

**COCA-COLA HBC FINANCE B.V.**

**AMSTERDAM, THE NETHERLANDS**

**ANNUAL REPORT 2020**

# Coca-Cola HBC Finance B.V. – Annual Report 2020

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# Coca-Cola HBC Finance B.V. – Annual Report 2020

## DIRECTORS' REPORT

In accordance with the Articles of Association of Coca-Cola HBC Finance B.V. (the 'Company'), the Board of Directors herewith submits the Company's annual report for the year ended 31 December 2020.

### General

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

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

### Financial Review

Interest revenue for the 2020 financial year amounted to €100.5 million (2019: €107.6 million) and net profit for the 2020 financial year amounted to €16.3 million (2019: €15.1 million). Year-on-year profit before taxation amounted to €21.7 million which represented an increase of €0.9 million compared to the prior year, as lower interest expense and positive foreign exchange results more than offset lower interest revenue.

In 2020, on average the Russian rouble weakened against the Euro, resulting in a net foreign exchange gain of €0.8 million (2019: loss of €1.1 million).

In 2016 the Company incurred a loss on settled forward starting swap contracts amounting to €55.4 million which was classified in the cash flow hedge reserve. The loss is amortised to the income statement as an interest expense over the term of the bond maturing November 2024. The interest expense of 2020 includes an amount of €6.4 million cash flow hedge amortisation related to the settled forward starting swaps (2019: €6.4 million).

In May 2019, the Company completed the issue of a €700.0 million Euro-denominated fixed rate bond maturing in May 2027 with a coupon rate of 1% and the issue of a €600.0 million Euro-denominated fixed rate bond maturing in May 2031 with a coupon rate of 1.625%. The net proceeds of the new issue were used to partially repay €236.6 million of the 2.375%, 7-year fixed rate bond due in June 2020. At the maturity date of 18 June 2020, the remaining €563.4 million of this bond was fully repaid. In November 2019, the Company completed the issue of a €500.0 million Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%. All three bonds were issued under the Company's €5.0 billion Euro medium-term note ('EMTN') programme, which was last updated in April 2020.

The Company entered into swaption contracts to pre-hedge the interest rate risk of the forecasted bonds' issuance and formally designated these contracts as cash flow hedges. The swaption contracts were settled in May and November 2019 and the accumulated loss (primarily cost of hedging) of €7.5 million was recorded in other comprehensive income in 2019 and is amortised to the income statement as an interest expense over the term of the new bond issuances. The interest expense of 2020 includes an amount of €1.3 million (2019: €0.4 million) relating to these contracts.

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

Standard & Poor's and Moody's both affirmed their credit ratings for long-term/short-term debt, of BBB+/A2, with stable outlook in June 2020 and Baa1/P2, with stable outlook in May 2020 respectively.

## Outlook and future developments

The Company mainly operates as an intragroup financing vehicle as well as a hedging entity with respect to currency, interest rate and commodity risk (mainly for sugar, aluminium, aluminium premium and PET). Looking ahead to 2021, the Board of Directors do not expect a significant deviation from the current policy and purpose of the Company. The preliminary expectations are that the year 2021 will be finished not significantly different compared to last year's profit. There are no planned material investments and major developments to be expected and the number of staff is expected to remain stable in 2021.

There are no special events that should be taken into account for the financial statements.

### *COVID-19*

The outbreak of the COVID-19 pandemic in 2020 has been an unprecedented event that, in varying degrees, has impacted people around the world and created, and continues to create, a high degree of uncertainty as to future financial performance of many companies. On the basis that the Company acts as the finance vehicle of the Group, when considering the impact of COVID-19 pandemic to the Company, its interdependency on the Group should be considered as well. The implications of the pandemic, and particularly the implications of the enforced lockdown in most of the Group's markets during the year and the related impact on the Group's trading, have been considered in assessing the ability of the Group to continue trading as a going concern. As the COVID-19 lockdown restrictions ease and vaccinations progress, the Group's markets are expected to resume their economic activities.

The Group has a strong balance sheet and liquidity position, leading market shares and largely variable cost base as well as a unique portfolio of brands and resilient and talented people that will allow the Group to successfully face these uncertain times. Furthermore, the Group has implemented appropriate contingency and business continuity plans in order to safeguard that the Group's production plants and supply chain remain fully operational. Going forward, as governments step up their efforts to control the spread of COVID-19, including implementation of broader COVID-19 vaccination programs across the Group markets, the Directors understand that the Group may see some disruption, however this is not expected to have an impact on the Group's long-term prospects. The Group continues to monitor the COVID-19 pandemic, including its impact on the Company's business.

The impact of COVID-19 on the Company is limited. The Company's primary asset are receivables from Group companies which amount to EUR 2,548 million as per 31 December 2020. Management has carefully assessed the recoverability of amounts falling due in 2021 and 2022 and has no indication that the obligations will not be met as they fall due. The Company has a robust liquidity management framework in place, which ensures that there are sufficient funds available to cover its short and long-term commitments. None of the Company's debt facilities are subject to any financial covenants which would impact the Company's liquidity or access to capital. The Company has not experienced any disruption to Managing Directors nor key personnel due to the virus and all activities remain fully operational with the use of technology wherever applicable and/or physical (protected) presence as needed, following the instructions of the local authorities.

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The Directors will continue to monitor the pandemic and any potential impact on the Company. Following the Group's assessment based on a quantitative viability exercise and the performance of various stress tests, the Directors believe that the Company will be able to continue as a going concern and meets its obligations as these fall due.

## Principal risks and uncertainties

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

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

### Foreign currency risk

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

### Interest rate risk

The short-term and long-term borrowings from the capital market have a fixed interest rate. Any short-term borrowings from Group companies have a fixed interest rate whilst long-term borrowings from Group companies have a floating interest rate. Lending to Group companies has a floating interest rate based on the average borrowing cost of the Company plus an arm's-length spread. This average borrowing cost is reset on a quarterly basis. The arm's-length spread is reviewed annually.

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

### Credit risk

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

### Liquidity risk

The Company actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. The Euro medium-term note ('EMTN') programme, the Euro-commercial paper programme and the unutilized revolving credit facility are used to manage the liquidity risk. Cash and cash equivalents as at 31 December 2020 increased compared to the balance as at 31 December 2019 and amounted to €985.0 million (2019: €667.3 million).

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The syndicated loan facility, which is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG, was increased in April 2019 from €500.0 million to €800.0 million and extended to April 2024 with the option to be extended up for two more years until April 2026. In March 2020, the Company exercised its extension option and extended the maturity to April 2025. Both the commercial paper programme and the EMTN programme were updated in the 2<sup>nd</sup> quarter of 2020 and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. None of the Company's debt facilities are subject to any financial covenants which would impact the Company's liquidity or access to capital.

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

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

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

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

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

## Dividends

During the year the Company distributed a non-cash interim dividend in kind in the amount of EUR 8.0 million by means of assigning and distributing an intercompany loan receivable of EUR 8.0 million for no consideration to its shareholder. The Directors do not recommend the distribution of any other dividend and propose the interim distribution to be the final dividend for the year 2020 (2019: no dividend distribution).

## Managing Directors

During the year under review, the Company had four Managing Directors, who received no remuneration during the current or previous financial year. On 1 November 2020, Sjors van der Meer resigned as Managing Director and Riquette Merbis was appointed as Managing Director. The Managing Directors also provide managing services to other Coca-Cola HBC subsidiaries. The Company has no Supervisory Directors.

## Code of conduct and corporate social responsibility

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

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## Directors' statement

The Directors of the Company hereby declare that, to the best of their knowledge and in accordance with the International Financial Reporting Standards (IFRS), the financial statements for the year ending 31 December 2020 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and that the Directors' report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces.

**Amsterdam, 9 April 2021**

## Directors

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**Garyfallia Spyriouni**

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**Michail Imellos**

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**Riquette Merbis**

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**Huig Johan Braamskamp**

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## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Notes	2020 €'000	2019 €'000
Interest revenue from financing to related parties 1)	9, 22	90,715	93,555
External interest revenue on an amortised cost basis	9	391	807
Other external interest revenue	9	9,361	13,254
<b>Total interest revenue</b>		<b>100,467</b>	<b>107,616</b>
External interest expense	9	(54,065)	(58,183)
Interest expense from financing from related parties	9, 22	(21,424)	(22,537)
<b>Total interest expense</b>		<b>(75,489)</b>	<b>(80,720)</b>
<b>Net interest revenue</b>		<b>24,978</b>	<b>26,896</b>
Other finance costs	9	(2,072)	(2,857)
<b>Net finance income</b>		<b>22,906</b>	<b>24,039</b>
Net foreign exchange results	10	818	(1,098)
Fair value changes in investments	17	(1,014)	(761)
Net other income and expenses	11	(985)	(1,423)
<b>Profit before tax</b>		<b>21,725</b>	<b>20,757</b>
Income tax expense	13	(5,435)	(5,684)
<b>Profit after tax for the year</b>		<b>16,290</b>	<b>15,073</b>

1) based on amortised cost basis

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Notes	2020 €'000	2019 €'000
Profit after tax for the year		16,290	15,073
<b>Other comprehensive income/(expense):</b>			
Items that may be reclassified to the income statement:			
Cash flow hedges:	18		
Net loss on cash flow hedges		-	(1,011)
Cost of hedging		-	(6,457)
Losses reclassified to the income statement for the year		7,715	6,797
<b>Total other comprehensive income/(expense)</b>		<b>7,715</b>	<b>(671)</b>
<b>Total comprehensive income for the year</b>		<b>24,005</b>	<b>14,402</b>

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



# Coca-Cola HBC Finance B.V. – Annual Report 2020

## BALANCE SHEET

AS AT 31 DECEMBER

(before profit appropriation)

	Notes	2020 €'000	2019 €'000
<b>Assets</b>			
Property, plant and equipment	19	76	233
Financial assets at amortised cost - receivables from related parties	22	2,496,019	2,881,181
Financial assets at FVPL - derivative financial instruments	14	1,469	546
Other non-current assets	20	1,150	1,274
<b>Total non-current assets</b>		<b>2,498,714</b>	<b>2,883,234</b>
Financial assets at amortised cost - receivables from related parties	22	51,826	48,521
Financial assets at amortised cost – time deposits	14	92,885	349,832
Financial assets at FVPL - derivative financial instruments	14	10,790	7,054
Financial assets at FVPL – investments in money market funds	14	-	371,423
Other current assets		536	631
Financial assets at amortised cost - cash and cash equivalents	14, 16	985,043	667,306
<b>Total current assets</b>		<b>1,141,080</b>	<b>1,444,767</b>
<b>Total assets</b>		<b>3,639,794</b>	<b>4,328,001</b>
<b>Liabilities</b>			
Financial liabilities at amortised cost – short-term borrowings	15	200,000	663,052
Accrued interest on short-term borrowings	15	12,570	19,738
Financial liabilities at amortised cost - payables to related parties	22	407,315	530,700
Financial liabilities at FVPL - derivative financial instruments	14	10,968	7,878
Current tax liabilities	21	10,620	10,789
Other current liabilities		1,748	1,895
<b>Total current liabilities</b>		<b>643,221</b>	<b>1,234,052</b>
Financial liabilities at amortised cost - long-term borrowings	15	2,383,420	2,381,006
Financial liabilities at amortised cost - payables to related parties	22	226,756	343,440
Financial liabilities at FVPL - derivative financial instruments	14	1,467	548
Other non-current liabilities		26	56
<b>Total non-current liabilities</b>		<b>2,611,669</b>	<b>2,725,050</b>
<b>Total liabilities</b>		<b>3,254,890</b>	<b>3,959,102</b>
<b>Equity</b>			
	18		
Share capital		1,018	1,018
Share premium		263,064	263,064
Hedging reserve		(32,500)	(40,215)
Retained earnings		153,322	145,032
<b>Total equity</b>		<b>384,904</b>	<b>368,899</b>
<b>Total equity and liabilities</b>		<b>3,639,794</b>	<b>4,328,001</b>

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

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## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Share capital €'000	Share premium €'000	Hedging reserve €'000	Retained earnings €'000	Total shareholders' equity €'000
As at 1 January 2019	1,018	263,064	(39,544)	129,959	354,497
Profit for the year	-	-	-	15,073	15,073
Other comprehensive expense for the year	-	-	(671)	-	(671)
<b>Total comprehensive income for the year</b>	-	-	<b>(671)</b>	<b>15,073</b>	<b>14,402</b>
<b>As at 31 December 2019</b>	<b>1,018</b>	<b>263,064</b>	<b>(40,215)</b>	<b>145,032</b>	<b>368,899</b>
Interim dividend distribution	-	-	-	(8,000)	(8,000)
Profit for the year	-	-	-	16,290	16,290
Other comprehensive income for the year	-	-	7,715	-	7,715
<b>Total comprehensive income for the year</b>	-	-	<b>7,715</b>	<b>16,290</b>	<b>24,005</b>
<b>As at 31 December 2020</b>	<b>1,018</b>	<b>263,064</b>	<b>(32,500)</b>	<b>153,322</b>	<b>384,904</b>

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

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## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2020 €'000	2019 €'000
<b>Operating activities</b>			
Profit before tax		21,725	20,757
Adjustments for:			
Interest expense	9	75,489	80,720
Interest revenue	9	(100,467)	(107,616)
Amortisation of prepaid fees		177	600
Depreciation of right-of-use assets	19	29	49
Depreciation of property, plant and equipment	19	53	121
		<b>(2,994)</b>	<b>(5,369)</b>
Loans to the Group - issuances	22	(1,985,524)	(3,893,572)
Loans to the Group - repayments	22	2,353,582	2,881,924
Loans from the Group - issuances	22	6,075,375	6,720,863
Loans from the Group - repayments	22	(6,314,276)	(6,738,823)
Net receipts/(payments) for investments in financial assets:			
time deposits	17	257,000	(106,000)
money market funds	17	370,410	(337,320)
(Increase)/decrease in other assets		(3,864)	4,250
Decrease in other liabilities		(1,597)	(16,861)
Increase in right-of-use assets	19	54	(76)
Decrease/(increase) in property, plant and equipment (net)	19	21	(94)
Interest received		106,470	101,999
Interest paid		(73,465)	(86,454)
Taxes paid	13	(5)	(34)
<b>Net cash inflow / (outflow) from operating activities</b>		<b>781,187</b>	<b>(1,475,567)</b>
<b>Financing activities</b>			
Net proceeds from external borrowings	15	684,500	2,260,000
Net repayment of external borrowings	15	(1,147,927)	(691,573)
Net repayment of lease liability	19	(23)	(49)
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(463,450)</b>	<b>1,568,378</b>
<b>Net increase in cash and cash equivalents</b>		<b>317,737</b>	<b>92,811</b>
Cash and cash equivalents at 1 January		667,306	574,495
Net increase in cash and cash equivalents		317,737	92,811
<b>Cash and cash equivalents at 31 December</b>	<b>16</b>	<b>985,043</b>	<b>667,306</b>

The accompanying notes form an integral part of these financial statements

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

## 1. General information

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

Registered Company number: 34154633.

The registered address of the Company is Radarweg 60, 1043 NT, Amsterdam, the Netherlands.

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

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

Copies of the Group’s consolidated financial statements are available on the Group’s website, [www.coca-colahellenic.com](http://www.coca-colahellenic.com), and from its registered office:

Coca-Cola HBC AG  
Turmstrasse 26  
6312 Steinhausen  
Switzerland

## 2. Basis of preparation

The financial statements of Coca-Cola HBC Finance B.V. have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and as adopted by the European Union (“EU”) and with Book 2, Title 9 of the Dutch Civil Code. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of the derivative financial instruments and money market funds to fair value.

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

## 3. Critical accounting estimates and judgements

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

### Estimates

Impairment losses (refer to Note 14)

Management considered the impact of COVID-19 pandemic to its impairment assessment process and concluded that this is adequately reflected in the estimates as part of the probability of default used.

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Notes to the financial statements for the year ended 31 December 2020

## 4. Impact of COVID-19

As part of the consideration of whether to adopt the going concern basis in preparing the financial statements, management assessed the impact of COVID-19 pandemic on the financial statements, including critical accounting estimates and judgements (refer to Note 3), and found this to be limited, considering also that, following the assessment based on a quantitative viability exercise and the performance of various stress tests performed, no going concern issue was identified for the Group.

Following the assessment, it is deemed appropriate by the Directors that the Company continues to adopt the going concern basis for the preparation of the financial statements.

## 5. Foreign currency and remeasurement

### *(a) Functional and presentation currency*

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

### *(b) Transaction and balances*

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when such assets or liabilities are designated hedging instruments in a qualifying cash flow hedge relation. In that case, the results are deferred in equity until the occurrence of the hedged transaction, at which time they are recognised in the income statement.

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

## 6. Accounting pronouncements

### *(a) Accounting pronouncements adopted in 2020*

In the current period, the Company has adopted the following amendments which were issued by the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2020:

- Definition of a Business – Amendment to IFRS 3;
- Revised Conceptual Framework for Financial Reporting;
- Definition of Material – Amendment to IAS 1 and IAS 8;
- Interest Rate Benchmark reform – Phase 1 – Amendment to IFRS 9, IAS 39 and IFRS 7.

The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments that came in effect on 1 January 2020.

### *(b) Accounting pronouncements not yet adopted*

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

- Interest Rate Benchmark Reform – Phase 2 – Amendment to IFRS 9, IAS 39, IFRS 7 and IFRS 16;
- Covid 19 – Related Rent Concessions – Amendment to IFRS 16.

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## Notes to the financial statements for the year ended 31 December 2020

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

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendment to IAS 37;
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Annual improvements of IFRS Standards 2018-2020;
- Disclosure of Accounting Policies – Amendments to IAS 1; and
- Definition of Accounting Estimates – Amendments to IAS 8.

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

## 7. Financial risk management

### Financial risk factors

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

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

### Market risk

#### a) Foreign currency risk

The Company is exposed to the effect of foreign currency risk on recognised monetary assets and liabilities that are denominated in currencies other than the functional currency. Foreign currency derivative instruments are used to hedge the Company's foreign currency risk. The Company also enters into foreign currency derivatives with financial institutions to hedge Group entities' cash flow exposures and which are mirrored by derivatives with relevant Group companies (i.e. on a back-to-back basis with Group companies). The majority of the foreign currency forward contracts have maturities of less than one year. As a matter of policy, the Company does not enter into speculative derivative financial instruments. The Company primarily borrows in Euro in the debt capital and commercial paper market. Both borrowing and lending to Group companies is mainly in Euro. Financing with Group companies denominated in currencies other than Euro is hedged with derivative instruments.

The following tables present details of the Company's sensitivity to reasonably possible increases and decreases in the Euro against the relevant foreign currencies. In determining reasonable possible changes, the historical volatility over a twelve-month period of the respective foreign currencies in relation to the Euro has been considered.

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

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Notes to the financial statements for the year ended 31 December 2020

## 2020 exchange risk sensitivity analysis

	% of historical volatility over a 12-month period	Euro strengthens against local currency	Euro weakens against local currency
		(Gain)/loss in income statement €'000	Loss/(gain) in income statement €'000
Bulgarian lev	0.91%	(16.24)	16.54
Czech koruna	8.48%	37.23	(44.70)
Hungarian forint	8.03%	15.77	(20.06)
Polish zloty	6.99%	4.31	(5.29)
Romanian leu	1.47%	(0.85)	0.89
Russian rouble	21.02%	(358.04)	678.13
Swiss franc	3.72%	3.68	(4.12)
UK sterling	8.91%	46.72	(60.09)
US dollar	7.57%	(1.96)	2.87
<b>Total</b>		<b>(269.38)</b>	<b>564.17</b>

## 2019 exchange risk sensitivity analysis

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

### b) Price risk

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

### c) Interest rate risk

Long-term borrowings, including the effect of swap contracts, from the debt capital market as well as short-term borrowings, i.e. commercial paper, have fixed interest rates. Short-term borrowings from Group companies are fixed rate instruments, whilst long-term borrowings from Group Companies are floating rate instruments. Lending to Group companies has a floating interest rate based on the average borrowing cost of the Company plus an arm's-length spread. This average borrowing cost is reset on a quarterly basis. The arm's-length spread is reviewed annually.

# Coca-Cola HBC Finance B.V. – Annual Report 2020

## Notes to the financial statements for the year ended 31 December 2020

The sensitivity analysis in the following paragraphs has been determined based on exposure to interest rates of both derivative and non-derivative instruments existing at the balance sheet date and assuming constant foreign exchange rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease for 2020 (2019: 50 basis point) represents management's assessment of a reasonably possible change in interest rates.

### Loss / (gain) in the income statement:

	2020 €'000	2019 €'000
Increase in basis points	1,690	2,249
Decrease in basis points	(1,742)	(2,184)

### Credit risk

The Company is exposed to credit risk from loans, deposits or financial derivatives to Group companies and financial institutions.

The Treasury Policy objective is to minimise counterparty risk whilst ensuring an acceptable return on the excess cash position. The Company has limits in place regarding the amount of counterparty exposure to any single financial institution. In order to mitigate counterparty risks, strict investment limits exist on the excess cash balances invested per counterparty, as well as the credit quality of the counterparties. The Audit Committee of the Board of Directors of Coca-Cola HBC AG approve counterparty limits to ensure that risks are controlled effectively and that transactions are undertaken with approved counterparties. The Company is also exposed to credit risk from loans to Group companies. However, the risk exposure is not considered to be significant.

The Company's maximum exposure to credit risk, in the event that counterparties fail to perform their obligations at 31 December 2020 in relation to each class of recognised financial assets, is the carrying amount of those assets.

The credit quality of financial assets, none of which are guaranteed by the Group, can be assessed by reference to external credit ratings (if available) or to historic information about counterparty default rates. In the current COVID-19 impacted environment, the Company is actively monitoring the recoverability of its financial assets and ensures any loss allowance reflects on a timely basis management's best estimate of potential losses.

On a semi-annual basis an assessment is performed in order to identify any subsequent credit deterioration of a counterparty to the loans which might lead to change the ECL from a 12-month PD ('probability of default') to a lifetime PD (stage 2).

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

In addition, the Company regularly makes use of time deposits and investments in money market funds to invest temporarily excess cash balances and to diversify its counterparty risk. As at 31 December 2020, €794.4 million was invested in time deposits (2019: €503.8 million) of which €701.5 million (2019: €154.0 million) have a maturity of 3 months or less and are classified as 'Financial assets at amortised cost - cash and cash equivalents' (refer to Note 16) and the remaining €92.9 million (2019: €349.8 million) are classified as 'Financial assets at amortised cost – time deposits'. As at 31 December 2020, there are no investments in money market funds (2019: €371.4 million classified as 'financial assets at fair value through profit or loss').

The Company only undertakes investment with third parties and derivative transactions with banks and financial institutions that have a minimum credit rating of 'BBB-' from Standard & Poor's or 'Baa3' from Moody's. Any negative change of the credit rating subsequent to the initial investment which may bring the investment's rating below this



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## Notes to the financial statements for the year ended 31 December 2020

threshold may lead to potential sale of the debt security prior to its maturity (for Government debt or Corporate commercial paper) or to immediate withdrawal of all balances in a money market fund.

In the case of a time deposit the Company will try to cancel on a best effort basis. The Company also uses the Credit Default Swaps ('CDS') of a counterparty in order to measure in a timelier way the credit worthiness of a counterparty and set up a tier-based approach to assign maximum exposure and tenor per tier. If the CDS Rate of a certain counterparty exceeds 400 basis points, the Company will stop trading derivatives with that counterparty. If, in case of investments in time deposits, the CDS level is above the acceptable range for three consecutive business days, Group CFO approval is required for continuing trading in these time deposits.

### Liquidity risk

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

The Company manages liquidity risk by maintaining adequate cash reserves and committed banking facilities, access to the debt capital markets, and by continuously monitoring forecast and actual cash flows. In Note 15, the undrawn facilities that the Company has in its disposal to manage liquidity are discussed under the headings 'commercial paper programme' and 'committed credit facilities'.

Coca-Cola HBC AG is guarantor for the €800.0 million syndicated loan facility (refer to Note 15(b)). Furthermore, Coca-Cola HBC AG is guarantor for the Euro-commercial paper programme (refer to Note 15(a)) and the EMTN programme (refer to Note 15(c)). In addition, Coca-Cola HBC AG has given a Letter of Comfort for the credit facility lines on Citibank pool bank accounts, which are part of the Multi Currency Zero Balancing and Notional Pooling.

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

### 2020

	Less than 1 year €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000	Total €'000
Bonds, bills and unsecured notes	231,125	31,125	682,125	1,885,000	2,829,375
Payables to related parties	424,536	228,189	1,053	-	653,778
Foreign currency forward contracts	631	-	-	-	631
Other payables	1,748	27	-	-	1,775
<b>Estimated net outflow for the liabilities as at 31 December</b>	<b>658,040</b>	<b>259,341</b>	<b>683,178</b>	<b>1,885,000</b>	<b>3,485,559</b>

### 2019

	Less than 1 year €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000	Total €'000
Bonds, bills and unsecured notes	707,933	31,125	693,375	1,904,875	3,337,308
Payables to related parties	563,724	329,277	22,814	-	915,815
Foreign currency forward contracts	2,584	-	-	-	2,584
Other payables	1,826	-	-	-	1,826
<b>Estimated net outflow for the liabilities as at 31 December</b>	<b>1,276,067</b>	<b>360,402</b>	<b>716,189</b>	<b>1,904,875</b>	<b>4,257,533</b>

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

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

## Capital management

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

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

The Group's goal is to maintain a conservative financial profile. This is evidenced by the credit ratings maintained with Standard & Poor's and Moody's. In June and May 2020, Standard & Poor's and Moody's reaffirmed Coca-Cola HBC's 'BBB+' long term, 'A2' short term and 'Baa1' long-term, 'P2' short-term corporate credit ratings respectively, both with stable outlook.

The Group monitors its financial capacity and credit ratings by reference to a number of key financial ratios including net debt to comparable adjusted EBITDA, which provides a framework within which the Group's capital base is managed. This ratio is calculated as net debt divided by comparable adjusted EBITDA. The ratio of the Group at 31 December 2020 and 31 December 2019 are disclosed in the Group's Notes to the consolidated financial statements.

## 8. Segmental analysis

The Company has one main operating segment being the finance vehicle of the Group. Refer to Notes 22(a) and 22(b) analysis of interest revenue and expense and receivables and payables by counterparty.

## 9. Interest revenue, interest expense and other finance cost

### Accounting policy

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

Interest revenue is recognised on a time proportion basis using the effective interest rate method.

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

Other finance cost is recognised in the income statement in the period it which it is incurred and relates mainly to commitment fees for loan facilities not yet drawn and other similar costs.

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

	2020	2019
	€'000	€'000
Interest revenue on loans to related parties	90,419	93,356
Interest revenue on In-House-Cash	296	199
<b>Interest revenue from financing to related parties (Note 22)</b>	<b>90,715</b>	<b>93,555</b>

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

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

	2020	2019
	€'000	€'000
Interest differential (forward points) on derivative contracts	9,361	13,254
<b>Other external interest revenue</b>	<b>9,361</b>	<b>13,254</b>
Interest revenue on current bank accounts	132	429
Interest revenue on commercial paper and financial assets	259	378
<b>External interest revenue on an amortised cost basis</b>	<b>391</b>	<b>807</b>
<b>External interest revenue</b>	<b>9,752</b>	<b>14,061</b>
<b>Total interest revenue</b>	<b>100,467</b>	<b>107,616</b>

	2020	2019
	€'000	€'000
Bond financing costs	47,796	52,370
Interest differential (forward points) on derivative contracts	3,831	4,431
Interest on lease liabilities	-	3
Other external interest	2,438	1,379
<b>External interest expense</b>	<b>54,065</b>	<b>58,183</b>

Interest expense on loans to related parties	18,783	19,573
Interest expense on In-House-Cash	152	449
Coca-Cola HBC AG's guarantee fee	2,489	2,515
<b>Interest expense from financing from related parties (Note 22)</b>	<b>21,424</b>	<b>22,537</b>
<b>Total interest expense</b>	<b>75,489</b>	<b>80,720</b>

	2020	2019
	€'000	€'000
Revolving facility financing costs	1,012	1,078
Finance advisory and bank costs	1,060	1,779
<b>Other finance costs</b>	<b>2,072</b>	<b>2,857</b>

## 10. Net foreign exchange results

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

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

	2020	2019
	€'000	€'000
Fair value profit / (loss) on forward contracts	640	(359)
Net foreign exchange profit / (loss) on other activities	178	(739)
<b>Total net foreign exchange profit / (loss)</b>	<b>818</b>	<b>(1,098)</b>

# Coca-Cola HBC Finance B.V. – Annual Report 2020

## Notes to the financial statements for the year ended 31 December 2020

The total net foreign exchange profit includes a gain of €1.2 million (2019: €0.8 million loss) relating to the hedging of the Company borrowing in Russian roubles, which is partially offset by the movement in other foreign currencies as disclosed in Note 7.

### 11. Net other income and expenses

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

	2020	2019
	€'000	€'000
Independent auditor's fees	(60)	(60)
Non-recoverable VAT	(316)	(679)
Intra-Group recharge for In-House Cash and treasury services	2,259	2,118
Other general administrative expenses	(2,868)	(2,802)
<b>Total net other income and expenses</b>	<b>(985)</b>	<b>(1,423)</b>

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

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

### 12. Employee costs

#### Accounting policy

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

Employee costs are included in other general administrative expenses (refer to Note 11) and can be analysed as follows:

	2020	2019
	€'000	€'000
Wages and salaries	1,443	1,290
Social security costs	220	179
Relocation costs	31	1
Other benefits and staff costs	209	228
Pension costs – defined contribution plan	89	88
<b>Total employee costs</b>	<b>1,992</b>	<b>1,786</b>

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

During the year 2020, the average number of employees calculated on a full-time-equivalent basis was 19 (2019: 18).

All employees are based in Amsterdam offices and thus there are no full-time employees abroad for the Company.

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

## 13. Income tax expense

### Accounting policy

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

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

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

The Company primarily performs financing activities for the Group with the required funds for its activity being borrowed from both Group and external funding sources.

For these activities, the Company charges the Group companies an arm's length remuneration and as a result, thereof a profit (interest) margin is earned in the Netherlands. This interest margin, after deduction of administrative expenses, is subject to taxation in the Netherlands.

The Company has recorded an income tax charge in its financial statements for the year 2020 of €5.4 million (2019: €5.7 million) as if it is a stand-alone entity liable to pay corporate income tax.

The income tax charge can be analysed as follows:

	2020	2019
	€'000	€'000
<b>Profit before tax</b>	<b>21,725</b>	<b>20,757</b>
Tax calculated at the Dutch tax rate (25%) *	5,430	5,189
<b>Current income tax charge for the year</b>	<b>5,430</b>	<b>5,189</b>
Income tax charge previous years	-	461
<b>Current income tax in income statement</b>	<b>5,430</b>	<b>5,650</b>
Withholding tax	5	34
<b>Tax in income statement</b>	<b>5,435</b>	<b>5,684</b>

\* The first €200 thousand of profit of the fiscal unity is taxed at 16.5% for tax year 2020 (tax year 2019: 19%)

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

## 14. Financial risk management and financial instruments

### Accounting policy

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

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

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

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

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

### Impairment losses

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

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

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

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

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

### Other financial assets: time deposits, money market funds & cash and cash equivalents

Other financial assets are initially recorded at fair value including, where permitted by IFRS 9, any directly attributable transaction costs. For those financial assets that are not subsequently held at fair value, the Company assesses them for impairment as described above.

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

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

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

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

## *Offsetting financial assets and liabilities*

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

### *a) Financial assets*

The following financial assets are subject to offsetting, enforceable master netting or similar agreements:

As at 31 December 2020 (€ '000)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	<u>Related amounts not set off in the balance sheet</u> Financial instruments	Net amount
Derivative financial assets	12,259	-	12,259	(593)	11,666
Financial assets:					
at amortised cost	92,885	-	92,885	-	92,885
Cash and cash equivalents	985,043	-	985,043	-	985,043
<b>Total</b>	<b>1,090,187</b>	<b>-</b>	<b>1,090,187</b>	<b>(593)</b>	<b>1,089,594</b>

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

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

The column 'Net amount' shows the impact on the Company's balance sheet if all set-off rights were exercised.

## *b) Financial liabilities*

The following financial liabilities are subject to offsetting, enforceable master netting or similar agreements:

As at 31 December 2020 (€ '000)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	<u>Related amounts not set off in the balance sheet</u> Financial instruments	Net amount
Derivative financial liabilities	12,435	-	12,435	(593)	11,842
<b>Total</b>	<b>12,435</b>	<b>-</b>	<b>12,435</b>	<b>(593)</b>	<b>11,842</b>



# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

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

The column 'Net amount' shows the impact on the Company's balance sheet if all set-off rights were exercised.

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

## *Derivative financial instruments*

### **Accounting policy**

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

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

Derivatives embedded in non-financial host contract are accounted for as separate derivative and recorded at fair value if:

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

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

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

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

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

Changes in the fair value of derivative financial instruments (both the intrinsic value and the aligned time value) that are designated and effective as hedges of future cash flows are recognised directly in the statement of other comprehensive income and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement as the related asset acquired or liability assumed affects the income statement.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

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

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

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

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

As at 31 December 2020

## Contracts with positive fair values

	<u>Notional Amount</u>	<u>Carrying Amount</u>	<u>Maturity Date</u>
<u>Non-current</u>	<u>€ million</u>	<u>€ million</u>	
Commodity swap contracts	9.8	1.5	Feb. 22 – Oct. 22
<b>Current</b>			
Foreign currency forward contracts	286.6	2.8	Jan. 21 – Oct. 21
Commodity swap contracts	(11.0)	8.0	Jan. 21 – Dec. 21
<b>Total current</b>	<b>275.6</b>	<b>10.8</b>	

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## Contracts with negative fair values

	Notional Amount	Carrying Amount	Maturity Date
Non-current	€ million	€ million	
Commodity swap contracts	(9.8)	1.5	Feb. 22 – Oct. 22
<b>Current</b>			
Foreign currency forward contracts	330.3	3.0	Jan. 21 – Oct. 21
Commodity swap contracts	11.0	8.0	Jan. 21 – Dec. 21
<b>Total current</b>	<b>341.3</b>	<b>11.0</b>	

## As at 31 December 2019

### Contracts with positive fair values

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

### Contracts with negative fair values

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

### Forward starting swap contracts

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

### Swaptions

The Company entered into swaption contracts of €350.0 million in 2018 and €1,050.0 million in 2019 to hedge the interest rate risk related to its Euro denominated forecasted issuance of fixed rate debt in 2019 and formally designated them as cash flow hedges. In May and November 2019 the swaption contracts were settled and, at the same time, the new notes were issued. The accumulated loss of €9.6 million (primarily cost of hedging) recorded in other comprehensive income (2019: €7.5 million and 2018: €2.1 million) is being amortised to the income statement (refer to Note 18).

### Derivatives gains and losses

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

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Notes to the financial statements for the year ended 31 December 2020

## a) Cash flow hedges

The amount reclassified from other comprehensive income to the income statement for the period amounted to a €7.7 million loss (2019: €6.8 million loss) all of which was recorded as external interest expense and relating to the interest rate instruments (refer to Note 18). No significant ineffectiveness has been recognised in 2020 and 2019.

## b) Undesignated hedges

The net gains on foreign currency contracts at fair value through income statement (for which hedge accounting was not applied) amounted to a €10.8 million gain (2019: €17.4 million gain) which was recorded in the line items other external interest revenue, external interest expense and net foreign exchange losses.

## Financial instruments categories

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

As at 31 December 2020

	Debt financial instruments at amortised cost €'000	Assets at fair value through profit or loss €'000	Assets held at amortised cost €'000	Total €'000
Derivative financial instruments	-	12,259	-	12,259
Financial assets at amortised cost	-	-	92,885	92,885
Receivables from related parties	2,547,845	-	-	2,547,845
Cash and cash equivalents	985,043	-	-	985,043
<b>Total</b>	<b>3,532,888</b>	<b>12,259</b>	<b>92,885</b>	<b>3,638,032</b>

	Other financial liabilities at amortised cost €'000	Liabilities at fair value through profit or loss €'000	Total €'000
Borrowings	2,583,420	-	2,583,420
Derivative financial liabilities	-	12,435	12,435
Payables to related parties	634,071	-	634,071
Accrued interest on borrowings	12,570	-	12,570
Other (non-) current liabilities	1,774	-	1,774
<b>Total</b>	<b>3,231,835</b>	<b>12,435</b>	<b>3,244,270</b>

As at 31 December 2019

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

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Notes to the financial statements for the year ended 31 December 2020

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

## *Fair values of financial assets and liabilities*

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

### *Level 1*

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

### *Level 2*

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of foreign currency forward contracts, foreign currency option contracts, commodity swap contracts and forward starting swap contracts is determined by using valuation techniques. These valuation techniques maximise the use of observable market data. The fair value of the foreign currency forward contracts, foreign currency option contracts, commodity swap contracts and cross currency swap contracts is calculated by reference to quoted forward exchange, deposit rates and forward rate curve of the underlying commodity at 31 December 2020 for contracts with similar maturity dates. The fair value of interest rate swap contracts and forward starting swap contracts is determined as the difference in the present value of the future interest cash inflows and outflows based on observable yield curves.

### *Level 3*

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

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

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## Notes to the financial statements for the year ended 31 December 2020

As at 31 December 2020 and 2019, all financial assets and financial liabilities recorded at fair value are included in level 1, 2 and level 3 as depicted in the tables below:

As at 31 December 2020	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
<b>Financial assets at FVPL</b>				
Commodity derivatives	-	4,454	5,030	9,484
Foreign currency forward/option derivatives	-	2,775	-	2,775
<b>Total financial assets</b>	-	<b>7,229</b>	<b>5,030</b>	<b>12,259</b>
<b>Financial liabilities at FVPL</b>				
Commodity derivatives	-	4,463	5,013	9,476
Foreign currency forward/option derivatives	-	2,959	-	2,959
<b>Total financial liabilities</b>	-	<b>7,422</b>	<b>5,013</b>	<b>12,435</b>

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

All commodity derivatives are structured on a back-to-back basis. Foreign currency forward and option derivatives on behalf of Group subsidiaries are also structured on a back-to-back basis. The difference between the financial assets and financial liabilities derivatives relate to the counterparty credit adjustment. Therefore, these derivatives do not have a material impact in the income statement.

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

## 15. Borrowings

### Accounting policy

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

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

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

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

	2020	2019
	€’000	€’000
Commercial paper	200,000	100,000
Accrued interest on short term borrowings	12,570	19,738
Bonds, bills and unsecured notes falling due with one year	-	563,052
<b>Total borrowings falling due within one year</b>	<b>212,570</b>	<b>682,790</b>
Bonds, bills and unsecured notes falling due within two to five years	597,947	597,414
Bonds, bills and unsecured notes falling due after five years	1,785,473	1,783,592
<b>Total borrowings falling due after one year</b>	<b>2,383,420</b>	<b>2,381,006</b>
<b>Total borrowings</b>	<b>2,595,990</b>	<b>3,063,796</b>

### a) Euro-commercial paper programme

In October 2013, the Company established a €1.0 billion Euro-commercial paper programme (‘CP programme’). The CP programme was updated in September 2014, in May 2017 and then in May 2020, to further diversify its short-term funding sources. All commercial paper issued under the CP programme must be repaid within 7 to 364 days. The CP programme has been granted the Short-Term Euro Paper label (‘STEP’) and commercial paper is issued through the Company and is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The outstanding amount under the CP programme as at 31 December 2020 was €200.0 million (2019: €100.0 million).

### b) Committed credit facilities

In April 2019, the Company updated its then-existing €500.0 million syndicated revolving credit facility, which was set to expire in June 2021. The updated syndicated revolving credit facility has been increased to €800.0 million and has been extended to April 2024 with the option to be extended up for two more years until April 2026. Additionally, few sustainability features have been included in the facility. In March 2020, the Company exercised its extension option and extended the maturity to April 2025.

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

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Notes to the financial statements for the year ended 31 December 2020

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

In June 2013, the Company established a €3.0 billion Euro medium-term note programme ('the EMTN Programme'). The EMTN programme was updated in September 2014, September 2015, April 2019, when it was increased to €5.0 billion, and then again in April 2020. Notes are issued under the EMTN programme through the Company and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

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

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

In May 2019, the Company completed the issue of a €700.0 million Euro-denominated fixed rate bond maturing in May 2027 with a coupon rate of 1% and a €600.0 million Euro-denominated fixed rate bond maturing in May 2031 with a coupon rate of 1.625%.

The net proceeds of the new issue were used to partially repay €236.6 million of the 2.375%, seven-year fixed rate bond due in June 2020, while the remaining €563.4 million was repaid in June 2020 upon its maturity.

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

As at 31 December 2020, a total of €2.4 billion in notes issued under the EMTN programme were outstanding.

None of the Company's debt facilities are subject to financial covenants that would impact the Company's liquidity or access to capital.

## Bonds and notes summary

The summary of the bonds of the Company at 31 December 2020 and 2019 is as follows:

	Start date	Maturity date	Fixed Coupon	Book value 2020 € '000	Book value 2019 € '000	Fair value 2020 € '000	Fair value 2019 € '000
€800m Eurobond	18 June 2013	18 June 2020	2.375%	-	563,052	-	566,616
€600m Eurobond	10 March 2016	11 November 2024	1.875%	597,947	597,414	648,222	652,326
€700m Eurobond	14 May 2019	14 May 2027	1.000%	695,845	695,190	741,517	721,490
€500m Eurobond	21 November 2019	21 November 2029	0.625%	494,004	493,201	518,265	489,705
€600m Eurobond	14 May 2019	14 May 2031	1.625%	595,624	595,201	678,210	643,398
<b>Total</b>				<b>2,383,420</b>	<b>2,944,058</b>	<b>2,586,214</b>	<b>3,073,535</b>

## d) Fair value, foreign currencies and interest rate information

As at 31 December 2020 the fair value of all bonds and notes payable, including the current portion, was €2,586.2 million (2019: €3,073.5 million) compared to their book value, including the current portion, of €2,383.4 million (2019: €2,944.1 million). The fair values are within level 1 of the fair value hierarchy, refer to Note 14.



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

2020	Fixed interest rate € '000	Total 2020 € '000	Fixed rate	Weighted
			liabilities	average maturity
			Weighted	for which
		2020	Average	rate is fixed
		€ '000	interest rate	(years)
Euro	2,583,420	2,583,420	1.54%	6.8
Financial liabilities	2,583,420	2,583,420	1.54%	6.8

  

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

The majority of the Company's borrowing from external parties only comprise of fixed rate borrowings as at 31 December 2020 and 31 December 2019.

## 16. Cash and cash equivalents

### Accounting policy

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

Cash and cash equivalents at 31 December comprise the following:

	2020	2019
	€'000	€'000
Cash at bank, in transit and on hand	283,543	513,306
Short-term deposits	701,500	154,000
<b>Total cash and cash equivalents</b>	<b>985,043</b>	<b>667,306</b>

The short-term deposits have different tenors ranging from 4 to 91 days as at 31 December 2020. These deposits bear, on average, a negative interest rate of 0.5%. Time deposits of €92.9 million (2019: €349.8 million), which do not meet the definition of cash and cash equivalents, are recognised as financial assets and disclosed in the line 'financial assets at amortised cost – time deposits' in the balance sheet. These time deposits have a weighted average tenor of 156 days.

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## 17. Net debt reconciliation

Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents, and certain other financial assets. This section sets out the analysis of net debt as at the end of 2020 and 2019 and the movement in net debt for these years.

	2020	2019
	€'000	€'000
Cash and cash equivalents	985,043	667,306
Financial assets at amortised cost	92,885	349,832
Financial assets at fair value through profit or loss	-	371,423
Short-term borrowings including accrued interest	(212,570)	(682,790)
Long-term borrowings	(2,383,420)	(2,381,006)
<b>Net debt</b>	<b>(1,518,062)</b>	<b>(1,675,235)</b>

	Cash and cash equivalents €'000	Financial assets at amortised cost €'000	Financial assets at FVPL €'000	Short-term borrowings incl. accrued interest €'000	Long-term borrowings €'000	Total €'000
<b>Net debt at 31 December 2018</b>	<b>574,495</b>	<b>243,886</b>	<b>34,864</b>	<b>(106,827)</b>	<b>(1,395,203)</b>	<b>(648,785)</b>
Adoption IFRS 16	-	-	-	(49)	(123)	(172)
Cash flows	92,811	106,000	337,320	(5,000)	(1,563,427)	(1,032,296)
Other non-cash movements	-	(54)	(761)	(570,914)	577,747	6,018
<b>Net debt at 31 December 2019</b>	<b>667,306</b>	<b>349,832</b>	<b>371,423</b>	<b>(682,790)</b>	<b>(2,381,006)</b>	<b>(1,675,235)</b>
Cash flows	319,626	(257,000)	(370,409)	463,427	-	155,644
Other non-cash movements	(1,889)	53	(1,014)	6,793	(2,414)	1,529
<b>Net debt at 31 December 2020</b>	<b>985,043</b>	<b>92,885</b>	<b>-</b>	<b>(212,570)</b>	<b>(2,383,420)</b>	<b>(1,518,062)</b>

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## 18. Equity

### Accounting policy

Ordinary shares are classified as equity.

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

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

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

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

The authorised capital of the Company is €5.0 million and is divided into 50,000 shares of €100 each. The issued share capital at 31 December 2020 and 2019 comprised 10,180 shares of €100 each fully paid, with total nominal value €1,018,000.

As at 31 December 2020, the Company's share premium amounted to €263.1 million (2019: €263.1 million).

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

During the year, the Company distributed a non-cash interim dividend in kind in the amount of EUR 8.0 million by means of assigning and distributing an intercompany loan receivable of EUR 8.0 million for no consideration to its shareholder.

The hedging reserve amounts to a €32.5 million loss as at 31 December 2020 (2019: €40.2 million loss), which is not available for distribution.

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

	2020	2019
	€'000	€'000
<b>Net book value as at 1 January</b>	<b>40,215</b>	<b>39,544</b>
Losses in current year		
Net loss on cash flow hedges	-	1,011
Cost of hedging	-	6,457
Losses reclassified to the income statement	(7,715)	(6,797)
<b>Net book value as at 31 December</b>	<b>32,500</b>	<b>40,215</b>

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## 19. Property, plant and equipment

### Accounting policy

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

Computers and software 4 years

Leasehold buildings and improvements 5 years

Furniture and fittings 8 years

The depreciation charge is recorded in the 'Net other income and expenses' in the income statement.

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

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

2020:

	Computers €'000	Buildings €'000	Furniture and fittings €'000	Total €'000
<b>Net book value as at 1 January 2020</b>	<b>121</b>	<b>17</b>	<b>68</b>	<b>206</b>
Additions / (disposals)	(21)	-	(59)	(80)
Depreciation charge	(28)	(17)	(8)	(53)
<b>Net book value as at 31 December 2020</b>	<b>72</b>	<b>-</b>	<b>1</b>	<b>73</b>
Cost	126	182	2	310
Accumulated depreciation	(54)	(182)	(1)	(237)
<b>Net book value as at 31 December 2020 excluding right-of-use assets</b>	<b>72</b>	<b>-</b>	<b>1</b>	<b>73</b>
<b>Net book value of right- of-use assets as at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>Net book value as at 31 December 2020</b>	<b>72</b>	<b>-</b>	<b>4</b>	<b>76</b>

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

2019:

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

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

The Company's net (disposals) / additions to right-of-use assets are:

	2020 €'000	2019 €'000
Buildings	(54)	54
Furniture and fittings	-	22
<b>Total (disposals) / additions</b>	<b>(54)</b>	<b>76</b>

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

	2020 €'000	2019 €'000
Buildings - depreciation charge	20	39
Furniture and fittings	9	10
<b>Total depreciation (reversal) charge</b>	<b>29</b>	<b>49</b>

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

	2020 €'000	2019 €'000
Current lease liabilities	3	25
Non-current lease liabilities	-	1
<b>Total lease liability</b>	<b>3</b>	<b>26</b>

## 20. Other non-current assets

The other non-current assets consist in both 2020 and 2019 mainly of deferred facility fees.

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

## 21. Current tax liabilities

The current tax liabilities which amounted to €10.6 million as at 31 December 2020 (2019: €10.8 million), reflect the current account balance with CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. and Coca-Cola HBC Sourcing B.V. in relation to income tax liabilities.

## 22. Related party transactions

Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Since the principal activity of the Company is the provision of financial services to the Group, related party transactions relate to the borrowing and lending activities of the Company with the Group.

The four directors of the Company have been appointed by the shareholder of the Company. There have been no transactions between the Company and the directors during the year.

Refer to Note 21 for the income tax liability, which is a short-term payable to CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. and Coca-Cola HBC Sourcing B.V. and which is not included in the paragraphs (a) to (d) below.

Refer to Note 13 for the fiscal unity for corporate income taxes and the related tax sharing agreement between the Company and CC Beverages Holdings II B.V., Coca-Cola HBC Holdings B.V. and Coca-Cola HBC Sourcing B.V.

### a) Interest revenue and receivables

Company	Country	Related parties receivable as at 31 December		Interest revenue	
		2020	2019	2020	2019
		€'000	€'000	€'000	€'000
CC Beverages Holdings II B.V.	The Netherlands	1,564,552	1,712,067	52,689	52,023
Coca-Cola HBC Italia S.r.l.	Italy	328,543	338,721	10,803	11,222
Coca-Cola HBC AG	Switzerland	198,403	191,635	5,971	6,146
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	161,550	174,606	6,452	8,451
CCB Management Services GmbH	Austria	96,749	106,942	3,331	3,483
Coca-Cola HBC Hungary Ltd	Hungary	51,262	44,331	2,276	1,671
Coca-Cola HBC Česko a Slovensko, s.r.o. - organizačná zložka	Slovakia	45,043	47,250	1,417	1,897
Coca-Cola HBC Cesko a Slovensko, s.r.o.	Czech Republic	33,207	21,383	841	1,085
Lanitis Bros Ltd.	Cyprus	29,226	29,563	933	978
AS Coca-Cola HBC Eesti	Estonia	11,116	2,871	180	3
Coca-Cola HBC Austria GmbH	Austria	7,757	95	59	684
Coca-Cola HBC Holdings B.V.	The Netherlands	-	185,102	3,379	2,753
Coca-Cola HBC Greece S.A.I.C.	Greece	-	46,068	1,117	2,009
Other related parties		20,437	29,068	1,267	1,150
<b>Total</b>		<b>2,547,845</b>	<b>2,929,702</b>	<b>90,715</b>	<b>93,555</b>

# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

## b) Interest expense and payables

Company	Country	Related parties payable as at 31 December		Interest expense	
		2020	2019	2020	2019
		€'000	€'000	€'000	€'000
Coca-Cola HBC Holdings B.V.	The Netherlands	109,516	-	259	16
Coca-Cola HBC Sourcing B.V.	The Netherlands	95,244	545	1,214	-
Coca-Cola HBC Switzerland Ltd	Switzerland	84,379	81,727	1,108	816
ZAO Multon	Russia	52,382	84,412	1,582	6,339
Coca-Cola HBC Italia Srl	Italy	37,248	88,446	22	-
Coca-Cola HBC Procurement GmbH (1)	Austria	26,317	119,118	708	(1,909)
Adelink Limited (Nicosia)	Cyprus	24,955	2,239	6,523	-
Coca-Cola HBC Ireland Ltd	Ireland	24,251	21,306	2	1
LLC Coca-Cola HBC Eurasia	Russia	21,645	46,491	2,871	6,199
Coca-Cola HBC Austria GmbH	Austria	20,028	31,166	4	-
Coca-Cola HBC Romania Ltd	Romania	16,538	35,066	624	2,619
Coca-Cola HBC Services MEPE	Greece	12,762	19,158	250	226
CC Beverages Holdings II B.V.	The Netherlands	12,630	7,776	20	59
Coca-Cola HBC Slovenija d.o.o.	Slovenija	12,450	20,469	371	313
CCHBC Bulgaria AD	Bulgaria	10,176	13,718	55	278
CCB Management Services GmbH	Austria	9,768	24,259	-	1
Coca-Cola HBC Hrvatska d.o.o.	Croatia	9,664	2,144	73	800
Coca-Cola HBC Armenia CJSC	Armenia	8,455	10,589	271	265
Coca-Cola HBC Polska sp. z.o.o.	Poland	6,780	18,213	26	260
Coca-Cola HBC AG	Switzerland	271	170	2,489	2,515
Star Bottling Limited	Cyprus	-	170,635	2,619	2,802
CCHBC Insurance (Guernsey) Ltd	Guernsey	-	21,542	-	-
Other related parties		38,611	54,951	333	937
<b>Total</b>		<b>634,071</b>	<b>874,140</b>	<b>21,424</b>	<b>22,537</b>

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

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

## c) Financing with the Group by category

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

	As at 31 December 2020		As at 31 December 2019	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Long-term loans and borrowings	2,496,019	226,755	2,881,181	343,440
Short-term loans and borrowings	45,418	270,399	39,363	290,365
IHC-balances	4,872	132,288	7,742	240,063
Other	1,535	4,628	1,416	272
<b>Total</b>	<b>2,547,845</b>	<b>634,071</b>	<b>2,929,702</b>	<b>874,140</b>

# Coca-Cola HBC Finance B.V. – Annual Report 2020

## Notes to the financial statements for the year ended 31 December 2020

The non-current receivables will fall due in over five years. The interest revenue and expense on loans to/from the Coca-Cola HBC Group for the year was settled, for most of the loans listed above, on a three-month basis. The interest accrual related to the last quarter of 2020 was settled in January 2021.

Both the receivable In-House-Cash ('IHC') balances as well as the payable IHC balances are classified under current Group receivables, respectively payables, as the IHC balances have the same liquidity characteristics as bank balances. The interest revenues and expenses from the IHC program are reflected in Note 9. The remaining contractual maturities for the Company's liabilities to related parties are included in the liquidity tables in Note 7.

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

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

	As at 31 December 2020		As at 31 December 2019	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Euro	2,283,094	408,131	2,683,923	569,685
UK sterling	161,551	1,090	174,605	6,826
Hungarian forint	51,261	3,455	44,331	4,833
Czech crown	33,191	27	-	-
Polish Zloty	18,745	6,814	7,079	17,949
Swiss franc	3	84,381	-	81,742
Russian rouble	-	98,983	-	133,143
Romanian leu	-	11,643	65	29,176
US dollar	-	7,453	-	-
Other	-	12,094	19,699	30,786
<b>Total</b>	<b>2,547,845</b>	<b>634,071</b>	<b>2,929,702</b>	<b>874,140</b>

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

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

	31 December 2020		31 December 2019	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Average borrowing cost rate*	2,532,491	-	2,920,553	-
Fixed rate*	-	197,084	-	132,214
Floating rate*	4,870	432,359	7,742	741,663
Other	10,484	4,628	1,407	263
<b>Total</b>	<b>2,547,845</b>	<b>634,071</b>	<b>2,929,702</b>	<b>874,140</b>

\* Amounts include related interest accruals.

The average borrowing cost rate is reset on a quarterly basis and is based on the average borrowing cost of the Company. The weighted average fixed rate for loans received in 2020 amounted to 0.1% (2019: 0.2%).

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



# Coca-Cola HBC Finance B.V. – Annual Report 2020

Notes to the financial statements for the year ended 31 December 2020

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

The Company charges fees for the In-House-Cash and treasury services which are included in the net other income and expenses (refer to Note 11).

## *f) Intra-group guarantees*

The external debt under the EMTN Programme, the Euro-commercial paper programme and the Committed credit facilities (Note 15) are guaranteed by the related party entity of the Company, Coca-Cola HBC AG.

## **23. Directors' remuneration**

The directors did not receive any remuneration during the year (2019: nil). The Managing Directors also provide managing services to other Coca-Cola HBC subsidiaries.

## **24. Commitments**

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

## **25. Proposed appropriation of result and dividends**

An amount of EUR 8.0 million has been declared and distributed as interim dividend in kind during 2020 and the Board of Managing Directors proposes this to be the final dividend of the year and to add the net profit of the year ended 31 December 2020 to retained earnings (2019: no dividend distribution):

	<b>€'000</b>
Addition to retained earnings	16,290
<b>Net profit</b>	<b>16,290</b>

## **26. Events after the balance sheet date**

There are no events after the balance sheet date which should be reported.

# **Coca-Cola HBC Finance B.V. – Annual Report 2020**

Notes to the financial statements for the year ended 31 December 2020

The financial statements on pages 5 to 8 and the attached notes on pages 9 to 40 have been approved by the Directors in Amsterdam on 9 April 2021.

## **Directors**

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**Garyfallia Spyriouni**

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**Michail Imellos**

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**Riquette Merbis**

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**Huig Johan Braamskamp**

# **Coca-Cola HBC Finance B.V. – Annual Report 2020**

## **OTHER INFORMATION**

### **Profit appropriation according to the Articles of Association**

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

### **Independent auditor's report**

The Independent Auditor's report can be found on page 43.



## *Independent auditor's report*

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

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### *Report on the financial statements 2020*

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#### *Our opinion*

In our opinion, the financial statements of Coca-Cola HBC Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2020 of Coca-Cola HBC Finance B.V., Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2020;
- the following statements for 2020: the income statement, the statements of comprehensive income, changes in shareholders' equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

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

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#### *The basis for our opinion*

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

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

*XEZURMKJRZFP-657765211-22*

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## *Independence*

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

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## *Our audit approach*

### *Overview and context*

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

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

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

Due to COVID-19 measures we were not able to perform our audit procedures on location. Instead we performed them virtually through our electronic way of working. This way of working made it more challenging for us to perform audit procedures and to gather sufficient and appropriate audit evidence. To overcome this we, when planning our audit, have taken this into account as part of our risk assessment and we have planned and executed additional audit procedures where considered necessary. We therefore believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

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



### *Materiality*

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

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

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €36.3 million (2019: €43.2 million). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the stakeholders.

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

We agreed with management that we would report to them misstatements identified during our audit above €1.8 million (2019: €2.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *Key audit matters*

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

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

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.



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**Key audit matter**

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**How our audit addressed the matter**

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**Measurement of expected credit losses***Notes 14 and 22*

We considered the valuation of the loans to group companies, as disclosed in notes 14 and 22 to the financial statements for a total amount of €2,547.8 million to be a key audit matter. This is due to the size of the loan portfolio and relevant impairment rules.

Management has determined that all loans to group companies are categorised as stage 1 loans, hence only a twelve-month expected credit loss ('ECL') has been recognised. As stated in note 'Impact of COVID-19' to the financial statements, management of the Company has assessed that the impact of COVID-19 has been limited on the Company, considering also the sector in which the group operates.

The impairment rules in IFRS 9 are complex and require judgement to calculate the ECL. Amongst other things, this applies to choices and judgements made in the impairment methodology, including the determination of the point in time probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). These calculations also take into account forward-looking information of macro-economic factors considering multiple scenarios. Management monitors the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance. Mainly with respect to the PD and LGD used in the determination of the expected credit losses, management has applied significant judgement given the low default character of the entity's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD.

In the absence of internal historical losses and default information, management used data from external data source providers in determining the ECL.

We performed the following procedures to test management's assessment of the expected credit loss to support the valuation of the loans to Coca-Cola HBC AG group companies:

- With respect to the ECL calculation, we determined that the loans qualify as stage 1 loans (i.e. no significant deterioration of credit risk).
- We evaluated the financial position of the guarantor by assessing observable data from rating agencies, developments in credit spreads, the latest available financial information and other publicly available data in order to assess if there are no adverse conditions present suggesting to classify the loans as stage 2 or stage 3 loans. We have assessed management's position on the impact of COVID-19 on the financial position of the counterparties of the loans to group companies as part of our procedures.
- For the expected credit loss, we assessed, with assistance of our specialists, that the impairment methodology and model applied by the entity were in accordance with the requirements of IFRS 9. We assessed that the forward-looking information used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of Coca-Cola HBC Finance B.V. We have assessed management's position on the impact of COVID-19 on the forward-looking information as part of our procedures.
- We assessed for a sample of financial instruments that the PD and LGD and the assumptions, applied by management, are appropriate and were based upon data from external data source providers including indicators for potential management bias. We have recalculated the impairment recorded in the financial statements.

We found management's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

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**Key audit matter**

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**How our audit addressed the matter**

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**Existence of the loans to group companies***Notes 14 and 22*

We considered the existence of the loans to group companies, as disclosed in notes 14 and 22 to the financial statements for a total amount of €2,547.8 million, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.

We performed the following procedures to support the existence of the loans to Coca-Cola HBC AG group companies:

- We confirmed the existence of the loans with the counterparties on a sample basis.
- We tested the input of contracts in the Company's treasury management system.
- We performed a substantive analytical procedure on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread.
- We compared interest receipts with bank statements.

Based on the procedures as set out above, we found no material differences.

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**Report on the other information included in the annual report**

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

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

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

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

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

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

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





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## ***Report on other legal and regulatory requirements***

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### ***Our appointment***

We were appointed as auditors of Coca-Cola HBC Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held on 15 April 2020. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of eighteen years.

### ***No prohibited non-audit services***

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

### ***Services rendered***

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 11 to the financial statements.

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## ***Responsibilities for the financial statements and the audit***

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### ***Responsibilities of management***

Management is responsible for:

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

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

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### ***Our responsibilities for the audit of the financial statements***

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

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



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

Amsterdam, 9 April 2021  
PricewaterhouseCoopers Accountants N.V.

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



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## ***Appendix to our auditor's report on the financial statements 2020 of Coca-Cola HBC Finance B.V.***

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

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

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

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

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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



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