Operational agility delivers resilient performance

Coca-Cola HBC AG, a growth-focused Consumer Packaged Goods business and strategic bottling partner of The Coca-Cola Company, reports its financial results for the full year ended 31 December 2020.

Full-year highlights

- Our business adapted quickly to changing consumer behaviour as a result of COVID-19 restrictions, delivering resilient financial performance reflecting strength of brand portfolio, operational agility and strong execution
- Improving volume trends in second half, with Q4 like-for-like[1] volume down 0.7% and full-year like-for-like[1] volume decline contained at 4.6% YoY
  - Four of our largest markets grew volumes, on a like-for-like[1] basis: Nigeria, Russia, Poland and Ukraine
  - At-home channel volumes up mid-single digit in second half
- FX-neutral revenue per case stabilised in the second half, improving to a 4.1% decline YoY (H1 2020 -6.1% YoY)
  - Driven by negative package mix from lower single-serve volumes
  - Strong positive category mix, Sparkling +0.2%, Adult Sparkling +3.2% and Energy up 17.9%
- Full-year like-for-like[1] FX-neutral revenue declined by 8.5%, while reported revenue declined by 12.7%
  - Strong market share gains in 2020: +40 bps of value share in NARTD and +30 bps in Sparkling
  - Performance by segment mainly driven by each region's relative exposure to the out-of-home channel as well as timing and severity of lockdowns through the year
- We have created a more agile business; comparable EBIT margin at 11.0%, up 20bps YoY, or 10.6% like-for-like[1], down 20bps YoY. Reported EBIT declined by 7.6% to €660.7 million
  - Structural improvement to cost base over several years, shifting fixed costs to variable, enabling efficiency gains
  - Gross profit margin up 20bps through good management of input & supply chain costs and FX hedging
  - Decisive action on discretionary costs early in the pandemic delivered €120m of cost savings
- Comparable EPS of €1.19, down 17.5%, impacted by a higher effective tax rate and a small increase in financing costs; basic EPS declined by 14.9%
- Board of Directors to propose an ordinary dividend of €0.64 per share, a +3.2% increase year-on-year
  - Free cash flow of €497 million, up €54.4 million YoY
  - Financial discipline and strong balance sheet continue to support investment in the business
- Ongoing investment in sustainable solutions for packaging including rPET in-house production and deposit return scheme (DRS) studies

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

"The numbers we released today demonstrate how far our business has come in building both operational agility and lasting margin resilience. I am proud of the speed, flexibility and care with which our people responded to the pandemic and the results we have achieved. I am also thankful to our customers and suppliers for their valuable partnerships which are even more critical in these challenging times.

The improved second-half trading was driven by a return to growth in the at-home and greater resilience in the out-of-home, despite a resurgence of infections in many of our markets towards the end of the year. Partnering closely with The Coca-Cola Company team on rigorous prioritisation of our joint market investments, coupled with our rapid adaptation of the route-to-market and excellent execution, resulted in strong value share gains in both Non-alcoholic ready-to-drink and Sparkling across the majority of our markets.

While the economic outlook remains uncertain, we are clear on the opportunity and direction for our business and are investing to strengthen our capabilities which will drive our long-term performance, underpinned by further advances on sustainability. Looking to 2021, we will continue adapting fast in a dynamic market and partnering with our customers to drive a strong recovery in FX-neutral revenues, along with a small increase in EBIT margin. In recognition of our business' strength and future opportunities, the Board has proposed a dividend of €0.64, a 3.2% increase compared to last year. We move forward with confidence and resolve to continue adapting to win."

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[1] *Performance, unless stated otherwise, is negatively impacted by the change in classification of our Russian Juice business (Multon), from a joint operation to a joint venture, following its re-organisation, and positively impacted by the inclusion of H1 2020 performance of Bambi, the acquisition of which was cycled in H2 2020. In addition, profitability is positively impacted by the Group's election to classify share of results of integral equity method investments within operating profit. Like-for-like performance adjusts for all three impacts. For a table of performance measures excluding these impacts, please refer to the 'Supplementary information' section.*

[2] *For details on APMs refer to 'Alternative Performance Measures' and 'Definitions and reconciliations of APMs' sections.*

[3] *Refer to the condensed consolidated income statement.*

[4] *Net Profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent.*

	Full Year		Change
	2020[1]	**2019**	
Volume (m unit cases)	**2,135.6**	2,264.5	-5.7%
Net sales revenue (€ m)	**6,131.8**	7,026.0	-12.7%
Net sales revenue per unit case (€)	**2.87**	3.10	-7.5%
FX-neutral net sales revenue[2] (€)	**6,131.8**	6,781.7	-9.6%
FX-neutral net sales revenue per unit case[2] (€)	**2.87**	2.99	-4.1%
Operating expenses/ Net sales revenue (%)	**27.4**	27.5	—
Comparable operating expenses / Net sales revenue (%)	**27.3**	26.9	40bps
Operating profit (EBIT)[3] (€ m)	**660.7**	715.3	-7.6%
Comparable EBIT[2] (€ m)	**672.3**	758.7	-11.4%
EBIT margin (%)	**10.8**	10.2	60bps
Comparable EBIT margin[2] (%)	**11.0**	10.8	20bps
Net profit[4] (€ m)	**414.9**	487.5	-14.9%
Comparable net profit[2,4] (€ m)	**431.4**	522.2	-17.4%
Basic earnings per share (EPS) (€)	**1.140**	1.340	-14.9%
Comparable EPS[2] (€)	**1.185**	1.436	-17.5%
Free cash flow[2] (€ m)	**497.0**	442.6	12.3%

Footnotes are presented at the end of page 1.

Coca-Cola HBC Group

Coca-Cola HBC is a growth-focused CPG business and strategic bottling partner of The Coca-Cola Company. We create value for all our stakeholders by supporting the socio-economic development of the communities in which we operate and we believe building a more positive environmental impact is integral to our future growth. Together, we and our customers serve more than 600 million consumers across a broad geographic footprint of 28 countries on 3 continents. Our portfolio is one of the strongest, broadest and most flexible in the beverage industry, offering consumer-leading partner brands in the sparkling, juice, water, sport, energy, plant-based, ready-to-drink tea, coffee, adult sparkling and premium spirits categories. These brands include Coca-Cola, Coca-Cola Zero, Schweppes, Kinley, Royal Bliss, Costa Coffee, Valser, Romerquelle, Fanta, Sprite, Powerade, FuzeTea, Dobry, Cappy, Monster and Adez. We foster an open and inclusive work environment amongst our more than 27,000 employees and we are ranked among the top sustainability performers in ESG benchmarks such as the Dow Jones Sustainability Indices, CDP, MSCI ESG and FTSE4Good.

Coca-Cola HBC has a premium listing on the London Stock Exchange (LSE:CCH) and is listed on the Athens Exchange (ATHEX:EEE). For more information, please visit http://www.coca-colahellenic.com.

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

Conference call

Coca-Cola HBC will host a conference call for financial analysts and investors to discuss the 2020 full year results on Thursday, 11 February 2021 at 09:30am GMT. Interested parties can access the live, audio webcast of the call through Coca-Cola HBC's website https://www.coca-colahellenic.com/en/investor-relations/results-reports-presentations

Next event

12 May 2021	2021 First quarter trading update

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Special Note Regarding the Information set out herein

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

Forward-Looking Statements

This document contains forward-looking statements that involve risks and uncertainties. These statements may generally, but not always, be identified by the use of words such as "believe", "outlook", "guidance", "intend", "expect", "anticipate", "plan", "target" and similar expressions to identify forward-looking statements. All statements other than statements of historical facts, including, among others, statements regarding our future financial position and results, our outlook for 2021 and future years, business strategy and the effects of the global economic slowdown, the impact of the sovereign debt crisis, currency volatility, our recent acquisitions, and restructuring initiatives on our business and financial condition, our future dealings with The Coca-Cola Company, budgets, projected levels of consumption and production, projected raw material and other costs, estimates of capital expenditure, free cash flow, effective tax rates and plans and objectives of management for future operations, are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they reflect our current expectations and assumptions as to future events and circumstances that may not prove accurate. Our actual results and events could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in the 2019 Integrated Annual Report for Coca-Cola HBC AG and its subsidiaries.

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

Alternative Performance Measures

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

Group Operational Review

Our response to the COVID-19 pandemic

Since the start of the pandemic our top priority has been the safety of our people, customers, partners and communities. Keeping our colleagues safe and healthy lies at the heart of our ability to continue serving our customers and operating the business for the shared benefit of our stakeholders. Therefore, wherever they are working, our teams have the right protocols and equipment that keep them – and others – safe.

Partnering with and investing in the communities we serve has always been a core part of the way we do business. The community networks and partnerships that we have established over the years allowed us to support those in need, those fighting the pandemic on the frontline and our customers that continue to serve our shared communities. Working with our partner The Coca-Cola Company, we donated more than 4 million litres of beverages to those on the frontline and via The Coca-Cola Foundation provided grants to NGOs such as the Red Cross. In addition, we utilised our supply chain to produce safety equipment such as masks and bottles for the dispensation of hand sanitizer and hundreds of our people volunteered to support community projects and the vulnerable.

Financial performance in 2020 was impacted by the lockdowns put in place in response to the COVID-19 pandemic. The out-of-home channel, which typically accounts for slightly over 40% of our revenues, operated with severe restrictions during periods of lockdown, and below capacity even when operational. Consequently, as the degree of lockdown in place has varied across our markets and across the year, we have seen trade fluctuate in this channel. Overall, while in the most severe weeks of the lockdowns in April we experienced volume declines in the out-of-home channel of 70% to 90%, during Q3 this improved to high-single digit declines, and in Q4, with renewed restrictions in place, to mid-teens declines.

Performance in the at-home channel strengthened through the year. Volumes were weaker at the start of the pandemic but recovered quickly to a mid-single digit growth rate in July which has since been sustained through the third and fourth quarter. We have seen consumers switching some of their traditional out-of-home routines for at-home ones, and we have adapted fast, creating offers which target the most relevant occasions, including meals, socialising, screen time and 'me time' at home.

The tools and capabilities that we have spent years building and investing behind have enabled us to react quickly to changing consumer behaviour and will be what allows us to continue to adapt to win. We can respond rapidly to evolving consumer demands with targeted plans to ensure that our customers have the right packs for the occasion, with both affordable and premium offerings.

Our route to market is dynamic allowing us to re-route immediately to ensure that our sales force are maximising potential opportunities as the marketplace evolves. It is also increasingly digital, and investment behind this capability has accelerated in 2020. We continue to see significant growth in e-commerce in three main areas: (i) growing demand from our customers to order online from us (ii) e-commerce websites of our omnichannel customers where we are working to increase our digital shelf space and visibility; and (iii) demand for our own D2C platform in Switzerland which is providing us valuable learning opportunities in a fast growing part of the market.

Finally, our ability to re-deploy promotion and marketing budgets between regions or countries delivers the best possible return on that spend. Overall, we are able to adapt the business to continue to be able to win in the market, as demonstrated by the value share gains achieved in the year.

Trading and the current environment

Volume decline for the full year was contained at 4.6% like for like. Q4 like-for-like volumes fell by 0.7% compared to the prior-year period, a resilient performance in the face of renewed lockdown restrictions in our markets and a strong comparative. Volume performance was better in the second half, benefiting from continued growth in the at-home channel. Reported volume declined by 5.7% in 2020 also impacted by the deconsolidation of our Russian Juice business (Multon).

FX-neutral revenue per case declined by 4.1%. The single largest driver of the decline was weaker package mix as a result of lower volumes in the out-of-home channel which carries more single-serve package formats with a relatively higher revenue per case. Channel mix was also negative, driven by the lower volumes from the out-of-home channel. Meanwhile category mix was positive, benefiting from better performance in Sparkling and Energy compared to Stills. Pricing was also positive in the year.

Group Operational Review (continued)

Trading and the current environment (continued)

In the full year, FX-neutral revenue declined by 8.5% on a like-for-like basis. This like-for-like adjustment includes the volumes from our Russian Juice business (Multon), which as of May 2020 are no longer consolidated in our reported numbers and removes the impact from the acquisition of Bambi for the first half of 2020. Without these adjustments FX-neutral revenue declined by 9.6%. Group reported revenue declined by 12.7%, a larger decline than FX-neutral revenue, mainly due to the weakening of the Russian Rouble.

From the start of the COVID-19 pandemic we moved quickly to put in place strategies which could drive single-serve package formats. Our increased activation of multi-packs of cans and glass bottles which earn a higher revenue per case than larger packages drove a 12.9% growth of single-serve multipacks in the at-home channel in Q4, an acceleration of the 4.7% growth in Q3.

We achieved strong market share performance in 2020, gaining 40 bps of value share in NARTD and 30 bps of value share in Sparkling. This performance, particularly in a year in which we reduced marketing spend, demonstrates the strength of our brand portfolio and execution in the market.

Sustainability initiatives

As we work towards delivering our World Without Waste sustainable packaging goals, competitively priced, quality recycled PET (rPET) feedstock continues to be in short supply. We are committed to proactively addressing this challenge so that we can deliver our rPET targets, which are to use 35% rPET across our total business and 50% in our EU countries by 2025. To this end, we are investing in inhouse capacity to produce rPET bottle preforms from hot-washed PET flakes, which are widely available at a lower price than food-grade rPET pellets. This in-house capacity will also help us to reduce energy consumption for 100% rPET preforms by 40%. To deliver on our target to collect 100% of our primary packaging for recycling or reuse by 2030, significant change in national collection system infrastructure is required in most of our territories. Deposit Return Schemes (DRS) have been shown to allow high collection rates and better availability of recycled PET feedstock. We support well-designed, industry-led collection schemes and during 2020 we funded or contributed to 10 new modelling studies to help design the most efficient, high-performing, collection systems for these countries.

Performance by segment

Volume performance by market was highly correlated to the exposure of each of those markets to the out-of-home channel and the severity and length of lockdowns. Four of our largest markets grew volumes in the year: Russia, Nigeria, Poland and Ukraine.

Established segment volumes were down 14.0%, with FX-neutral revenue per case broadly flat (-0.1%). The segment derives a larger proportion of revenues from the out-of-home channel and therefore saw the largest impact on volumes from COVID-19 related restrictions. FX-neutral revenue per case performed relatively well despite lower volumes from the out-of-home channel. This was due to positive category mix driven by better performance in Sparkling than Stills, price increases taken at the beginning of the year, as well as positive country mix due to relatively better performance from higher revenue per case markets such as Switzerland.

Developing segment volumes were down 4.4% with FX-neutral revenue per case down 6.2%. The segment as a whole derives a lower proportion of its revenues from the out-of-home channel compared to the Established segment, and benefited from good performance in Poland, the largest market in the segment. The Developing segment's FX-neutral revenue per case, in addition to being impacted by lower volumes from the out-of-home channel, was impacted by the strategic decision taken before the outbreak of the pandemic to take less pricing in 2020, after several years of strong price/mix development in the segment. Category mix was positive, driven by marginal growth in Sparkling and strong growth in Energy.

Emerging segment volumes were down 1.8% with FX-neutral revenue per case down 3.6%. On a like-for-like basis volumes grew by 0.3% and FX-neutral revenues declined by 2.8%. This segment has benefited from volume growth in three of its largest markets: Russia, Nigeria and Ukraine. The Emerging segment's FX-neutral revenue per case, in addition to being impacted by lower volumes from the out-of-home channel, was also impacted by the pricing investments implemented in Nigeria in the last quarter of 2019, as well as negative country mix due to good volume development in lower revenue per case markets such as Nigeria and Ukraine. Category mix was positive, driven by strong growth in Sparkling and Energy.

Group Operational Review (continued)

Performance by category

Sparkling volumes grew by 0.2%, with stronger performance from low- and no-sugar variants. Within the category we see broad based resilience, with Trademark Coke volumes up 0.7%, Fanta volumes up 0.3%, while Adult Sparkling grew by 3.2%. We gained value share in Sparkling in the majority of our measured markets.

Energy volumes grew by 17.9%. Monster growth outpaced the category and we saw encouraging contribution from Coke Energy in the premium segment and Predator in the affordable segment.

Water volumes fell by 19.7%, with similar levels of decline across all three segments. We sell proportionally more Water in the out-of-home channel compared to Sparkling drinks, which has been a clear driver of weaker performance.

Juice volumes declined by 7.9% on a like for like basis. The underlying juice category in our markets has seen weaker performance than Sparkling within the NARTD category, which has in turn impacted our performance in Juice.

Ready-to-drink tea (RTD tea) volume declined by 20.2%. The underlying RTD tea category has seen the weakest performance among the NARTD categories in our markets.

Our Premium Spirits business volumes declined by 11.1%. Premium Spirits have the highest exposure to the out-of-home channel among our categories.

Innovation

In full alignment with The Coca-Cola Company we continue to focus on fewer, bigger innovations while eliminating underperforming brands and SKUs. Costa Coffee, launched in May and now in 14 of our markets, is a good example of this prioritised approach. Early signs from the launch are positive with strong customer interest as well as repeat purchase. Another focus of our joint approach to innovation is on speed of consumer-centric brand launches, and we are pleased to have rolled-out Topo Chico Hard Seltzer in five markets during the last two months of the year.

Cost control, operating profit and margins

Gross profit margins improved by 20 basis points to 37.9%. Careful management of input costs and timely hedging have allowed us to benefit from lower input costs while protecting our cost of goods sold from foreign currency volatility. Input costs per case decreased by 6.4% on a currency-neutral basis, benefiting from lower costs of PET resin and aluminium. Sugar costs increased by mid-single digits. The adverse impact from foreign currency movements amounted to €66 million in the period, driven predominantly by the Russian Rouble.

Comparable EBIT fell by 11.4% to €672.3 million taking comparable EBIT margins up 20 basis points to 11.0%. Comparable EBIT margins include a benefit from the change in accounting treatment of our Russian Juice business. EBIT margin on a like-for-like basis was 10.6%, down only 20 basis points compared to prior-year EBIT margins. This strong performance is the result of both short and long-term actions. Decisive action taken on discretionary costs early in the crisis has allowed us to deliver our targeted cost savings of €120 million in 2020. In addition, many years of structural improvement in the cost base, efficiency gains and shifting of fixed costs to variable ones where possible have created a lean and resilient operating model, able to maintain good profitability despite a high-single digit decline in revenues.

On a segmental basis, comparable EBIT margins declined by 60 basis points to 9.6% in the Established Segment and by 210 basis points to 8.7% in the Developing Segment. Comparable EBIT margins expanded by 170bps to 13.0% in the Emerging Segment. On a like-for-like basis Emerging segment EBIT margins reached 12.0%. On a reported basis, we delivered €660.7 million of EBIT in the period, an 7.6% decline on the prior year.

We implemented restructuring projects across all segments in the full-year period, incurring €9.8 million in pre-tax restructuring charges.

Group Operational Review (continued)

Net profit and free cash flow

Comparable net profit of €431.4 million and comparable basic earnings per share of €1.185 were 17.4% and 17.5% lower than in the prior-year period, respectively. Reported net profit and reported basic earnings per share in the period were €414.9 million and €1.140, respectively.

Comparable taxes amounted to €174.0 million, representing a tax rate of 28.7%, 290bps higher than the rate in the prior year. This increase is due to certain one-off items that impacted the year, as well as the settlement of the 2011-2019 Transfer Price tax audit in Nigeria.[2]

Financing costs amounted to €70.1 million in the year, €3.0 million higher compared to the prior-year period, in line with expectations. The increase was driven by the change in the accounting treatment of Multon in addition to lower deposit rates, partially offset by lower interest rates on our bonds.

Free cash flow was €497.0 million, an increase of €54.4 million compared to the prior-year period, mainly driven by cash generated from working capital of €108.3 million. Working capital benefited from the phasing of payments of certain customers, driving a strong improvement in receivables performance during Q4 which we expect to partly reverse in H1 2021.

Balance sheet

Our strong balance sheet and liquidity position continue to support and allow investment in the business and inorganic expansion potential. At the balance sheet date, the Group had cash and cash equivalents and other financial assets of €1.3 billion, an undrawn and available Revolving Credit Facility of €0.8 billion, as well as €0.8 billion available out of the €1.0 billion Commercial Paper Programme. None of these credit lines carry any financial covenants and we have no further bond maturities until November 2024.

Technical adjustments and the Bambi acquisition

<u>Acquisition of Bambi</u>

We cycled the acquisition of Bambi at the end of H1 2020, so as of that point we started including Bambi's financials in our like-for-like growth. The impact of Bambi on our reported numbers in the first half of the year benefited our full-year volume and FX-neutral revenue growth by 60bps and our full year comparable EBIT by €13.1 million.

<u>Accounting changes</u>

From early May, the accounting treatment of our Russian Juice business, which is undertaken jointly with The Coca-Cola Company, has changed following its re-organisation. Without this change, Group volume and FX-neutral revenue growth would have been 180bps and 170 bps better respectively.

As of 1 January 2020, the Group elected to classify its share of results from integral equity method investments within operating profit.

Without the above accounting changes, comparable EBIT would have been lower by €2.9 million. Please refer to notes 1 and 16 of the condensed consolidated financial statements for further detail.

[2] *Please refer to the Group Financial Review notes and Note 6 for further detail.*

Operational Review by Reporting Segment

Established markets

	Full Year		Change
	2020	**2019**	
Volume (m unit cases)	**536.9**	624.5	-14.0%
Net sales revenue (€ m)	**2,174.6**	2,517.6	-13.6%
Net sales revenue per unit case (€)	**4.05**	4.03	0.5%
FX-neutral net sales revenue (€ m)	**2,174.6**	2,531.0	-14.1%
FX-neutral net sales revenue per unit case (€)	**4.05**	4.05	-0.1%
Operating profit (EBIT) (€ m)	**203.3**	236.0	-13.9%
Comparable EBIT (€ m)	**209.0**	256.2	-18.4%
EBIT margin (%)	**9.3**	9.4	-
Comparable EBIT margin (%)	**9.6**	10.2	-60bps

- Established markets volume declined by 14.0% in the full year, driven mainly by the extended duration of the lockdowns in several of the biggest countries as well as the higher exposure to out-of-home sales relative to the other segments. Energy was the best performing category with mid teens growth in the period, followed by Sparkling with a low double-digit decline. The period saw weaker performance in stills categories with Water declining in the low twenties.
- On a currency-neutral basis, net sales revenue per unit case was stable at -0.1% in the year, helped by positive country and category mix as well as pricing taken at the start of the year.
- FX-neutral net sales revenue declined by 14.1%. Declines in volume, package and channel mix were partially offset by improvements in category and price mix. Net sales revenue decreased by 13.6%, helped by the Swiss Franc strength in the period.
- Volume in Italy was down 13.9%. Italy was the first of our markets to enter lockdown at the start of the year and has high exposure to the out-of-home channel. However, a return to growth in the at-home-channel as consumer behaviour adapted helped to protect performance. Sparkling and Energy were the most resilient categories.
- Volume in Greece declined by 20.6% in the year, being one of the hardest hit countries in the segment given its high exposure to the out-of-home channel and tourism. Volume performance during Q4 saw a significant improvement despite cycling high comparatives.
- In Ireland, volume declined by 11.8%. While faced with several lockdowns in the year, the country benefited from good performance in the at-home channel.
- In Switzerland, volume declined by 8.1%. Performance in the country was supported by the relatively less restrictive measures in place and easier comparatives during the prior year period. Sparkling and Energy have been the best performing categories, moving back to growth during the second half of the year.
- Comparable operating profit in the Established segment declined by 18.4% to €209.0 million. Comparable EBIT margin declined by 60 basis points to 9.6%. Volume decline and lower price mix more than offset lower input costs and operating expenses. On a reported basis, operating profit was €203.3 million, 13.9% lower compared to the prior-year period.

Operational Review by Reporting Segment (continued)

Developing markets

	Full Year		Change
	2020	**2019**	
Volume (m unit cases)	**412.1**	431.1	-4.4%
Net sales revenue (€ m)	**1,170.9**	1,352.1	-13.4%
Net sales revenue per unit case (€)	**2.84**	3.14	-9.4%
FX-neutral net sales revenue (€ m)	**1,170.9**	1,305.9	-10.3%
FX-neutral net sales revenue per unit case (€)	**2.84**	3.03	-6.2%
Operating profit (EBIT) (€ m)	**97.0**	139.0	-30.2%
Comparable EBIT (€ m)	**102.1**	146.4	-30.3%
EBIT margin (%)	**8.3**	10.3	-200bps
Comparable EBIT margin (%)	**8.7**	10.8	-210bps

- Developing markets volume fell by 4.4% in the year. The segment is less exposed to the out-of-home channel as well as tourism when compared to our Established markets, which supported performance during the year. The energy and sparkling categories performed best, with Energy in high teens growth and Sparkling flattish in the year, helped by mid-single digit growth in Adult Sparkling beverages. Stills' performance was weaker, with low to mid-twenties declines in Water and Juice.
- On a currency-neutral basis, net sales revenue per unit case declined by 6.2%. This is the result of the negative impact that the COVID-19 pandemic had on channel and package mix as well as the strategic decision to take less pricing in some of these markets compared to the previous years. Category mix was positive given the better performance from Sparkling compared to Stills.
- FX-neutral revenue declined by 10.3%, as volume, package, channel and price mix declines were only partially offset by an improvement in category mix. Net sales revenue fell by 13.4% in the period, impacted by the Hungarian Forint and Polish Zloty weakness.
- Poland was the best performing country in the segment with volumes up 3.0% in the year. Strong growth in Sparkling was led by low- and no-sugar variants up over 40%. Polish growth was also supported by growth from the at-home channel as well as the country's relatively larger exposure to at home. During Q4 we saw some stock-up activity by customers in anticipation of the sugar tax that came into effect on the January 1st, 2021.
- Volume in Hungary declined by 13.5% in the year, impacted by a relatively late lifting of the restrictions compared to other countries in the segment during the first wave, followed by a second national lockdown in force since November.
- In the Czech Republic, volume declined by 5.7%. Although the country benefitted from an earlier lifting of the restrictions during the first lockdown, the prolonged and stricter lockdown in the second half of the year weighed on the full-year performance.
- The Developing markets segment delivered comparable operating profit of €102.1 million, a 30.3% decline compared with last year. Comparable operating profit margin for the segment decreased by 210 basis points to 8.7%. Volume decline and lower price/mix more than offset lower input costs and operating expenses. On a reported basis, operating profit was €97.0 million, a decline of 30.2% compared to the prior year period.

Operational Review by Reporting Segment (continued)

Emerging markets

	Full Year		Change
	2020	**2019**	
Volume (m unit cases)	**1,186.6**	1,208.9	-1.8%
Net sales revenue (€ m)	**2,786.3**	3,156.3	-11.7%
Net sales revenue per unit case (€)	**2.35**	2.61	-10.1%
FX-neutral net sales revenue (€ m)	**2,786.3**	2,944.8	-5.4%
FX-neutral net sales revenue per unit case (€)	**2.35**	2.44	-3.6%
Operating profit (EBIT) (€ m)	**360.4**	340.3	5.9%
Comparable EBIT (€ m)	**361.2**	356.1	1.4%
EBIT margin (%)	**12.9**	10.8	220bps
Comparable EBIT margin (%)	**13.0**	11.3	170bps

- Emerging markets volumes declined by 1.8% or increased by 0.3% on a like-for-like basis. The segment's performance was driven by Russia, Nigeria and Ukraine where a lower level of COVID restrictions in place helped to maintain good growth momentum. On a category level, Energy and Sparkling performed best with both growing, while Water saw declines in the high-teens and Juice declined by high single digits.
- FX-neutral net sales revenue per case declined by 3.6%, or 3.1% on a like-for-like basis, impacted by the pricing investments implemented in Nigeria in the last quarter of 2019, as well as negative country mix due to good volume development in lower revenue per case markets such as Nigeria and Ukraine.
- FX-neutral revenues declined by 5.4%, or 2.8% on a like-for-like basis. We saw declining volume, package, channel and price mix while category mix improved due to the relative strength of Sparkling and Energy. Net sales revenue fell by 11.7%, also impacted by the weaker Russian Rouble and Nigerian Naira.
- Russian Federation volumes declined by 10.4% or grew by 1.0% on a like-for-like basis. Russia has a relatively low proportion of revenue from the out-of-home channel and saw fewer restrictions in place during the year. We continue to drive strong results from a Revenue-Growth-Management approach that addresses both affordability and premiumisation within the portfolio; this delivered strong results in the sparkling category led by Adult Sparkling and low- and no-sugar variants.
- In Nigeria, the limited duration of the first lockdown and virtually no restrictions imposed later in the year helped support volumes. Volume grew 13.5% in the period with continued momentum through the last quarter of the year despite a high comparative. All categories grew double digits, with the exception of Water and we have continued to invest in the market to increase capacity. Our competitive position benefited from our fully operational route-to-market, sophisticated customer segmentation provided by Big Data and Advanced Analytics as well as successful price investments implemented in 2019.
- Volume in Romania declined by 8.9% in the year, as the country experienced a long period of COVID-19 related restrictions which extended into the second half of the year. The sparkling category was broadly stable with Trademark Coke and Adult Sparkling in growth.
- In Ukraine, volume grew by 2.8%. This resilient performance reflects the lower-than-average contribution from the out-of-home channel in the country as well as growth in Sparkling and Energy during the period.
- The Emerging segment had comparable operating profit of €361.2 million, an increase of 1.4% compared to last year, leading to a 170 basis points increase in comparable operating margin to 13.0%. The Bambi acquisition, as well as the change in accounting treatment of our Russian Juice business and change in classification of our share of results of integral equity method investments, benefited the Emerging segment's EBIT margin by 100 bps. Volume growth, favourable category mix as well as lower input costs and the decline in operating expenses more than offset unfavourable price mix as well as a negative foreign exchange impact. On a reported basis, operating profit was €360.4 million, 5.9% higher compared to the prior year.

Business Outlook

While the outlook for the global economy in 2021 remains uncertain, we are encouraged by our resilient performance and share gains in 2020.

We expect to see a strong FX-neutral revenue recovery in 2021 on the back of gradual volume recovery against the COVID-19 impact in 2020, as well as price/mix recovery led by improved package mix and pricing taken in relation to the Polish sugar tax. We plan to increase marketing investments in 2021, to fuel this top-line recovery.

We believe that the actions taken over several years to improve our cost base will continue to benefit our margin resilience. We expect to be able to have another year in which we achieve strong cost control, which we will be able to adjust depending on the trading environment, allowing us to manage our profitability.

We expect high-single digit input cost per unit case inflation and that the negative impact of foreign currency on EBIT will be higher in 2021 than in 2020.

With this in mind, we believe that we will be able to achieve a small expansion in our EBIT margin versus 2020.

Looking further ahead, beverages continue to be a high-potential industry and we see many growth opportunities within our evolving brand portfolio and the markets we operate in. Therefore, we believe that once the recovery is underway, the business can return to the growth algorithm we set out at our Capital Markets Day in 2019, which was for FX-neutral revenue growth of 5-6%, with 20-40 basis points of EBIT margin expansion per year on average.

Technical guidance

Comparability of our top-line growth until May 2021 continues to be impacted by the change in the accounting treatment of Multon made in 2020. This change and its impact on full year performance are summarised in the Supplementary Information section. It is expected that the impact of this change in 2021 will be to remove approximately 90 bps of growth from FX-neutral revenue and volume growth.

We expect comparable EBIT margin in 2021 compared to 2020 to be impacted by the following items:

1. The implementation of a sugar tax in Poland on January 1, 2021. We expect this tax to lead to an inflation in revenue, with minimal net impact on Group EBIT and a negative impact on EBIT margin of approximately 40 to 45 bps.
2. From January 1, 2021 the expected useful economic lives of certain assets will change, positively impacting the annual depreciation charge, and therefore positively impacting comparable EBIT margin by approximately 40 to 45 bps.
3. We expect no significant impact, year over year, for the Multon accounting impact.

As a result, we expect no significant net impact on our like-for-like EBIT margin movement, year over year, from the factors noted above.

We remain focused on continuously improving operational efficiencies in the business. For 2021, we have identified restructuring initiatives of approximately €26 million. We expect these initiatives to yield €10 million in annualised benefits from 2021 onwards, while the initiatives already taken in 2020 and those that will be taken in 2021 are expected to yield €34 million of total benefits in 2021.

We expect financing costs to be lower by around 10% compared to 2020, following completion of our refinancing in June 2020.

Considering the dynamics of the evolving mix of profitability in our country portfolio, we expect our comparable effective tax rate to be in the range of 25% and 27%.

Group Financial Review

Income statement	Full Year		
	2020 € million	**2019 € million**	**% Change**
Volume (m unit cases)	**2,135.6**	2,264.5	-5.7%
Net sales revenue	**6,131.8**	7,026.0	-12.7%
Net sales revenue per unit case (€)	**2.87**	3.10	-7.5%
FX-neutral net sales revenue[1]	**6,131.8**	6,781.7	-9.6%
FX-neutral net sales revenue per unit case (€)[1]	**2.87**	2.99	-4.1%
Cost of goods sold	**(3,810.3)**	(4,380.4)	-13.0%
Comparable cost of goods sold[1]	**(3,808.7)**	(4,378.0)	-13.0%
Gross profit	**2,321.5**	2,645.6	-12.3%
Comparable gross profit[1]	**2,323.1**	2,648.0	-12.3%
Operating expenses	**(1,682.2)**	(1,930.3)	-12.9%
Comparable operating expenses[1]	**(1,672.4)**	(1,889.3)	-11.5%
Share of results of integral equity method investments[2]	**21.4**	—	NM
Operating profit (EBIT)[2]	**660.7**	715.3	-7.6%
Comparable operating profit (EBIT)[1]	**672.3**	758.7	-11.4%
Adjusted EBITDA[1]	**1,059.2**	1,110.7	-4.6%
Comparable adjusted EBITDA[1]	**1,070.8**	1,152.9	-7.1%
Finance costs, net	**(70.1)**	(67.1)	4.5%
Share of results of equity method investments	**—**	13.0	NM
Share of results of non-integral equity method investments[2]	**3.3**	—	NM
Tax	**(178.9)**	(173.2)	3.3%
Comparable tax[1]	**(174.0)**	(181.9)	-4.3%
Net profit[3]	**414.9**	487.5	-14.9%
Comparable net profit[1,3]	**431.4**	522.2	-17.4%
Basic earnings per share (€)	**1.140**	1.340	-14.9%
Comparable basic earnings per share (€)[1]	**1.185**	1.436	-17.5%

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

Net sales revenue declined by 12.7% in 2020, compared to the prior year, driven by lower volume and negative package and channel mix due to the impact of COVID-19 related measures to the out-of-home consumption as well as unfavourable foreign currency movements, which more than offset the favourable category mix and pricing. On a currency-neutral basis, net sales revenue declined by 9.6% during 2020, compared to the prior year.

Comparable cost of goods sold and Cost of goods sold decreased by 13.0% in 2020, compared to the prior year, mainly driven by the volume decline and lower input costs, due to the decrease in cost of PET and other raw materials, which more than offset a slight increase in the cost of sugar.

Comparable operating expenses decreased by 11.5% in 2020, compared to the prior year, mainly driven by lower volumes and our focus on cost control. Operating expenses decreased by 12.9% in 2020, compared to the prior year, due to lower volumes, cost control and lower restructuring costs.

Comparable operating profit declined by 11.4% in 2020, compared to the prior year, driven by lower volume and net sales revenue, due to the out-of-home consumption decline resulting from the COVID-19 related measures, as well as unfavorable foreign currency movements, which were only partially offset by lower input costs and operating expenses, as well as the positive contribution from the Bambi acquisition. Operating profit declined by 7.6% in 2020, compared to the prior year, as volume and net sales revenue decline as well as unfavorable foreign currency movements, more than offset lower input costs and operating expenses, including restructuring costs, as well as the positive contribution from the Bambi acquisition.

Group Financial Review (continued)

Income statement (continued)

Net finance costs increased by €3.0 million in 2020, compared to the prior year, driven by the change in accounting treatment of Multon, which resulted in higher interest expense, as well as lower deposit rates, partially offset by lower interest rates on our bonds.

On a comparable basis, the effective tax rate was 28.7% for 2020 and 25.8% for 2019. On a reported basis, the effective tax rate was 30.1% for 2020 and 26.2% for 2019. The Group's effective tax rate varies depending on the mix of taxable profits by territory, the non-deductibility of certain expenses, non-taxable income and other one-off tax items across its territories.

In August 2020, Nigerian Bottling Company Ltd ("NBC"), the Group's subsidiary in Nigeria, settled the additional tax assessed by the Nigerian tax authorities ("FIRS") following the completion of their income tax audit for the years 2005–2019 and transfer pricing ("TP") audit for the years 2011-2019. The net impact to the Tax line item in the income statement, following the utilisation of provisions for uncertain tax positions, was €16.5 million, out of which €7.2 million is attributable to the results of the TP audit. This additional tax charge of €16.5 million resulted in a 2.8pp increase of the Group's effective tax rate on a reported basis, for 2020.

NBC was audited by the FIRS with respect to TP for the first time since the inception of the TP rules and principles in the country. The TP audit focused on the transactions between NBC and The Coca-Cola Company Group entities ("TCCC") over a 9-year period (2011-2019). The FIRS challenged the prices of concentrate purchased from and the charges for services provided by TCCC to NBC. As a result, the FIRS adjusted NBC's profitability, increasing its taxable base accordingly. The TP audit concluded with a settlement between FIRS and NBC.

This increase of NBC's taxable base over this 9-year period amounted to €195 million (Naira 90 billion) and resulted in the elimination of accumulated capital allowances of €183 million (Naira 84 billion). In addition, to the extent that the available capital allowances were not sufficient to offset the full impact of the tax adjustment in a certain year, a tax payment was required to be made. Following the settlement, the total tax assessed by the FIRS amounted to €62.7 million (Naira 28.6 billion), of which €7.6 million (Naira 3.5 billion) was settled in cash and €55.1 million (Naira 25.1 billion) was settled through the elimination of the deferred tax asset relating to the available capital allowances.

The FIRS applied Nigerian TP rules and principles to assess tax on a portion of the income earned by TCCC from its transactions with NBC which, the FIRS determined, should have been subject to taxation in Nigeria. The outcome of the TP audit and the additional related tax that was assessed by the FIRS, is therefore not associated with the operations of NBC. Consequently, we consider that the income statement impact of this TP audit (net income statement charge of €7.2m after the utilisation of provisions for uncertain tax positions) distorts users' understanding of the Group's underlying financial performance for 2020 and therefore have excluded it from the comparable after-tax results, by reporting it under 'Other tax matters' for comparability purposes. Adjusting for this TP audit charge, the Group's effective tax rate on a comparable basis was 28.7% for 2020, an increase of 2.9pp year on year.

Comparable net profit and net profit decreased by 17.4% and 14.9% respectively in 2020 compared to the prior year, driven by operating profitability decline.

Group Financial Review (continued)

Balance Sheet

	As at 31 December		
	2020	**2019**	**Change**
Assets	**€ million**	**€ million**	**€ million**
Total non-current assets	**5,046.0**	5,137.7	-91.7
Total current assets	**2,527.1**	3,076.3	-549.2
Total assets	**7,573.1**	**8,214.0**	-640.9
Liabilities			
Total current liabilities	**2,026.2**	2,667.2	-641.0
Total non-current liabilities	**2,913.6**	2,846.6	67.0
Total liabilities	**4,939.8**	**5,513.8**	-574.0
Equity			
Owners of the parent	**2,630.7**	2,697.5	-66.8
Non-controlling interests	**2.6**	2.7	-0.1
Total equity	**2,633.3**	**2,700.2**	-66.9
Total equity and liabilities	**7,573.1**	**8,214.0**	-640.9
Net current assets	**500.9**	**409.1**	91.8

Total non-current assets decreased by €91.7 million in 2020, mainly due to currency translation and the elimination of non-current deferred tax asset resulting from the Nigerian tax audit, partially offset by fixed assets additions over depreciation and the impact of the change in Multon's accounting treatment, following its reorganisation. Net current assets increased by €91.8 million in 2020 mainly as a result of the repayment of the remaining bond which matured in June 2020 and lower investments in financial assets, partially offset by increased cash and cash equivalents. Total non-current liabilities increased by €67.0 million in 2020, mainly due to the partial drawdown of the Nigerian property, plant and equipment related US dollar facility as well as increased deferred tax liabilities.

Cash flow

	Full Year		
	2020 € million	**2019 € million**	**% Change**
Net cash from operating activities[1]	**961.5**	926.2	3.8%
Capital expenditure[1]	**(464.5)**	(483.6)	-3.9%
Free cash flow[1]	**497.0**	442.6	12.3%

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

Net cash from operating activities increased by 3.8% or €35.3 million, in 2020, compared to the prior-year, mainly due to cash generated from working capital movements.

Capital expenditure decreased by 3.9% in 2020, compared to the prior year. In 2020, capital expenditure amounted to €464.5 million of which 56% was related to investment in production equipment and facilities and 18% to the acquisition of marketing equipment. In 2019, capital expenditure amounted to €483.6 million of which 53% was related to investment in production equipment and facilities and 27% to the acquisition of marketing equipment.

In 2020, free cash flow increased by 12.3% or €54.4 million, compared to the prior year, driven by the increased cash from operating activities and decreased capital expenditure.

Supplementary Information

Effective May 2020, following a re-organisation of Multon's structure, the joint arrangement was reclassified from a joint operation to a joint venture. Also, in H2 2020 we cycled the acquisition of Bambi. As of 1 January 2020, the Group elected to classify its share of results from integral equity method investments within operating profit. The table below depicts these impacts to the Group's growth compared to the prior year:

2020 vs 2019	Volume				Net sales revenue per unit case: FX-neutral				Net sales revenue per unit case: Reported			
Growth (%)	**Total CCH**	**Excl. Bambi**	**Incl. Multon**	**Like-for-like**	**Total CCH**	**Excl. Bambi**	**Incl. Multon**	**Like-for-like**	**Total CCH**	**Excl. Bambi**	**Incl. Multon**	**Like-for-like**
Total Group	-5.7	-6.3	-3.9	-4.6	-4.1	-4.1	-4.1	-4.1	-7.5	-7.5	-7.4	-7.4
Established	-14.0	-14.0	-14.0	-14.0	-0.1	-0.1	-0.1	-0.1	0.5	0.5	0.5	0.5
Developing	-4.4	-4.4	-4.4	-4.4	-6.2	-6.2	-6.2	-6.2	-9.4	-9.4	-9.4	-9.4
Emerging	-1.8	-3.0	1.5	0.3	-3.6	-3.9	-2.8	-3.1	-10.1	-10.3	-9.4	-9.6

2020 vs 2019	Net sales revenue: FX-neutral				Net sales revenue: Reported			
Growth (%)	**Total CCH**	**Excl. Bambi**	**Incl. Multon**	**Like-for-like**	**Total CCH**	**Excl. Bambi**	**Incl. Multon**	**Like-for-like**
Total Group	-9.6	-10.2	-7.9	-8.5	-12.7	-13.3	-11.1	-11.7
Established	-14.1	-14.1	-14.1	-14.1	-13.6	-13.6	-13.6	-13.6
Developing	-10.3	-10.3	-10.3	-10.3	-13.4	-13.4	-13.4	-13.4
Emerging	-5.4	-6.8	-1.4	-2.8	-11.7	-13.1	-8.0	-9.4

2020 vs 2019	EBIT: Reported					EBIT: Comparable				
Growth (%)	**Total CCH**	**Excl. Bambi**	**Incl. Multon**	**Excl. Share of results[1]**	**Like-for-like**	**Total CCH**	**Excl. Bambi**	**Incl. Multon**	**Excl. Share of results[1]**	**Like-for-like**
Total Group	-7.6	-9.5	-7.3	-8.3	-9.9	-11.4	-13.1	-11.1	-12.1	-13.5
Established	-13.9	-13.9	-13.9	-13.3	-13.3	-18.4	-18.4	-18.4	-17.9	-17.9
Developing	-30.2	-30.2	-30.2	-30.0	-30.0	-30.3	-30.3	-30.3	-30.1	-30.1
Emerging	5.9	2.1	6.6	4.0	0.3	1.4	-2.3	2.0	-0.4	-3.5

[1] The impact to share of integral equity method investments from the change in accounting treatment of Multon, is considered in the context of the "Incl. Multon" adjustment.

Supplementary Information (continued)

The volume, net sales revenue and net sales revenue per unit case on a reported and currency-neutral basis, are provided for NARTD and Premium Spirits, as set out below:

	Full Year		%
NARTD	**2020**	**2019**	**Change**
Volume (m in unit cases)[1]	**2,133.2**	2,261.8	-5.7%
Net sales revenue (€ m)	**5,974.4**	6,845.7	-12.7%
Net sales revenue per unit case (€)	**2.80**	3.03	-7.5%
FX-neutral net sales revenue (€ m)	**5,974.4**	6,606.8	-9.6%
FX-neutral net sales revenue per unit case (€)	**2.80**	2.92	-4.1%
	Full Year		**%**
Premium Spirits	**2020**	**2019**	**Change**
Volume (m in unit cases)[1]	**2.421**	2.722	-11.1%
Net sales revenue (€ m)	**157.4**	180.3	-12.7%
Net sales revenue per unit case (€)	**65.01**	66.24	-1.8%
FX-neutral net sales revenue (€ m)	**157.4**	174.9	-10.0%
FX-neutral net sales revenue per unit case (€)	**65.01**	64.25	1.2%
	Full Year		**%**
Total	**2020**	**2019**	**Change**
Volume (m in unit cases)[1]	**2,135.6**	2,264.5	-5.7%
Net sales revenue (€ m)	**6,131.8**	7,026.0	-12.7%
Net sales revenue per unit case (€)	**2.87**	3.10	-7.5%
FX-neutral net sales revenue (€ m)	**6,131.8**	6,781.7	-9.6%
FX-neutral net sales revenue per unit case (€)	**2.87**	2.99	-4.1%

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

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

1. Comparable APMs[1]

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

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

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

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

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

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

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

	Full Year 2020							
	COGS	Gross Profit	Operating expenses	EBIT[1]	Adjusted EBITDA	Tax	Net Profit[2]	EPS (€)
As reported	**(3,810.3)**	**2,321.5**	**(1,682.2)**	**660.7**	**1,059.2**	**(178.9)**	**414.9**	**1.140**
Restructuring costs	**—**	**—**	**9.8**	**10.0**	**10.0**	**(1.6)**	**8.4**	**0.022**
Commodity hedging	**1.6**	**1.6**	**—**	**1.6**	**1.6**	**(0.3)**	**1.3**	**0.004**
Other tax items[3]	**—**	**—**	**—**	**—**	**—**	**6.8**	**6.8**	**0.019**
Comparable	**(3,808.7)**	**2,323.1**	**(1,672.4)**	**672.3**	**1,070.8**	**(174.0)**	**431.4**	**1.185**
	Full Year 2019							
	COGS	Gross Profit	Operating expenses	EBIT	Adjusted EBITDA	Tax	Net Profit[1]	EPS (€)
As reported	(4,380.4)	2,645.6	(1,930.3)	715.3	1,110.7	(173.2)	487.5	1.340
Restructuring costs	—	—	37.8	37.8	36.6	(8.6)	29.2	0.080
Commodity hedging	2.4	2.4	—	2.4	2.4	(0.5)	1.9	0.005
Acquisition costs	—	—	3.2	3.2	3.2	(0.5)	2.7	0.008
Other tax items	—	—	—	—	—	0.9	0.9	0.003
Comparable	(4,378.0)	2,648.0	(1,889.3)	758.7	1,152.9	(181.9)	522.2	1.436

[1] *EBIT for 2020 includes €0.2 million from restructuring within share of results of integral equity method investments (2019: €nil).*
[2] *Net Profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent.*
[3] *Amount includes €7.2 million regarding net impact from the settlement of transfer pricing audit for years 2011-2019 in Nigeria (refer to Group Financial review section for relevant details).*

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

	Full Year 2020			
	Established	Developing	Emerging	Consolidated
EBIT[1]	**203.3**	**97.0**	**360.4**	**660.7**
Restructuring costs	**5.5**	**4.0**	**0.5**	**10.0**
Commodity hedging	**0.2**	**1.1**	**0.3**	**1.6**
Comparable EBIT	**209.0**	**102.1**	**361.2**	**672.3**
	Full Year 2019			
	Established	Developing	Emerging	Consolidated
EBIT	236.0	139.0	340.3	715.3
Restructuring costs	20.0	6.7	11.1	37.8
Commodity hedging	0.2	0.5	1.7	2.4
Acquisition costs	—	0.2	3.0	3.2
Comparable EBIT	256.2	146.4	356.1	758.7

[1] *EBIT for 2020 includes €0.2 million from restructuring within share of results of integral equity method investments (2019: €nil).*

2. FX-neutral APMs

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

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

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

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

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

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

	Full Year 2020			
	Established	Developing	Emerging	Consolidated
Net sales revenue	**2,174.6**	**1,170.9**	**2,786.3**	**6,131.8**
Currency impact	**—**	**—**	**—**	**—**
FX-neutral net sales revenue	**2,174.6**	**1,170.9**	**2,786.3**	**6,131.8**
Volume (m unit cases)	**536.9**	**412.1**	**1,186.6**	**2,135.6**
FX-neutral net sales revenue per unit case (€)	**4.05**	**2.84**	**2.35**	**2.87**

	Full Year 2019			
	Established	Developing	Emerging	Consolidated
Net sales revenue	2,517.6	1,352.1	3,156.3	7,026.0
Currency impact	13.4	(46.2)	(211.5)	(244.3)
FX-neutral net sales revenue	2,531.0	1,305.9	2,944.8	6,781.7
Volume (m unit cases)	624.5	431.1	1,208.9	2,264.5
FX-neutral net sales revenue per unit case (€)	4.05	3.03	2.44	2.99

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

	Full Year 2020	Full Year 2019
Input costs	**1,554.2**	1,824.4
Commodity hedging	**(1.6)**	(2.4)
Comparable input costs	**1,552.6**	1,822.0
Currency impact	**—**	(62.1)
FX-neutral comparable input costs (€)	**1,552.6**	1,759.9
Volume (m unit cases)	**2,135.6**	2,264.5
FX-neutral comparable input costs per unit case (€)	**0.73**	0.78

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

3. Other APMs

Adjusted EBITDA

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

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

Free cash flow

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

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

Capital expenditure

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

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

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

	Full Year 2020 € million	Full Year 2019 € million
Operating profit (EBIT)	**660.7**	**715.3**
Depreciation and impairment of property, plant and equipment, including right of use assets	**388.1**	384.8
Amortisation of intangible assets	**0.9**	0.7
Employee performance shares	**9.5**	9.9
Adjusted EBITDA	**1,059.2**	**1,110.7**
Share of results of integral equity method investments	**(21.4)**	—
Gain on disposals of non-current assets	**(1.4)**	(6.2)
Cash generated from working capital movements	**108.3**	33.2
Tax paid	**(183.2)**	(211.5)
Net cash from operating activities	**961.5**	**926.2**
Payments for purchases of property, plant and equipment	**(419.2)**	(473.2)
Principal repayments of lease obligations	**(58.7)**	(45.5)
Proceeds from sales of property, plant and equipment	**13.4**	35.1
Capital expenditure	**(464.5)**	**(483.6)**
Free cash flow	**497.0**	**442.6**

Net debt

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

	As at	
	31 December 2020 € million	31 December 2019 € million
Current borrowings	**315.2**	761.8
Non-current borrowings	**2,610.3**	2,562.9
Other financial assets	**(92.9)**	(728.8)
Cash and cash equivalents	**(1,215.8)**	(823.0)
Net debt	**1,616.8**	**1,772.9**

Condensed consolidated financial statements for the six months and the year ended 31 December 2020

Condensed consolidated income statement (unaudited)

	Note	**Six months ended 31 December** **2020** **€ million**	2019 € million
Net sales revenue	3	**3,300.6**	3,673.6
Cost of goods sold		**(2,028.2)**	(2,272.0)
Gross profit		**1,272.4**	**1,401.6**
Operating expenses	4	**(831.4)**	(975.2)
Share of results of integral equity method investments	1	**16.8**	—
Operating profit	3	**457.8**	**426.4**
Finance costs, net	5	**(33.9)**	(34.3)
Share of results of equity method investments		**—**	8.3
Share of results of non-integral equity method investments	1	**2.8**	—
Profit before tax		**426.7**	**400.4**
Tax	6	**(135.8)**	(107.6)
Profit after tax		**290.9**	**292.8**
Attributable to:			
Owners of the parent		**290.9**	292.4
Non-controlling interests		**—**	0.4
		290.9	**292.8**
Basic earnings per share (€)	7	**0.80**	0.81
Diluted earnings per share (€)	7	**0.80**	0.80

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

Condensed consolidated statement of comprehensive income (unaudited)

	Six months ended 31 December	
	2020	2019
	€ million	€ million
Profit after tax	**290.9**	**292.8**
Other comprehensive income:		
Items that may be subsequently reclassified to income statement:		
Cost of hedging	**—**	(2.2)
Net gain of cash flow hedges	**18.3**	3.2
Foreign currency translation	**(116.2)**	45.7
Share of other comprehensive (loss) / income of equity method investments	**(31.3)**	0.3
Income tax relating to items that may be subsequently reclassified to income statement	**(2.7)**	0.6
	(131.9)	**47.6**
Items that will not be subsequently reclassified to income statement:		
Valuation gain on equity investments at fair value through other comprehensive income	**0.1**	—
Actuarial gains	**10.8**	6.6
Income tax relating to items that will not be subsequently reclassified to income statement	**(2.3)**	(2.1)
	8.6	**4.5**
Other comprehensive (loss) / income for the period, net of tax	**(123.3)**	**52.1**
Total comprehensive income for the period	**167.6**	**344.9**
Total comprehensive income attributable to:		
Owners of the parent	**167.6**	344.5
Non-controlling interests	**—**	0.4
	167.6	**344.9**

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

Condensed consolidated income statement (unaudited)

	Note	**Year ended 31 December 2020 € million**	2019 € million
Net sales revenue	3	**6,131.8**	7,026.0
Cost of goods sold		**(3,810.3)**	(4,380.4)
Gross profit		**2,321.5**	**2,645.6**
Operating expenses	4	**(1,682.2)**	(1,930.3)
Share of results of integral equity method investments	1	**21.4**	—
Operating profit	3	**660.7**	**715.3**
Finance costs, net	5	**(70.1)**	(67.1)
Share of results of equity method investments		**—**	13.0
Share of results of non-integral equity method investments	1	**3.3**	—
Profit before tax		**593.9**	**661.2**
Tax	6	**(178.9)**	(173.2)
Profit after tax		**415.0**	**488.0**
Attributable to:			
Owners of the parent		**414.9**	487.5
Non-controlling interests		**0.1**	0.5
		415.0	**488.0**
Basic earnings per share (€)	7	**1.14**	1.34
Diluted earnings per share (€)	7	**1.14**	1.33

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

Condensed consolidated statement of comprehensive income (unaudited)

	Year ended 31 December	
	2020	2019
	€ million	€ million
Profit after tax	**415.0**	**488.0**
Other comprehensive income:		
Items that may be subsequently reclassified to income statement:		
Cost of hedging	**(2.2)**	(11.1)
Net gain of cash flow hedges	**22.7**	2.5
Foreign currency translation	**(254.9)**	123.4
Share of other comprehensive (loss) / income of equity method investments	**(25.4)**	0.7
Income tax relating to items that may be subsequently reclassified to income statement	**(2.4)**	1.4
	(262.2)	**116.9**
Items that will not be subsequently reclassified to income statement:		
Valuation (loss) / gain on equity investments at fair value through other comprehensive income	**(0.2)**	0.2
Actuarial losses	**(12.5)**	(17.0)
Income tax relating to items that will not be subsequently reclassified to income statement	**2.0**	1.8
	(10.7)	**(15.0)**
Other comprehensive (loss) / income for the year, net of tax	**(272.9)**	**101.9**
Total comprehensive income for the year	**142.1**	**589.9**
Total comprehensive income attributable to:		
Owners of the parent	**142.0**	589.4
Non-controlling interests	**0.1**	0.5
	142.1	**589.9**

Condensed consolidated balance sheet (unaudited)

		As at 31 December	
		2020	2019
	Note	**€ million**	€ million
Assets			
Intangible assets	8	**1,986.1**	2,105.4
Property, plant and equipment	8	**2,616.6**	2,742.2
Other non-current assets		**443.3**	290.1
Total non-current assets		**5,046.0**	**5,137.7**
Inventories		**417.6**	488.1
Trade, other receivables and assets		**787.1**	1,029.7
Other financial assets	11	**106.6**	734.9
Cash and cash equivalents	11	**1,215.8**	823.0
		2,527.1	**3,075.7**
Assets classified as held for sale		**—**	0.6
Total current assets		**2,527.1**	**3,076.3**
Total assets		**7,573.1**	**8,214.0**
Liabilities			
Borrowings	11	**315.2**	761.8
Other current liabilities		**1,711.0**	1,905.4
Total current liabilities		**2,026.2**	**2,667.2**
Borrowings	11	**2,610.3**	2,562.9
Other non-current liabilities		**303.3**	283.7
Total non-current liabilities		**2,913.6**	**2,846.6**
Total liabilities		**4,939.8**	**5,513.8**
Equity			
Owners of the parent		**2,630.7**	2,697.5
Non-controlling interests		**2.6**	2.7
Total equity		**2,633.3**	**2,700.2**
Total equity and liabilities		**7,573.1**	**8,214.0**

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

Condensed consolidated statement of changes in equity (unaudited)

	Attributable to owners of the parent									
	Share capital € million	Share premium € million	Group Reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2019	**2,021.2**	**4,547.9**	**(6,472.1)**	**(184.1)**	**(1,088.8)**	**269.0**	**4,018.0**	**3,111.1**	**5.3**	**3,116.4**
Shares issued to employees exercising stock options (note 12)	8.0	13.4	—	—	—	—	—	**21.4**	—	**21.4**
Share-based compensation:										**—**
Performance shares	—	—	—	—	—	9.9	—	**9.9**	—	**9.9**
Cancellation of shares	(18.4)	(74.1)	—	92.5	—	—	—	**—**	—	**—**
Appropriation of reserves (note 12)	—	—	—	27.9	—	(27.5)	(0.4)	**—**	—	**—**
Movement of treasury shares (note 12)	—	—	—	(106.1)	—	—	—	**(106.1)**	—	**(106.1)**
Acquisition of shares held by non-controlling interests (note 15)	—	—	—	—	—	—	(7.0)	**(7.0)**	(2.5)	**(9.5)**
Dividends (note 14)	—	(941.9)	—	—	—	—	8.8	**(933.1)**	(0.6)	**(933.7)**
Transfer of cash flow hedge reserve, including cost of hedging to inventories, net of tax [(1)]	—	—	—	—	—	11.9	—	**11.9**	—	**11.9**
	2,010.8	**3,545.3**	**(6,472.1)**	**(169.8)**	**(1,088.8)**	**263.3**	**4,019.4**	**2,108.1**	**2.2**	**2,110.3**
Profit for the year, net of tax	—	—	—	—	—	—	487.5	**487.5**	0.5	**488.0**
Other comprehensive income for the year, net of tax	—	—	—	—	124.1	(7.0)	(15.2)	**101.9**	—	**101.9**
Total comprehensive income for the year, net of tax[(2)]	—	—	—	—	124.1	(7.0)	472.3	**589.4**	0.5	**589.9**
Balance as at 31 December 2019	**2,010.8**	**3,545.3**	**(6,472.1)**	**(169.8)**	**(964.7)**	**256.3**	**4,491.7**	**2,697.5**	**2.7**	**2,700.2**

[(1)] The amount included in other reserves of €11.9 million loss for 2019 represents the cash flow hedge reserve, including cost of hedging, transferred to inventory of €15.1 million loss, and the deferred tax income thereof amounting to €3.2 million.

[(2)] The amount included in the exchange equalisation reserve of €124.1 million gain for 2019 represents the exchange gain attributed to the owners of the parent, primarily related to the Russian Rouble but also the Swiss Franc and Ukrainian Hryvnia, including €0.7 million gain relating to share of other comprehensive income of equity method investments.

The amount of other comprehensive income net of tax included in other reserves of €7.0 million loss for 2019 consists of gain on valuation of equity investments at fair value through other comprehensive income of €0.2 million, cash flow hedges loss of €8.6 million, and the deferred tax income thereof amounting to €1.4 million.

The amount of €472.3 million gain attributable to owners of the parent comprises profit for the year of €487.5 million plus actuarial losses of €17.0 million, minus deferred tax income of €1.8 million.

The amount of €0.5 million gain included in non-controlling interests for 2019 represents the share of non-controlling interests in profit for the year.

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

Condensed consolidated statement of changes in equity (unaudited)

	Attributable to owners of the parent									
	Share capital € million	Share premium € million	Group Reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2020	**2,010.8**	**3,545.3**	**(6,472.1)**	**(169.8)**	**(964.7)**	**256.3**	**4,491.7**	**2,697.5**	**2.7**	**2,700.2**
Shares issued to employees exercising stock options (note 12)	3.6	4.0	—	—	—	—	—	**7.6**	—	**7.6**
Share-based compensation:										
Performance shares	—	—	—	—	—	9.5	—	**9.5**	—	**9.5**
Appropriation of reserves (note 12)	—	—	—	14.3	—	(13.9)	(0.4)	**—**	—	**—**
Dividends (note 14)	—	(227.9)	—	—	—	—	2.2	**(225.7)**	(0.2)	**(225.9)**
Transfer of cash flow hedge reserve, including cost of hedging to inventories, net of tax[3]	—	—	—	—	—	(0.2)	—	**(0.2)**	—	**(0.2)**
	2,014.4	**3,321.4**	**(6,472.1)**	**(155.5)**	**(964.7)**	**251.7**	**4,493.5**	**2,488.7**	**2.5**	**2,491.2**
Profit for the year net of tax	—	—	—	—	—	—	414.9	**414.9**	0.1	**415.0**
Other comprehensive loss for the year, net of tax	—	—	—	—	(277.4)	15.0	(10.5)	**(272.9)**	—	**(272.9)**
Total comprehensive income for the year, net of tax[4]	—	—	—	—	(277.4)	15.0	404.4	**142.0**	0.1	**142.1**
Balance as at 31 December 2020	**2,014.4**	**3,321.4**	**(6,472.1)**	**(155.5)**	**(1,242.1)**	**266.7**	**4,897.9**	**2,630.7**	**2.6**	**2,633.3**

[3] The amount included in other reserves of €0.2 million gain for 2020 represents the cash flow hedge reserve, including cost of hedging, transferred to inventory of €0.1 million loss, and the deferred tax income thereof amounting to €0.3 million.

[4] The amount included in the exchange equalisation reserve of €277.4 million loss for 2020 represents the exchange loss attributed to the owners of the parent, primarily related to the Nigerian Naira and the Russian Rouble, including €22.5 million loss relating to the share of other comprehensive income of equity methods investments.

The amount of other comprehensive income net of tax included in other reserves of €15.0 million gain for 2020 consists of loss on valuation of equity investments at fair value through other comprehensive income of €0.2 million, cash flow hedges gain of €20.5 million, share of other comprehensive income of equity method investments of €2.9 million loss and the deferred tax expense thereof amounting to €2.4 million.

The amount of €404.4 million gain attributable to owners of the parent comprises profit for the period of €414.9 million plus actuarial losses of €12.5 million minus deferred tax income of €2.0 million.

The amount of €0.1 million gain included in non-controlling interests for 2020 represents the share of non-controlling interests in profit for the year.

Condensed consolidated cash flow statement (unaudited)

	Note	Year ended 31 December 2020 € million	2019 € million
Operating activities			
Profit after tax for the period		**415.0**	488.0
Finance costs, net	5	**70.1**	67.1
Share of results of equity method investments		**—**	(13.0)
Share of results of non-integral equity method investments	1	**(3.3)**	—
Tax charged to the income statement		**178.9**	173.2
Depreciation and impairment of property, plant and equipment		**388.1**	384.8
Employee performance shares		**9.5**	9.9
Amortisation of intangible assets	8	**0.9**	0.7
		1,059.2	**1,110.7**
Share of results of integral equity-method investments	1	**(21.4)**	—
Gain on disposals of non-current assets		**(1.4)**	(6.2)
Decrease in inventories		**9.4**	14.2
Decrease/ (increase) in trade and other receivables		**178.5**	(18.0)
(Decrease)/ increase in trade and other payables		**(79.6)**	37.0
Tax paid		**(183.2)**	(211.5)
Net cash inflow from operating activities		**961.5**	**926.2**
Investing activities			
Payments for purchases of property, plant and equipment		**(419.2)**	(473.2)
Proceeds from sales of property, plant and equipment		**13.4**	35.1
Payments for business combinations, net of cash acquired	15	**—**	(138.2)
Payment for acquisition of equity-method investment	15	**—**	(42.5)
Net payment for acquisition of integral equity-method investment	16	**(0.5)**	—
Net receipts from integral equity-method investments	17	**27.1**	—
Payment for acquisition of non-integral equity-method investment		**(2.4)**	—
Net receipts from non-integral equity-method investments	17	**1.3**	—
Joint arrangement reclassification	16	**(13.1)**	—
Net receipts from equity investments		**—**	8.9
Net proceeds from / (payments for) investments in financial assets at amortised cost		**264.4**	(113.4)
Net proceeds from / (payments for) investments in financial assets at fair value through profit or loss		**370.4**	(337.3)
Loans to related parties		**(2.5)**	—
Interest received		**0.2**	5.9
Proceeds from loans		**—**	5.8
Net cash inflow / (outflow) from investing activities		**239.1**	**(1,048.9)**
Financing activities			
Proceeds from shares issued to employees, exercising stock options	12	**7.6**	21.4
Purchase of shares from non-controlling interests	15	**—**	(9.5)
Purchase of own shares	12	**—**	(192.8)
Proceeds from borrowings		**211.8**	1,840.0
Repayments of borrowings		**(655.8)**	(372.2)
Principal repayments of lease obligations		**(58.7)**	(45.5)
Dividends paid to owners of the parent		**(225.7)**	(933.1)
Dividends paid to non-controlling interests		**(0.2)**	(0.6)
Payments for settlement of derivatives regarding financing activities		**(1.1)**	(8.3)
Interest paid		**(64.7)**	(71.8)
Net cash (outflow) / inflow from financing activities		**(786.8)**	**227.6**
Net increase in cash and cash equivalents		**413.8**	**104.9**
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		**823.0**	712.3
Net increase in cash and cash equivalents		**426.9**	104.9
Joint arrangement reclassification		**(13.1)**	—
Effect of changes in exchange rates		**(21.0)**	5.8
Cash and cash equivalents at the end of the year		**1,215.8**	**823.0**

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

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

1. Accounting policies and basis of preparation

Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') applicable to Financial Reporting ('IAS 34'). These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

COVID-19 considerations

The outbreak of the COVID-19 global pandemic during the year 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. The implications of this, and particularly the implications of the enforced lockdowns in almost all of our markets during the year and the related impact on the Group's trading, have been considered by the Directors in assessing the ability of the Group to continue trading as a going concern. As the COVID-19 lockdown restrictions ease, the Group's markets are expected to resume their economic activities.

As part of the consideration of whether to adopt the going concern basis in preparing the financial statements, management reviewed a range of scenarios and forecasts. The assumptions have been modelled on the estimated potential impact and plausible severe scenarios, along with the Group's proposed responses as a result of the COVID-19 pandemic. Following the assessment based on a quantitative viability exercise and the performance of various stress tests, the Group continues to adopt the going concern basis in preparing the condensed consolidated financial statements.

The Group has considered the impact of the COVID-19 pandemic on the condensed consolidated financial statements, including critical accounting estimates and judgements as detailed in note 5 of the 2019 consolidated financial statements of the Group. Relevant disclosures have been included where appropriate, refer to note 8 for impairment testing of goodwill and indefinite-lived intangible assets, note 9 for financial risk management considerations and note 10 for trade receivables analysis.

Accounting policies

The accounting policies used in the preparation of the condensed consolidated financial statements of Coca-Cola HBC AG ('Coca-Cola HBC', the 'Company' or the 'Group') are consistent with those used in the 2019 annual financial statements, except for the adoption of new and amended accounting standards effective as of 1 January 2020 and the Group's voluntary change in accounting policy regarding the presentation of its share of results from equity method investments.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards adopted by the Group

A number of amendments to the standards became applicable as of 1 January 2020 and were adopted by the Group. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Amendments to IFRS 3, Definition of a Business: The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarify that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on these condensed consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

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

1. Accounting policies and basis of preparation (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39, Interest Rate Benchmark Reform Phase 1: The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on these condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material: The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on these condensed consolidated financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018: The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on these condensed consolidated financial statements.

Other amendments issued but not yet effective and not early adopted by the Group

- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16;
- COVID-19-Related Rent Concessions – Amendments to IFRS 16;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1;
- Reference to the Conceptual Framework – Amendments to IFRS 3; and
- Annual Improvements to IFRS Standards 2018-2020.

The above amendments are not expected to have a significant impact on the consolidated financial statements of the Group.

Change in accounting policy

The Group re-assessed its presentation of its share of results of equity method investments. The Group had previously presented its share of results from all equity method investments in a single line after operating profit. As of 1 January 2020, the Group elected to change the classification of its investments in joint ventures and associates to integral and non-integral investments and present its share of results from integral equity method investments within operating profit.

Integral investments in joint ventures and associates are those which are considered to be part of the Group's core operations and strategy; therefore, including the Group's share of results from integral equity method investments within operating profit better reflects the relevance of their underlying activities to the Group. The share of results of non-integral equity method investments (i.e. investments that are not considered to be part of the Group's core operations and strategy) continue to be presented below operating profit. Furthermore, as of 1 January 2020 the Group presents cash flows in respect of its investments in integral and non-integral associates and joint ventures separately within investing activities, to reflect the distinction in the income statement.

For 2019 the share of results of equity method investments amounted to €13.0 million of which €8.5 million was attributable to integral equity method investments and €4.5 million to non-integral equity method investments. As the amounts are not material, comparatives have not been restated.

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

2. Foreign currency and translation

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

	Average rate for the year ended		Closing rate as at	
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
US Dollar	**1.14**	1.12	**1.22**	1.12
UK Sterling	**0.89**	0.88	**0.91**	0.85
Polish Zloty	**4.44**	4.30	**4.54**	4.26
Nigerian Naira	**435.06**	405.07	**480.68**	406.66
Hungarian Forint	**350.65**	325.10	**364.83**	330.46
Swiss Franc	**1.07**	1.11	**1.08**	1.09
Russian Rouble	**82.23**	72.54	**90.55**	69.43
Romanian Leu	**4.84**	4.74	**4.88**	4.79
Ukrainian Hryvnia	**30.66**	29.03	**34.64**	25.81
Czech Koruna	**26.45**	25.67	**26.21**	25.46
Serbian Dinar	**117.58**	117.87	**117.57**	117.55

3. Segmental analysis

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

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

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

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

a) Volume and net sales revenue

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

	Six months ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019
Established	**291.6**	321.5	**536.9**	624.5
Developing	**222.4**	222.9	**412.1**	431.1
Emerging	**631.1**	629.7	**1,186.6**	1,208.9
Total volume	**1,145.1**	**1,174.1**	**2,135.6**	**2,264.5**

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

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

3. Segmental analysis (continued)

a) Volume and net sales revenue (continued)

Net sales revenue per reportable segment for the six months and the years ended 31 December is presented below:

	Six months ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Established	**1,188.7**	1,279.9	**2,174.6**	2,517.6
Developing	**650.7**	710.4	**1,170.9**	1,352.1
Emerging	**1,461.2**	1,683.3	**2,786.3**	3,156.3
Total net sales revenue	**3,300.6**	**3,673.6**	**6,131.8**	**7,026.0**

In addition to non-alcoholic ready-to-drink beverages ("NARTD"), the Group sells and distributes Premium Spirits. An analysis of volume and net sales revenue per product type for the six months and the years ended 31 December is presented below:

	Six months ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Volume in million unit cases[1]				
NARTD[2]	**1,143.6**	1,172.6	**2,133.2**	2,261.8
Premium spirits	**1.5**	1.5	**2.4**	2.7
Total volume	**1,145.1**	**1,174.1**	**2,135.6**	**2,264.5**
Net sales revenue (€ million)				
NARTD	**3,202.4**	3,569.7	**5,974.4**	6,845.7
Premium spirits	**98.2**	103.9	**157.4**	180.3
Total net sales revenue	**3,300.6**	**3,673.6**	**6,131.8**	**7,026.0**

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

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

3. Segmental analysis (continued)

b) Other income statement items

	Six months ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Operating profit				
Established	**156.7**	143.8	**203.3**	236.0
Developing	**80.9**	89.5	**97.0**	139.0
Emerging	**220.2**	193.1	**360.4**	340.3
Total operating profit	**457.8**	**426.4**	**660.7**	**715.3**
Reconciling items				
Finance costs, net	**(33.9)**	(34.3)	**(70.1)**	(67.1)
Tax	**(135.8)**	(107.6)	**(178.9)**	(173.2)
Share of results of equity method investments	**—**	8.3	**—**	13.0
Share of results of non-integral equity method investments	**2.8**	—	**3.3**	—
Non-controlling interests	**—**	(0.4)	**(0.1)**	(0.5)
Profit after tax attributable to owners of the parent	**290.9**	**292.4**	**414.9**	**487.5**

4. Restructuring expenses

As part of the effort to optimise its cost base and sustain competitiveness in the marketplace, the Company undertakes restructuring initiatives. Restructuring concerns mainly employee costs, which are included within operating expenses. Restructuring expenses per reportable segment for the six months and years ended 31 December are presented below:

	Six months ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Established	**4.7**	0.4	**5.5**	20.0
Developing	**4.0**	3.3	**4.0**	6.7
Emerging	**0.3**	3.9	**0.3**	11.1
Total restructuring costs	**9.0**	**7.6**	**9.8**	**37.8**

5. Finance costs, net

	Six months ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Interest income	**(1.7)**	(3.2)	**(3.8)**	(6.3)
Finance costs	**35.0**	37.7	**73.6**	73.9
Net foreign exchange losses / (gains)	**0.6**	(0.2)	**0.3**	(0.5)
Finance costs, net	**33.9**	**34.3**	**70.1**	**67.1**

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

6. Tax

	Six months ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Profit before tax	**426.7**	400.4	**593.9**	661.2
Tax	**(135.8)**	(107.6)	**(178.9)**	(173.2)
Effective tax rate	**31.8%**	**26.9%**	**30.1%**	**26.2%**

The Group's effective tax rate for 2020 may differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities. This difference can be a consequence of a number of factors, the most significant of which are the application of statutory tax rates of the countries in which the Group operates, the non-deductibility of certain expenses, the non-taxable income and one-off tax items.

In August 2020, Nigerian Bottling Company Ltd, the Group's subsidiary in Nigeria, settled the additional tax assessed by the Nigerian tax authorities following the completion of their income tax audit, for the years 2005–2019, and their transfer pricing audit, for the years 2011-2019. The net impact to the Tax line item of the income statement, following the utilisation of provisions for uncertain tax positions, was €16.5 million. These additional tax charges have resulted in a 3.8pp and 2.8pp increase of the Group's effective tax rate for the six months ended 31 December 2020 and full year of 2020, respectively.

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the owners of the parent by the weighted average number of shares outstanding during the period (full year of 2020: 363,991,866, full year of 2019: 363,711,686, six months ended 31 December 2020: 364,205,261, six months ended 31 December 2019: 363,159,314). Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares arising from exercising employee stock options.

8. Intangible assets and property, plant and equipment

	Intangible assets	Property, plant and equipment
	€ million	**€ million**
Net book value as at 1 January 2020 excluding right-of-use assets	**2,105.4**	**2,538.0**
Additions	—	505.0
Reclassified to assets held for sale	—	(1.1)
Assets held for sale classified back to property, plant and equipment	—	0.1
Disposals[1]	(78.1)	(44.0)
Depreciation, impairment and amortisation	(0.9)	(332.9)
Foreign currency translation	(40.3)	(230.6)
Net book value as at 31 December 2020 excluding right-of-use assets	**1,986.1**	**2,434.5**
Net book value as at 1 January 2020 of right-of-use assets		204.2
Net book value as at 31 December 2020 of right-of-use assets		**182.1**
Net book value as at 31 December 2020		**2,616.6**

[1] *Disposals line for Intangible assets and Property, plant and equipment includes the impact from the reorganisation of Multon (refer to note 16).*

8. Intangible assets and property, plant and equipment (continued)

Impairment testing for goodwill and other indefinite-lived intangible assets

The Group performs its impairment test annually. The recoverable amount of the cash-generating units was determined through a value-in-use calculation, which uses cash flow projections based on financial budgets approved by the Board of Directors covering a one-year period and cash projections for four additional years. Cash flows for years two to five were projected by management based on operation and market-specific high-level assumptions including growth rates, discount rates and forecast selling prices and direct costs. The growth rates used in perpetuity reflect the forecasts in line with management beliefs. These forecasts exceeded, in certain cases, those expected to for the industry in general, due to the strength of our brand portfolio. The Group applies post-tax discount rates to post-tax cash flows as the valuation calculated using this method closely approximates to applying pre-tax discount rates to pre-tax cash flows.

Management determined gross margins based on past performance, expectations for the development of the market and the key impacts of the COVID-19 pandemic to each operation, including restrictions, as well as expectations about raw material costs. No impairment of goodwill and other indefinite-lived assets was identified as at 31 December 2020.

Sensitivity analysis

For the cash-generating units of Nigeria and Italy, which held €17.9 million and €752.1 million of goodwill and franchise agreements as at 31 December 2020 respectively, possible changes in key assumptions of the 2020 impairment assessment would remove the remaining headroom. The recoverable amount of the Nigerian and Italian cash-generating units exceeded carrying value by €120.9 million and €310.7 million; changes per assumption that would eliminate remaining headroom are summarised below:

	Average gross profit margins	Growth rate in perpetuity	Discount rate
Nigeria	-230bps	-180bps	150bps
Italy	-330bps	-240bps	190bps

The Group will continue to closely monitor these cash-generating units in order to ensure that timely actions and initiatives are undertaken to minimize potential adverse impact on their expected performance, particularly in relation to potential currency volatility in Nigeria. During 2020, revenue from our operations in Nigeria amounted to 8% of consolidated net sales revenue; as at 31 December 2020 non-current assets of our operations in Nigeria amounted to 11% of the consolidated non-current assets.

9. Financial risk management and financial instruments

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

As described in the 2019 integrated annual report, the Group actively manages its liquidity risk. This has been an area of focus due to the impact of COVID-19, however the Group maintains its healthy liquidity position and is able to meet its liabilities as they fall due. As at 31 December 2020, the Group has a net debt of €1.6 billion (refer to note 11). The Group repaid the remaining bond of €563.4 million which matured in June, while there are no further bond maturities until November 2024. In addition, as at 31 December 2020, the Group has cash and cash equivalents and other financial assets of €1.3 billion, an undrawn Revolving Credit Facility of €0.8 billion available, as well as €0.8 billion available out of the €1.0 billion Commercial Paper Programme. None of our debt facilities are subject to any financial covenants that would impact the Group's liquidity or access to capital. The Group credit ratings as disclosed in the 2019 integrated annual report were re-affirmed during 2020.

The Group's financial instruments recorded at fair value are included in Level 1, Level 2 and Level 3 within the fair value hierarchy as described in the 2019 Integrated Annual Report. The money market funds recorded at fair value are included in Level 1 within the fair value hierarchy. As at 31 December 2020, the fair value of the money market funds amounted to €nil (31 December 2019: €371.5 million). As at 31 December 2020, the total derivatives included in Level 2 were financial assets of €11.3 million and financial liabilities of €5.5 million.

The Group uses derivatives to mitigate the commodity price risk related to PET. As the valuation of these derivatives uses prices that are not observable in the market, it is classified within Level 3. The fair value of the PET derivatives as at 31 December 2020 amounted to a financial liability of €5.8 million.

There were no transfers between Levels 1 and 2 during 2020. In 2020 the Group reclassified foreign currency derivatives relating to the Nigerian Naira from Level 2 into Level 3. This reclassification resulted from the use of a more relevant valuation technique which incorporates greater use of the unobservable inputs and more appropriately approximates their fair value as at 31 December 2020. The fair value of these derivatives as at 31 December 2020 amounted to a financial asset of €4.9 million (31 December 2019: financial liability of €0.1 million).

The fair value of bonds and notes payable applying the clean market price, as at 31 December 2020, was €2,586.2 million compared to their book value of €2,383.4 million, as at the same date.

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

10. Trade receivables

Trade receivables included within "Trade, other receivables and assets" line of the condensed consolidated balance sheet, consisted of the following as at 31 December 2020 and 2019 respectively:

	31 December 2020	31 December 2019
	€ million	€ million
Trade receivables	**646.5**	866.1
Less: Loss allowance	**(87.8)**	(93.2)
	558.7	772.9

The ageing analysis of trade receivables is as follows:

	31 December 2020 € million			31 December 2019 € million		
	Gross carrying amount	**Loss allowance**	**Trade receivables**	**Gross carrying amount**	**Loss allowance**	**Trade receivables**
Within due date	**500.3**	**(2.4)**	**497.9**	671.4	(2.1)	669.3
Past due-Up to three months	**35.4**	**(2.1)**	**33.3**	82.1	(5.3)	76.8
Past due-Three to six months	**7.5**	**(1.4)**	**6.1**	12.3	(2.9)	9.4
Past due-Six to nine months	**2.7**	**(0.8)**	**1.9**	5.1	(0.9)	4.2
Past due-More than nine months	**100.6**	**(81.1)**	**19.5**	95.2	(82.0)	13.2
Total trade receivables	**646.5**	**(87.8)**	**558.7**	**866.1**	**(93.2)**	**772.9**

In the current COVID-19 impacted environment, the Group is actively monitoring the recoverability of trade receivables and ensures loss allowance reflects on a timely basis management's best estimate of potential losses in compliance with IFRS 9.

11. Net debt

	As at 31 December	
	2020	2019
	€ million	€ million
Current borrowings	**315.2**	761.8
Non-current borrowings	**2,610.3**	2,562.9
Less: Cash and cash equivalents	**(1,215.8)**	(823.0)
- Financial assets at amortised cost	(92.9)	(357.3)
- Financial assets at fair value through profit or loss	—	(371.5)
Less: Other financial assets	**(92.9)**	(728.8)
Net debt	**1,616.8**	**1,772.9**

In May 2019 the Group completed the issue of a €700 million Euro-denominated fixed rate bond maturing in May 2027 with a coupon rate of 1% and the issue of a €600 million Euro-denominated fixed rate bond maturing in May 2031 with a coupon rate of 1.625%. The net proceeds of the new issues were used to partially repay €236.6 million of the 2.375%, €800 million 7-year fixed rate bond in May 2019, while the remaining €563.4 million was repaid upon its maturity in June 2020. In November 2019 the Group completed the issue of a €500 million Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%.

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

11. Net Debt (continued)

In December 2019 the Group established a loan facility of US dollar 85.0 million to finance the purchase of production equipment by the Group's subsidiary in Nigeria. The facility will be drawn down by Nigerian Bottling Company Ltd (NBC) over the course of 2020 and 2021 maturing in 2027. The obligations under this facility are guaranteed by Coca-Cola HBC AG. As at 31 December 2020, the outstanding liability amounted to €48.2 million.

Cash and cash equivalents include an amount of €102.0 million equivalent in Nigerian Naira. This includes an amount of €11.0 million equivalent in Nigerian Naira, which relates to the outstanding balance held for the repayment of Nigerian Bottling Company Ltd's former minority shareholders, following the 2011 acquisition of non-controlling interests.

The financial assets at amortised cost comprise of time deposits amounting to €92.9 million (31 December 2019: €349.8 million) and also include an amount of €nil (31 December 2019: €7.5 million) equivalent in Nigerian Naira invested in Treasury Bills, which in 2019 related to the outstanding balance of the bank account held for the repayment of Nigerian Bottling Company Ltd's former minority shareholders as described above. The financial assets at fair value through profit or loss in 2019 related to money market funds. Included in 'Other financial assets' of the condensed consolidated balance sheet are derivative financial instruments of €13.5 million (31 December 2019: €2.5 million) and related party loans receivable of €0.2 million (31 December 2019: €3.6 million).

12. Share capital, share premium and treasury shares

	Number of shares (authorised and issued)	Share capital € million	Share premium € million
Balance as at 1 January 2019	**371,827,229**	**2,021.2**	**4,547.9**
Shares issued to employees exercising stock options	1,352,731	8.0	13.4
Cancellation of shares	(3,249,803)	(18.4)	(74.1)
Dividends (note 14)	—	—	(208.9)
Special dividend (note 14)	—	—	(733.0)
Balance as at 31 December 2019	**369,930,157**	**2,010.8**	**3,545.3**
Shares issued to employees exercising stock options	582,440	3.6	4.0
Dividends (note 14)	—	—	(227.9)
Balance as at 31 December 2020	**370,512,597**	**2,014.4**	**3,321.4**

On 11 June 2018, the Annual General Meeting adopted a proposal for share buy-back of up to 7,500,000 ordinary shares of Coca-Cola HBC for the purpose of neutralising the dilution resulting from shares issued under Coca-Cola HBC's equity compensation plans and meeting the requirements of the Company's employee incentive scheme. The program was completed in full in May 2019 for a total consideration of €220.6 million. This resulted in a movement to treasury shares within the 2019 condensed consolidated statement of changes in equity of €106.1 million, being the consideration paid in 2019 of €192.8 million adjusted for the impact from the €85.5 million UK sterling denominated liability recognised as at 31 December 2018, further adjusted by €1.2 million recorded on settlement of the arrangement.

On 18 June 2019, the Annual General Meeting approved the proposal to reduce the share capital of Coca-Cola HBC AG by cancelling the 3,249,803 treasury shares acquired as part of the share buy-back programme described above. The respective reduction of the share capital was completed in August 2019.

In 2020, the share capital of Coca-Cola HBC increased by the issue of 582,440 (2019: 1,352,731) new ordinary shares following the exercise of stock options pursuant to the Coca-Cola HBC AG's employees' stock option

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

12. Share capital, share premium and treasury shares (continued)

plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €7.6 million (2019: €21.4 million).

An amount of €14.3 million in 2020 (2019: €27.9 million) relates to treasury shares provided to employees in connection with vested performance share awards under the Company's employee incentive scheme, which was reflected as an appropriation of reserves between 'Treasury shares' and 'Other reserves' in the condensed consolidated statement of changes in equity.

Following the above changes, on 31 December 2020 the share capital of the Group amounted to €2,014.4 million and comprised 370,512,597 shares with a nominal value of CHF 6.70 each.

13. Leases

The leases which are recorded on the consolidated balance sheet following implementation of IFRS 16 are principally in respect of vehicles and buildings. The Group's right-of-use assets and lease liability are presented below:

	2020	2019
	€ million	€ million
Land and buildings	**71.9**	84.0
Plant and equipment	**110.2**	120.2
Total right-of-use assets	**182.1**	**204.2**
Current lease liabilities	**54.8**	56.3
Non-current lease liabilities	**129.4**	154.7
Total lease liability	**184.2**	**211.0**

14. Dividends

On 18 June 2019, the shareholders of Coca-Cola HBC AG at the Annual General Meeting approved a dividend distribution of 0.57 euro per share as well as a special dividend of 2.00 euro per share. The total dividend amounted to €941.9 million and was paid on 30 July 2019. Of this an amount of €8.8 million related to shares held by the Group.

The shareholders of Coca-Cola HBC AG approved a dividend distribution of 0.62 euro per share at the Annual General Meeting held on 16 June 2020. The total dividend amounted to €227.9 million and was paid on 28 July 2020. Of this an amount of €2.2 million related to shares held by the Group.

The Board of Directors of Coca-Cola HBC AG has proposed a 0.64 euro dividend per share in respect of 2020. If approved by the shareholders of Coca-Cola HBC AG, this dividend will be paid in 2021.

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

15. Business combinations and acquisition of non-controlling interest

On 18 June 2019, the Group acquired 100% of the issued shares of Koncern Bambi a.d. Požarevac ("Bambi"), Serbia's leading confectionery business, for a consideration of €148.8 million net of borrowings of €125.9 million. The acquisition added a relevant, adjacent category to the Group's portfolio in Serbia and Western Balkans, which are among our fastest growing territories. Details of the acquisition with regard to the net assets acquired and goodwill are as follows:

	Fair value **€ million**
Trademarks	121.1
Property, plant and equipment	19.3
Other non-current assets	0.1
Inventories	5.9
Other current assets	25.7
Cash and cash equivalents	18.3
Current borrowings	(125.9)
Other current liabilities	(10.3)
Non-current borrowings	(0.3)
Deferred tax liabilities	(17.5)
Other non-current liabilities	(2.2)
Net identifiable assets acquired	**34.2**
Goodwill arising on acquisition	114.6
Cash paid to former shareholders	**148.8**

The acquisition resulted in the Group recording €114.6 million of goodwill and €121.1 million of trademarks in its Emerging segment. The goodwill arising is attributable to Bambi's strong operating profitability and strong market position.

Net sales revenue and net profit after tax contributed by the acquired business to the Group for the period from 18 June 2019 to 31 December 2019 amounted to €43.6 million and €11.2 million respectively. If the acquisition had occurred on 1 January 2019, consolidated Group revenue and consolidated Group profit after tax for the year ended 31 December 2019 would have been higher by €38.6 million and €7.0 million respectively.

Acquisition-related costs of €2.9 million were included in 2019 operating expenses, as a result of the above acquisition.

On 1 September 2019, the Group acquired a water business in the Czech Republic for a cash consideration of €7.7 million. The acquisition was of a group of assets that constituted a business, and which have been integrated into the Group's operations in the Czech Republic. The acquisition did not have a material effect on the Group's 2019 financial position and income statement. As a result of the acquisition, water rights of €1.3 million and goodwill of €0.4 million were recorded in the Group's developing segment. Acquisition-related costs of €0.3 million were included in 2019 operating expenses, as a result of the above acquisition.

On 12 November 2019, the Group acquired all of the remaining shares of the non-controlling interest in its subsidiary Leman Beverages Holding S.ár.l., through which the Group controls its operation in Armenia. The consideration paid for the acquisition of the non-controlling interest amounted to €9.5 million.

16. Interests in other entities

The Group holds a 50% effective interest in the Multon Z.A.O. Group of companies ('Multon'), which is engaged in the production and distribution of juices in Russia and is jointly controlled by the Group and The Coca-Cola Company.

The joint arrangement was classified as a joint operation, as it provided to the Group and The Coca-Cola Company rights to the assets and obligations for the liabilities of the joint arrangement. Effective May 6, 2020 following the completion of Multon's reorganisation, the joint arrangement was reclassified from a joint operation to an integral joint venture, as the new structure provides to the Group and The Coca-Cola Company rights to the joint arrangement's net assets. As a result, the Group derecognised its share of the joint arrangement's assets and liabilities with a corresponding increase in equity method investments of €194.1 million, included in line "Other non-current assets" of the condensed consolidated balance sheet. No gain or loss was recognised in the condensed consolidated income statement as a result of the above reorganisation.

More specifically, intangible assets and property, plant and equipment decreased by €78.1 million and €30.9 million (including right of use assets) respectively as a result of the above reorganisation (refer to note 8). In addition, the decrease of cash and cash equivalents resulting from the reorganisation, amounting to €13.1 million, was reported in line "Joint arrangement reclassification" within investing activities in the condensed consolidated cash flow statement.

Following the reorganisation, the Group's share of results of Multon integral joint venture amounted to €16.4 million and is included in line "Share of results of integral equity-method investments" of the condensed consolidated income statement, while transactions between the Group entities and the joint arrangement are reported as related party transactions under the joint venture category (refer to note 17).

On 6 December 2019, the Group acquired, in conjunction with The Coca-Cola Company, Acque Minerali S.r.l, a mineral water and adult sparkling beverages business in Italy. The transaction resulted in the Group holding a 50% effective interest in Acque Minerali S.r.l. The relevant investment amounted to €44.5 million, including acquisition costs of €0.7 million, and was classified as an investment in a joint venture, in accordance with the requirements of IFRS 11 'Joint arrangements', as it provides the Group and The Coca-Cola Company with rights to the entity's net assets. The investment was further classified as an integral joint venture. As at 31 December 2019 consideration of €1.8 million and acquisition costs of €0.2 million were not yet paid. During 2020, the Group paid these amounts and further €0.2 million consideration for the acquisition, while it received an amount of €1.7 million as adjustment to the purchase price.

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

17. Related party transactions

a) The Coca-Cola Company

As at 31 December 2020, The Coca-Cola Company and its subsidiaries (collectively, "TCCC") indirectly owned 23.0% (31 December 2019: 23.0%) of the issued share capital of Coca-Cola HBC. The below table summarises transactions with The Coca-Cola Company and its subsidiaries:

	Six months ended 31 December		**Year ended 31 December**	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Purchases of concentrate, finished products and other items	**688.4**	764.5	**1,374.6**	1,596.5
Net contributions received for marketing and promotional incentives	**58.2**	61.4	**90.7**	119.2
Sales of finished goods and raw materials	**2.3**	6.7	**3.5**	15.7
Other income	**4.3**	2.1	**6.3**	3.3
Other expenses	**3.0**	2.9	**5.6**	5.6

As at 31 December 2020, the Group was owed €40.9 million (€61.4 million as at 31 December 2019) by TCCC and owed €196.4 million (€309.4 million including loan payable of €43.3 million as at 31 December 2019) to TCCC.

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

Frigoglass, a company listed on the Athens Exchange, is a manufacturer of coolers, cooler parts, glass bottles, crowns and plastics. Truad Verwaltungs AG currently indirectly owns 48.6% of Frigoglass and 62.8% of AG Leventis (Nigeria) Plc and also indirectly controls Kar Tess Holding, which holds approximately 23.0% (31 December 2019: 23.1%) of Coca-Cola HBC's total issued capital. Frigoglass has a controlling interest in Frigoglass Industries (Nigeria) Limited, in which Coca-Cola HBC has a 23.9% effective interest, through its investment in Nigerian Bottling Company Ltd (NBC).

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

	Six months ended 31 December		**Year ended 31 December**	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Purchases of coolers and other equipment, raw and other materials	**31.8**	38.9	**97.8**	138.7
Maintenance, rent and other expenses	**10.5**	13.9	**21.8**	24.3

As at 31 December 2020, Coca-Cola HBC owed €11.8 million (€16.4 million as at 31 December 2019) to and was owed €0.8 million (€0.9 million as at 31 December 2019) from Frigoglass and its subsidiaries. As at 31 December 2020, Coca-Cola HBC owed €1.8 million (€1.9 million as at 31 December 2019) to AG Leventis (Nigeria) Plc. Capital commitments to Frigoglass and its subsidiaries as at 31 December 2020, amounted to €14.1 million (€32.4 million as at 31 December 2019) including the Group's share of its joint ventures' capital commitments to Frigoglass.

In 2019, Frigoglass West Africa Ltd. merged with Frigoglass Industries (Nigeria) Limited. Frigoglass Industries (Nigeria) Limited, associate in which the Group holds an effective interest of 23.9% through its subsidiary Nigerian Bottling Company Ltd, is guarantor under the amended banking facilities and notes issued by the Frigoglass Group, as part of the debt restructuring of the latter. The Group has no direct exposure arising from this guarantee arrangement, but the Group's investment in this associate, which stood at €23.9 million as at 31 December 2020 (31 December 2019: €25.2 million), would be at potential risk if there was a default under the terms of the amended banking facilities or the notes and the Frigoglass Group (including the guarantor) were unable to meet their obligations thereunder.

17. Related party transactions (continued)

c) Other related parties

Other

During the six months and the full year ended 31 December 2020, the Group incurred other expenses of €7.4 million and €16.4 million (€9.1 million and €17.5 million in the respective prior-year periods) mainly related to maintenance services for cold drink equipment and installations of coolers, fountains, vending and merchandising equipment as well as subsequent expenditure for fixed assets of €0.9 million and €1.8 million (€1.0 million and €2.1 million in the respective prior-year periods) from other related parties. As at 31 December 2020, the Group owed €1.9 million (€1.2 million as at 31 December 2019) to and was owed €nil million (€0.1 million as at 31 December 2019) by other related parties.

During the six months and the full year ended 31 December 2020, the Group received dividends of €nil and €1.3 million, respectively, from BevService S.r.l. (€nil in the respective prior year periods), which are included in line "Net receipts from non-integral equity method investments" of the condensed consolidated cash flow statement.

d) Joint ventures

The below table summarises transactions with joint ventures:

	Six months ended 31 December		**Year ended 31 December**	
	2020	2019	**2020**	2019
	€ million	€ million	**€ million**	€ million
Purchases of inventory	**4.7**	8.6	**10.9**	18.3
Sales of finished goods and raw materials	**1.7**	2.2	**2.8**	3.8
Other income	**7.5**	2.0	**10.2**	4.2
Other expenses	**8.9**	3.9	**11.5**	3.9

As at 31 December 2020, the Group owed €159.6 million including loans payable of €86.3 million (€9.6 million as at 31 December 2019 including loans payable of €4.0 million) to, and was owed €13.1 million including loans receivable of €7.0 million (€6.8 million as at 31 December 2019 including loans receivable of €3.6 million) by joint ventures. During the six months and the full year ended 31 December 2020, the Group received dividends of €27.1 million from integral joint ventures (dividends and capital returns from joint ventures of €7.7 million in the respective prior-year periods), which are included in line "Net receipts from integral equity-method investments" (2019: "Net receipts from equity investments) of the condensed consolidated cash flow statement. As at 31 December 2020, the Group was owed dividend receivable of €0.3 million (€nil as at 31 December 2019) from BrewTech B.V. Group of companies.

e) Directors

There have been no transactions between Coca-Cola HBC and the Directors and senior management except for remuneration for both the six months and years ended 31 December 2020 and 2019.

There were no other significant transactions with other related parties for the year ended 31 December 2020.

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

18. Contingencies

In relation to the Greek Competition Authority's decision of 25 January 2002, one of Coca-Cola Hellenic Bottling Company S.A.'s competitors had filed a lawsuit against Coca-Cola Hellenic Bottling Company S.A. claiming damages in an amount of €7.7 million. The court of first instance heard the case on 21 January 2009 and subsequently rejected the lawsuit. The plaintiff appealed the judgement and on 9 December 2013 the Athens Court of Appeals rejected the plaintiff's appeal. Following the spin-off, Coca-Cola HBC Greece S.A.I.C. substituted Coca-Cola Hellenic Bottling Company S.A. as defendant in this lawsuit. The 2013 Court of Appeals decision has been rendered final and irrecoverable and the case was closed. On 19 April 2014, the same plaintiff filed a new lawsuit against Coca-Cola Hellenic Bottling Company S.A. (following the spin-off, Coca-Cola HBC Greece S.A.I.C.) claiming payment of €7.5 million as compensation for losses and moral damages for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. between 1994 and 2013. The two lawsuits partially overlap in the time period for which damages are sought by the plaintiff. The hearing of the new lawsuit was scheduled for 17 January 2019. On 21 December 2018, the plaintiff served their withdrawal from the lawsuit. However, on 20 June 2019, the same plaintiff filed another new lawsuit against Coca-Cola HBC Greece S.A.I.C. claiming payment of €10.1 million as compensation for losses and moral damages again for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. for the same period between 1994 and 2013. The parties filed their briefs and exhibits with the Court and the hearing date of the case took place on 18 November 2020 and the court decision is pending to be issued. Coca-Cola HBC Greece S.A.I.C. has not provided for any losses related to this case.

With respect to the ongoing investigation of the Greek Competition Commission initiated on 6 September 2016, regarding Coca-Cola HBC Greece S.A.I.C.'s operations in certain commercial practices in the sparkling juice and water categories, on 29 May 2019 the Greek Competition Commission issued a Statement of Objections to Coca-Cola HBC Greece S.A.I.C. and certain former and current employees, for obstruction of its on-site investigation. Coca-Cola HBC Greece S.A.I.C. collaborated fully with the Commission. In connection with this Statement of Objections, a hearing took place on 24 July 2019. On 4 March 2020, Coca-Cola HBC Greece S.A.I.C. was served with the decision of the Greek Competition Commission in respect of this Statement of Objections and the procedural case regarding the obstruction of the on-site investigation, based on which a fine amounting to €0.8 million was imposed on and paid by Coca-Cola HBC Greece S.A.I.C. The Greek Competition Commission in this decision accepted the proposal for active co-operation and settlement of the case, which was submitted by Coca-Cola HBC Greece S.A.I.C. in line with its policy of full compliance with the principles of competition law and cooperation with the regulatory authorities. The Greek Competition Commission's investigation on Coca-Cola HBC Greece S.A.I.C.'s commercial practices, is still ongoing.

Other than the above, there have been no significant adverse changes in contingencies since 31 December 2019 (as described in our 2019 Integrated Annual Report available on the Coca-Cola HBC's web site: www.coca-colahellenic.com).

19. Commitments

As at 31 December 2020 the Group had capital commitments including commitments for leases and the share of its joint ventures' capital commitments of €115.4 million (31 December 2019: €221.7 million), which mainly relate to plant and machinery equipment.

20. Number of employees

The average number of full-time equivalent employees in 2020 was 27,722 (2019: 28,389).

21. Subsequent events

In January 2021 a demerger of Acque Minerali S.r.l., our mineral water and adult sparkling beverages integral joint venture with TCCC in Italy, was completed. This transaction resulted in €15.6 million of goodwill being recognized as part of our Italian cash-generating unit, while there was no significant impact to the Group's net assets or income statement. Also, there was no cash flow impact for the Group as a result of the transaction.

Volume by country for 2020 and 2019

Unit cases (million)[1]	2020	2019	% change 2020 vs 2019
Established Markets			
Austria	**75.5**	85.1	-11%
Cyprus	**13.7**	17.3	-21%
Greece	**89.4**	112.6	-21%
Italy	**224.7**	261.1	-14%
Republic of Ireland and Northern Ireland	**67.9**	77.0	-12%
Switzerland	**65.7**	71.4	-8%
Total	**536.9**	624.5	**-14%**
Developing Markets			
Baltics	**33.0**	33.3	-1%
Croatia	**22.7**	28.6	-21%
Czech Republic	**50.8**	53.9	-6%
Hungary	**82.1**	94.9	-13%
Poland	**195.2**	189.6	3%
Slovakia	**21.5**	23.5	-9%
Slovenia	**6.8**	7.3	-7%
Total	**412.1**	431.1	**-4%**
Emerging Markets			
Armenia	**10.8**	11.6	-7%
Belarus	**37.4**	39.3	-5%
Bosnia and Herzegovina	**18.6**	21.4	-13%
Bulgaria	**54.9**	64.1	-14%
Moldova	**6.9**	8.0	-14%
Nigeria	**309.2**	272.5	13%
Romania	**185.5**	203.5	-9%
Russian Federation	**315.6**	352.2	-10%
Serbia (including the Republic of Kosovo) and Montenegro	**130.7**	122.5	7%
Ukraine	**117.0**	113.8	3%
Total	**1,186.6**	1,208.9	**-2%**
Total Coca-Cola HBC	**2,135.6**	2,264.5	**-6%**

[1] *One unit case corresponds to approximately 5.678 litres or 24 servings, being a typically used measure of volume. For Premium Spirits volume, one unit case also corresponds to 5.678 litres. For biscuits volume, one unit case corresponds to 1 kilogram. Volume data is derived from unaudited operational data.*
- Our joint venture with Heineken in North Macedonia generated volume of 21.5 million unit cases in 2020 (2019: 23.2 million unit cases), down 7% compared to the prior year.
- Multon joint venture, our Russian juice business, generated volume of 40.2 million unit cases, following its reorganisation in May 2020, which is not included in the performance of the Russian Federation for 2020.