

SUPERVISORY BOARD ACTIVITIES DURING 2016

During 2016, the Supervisory Board held seven physical meetings and one teleconference according to its pre-set schedule. In addition, there were five ad-hoc meetings held by teleconference. All of the above meetings were held with the Executive Board being present. The Supervisory Board held three additional meetings among the Supervisory Board only. The Supervisory Board believes it is important to visit the Group's operations and therefore one of the meetings was held in Le Quesnoy, France and another meeting was held in Herrath, Germany. The other physical meetings were held in the company offices in Rotterdam, the Netherlands.

None of the members of the Supervisory Board were frequently absent.

In December 2015, the Chairman of the Supervisory Board was notified that the shareholding of Ferskur Holding 1 B.V.'s (Stodir) moved below the 20% threshold and as a result Mr. Kristinsson resigned as Supervisory Board member. The Supervisory Board engaged an executive search bureau to propose candidates meeting the specific profile that was drawn up by the Supervisory Board based on the Supervisory Board Profile. Interviews with selected candidates were held by a delegated committee and the Supervisory Board proposed Mrs. Plochaet to the Annual General Meeting. With her appointment by the Annual General Meeting, Mrs. Plochaet brought an extensive knowledge of the operational side of the manufacturing industry and became the first female member of the company's Supervisory Board.

During the regular Supervisory Board meetings, the Executive Board update the Supervisory Board on the operational and financial performance of Refresco, any relevant activities regarding the company's buy and build strategy, any CAPEX proposals above EUR 1 million and the Investor Relations activities. Furthermore, the Chairmen of the sub-committees reported on the topics reviewed and discussed in the sub-committee meetings.

In 2016, the Supervisory Board considered and approved the investment in the PepsiCo bottling facility in Hamburg, Germany and the acquisition of Dutch beverage manufacturer DIS. Furthermore, the company took its first step into North America by acquiring Whitlock Packaging. Entering a new market in another continent requires careful consideration by the Supervisory Board and this step and subsequent acquisition was therefore discussed within and approved by the Supervisory Board. Another important item on the agenda in 2016 was the Group's strategy and plans for 2017 – 2019 during which the Executive Board informed the Supervisory Board about the strategy and risks the company may be facing in the three years to come. Other topics on the agenda were inter alia the market trends regarding Private Label and the Budget for 2017 including sustainability. Finally, the Supervisory Board discussed the structure and operation of the internal risk management and control systems of the Refresco Group.

As part of the continuous Supervisory Board training program, the Supervisory Board was educated about standard practices regarding Annual General Meetings held by entities listed in the Netherlands. The Supervisory Board was also updated on those parts of the new Market Abuse Regulation relevant for them.

Committees

Remuneration and Nominating Committee

In 2016, the Remuneration and Nominating Committee convened seven times. There was one physical meeting and six meetings were held by teleconference. The meetings were attended by the CEO and a HR representative. In the case of topics concerning the remuneration of the CEO, it was chosen to discuss matters without the CEO being present.

The Remuneration and Nominating Committee discussed and approved the 2016 base salaries and Long Term Incentive Plan (LTIP) and Short Term Incentive Plan (STIP) bonus pay-outs for the Group's senior management. Furthermore, the Remuneration and Nominating Committee set the targets for the STIP 2016. The Remuneration and Nominating Committee dedicated a considerable time on the implementation of the adjustments to the LTIP as outlined in the Annual General Meeting on May 12, 2016. These adjustments will apply both to the Executive Board and the Group's senior management. Finally, the Remuneration and Nominating Committee also performed a benchmark of the remuneration of the Executive Board. More details about the LTIP adjustment and the benchmark can be found in the Remuneration Report on pages 41 – 43.

Audit Committee

Until May 12, 2016, the Audit Committee was composed of Messrs. De Kool (Chairman), Kristinsson and Petrides. Mrs. Plochaet replaced Mr. Kristinsson as of May 12, 2016 for the remainder of the year. The Audit Committee met five times. Three of the meetings were held by teleconference. Meetings were held in the presence of the CFO and the Group Director Finance, with the exception of one where the performance of the management was discussed with the external auditor without the CFO and the Group Director Finance being present. The Investor Relations Manager joined the meetings during which the press releases regarding quarterly results were discussed. The external auditor attended four meetings. The internal auditor attended one meeting.

In 2016, the Audit Committee reviewed and discussed the draft Annual Report for 2015, including the auditor's report, related thereto and the report reflecting the findings by the auditors from the audit of the financial statements. Another important item on the agenda in 2016 was the performance of the Internal Audit Plan in 2016. Given the increased attention on fraud in general, it was agreed to include a review regarding the exposure of the company to fraud risks in this plan too. Every quarter, the Audit Committee was informed about the developments in the market based on the data made available by a third party market research specialist and the Audit Committee reviewed the press releases reporting on the results in the quarter concerned. In its final meeting in 2016, the Audit Committee discussed, among others, the audit plan of the external auditor for the financial statements included in this Annual Report, the outcomes of the interim audit – including the internal control environment – performed by the external auditor. The Audit Committee also discussed the findings of the internal audits in 2016 and the internal audit plan for 2017. Some recommendations were made regarding the review on fraud risks, but it was concluded that – to date – fraud does not qualify as a major risk to the company's operations.

Board Evaluation

In June 2016, the Supervisory Board discussed various topics to increase its effectiveness, *inter alia* (i) the information provided by the Executive Board, (ii) the information provided by the committees of the Supervisory Board, (iii) the exposure of the Supervisory Board to key personnel of the Group and (iv) a more standardized annual agenda.

In November 2016, each member of the Supervisory Board and the Executive Board filled out an online questionnaire with a view to assessing the functioning of the Supervisory Board, its committees, the Chairman and the cooperation with the Executive Board. A third party will review the answers and prepare a report of the findings regarding the effectiveness of the Supervisory Board.

The functioning of the Executive Board over 2016 was assessed separately. No assessment of the individual Supervisory Board members took place in 2016.

COMPOSITION OF THE SUPERVISORY BOARD

Following the reduction of Ferskur Holding 1 B.V.'s (Stodir) shareholding in Refresco, Mr. Hilmar Kristinsson stepped down at the Annual General Meeting of Shareholders, held on May 12, 2016. The Supervisory Board is very grateful to Mr. Kristinsson for his contributions to the Supervisory Board.

The Supervisory Board is pleased that the Annual General Meeting of Shareholders appointed Mrs. Inge Plochaet as per the Supervisory Board's proposal. Mrs. Plochaet has over 25 years of experience in the beverages and FMCG sector having held various international senior management and director positions with AB Inbev.

The Supervisory Board has a diverse composition in terms of knowledge and expertise, gender, age, and nationality. The Supervisory Board will continue to strive for a diverse composition in the process of appointing and reappointing members to the Supervisory Board in the future. At the same time necessary knowledge of the company, the manufacturing industry, and the company's key market areas will stay as key appointment criteria. The Supervisory Board endeavours to ensure that the composition of the Supervisory Board is such that its members are able to act critically and independently of one another, the Executive Board and any particular interest.

Messrs. Dijkhuizen, De Kool, Petrides and Mrs. Plochaet are independent Supervisory Board members within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code. Messrs. Gorvy, de Jong and Sigurdsson are appointed as members of the Supervisory Board upon the nomination of the company's significant shareholders, being Tamoa, 3i and Ferskur Holding respectively, and are considered non-independent within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code.

At the 2017 Annual General Meeting the term of Mr. Petrides will expire. Mr. Petrides will be proposed for re-appointment for a four-year term at this meeting.

Mr. de Jong will step down from the Supervisory Board after the 2017 Annual General Meeting in line with the prevailing rotation plan.

The Supervisory Board nominated Mr. Thomas Kunz for appointment as a new member of the Supervisory Board for a term of four years, to be resolved upon and effective from the 2017 Annual General Meeting.

The table below reflects the members of the Supervisory Board and their respective committee memberships as of December 31, 2016. Each of their biographical details are presented on pages 44 – 45 of this report.

EXPANSION OF THE EXECUTIVE BOARD

The Supervisory Board analyzed the Executive Board composition. In order to achieve a more balanced focus on our European and US activities it was decided to expand the Executive Board with a Chief Operating Officer Europe. Mr. Vincent Delozière will be nominated for appointment by the General Meeting to this new position. He currently is the Group Managing Director and will continue to lead the Operating Board overseeing the European operations.

At the 2017 Annual General Meeting the term of CFO Aart Duijzer will expire. Mr. Duijzer will be proposed to the General Meeting for re-appointment for a four-year term.

FINANCIAL STATEMENTS 2016 AND DIVIDEND

The Financial Statements were audited by Ernst & Young Accountants LLP. Their independent auditor's report can be found on pages 120 – 123 of this Annual Report. The Audit Committee and the Supervisory Board reviewed and discussed the Annual Report for the financial year 2016 in their respective meetings. The external auditor attended these meetings to present their audit findings. These meetings were held in the presence of the Executive Board.

The company intends to apply a dividend pay-out policy that targets to pay out 35% to 50% of adjusted net income. The Executive Board shall propose to the General Meeting of Shareholders to declare a distribution of EUR 0.38 per common share, in cash.

The Supervisory Board endorses the financial statements and recommends that the General Meeting of Shareholders adopts the 2016 financial statements and dividend pay-out as presented and releases the Executive Board and Supervisory Board from liability for their management in the year under review and the supervision thereof, respectively.

In conclusion

We are pleased with the progress on the strategic initiatives, operational performance and financial results of the company and we believe Refresco is in a good position to continue its growth strategy in both key markets in Europe and the US.

To conclude, the Supervisory Board wants to thank the Executive Board and all Refresco employees for their performance, passion, commitment and hard work in 2016.

Rotterdam, March 8, 2017

Yiannis Petrides, Chairman
Aalt Dijkhuizen
Sean Gorvy
Pieter de Jong
Theo de Kool
Inge Plochaet
Jon Sigurdsson

Name	Position	Initial appointment	Committees	Date of possible reappointment
Mr. Yiannis Petrides	Chairman	January 2013	Member of the Audit Committee	2017
Mr. Aalt Dijkhuizen	Vice-chairman	October 2009*	Chairman of the Remuneration and Nominating Committee	2019
Mr. Sean Gorvy	Member	November 2013	Member of the Remuneration and Nominating Committee	2018
Mr. Pieter de Jong	Member	March 2010	N/A	2017
Mr. Theo de Kool	Member	March 2015	Chairman of the Audit Committee	2019
Mrs. Inge Plochaet	Member	May 2016	Member of the Audit Committee	2020
Mr. Jon Sigurdsson	Member	April 2009*	Member of the Remuneration and Nominating Committee	2018

* In March 2010, Messrs. Dijkhuizen and Sigurdsson became a member of the Supervisory Board of the company. Before that date, they were members of the Supervisory Board of Refresco Holding B.V.

27% of our volumes are produced in Aseptic PET.

Our drinks on every table

We continue to invest in growth categories. Aseptic PET technology is one example enabling us to produce more natural products for our customers.

Remuneration report

Refresco's remuneration policy aims to attract and retain highly qualified individuals and reward them with a remuneration package that focuses on delivering sustainable performance in line with the long-term business strategy of the company.

EXECUTIVE BOARD REMUNERATION POLICY

The Executive Board remuneration policy was adopted by the General Meeting upon the proposal of the Supervisory Board on March 16, 2015. It is based on the principles that (i) the total 'at-target' remuneration of the members of the Executive Board (consisting of the CEO and CFO) is set between the median and upper quartile remuneration levels within a relevant employment market peer group of comparable national and international companies and (ii) the total 'at-target' remuneration also reflects the expected growth of the company pursuant to its strategy.

The remuneration of the members of the Executive Board consists of the following components:

- Annual base pay;
- Short-term incentive ("STI");
- A one-time IPO-related retention incentive to be paid out in the years 2016 and 2017, subject to continued employment;
- Long-term incentive ("LTI");
- Pensions; and
- Other benefits.

The following table summarizes the elements of remuneration as applicable to members of the Executive Board as well as the alignment of remuneration practices with the strategic objectives of the company.

Remuneration element	Description
Annual base pay	• Aligned to the median and upper quartile remuneration levels of the selected peer groups.
Short-term incentive	• Focuses on the delivery of short-term results in line with the company's strategy. • Based on financial and non-financial performance conditions; the financial performance conditions for 2016 are set consistent with the strategic objectives of the company and relate to EBITDA and working capital. • 'At target' value of 100% of annual base pay. • 'At target' value of 60-65% of annual base after introduction of the Long-term incentive in 2017.
Retention incentive	• To promote retention of the members of the Executive Board and to safeguard the ability of the company to deliver on the growth strategy following the IPO, a retention bonus pool of EUR 1.1 million is reserved for the Executive Board. • Paid in two annual instalments in 2016 and 2017, subject to employment with the Group at the date of payment.
Long-term incentive	• Grants of conditional shares as from 2017 including lower 'at target' STI as a result. • 3 year vesting period. • Additional 2 year holding period for members of the Executive Board. • Financial targets and non-financial targets as well as continued employment applicable; the financial performance conditions for 2017-2019 will be set consistent with the strategic objectives of the company and relate to ROCE and EPS growth. • Aligns management and shareholders and drive sustainable performance. • 'At target' value of 60-65% of annual base pay. • Number of conditional shares that vest that may vary between 0%-200%.
Pensions	• Defined contribution pension scheme.
Benefits	• The company may provide a company car to members of the Executive Board. • The company may also pay the premiums of a medical insurance of members of the Executive Board in line with their current employment agreements. • The company will arrange for and pay a directors and officers (D&O) liability insurance for the members of the Executive Board.

Severance
In line with best-practice principles of the Dutch Corporate Governance Code, the maximum severance payment applicable to Mr. Roelofs amounts to one year base pay. The severance payment for Mr. Duijzer is EUR 1.0 million gross. Mr. Duijzer's severance payment is a deviation from best practice provision II.2.8 of the Dutch Corporate Governance Code, which is further explained on page 48 of this report.

Clawback
The remuneration policy is intended to provide for an attractive, market competitive remuneration package where sustainable performance is delivered. Reward for failure should in all cases be avoided. For Executive Board members this means that the Supervisory Board has the discretionary authority to adjust actual pay-outs under both the STI and LTI where the outcomes are not considered a fair representation of actual performance delivered.

Furthermore, where pay-outs have been made based upon incorrect financial and other data, the Supervisory Board has the discretion to decide to claw-back any pay-outs made or shares delivered under the incentives schemes. If a variable remuneration component conditionally awarded in a previous financial year would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board has the power to adjust the value downwards or upwards.

Scenario analysis
The Supervisory Board analyses possible outcomes of the variable income components and the effect on Executive Board remuneration. This analysis is conducted annually. A review has been performed in 2016.

Remuneration survey
In 2016, an external remuneration adviser was instructed to conduct a remuneration survey to establish whether the levels of remuneration for the members of the Executive Board are still aligned to the median and upper quartile remuneration levels of the selected peer groups. Given the recent developments regarding the company, it was determined to select new peer groups; one international reference group and one Dutch reference group.

The international reference group comprises a selection of a balanced group of reference companies, in terms of size/scope, geographical spread and complexity and includes Bell, Bonduelle, Britvic, Coca Cola Bottling, Cott, Cranswick, Ebro Foods, Emmi, Greenyard Foods, Hilton food group, Massimo Zanetti, MHP, Nomad Foods, Premier foods, Societe LDC and Unibel.

The national reference group comprises a selection of companies that are – on average – comparable to Refresco in terms of revenues, market capitalization, total assets and employees. This group includes Accell, AMG, Arcadis, Brunel, Corbion, ForFarmers, Fugro, IMCD, OCI, Sligro, TKH and TomTom.

The remuneration survey shows that the variable income components bring the Executive Board remuneration at around median level in the international reference group and at around the upper quartile level in the Dutch reference group.

	J.H.W. Roelofs		A.C. Duijzer		Total	
in thousands of euros	2016	2015	2016	2015	2016	2015
Short term						
Base salary	695.0	690.0	445.0	440.0	1,140.0	1,130.0
Short term incentive	260.6	863.0	166.9	550.0	427.5	1,413.0
Retention incentive*	300.0	225.0	250.0	188.0	550.0	413.0
Social charges	9.7	40.0	9.7	40.0	19.4	80.0
Expenses	4.2	4.2	3.3	3.3	7.5	7.5
Total	**1,269.5**	**1,822.2**	**874.9**	**1,221.3**	**2,144.4**	**3,043.5**
Post employment						
Pension cost	101.1	133.0	68.7	114.0	169.8	247.0
Total	**101.1**	**133.0**	**68.7**	**114.0**	**169.8**	**247.0**
Total compensation	**1,370.6**	**1,955.2**	**943.6**	**1,335.3**	**2,314.2**	**3,290.5**

* In the 2015 financial year a retention incentive relating to the IPO was granted of EUR 1,100 thousand which is payable in cash in two parts in 2016 (50%) and 2017 (50%), fully conditional to being employed at the company at the time of payment. In the 2015 financial statements this amount was presented as an expense for the year 2015, as it was related to the IPO. In the 2016 financial statements this expense is allocated to the years 2015, 2016 and 2017, taking into account the total period, resulting in the following allocation: 2015: EUR 413 thousand; 2016: EUR 550 thousand and 2017: EUR 137 thousand. The comparative figures in the table above have been adjusted accordingly.

EXECUTIVE BOARD REMUNERATION IN 2016

Executive Board remuneration

The table on the previous page details the reported remuneration of the Executive Board in 2016.

Short-term incentive

Payment of the short-term incentive is subject to the attainment of predetermined financial and non-financial performance conditions. Furthermore, there is a discretionary component of the variable remuneration that can be fixed by the Supervisory Board as it considers appropriate to ensure there is pay for sustainable performance.

The financial performance conditions for 2016 are set consistent with the strategic objectives of the company and relate to EBITDA and working capital. An Executive Board member's individual performance is also taken into account in determining the annual bonus. Individual performance is assessed against personal targets. Retrospective disclosure of detailed personal targets is inappropriate as these are deemed to be commercially sensitive.

The 2016 short-term incentive pay-out amounted to 38% of base pay for the CEO and CFO.

SUPERVISORY BOARD REMUNERATION IN 2016

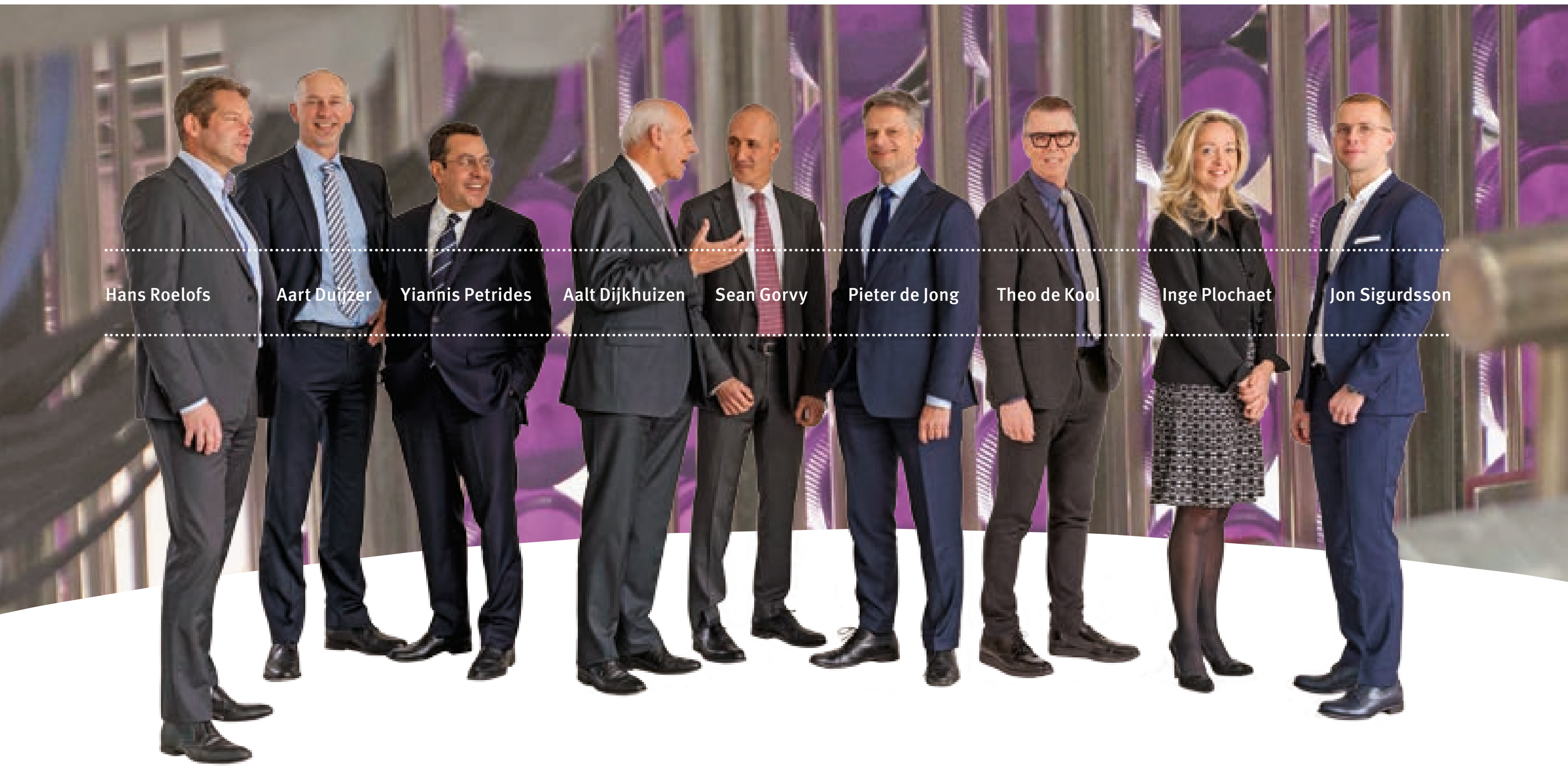
The General Meeting determines the remuneration of the members of the Supervisory Board.

The Supervisory Board periodically submits proposals to the General Meeting in respect of the remuneration of the Chairman and the other members of the Supervisory Board.

The following table details the 2016 remuneration of the Supervisory Board, no share-based incentives were awarded to Supervisory Board members during 2016.

Supervisory Board member	Role / Committees	Total remuneration 2016 (in thousands of euros)	Total remuneration 2015 (in thousands of euros)
Yiannis Petrides	Chairman, Member of the Audit Committee	97.5	410.6
Aalt Dijkhuizen	Vice-chairman, Chairman Remuneration & Nominating Committee	52.5	50.6
Sean Gorvy	Member, Member of the Remuneration & Nominating Committee	52.5	50.6
Pieter de Jong	Member	45.0	45.0
Theo de Kool [1]	Member, Chairman Audit Committee	52.5	39.4
Hilmar Thor Kristinsson [1, 2]	Member, Member of the Audit Committee	19.3	50.6
Inge Plochaet [2]	Member, Member of the Audit Committee	32.5	
Jon Sigurdsson	Member, Member of the Remuneration & Nominating Committee	52.5	50.6
Thorsten Jonsson [3]		N/A	9.4
Nicholas J. Schoenfeld [3]		N/A	9.4
Total		**404.3**	**716.2**

1 Up till March 27, 2015 Mr. Kristinsson was Chairman of the Audit Committee and as of March 27, 2015 Mr. de Kool is Chairman of the Audit Committee.
2 Up till May 12, 2016 Mr. Kristinsson was a member of the Supervisory Board and the Audit Committee. As of May 12, 2016 Mrs. Plochaet is a member of the Supervisory Board and the Audit Committee.
3 In the first quarter of 2015 the Supervisory Board also consisted of Mr. Jonsson and Mr. Schoenfeld.



Executive Board

Hans Roelofs
(1963, male, Dutch)
– Chief Executive Officer
– Current term expiring in 2019

Hans Roelofs joined Refresco as CEO in March 2007. Before joining Refresco, Mr. Roelofs was CEO of Dumeco, a private label meat producer and processor and supervisory board member of Hoogwegt Group B.V.. He started his career at Nutreco, rising to Managing Director of the Agri Food business. Hans Roelofs is a graduate of Wageningen University, the Netherlands.

Aart Duijzer
(1963, male, Dutch)
– Chief Financial Officer
– Current term expiring in 2017

Aart Duijzer is one of the founders of Refresco. Prior to joining Refresco as CFO in 2000, he worked as Finance Director of the Continental European division of Hazlewood Foods Plc. Mr. Duijzer started his career at KPMG and holds a Masters degree in business economics from the Erasmus University in Rotterdam, the Netherlands. He is a Dutch Chartered Accountant.

Supervisory Board

Yiannis Petrides
(1958, male, Cypriot)
– Chairman of the Supervisory Board
– Member of the Audit Committee
– Appointed as of January 1, 2013, current term expiring in 2017

Experience:
- Member of the Board and Chairman of Audit Committee of PUIG SA
- Member of the Board of CyPet
- Founding Member and Board Member of the Spanish- Hellenic Chamber of Commerce
- Former Chairman of the Board of Largo (Wind Hellas Telecommunications)
- Former Vice- Chairman of the Board of the Campofrio Food Group and Chairman of the Strategy and Audit Committees
- Former President Europe of the Pepsi Bottling Group
- 23 year career with PepsiCo Inc including President/CEO Spain, President/CEO Greece and Balkans.

Aalt Dijkhuizen
(1953, male, Dutch)
– Vice Chairman of the Supervisory Board
– Chairman of the Remuneration and Nominating Committee
– Appointed as of October 1, 2009, current term expiring in 2019

Experience:
- President of the Dutch Topsector Agri & Food
- Chairman of the supervisory board of the Van Hessen Group
- Member of the supervisory board of Royal De Heus Animal Nutrition
- Member of the supervisory board of Greenyard
- Member of the international advisory board of Hendrix Genetics
- Member of the advisory board of Struik Foods
- Member of the advisory board of the Pictet Agri Investment Fund
- Chairman of the Dutch Alliance for Sustainable Food
- Chairman of the supervisory board of the Arnhem Philharmonic Orchestra
- Co-director of the Holland Center in Shanghai
- Extraordinary member of the Dutch Safety Board
- High-level expert to the European Commission
- Personal advisor to the Governor of Fujian Province in China
- Former president and CEO of Wageningen UR (University & Research center)
- Former Managing Director of the Business Group Agri Northern Europe at Nutreco
- Former professor at Wageningen University, specialised in animal health economics.

SUPERVISORY BOARD (CONTINUED)

Sean Gorvy
(1963, male, South-African)
– Member of the Supervisory Board
– Member of the Remuneration and Nominating Committee
– Appointed as of November 11, 2013, current term expiring in 2018

Experience:
- Chief executive of Hanover Acceptances Limited, an entity that owns 100% of Tamoa, and being a member of the Hanover Acceptances Limited board since 1997. In that capacity, he holds directorships at Tamoa Limited, Dorrington PLC, Fresh Capital Group Limited and African Realty Trust (PTY) Limited and held directorships at Pride Foods Limited, Gerber Emig Group Limited and Frigo Pak Gida Maddeleri Sanayi ve Ticaret A.S., Outspan and Capespan and Fresh & Wild
- Prior to working within the Hanover Acceptances Group, various roles within Morgan Stanley's real estate, corporate finance and M&A departments.

Pieter de Jong
(1964, male, Dutch)
– Member of the Supervisory Board
– Appointed as of March 24, 2010, current term expiring in 2017

Experience:
- Partner and Managing Director of 3i Europe plc Benelux
- Member of the supervisory board of Basic-Fit NV
- Member of the supervisory board of Weener Plastic Holding b.v.

Theo de Kool
(1952, male, Dutch)
– Member of the Supervisory Board
– Chairman of the Audit Committee
– Appointed as of March 31, 2015, current term expiring in 2019

Experience:
- Former CFO of Sara Lee Corporation
- Former member of the executive board and supervisory board of Sara Lee/DE
- Former director, CFO and CEO of Univeg group in Belgium
- Previously held various roles with Blokker Holding, i.e. vice chairman of the executive board, Chairman and CEO, CFO/finance director of Blokker Holding and member of Blokker Holding's supervisory board
- Former member of the supervisory board of Van Gansewinkel Groep.

Inge Plochaet
(1968, female, Belgian)
– Member of the Supervisory Board
– Member of the Audit Committee
– Appointed as of May 12, 2016, current term expiring in 2020

Experience:
- Non-Executive Director at Van Genechten Packaging
- Until 2015, various positions within ABInbev, the last role was Business Unit President UK & Ireland.

Jon Sigurdsson
(1978, male, Icelandic)
– Member of the Supervisory Board
– Member of the Remuneration and Nominating Committee
– Appointed as of April 1, 2009, current term expiring in 2018

Experience:
- Managing Director of Helgafell ehf. and Helgafell eignarhaldsfelag ehf.
- Member of the board of N1 hf.
- Board member and Managing Director of Straumnes Ráðgjöf ehf., Straumnes eignarhaldsfelag ehf. and board member of Bjarg Invest ehf., S380 ehf. and S120 ehf.
- Former Managing Director of Stoðir hf.
- Previously held various positions within Landsbanki Íslands hf. and Búnaðarbanki Íslands hf.

Governance

CORPORATE GOVERNANCE

Refresco Group N.V. is a public limited liability company ("naamloze vennootschap") incorporated under the laws of The Netherlands. It has a two-tier board structure. The company is managed by an Executive Board and supervised by a Supervisory Board. Both the Executive Board and the Supervisory Board are accountable to the Annual General Meeting of Shareholders.

The company complies with the Dutch Civil Code, its Articles of Association and all relevant laws and regulations.

Shares

The authorized capital of the company comprises a single class of registered shares. Shares that are traded via the giro-based securities transfer system are registered under the name and address of Euroclear. All issued shares are fully paid-up and each share confers the right to cast a single vote in the General Meeting.

The Executive Board has been designated as the corporate body authorized to issue 10% of the issued shares, grant rights to acquire shares and to limit or exclude pre-emptive rights pertaining to such issue of shares, subject to the prior approval of the Supervisory Board. By virtue of its authorization by the General Meeting the Executive Board is also authorized to purchase shares in the company, up to a maximum of 10% of the issued shares and subject to the prior approval of the Supervisory Board. These designations and authorizations have been given for a period of eighteen months ending on November 11, 2017 and renewal is requested annually at the Annual General Meeting.

Executive Board

Refresco Group N.V. is managed on a day-to-day basis by the Executive Board. The Executive Board is responsible for Refresco Group's overall management and performance and for the implementation of its strategy. Its agenda includes strategy formulation, supervision of the local organizations, risk management, monitoring of internal controls, the acquisitions policy and deal making, corporate social responsibility and other important policy matters. More information about the responsibilities of the Executive Board can be found in the By-Laws of the Executive Board that is available on our website. The composition of the Executive Board and its members' key employment history are presented on page 44 of this report.

Members of the Executive Board are appointed by the General Meeting of Shareholders, either at the proposal of the Supervisory Board or upon the binding nomination by the Supervisory Board. A resolution of the General Meeting to appoint an Executive Board member other than in accordance with a binding nomination by the Supervisory Board, requires an absolute majority representing at least one-third of the company's issued capital. The General Meeting of Shareholders can suspend or remove each member of the Executive Board at any time. Resolutions to suspend or remove a member of the Executive Board other than pursuant to a proposal by the Supervisory Board require an absolute majority representing at least one-third of the company's issued capital.

Supervisory Board

The Supervisory Board supervises the Executive Board.

The Supervisory Board is supported by:

- a Remuneration and Nominating Committee: this committee is responsible for advising the Supervisory Board on the remuneration of the Executive Board, reviewing the Executive Board's proposals concerning the remuneration policies for the higher management within Refresco Group and advising on appointment procedures for and assessment of the functioning of Executive Board members and Supervisory Board members; and
- an Audit Committee: this committee supervises the internal risk management and control systems and the provision of financial information by the company. It furthermore supervises the role and functioning of the internal auditor and the relations with the external auditor.

The Supervisory Board is guided by the company's Articles of Association, the By-Laws of the Supervisory Board, the Supervisory Board profile and the Rotation Plan. In addition thereto, the Remuneration and Nominating Committee and the Audit Committee each have their own Terms of Reference. All documents mentioned can be found on our website www.refresco.com.

Profiles of each of the Supervisory Board members can be found on pages 44 – 45 of this report.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders, either at the proposal of the Supervisory Board or upon the binding nomination by the Supervisory Board. A resolution of the General Meeting to appoint a Supervisory Board member other than in accordance with a binding nomination by the Supervisory Board, requires an absolute majority representing at least one-third of the company's issued capital. The General Meeting of Shareholders can suspend or remove each member of the Supervisory Board at any time. Resolutions to suspend or remove a member of the Supervisory Board other than pursuant to a proposal by the Supervisory Board require an absolute majority representing at least one-third of the company's issued capital.

Remuneration

The Executive Board remuneration policy was adopted by the General Meeting upon the proposal of the Supervisory Board on March 16, 2015. The remuneration policy is aimed at attracting, motivating and retaining highly qualified members of the Executive Board with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with the long-term strategy of the company.

Pursuant to the remuneration policy the remuneration packages of the Executive Board members consist of fixed and variable components.

The remuneration of the individual members of the Executive Board is determined by the Supervisory Board, with due observance of the remuneration policy. In compliance with the Code, the employment agreements of the Executive Board members contain provisions related to severance arrangements and claw back consequences. Annually the Supervisory Board reports on the implementation of the remuneration policy in the preceding financial year and the intended implementation in the current and subsequent years in its Remuneration report, which can be found on page 41 – 43 of this report.

The General Meeting determines the remuneration of the members of the Supervisory Board. The Supervisory Board periodically submits proposals to the General Meeting in respect of the remuneration of the chairman, the vice-chairman and the other members of the Supervisory Board. The remuneration of the Supervisory Board may not be made dependent on the company's results.

General Meeting

The company will organize at least once a year a General Meeting of Shareholders. Each shareholder may attend General Meetings, address the General Meeting and exercise voting rights pro rata to his shareholding, either in person or by proxy. Shareholders may exercise these rights, if they are the holders of shares on the record date which is the 28th day before the day of the General Meeting, and they or their proxy have notified the company of their intention to attend the General Meeting. The company shall give shareholders and other persons entitled to vote the possibility of issuing voting proxies or voting instructions, respectively, to an independent third party. Draft minutes of the meeting will be released within three months of the meeting and will be available for comments for three months thereafter. The final version of the minutes will be published on our website.

The Articles of Association set out in detail the powers of the General Meeting. Resolutions requiring approval of the General Meeting are, amongst others:

- adoption of Refresco Group's annual accounts;
- appointment and dismissal of Supervisory Board and Executive Board members;
- declaration of dividend;
- amendment of the Articles of Association; and
- dissolution of the company.

Subject to certain exceptions as set forth by law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast.

This year, the Annual General Meeting is scheduled to be held on May 9, 2017 in Rotterdam, The Netherlands.

Change of Control

The company has entered into a senior facilities agreement under which the agent must be notified and participating banks are entitled to cancel their commitments in the event of a change in control of the company after a public take-over bid has been made. It is not uncommon to have change of control provisions in Co-Packing agreements.

Conflicts of interest

Any conflict of interest by a member of the Executive Board or the Supervisory Board has to be reported immediately to the Chairman of the Supervisory Board. A member of the Executive Board or the Supervisory Board may not participate in deliberating or decision making within the relevant Board in case of a conflict of interest. In 2016, no transactions were reported under which a member of the Executive Board or the Supervisory Board had a conflict of interest which was of material significance to the company or to the individual member of the Executive Board or the Supervisory Board.

Insider trading code

The Executive Board has adopted insider trading regulations which were last amended on October 6, 2015. It is the company's policy that all employees and any other persons employed by or in any other type of relationship of authority to Refresco Group shall adhere to these regulations.

Tax policy

The company is seeking a responsible approach to the management of taxes and relating risks. We adhere to the tax laws and related rules and regulations in the countries where we operate, not only to the letter of the law but also to its spirit. The company's commercial needs are paramount and leading and therefore 'tax follows the business'. We do not use artificial structures, instruments or tax havens solely for tax avoidance. Where possible we will create and maintain a relationship with local tax authorities and work closely together in an open and transparent dialogue, creating mutual understanding and trust. See note 2.18 on page 73 of this report for the tax policy.

Corporate governance declaration

The company acknowledges the importance of good corporate governance and agrees with the principles of the Dutch Corporate Governance Code. The company is committed to comply with the Code in the way as set out herein.

Accountability Dutch Corporate Governance Code

During 2016, the company complied with the Dutch Corporate Governance Code with the exception of the following deviations:

Best practice provision II.2.8. (remuneration in the event of dismissal):

The company does not comply with best practice provision II.2.8, which determines that the remuneration in the event of dismissal may not exceed a one year's salary. In the event of dismissal, Mr. Duijzer is entitled to receive a severance payment of EUR 1 million gross, which exceeds a one year salary.

Best practice provision III.2.1 (independence Supervisory Board):

This best practice provision requires all Supervisory Board members, with the exception of not more than one person, to be independent within the meaning of best practice provision III.2.2. In connection with the listing of the company, the company entered into a relationship agreement with Ferskur Holding 1 B.V., Tamoa Limited, 3i GC Holdings REF 1 S.À.R.L., 3i GC Holdings REF 2 S.À.R.L., Okil Holding B.V., which – inter alia – includes the right for Ferskur Holding 1 B.V., Tamoa Limited, 3i GC Holdings REF 1 S.À.R.L. and 3i GC Holdings REF 2 S.À.R.L. to designate individuals for appointment to the Supervisory Board. As a result, Messrs. Sigurdsson, Gorvy and De Jong are non-independent members within the meaning of the above provision.

Best practice provision III.5.1 (Independence committee members):

According to this provision, the terms of reference of a Supervisory Board Committee may provide that a maximum of one member of each committee may not be independent within the meaning of best practice provision III.2.2. The terms of reference of the company's Remuneration and Nominating Committee provide that at least half of the members of this Committee shall be independent within the meaning of best practice provision III.2.2. subject to deviating arrangements set out in the Relationship Agreement. Pursuant to the Relationship Agreement, the Remuneration and the Nominating Committee has two non-independent members being Messrs. Gorvy and Sigurdsson.

Principle III.3 and best practice provision III.3.1 (expertise and composition Supervisory Board):

These provisions state that the Supervisory Board should strive for a diverse composition as to gender and age and should formulate concrete targets to achieve this. The Supervisory Board strives to achieve a diverse composition of its members and has formulated key attributes of its Board Director profile to address this.
These attributes are available on our website www.refresco.com/governance/. The Supervisory Board believes that the Board has a complementary range of experience, functional skills and age and with the appointment of Mrs. Plochaet increased gender diversity in the Supervisory Board.

RISKS AND RISK MANAGEMENT

Refresco's risk appetite

As a basic principle, we believe that doing business comes with taking risks. We expect our employees to be entrepreneurial, excellent, market-driven, innovative and responsible. This means that our employees should be able to take their decisions by carefully considering both the risks and the opportunities while taking into account the interests of all stakeholders. Having a culture of openness, transparency and integrity supports our employees in addressing any potential risks they see. Although we encourage an entrepreneurial spirit, acting responsible is also one of our core values, which means that our appetite for certain risks is low.
To frame our approach towards the various risks our company is facing, we categorize risks in four types. Each category comes with its own risk appetite:

- **Strategic risks** – Entrepreneurship is one of Refresco's values. We see a certain level of risk-taking as part of our nature and we are willing to take a carefully weighted risk/return approach when doing business.
- **Operational risks** – Refresco has a prudent approach to operational risk management. Ensuring the high quality standards of our products, customer service and continuity of our production have the highest priority.
- **Financial risks** – Refresco seeks to identify, assess and, if necessary, mitigate financial risks, which include currency and interest rate risks, in order to minimize potential adverse effects on our financial performance.
- **Legal and regulatory risks** – Refresco believes that compliance with laws is essential for doing business and for that reason, non-compliance with laws cannot be accepted.

Key risks

We have identified the following risks that are specific to our company and we believe may have the greatest adverse impact on our company:

Risk	Mitigation
STRATEGIC RISKS	
Changes in customer and end-consumer preferences	
Refresco produces products for its customers who in turn sell these products to end consumers. Should there be a reduction in consumer demand or customer requirements change in such a way that we are not able to meet the new requirements, this may have an adverse effect on our business, financial condition and results of operations.	We aim for diversification in terms of product, packaging, customers and geography. This enables us to anticipate changes in consumer preferences on a timely basis. We also offer flexible manufacturing capacities to our customers.
Buy & build strategy	
We may not be able to execute this strategy due to a lack of suitable targets. Furthermore, acquisitions may turn out to be less successful than anticipated. If we are unsuccessful in the performance of our 'buy and build' strategy, it will be difficult for the Group to grow. Unsuccessful acquisitions may lead to higher costs for the company.	The Executive Board is directly responsible for the execution of the acquisition strategy. We are continuously looking for companies having the potential to fulfil our growth strategy. Every acquisition process is supported by a team of dedicated and experienced professionals – with the support of external consultants – performing a due diligence to get a proper view of the risks. Any acquired business is integrated into the relevant local business unit as quickly as possible as we believe that local integration is the best way to facilitate for a cultural fit into our organization. With the recent acquisition in the US, we appointed people from the Refresco organization into the US management team and dedicated time and resources to educate the US employees about the Refresco way of working.

Risk	Mitigation
OPERATIONAL RISKS	
Fluctuations in the prices of raw materials and packaging materials	
The prices of raw materials and packaging materials fluctuate due to factors beyond the Group's control. While the company aims to purchase sufficient raw materials and packaging materials to meet its estimated sales volumes, these estimates may prove inaccurate. If the raw materials and packaging materials costs increase, it may not be possible to pass these cost increases on to customers through price adjustments or in a timely manner. This could have a material adverse effect on the business, financial condition and results of operations.	Our exposure to price fluctuations mostly impacts our Private Label business. In Co-Packing, this price risk is typically borne by the customer, as we operate as tolling manufacturer. The Group has a centralized procurement department that closely monitors price developments of raw materials and packaging materials. It has a policy of purchasing forward contracts for most raw materials and packaging materials to match sales in volume as well as in time. The Group's exposure is therefore limited to under- or over-coverage by corresponding forward purchase contracts. A small portion of input material cost fluctuations incur a delay in passing on to customers, resulting in a small upside or downside deviation of gross profit margin per liter over time. In some cases, we may decide not to fully increase the prices of the products we manufacture in order to sell a greater volume of products.
Dependency on a limited number of suppliers	
Our manufacture of products is highly dependent on an adequate supply of certain raw materials including FCOJ, apple juice and sugar and packaging materials, including liquid paperboard, aluminum cans and PET most of which are only available from a limited number of suppliers. The limited number of suppliers for these materials may undermine our negotiating position. The loss of any one of such suppliers could lead to a disruption in our supply chain, which could reduce the utilization rate of manufacturing sites and deliveries to customers, and in turn have a material adverse effect on the business, financial condition and results of operations.	This risk mainly applies for Private Label, as these products are more dependent on the Group's own sourcing than Co-Packing, where the customer largely sources the raw materials. We attempt to ensure that we always have sufficient raw materials and packaging materials in stock. To ensure we can cover sales positions with the Group's customers, we have adopted a policy to enter into forward purchase contracts – up to 12 months in advance – for most raw materials and packaging materials. Additionally, the Group is continuously looking to broaden its supplier base for the most important raw materials and packaging materials to ensure it has alternatives, when needed.
Health, safety and environment	
Our reputation could be jeopardized by a failure to maintain high-quality standards for our products or high ethical, social and environmental standards for our activities.	Each of our sites have implemented a quality system based on the critical control and quality points mitigating the risks of quality and safety. All major sites are being audited either under the International Food Standard (IFS) or, in the UK, under the British Retail Consortium (BRC) protocol. In the US our manufacturing sites are regulated through US Food & Drug Administration (FDA) and certified under Safe Quality Food (SQF) Programme. Furthermore, our sites are also regularly audited by our retail and branded customers.

Risk	Mitigation
Production contingency	
Operations at our sites could be adversely affected by extraordinary events which could materially reduce our production and have a material adverse effect on our business, financial condition and results of operations.	We continue to invest significantly in our manufacturing sites and to strive for improvement of our health, safety and environmental practice. Together with our insurance broker we rolled out a program to improve our housekeeping and fire protection to mitigate business interruption. We have contingency plans in place pursuant to which we can move production to other locations in case of emergencies. In 2016, we rolled out a Group crisis management program pursuant to which our business units have uniform procedures for dealing with crises and certain identified staff have been trained in crisis management.
Dependency on a relatively small number of customers	
A significant portion of our revenue is concentrated with a relatively small number of customers; although we have multiple contracts with each of our customers. The Top-10 customers count for 53% of total revenue. The loss of such a customer could have a material adverse effect on our operating result and cash flow.	We have long term relationships with the majority of our customers and a high level of customer integration on supply chain, new product development and customer service. We therefore believe the Group is well positioned with its current customers.
Loss of senior management or key employees	
Human capital is one of our key assets. The performance of senior management and other key employees is critical to our success. There can be no assurance that Refresco will be successful in attracting or retaining highly qualified senior management and other key employees needed in the future, which could have an adverse effect on the business.	We continue to invest time and resources in developing and training our senior management and key employees. Furthermore, we kicked off our LEAP program (see page 29 for more detail) as we believe that developing talent internally is preferred over attracting people externally. To remain attractive, we encourage international mobility and in 2016, a number of staff were given the opportunity to work in another business unit. In June 2016, we launched our first company-wide employee survey in Europe to help us understand how our employees view our leadership style, organizational culture, working environment and the way we manage, develop and recognize our people's contribution.

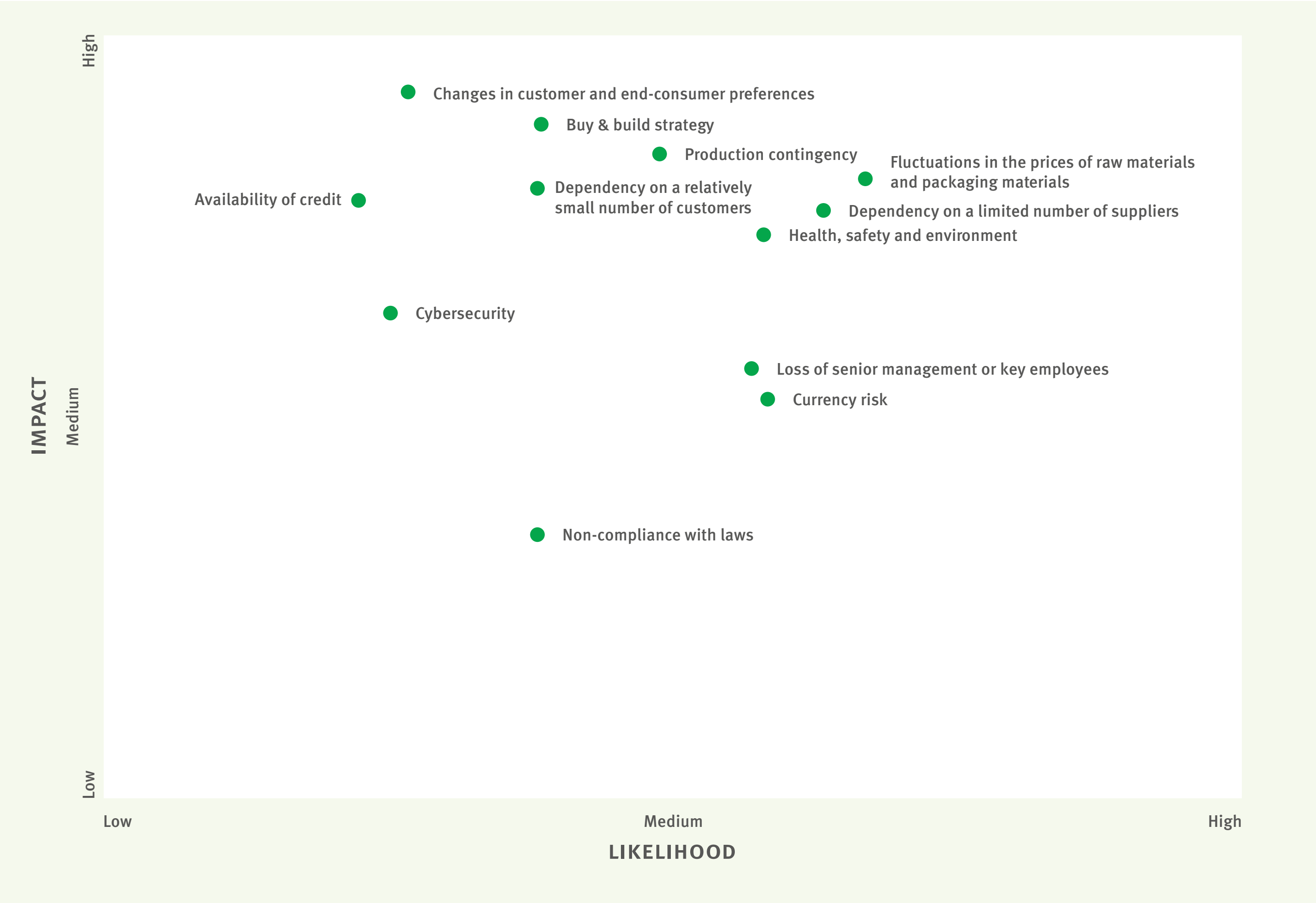
Risk	Mitigation
Cybersecurity	
The Group's operating results may be adversely affected by a breakdown of its information technology systems or a failure to develop those systems. The Group depends on key information systems to conduct its business, to provide information to management and to prepare financial reports. We rely on reputable third party providers for the majority of our key information systems and business processing services supporting our operations in several different countries. A system failure, therefore, could have serious consequences for the Group's entire business.	We implemented a centralized mail traffic scanner where incoming and outgoing mails are checked by several antivirus scanners. We performed an IT security survey and are planning employee trainings so that employees can learn more about the threats and what they can do personally to counter them. Refresco will also perform a penetration test in certain business units where malicious hackers will be mimicked to help us identify and remove potential vulnerabilities. To reduce risk main applications are running in a system landscape (development, testing & productive system). Our third party suppliers also perform audits on their performance and operations.
FINANCIAL RISKS	
Currency risk	
The Group is exposed to currency risk mainly on purchases denominated in USD. With the acquisition in the United States and the recent developments in the United Kingdom, the exposure to USD and GBP risks became a higher priority.	At any point in time the Group hedges 80 to 100% of its foreign currency exposure on contracted forecasted purchases. The Group uses currency option contracts and forward exchange contracts to hedge its currency risks, most of which have a maturity date of less than one year from the reporting date. When necessary, foreign currency contracts are rolled over on maturity. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, as necessary, to address short-term imbalances. See note 3 to the financial statements on page 78 – 79 for more detail.
Availability of credit	
A lack of capital available or expensive capital access may threaten the ability to grow.	In 2016, the company increased and extended the existing unsecured syndicated term loan facility. The refinancing will enhance the Group's financial position to continue the execution of its buy and build strategy whilst keeping a healthy balance sheet.
Note 3 to the financial statements on pages 76 – 85 gives more detail regarding the company's approach towards financial risk management and addresses certain identified risks.	

Risk	Mitigation
LEGAL AND REGULATORY RISKS	
Non-compliance with laws	
The Group may fail to comply with any laws and regulations that are applicable to its business and production facilities. This may lead to fines, interruptions in operations and increased costs. Additionally, the Group may have to recall products manufactured for third parties which may lead to significant harm to the Group's reputation.	We have a Code of Conduct and are rolling out awareness training to our employees. Our customers perform audits in which compliance with food and safety legislations are also addressed. Where relevant, we monitor legislation to ensure compliance. Finally, we have whistleblowing processes in place pursuant to which employees can address non-compliant situations.

The table gives an overview of the risks that we believe may have an adverse impact on the Group. We have included the risks in the risk grid below:

The table and the risk grid are not exhaustive. Additional risks and uncertainties of which we are not aware or that we currently believe are less material, may also adversely affect our business, financial condition, and results of operations.

Risk grid



Risk management

We believe that risk management starts with our people. An important part of risks can be managed by creating a culture of openness enabling our employees to optimize the balance between maximization of business opportunities and managing the risks involved. To ensure that our people are aware of what we believe, we have a Code of Conduct informing our organization about what the Group expects from them in terms of ethical behaviour. We are training our employees to make this even clearer and to explain who they can go to if they see a potential misconduct.

In addition to creating the right culture, we have a program of internal control and reporting procedures in place. Internal audit procedures play a key role in providing, both to the local management teams and to the Executive Board, an objective view on, and ongoing assurance as to, the effectiveness of risk management and related control systems throughout the Group. The process around letters of representation to be provided to the external auditor also increase the awareness of local management teams around risks and risk management. To ensure that newly acquired business are integrated into these internal control and reporting procedures, it is our practice to bring these into the Group's governance structure. The integration starts as soon as is practical and it is aimed for the integration to be completed by the end of the first full year of operations within the Group.

We also have various measures in place to mitigate the operational risks. All our manufacturing sites in Europe are certified to a recognized Global Food Safety Initiative Standard (GFSI) – which, depending on the country, is Global Food Standard (BRC), FSSC 22000 or the International Features Standard Food (IFS Food). Furthermore, the majority of our manufacturing sites in Europe are ISO14001 certified. In the US our three manufacturing sites are regulated through US Food & Drug Administration (FDA). Our sites are also regularly audited by our retail and A-brand customers. Where relevant, we have taken out insurance for customary risks to cover for negative financial consequences of the events insured to the maximum amount possible.

Finally, in addition to the above organizational mitigation measures, we have a proper financial position which can act as a cushion against an economic downturn.

The Executive Board has the responsibility for the establishment and oversight of the Group's risks. It is also responsible for identifying risks and implementing its risk management policies, internal controls, and reporting procedures. The Executive Board reports regularly to the Supervisory Board and the Audit Committee on issues relating to risk management and internal control and on the effectiveness of these programs.

In 2016, no major failings in the internal risk management and control systems were discovered. For 2017, the Executive Board would like to address in particular the risk of cybercrime by introducing brief e-learning sessions pursuant to which employees will learn more about the threats but also what they can do personally to counter them and we will conduct a 'penetration test' in identified business units by which malicious hackers will be mimicked and our IT systems will be penetrated. This will help us identify and remove potential vulnerabilities.

Executive Board declaration

The Executive Board of Refresco Group N.V. hereby declares, in accordance with article 5:25c of the Dutch Act on Financial Supervision and best practice II.1.5 of the Dutch Corporate Governance Code of December 2008, that to the best of its knowledge:

1. The financial statements as included on pages 62 – 118 of the Annual Report, provide a true and fair view of the assets, liabilities and financial position as at December 31, 2016 as well as the profit or loss of Refresco Group N.V. and all the business undertakings included in the consolidation in accordance with IFRS as adopted by the European Union and Part 9 of Book 2 of the Dutch Civil Code;

2. The Executive Board report included in this Annual Report provides a true and fair view of the condition on the balance sheet date and of the business performance during the financial year of Refresco Group N.V. and the companies associated with it whose details are included in the financial statements, together with a description of the main risks Refresco Group N.V. faces;

3. The internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and these controls functioned properly in the year under review and there are currently no indications that they will not continue to do so. Internal audit procedures play a key role in providing, both to the local management teams and to the Executive Board, an objective view on, and ongoing assurance as to, the effectiveness of risk management and related control systems regarding financial reporting throughout the Group.

Rotterdam March 8, 2017

Executive Board
Hans Roelofs, Chief Executive Officer
Aart Duijzer, Chief Financial Officer

Refresco share and shareholders

SHARES
Our shares are traded on Euronext Amsterdam and are traded under the symbol RFRG with ISIN code NL0011214010. Options on Refresco shares are traded on the European Options Exchange in Amsterdam.

As of June 20, 2016, Refresco is included in the Amsterdam Midcap Index (AMX). The total number of outstanding shares in 2016 was 81,160,915.

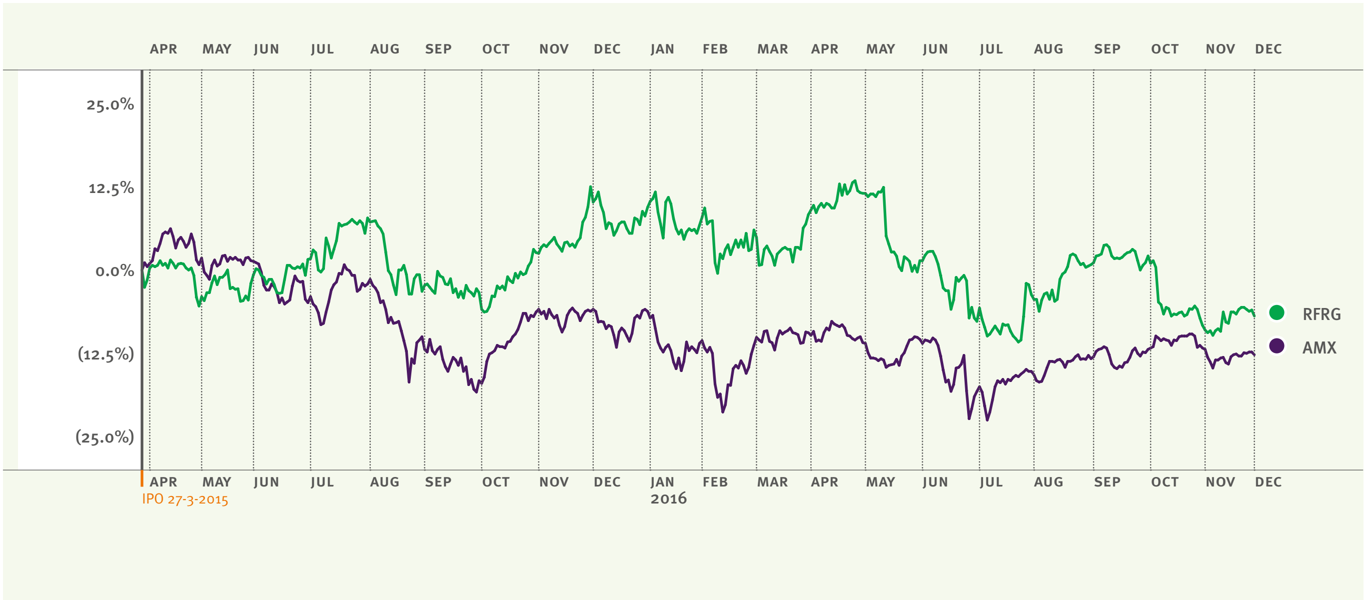
DIVIDEND POLICY
Refresco assumes a dividend payout policy that aims to pay out 35% to 50% of its annual adjusted net income. The intention to pay out a dividend is subject to numerous conditions and depends on the need to fund the growth strategy and available free cash flow, keeping in mind Refresco's continuity and credit lines. In the event of surplus cash resources, payment of a variable, extra dividend payment may be considered. Payment of any dividend may be either in cash or in shares.

At the Annual General Meeting on May 9, 2017, Refresco's Executive Board will propose a cash dividend of EUR 0.38 per share for the financial year 2016, an increase of 11.8% versus 2015.

SHARE PRICE DEVELOPMENT
On March 27, 2015 Refresco shares were listed at EUR 14.50 per share and at year-end 2016 traded at a price of EUR 14.43 per share.

> 2016 was a milestone year as Refresco paid out a dividend for the first time in the company's history.

Share price development since IPO



MAJOR SHAREHOLDERS

In the IPO, shares were offered to institutional and retail investors in the Netherlands and institutional investors in certain other jurisdictions. The listing significantly broadened Refresco's shareholder base, and Refresco's shares are widely spread over a large number of shareholders in various countries.

On October 5, 2016 Refresco announced that its three largest shareholders, Ferskur Holding 1 (Stodir), Tamoa (GZ Trust) and 3i, had informed the company that they had placed 8 million shares, representing 9.9% of Refresco's ordinary share capital, with institutional investors in an accelerated book building process. After the placement, the remaining direct combined ownership of these three shareholders amounts to approximately 22.6 million shares, representing 28% of the ordinary share capital. Following the transaction the free float increased to 72%. Refresco's Executive Board currently holds 1.9% of the shares via Okil Holding.

SHAREHOLDER STRUCTURE

Under Dutch law, shareholders must disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Authority for the Financial Markets (AFM) without delay. Our major shareholdings are included in the Substantial Holdings register of the AFM.

According to the register kept by the AFM, the following shareholders have disclosed that they own 3% or more of Refresco's total share capital as per December 31, 2016.

Date of notification	Company	(Indirect) Holding
October 5, 2016	Ferskur Holding 1 (Stodir)	14.53%
October 5, 2016	Tamoa (GZ Trust)	8.10%
October 5, 2016	3i	5.24%
May 24, 2016	Mondrian Investment Partners	5.18%
November 25, 2016	Norges Bank	5.18%
December 3, 2015	Capital Research and Management Company [1]	3.54%
March 27, 2015	Pelham Capital	3.45%
May 12, 2016	BDL Capital Management	3.22%

[1] Capital Research and Management Company holds the voting rights and Small Cap World Fund, Inc. holds the equity shares.

At the end of 2016, the top 20 registered and non-registered shareholders, owned approximately 70% of the capital. UK and US shareholders held approximately 39% of all shares.

Country	% Shares in issue	Number of holders
United Kingdom	28.42	7
Iceland	14.53	1
United States	10.8	4
Netherlands	4.98	4
Norway	4.61	1
France	3.70	1
Germany	2.53	2
Total	**69.58**	**20**

* Based on shareholder ID survey executed in October 2016.

INVESTOR RELATIONS POLICY

Refresco provides shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the Executive Board on the one hand and investors and analysts on the other are carefully handled and structured, and the company will not engage in any acts that compromise the independence of analysts in relation to the company and vice versa.

Refresco communicates with all of its investors and analysts through organizing or attending meetings such as the Annual General Meetings of Shareholders, roadshows and broker conferences. Furthermore Refresco publishes annual reports, half year reports and quarterly press releases.

Briefings are given to update the market after each quarterly announcement via group meetings or teleconference and are accessible by telephone and via our website. Meetings with investors (bilateral and general) are held regularly to ensure that the investment community receives a balanced and complete view of the company's performance and the issues faced by the business, while always observing applicable rules concerning selective disclosure, equal treatment of shareholders and insider trading. In the period preceding the publication of the results of that quarter, Refresco will be in a 'closed period'. During this time we will not hold meetings with analysts or investors, make presentations at broker conferences, or hold discussions/conference calls with investors and analysts.

Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the company. Refresco does not pay any fee(s) to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports with the exception of credit rating agencies. Contacts with the capital markets are dealt with by the members of the Executive Board, Investor Relations Manager and from time to time, other Refresco personnel specially mandated by the Executive Board.

REFRESCO RATINGS

Refresco is committed to maintaining a solid rating. Regular review meetings are held between rating agencies and Refresco senior management. In the table the most recent ratings and outlook are presented.

Rating agency	Long term rating	Outlook
Moody's	Ba3	Stable
Standard & Poor	BB	Stable

Financial calendar

Annual General Meeting of Shareholders	May 9, 2017
First quarter 2017 results	May 11, 2017
Second quarter and half year 2017 results	August 10, 2017
Third quarter 2017 results	November 9, 2017

Our drinks on every table

Health awareness starts to provoke a shift in product catagories and offers good innovation opportunities.

Refresco
Financial review
2016

Consolidated income statement

For the year ended December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Revenue	4.2	**2,107.4**	**2,016.4**
Other income	4.3	0.4	0.5
Raw materials and consumables used	4.4	(1,191.8)	(1,148.3)
Employee benefits expense	4.5	(243.9)	(221.7)
Depreciation, amortization and impairments	4.6	(87.6)	(84.5)
Other operating expenses	4.7	(455.2)	(451.9)
Operating profit		**129.3**	**110.5**
Finance income	4.8	0.1	0.4
Finance expense	4.8	(18.8)	(50.3)
Net finance costs		**(18.7)**	**(49.9)**
Profit/(loss) before income tax		**110.6**	**60.6**
Income tax (expense)/benefit	4.9	(29.1)	(18.8)
Profit/(loss) for the year		**81.5**	**41.8**
Profit/(loss) attributable to:			
Owners of the Company		81.5	42.2
Non-controlling interest		–	(0.4)
Profit/(loss) for the year		**81.5**	**41.8**
Earnings per share			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent	5.9	1.00	0.45
Basic and diluted profit from continuing operations attributable to ordinary equity holders of the parent	5.9	1.00	0.45
Pro forma earnings per share*			
Pro forma basic and diluted profit for the year attributable to ordinary equity holders of the parent	5.9	1.00	0.53
Pro forma basic and diluted profit from continuing operations attributable to ordinary equity holders of the parent	5.9	1.00	0.53

* The pro forma earnings per share are presented to show the development in the earnings per share after adjustment for the change in capital structure in 2015. See note 5.9.

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income

For the year ended December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Profit/(loss)		**81.5**	**41.8**
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	5.9	(3.3)	(5.1)
Income tax (expenses)/benefits	5.9	1.1	1.2
Total		**(2.2)**	**(3.9)**
Items that may be subsequently reclassified to profit or loss			
Cashflow hedges	5.9	2.0	(3.7)
Foreign currency translation differences for foreign operations	5.9	(30.6)	21.4
Income tax (expenses)/benefits	5.9	1.7	1.2
Total		**(26.9)**	**18.9**
Other comprehensive income/(loss)		**(29.1)**	**15.0**
Total comprehensive income/(loss)		**52.4**	**56.8**
Attributable to:			
Owners of the Company		52.4	57.2
Non-controlling interest		–	(0.4)
Total comprehensive income/(loss)		**52.4**	**56.8**

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Assets			
Property, plant and equipment	5.1	632.0	526.4
Intangible assets	5.2	548.9	445.7
Other investments	5.3	3.1	3.2
Deferred income tax	5.4	9.5	8.6
Total non-current assets		**1,193.5**	**983.9**
Inventories	5.5	242.9	206.6
Derivative financial instruments	3.1.1	10.5	4.1
Current income tax receivable		0.3	0.7
Trade and other receivables	5.6	377.7	349.2
Cash and cash equivalents	5.7	139.1	95.7
Total current assets		**770.5**	**656.3**
Assets classified as held for sale	5.8	–	0.9
Total assets		**1,964.0**	**1,641.1**
Equity			
Issued share capital		9.7	9.7
Share premium		533.0	533.0
Other reserves		(23.0)	6.1
Retained earnings		(62.7)	(77.2)
Result for the year		81.5	42.2
Total equity	5.9	**538.5**	**513.8**
Liabilities			
Loans and borrowings	5.10	749.7	549.0
Derivative financial instruments	3.1.3	11.9	10.2
Employee benefits provisions	5.11	46.4	32.3
Other provisions	5.12	1.6	3.8
Deferred income tax	5.4	23.5	9.3
Total non-current liabilities		**833.1**	**604.6**
Loans and borrowings	5.10	11.1	4.2
Derivative financial instruments	3.1.3	–	0.6
Trade and other payables	5.13	554.7	499.3
Current income tax liabilities		22.6	14.4
Provisions	5.12	4.0	4.2
Total current liabilities		**592.4**	**522.7**
Total liabilities		**1,425.5**	**1,127.3**
Total equity and liabilities		**1,964.0**	**1,641.1**

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended December 31, 2016

(x 1 million euro)	Issued share capital	Share premium	Other reserves	Retained earnings	Result for the period	Total	Non-controlling interest	Total equity
Balance as at January 1, 2016	**9.7**	**533.0**	**6.1**	**(77.2)**	**42.2**	**513.8**	**–**	**513.8**
Other comprehensive income/(loss)	–	–	(29.1)	–	–	(29.1)	–	(29.1)
Profit/(loss)	–	–	–	–	81.5	81.5	–	81.5
Total comprehensive income/(loss)	**–**	**–**	**(29.1)**	**–**	**81.5**	**52.4**	**–**	**52.4**
Appropriation of result	**–**	**–**	**–**	**42.2**	**(42.2)**	**–**	**–**	**–**
Dividends paid				(27.7)		(27.7)		(27.7)
Total transactions with owners recognized directly in equity	**–**	**–**	**–**	**(27.7)**	**–**	**(27.7)**	**–**	**(27.7)**
Balance as at December 31, 2016	**9.7**	**533.0**	**(23.0)**	**(62.7)**	**81.5**	**538.5**	**–**	**538.5**
Balance as at January 1, 2015	**5.9**	**440.7**	**(8.9)**	**(117.8)**	**38.6**	**358.5**	**2.8**	**361.3**
Other comprehensive income/(loss)	–	–	15.0	–	–	15.0	–	15.0
Profit/(loss)	–	–	–	–	42.2	42.2	(0.4)	41.8
Total comprehensive income/(loss)	**–**	**–**	**15.0**	**–**	**42.2**	**57.2**	**(0.4)**	**56.8**
Appropriation of result	**–**	**–**	**–**	**38.6**	**(38.6)**	**–**	**–**	**–**
Share capital change nominal value	3.0	(3.0)	–	–	–	–	–	–
Share capital issued	0.8	99.2	–	–	–	100.0	–	100.0
Incremental costs new shares		(3.9)	–	–	–	(3.9)	–	(3.9)
Buy non-controlling interest	–	–	–	2.0	–	2.0	(2.4)	(0.4)
Total transactions with owners recognized directly in equity	**3.8**	**92.3**	**–**	**2.0**	**–**	**98.1**	**(2.4)**	**95.7**
Balance as at December 31, 2015	**9.7**	**533.0**	**6.1**	**(77.2)**	**42.2**	**513.8**	**–**	**513.8**

For notes on equity a reference is made to 5.9.

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Profit/(loss) after tax including discontinued operations		**81.5**	**41.8**
Adjustments for:			
Depreciation, amortization and impairments	4.6	87.6	84.5
Net change in fair value derivative financial instruments		(0.6)	1.4
Net finance costs	4.8	18.7	49.9
(Gain)/loss on sale of property, plant and equipment	4.3	(0.4)	(0.3)
Income tax expense/(benefit)	4.9	29.1	18.8
Movement in employee benefit provisions and other provisions	5.11/5.12	(2.3)	(0.1)
Pension plan amendment		–	(8.0)
Cash flow from operating activities before changes in working capital		**213.6**	**188.0**
Changes in:			
Inventories	5.5	(27.6)	(15.4)
Trade and other receivables	5.6	(15.7)	38.4
Trade and other payables	5.13	25.0	(10.9)
Total change in working capital		**(18.3)**	**12.1**
Interest received		0.1	0.4
Interest paid		(16.8)	(34.3)
Early repayment fee		–	(13.3)
Income taxes paid		(22.1)	(23.0)
Net cash generated from operating activities		**156.5**	**129.9**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	5.1	1.4	2.7
Purchase of property, plant and equipment	5.1	(81.4)	(84.2)
Purchase of intangible assets	5.2	(2.7)	(2.0)
Purchase/sale of other investments	5.8	0.1	2.5
Acquisition of subsidiaries, net cash acquired	6.1	(138.0)	–
Net cash used in investing activities		**(220.6)**	**(81.0)**
Cash flows from financing activities			
Proceeds from loans and borrowings	5.10	197.5	519.1
Repayment of loans and borrowings	5.10	(65.5)	(665.5)
Proceeds of new issued shares		–	100.0
Incremental costs on issue new shares		–	(3.9)
Dividend payment		(27.3)	–
Net cash (used in)/from financing activities	5.8	**104.7**	**(50.3)**
Net cash (used in)/from operating, investing and financing activities		**40.6**	**(1.4)**
Translation adjustment		(4.5)	0.5
Movement in cash and cash equivalents		**36.1**	**(0.9)**
Cash and cash equivalents as at January 1	5.7	95.7	96.6
Cash and cash equivalents as at December 31	5.7	**139.1**	**95.7**
Bank overdraft		**(7.3)**	**–**
Cash movement		**36.1**	**(0.9)**

The cash flow statement is prepared according the indirect method.

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 GENERAL

1.1 Reporting entity

Refresco Group N.V. ('Refresco Group' or the 'Company' or, together with its group companies, the 'Group') is domiciled in the Netherlands, with its registered office at Fascinatio Boulevard 270, 3065 WB Rotterdam, trade register number 24395416 whose shares are publicly traded. The companies in note 3.1 of the company only financial statements have all been included in the consolidated financial statements.

The activities of the Group consist of the manufacturing of fruit juices and soft drinks for retailers and A-brands. Sales and production are made both domestically and abroad, the European Union being the most important market followed by the United States.

1.2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared on the historical cost convention except for derivative financial instruments which are measured at fair value.

The consolidated financial statements were approved by the Supervisory Board on March 8, 2017 and will be adopted by the Annual General Meeting of Shareholders on May 9, 2019.

The Company financial statements are part of the 2016 financial statements of Refresco Group N.V.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the Group's presentation currency. All financial information presented in Euros has been rounded to the nearest million with one decimal, unless stated otherwise.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

2.1 Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.
The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.2 Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which equals the presentation currency, which is the Euro, except for UK (GBP), US (USD) and Poland (PLN).

Transactions and balances in foreign currency
Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euros at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into Euros at the exchange rates at the dates of the transactions (or at an average rate if this is not an unreasonable approximation).

Foreign currency differences arising thereon are recognized, in other comprehensive income, in the foreign currency translation reserve. When a foreign operation is disposed of, either in part or in full, the associated cumulative amount in the foreign currency translation reserve is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Foreign exchange gains and losses arising on a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income in the foreign currency translation reserve.

2.3 Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances, checks in transit and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the cash management processes are included as a component of cash and cash equivalents for the purpose of the cash flow statement.
The accounting for finance income and expense is described in note 2.17.

Derivative financial instruments and hedging activities
The Group holds derivative financial instruments (interest rate swaps, commodity hedges, forward exchange contracts and currency options) to hedge its foreign currency, commodity and interest rate risk exposures. The Group seeks to apply hedge accounting in order to minimize the effects of fluctuations of foreign currencies and interest rates in the profit or loss.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group applies cash flow hedge accounting.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement immediately.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in other comprehensive income is transferred to the same line of profit or loss in the same period that the hedged item affects profit or loss. Where the financial instruments are held to hedge foreign currency purchases of raw materials and consumables, the changes are included in raw materials and consumables used. Where the instruments are held to hedge interest rate risk exposure, the changes are included in finance income and expense.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued and the cumulative unrealized gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity, is recognized in profit or loss immediately, or when a hedging instrument is terminated, but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognized in accordance with the above-mentioned policy when the transaction occurs.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 3.3. Movements of the hedging reserve in other comprehensive income are shown in note 5.9. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Offsetting financial instruments

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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for loans and receivables for which the expected settlement is greater than 12 months after the balance sheet date.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized 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 draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.4 Share capital

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary for the Company. Dividends thereon are recognized as distributions within equity upon approval by the General Meeting of Shareholders.

2.5 Non-controlling interest

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Subsequently profits are allocated to non-controlling interest based on their net effective interest in the subsidiary.

2.6 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a condition suitable for their intended use, and the costs of dismantling and removing the items and restoring of the site on which they are located. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are allocated to the assets when incurred.

When elements of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds of disposal with the carrying amount and are recognized on a net basis in other income in profit or loss.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably, the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each element of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings : 25 years
- Machinery and equipment : 5-10 years
- Other fixed assets : 3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Other intangibles

Software acquired by the Group is measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only to the extent that it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred. Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives, generally 3 years.

Brands acquired, separately or as part of a business combination, are capitalized if they meet the definition of an intangible asset and the recognition criteria are satisfied. Brands acquired as part of a business combination are valued at fair value based on the relief from royalty method. Brands are amortized on an individual basis over the estimated useful life of the brand.

Customer and sales channel-related and contract-based intangibles are capitalized if they meet the definition of an intangible asset and the recognition criteria are satisfied. The relationship between brands and customer and sales channel-related intangibles is carefully considered so that brands and customer and sales channel-related intangibles are not both recognized on the basis of the same cash flows. Customer and sales channel-related and contract-based intangibles acquired as part of a business combination are valued at fair value and amortized over the period of the contractual arrangements or the remaining useful life of the customer relationships.

2.8 Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. The main estimates and assumptions relate to residual values, applicable interest rates, and economic lifetime of the assets and determination of the minimum lease payments. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Other leases are operating leases and are not recognized on the balance sheet and disclosed in note 6.2.

2.9 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out method, and includes expenditure incurred in acquiring the inventories, production and conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.10 Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset that can be reliably estimated.
Impairment losses in respect of financial assets measured at amortized cost are calculated as the difference between the carrying amounts and present values of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is measured by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and for debt instruments measured in the available for sale category the reversal is recognized in profit or loss.

Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating units').

For the purpose of impairment testing, the goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.11 Assets classified as held for sale and discontinued operations

The Group classifies non-current assets (or disposal groups) as held for sale when the carrying amounts will be recovered principally through a sale transaction and a sale is highly probable. Immediately before classification as held for sale, the assets are re-measured in accordance with the accounting policies of the Group. Thereafter the assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

2.12 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.
In countries where there is no deep market in such bonds, the market rates on government bonds are used.

For pension plans whereby a limit on the employer's future contribution to the pension plans exist, the Group will reflect this limit in its calculations. For these plans the Group will apply a liability cap in case the present value of the future service cost exceeds the present value of the future maximum employer contributions and the defined benefit obligation exceeds the asset value. The liability cap does not exceed the difference between the defined benefit obligation and the asset value.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.
Past-service costs are recognized immediately in income.

Multi-employer plans

The Group also facilitates multi-employer plans, in which various employers contribute to one central pension union.

In accordance with IAS 19R, as the pension union managing the plan is not able to provide the Group with sufficient information to enable the Group to account for the plan as a defined benefit plan, the Group accounts for its multi-employer defined benefit plan as if it were a defined contribution plan.

Other long term employee benefits

The net obligation in respect of long term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations of the Group.
The calculation is performed using the projected unit credit method. Actuarial gains or losses are recognized in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employments before the normal retirement date; or an employee's decision to accept an offer of benefits in exchange for the termination of employment. A liability is recognized at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits; and when the entity recognizes costs for a restructuring and involves the payment of termination benefits.

Short term benefits
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

2.13 Provisions
A provision is recognized if, as a result of a past event, the Group has a legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restructuring
A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been publicly announced. Future operating costs are not provided for.

2.14 Revenue
Products sold
Revenue from the sale of products is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Contract manufacturing
Contract manufacturing consists of the provision of manufacturing services and sale of the resultant product. The nature and the risk profile of the contract with the customer are key in determining whether the Group is providing a manufacturing service or is selling a product. The revenue is recognized solely for the activities, ingredients and materials for which the Group is the principal and has the risk and rewards.

2.15 Government grants
Government grants are recognized at their fair value when it is reasonably assured that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset. Government grants relating to period costs are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate.

2.16 Lease payments
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized, as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are expensed as occurred.

2.17 Finance income and expense
Finance income comprises interest income on bank deposits and fair value gains on interest hedging instruments that are recognized in profit or loss. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Finance expense comprises interest expense on borrowings including derivative financial instruments, the unwinding of discount on provisions and fair value losses on interest hedging instruments that are recognized in profit or loss.

2.18 Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity or other comprehensive income in which case the income tax expense is also recognized in equity or other comprehensive income.

Current tax is the income tax expected to be payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, together with any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences in the reporting period they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset:

- if there is a legally enforceable right to offset current tax liabilities and assets, and
- if they relate to income taxes levied by the same tax authority on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities of which will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.19 New standards and interpretations

The following new standards and amendments became effective as of 1 January 2016:

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization, effective 1 January 2016
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations, effective 1 January 2016
- Amendments to IAS 16 and IAS 41- Agriculture: Bearer Plants, effective 1 January 2016
- Amendments to IAS 27- Equity Method in Separate Financial Statements, effective 1 January 2016
- Annual Improvements to IFRSs 2012-2014 Cycle, effective 1 January 2016
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception, effective 1 January 2016
- Amendments to IAS 1 – Disclosure Initiative, effective 1 January 2016
- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions, effective 1 February 2015
- Annual Improvements to IFRSs 2010-2012 Cycle (issued December 2013), effective 1 February 2015

These standards and amendments do not have a material impact on the Group's consolidated financial statements.

The following standards are issued but not yet effective as of 31 December 2016:

- IFRS 9 Financial Instruments (issued in 2014), effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- IFRS 16 Leases, effective 1 January 2019
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses, effective 1 January 2017
- Amendments to IAS 7 - Disclosure Initiative, effective 1 January 2017
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions, effective 1 January 2018
- Amendments to IAS 40 Investment Property – Transfers of Investment Property3, effective 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration3, effective 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle (issued December 2016), effective 1 January 2017 and 1 January 2018

The Group is reviewing the impact of these standards and amendments on the Group's consolidated financial statements.

For IFRS 15 the Group will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group uses the five-step model framework and expect no difficulties in identifying contracts with customers, identifying performance obligations, determining the transaction prices, allocate the transaction price to the performance obligations and revenue recognition when the Group satisfies the performance obligations. The Group expects for the main part of the customer contract no significant changes. The Group is reviewing customer contracts for presence of variable considerations such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and/or any other compensations received from clients. The Group is not able to make a proper and reliable assessment of the quantitative impact of the new standard. The Group will report the estimated impact of IFRS 15 on the financials in the second quarter of 2017.

The Group leases office buildings, warehouses, machinery and equipment and cars. For the year 2016 the Group recognizes an expense in the income statement of EUR 34.7 million and reports a contingent liability relating these assets of EUR 145.4 as per December 31, 2016 (see note 6.2). Under IFRS 16 the most of these contracts classify as leases because the Group has the right to control the assets. Under IFRS 16 the asset value of these assets will be recorded as Property, plant and equipment and the corresponding lease liability will be recorded as a liability. Besides the lease expenses will be transferred from the Other operating expenses to Depreciation, Amortization and impairments and Finance expenses. The Group is reviewing the lease contracts, identifying proper measurements and establishing the transition method. At this moment the Group is not able to make a proper and reliable assessment of the quantitative impact of the new standard.

2.20 Segment reporting

Refresco's operating segments are Europe and US that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed by the Executive Board, being the Chief Operating Decision Maker, to make decisions about resources to be allocated to the segments and to assess their performance.

Europe is centrally organized to maximize operational efficiencies, synergies, and funding through its headquarters in Rotterdam. The central activities include decisions related to allocating resources, (central) sales, operations and footprint, financing of the Group, procurement, major investments and acquisitions, human resources, treasury, reporting and ICT. In order to use its European footprint for reduction of production and transportation costs, and to be close to local clients, the segment Europe has seven regionally-focused business units, which focus on (local) sales and production.

US is centrally organized, with the headquarter in Tulsa, Oklahoma and has three regionally-focused business units, which focus on (local) sales and production.

The segments' performance is evaluated against several measures, of which operating income is the most important. Intersegment sales are executed under normal commercial terms and conditions that would also be available to unrelated third parties. Net sales are attributed to geographic regions based on the location of stores.

The segment reporting is disclosed in note 4.1 and the entity-wide disclosures have been included in note 4.1, 5.1 and 5.2.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Executive Board has the responsibility for the establishment and oversight of the risk management framework of the Group.

Risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the activities of the Group.

Through its training program and its management standards and procedures, the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The Supervisory Board oversees management's monitoring of compliance with the risk management policies and procedures of the Group and it reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

3.1.1 Credit risk

Credit risk represents the risk that counter parties fail to meet their contractual obligations, and arises principally in the receivables from customers, cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group does not have any significant concentration of credit risk. In order to reduce the exposure to credit risk, the Group carries out ongoing credit evaluations of the financial position of customers but generally does not require collateral. Use is made of a combination of independent ratings and risk controls to assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales are subject to payment conditions which are common practice in each country.

The banks and financial institutions used as counterparty for holding cash and cash equivalents and deposits and in derivative transactions can be classified as high credit quality financial institutions (minimal A rating Standard & Poor's).

The Group has policies that limit the amount of credit exposure to individual financial institutions. Management believes that the likelihood of losses arising from credit risk is remote particularly in the light of the diversification of activities.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure at the reporting date:

(x 1 million euro)		Carrying amount	
	Note	2016	2015
Non-current investments	5.3	3.1	3.2
Trade and other receivables	5.6	377.7	349.2
Derivative financial instruments	5.3	10.5	4.1
Cash and cash equivalents	5.7	139.1	95.7
Bank overdrafts	5.7	(7.3)	–
		523.1	**452.2**

The maximum exposure to credit risk for trade and other receivables at the reporting date by currency is as follows:

(x 1 million euro)	Carrying amount	
	2016	2015
Euro-zone countries (EUR)	275.2	245.2
UK (GBP)	76.1	84.7
Poland (PLN)	13.5	19.3
USA (USD)	12.9	–
	377.7	**349.2**

Ageing trade and other receivables and impairment losses:

(x 1 million euro)	2016		2015	
	Gross	Impairment	Gross	Impairment
Not past due	343.2	–	328.9	–
Past due 0 – 30 days	29.3	–	15.2	–
Past due 31 – 60 days	4.5	–	3.3	–
Past due more than 60 days	6.2	5.5	7.0	5.2
	383.2	**5.5**	**354.4**	**5.2**

The movements in the impairment loss in respect of trade and other receivables during the year were as follows:

(x 1 million euro)	2016	2015
January 1	5.2	5.0
Impairment loss recognized	0.3	1.7
Acquisitions	0.2	–
Write-off	(0.2)	(1.5)
December 31	**5.5**	**5.2**

The Group determines impairment losses on the basis of specific estimates of losses incurred in respect of trade and other receivables. Based on historic default rates, the Group believes that no impairment loss has occurred in respect of trade receivables not past due or past due by up to 60 days.

3.1.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The approach of the Group to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and more extreme conditions, without incurring unacceptable losses or risking damage to the reputation of the Group. The Group has a clear focus on financing long term growth as well as current operations. Strong cost and cash management and controls over working capital and capital expenditure proposals are in place to ensure effective and efficient allocation of financial resources.

The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, if applicable, are as shown in the following table. Insofar as these cash flows depend on future floating interest rates, which were unknown on the balance sheet date, the cash flows have been estimated on the basis of rates prevailing on the balance sheet date.

December 31, 2016

(x 1 million euro)	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years
Non-derivative financial liabilities									
Syndicated loan	727.8	784.4	6.3	6.3	12.6	12.6	12.6	734.0	–
Mortgage	25.3	31.1	1.6	1.6	3.3	3.3	3.3	3.3	14.7
Revolving credit facility	–	3.6	0.4	0.4	0.8	0.8	0.8	0.4	–
Capitalized finance costs	(7.0)	–	–	–	–	–	–	–	–
Finance lease and other loans	7.4	7.6	0.6	0.6	1.2	1.2	1.2	1.4	1.4
Trade and other payables	554.7	554.7	554.7	–	–	–	–	–	–
Current income tax liabilities and short term provisions	26.6	26.6	26.6	–	–	–	–	–	–
	1,334.8	**1,408.0**	**590.2**	**8.9**	**17.9**	**17.9**	**17.9**	**739.1**	**16.1**
Derivative financial liabilities									
Interest rate swaps	11.9	15.7	2.4	2.6	3.8	4.1	2.6	0.2	–

The Group has an undrawn revolving credit facility maturing in 2021 of EUR 150.0 million and a credit facility of GBP 2.5 million (EUR 2.9 million) in the UK. The contractual cash flows for the revolving credit facility relate to the commitment fee of the revolving credit facility of EUR 150 million.

December 31, 2015

(x 1 million euro)	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years
Non-derivative financial liabilities									
Syndicated loan	522.0	567.8	5.2	5.2	10.4	10.4	10.4	526.2	–
Mortgage	32.6	40.4	1.9	1.9	3.9	3.9	3.9	3.9	21.0
Revolving credit facility	–	–	–	–	–	–	–	–	–
Capitalized finance costs	(6.0)	–	–	–	–	–	–	–	–
Finance lease and other loans	4.6	4.8	0.4	0.4	0.3	0.6	0.6	0.6	1.9
Trade and other payables	499.3	499.3	499.3	–	–	–	–	–	–
Current income tax liabilities and short term provisions	18.6	18.6	18.6	–	–	–	–	–	–
	1,071.1	**1,130.9**	**525.4**	**7.5**	**14.6**	**14.9**	**14.9**	**530.7**	**22.9**
Derivative financial liabilities									
Interest rate swaps	10.2	14.1	1.6	1.6	3.2	2.8	2.8	1.9	–

3.1.3 Market risk

Foreign currency risk

The Group is exposed to currency risk mainly on purchases denominated in USD. At any point in time the Group hedges 80 to 100% of its foreign currency exposure on contracted forecasted purchases. The Group uses currency option contracts and forward exchange contracts to hedge its currency risks, most of which have a maturity date of less than one year from the reporting date. When necessary, foreign currency contracts are rolled over on maturity.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, as necessary, to address short term imbalances.

In order to minimize the impact of accounting mismatches in the profit or loss account, the Group applies cash flow hedge accounting. The effectiveness of the hedge relationship is measured based on changes in intrinsic value of options and fair value of forward contracts. The changes in time value of the currency options are directly recorded in the income statement, as part of raw material costs. Per year-end the cash flow hedge accounting relationships were fully effective. There are no forecasted transactions for which hedge accounting has been applied, but which are no longer expected to occur. The fair value of foreign currency instruments per reporting date is EUR 9.7 million debit (2015: EUR 4.1 million debit).

The Group records a hedge reserve of EUR 5.0 million profit net of deferred taxes in equity (2015: EUR 1.6 million profit) relating to the effective part of the intrinsic value changes of the foreign currency option contracts and the fair value of the forward contracts. During 2016 and 2015 no amounts were recorded in raw material costs due to ineffectiveness.

The amounts deferred in equity at year-end are expected to occur and to affect profit or loss for majority in 2016. All of the resulting fair value estimates are included in Level 2.

The notional amounts of exposure to significant foreign currency risks were as follows:

(x 1 million euro)					2016					2015
	USD	USD	USD	USD	EUR	USD	USD	USD	USD	EUR
	EUR/USD	GBP/USD	PLN/USD	Total USD	GBP/EUR	EUR/USD	GBP/USD	PLN/USD	Totaal USD	GBP/EUR
Trade payables	39.4	22.9	0.3	62.6	11.3	33.9	13.0	1.1	48.0	22.0
Estimated forecast purchases	94.5	49.8	5.1	149.4	62.4	89.8	20.3	4.2	114.3	28.3
Gross exposure	**133.9**	**72.7**	**5.4**	**212.0**	**73.7**	**123.7**	**33.3**	**5.3**	**162.3**	**50.3**
Forward exchange contracts/ currency option contracts	(92.6)	(44.6)	(5.1)	(142.3)	(56.7)	(98.6)	(27.4)	(4.2)	(130.3)	(44.1)
Net exposure	**41.3**	**28.1**	**0.3**	**69.7**	**17.0**	**25.1**	**5.9**	**1.1**	**32.0**	**6.2**

The change in fair value of the financial instruments used to hedge currency risk is included in raw materials and consumables in the income statement, except for the instruments for which hedge accounting is applied.

The following significant exchange rates were applied during the year:

Value of EUR 1	Average		Year-end	
	2016	2015	2016	2015
USD	1.11	1.10	1.06	1.09
GBP	0.82	0.73	0.86	0.73
PLN	4.37	4.18	4.42	4.26

Sensitivity analysis

A 10% strengthening or weakening of the Euro against the USD, the GBP against the USD, the Zloty against the USD and the GBP against the EUR at reporting date would have changed equity and profit or loss by the amounts shown below.

December 31, 2016

(x 1 million euro)	EUR/USD		GBP/USD		GBP/EUR		PLN/USD		PLN/EUR	
	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak
		Profit/(loss)		Profit/(loss)		Profit/(loss)		Profit/(loss)		Profit/(loss)
Trade payables	3.4	(4.1)	2.0	(2.4)	1.0	(1.3)	–	–	0.9	(1.1)
Foreign currency hedge	(1.7)	1.6	(0.8)	1.0	(1.6)	1.3	(0.1)	0.1	–	–
Effect profit/(loss) gross of tax	**1.7**	**(2.5)**	**1.2**	**(1.4)**	**(0.6)**	**–**	**(0.1)**	**0.1**	**0.9**	**(1.1)**
		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)
Foreign currency hedge	3.3	(5.7)	2.3	(2.8)	3.4	(2.8)	0.3	(0.2)	–	–
Effect OCI net of tax	**3.3**	**(5.7)**	**2.3**	**(2.8)**	**3.4**	**(2.8)**	**0.3**	**(0.2)**	**–**	**–**

December 31, 2015

(x 1 million euro)	EUR/USD		GBP/USD		GBP/EUR		PLN/USD		PLN/EUR	
	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak
		Profit/(loss)		Profit/(loss)		Profit/(loss)		Profit/(loss)		Profit/(loss)
Trade payables	2.8	(3.4)	1.1	(1.4)	–	–	0.1	(0.1)	–	–
Foreign currency hedge	(1.9)	1.7	(0.8)	1.0	1.6	(2.0)	0.2	(0.3)	–	–
Effect profit/(loss) gross of tax	**0.9**	**(1.7)**	**0.3**	**(0.4)**	**1.6**	**(2.0)**	**0.3**	**(0.4)**	**–**	**–**
		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)
Foreign currency hedge	3.3	(5.7)	1.1	(1.4)	(1.8)	2.1	(0.1)	0.1	–	–
Effect OCI net of tax	**3.3**	**(5.7)**	**1.1**	**(1.4)**	**(1.8)**	**2.1**	**(0.1)**	**0.1**	**–**	**–**

Interest rate risk

The Group is exposed to the effects of variable interest rates on interest-bearing long term liabilities, which is partly offset by cash held at variable rates. On fixed interest receivables and liabilities, it is exposed to market value fluctuations. For certain variable interest rate long term liabilities, the Group has entered into interest rate swap agreements through which the Group effectively pays fixed interest rates on these liabilities.

The Group applies cash flow hedge accounting to offset the profit or loss impact resulting of timing differences between variable interest rate liabilities and the interest rate swap. Throughout the year 2015 and 2016 as well as per year-end the cash flow hedge accounting relationships were effective.

The fair value of interest rate swaps per reporting date is EUR (11.9) million (2015: EUR (10.2) million). The effective part of the fair value changes of the interest rate swaps amounts to EUR 5.0 million loss net of deferred taxes in Other comprehensive income (2015: EUR 3.1 million loss).

In 2016 no amount (2015: EUR 0.1 million) was moved from the hedge reserve to financing costs. The amounts deferred in equity at year-end are expected to affect financing costs within the coming six years. All of the resulting fair value estimates are included in Level 2.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

(x 1 million euro)	Note	Carrying amount	
		2016	2015
Variable rate instruments			
Syndicated term loan and Mortgage loan	5.10	753.1	554.6
Non-current investments	5.3	(3.1)	(3.2)
Net cash as per December 31, 2016	5.7	(131.8)	(95.7)
		618.2	**455.7**
Notional amount interest rate swaps per year-end (floating to fixed)		(556.3)	(495.9)
Net position excluding cash		61.9	(40.2)

As at balance sheet date, interest rates were fixed on approximately 90.0% of the financial liability positions including the cash position as per balance date. The Group policy is to hedge 90 to 100% of the forecasted net interest rate risk, including a forecasted cash position. Per end of 2016 the forecasted position is in line with this policy.

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not have affected profit or loss.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have changed equity and profit or loss by the amounts shown in table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

December 31, 2016

(x 1 million euro)	Profit/(loss)		OCI debit/(credit)	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
Net interest (paid)/received on variable rate instruments	(0.1)	(4.1)	–	–
Change fair value interest rate swaps	1.4	(1.4)	(11.6)	11.7
Total	**1.3**	**(5.5)**	**(11.6)**	**11.7**

December 31, 2015

(x 1 million euro)	Profit/(loss)		OCI debit/(credit)	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
Net interest (paid)/received on variable rate instruments	(5.5)	0.2	–	–
Change fair value interest rate swaps	5.0	(5.0)	13.1	(13.0)
Total	**(0.5)**	**(4.8)**	**13.1**	**(13.0)**

Price risk

The Group is exposed to commodity price risks. To manage these risks procurement operates within the framework of centrally specified policies and guidelines and must act in conformance with the required internal control measures.

The Group contract positions are based on a thorough understanding of the raw material markets and in principle contracted sales are covered back-to-back. The Group centralizes the procurement of raw materials, packaging materials and indirect spend for Europe. Authority levels of local management have been shifted towards the Group central procurement organization which is executing and monitoring the main contracts and important purchase decisions. Commodities are only purchased locally after approval of the central purchasing department. Contracts exceeding predefined limits must be authorized by the Executive Board. Existing contract positions are closely monitored and, when necessary, corrective actions are evaluated and implemented.

To enable the Group to stay abreast of the current situation in the raw materials markets and maintain its gross margins, it implements pass-on clauses into sales contracts with customers. In parallel, the quality of management information has been enhanced by the development of a network enabling knowledge of markets, suppliers and conditions of raw materials to be shared at Group level. The Group hedges the raw material aluminum through derivatives.

The fair value of this raw material derivative is recognized in profit and loss. The fair value per year-end is EUR 0.8 million (2015: EUR (0.6) million).

Pension risk

The Group contributes to a number of defined benefit plans that provide pension benefits to employees upon retirement in the Netherlands, Germany, Italy and the UK. The amount of the benefits depends on age, salary and years of service. Furthermore, the Group has an indemnity plan in France and obligations for jubilee in the Netherlands, Germany and France. The financial figures are affected by the market interest rates and fair value of listed bonds and equity shares included in plan assets. We refer to note 5.11.

3.2 Capital management

The policy of the Group is to maintain a sufficient capital base to maintain investor, creditor and market confidence and to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

For the purpose of the Group's objective to maintain a sufficient capital base, the Group manages the Net debt ratio calculated as the Net debt divided by the last twelve months Adjusted EBITDA.

(x 1 million euro)	Note	2016	2015
Interest-bearing loans and borrowings long term	5.10	749.7	549.0
Interest-bearing loans and borrowings short term		11.1	4.2
Less: cash and short term deposits	5.7	(139.1)	(95.7)
Net debt		**621.7**	**457.5**
Equity	5.9	**538.5**	**513.8**
Operating result (EBIT)		129.3	110.5
Amortization, Depreciation, Impairment PP&E & IFA		87.6	84.5
EBITDA		**216.9**	**195.0**
Exceptional cost adjustment		5.1	21.2
Last twelve months Adjusted EBITDA		**222.0**	**216.2**
Net debt ratio		**2.8**	**2.1**

The Group calculates for the syndicated term loan agreement a more advanced Net debt ratio based on the agreement and amounts to 2.6 as per December 31, 2016.

The Loan agreement requires that this Net debt ratio (Leverage ratio) will not exceed: (a) in the case of each Relevant Period ending on or before 31 December 2018, 4.00:1.00; or (b) in the case of each Relevant Period ending after 31 December 2018, 3.75:1.00.

The mark-up for interest payable for the syndicated term loan and revolving credit facility is also depended on the Net debt ratio. See note 5.10.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

3.3 Determination of fair values

A number of the accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods set out below. Where applicable further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property would likely be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of machinery and equipment and other fixed assets is based on the quoted market prices for similar items.

Other intangible assets

The fair value of brands and sales channels acquired in a business combination is determined based on the relief of royalty method. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of these assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale and less a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables equal the carrying amount due to the short term nature.

Levels of financial instruments

The Group defines the following different levels of fair value:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- 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) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

Non-derivative financial liabilities

Fair value for disclosure purposes is based on their listed market price, if available. If a listed market price is not available, the fair value is estimated by calculating of the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair values

The carrying amounts of other financial assets and liabilities approximate their fair value as they have variable interest rates and the impact of discounting is therefore not significant.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2016. See note 5.8 for disclosures of assets held for sale that are measured at fair value.

December 31, 2016

(x 1 million euro)	Level 1	Level 2	Level 3	Total
FX instruments (debit)	–	9.7	–	9.7
Commodity swaps (debit)	–	0.8	–	0.8
Interest rate swaps	–	(11.9)	–	(11.9)
Total	**–**	**(1.4)**	**–**	**(1.4)**

December 31, 2015

(x 1 million euro)	Level 1	Level 2	Level 3	Total
FX instruments (debit)	–	4.1	–	4.1
Commodity swaps	–	(0.6)	–	(0.6)
Interest rate swaps	–	(10.2)	–	(10.2)
Total	**–**	**(6.7)**	**–**	**(6.7)**

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows of derivative financial instruments, where applicable, are based on Eonia curve at the reporting date. The implicit interest rate used for the finance leases is 4.2% for 2016 (2015: 4.6%).

3.4 Offsetting financial assets and financial liabilities

The Group uses a cash pool structure to facilitate the central cash management function. The Group has the intention and the legal right to settle cash on a net basis.

December 31, 2016

(x 1 million euro)	Gross carrying amounts	Gross amounts offset	Net amount presented in statement of financial position	Amounts available to be offset in bankruptcy or default		Net exposure
				Financial instruments	Collateral	
Assets						
Cash and cash equivalents	148.2	(9.1)	139.1	–	–	139.1
Liabilities	(9.1)	9.1	–	–	–	–
Total	**139.1**	**–**	**139.1**	**–**	**–**	**139.1**

December 31, 2015

(x 1 million euro)	Gross carrying amounts	Gross amounts offset	Net amount presented in statement of financial position	Amounts available to be offset in bankruptcy or default		Net exposure
				Financial instruments	Collateral	
Assets						
Cash and cash equivalents	113.2	(17.5)	95.7	–	–	95.7
Liabilities	(17.5)	17.5	–	–	–	–
Total	**95.7**	**–**	**95.7**	**–**	**–**	**95.7**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when either elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

3.5 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, especially the periodical review of useful lives and residual values of property plant and equipment. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any subsequent periods affected.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Held for sale

In 2016 the Board of Directors announced its decision to close the Nieszawa plant in Poland. The plant is not yet available for sale. Management considered that the the criteria to be classified as held for sale are not met as per December 31, 2016.

Segmentation

Refresco's management defines the operating segments Europe and US in the context of IFRS 8. Because of the high level of centralization and integration within Europe, the Group considers Europa as one segment. The core functions for Europe are performed at the headquarter in Rotterdam and the Group applies the Pan European approach to its Europe operations. The core functions for US are performed separately from the Europe operations.

Contract manufacturing

Contract manufacturing consists of the provision of manufacturing services and sale of the resultant product. The nature and the risk profile of the contract with the customer are key in determining whether the Group is providing a manufacturing service or is selling a product.
The revenue is recognized solely for the activities, ingredients and materials for which the Group is the principal and has the risk and rewards.

Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated goodwill

The group estimates the fair values of assets and liabilities acquired by acquisitions. This measurement is provisional and can be adjusted within 12 months after the date of each acquisition. The acquisitions are recorded in note 6.1.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.10.
The recoverable amounts of cash-generating units have been determined based on value-in-use calculations and are recorded in note 5.2.
These calculations require the use of estimates.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Additional information is disclosed in note 2.3.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 5.11.

Information for other areas of estimation and critical judgment used in applying accounting policies can be found in the following notes:

- Note 2.8: Leased assets
- Note 3: Financial risk management
- Note 5.1: Property plant and equipment
- Note 5.2: Intangible assets
- Note 5.12: Other provisions

4 NOTES TO THE CONSOLIDATED INCOME STATEMENT

4.1 Segment reporting

Refresco's operations are presented in two reportable segments Europe and US. In 2015 Refresco had one operating segment Europe. The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements as described in note 2.

(x 1 million euro)	Note	December 31, 2016	December 31, 2016	December 31, 2016	December 31, 2015
		Europe	US	Refresco Group	Refresco Group
Consolidated income statement					
Revenue	4.2	2,068.5	38.9	2,107.4	2,016.4
Other income	4.3	0.4	–	0.4	0.5
Raw materials and consumables used	4.4	(1,177.6)	(14.2)	(1,191.8)	(1,148.3)
Employee benefits expense	4.5	(234.0)	(9.9)	(243.9)	(221.7)
Depreciation, amortization and impairments	4.6	(83.9)	(3.7)	(87.6)	(84.5)
Other operating expenses	4.7	(438.1)	(17.1)	(455.2)	(451.9)
Operating profit		**135.3**	**(6.0)**	**129.3**	**110.5**
Net finance costs		**(17.3)**	**(1.4)**	**(18.7)**	**(49.9)**
Profit/(loss) before income tax		**118.0**	**(7.4)**	**110.6**	**60.6**
Income tax (expense)/benefit	4.9	(31.2)	2.1	(29.1)	(18.8)
Profit/(loss) for the year		**86.8**	**(5.3)**	**81.5**	**41.8**
Total asset value		**1,856.6**	**185.5**	**1,964.0**	**1,641.1**
Total liabilities		**1,382.9**	**120.7**	**1,425.5**	**1,127.3**
Additions and business combinations					
Additions to property, plant and equipment, investment property, and intangible assets		81.5	6.3	87.8	80.8
Property, plant and equipment and intangible assets acquired through business combinations (including Goodwill)		109.4	127.4	236.8	–
Depreciation, amortization and impairments					
Depreciation of property, plant and equipment		79.9	3.5	83.4	81.1
Amortization of intangible assets		2.9	0.2	3.1	2.4
Impairment on tangible fixed assets		1.1	–	1.1	–
Impairment on assets held for sale		–	–	–	1.0
Depreciation, amortization and impairments		**83.9**	**3.7**	**87.6**	**84.5**

The total asset value of Europe and total liability of US includes an intercompany loan of EUR 78.1 million. The total revenue of the country of domicile amounts to EUR 594.8 million (2015: EUR 491.2 million). The total non-current assets of the country of domicile amounts to EUR 408.0 million (2015: EUR 340.0 million). The entity-wide disclosures have been included in note 5.1 and 5.2.

4.2 Revenue

(x 1 million euro)	2016	2015
Private label and own brands	1,623.6	1,654.0
Contract manufacturing	483.8	362.4
	2,107.4	**2,016.4**

The revenue by location of sales is set forth in the table below.

(x 1 million euro)	2016	2015
Benelux	506.1	410.2
Germany	414.2	439.7
France	315.4	312.4
Iberia	157.7	154.8
Italy	152.6	153.7
UK	378.6	377.0
Other	143.9	168.6
Total Europe	**2,068.5**	**2,016.4**
US	38.9	–
Total Group	**2,107.4**	**2,016.4**

The liters by location of sales are set forth in the table below.

(x 1 liters million)	2016	2015
Benelux	1,267.5	1,017.8
Germany	1,360.6	1,466.3
France	913.8	891.1
Iberia	581.1	571.5
Italy	837.4	860.3
UK	714.4	625.7
Other	528.2	662.8
Total Europe	**6,203.0**	**6,095.5**
US	259.3	–
Total Group	**6,462.3**	**6,095.5**

4.3 Other income

Other income relates entirely to gains and/or losses on sale of property, plant and equipment.

4.4 Raw materials and consumables used

(x 1 million euro)	2016	2015
Raw materials and consumables	801.6	719.9
Packaging materials	375.1	413.0
Product tax	15.1	15.4
	1,191.8	**1,148.3**

4.5 Employee benefits expense

(x 1 million euro)	Note	2016	2015
Wages and salaries		194.5	183.5
Compulsory social security contributions		40.7	36.9
Pension contributions to defined contribution schemes		6.3	3.2
Pension costs of defined benefit schemes	5.11	2.4	5.0
Pension costs of defined benefit past service cost	5.11	–	(8.0)
Pension costs of defined benefit schemes other		–	1.1
		243.9	**221.7**

During 2016 the average number of fixed employees in the Group, in full-time equivalents ('FTEs'), was 4,465 (2015: 4,029), of which 3,782 (2015: 3,499) were employed outside the Netherlands.

Pension costs of defined benefit schemes 2015 includes an income of EUR 8.0 million relating to the expiration of the defined benefit pension arrangement in the Netherlands.

4.6 Depreciation, amortization and impairments

(x 1 million euro)	Note	2016	2015
Depreciation of property, plant and equipment	5.1	83.4	81.1
Amortization of intangible assets	5.2	3.1	2.4
Impairment on tangible fixed assets	5.1	1.1	–
Impairment on assets held for sale	5.8	–	1.0
		87.6	**84.5**

In 2016 the impairment is related to land and buildings and machinery and equipment of the manufacturing site in Nieszawa (Poland).
In 2015 the impairment on asset held for sale is related to the impairment of the Heerlen (The Netherlands) plant based on a reassessment of the purchase price and clean-up cost. This plant was sold in 2016.

4.7 Other operating expenses

(x 1 million euro)	Note	2016	2015
Freight charges		92.2	100.9
Other cost of sales		71.8	62.6
Promotion costs		5.1	5.7
Temporary staff		26.6	20.0
Other personnel costs		15.4	14.6
Rent and leasing of machinery and equipment	6.2	22.9	25.4
Maintenance		56.6	52.7
Energy		46.0	48.8
Advice and legal costs		9.9	26.8
Housing costs, including rental of buildings	6.2	18.3	16.5
Storage costs		35.6	32.7
Other operating costs		54.8	45.2
		455.2	**451.9**

Advice and legal costs includes EUR 2.4 million related to the business acquisitions as disclosed in note 6.1. In 2015 this balance included EUR 16.8 million related to the process to actively explore a new capital structure to support future growth and EUR 1.3 million cost relating the refinancing.

4.8 Net finance costs

Net finance costs recognized in the income statement

(x 1 million euro)	2016	2015
Interest income	0.1	0.4
Finance income	**0.1**	**0.4**
Interest expense on financial liabilities measured with effective interest method	(17.1)	(31.1)
Early repayment fee Bond loan	–	(13.3)
Cost of borrowings	(1.6)	(7.4)
Change in fair value of derivatives recognized in profit and loss	(0.1)	1.5
Finance costs	**(18.8)**	**(50.3)**
Net finance costs	**(18.7)**	**(49.9)**

The net change in fair value of derivative financial instruments of EUR (0.1) million (2015: EUR 1.5 million) relates to changes in the fair value of the interest rate swaps concluded by the Group to hedge the external financing with variable interest rates. The amount reflects the change in fair value of interest rate swaps for which no hedge accounting is applied and/or the releases from other comprehensive income. The amounts are part of interest expenses.

The cost of borrowing relates to the financing costs which were capitalized in the aggregate amount and the effective interest method is applied. The amount 2015 includes the release of EUR 5.8 million related to the former capitalized finance cost relating Senior secured Notes and former revolving credit facility.

(x 1 million euro)	2016	2015
Initial capitalized amount		
Syndicated external loans 2015	5.1	5.1
Revolving credit facility 2015	1.5	1.5
Syndicated external loans 2016	2.7	–
Total	**9.3**	**6.6**
Capitalized amount		
Financing costs capitalized as at January 1	6.0	6.8
Write-down of financing cost related to the Senior secured notes and former revolving credit facility	–	(5.8)
Financing costs syndicate loan agreement	2.7	6.6
Amortization	(1.7)	(1.6)
Financing costs capitalized as at December 31	**7.0**	**6.0**

Finance income and costs recognized in other comprehensive income

(x 1 million euro)	2016	2015
Foreign currency translation differences for foreign operations	(30.6)	21.4
Effective portion of changes in fair value of cash flow hedges	(2.5)	(0.1)
Tax effect	2.2	0.3
Net finance income/(costs) recognized in other comprehensive income, net of tax	**(30.9)**	**21.6**
Recognized in:		
Translation reserve	(28.4)	21.7
Hedging reserve	(2.5)	(0.1)
Net finance income/(costs) recognized in other comprehensive income, net of tax	**(30.9)**	**21.6**

4.9 Income tax expense

(x 1 million euro)	2016	2015
Current tax expense		
Current income tax	(31.9)	(24.4)
Other taxes	(1.3)	(2.0)
Withholding taxes	(0.5)	(0.4)
	(33.7)	**(26.8)**
Deferred tax expenses		
Deferred income tax current year	4.5	7.2
Deferred income tax previous years	0.1	0.8
	4.6	**8.0**
Total income tax (expense)/benefit	**(29.1)**	**(18.8)**

Reconciliation of effective tax rate

(x 1 million euro)		2016		2015
		%		%
Result before tax	110.6		60.6	
Income tax based on the Group's blended tax rate	(29.1)	26.3%	(15.2)	25.0%
Non-deductible operational expenses	(1.1)	1.0%	(0.9)	1.5%
Non-deductible interest expenses	(1.0)	0.9%	(1.1)	1.8%
Investment allowances	1.4	(1.3%)	1.0	(1.7%)
Notional interest deduction	1.6	(1.4%)	0.1	(0.2%)
Non-deductible IPO related expenses	(0.7)	0.6%	(2.5)	4.1%
Participation related results	(0.1)	0.1%	(0.2)	0.3%
Tax rate change impact	0.1	(0.1%)	(0.9)	1.5%
(De)recognition (un)recognized deferred tax assets	0.2	(0.2%)	4.7	(7.8%)
Other taxes	(2.1)	1.9%	(2.9)	4.8%
Prior period taxes	1.1	(1.0%)	0.8	(1.3%)
Movement uncertain tax provision	–	0.0%	(1.6)	2.6%
Other reconciling items	0.6	(0.5%)	(0.1)	0.2%
Total income tax (expense)/benefits	**(29.1)**	**26.3%**	**(18.8)**	**31.0%**

The effective tax rate is 26.3% (2015: 31.0%), which is in line with the blended Group tax rate of 26.3% (2015: 25.0%). The effective tax rate is mainly explained by non-deductible transaction costs in the Netherlands and the US, non-deductible interest expenses in France and Germany and non-deductible operational costs in all jurisdictions. Furthermore, the effective tax rate is impacted by the rate change in Italy and Germany, other taxes to be paid in France and Italy. Finally, notional interest deduction in Belgium and Italy, investment allowances in several jurisdictions and the recognition of previously unrecognized deferred tax assets have a positive impact on the effective tax rate.

Income tax recognized in other comprehensive income

(x 1 million euro)	2016	2015
Changes in tax on currency translation adjustment	2.2	0.3
Changes in tax on hedging reserve foreign currency and interest hedge instruments	(0.5)	0.9
Changes in tax on actuarial gains and losses in OCI	1.1	1.2
Total income tax (expense)/benefit in other comprehensive income	**2.8**	**2.4**

5 Notes to the consolidated balance sheet

5.1 Property, plant and equipment

(x 1 million euro)	Note	Land and buildings	Machinery and equipment	Other fixed assets	Under construction	Total
Cost						
January 1, 2015		307.7	504.6	46.7	34.6	893.6
Additions		5.3	30.4	2.7	40.4	78.8
Reclassifications		7.0	39.9	2.0	(52.2)	(3.3)
Acquired through business combinations		–	–	–	–	–
Disposals		–	(18.5)	(2.9)	–	(21.4)
Effect of movements in exchange rates		4.6	4.8	0.1	–	9.5
December 31, 2015		**324.6**	**561.2**	**48.6**	**22.8**	**957.2**
January 1, 2016		324.6	561.2	48.6	22.8	957.2
Additions		0.9	28.0	3.6	52.5	85.0
Reclassifications		5.5	42.5	1.1	(49.1)	–
Acquired through business combinations	6.1	35.5	68.5	7.0	6.4	117.4
Disposals		–	(16.2)	(2.5)	–	(18.7)
Effect of movements in exchange rates		(11.0)	(11.2)	0.2	0.2	(21.8)
December 31, 2016		**355.5**	**672.8**	**58.0**	**32.8**	**1,119.1**
Depreciation and impairment losses						
January 1, 2015		(56.9)	(286.1)	(27.1)	–	(370.1)
Depreciation for the year	4.6	(15.8)	(60.3)	(5.0)	–	(81.1)
Reclassification		1.0	(0.7)	1.6	–	1.9
Impairment	4.6	–	–	–	–	–
Disposals		–	18.2	2.9	–	21.1
Effect of movements in exchange rates		(0.3)	(2.2)	(0.1)	–	(2.6)
December 31, 2015		**(72.0)**	**(331.1)**	**(27.7)**	**–**	**(430.8)**
January 1, 2016		(72.0)	(331.1)	(27.7)	–	(430.8)
Depreciation for the year	4.6	(13.5)	(64.2)	(5.7)	–	(83.4)
Reclassification		(0.9)	(1.0)	1.9	–	–
Impairment	4.6	(0.5)	(0.6)	–	–	(1.1)
Disposals		–	15.9	2.5	–	18.4
Effect of movements in exchange rates		1.3	8.4	0.1	–	9.8
December 31, 2016		**(85.6)**	**(372.6)**	**(28.9)**	**–**	**(487.1)**
Carrying amounts						
January 1, 2015		250.8	218.5	19.6	34.6	523.5
December 31, 2015		252.6	230.1	20.9	22.8	526.4
December 31, 2016		269.9	300.2	29.1	32.8	632.0

Impairment losses

In 2016 the impairment is related to land and buildings and machinery and equipment of the manufacturing site in Nieszawa (Poland).

Financial leases

The Group leases a warehouse and production equipment under a number of finance lease agreements secured on the underlying leased assets (reference is made to note 5.10). At December 31, 2016, the carrying amount of leased plant and machinery was EUR 4.5 million (2015: EUR 4.1 million).

Collateral

Collateral on the land and buildings in Bridgwater in the UK is given for the mortgage loan for an amount of EUR 57.1 million (2015: EUR 68.9 million).

Reclassification

The reclassification relates to a transfer of amounts to the correct assets classes.

Property, plant and equipment under construction

Property, plant and equipment under construction relates mainly to expansion of production facilities in the Netherlands, Germany, France, Poland and the US. After construction is complete, the assets are reclassified to the applicable property, plant and equipment category. The net balance of reclassifications is related to assets under construction transferred to intangible fixed assets.

The entity-wide disclosures for property, plant and equipment

(x 1 million euro)	2016	2015
Benelux	103.6	67.2
Germany	111.8	101.0
France	78.3	82.5
Iberia	58.4	51.6
Italy	75.5	77.3
UK	89.5	105.3
Other	44.3	41.5
Total Europe	**561.4**	**526.4**
US	70.6	–
Total Group	**632.0**	**526.4**

5.2 Intangible assets

(x 1 million euro)	Note	Goodwill	Brands and sales channels	Other	Under construction	Total
Cost						
January 1, 2015		439.9	7.6	15.8	0.4	463.7
Acquisitions through business combinations	6.1	–	–	–	–	–
Additions		–	–	1.2	0.8	2.0
Reclassifications		–	–	2.4	(1.0)	1.4
Effect of movements in exchange rates		16.9	–	–	–	16.9
December 31, 2015		**456.8**	**7.6**	**19.4**	**0.2**	**484.0**
January 1, 2016		456.8	7.6	19.4	0.2	484.0
Acquisitions through business combinations	6.1	107.6	11.8	–	–	119.4
Additions		–	–	1.5	1.2	2.7
Reclassifications		–	–	1.6	(1.2)	0.4
Effect of movements in exchange rates		(18.5)	0.7	(0.1)	–	(17.9)
December 31, 2016		**545.9**	**20.1**	**22.4**	**0.2**	**588.6**
Amortization and impairment losses						
January 1, 2015		(18.0)	(4.4)	(12.9)	–	(35.3)
Amortization for the year	4.6	–	(0.7)	(1.7)	–	(2.4)
Impairment losses	4.6	–	–	–	–	–
Reclassifications		–	–	–	–	–
Effect of movements in exchange rates		(0.6)	–	–	–	(0.6)
December 31, 2015		**(18.6)**	**(5.1)**	**(14.6)**	**–**	**(38.3)**
January 1, 2016		(18.6)	(5.1)	(14.6)	–	(38.3)
Amortization for the year	4.6	–	(0.9)	(2.2)	–	(3.1)
Impairment losses	4.6	–	–	–	–	–
Reclassifications		–	–	–	–	–
Effect of movements in exchange rates		1.7	–	–	–	1.7
December 31, 2016		**(16.9)**	**(6.0)**	**(16.8)**	**–**	**(39.7)**
Carrying amounts						
January 1, 2015		421.9	3.2	2.9	0.4	428.4
December 31, 2015		438.2	2.5	4.8	0.2	445.7
December 31, 2016		529.0	14.1	5.6	0.2	548.9

The net balance of reclassifications relates to assets which were classified as assets under construction in intangible fixed assets and reclassifications with Property, plant and equipment.

Amortization and impairment charge

Amortization and impairment losses are recognized in Depreciation, amortization and impairment expense in the income statement.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units of the Group, being the lowest level within the Group at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

(x 1 million euro)	2016	2015
Benelux	145.4	93.7
Germany	44.0	39.8
France	82.5	82.5
Iberia	35.7	35.7
Italy	25.0	25.0
UK	114.3	134.0
Poland	21.6	22.1
Finland	5.4	5.4
Total Europe	**473.9**	**438.2**
US	55.1	–
Total Group	**529.0**	**438.2**

The increase in goodwill in Benelux, Germany and US during 2016 relates to the business acquisitions. The decrease of the goodwill in UK relates to the foreign currency effect. The increase of the goodwill of US after acquisition relates to the foreign currency effect. Reference is made to note 6.1.

The recoverable amounts of the cash-generating units are based on value-in-use calculations. Value-in-use was determined by discounting the future pre-tax cash flows generated from the continuing use of the unit using a pre-tax discount rate and was based on the following key assumptions:

- Cash flows were projected based on the current operating results and the 3-year business plan covering the period 2017-2019, which is approved by the Executive and Supervisory Board. Future cash flows beyond this period were extrapolated using a growth rate which is based on the growth expectations of the local market. These growth expectations are retrieved from researches of independent external sources. The growth rates are in a range of 0.5% to 2.3% and are considered conservative taking into account the expected private label market development. The company takes into account production efficiency improvements, waste reduction and cost reduction programs, which will contribute positive to the future cash flows. Management believes that this forecast period was appropriate to the long term nature of the business.
- A pre-tax discount rate is based on credit risk per country, a weighted average cost of capital applicable to the industry and the applicable tax rate per cash generating unit.

Pre-tax discount rate (%)	2016	2015
Benelux	8.2	8.3
Germany	8.6	9.1
France	10.0	9.3
Iberia	11.1	11.2
Italy	10.8	11.2
UK	9.5	8.9
Poland	10.1	9.5
Finland	7.7	8.3
US	12.4	–

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources (historical data). The recoverable amounts of the units were determined to be higher than their carrying values and accordingly no impairment charges have been recognized.

Sensitivity analysis

A sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a different outcome of the impairment test.

The entity-wide disclosures for brands and sales channels, other and assets under construction.

(x 1 million euro)	2016	2015
Benelux	0.8	0.8
Germany	2.4	1.9
France	0.5	0.6
Iberia	0.5	0.1
Italy	2.2	2.7
UK	0.2	0.4
Other	1.0	1.0
Total Europe	**7.6**	**7.5**
US	12.3	–
Total Group	**19.9**	**7.5**

5.3 Other investments

Non-current investments

(x 1 million euro)	2016	2015
Non-current investments		
Deposits and other financial fixed assets	3.1	3.2
	3.1	**3.2**

Current investments

(x 1 million euro)	2016	2015
Current investments		
Derivatives used for foreign currency hedging	10.5	4.1
	10.5	**4.1**

The exposure to credit, currency and interest rate risks related to other investments is disclosed in note 3.

5.4 Deferred income tax assets and liabilities

The deferred tax assets and liabilities are related to the following account balances:

(x 1 million euro)	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	0.7	0.5	(51.7)	(33.0)	(51.0)	(32.5)
Intangible assets	1.4	1.7	(5.1)	(0.5)	(3.7)	1.2
Inventories	0.6	0.4	–	–	0.6	0.4
Trade and other receivables	1.2	1.3	(1.6)	–	(0.4)	1.3
Loans and borrowings	2.6	0.5	(1.1)	(1.1)	1.5	(0.6)
Derivatives	2.2	1.2	(0.2)	–	2.0	1.2
Employee benefits provision	7.6	6.3	–	–	7.6	6.3
Other provisions	1.1	1.2	–	–	1.1	1.2
Current liabilities	4.0	2.1	–	(0.2)	4.0	1.9
Tax loss carry forward	24.3	18.9	–	–	24.3	18.9
Deferred tax assets/(liabilities)	**45.7**	**34.1**	**(59.7)**	**(34.8)**	**(14.0)**	**(0.7)**
Deferred tax asset on balance sheet					9.5	8.6
Deferred tax liability on balance sheet					(23.5)	(9.3)
Net deferred tax assets/(liabilities)					**(14.0)**	**(0.7)**

On the balance sheet deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

December 31, 2016

(x 1 million euro)	January 1, 2016	Reported in profit and loss account	Reported in equity/OCI	Acquired in business combinations	Effect of movement in exchange rates	Other movements	December 31, 2016
Property, plant and equipment	(32.5)	4.8	–	(23.2)	(0.1)	–	(51.0)
Intangible assets	1.2	(0.1)	–	(4.5)	(0.3)	–	(3.7)
Inventories	0.4	0.2	–	–	–	–	0.6
Trade and other receivables	1.3	(0.3)	(1.4)	–	–	–	(0.4)
Loans and borrowings	(0.6)	(0.3)	2.3	–	0.1	–	1.5
Derivatives	1.2	0.1	0.9	–	(0.2)	–	2.0
Employee benefits provision	6.3	0.2	1.0	0.1	–	–	7.6
Other provisions	1.2	–	–	(0.1)	–	–	1.1
Current liabilities	1.9	0.9	–	1.0	0.2	–	4.0
Tax loss carry-forwards	18.9	(0.8)	–	6.2	–	–	24.3
Deferred tax assets/(liabilities)	**(0.7)**	**4.7**	**2.8**	**(20.5)**	**(0.3)**	**–**	**(14.0)**

December 31, 2015

(x 1 million euro)	January 1, 2015	Reported in profit and loss account	Reported in equity/OCI	Acquired in business combinations	Effect of movement in exchange rates	Other movements	December 31, 2015
Property, plant and equipment	(38.3)	6.2	–	–	(0.6)	0.2	(32.5)
Intangible assets	1.0	0.2	–	–	–	–	1.2
Inventories	0.4	–	–	–	–	–	0.4
Trade and other receivables	0.9	0.4	–	–	–	–	1.3
Loans and borrowings	(1.4)	0.1	0.8	–	–	(0.1)	(0.6)
Derivatives	0.5	(0.2)	0.9	–	0.1	(0.1)	1.2
Employee benefits provision	6.4	(1.3)	1.2	–	–	–	6.3
Other provisions	1.1	0.1	–	–	0.1	(0.1)	1.2
Current liabilities	1.6	0.4	–	–	–	(0.1)	1.9
Tax loss carry-forwards	16.7	2.1	–	–	–	0.1	18.9
Deferred tax assets/(liabilities)	**(11.1)**	**8.0**	**2.9**	**–**	**(0.4)**	**(0.1)**	**(0.7)**

Tax losses carry-forwards

The Group recognizes deferred tax assets on loss carry forwards to the extend future taxable profits are expected and can be offset with these losses. These loss carry forwards amount to EUR 128.0 million (2015: EUR 122.5 million) as per December 31, 2016, of which EUR 17.4 million (2015: EUR 23.8 million) is not recognized. The deferred tax assets related to loss carry forwards expire in the following years:

(x 1 million euro)	2016	2015
After 2017 but not unlimited	5.5	5.8
Unlimited	23.8	17.9
Total	**29.3**	**23.7**
Recognized as deferred tax assets	24.3	18.9
Unrecognized	5.0	4.8

The increase in the deferred tax assets relating to tax attributes is mainly caused by the acquired US business. Furthermore, we have incurred additional losses in Poland. On the other hand, available tax attributes have been utilized in France, Spain, Germany, Italy, Finland and the UK. The unrecognized losses are attributable to the UK, where the available losses are ring-fenced for offsetting with future profits.

5.5 Inventories

(x 1 million euro)	2016	2015
Stock of raw materials and consumables	160.1	144.7
Stock of finished goods	82.8	61.9
	242.9	**206.6**

Inventory is shown net of a provision for obsolescence of EUR 12.2 million (2015: EUR 11.6 million).

5.6 Trade and other receivables

(x 1 million euro)	Note	2016	2015
Trade receivables		322.8	304.1
Other receivables, prepayments and accrued income		33.7	33.4
Other taxes and social security premiums		21.2	11.7
	3.1.1	**377.7**	**349.2**
Non-current		–	–
Current		377.7	349.2

The exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 3. The trade receivables are recorded net of an allowance for doubtful debts of EUR 5.5 million (2015: EUR 5.2 million).

5.7 Cash and cash equivalents

(x 1 million euro)	2016	2015
Bank balances	139.1	95.7
Deposits	–	–
Cash and cash equivalents	**139.1**	**95.7**
Bank overdrafts (included in loans and borrowings)	(7.3)	–
Cash and cash equivalents in the consolidated cash flow statement	**131.8**	**95.7**

Total amount blocked for bank guarantees and issued letters of credits is EUR 7.2 million (2015: EUR 10.1 million). The term of the deposits is less than 3 months.

The exposure to interest rate risk and the sensitivity analysis for financial assets and liabilities are disclosed in note 3.1.3.

5.8 Assets classified as held for sale

(x 1 million euro)	2016	2015
Assets classified as held for sale	–	0.9
Liabilities classified as held for sale	–	–
Net balance	**–**	**0.9**

The assets held for sale end of 2015 consist of property, plant and equipment in Heerlen (Netherlands). The plant is sold in 2016.

The movement of assets and liabilities held for sale is as follows:

(x 1 million euro)	2016	2015
Assets classified as held for sale as at January 1	0.9	3.8
Result on sale	(0.2)	–
Release provision	(0.2)	–
Impairment	–	(1.0)
Assets sold	(0.5)	(1.9)
Assets held for sale	**–**	**0.9**

5.9 Equity

Share capital

Share capital as at December 31, 2016 consists of 81,160,915 ordinary shares of one class with a nominal value of EUR 0.12 each and the authorized capital consists of 300,000,000 ordinary shares with a nominal value of EUR 0.12 each.

(x 1 million euro)	2016	2015
Share capital as at January 1	9.7	5.9
Share capital change nominal value	–	3.0
Share capital issued	–	0.8
Share capital as at December 31	**9.7**	**9.7**

Share premium

The share premium amounts to EUR 533.0 million as per December 2016 and shows no movement during the year.
As per December 31, 2016 the share premium consists of ordinary shares only.

(x 1 million euro)	2016	2015
Share premium as at January 1	533.0	440.7
Increase share capital	–	(3.0)
Issue 6.8 million new shares	–	99.2
Incremental costs new shares	–	(3.9)
Share premium as at December 31	**533.0**	**533.0**

Other reserves

The other reserves consist of translation reserves, hedging reserves and actuarial gains and losses. The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations of the Group. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

The movement of the other reserves is as follows:

(x 1 million euro)	Hedge reserve interest rate swaps	Hedge reserve FX instruments	Currency translation reserve	Actuarial gains and losses on pensions	Total
Balance as at January 1, 2016	(3.1)	1.6	23.7	(16.1)	6.1
Changes in cashflow hedge	(2.5)	4.5	–	–	2.0
Cumulative foreign exchange effects on goodwill	–	–	(19.3)	–	(19.3)
Translation results	–	–	(11.3)	–	(11.3)
Employee benefits mutation	–	–	–	(3.3)	(3.3)
Tax	0.6	(1.1)	2.2	1.1	2.8
Balance as at December 31, 2016	**(5.0)**	**5.0**	**(4.7)**	**(18.3)**	**(23.0)**
Balance as at January 1, 2015	(3.0)	4.3	2.0	(12.2)	(8.9)
Changes in cashflow hedge	(0.1)	(3.6)	–	–	(3.7)
Cumulative foreign exchange effects on goodwill	–	–	16.0	–	16.0
Translation results	–	–	5.4	–	5.4
Employee benefits mutation	–	–	–	(5.1)	(5.1)
Tax	–	0.9	0.3	1.2	2.4
Balance as at December 31, 2015	**(3.1)**	**1.6**	**23.7**	**(16.1)**	**6.1**

Retained earnings

(x 1 million euro)	2016	2015
Retained earnings as at January 1	(77.2)	(117.8)
Appropriation of result	42.2	38.6
Buy non-controlling interest	–	2.0
Dividend	(27.7)	
Retained earnings as at December 31	**(62.7)**	**(77.2)**

Dividends

The Company and its shareholders have agreed in the Written resolution of the General Meeting of Shareholders dated March 16, 2015 that the Company's intension is to apply a dividend pay-out policy that targets to pay out 35% to 50% of its annual adjusted net income. In 2016 EUR 0.34 per share was paid, being 35.6% of the annual adjusted net income.

At the Annual General Meeting on May 9, 2017, Refresco' s Executive Board will propose a cash dividend of EUR 0.38 per share for the financial year 2016, an increase of 11.8% versus 2015.

Legal reserves

Within the other reserves the hedge reserve interest rate swap, hedge reserve FX instruments and currency translation reserve are legal reserves. Within these legal reserves the negative amount for hedge reserve interest rate swap should be taken into account for dividend distribution.

Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding.

The number of outstanding ordinary shares of 81,160,915 shares has not changed during 2016. For the year ended December 31, 2015 the number of shares has been determined on 79.5 million by applying 74.3 million shares to the period until March 27, 2015 and applying 81.2 million shares to the period from March 27 until December 31.

For the year ended December 31, 2015 the accrual for cumulative dividend on A1A and A1B shares is taken into account in the calculation of the earnings per share. These shares do not exist anymore after March 27, 2015. Therefore, a pro forma EPS is calculated based on a profit without adjustment for the accrual for cumulative dividend. Hence, this pro forma profit for the year attributable to ordinary equity holders of the parent is EUR 5.7 million higher in the pro forma EPS calculation for 2015. The number of shares used in the pro forma EPS and regular EPS calculation are similar.

The following reflects the income and share data used in the basic EPS computations:

(x 1 million euro)	2016	2015
Profit for the year	81.5	41.8
Profit attributable to ordinary equity holders of the parent	**81.5**	**41.8**
Accrual for cumulative dividend A1A and A1B shares	–	(5.7)
Profit for the year attributable to ordinary equity holders of the parent	81.5	36.1
Weighted average number of ordinary shares for basic EPS	81,160,915	79,535,974
Basic and diluted profit for the year attributable to ordinary equity holders of the parent	1.00	0.45
Basic and diluted profit from continuing operations attributable to ordinary equity holders of the parent	1.00	0.45
Pro forma weighted average number of ordinary shares for basic EPS	81,160,915	79,535,974
Pro forma basic and diluted profit for the year attributable to ordinary equity holders of the parent	1.00	0.53
Pro forma basic and diluted profit from continuing operations attributable to ordinary equity holders of the parent	1.00	0.53

5.10 Loans and borrowings

The interest-bearing loans and borrowings are recognized at amortized cost. The exposure to interest rate, foreign currency and liquidity risks is disclosed in note 3.1.

Non-current

(x 1 million euro)	2016	2015
Syndicated term loan	727.8	522.0
Capitalized finance costs	(7.0)	(6.0)
Mortgage loan	22.4	29.2
Other long term loans	3.8	3.8
Finance lease liabilities	2.7	–
Total	**749.7**	**549.0**

The face value of the syndicated term loan is EUR 722.0 million (2015: EUR 522.0 million).

Current

(x 1 million euro)	Notes	2016	2015
Current portion of finance lease liabilities		0.9	0.8
Current portion of mortgage loan		2.9	3.4
		3.8	**4.2**
Bank overdrafts	5.7	7.3	–
Total		**11.1**	**4.2**

The terms and conditions of the outstanding loans and notes are as follows:

(x 1 million euro)	Currency	Nominal interest rate %	Repayment	Face value 2016	Carrying amount 2016	Face value 2015	Carrying amount 2015
Syndicated term loan	EUR	3M EURIBOR + 1.6%	2021	622.0	622.0	522.0	522.0
Syndicated term loan	USD	3M LIBOR + 1.6%	2021	100.0	105.8	–	–
Revolving credit facility	EUR	3M EURIBOR + 1.6%	2021	–	–	–	–
Capitalized finance costs	EUR		2020	(9.3)	(7.0)	(6.6)	(6.0)
Mortgage loan	GBP	3M GBP LIBOR + 0.75%	2036	38.5	25.3	38.5	32.6
Other long term loans	EUR	1,037%	2024	3.8	3.8	3.8	3.8
Finance lease liabilities	EUR/GBP	Various	Various	3.6	3.6	0.8	0.8
Total interest-bearing liabilities				**758.6**	**753.5**	**558.5**	**553.2**

As per July 1, 2016 the Group increased the syndicated external loan facility from EUR 522.0 million to EUR 722.0 million, extended the duration of the syndicated external loan and the existing revolving credit facility of EUR 150 million with thirteen months until June 30, 2021 and decreased the interest rate to 3-months Euribor plus 1.6%. The mark-up for interest payable for the syndicated term loan and revolving credit facility is depended on the Net debt ratio. See note 3.2.
There are no securities released for the syndicated external loan and revolving credit facility. As per December 31, 2016 the revolving credit facility is undrawn.

Mortgage loan

The Group has a mortgage loan from HSBC Bank Plc for construction of the production site in Bridgwater (UK). The real estate of the production site in Bridgwater (UK) is pledged as collateral. Fixed quarterly payment of GBP 0.7 million consists of interest of 3 months GBP Libor plus 0.75% plus MLA costs and remaining part is redemption. Final repayment date of the mortgage is 2036, but with current forward interest rate the mortgage will be repaid in 2026. The mortgage has been valued at fair value in the opening balance in November 11, 2014 and is valued at amortized costs afterwards.

Finance lease liabilities

Finance lease liabilities relate mainly to production lines in the Benelux and US. For the nominal value and cash outflow, reference is made to note 3.1.2.

5.11 Employee benefits provision

The Group contributes to a number of defined benefit plans that provide pension benefits to employees upon retirement in the Netherlands, Belgium, Germany, Italy and the UK and jubilee plans in the Netherlands, Germany and France. The amount of the benefits depends on age, salary and years of service. Furthermore, the Group has an indemnity plan in France.

The amounts recognized for defined benefit plans in the balance sheet are determined as follows:

December 31, 2016

(x 1 million euro)	Pension plan the Netherlands	Pension plan Germany	Pension plan UK	Pension plan Belgium	Other	Total
Present value of obligation	71.0	25.2	10.6	1.7		108.5
Fair value of plan assets	(75.6)	(5.3)	(9.0)	(1.2)		(91.1)
Deficit of funded plans	**(4.6)**	**19.9**	**1.6**	**0.5**	**–**	**17.4**
Present value of unfunded obligations	–	14.7	–	–	9.3	24.0
Present value of net obligations	**(4.6)**	**34.6**	**1.6**	**0.5**	**9.3**	**41.4**
Impact of minimum funding requirement/ asset ceiling	5.0	–	–	–	–	5.0
Present value of net obligations	**0.4**	**34.6**	**1.6**	**0.5**	**9.3**	**46.4**

December 31, 2015

(x 1 million euro)	Pension plan the Netherlands	Pension plan Germany	Pension plan UK	Pension plan Belgium	Other	Total
Present value of obligation	60.1	24.1	9.8	–	–	94.0
Fair value of plan assets	(66.9)	(5.3)	(9.0)	–	–	(81.2)
Deficit of funded plans	**(6.8)**	**18.8**	**0.8**	**–**	**–**	**12.8**
Present value of unfunded obligations	–	4.8	–	–	7.9	12.7
Present value of net obligations	**(6.8)**	**23.6**	**0.8**	**–**	**7.9**	**25.5**
Impact of minimum funding requirement/ asset ceiling	6.8	–	–	–	–	6.8
Present value of net obligations	**–**	**23.6**	**0.8**	**–**	**7.9**	**32.3**

At year-end 2016 Belgian defined contribution plans, subject to legal minimum guaranteed interest rates to be provided by the employer, were accounted for as defined benefit plans as per IAS19. This approach has been applied to these plans considering the clarification of the Belgian legislation published 18/12/2016 (WAP 'Wet op de Aanvullende pensioenen').

Plan assets can be detailed as follows:

(x 1 million euro)	2016	2015
Debt instruments	79.3	71.0
Assets held by insurance companies	8.1	5.3
Investment funds	3.5	4.5
Cash and cash equivalents	0.3	0.4
	91.2	**81.2**

The equity and debt instruments are plan assets with a quoted market price. The pension plan assets do not include the company's own shares or notes.

Movements in the present value of the defined benefit obligations and plan assets

December 31, 2016

(x 1 million euro)	Defined benefit obligation	Plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
Defined benefit obligations as at January 1	106.7	(81.2)	25.5	6.8	32.3
Current service costs	1.1	–	1.1	–	1.1
Interest expense/(income)	3.0	(2.1)	0.9	–	0.9
Past service cost and gains and losses on settlements	–	–	–	–	–
Remeasurements of other long term benefits	0.2	–	0.2		0.2
Administrative expenses	0.1	0.1	0.2		0.2
Cost recognised in income statement	**4.4**	**(2.0)**	**2.4**	**–**	**2.4**
Return on plan assets	–	(7.9)	(7.9)	–	(7.9)
(Gain)/loss from change in demographic assumptions	(0.9)	–	(0.9)	–	(0.9)
(Gain)/loss from change in financial assumptions	14.0	–	14.0	–	14.0
Experience (gains)/losses	(0.6)	–	(0.6)	–	(0.6)
Transfer in effects	1.7	(1.2)	0.5		0.5
Change in asset ceiling, excluding amounts included in interest expense	–	–	–	(1.8)	(1.8)
Total remeasurements recognised in OCI	**14.2**	**(9.1)**	**5.1**	**(1.8)**	**3.3**
Benefits paid by the plan	(1.5)	1.5	–	–	–
Benefit payments from employer	(1.1)	1.1	–	–	–
Employer contributions	–	(1.4)	(1.4)	–	(1.4)
Effect of movements in exchange rates	(1.5)	1.4	(0.1)	–	(0.1)
Business combinations	11.4	(1.5)	9.9		9.9
Defined benefit obligations as at December 31	**132.6**	**(91.2)**	**41.4**	**5.0**	**46.4**

December 31, 2015

(x 1 million euro)	Defined benefit obligation	Plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
Defined benefit obligations as at January 1	114.1	(79.4)	34.7	–	34.7
Current service costs	4.3	–	4.3	–	4.3
Interest expense/(income)	2.6	(1.9)	0.7	–	0.7
Past service cost and gains and losses on settlements	(8.0)	–	(8.0)	–	(8.0)
Remeasurements of other long term benefits	(0.1)	–	(0.1)	–	(0.1)
Administrative expenses	0.1	–	0.1	–	0.1
Cost recognised in income statement	**(1.1)**	**(1.9)**	**(3.0)**	**–**	**(3.0)**
Return on plan assets	–	2.7	2.7	–	2.7
(Gain)/loss from change in demographic assumptions	0.1	–	0.1	–	0.1
(Gain)/loss from change in financial assumptions	(3.8)	–	(3.8)	–	(3.8)
Experience (gains)/losses	(0.7)	–	(0.7)	–	(0.7)
Change in asset ceiling, excluding amounts included in interest expense	–	–	–	6.8	6.8
Total remeasurements recognised in OCI	**(4.4)**	**2.7**	**(1.7)**	**6.8**	**5.1**
Benefits paid by the plan	(1.4)	1.4	–	–	–
Benefit payments from employer	(1.6)	1.6	–	–	–
Employer contributions	–	(4.4)	(4.4)	–	(4.4)
Plan participants contributions	0.4	(0.4)	–	–	–
Effect of movements in exchange rates	0.7	(0.8)	(0.1)	–	(0.1)
Defined benefit obligations as at December 31	**106.7**	**(81.2)**	**25.5**	**6.8**	**32.3**

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately EUR 30.4 million related to active employees, EUR 64.3 million related to deferred members and EUR 37.9 million related to members in retirement.
The Group applied asset ceiling for the plans in the Netherlands because the Group is not entitled to any surplus payments (refunds) from the plans.

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages for the main plans):

December 31, 2016

%						2016	Weighted average 2016
	Netherlands	Germany	France	Italy	UK	Belgium	
Discount rate as at December 31	1.9	1.7	1.8	1.5	2.9	1.6	1.9
Inflation	1.8	1.8	1.8	1.8	2.6	1.8	1.8
Salary growth rate	2.3–2.8	2.5	2.0–5.5	n/a	n/a	2.75	1.0
Pension growth rate	0.1	1.8	n/a	n/a	3.6	0	0.9

December 31, 2015

%						2015	Weighted average 2015
	Netherlands	Germany	France	Italy	UK	Belgium	
Discount rate as at December 31	2.6	2.4	2.4	2.1	3.9	n/a	2.6
Inflation	2.0	2.0	2.0	2.0	2.4	n/a	2.0
Salary growth rate	2.5 – 4.0	3.0	2.0 – 5.5	3.0	n/a	n/a	2.7
Pension growth rate	0.1	2.0	n/a	n/a	2.4	n/a	1.0

The methods and types of assumptions used in preparing the sensitivity analysis has not changed compared to the previous period.

The assumptions regarding mortality experience are based on actuarial advice and latest available published statistics and mortality tables in each territory. For the Netherlands this was AG Prognose table 2016, for Germany Heubeck 2005G, for France TF/TH 0002, for Italy RG48 and for the UK 105% S2PXA CMI2015.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		December 31, 2016	December 31, 2015
	Change in assumption	Impact on defined benefit obligation (debit/(credit)	Impact on defined benefit obligation (debit/(credit)
	%	*x 1 million euro*	*x 1 million euro*
Discount rate	+0.25	6.5	4.7
	– 0.25	(6.5)	(5.0)
Pension growth rate	+0.25	(0.6)	(4.3)
	– 0.25	0.9	2.3
Salary growth rate	+0.25	(3.1)	(0.8)
	– 0.25	4.5	0.3
Life expectancy	Increase by 1 year	(2.6)	(3.2)
	Decrease by 1 year	6.3	3.2

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

The Group expects that contributions to the defined benefit plans will be EUR 1.7 million in 2017 (2016: EUR 1.7 million).

The weighted average duration of the defined benefit obligation is 19.7 years.

Expected maturity analysis of undiscounted pension and other defined benefits:

(x 1 million euro)	Less than one year	Year 2	Year 3 up to and including year 5	Year 6 up to and including year 10	Total
Pensions & other	3.0	2.8	9.5	19.0	34.3

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. However, the assets in the Netherlands have duration in line with the liabilities. The Plan in the UK holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short term volatility can cause additional funding to be required if deficits emerge.
- Changes in bond yields: The Plan's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Plan holds assets such as equities the value of the assets and liabilities may not move in the same way. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. The pension plan in the Netherlands is an insured plan, but additional pension premiums have to be paid when interest rates are below certain levels.
- Inflation risk: Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation or inflation increases are only possible after excessive returns on assets).
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.
- The Group operates unfunded pension and jubilee plans, where the company meets the benefit payment obligation as it falls due. Future payments depend on salary developments, changes in life expectancy and turnover rates which might result in fluctuations in cash flows.

Multi-employer plan

Part of the company's employees in the Netherlands, approximately 350 employees, participate in an industry-wide multi-employer plan, 'Stichting Bedrijfstakpensioenfonds voor de Drankindustrie' (the pension fund). The pension plan classifies as a multi-employer plan under IAS 19. This multi-employer plan covers approximately 300 companies and 4,000 contributing members.

The pension fund monitors its risks on an overall basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer plan must be monitored against specific criteria, including the policy funding ratio of the plan assets to its obligations. Since January 2015, a pension fund has the obligation to report the policy funding ratio, which is the average of the funding ratio of the last 12 months. This policy funding ratio must exceed 104.2% for the total plan. Every company participating in the multi-employer plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate. The premium can fluctuate and is set by the pension fund board in accordance with (minimum) premium requirements (kostendekkende premie) as required by regulation. In the case of a shortfall (or surplus) the Company has no obligation to pay (or receive) any supplementary contributions other than possibly higher (lower) future premiums. The pension rights of each employee are based upon the employee's average salary during employment.

The policy funding ratio of the multi-employer plan decreased to 108.4% as of December 31, 2016 as reported in January 2017 (December 31, 2015: 113.9%). The policy funding ratio is calculated by dividing the plan assets by the total sum of pension liabilities and is based on actual market interest (including a so called new Ultimate Forward Rate as required by the Dutch Central Bank). The pension premium percentage is approximately 26.9% (17.1% employer, 9.8% employee) for 2016 and 2017. The multi-employer scheme is a defined benefit scheme but the Company accounts for the multi-employer plan as if it were a defined contribution plan, as the pension fund is not able to provide the Company with the required Company-specific information to allow the assets and liabilities to be separately identified. The Company's pension expense for the multi-employer plan for a fiscal period is equal to the required contribution for that period.

5.12 Other provisions

(x 1 million euro)	Restructuring	Other	Total 2016	Total 2015
January 1	2.3	5.7	8.0	18.8
Provisions made during the year	0.1	1.2	1.3	5.6
Provisions used during the year	(1.7)	(6.0)	(7.7)	(16.1)
Provisions reversed during the year	–	(0.1)	(0.1)	(0.2)
Business combinations	–	4.1	4.1	–
Effect of movements in exchange rates	–	–	–	(0.1)
December 31	**0.7**	**4.9**	**5.6**	**8.0**
Non-current	–	1.6	1.6	3.8
Current	0.7	3.3	4.0	4.2

Restructuring

The provision for restructuring relates to the Calvörde plant, the closure of the St. Andrea plant (Italy), the closure of the Nieszawa plant (Poland) and the ceased production in the Dachwig plant (Germany). There are no significant uncertainties about the amount or timing of outflow of resources.

5.13 Trade and other payables

(x 1 million euro)	Notes	2016	2015
Trade accounts payable		348.9	304.1
Other taxes and social security premiums payable		34.9	34.1
Other payables, accruals and deferred income		170.9	161.1
	3.1.2	**554.7**	**499.3**

The exposure to liquidity and foreign currency risks on trade and other payables is disclosed in note 3.1.2 and 3.1.3.

6 Supplementary notes

6.1 Acquisitions of subsidiaries and non-controlling interest

On May 11, 2016, Refresco acquired 100% of the shares of DIS International BV ('DIS'). DIS is engaged in contract filling of drinks in cans. The acquisition price for the shares of DIS amounts to EUR 71.9 million. Together with the refinanced debt of DIS of EUR 8.6 million the Group funded the acquisition by EUR 80.0 million drawn revolving credit facility and the rest of EUR 0.5 million by available cash.

On May 31, 2016, Refresco acquired the German PepsiCo plant in Hamburg of Punica Getränke GmbH ('Hamburg'). The acquisition concerns besides the plant, selected assets and liabilities, employees, a service level agreement and a manufacturing agreement with PepsiCo. This plant is engaged in producing non-alcoholic beverages in aseptic PET bottles and glass bottles. This transaction enables the Group to strengthen the footprint in Germany and increase the Co-Packing volumes. The net acquisition price amounts to EUR 14.3 million and is funded by available cash of the Group.

As per September 7, 2016 Refresco closed the acquisition of Whitlock Holding Corporation (hereafter Whitlock), taking the first step into another continent North America. Whitlock has long-standing relationships with leading A-brands in the US soft drinks market. Refresco intends to leverage its experience to further develop Whitlock's private label capabilities. It will contribute to Whitlock's expansion with a focus on innovation, procurement, operational excellence and industry best practices.
The acquisition price for the shares of Whitlock of USD 68.2 million (EUR 60.7 million) and refinanced debt amounts to USD 59.7 million (EUR 53.1 million) are funded by the syndicated bank loan. The EUR/USD exchange rate at acquisition date is 1.12. As per September 2, 2016 Refresco drawn the remaining facility of the syndicated bank loan of EUR 120.0 million of which EUR 100.0 million is drawn the equivalent of USD 111.7 million.

(x 1 million euro)	DIS International	Hamburg plant	Whitlock	Total
Acquisition price	71.9	14.3	60.7	146.9
Consideration paid in cash	**71.9**	**14.3**	**60.7**	**146.9**
Less: cash and cash equivalent balances acquired	(7.1)	(0.1)	(1.7)	(8.9)
Net movement in cash	**64.8**	**14.2**	**59.0**	**138.0**
Refinance of debt obligations	8.6	–	53.1	61.7

The following table summarizes the consideration paid for the acquisitions, the fair value of assets and liabilities acquired at the acquisition dates (provisional purchase price allocation). If estimates of fair values of assets and liabilities will change material because additional information becomes available within 12 months after the acquisitions, the Group will adjust the carrying amounts and adjust the corresponding goodwill.

(x 1 million euro)		Values as per		Total
	DIS International May 11, 2016	Hamburg plant May 31, 2016	Whitlock September 7, 2016	
Non-current assets				
Property, plant and equipment	33.4	20.2	63.8	117.4
Intangible assets	–	–	11.8	11.8
Current assets				
Inventories	5.5	–	7.8	13.3
Trade and other receivables	12.2	–	11.8	24.0
Cash and cash equivalents	7.1	0.1	1.7	8.9
Non-current liabilities				
Loans and borrowings	(3.0)	–	–	(3.0)
Employee benefits provisions	(0.4)	(9.5)	–	(9.9)
Other provisions	–	–	(0.5)	(0.5)
Deferred income tax	(4.7)	–	(15.8)	(20.5)
Current liabilities				
Loans and borrowings	(9.2)	–	(53.4)	(62.6)
Trade and other payables	(19.6)	(0.6)	(15.9)	(36.1)
Current income tax liabilities	0.6	–	(0.5)	0.1
Provisions	(1.7)	–	(1.9)	(3.6)
Fair value of identifiable net assets acquired	**20.2**	**10.2**	**8.9**	**39.3**

The values of assets, liabilities, and contingent liabilities recognized on acquisition date are their estimated fair values, if applicable, translated into the respective functional currency of the Group at exchange rates at the dates of acquisitions. The intangible assets are related to customer contracts in Whitlock valued on individual basis. The fair value of inventory has been determined based on latest sales prices and resulted in a step up of EUR 1.3 million (0.7 million for DIS and EUR 0.6 million for Whitlock) which has been released in the result in 2016 in the raw materials and consumables used. The fair value of trade and other receivables is EUR 24.0 million and includes trade receivables with a fair value of EUR 19.0 million. The gross contractual amount for trade receivables due is EUR 19.2 million, of which EUR 0.2 million is expected to be uncollectible. The long term debt of DIS relates to finance leases of leased production lines. The current loans and borrowings of DIS relate for EUR 8.6 million to a bank loan that is repaid directly after the acquisition and financed by intercompany loan. The current loans and borrowings of Whitlock is for EUR 53.1 million related to a bank loan and is repaid directly after the acquisition and financed by intercompany loan.

None of the goodwill recognized is expected to be deductible for income tax.

(x 1 million euro)	DIS International	Hamburg plant	Whitlock	Total
Consideration transferred	71.9	14.3	60.7	146.9
Less: fair value of identifiable net assets acquired	(20.2)	(10.2)	(8.9)	(39.3)
Goodwill arising on acquisition	**51.7**	**4.1**	**51.8**	**107.6**

The goodwill of DIS and Hamburg relates to a strengthened footprint, manufacturing synergies from combining operations, purchasing synergies due to economies of scale and head office synergies.
The goodwill of Whitlock relates to a new platform for opportunities of growth by entering the US and added value to our Co-Packing customers. The Group will continue to build on the footprint in the US and create a solid platform as the Group has in Europe.

The combination creates a compelling industry proposition for retail and branded customers who will benefit from greater scale, a seamless service across geographies and access to a broader portfolio of soft drinks and fruit juices in more markets. The combined business will be well positioned to meet customers' continuously changing needs and requirements. And, as one company, Refresco will have greater opportunities to invest in innovation, to achieve growth and to optimize the business.
Acquisition-related costs amounting to EUR 2.4 million have been excluded from the consideration transferred and have been recognized as an expense in the Other operating expenses.

Impact of acquisition on the results of the Group
The results of DIS are consolidated in the results of Refresco as of May 11, 2016. The revenue for the year ended December 31, 2016 includes EUR 66.4 million in respect of DIS. The profit for the year ended December 31, 2016 includes a profit of EUR 4.6 million in respect of DIS. Had the acquisition of DIS been effected at January 1, 2016, the revenue of the Group for the year ended December 31, 2016 would have been increased by EUR 32.5 million and the profit for the year would have been increased by EUR 1.7 million. Management of the Group considers these pro-forma numbers to represent an approximate measure of the performance of the combined group on a year basis and to provide a reference point for comparison in future periods.

The results of Hamburg are consolidated in the results of Refresco as of May 31, 2016. The revenue for the year ended December 31, 2016 includes EUR 10.5 million in respect of the Hamburg plant and the profit for the year ended December 31, 2016 includes no considerable value yet in respect of the Hamburg plant. Because of the acquired assets and liabilities and the service level agreement with PepsiCo starting as from acquisition date, management of the Group considers pro-forma numbers relating to the Hamburg plant as per January 1, 2016 not to be an approximate measure of the performance of the combined group.

The results of Whitlock are consolidated in the results of Refresco as of September 7, 2016. The revenue for the year ended December 31, 2016 includes EUR 38.9 million in respect of Whitlock. The profit for the year ended December 31, 2016 includes a loss of EUR 5.2 million in respect of Whitlock. Had the acquisition of Whitlock been effected at January 1, 2016, the revenue of the Group for the year ended December 31, 2016 would have been increased by EUR 106.6 million and the profit for the year would have been increased by EUR 6.8 million. Management of the Group consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on a year basis and to provide a reference point for comparison in future periods.

6.2 Commitments and contingent liabilities

Operating lease and rental obligations

(x 1 million euro)	2016	2015
Less than one year	35.5	33.9
Between one and five years	92.4	67.5
More than five years	17.5	6.6
	145.4	**108.0**

The Group leases office buildings, warehouses, machinery and equipment and cars. The lease arrangements do not contain any contingent rent or any restrictions related to other financing activities of the Group. During 2016, EUR 34.7 million was recognized as expense in the income statement in respect of operating leases and rentals (2015: EUR 35.5 million).

Purchase and investment commitments

(x 1 million euro)	Total 2016	Less than one year	One to five years	More than five years	Total 2015
Property, plant and equipment	15.1	15.1	–	–	4.8
Raw materials, packaging and utilities	403.5	403.5	–	–	383.1
	418.6	**418.6**	**–**	**–**	**387.9**

Contingent liabilities
Banks have issued guarantees to suppliers and customers on behalf of the Group in the aggregate amount of EUR 4.7 million (2015: EUR 3.2 million).

The Group has several facilities for issuing letters of credit and local overdraft facilities for cash pool purposes. At December 31, 2016 there was EUR 2.5 million (2015: EUR 6.5 million) open letters of credit.

The Company forms a fiscal unity for income tax purposes with Refresco B.V., Refresco Holding B.V. and Refresco Benelux B.V. The Company also forms a fiscal unity for VAT purposes with Refresco Holding B.V. and Refresco B.V. In accordance with the standard conditions, the Company and the subsidiaries that are part of the fiscal unity are jointly and individually liable for taxation payable by the fiscal unity.

A limited number of claims have been filed against the Company and Group companies, which the Company disputes. Although the outcome of these disputes cannot be predicted with any certainty, it is expected – partly on the basis of legal advice – that these will not have any significant impact on the Company's financial position.

6.3 Related parties

Shareholder structure

Shares are offered to institutional and retail investors in the Netherlands and institutional investors in certain other jurisdictions. Refresco's shares are widely spread over a large number of shareholders in various countries. Refresco's majority shareholders continue to be Ferskur Holding 1 (Stodir), Tamoa (GZ Trust) and 3i who collectively own 28.0% of the shares as of 31 December, 2016. Refresco' s Executive Board currently holds 1.9% of the shares via Okil Holding B.V.

Identification of related parties

The subsidiaries included in note 3.2 of the Company financial statements and above mentioned shareholders are considered to be related parties. Other identified related parties are: Raven Management B.V., Okil Holding B.V., Menken Dairy Foods Nederland B.V. and members of management of the Group and subsidiaries. Menken Dairy Foods Nederland B.V. was liquidated in 2016. The transactions with these related parties relate primarily to the shareholding.

Personnel compensation and transactions with Executive and Supervisory Board Members

Executive Board personnel compensation and transactions

In accordance with the terms of the plan, members of the Executive Board retire at age 67.

Compensation of the Executive Board members comprised the following:

(x 1 thousand euro)	J.H.W. Roelofs		A.C. Duijzer		Total	
	2016	2015	2016	2015	2016	2015
Short term						
Base salary	695.0	690.0	445.0	440.0	1,140.0	1,130.0
Short term incentive	260.6	863.0	166.9	550.0	427.5	1,413.0
Retention incentive*	300.0	225.0	250.0	188.0	550.0	413.0
Social charges	9.7	40.0	9.7	40.0	19.4	80.0
Expenses	4.2	4.2	3.3	3.3	7.5	7.5
Total	**1,269.5**	**1,822.2**	**874.9**	**1,221.3**	**2,144.4**	**3,043.5**
Post employment						
Pension cost	101.1	133.0	68.7	114.0	169.8	247.0
Total	**101.1**	**133.0**	**68.7**	**114.0**	**169.8**	**247.0**
Total compensation	**1,370.6**	**1,955.2**	**943.6**	**1,335.3**	**2,314.2**	**3,290.5**

* In the 2015 financial year a retention incentive in relation to the IPO was granted of EUR 1,100 thousand which is payable in cash in 2 parts in 2016 (50%) and 2017 (50%), fully conditional to being employed at the Company. In the 2015 financial statements this amount has been presented as an expense for the year 2015, due to the relationship with the IPO in 2015. In the 2016 financial statements this expense has been allocated to the years 2015, 2016 and 2017, taking into account the total period, resulting in the following allocation: 2015: EUR 413 thousand, 2016: EUR 550 thousand and 2017: EUR 137 thousand. The comparative figures in the table above have been adjusted accordingly.

The Executive Board members of the Group held (either directly or indirectly) 1.9% of the Company's ordinary shares via Okil Holding B.V.

Supervisory Board compensation and transactions

The remuneration for Supervisory Board members was EUR 0.4 million (2015: EUR 0.7 million).

(x 1 thousand euro)	2016	2015
Y. Petrides	97.5	410.6
H.T. Kristinsson	19.3	50.6
J. Sigurdsson	52.5	50.6
S. Gorvy	52.5	50.6
A. Dijkhuizen	52.5	50.6
T. de Kool	52.5	39.4
P. de Jong	45.0	45.0
I. Plochaet	32.5	n/a
T. Jonsson	n/a	9.4
N.J. Schoenfeld	n/a	9.4
	404.3	**716.2**

The chairman Y. Petrides was in 2015 entitled to an amount of EUR 300 thousand payable by the company if the IPO was successful. Supervisory board member T. de Kool owns 10,000 ordinary shares (0.012%).

Transactions with related parties

(x 1 million euro)	Transaction value		Balance outstanding December 31	
	2016	2015	2016	2015
Increase of shareholders' equity/financing				
Executive Board	–	(2.2)	–	–
3i	(0.3)	–	(1.0)	(0.7)
Okil Holding B.V.	–	(0.4)	–	–
Total	**(0.3)**	**(2.6)**	**(1.0)**	**(0.7)**
Buy non-controlling interest				
Okil Holding B.V.	–	2.0	–	–
Total	**–**	**2.0**	**–**	**–**
Management Fees (charged)				
Ferskur Holding 1 B.V.	–	0.1	–	–
Tamoa Ltd	0.1	–	–	–
Total	**0.1**	**0.1**	**–**	**–**

Transactions underlying outstanding balances with these related parties are priced on an arm's length basis and the balances are to be settled in cash within six months of the reporting date. None of the balances is secured.

6.4 Group entities

The overview of the entities of the Group is included in note 3.2 to the Company financial statements.

6.5 Subsequent events

The previously announced preliminary agreement to purchase Sanpellegrino's bottling facility in Recoaro, Italy, was finalized on March 1, 2017. Due to the relatively small size of the transaction, no financial details are disclosed.

Company income statement

For the year ended December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Other operating expenses		(0.7)	(8.4)
Operating profit		**(0.7)**	**(8.4)**
Finance income		10.9	30.6
Finance expense		(11.6)	(28.0)
Net finance costs		**(0.7)**	**2.6**
Profit/(loss) before income tax		**(1.4)**	**(5.8)**
Income tax (expense)/benefit		0.4	0.3
Share in results from participation interest after taxation	3.1	82.5	47.7
Profit/(loss) for the year		**81.5**	**42.2**

Company balance sheet

As at December 31, 2016

(Before appropriation of result)

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Assets			
Financial fixed assets	3.1	528.7	506.4
Loans to group companies	3.2	727.8	522.0
Total non-current assets		**1,256.5**	**1,028.4**
Receivables from group companies		0.8	26.4
Current income tax receivable		0.4	0.3
Trade and other receivables		–	0.1
Cash and cash equivalents		13.3	–
Total current assets		**14.5**	**26.8**
Total assets		**1,271.0**	**1,055.2**
Equity			
Issued share capital		9.7	9.7
Share premium		533.0	533.0
Legal reserves		(4.7)	22.2
Other reserves		(18.3)	(16.1)
Retained earnings		(62.7)	(77.2)
Result for the year		81.5	42.2
Total equity attributable to equity holders of the company	3.3	**538.5**	**513.8**
Liabilities			
Loans and borrowings	3.4	727.8	522.0
Deferred income tax		0.4	–
Total non-current liabilities		**728.2**	**522.0**
Bank overdrafts		–	16.3
Trade and other payables		4.3	3.1
Total current liabilities		**4.3**	**19.4**
Total equity and liabilities		**1,271.0**	**1,055.2**

Notes to the company financial statements

1 GENERAL

The financial statements of Refresco Group N.V. or 'the Company' are included in the consolidated financial statements of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES

The principles for the recognition and measurement of assets and liabilities and for determination of the result for its Company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Dutch Civil Code Title 9, Book 2, under which the principles for the recognition and measurement of assets and liabilities and for determination of the result of the Company financial statements are the same as those applied for the consolidated financial statements (hereinafter referred to as principles for recognition and measurement). In these separate financial statements investments in subsidiaries are accounted for using the equity method. The consolidated financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union. These principles are set out in the consolidated financial statements.

Participating interests over which control is exercised are carried on the basis of net asset value. The share in the result of participating interests represents the Company's share in the result of these participating interests. To the extent that they are deemed to be unrealized, results are not recognized on transactions between the Company and its participating interests and mutually between participating interests themselves.

3 NOTES TO THE COMPANY BALANCE SHEET AND INCOME STATEMENT

3.1 Financial fixed assets

Financial fixed assets consist of participating interests in Group companies. The movements in the participating interests in Group companies were as follows:

(x 1 million euro)	2016	2015
January 1	506.4	217.3
Share in result of participating interests	82.5	47.7
Dividend	(31.5)	–
Capital increase	–	225.0
Effect of movement in exchange rates	(28.0)	21.0
Changes in cashflow hedge reserve	1.5	(2.8)
Buy non-controlling interest	–	2.0
Other comprehensive income pensions	(2.2)	(3.8)
December 31	**528.7**	**506.4**

Refresco Group N.V. owns the following subsidiaries as at December 31:

Company	Statutory seat	Note	Ownership interest 2016	2015
Consolidated companies				
Refresco Holding B.V.	Rotterdam (The Netherlands)	1	100%	100%
Refresco UK B.V.	Rotterdam (The Netherlands)	1	100%	100%
Refresco B.V.	Dordrecht (The Netherlands)	1	100%	100%
Soft Drink International B.V.	Heerlen (The Netherlands)		Merged	100%
Refresco Benelux B.V.	Maarheeze (The Netherlands)	1	100%	100%
Refresco N.V.	Ninove (Belgium)		100%	100%
DIS International B.V.	Sittard (The Netherlands)	2	100%	0%
Dismac B.V.	Sittard (The Netherlands)	2	100%	0%
DIS Contractfilling B.V.	Sittard (The Netherlands)	2	100%	0%
DIS B.V.	Sittard (The Netherlands)	2	100%	0%
DIS Beverages B.V.	Sittard (The Netherlands)	2	100%	0%
Refresco Iberia S.A.	Oliva (Spain)		100%	100%
Refresco Deutschland Services & IT GmbH & Co KG	Mönchengladbach (Germany)		100%	100%
Refresco Deutschland Holding GmbH	Herrath (Germany)		100%	100%
Refresco Deutschland GmbH	Herrath (Germany)		100%	100%
Logico GmbH & Co KG	Erftstadt (Germany)		100%	100%
EMIG GmbH	Rellingen (Germany)		100%	100%
Verwaltungsgesellschaft EMIG mbH	Rellingen (Germany)		100%	100%
Refresco Hamburg GmbH	Hamburg (Germany)		100%	0%
Refresco Finland Holding O.Y.	Kuopio (Finland)		100%	100%
Refresco Finland O.Y.	Kuopio (Finland)		100%	100%
Refresco France S.A.S.	Marges (France)		100%	100%
Ferskur France S.A.S.	Marges (France)		100%	100%
Refresco Le Quesnoy SAS	Valenciennes (France)		100%	100%
Refresco Holdings GB Ltd.	Bridgwater (UK)		100%	100%
Histogram Holdings Ltd.	Bridgwater (UK)		100%	100%
Refresco Ltd.	Bridgwater (UK)		100%	100%
Pride Foods Ltd.	Bridgwater (UK)		100%	100%
Quantock Properties Ltd.	Bridgwater (UK)		100%	100%
Refresco Beverages UK Ltd.	Bridgwater (UK)		100%	100%
Gerber Emig Group Ltd.	Bridgwater (UK)		100%	100%
British Brands Ltd. (dormant)	Bridgwater (UK)		100%	100%
Sunpride Ltd. (dormant)	Bridgwater (UK)		100%	100%
Gerber Foods International Ltd. (dormant)	Bridgwater (UK)		100%	100%
Gerber Frozen Foods Ltd. (dormant)	Bridgwater (UK)		100%	100%
Gerber Goldschmidt Foods Ltd. (dormant)	Bridgwater (UK)		100%	100%
GerberFoods Softdrinks Ltd. (dormant)	Bridgwater (UK)		100%	100%
Refresco Poland Sp. z o.o.	Warsaw (Poland)		100%	100%
Refresco Sp. z o.o.	Kenty (Poland)		100%	100%
Refresco Italy S.p.A.	Cadorago (Italy)		100%	100%
Spumador S.p.A.	Cadorago (Italy)		100%	100%
R2R S.p.A.	Cadorago (Italy)		100%	0%
Medibev S.p.A.	Milan (Italy)		Merged	100%
Refresco US Holding Inc.	Wilmington, Delaware (US)		100%	0%
Whitlock Holding Corporation	Tulsa, Oklahoma (US)		100%	0%
Refresco US Inc. (prev. Whitlock Packaging Corporation)	Tulsa, Oklahoma (US)		100%	0%
Refresco Florida Inc. (prev. Juice Bowl, prev. Whitlock Florida)	Plantation, Florida (US)		100%	0%
Non-consolidated companies				
Entsorgungs GmbH	Calvörde (Germany)	3	40%	40%
Genprobio SrL	Cadorago (Italy)	3	20%	20%

[1] Refresco Group N.V. has issued a 403 liability statement for these companies.
[2] Refresco Group N.V. has issued a 403 liability statement for these companies, as of acquisition date.
[3] The non-consolidated companies are not material for the financial statements of Refresco Group N.V.

3.2 Loans to Group companies

(x 1 million euro)	2016	2015
January 1	522.0	776.6
Loans granted	205.8	522.0
Repaid	–	(776.6)
December 31	**727.8**	**522.0**

Loans granted to Group companies have been continued and extended in line with the syndicated external loan facility until the year 2021. Interest charged is based on interest costs of the syndicated external loan with markup for credit risk and handling fee.

3.3 Equity

For details on equity, a reference is made to note 5.9 of the consolidated financial statements.

3.4 Loans and borrowings

(x 1 million euro)	2016	2015
Non-current liabilities		
Syndicated term loan	727.8	522.0
	727.8	**522.0**

(x 1 million euro)	Currency	Nominal interest rate %	Repayment	Face value 2016	Carrying amount 2016	Face value 2015	Carrying amount 2015
Syndicated term loan	EUR	3M EURIBOR + 1.6%	2021	622.0	622.0	522.0	522.0
Syndicated term loan	USD	3M LIBOR + 1.6%	2021	100.0	105.8		
Revolving credit facility	EUR	3M EURIBOR + 1.6%	2021	–	–	–	–
Total interest-bearing liabilities				**722.0**	**727.8**	**522.0**	**522.0**

For details on the syndicated external loan a reference is made to note 5.10 of the consolidated financial statements. Costs directly attributable to the issuance are capitalized in the related subsidiaries of the Company. Remaining costs of the issuance are included in advice and legal costs of the related subsidiaries.

3.5 Remuneration

For the remuneration to the Executive Board a reference is made to note 6.2 of the consolidated financial statements. The company does not employ personnel.

3.6 Independent auditor's fees

With reference to Section 2:382a(1) and (2) of the Dutch Civil Code, the following fees for the financial year have been charged by Ernst & Young Accountants LLP (E&Y LLP) and their network inside and outside the Netherlands to the Company, its subsidiaries and other consolidated entities:

(x 1 million euro)			2016			2015
	E&Y LLP	Network	Total	E&Y LLP	Network	Total
Statutory audit of financial statements	0.3	0.6	0.9	0.2	0.6	0.8
Other audit services	0.1	–	0.1	0.3	–	0.3
	0.4	**0.6**	**1.0**	**0.5**	**0.6**	**1.1**

3.7 Proposal for appropriation of profit

At the Annual General Meeting of Shareholders on May 9, 2017, the Executive Board will, with the approval of the Supervisory Board, absent unforeseen circumstances, propose a final dividend for 2016 of EUR 0.38 per common share. The final dividend will be paid in cash. The Executive Board proposes, with the approval of the Supervisory Board, to add the remaining part of the profit to the other reserves as retained earnings. This proposal has not yet been reflected in the financial statements.

If the proposed dividend is approved by shareholders, Refresco shares will be quoted ex-dividend on May 11, 2017, for the shares listed on Euronext. The record date for the dividend on the shares listed on Euronext will be May 12, 2017.

Rotterdam, March 8, 2017

Executive Board
Hans Roelofs – Chief Executive Officer
Aart Duijzer – Chief Financial Officer

Supervisory Board
Yiannis Petrides (Chairman)
Aalt Dijkhuizen
Sean Gorvy
Pieter de Jong
Theo De Kool
Inge Plochaet
Jon Sigurdsson

Other information

STATUTORY PROVISION WITH RESPECT TO APPROPRIATION OF RESULT

The Executive Board, with the approval of the Supervisory Board, may decide that the profits realized during the financial year fully or partially appropriated to increase and/or for reserves. Profits remaining shall be put at the disposal of the General Meeting. The Executive Board, with the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.

INDEPENDENT AUDITOR'S REPORT

To: the shareholders and supervisory board of Refresco Group N.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Refresco Group N.V., based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Refresco Group N.V. as at 31 December 2016 and of its result and its cash flows for 2016 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
- The accompanying company financial statements give a true and fair view of the financial position of Refresco Group N.V. as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2016
- The following statements for 2016: the consolidated income statement, the consolidated statements of other comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2016
- The company income statement for 2016
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of Refresco Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	€ 9.1 million
Benchmark applied	1 per cent of consolidated gross margin.
Explanation	The users of the financial statements of a for-profit entity typically focus on operating performance, particularly profit before tax. However, given the significant exceptional amounts in profit before tax over recent years, we applied the materiality based on gross margin. Gross margin is the most important parameter for (local) management for directing and supervising the company. All significant decisions, such as investment decisions, are based on gross margin.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 365,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Refresco Group N.V. is the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Refresco Group N.V.

Our group audit included all eight European components of Refresco Group N.V. This means that an audit has been performed on the complete set of financial information of each European component, thereby obtaining more than 95% coverage over the group's total assets, revenue and result.

All European components are audited by EY, whereby we used the work of local EY auditors when auditing foreign entities. The group audit team provided detailed instructions to all European component auditors, that covered significant audit areas including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team. The group audit team visited certain component auditors, based on a rotation scheme. In addition the group audit team attended all closing meetings of the European component audit teams during the hard close and the year-end audit. During these visits and calls, the findings and observations reported to the group audit team were discussed in more detail. Any further work deemed necessary by the group audit team was subsequently performed.

Furthermore, based on our assessment of the newly acquired US entities, we concluded that specific procedures are required for these components. The group audit team therefore visited the US in October 2016 and January 2017. During these visits the group audit team audited the purchase price allocation including the opening balance sheet and had several meetings with local management and the local auditor.

Finally, The group audit team performed audit procedures with respect to certain accounts on the consolidated level, such as the valuation of goodwill.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit approach
The measurement of revenue Refer to note 3.5 (Use of estimates and judgments) and note 2.14 (Significant accounting policies – Revenue) and note 4.2 (Revenue).	
Refresco Group N.V. has individual contracts with clients which are unique for its co-packing and private label businesses. The uniqueness is borne by e.g. different delivery terms and rebates. We identified revenue recognition as a fraud risk, requiring special audit attention.	In our audit we have applied a mix of control-based audit procedures and substantive audit procedures on the revenue and revenue related accounts such as cost of goods sold, inventory and rebate accruals. These procedures, among others, consist of a detailed assessment of sales contracts, credit notes, detailed analytical reviews, cut off testing in order to verify that sales have been recorded in the correct year, attendance of inventory counts in order to verify the existence and valuation of inventory and detailed testing of revenue related rebate accruals. We also tested manual journal entries around year-end to ensure that revenue journals were approved and supported with underlying documentation.
Valuation of goodwill Refer to note 3.5 (Use of estimates and judgments) and note 5.2 (Intangible assets)	
Refresco Group N.V. has a significant amount of goodwill on its balance sheet amounting to € 529.0 million. In accordance with EU-IFRS, Refresco Group N.V. is required to perform a goodwill impairment test on an annual basis. The goodwill is allocated to nine Cash Generating Units (CGU). The annual goodwill test was performed in October 2016 and updated to 31 December 2016, consistent with prior year, and Refresco Group N.V. concluded that there is no impairment. These impairment tests are significant to our audit because the assessment process is complex and requires management judgment, and is based on assumptions that are affected by expected future market conditions.	As part of our audit procedures we focused on the assumptions and methodologies used by the company, and also on the robustness of the planning process to evaluate whether the company is able to prepare reliable estimates. Given the complexity around this topic, we have used an EY valuation specialist to assist us in evaluating the assumptions and methodologies. The company uses assumptions with respect to Weighted Average Cost of Capital, future market and economic conditions such as expected inflation rates, economic growth rates, volumes, gross margin and expenses. In order to assess the reasonability of input data, the valuation model and the Weighted Average Cost of Capital we have, among others, compared the data with external data such as expected inflation rates, external market growth expectations and by analyzing sensitivities in the company's valuation model. With regard to the sensitivities we specifically focused on the available headroom present in the CGUs and whether a reasonable possible change in assumptions (assumed to be 1%), such as the discount rate and the growth rate could cause the carrying amount to exceed its recoverable amount. We also focused on the adequacy of the company's disclosures regarding assumptions. As the goodwill test was performed in October 2016 and updated to 31 December 2016, we have re assessed management's analyses per 31 December 2016.

Risk	Our audit approach
Accounting treatment acquisitions Refer to note 6.1 (Acquisition of subsidiaries and non/controlling interests)	
In 2016 Refresco Group N.V. completed the acquisition of DIS International B.V. and Whitlock Holding Corporation. As of 31 December 2016, Refresco completed the initial acquisition accounting on a preliminary basis. Therefore the amounts recorded as of 31 December 2016 could change. We focused on these transactions because it is material to the consolidated financial statements as a whole. In addition, determining the assumptions that underlie the initial acquisition accounting and the useful lives associated with the acquired tangible and intangible assets involves significant management judgment.	We evaluated management's process and methodology applied relating to the purchase price allocations. Given the complexity around this topic, we have used an EY valuation specialist to assist us in evaluating the assumptions and methodology. We have tested the allocations against the applicable IFRS standards and purchase agreements, assessed whether the correct accounting treatment has been applied. We have assessed the valuation and accounting for the consideration paid. We have audited the identification of fair values of the assets and liabilities acquired and assessed the valuation assumptions such as discount and growth rates. In addition, we have tested the supporting calculations for mathematical accuracy. We also evaluated the adequacy of the disclosure (note 6.1) of these acquisitions in the financial statements.

Report on 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 executive board report
- The supervisory board report
- The remuneration report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Corporate Governance

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as 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 through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these 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 the procedures performed is 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 executive board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Refresco Group N.V. on 25 June 2014, as of the audit for year 2014 and have operated as statutory auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible 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.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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 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, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

We provide the supervisory board 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 the supervisory board, 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.

Rotterdam, 8 March 2017

Ernst & Young Accountants LLP
Signed by M. Bangma-Tjaden

Ten years of Refresco

(x 1 million euro)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Income statements										
Revenue	2,107.4	2,016.4	2,036.9	1,587.6	1,538.3	1,523.4	1,223.9	1,139.6	1,146.1	951.6
Gross margin %	43.5%	43.1%	41.7%	38.9%	37.7%	37.7%	40.3%	41.0%	45.7%	42.1%
Adjusted EBITDA [2]	222.0	216.2	208.2	139.7	115.5	111.0	125.0	120.6	109.8	77.5
Adjusted EBITDA %	10.5%	10.7%	10.2%	8.8%	7.5%	7.3%	10.2%	10.6%	9.6%	8.1%
EBITDA [2]	216.9	195.0	194.6	24.4	35.1	25.7	61.2	67.6	64.9	37.7
Adjusted EBIT [3]	134.4	131.7	120.4	53.4	43.1	37.5	71.0	n/a	n/a	n/a
Profit/(loss) after income tax	81.5	41.8	38.7	(28.9)	(18.2)	(25.9)	8.8	7.6	(13.8)	(26.9)
Adjusted net profit/(loss) [4]	86.4	77.8	46.7							
Balance sheets										
Property, plant and equipment	632.0	526.4	523.5	525.4	391.4	412.0	351.7	328.8	323.0	333.6
Primary working capital	216.8	206.6	235.4	245.8	152.6	141.1	124.9	89.8	97.0	99.4
Capital employed excluding Goodwill [5]	667.1	556.2	560.8	621.3	443.6	469.9	395.4	350.0	362.7	377.6
Other indicators										
Volume in liters *(*1,000)*	6,462.3	6,095.5	5,968.9	5,054.0	4,943.9	4,956.6	3,804.2	3,393.8	3,142.3	2,524.8
Gross profit margin per liter	14.2	14.2	16.8	12.2	11.7	11.6	13.0	13.8	16.7	15.9
Employees in fte's (year-end)	4,917	3,934.0	4,011.0	4,704.0	3,009	3,092.0	2,750	2,318.0	2,241	2,267.0
Return on capital employed based on adjusted EBIT % [5]	11.3%	13.6%	12.3%	5.6%	6.0%	5.4%	10.2%	n/a	n/a	n/a
Return on capital employed % [5]	n/a	n/a	n/a	n/a	n/a	n/a	15.5%	19.3%	18.1%	9.9%
Net debt ratio	2.8	2.1	2.8	5.1	4.8	5.2	4.2	4.0		
Working capital days	37.5	37.4	42.2	37.2	36.2	33.8	37.3	28.7	30.9	38.1
Investments	87.7	80.8	82.9	47.8	43.6	41.6	48.2	48.5	36.8	40.1

[1] Figures for 2009-2016 comply with IFRS as adopted by the European Union. 2008 and 2007 are reported under Dutch GAAP.
[2] EBITDA is calculated as operating profit minus amortization, depreciation and impairments. Adjusted EBITDA excludes costs related to acquisitions, refinancing and other one-off costs. A reference is made to the Executive Board Report.
[3] The adjusted EBIT is calculated as operating profit excluding costs related to acquisitions, refinancing and other one-off costs.
[4] Adjusted net profit/(loss) excludes costs related to acquisitions, refinancing and other one-off costs.
[5] In 2014 a new definition for return on capital employed is implemented and is calculated as the adjusted EBIT before impairments divided by the capital employed.
The capital employed excluding goodwill is calculated as the total non current assets excluding goodwill plus working capital minus the employee benefits provision.

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Glossary and forward looking statements

Non-IFRS measures are provided because they are closely tracked by management to evaluate Refresco's operating performance and to make financial, strategic and operating decisions.

Accidents ratio	We measure accidents as number of lost time accidents with lost time over a day (LTA) per 100 FTEs.
Adjusted earnings per share (adjusted EPS)	Earnings per share excluding the effects of certain exceptional. Such adjustments relate primarily to substantial one-off restructurings, costs relating to acquisitions or disposals, refinancing, IPO relating costs and related tax effect.
Adjusted EBIT	Operating profit excluding exceptional items related to acquisitions, refinancing and other one-off items.
Adjusted EBITDA	Operating profit before depreciation, amortization and impairments (=EBITDA), excluding exceptional items related to acquisitions, refinancing and other one-off items.
Adjusted net profit	Net profit excluding the effects of certain exceptional. Such adjustments relate primarily to substantial one-off restructurings, costs relating to acquisitions or disposals, refinancing, IPO relating costs and related tax effect.
Capital employed excluding goodwill	Capital employed excluding goodwill is calculated as the total non-current assets excluding goodwill plus the working capital minus the Employee benefits provision.
Earnings per share (EPS)	Net profit attributable to shareholders divided by the average number of shares outstanding during the year.
EBITDA	Operating profit before depreciation, amortization and impairments.
Energy ratio	Energy ratio refers to total energy consumption (measured in mega joules) for each liter beverages produced (MJ/lpb).
Great to place to work	This is a methodology process adopted by businesses to measure employee engagement.
Gross profit margin per liter	Gross profit margin per liter produced divided by volume. The gross margin used for calculation includes freight charges and other cost of sales.
Net debt	Defined as long-term borrowings plus short term borrowings less cash and cash equivalents.
Net debt ratio	This ratio is defined as net debt divided by Last Twelve Months (LTM) adjusted EBITDA (net debt/LTM adjusted EBITDA).
Operating cash flow	We use operational cash flow to monitor cash generation. It is defined as operating income excluding depreciation and amortization, adjusted for the change in operating working capital and capital expenditures.
Operating income	Operating income is defined in accordance with IFRS and includes the relevant exceptional items.
Refresco	In this Annual report Refresco Group N.V. and its subsidiaries are collectively referred to as Refresco or the Company or the Group.
ROCE (return on capital employed)	This is a key profitability measure and is calculated as the adjusted EBIT before impairments divided by the capital employed (average invested capital).
Volume	Volume is defined as number of liters sold.
Water ratio	Water ratio refers to the total water consumption (in liters) in our manufacturing sites for each liter beverages produced (l/lpb).

FORWARD LOOKING STATEMENTS

Certain statements in this document are not historical facts and are or are deemed to be ‘forward-looking’. The company’s prospects, plans, financial position and business strategy, and statements pertaining to the capital resources, future expenditure for development projects and results of operations, may constitute forward-looking statements. In addition, forward looking statements generally can be identified by the use of forward-looking terminology including, but not limited to; ‘may’, ‘expect’, ‘intend’, ‘estimate’, ‘anticipate’, ‘plan’, ‘foresee’, ‘will’, ‘could’, ‘may’, ‘might’, ‘believe’ or ‘continue’ or the negatives of these terms or variations of them or similar terminology. Although the company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These forward-looking statements involve a number of risks, uncertainties and other facts that may cause actual results to be materially different from those expressed or implied in these forward-looking statements because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the company’s ability to control or predict. Forward-looking statements are not guarantees of future performances.

Factors, risk and uncertainties that could cause actual outcomes and results to be materially different from those projected include, but are not limited to, the following: risks relating to changes in political, economic and social conditions; future prices and demand for the company’s products and demand for the group’s customers’ products; future expansion plans and capital expenditures; the group’s relationship with, and conditions affecting, the group’s customers; competition; weather conditions or catastrophic damage; and risks relating to global economic conditions and the global economic environment. Forward-looking statements speak only as of the date of this document.
The company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained in this report to reflect any change in its expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based unless so required by applicable law.

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Our drinks on every table