

COCA-COLA HBC FINANCE B.V.
AMSTERDAM, THE NETHERLANDS

ANNUAL REPORT 2018

Coca-Cola HBC Finance B.V. – Annual Report 2018

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DIRECTORS' REPORT

In accordance with the Articles of Association of Coca-Cola HBC Finance B.V. (the 'Company'), the Board of Directors herewith submits the Company's annual report for the year ended 31 December 2018.

General

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

The Company acts as a finance vehicle for Coca-Cola HBC AG and its subsidiaries (the 'Group' or the 'Coca-Cola HBC Group'). The Group operates in 27 countries in Europe and in Nigeria. Funding of these activities is achieved mainly through the debt capital markets. The ultimate parent company of the Group is Coca-Cola HBC AG based in Zug, Switzerland (the 'Parent').

Financial Review

Interest revenue for the 2018 financial year amounted to €91.7 million (2017: €89.0 million) and net profit for the 2018 financial year amounted to €11.0 million (2017: €16.0 million). Year-on-year profit before taxation amounted to €16.6 million which represented a decrease of €4.7 million compared to the prior year mainly due to a decrease in net interest revenue.

In 2018, on average the Russian rouble weakened, resulting in a net foreign exchange loss of €1.4 million (2017: €1.2 million).

In 2016 the Company incurred a loss on settled forward starting swap contracts amounting to €55.4 million which was classified in the cash flow hedge reserve. The loss is amortised to the income statement as an interest expense over the term of the bond maturing November 2024. The interest expense of 2018 includes an amount of €6.4 million cash flow hedge amortisation related to the settled forward starting swaps (2017: €6.4 million).

The Coca-Cola HBC Group aims to maintain a conservative financial profile. This is evidenced by the Investment Grade credit ratings maintained with both Standard & Poor's and Moody's. Standard & Poor's affirmed the Company's positive outlook in April 2018 and Moody's affirmed the Company's stable outlook in October 2018. Both institutions affirmed their credit ratings.

Outlook and future developments

The Company mainly operates as an intragroup financing vehicle as well as a hedging entity with respect to currency, interest rate and commodity risk and only operates for these purposes. Looking ahead to 2019, the Board of Directors do not expect a significant deviation from the current policy and purpose of the Company.

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

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Principal risks and uncertainties

In the ordinary course of its business, the Company is exposed to several financial risks. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. These include amongst others, foreign currency risk, interest rate risk, credit risk and liquidity risk. These risks are managed and monitored in accordance with the Treasury Policy, which describes objectives, responsibilities and management of the treasury risks. The policy is updated on a regular basis.

Foreign currency risk

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

Interest rate risk

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

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

Credit risk

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

Liquidity risk

The Company actively manages liquidity risk to ensure there are sufficient funds available for any short term and long-term commitments. The Euro medium-term note ('EMTN') programme, the commercial paper programme and the unutilized revolving credit facility are used to manage the liquidity risk. Cash and cash equivalents as at 31 December 2018 increased compared to the balance as at 31 December 2017 and amounted to €574.5 million (2017: €565.0 million).

The syndicated loan facility is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG and Coca-Cola HBC Holdings B.V. and is not subject to any financial covenants. The commercial paper programme and the EMTN programme are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. In addition, Coca-Cola HBC AG has given a Letter of Comfort for the Citibank pool bank accounts, which are part of the Multi Currency Zero Balancing and Notional Pooling and Citibank credit facility lines.

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

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

Coca-Cola HBC Group has adopted a strategic Enterprise Wide Risk Management ('EWRM') approach to risk management, providing a fully integrated common risk management framework across the Coca-Cola HBC Group, including Coca-Cola HBC Finance B.V. The primary aim of this framework is to minimise the organisation's exposure to unforeseen events and to provide certainty to the management of identified risks in order to create stable environment within which the Company can deliver its operational and strategic objectives for the Group. These objectives are achieved by:

- Monthly management reporting
- Regular reviews by the Board of Directors of Coca-Cola HBC Finance B.V.

Dividends

The Directors do not recommend the distribution of dividends for the year 2018 (2017: nil).

Managing Directors

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

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

Code of conduct and corporate social responsibility

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

Directors' statement

The Directors of the Company hereby declare that, to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the period ending 31 December 2018 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company, and that the Directors' report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces.

Amsterdam, 18 April 2019

Directors

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

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INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2018 €'000	2017 €'000
Interest revenue from financing to related parties	8, 21	78,289	75,433
External interest revenue on an amortised cost basis	8	716	1,887
Other external interest revenue	8	12,665	11,668
Total interest revenue		91,670	88,988
External interest expense	8	(44,296)	(45,145)
Interest expense from financing from related parties	8, 21	(26,899)	(18,673)
Total interest expense		(71,195)	(63,818)
Net interest revenue		20,475	25,170
Other finance costs	8	(1,405)	(1,568)
Net finance income		19,070	23,602
Net foreign exchange losses	9	(1,406)	(1,220)
Fair value changes in investments	13	(136)	-
Net other income and expenses	10	(922)	(1,107)
Profit before tax		16,606	21,275
Income tax expense	12	(5,618)	(5,317)
Profit for the year		10,988	15,958

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	2018 €'000	2017 €'000
Profit after tax	10,988	15,958
Other comprehensive income/(expense):		
Items that may be reclassified to the income statement:		
Cash flow hedges:		
Net loss on cash flow hedges	(237)	-
Cost of hedging	(1,836)	-
Losses reclassified to the income statement for the year	6,388	6,388
Total other comprehensive income	4,315	6,388
Total comprehensive income for the year	15,303	22,346

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

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BALANCE SHEET

AS AT 31 DECEMBER

(after profit appropriation)

	Notes	2018 €'000	2017 €'000
Assets			
Property, plant and equipment	18	233	270
Financial assets at amortised cost - receivables from related parties	21	971,926	1,880,710
Financial assets at FVPL - derivative financial instruments	13	192	1,113
Other non-current assets	19	250	594
Total non-current assets		972,601	1,882,687
Financial assets at amortised cost - receivables from related parties	21	940,659	62,667
Financial assets at amortised cost – time deposits	13	243,886	-
Financial assets at FVPL - derivative financial instruments	13	10,656	6,128
Financial assets at FVPL – investments in money market funds	13	34,864	-
Held-to-maturity investments	13	-	150,933
Other current assets		649	509
Financial assets at amortised cost - cash and cash equivalents	13, 15	574,495	564,977
Total current assets		1,805,209	785,214
Total assets		2,777,810	2,667,901
Liabilities			
Financial liabilities at amortised cost – short term borrowings	14	95,000	120,000
Accrued interest on short term borrowings		11,827	11,827
Financial liabilities at amortised cost - payables to related parties	21	666,432	485,015
Financial liabilities at FVPL - derivative financial instruments	13	8,918	5,818
Current tax liabilities	20	10,905	8,961
Other current liabilities		4,850	935
Total current liabilities		797,932	632,556
Financial liabilities at amortised cost - long-term borrowings	14	1,395,203	1,393,524
Financial liabilities at amortised cost - payables to related parties	21	229,920	301,479
Financial liabilities at FVPL - derivative financial instruments	13	191	1,115
Other non-current liabilities		67	33
Total non-current liabilities		1,625,381	1,696,151
Total liabilities		2,423,313	2,328,707
Equity			
	17		
Share capital		1,018	1,018
Share premium		263,064	263,064
Hedging reserve		(39,544)	(43,859)
Retained earnings		129,959	118,971
Total equity		354,497	339,194
Total equity and liabilities		2,777,810	2,667,901

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

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Share capital €'000	Share premium €'000	Hedging Reserve €'000	Retained earnings €'000	Total shareholders' equity €'000
As at 1 January 2017	1,018	263,064	(50,247)	103,013	316,848
Profit for the year	-	-	-	15,958	15,958
Other comprehensive income for the year	-	-	6,388	-	6,388
Total comprehensive income for the year	-	-	6,388	15,958	22,346
As at 31 December 2017	1,018	263,064	(43,859)	118,971	339,194
Profit for the year	-	-	-	10,988	10,988
Other comprehensive income for the year	-	-	4,315	-	4,315
Total comprehensive income for the year	-	-	4,315	10,988	15,303
As at 31 December 2018	1,018	263,064	(39,544)	129,959	354,497

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

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

		2018	2017
	Notes	€'000	€'000
Operating activities			
Profit before tax		16,606	21,275
Adjustments for:			
Interest expense	8	71,195	63,818
Interest revenue	8	(91,670)	(88,988)
Amortisation of prepaid fees		344	344
Depreciation of property, plant and equipment	18	82	78
		(3,443)	(3,473)
Loan issuances to the Group	21	(112,930)	(883,424)
Loan repayments to the Group	21	145,597	1,271,429
Loan repayments from the Group	21	4,810,529	4,211,543
Loan issuances from the Group	21	(4,705,299)	(4,316,817)
Net payments for held-to-maturity investments	13	-	(150,933)
Net payments for investments in financial assets:			
time deposits	13	(92,953)	-
money market funds	13	(34,864)	-
Increase in other assets		(6,108)	(3,497)
Decrease in other liabilities		(9,461)	(920)
Payments for purchases of property, plant and equipment	18	(45)	(17)
Interest received		90,103	90,971
Interest paid		(46,595)	(54,407)
Taxes paid	12	(13)	(12)
Cash flow generated from operating activities		34,518	160,443
Financing activities			
Net proceeds from external borrowings	14	-	11,500
Net repayment of external borrowings	14	(25,000)	-
Cash flow generated (used in)/from financing activities		(25,000)	11,500
Increase in cash and cash equivalents		9,518	171,943
Cash and cash equivalents at 1 January		564,977	393,034
Increase in cash and cash equivalents		9,518	171,943
Cash and cash equivalents at 31 December	15	574,495	564,977

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

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Notes to the financial statements for the year ended 31 December 2018

1. General information

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

Registered Company number: 34154633.

The registered address of the Company is Radarweg 29, 1043 NX Amsterdam, the Netherlands.

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

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

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

Coca-Cola HBC AG
Turmstrasse 26
6312 Steinhausen
Switzerland

2. Basis of preparation

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

3. Critical accounting estimates and judgements

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

Estimates

Impairment losses (refer to Note 13)

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

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Notes to the financial statements for the year ended 31 December 2018

4. Foreign currency and translation

(a) Functional and presentation currency

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

(b) Transaction and balances

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

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

5. Accounting pronouncements

(a) Accounting pronouncements adopted in 2018

In the current period, the Company has adopted the following standards and amendments which were issued by the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2018:

The Company adopted IFRS 9, *Financial Instruments* in accordance with the standard’s transitional provisions. The adoption of IFRS 9 did not result in the restatement of comparatives. The impact of the adoption is described below:

The adoption of IFRS 9 has resulted in changes in the Company’s accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 ‘Financial Instruments: Disclosures’. The adoption of IFRS 9 did not have an impact on opening equity (i.e. opening retained earnings and other reserves).

Classification and measurement of financial assets

Under IFRS 9, financial assets are measured at fair value plus, in the case of financial assets not at fair value through profit and loss (‘FVPL’), transaction costs. Subsequently debt instruments are measured at FVPL, amortised cost or fair value through other comprehensive income (‘FVOCI’). The classification depends on two criteria a) the Company’s business model for managing assets and b) whether the instruments’ contractual cashflows represent “solely payments for principal and interest” on the principal amount outstanding (the ‘SPPI criterion’).

On 1 January 2018 the Company’s management has assessed which business models apply to the financial assets held by the Company as well as whether these financial assets are held solely for payments of principal and interest. Almost all the intragroup loans have a floating interest based on the average borrowing cost of the Company which is reset on a quarterly basis. The variability of interest only relates to passing on the costs related to basic lending arrangements. As a result of the assessment, the Company’s management has classified its debt instruments at amortised cost. These include investments in time deposits and intragroup loan receivables since the business model of the Company is to hold these investments to maturity and not to sell them before maturity.

Other financial assets are investments in derivative instruments and money market funds measured at FVPL.

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Notes to the financial statements for the year ended 31 December 2018

The measurement category and the carrying amount of the financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39	IFRS 9		
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets		€'000		€'000
Receivables from related parties	Amortised cost (Loans and receivables)	1,943,377	Amortised cost	1,943,377
Derivative financial instruments	FVPL	7,241	FVPL	7,241
Deposits with banks	Amortised cost (Held-to-maturity)	150,933	Amortised cost	150,933
Cash and cash equivalents	Amortised cost	564,977	Amortised cost	564,977

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount	Reclassifications	IFRS 9 carrying amount
	31 December 2017		1 January 2018
	€'000	€'000	€'000
Amortised cost			
Receivables from related parties	1,943,377		1,943,377
Cash and cash equivalents	564,977		564,977
Deposits – amortised cost			
Opening balance under IAS 39	-		
Addition: from financial assets held-to-maturity (IAS 39)		150,933	
Closing balance under IFRS 9			150,933
Deposits – Held-to-maturity			
Opening balance under IAS 39	150,933		
Subtraction: to amortised cost (IFRS 9)		(150,933)	
Closing balance under IFRS 9			-
Total financial assets measured at amortised cost	2,659,287	-	2,659,287
Fair value through profit or loss (FVPL)			
Derivative financial instruments	7,241		7,241
Total financial assets measured at FVPL	7,241		7,241

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Notes to the financial statements for the year ended 31 December 2018

Impairments of financial assets

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ('ECL') approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Due to the low credit risk of intercompany receivables, the Company, has calculated ECLs based on 12-month expected credit losses. On this basis, the Company has determined the loss allowance is immaterial and as such no impairment has been recorded in the opening balance of retained earnings through the modified retrospective approach. Should the credit risk of an intercompany loan deteriorate then impairment is assessed by applying the next 2 stages of the IFRS 9 impairment model.

All other financial assets at amortised cost are considered to have a low credit risk and the fair value approximates the carrying value.

Hedge accounting

The new hedge accounting requirements have aligned the accounting for hedging instruments more closely with the Company's risk management practices. Since adoption of IFRS 9 the Company recognises the changes in time value of option contracts as a deferred amount in a new 'costs of hedging' reserve within equity. The deferred amounts are recognised against the related hedged transaction when it occurs.

- Annual improvement to IFRSs: 2014 – 2016 Cycle – IAS 28.

(b) Accounting pronouncements not yet adopted

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

- IFRS 16, *Leases*. The new standard supersedes IAS 17 and its objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Company will implement IFRS 16 from 1 January 2019 by applying the modified retrospective method, meaning that the comparative figures for the year ending 31 December 2019 will not be restated. The operating leases which will be recorded on the balance sheet following implementation of IFRS 16 are principally in respect of buildings, cars and office equipment.

The Company has decided to reduce the complexity of implementation by taking advantage of a number of practical expedients on transition on 1 January 2019 namely:

- to measure the right of use asset at the same value as the lease liability;
- to apply the short term and low value exemptions; and
- to grandfather classification of existing leases.

The Company expects that as of 1 January 2019 it will recognise right of use assets of approximately EUR 172 thousand and lease liabilities of approximately EUR 172 thousand.

In addition, the below amendments have been issued by the IASB and are not yet effective. The Company is currently evaluating the impact of those amendments and interpretations on its financial statements:

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Notes to the financial statements for the year ended 31 December 2018

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, which addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.
- Amendments to IFRS 9: *Prepayments features with negative compensation*.
- Annual improvements to IFRSs: 2015 – 2017 Cycle.

6. Financial risk management

Financial risk factors

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

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

Market risk

a) Foreign currency risk

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

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

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

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Notes to the financial statements for the year ended 31 December 2018

2018 exchange risk sensitivity analysis

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

2017 exchange risk sensitivity analysis

	% of historical volatility over a 12-month period	Euro strengthens against local currency	Euro weakens against local currency
		(Gain)/loss in income statement €'000	Loss/(gain) in income statement €'000
Bulgarian lev	0.59%	(7.6)	7.7
Croatian kuna	1.95%	(0.4)	0.5
Czech koruna	3.46%	(9.9)	10.9
Hungarian forint	3.54%	2.3	(2.6)
Polish zloty	4.56%	(5.0)	5.8
Romanian leu	2.83%	(43.1)	46.8
Russian rouble	12.10%	(408.7)	587.2
Swiss franc	4.89%	6.4	(7.5)
UK sterling	8.17%	82.1	(103.7)
US dollar	7.34%	(1.9)	2.3
Total		(385.8)	547.4

b) Price risk

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

c) Interest rate risk

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

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The sensitivity analysis in the following paragraphs has been determined based on exposure to interest rates of both derivative and non-derivative instruments existing at the balance sheet date and assuming constant foreign exchange rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point for 2018 and 50 basis point for 2017 increase or decrease represents management's assessment of a reasonably possible change in interest rates.

	2018		2017	
	Loss/(gain) in income statement	Loss/(gain) in equity	Loss/(gain) in income statement	Loss/(gain) in equity
	€'000	€'000	€'000	€'000
Increase in basis points	2,611	(6,845)	1,891	-
Decrease in basis points	(258)	-	(1,562)	-

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

Credit risk

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

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

The Company's maximum exposure to credit risk, in the event that counterparties fail to perform their obligations at 31 December 2018 in relation to each class of recognised financial assets, is the carrying amount of those assets.

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

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

In addition, the Company regularly makes use of time deposits and investments in money market funds to invest temporarily excess cash balances and to diversify its counterparty risk. As at 31 December 2018, €531.9 million was invested in time deposits (2017: €422.7 million) of which €288.0 million (2017: €271.8 million) have a maturity of 3 months or less and are classified as 'Cash and cash equivalents' (refer to Note 15) and the remaining €243.9 million (2017: €150.9 million) are classified as 'financial assets at amortised cost' (in 2017: 'held-to-maturity investments'). As at 31 December 2018, €34.9 million was invested in money market funds and are classified as 'financial assets at fair value through profit or loss' (2017: nil).

The Company only undertakes investment with third parties and derivative transactions with banks and financial institutions that have a minimum credit rating of 'BBB-' from Standard & Poor's or 'Baa3' from Moody's. The Company also uses the Credit Default Swaps of a counterparty in order to measure in a timelier way the credit worthiness of a counterparty and set up a tier-based approach to assign maximum exposure and tenor per tier. If the Credit Default Swap Rate of a certain counterparty exceeds 400 basis points, the Company will stop trading derivatives with that counterparty and will try to cancel any outstanding deposits on a best-effort basis.

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Liquidity risk

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

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

Coca-Cola HBC AG and Coca-Cola HBC Holdings B.V. are guarantors for the €500.0m syndicated loan facility (refer to Note 14(b)). Furthermore, Coca-Cola HBC AG is guarantor for the commercial paper programme (refer to Note 14(a)) and the EMTN programme (refer to Note 14(c)). In addition, Coca-Cola HBC AG has given a Letter of Comfort for the Citibank pool bank accounts, which are part of the Multi Currency Zero Balancing and Notional Pooling and Citibank credit facility lines.

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

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

2017

	Less than 1 year €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000
Bonds, bills and unsecured notes	150,250	30,250	852,750	622,500
Payables to related parties	508,643	302,853	-	-
Foreign currency forward contracts	216	-	-	-
Other payables	857	-	-	-
Estimated net outflow for the liabilities as at 31 December	659,966	333,103	852,750	622,500

The deferred premium from the swaption derivative contracts will be paid in 2019.

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

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Capital management

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

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

The Group's goal is to maintain a conservative financial profile. This is evidenced by the credit ratings maintained with Standard & Poor's and Moody's. In April 2018, Standard & Poor's affirmed Coca-Cola HBC's 'BBB+' long term, 'A2' short term corporate credit ratings and positive outlook. The corporate credit ratings by Moody's remained unchanged, 'Baa1' long term, 'P2' short term and stable outlook, after the latest assessment in October 2018.

The Group monitors its financial capacity and credit ratings by reference to a number of key financial ratios including net debt to comparable adjusted EBITDA, which provides a framework within which the Group's capital base is managed. This ratio is calculated as net debt divided by comparable adjusted EBITDA. The ratio of the Group at 31 December 2018 and 31 December 2017 are included in the Group's consolidated financial statements.

7. Segmental analysis

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

8. Interest revenue, interest expense and other finance cost

Accounting policy

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

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

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

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

	2018	2017
	€'000	€'000
Interest revenue on loans to related parties	78,022	75,282
Interest revenue on In-House-Cash	267	151
Interest revenue from financing to related parties (Note 21)	78,289	75,433

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

	2018	2017
	€'000	€'000
Interest differential (forward points) on derivatives contracts	12,665	11,668
Interest revenue on current bank accounts	305	88
Interest revenue on commercial paper	349	430
Other external interest revenue	62	1,369
External interest revenue	13,381	13,555
Total interest revenue	91,670	88,988

	2018	2017
	€'000	€'000
Bond financing costs	38,317	38,320
Interest differential (forward points) on derivatives contracts	4,608	4,842
Other external interest	1,371	1,983
External interest expense	44,296	45,145

Interest expense on loans to related parties	24,177	16,170
Interest expense on In-House-Cash	365	111
Coca-Cola HBC AG's guarantee fee	2,357	2,392
Interest expense from financing from related parties (Note 21)	26,899	18,673
Total interest expense	71,195	63,818

	2018	2017
	€'000	€'000
Revolving facility financing costs	876	876
Finance advisory and bank costs	529	692
Other finance costs	1,405	1,568

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9. Net foreign exchange losses

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

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

	2018	2017
	€'000	€'000
Fair value gain/(loss) on forward contracts	(779)	3,055
Net foreign exchange loss on other activities	(627)	(4,275)
Total net foreign exchange loss	(1,406)	(1,220)

The total net foreign exchange loss includes €1.3 million (2017: €1.0 million) relating to the hedging of the Company borrowing in Russian roubles which is partially offset by the movement in other foreign currencies as disclosed in Note 6.

10. Net other income and expenses

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

	2018	2017
	€'000	€'000
Independent auditor's fees	(50)	(50)
Non-recoverable VAT	(172)	(155)
Intra-Group recharge for In-House Cash and treasury services	1,892	1,749
Other general administrative expenses	(2,592)	(2,651)
Total net other income and expenses	(922)	(1,107)

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

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

11. Employee costs

Accounting policy

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

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

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	2018	2017
	€'000	€'000
Wages and salaries	1,150	1,066
Social security costs	166	141
Relocation costs	36	22
Other benefits	283	312
Pension costs – defined contribution plan	54	61
Total employee costs	1,689	1,602

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

During the year 2018, the average number of employees calculated on a full-time-equivalent basis was 17 (2017: 15).

12. Income tax expense

Accounting policy

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company generates taxable income. Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts to be paid to the tax authorities.

The tax filings of the Company are subject to final assessment by the tax authorities. Where the final tax assessment of these filings is different from the amounts that were initially recorded, such differences will affect the income tax provision in the period in which such determination is made.

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

The Company and CC Beverages Holdings II B.V. form a fiscal unity for Dutch corporate income tax purposes. All companies included in the fiscal unity are jointly and severally liable for the income tax liability.

The Company has recorded an income tax charge in its financial statements for the year 2018 of €5.6 million (2017: €5.3 million) as if it is a stand-alone entity liable to pay corporate income tax.

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Notes to the financial statements for the year ended 31 December 2018

The income tax charge can be analysed as follows:

	2018	2017
	€'000	€'000
Current income tax charge for the year	5,599	5,305
Income tax charge previous years	6	-
Current income tax in income statement	5,605	5,305
Withholding tax	13	12
Tax in income statement	5,618	5,317

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

	2018	2017
	€'000	€'000
Profit before tax	16,606	21,275
Tax calculated at the Dutch tax rate (2018: 25 %; 2017: 25%)*	4,141	5,308
Tax effects of:		
- tax deduction investment premium	(12)	(5)
- non-deductible interest	1,461	-
- different depreciation rates fixed assets, non-recoverable VAT fixed assets and non-deductible costs related to employees	9	2
Current income tax charge for the year	5,599	5,305

* The first €200 thousand of profit is taxed at 20%.

13. Financial risk management and financial instruments

Accounting policy

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

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

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

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

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

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Notes to the financial statements for the year ended 31 December 2018

Impairment losses

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

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

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

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

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

Other financial assets: time deposits and money market funds

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

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

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

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

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Financial assets previously classified as held-to-maturity investments (2017)

	2018	2017
	€'000	€'000
Deposits with maturity > 3 months	243,886	150,933
Total	243,886	150,933

Held-to-maturity financial assets were included in current assets and were all reclassified to financial assets at amortised cost on adoption of IFRS 9.

In previous years, the Company classified investments as held-to-maturity if:

- they were non-derivative financial assets,
- they had fixed or determinable payments and fixed maturities,
- the Company intended to, and was able to, hold them to maturity.

Offsetting financial assets and liabilities

Accounting policy

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

a) Financial assets

The following financial assets are subject to offsetting.

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

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Notes to the financial statements for the year ended 31 December 2018

As at 31 December 2017 (€ '000)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	
				Financial instruments	Net amount
Derivative financial assets	7,241	-	7,241	1,007	6,234
Held-to-maturity investments	150,933	-	150,933	-	150,933
Cash and cash equivalents	564,977	-	564,977	-	564,977
Total	723,151	-	723,151	1,007	722,144

b) Financial liabilities

The following financial liabilities are subject to offsetting,

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

As at 31 December 2017	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	
				Financial instruments	Net amount
Derivative financial liabilities	6,933	-	6,933	1,007	5,926
Total	6,933	-	6,933	1,007	5,926

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

Derivative financial instruments

Accounting policy

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

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if:

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

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

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

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

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

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

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

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

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

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

As at 31 December 2018

Contracts with positive fair values

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

Contracts with negative fair values

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

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As at 31 December 2017

Contracts with positive fair values

	Notional Amount	Carrying Amount	Maturity Date
Non-current	€ million	€ million	
Commodity swap contracts	8.9	1.1	Jan. 19 – Oct. 19
Current			
Foreign currency forward/option contracts	457.2	2.8	Jan. 18 – Dec. 18
Commodity swap contracts	24.0	3.3	Jan. 18 – Dec. 18
Total current	481.2	6.1	

Contracts with negative fair values

	Notional Amount	Carrying Amount	Maturity Date
Non-current	€ million	€ million	
Commodity swap contracts	(8.9)	1.1	Jan. 19 – Oct. 19
Current			
Foreign currency forward/option contracts	219.3	2.5	Jan. 18 – Dec. 18
Commodity swap contracts	(24.0)	3.3	Jan. 18 – Dec. 18
Total current	195.3	5.8	

Forward starting swap contracts

The Company entered into forward starting swaps of €500.0 million in 2014 and an additional €100.0 million in August 2015 to hedge the interest rate risk related to its Euro-denominated forecasted issuance of fixed rate debt in March 2016. The forward starting swap contracts were settled on issuance of the forecasted fixed rate debt in March 2016 and will impact the income statement over the term of the debt issued.

Swaptions

The Company entered into swaption contracts of €350.0 million in 2018 to hedge the interest rate risk related to its Euro denominated forecasted issuance of fixed rate debt in 2019 and formally designated them as cash flow hedges. The related premium on these contracts will be paid in 2019.

Derivatives gains and losses

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

Cash flow hedges

The amount recognised in other comprehensive income related to swaption contracts amounted €2.0 million loss, consisting of intrinsic value €0.2 million and cost of hedging €1.8 million. The amount reclassified from other comprehensive income to the income statement for the period amounted to a €6.4 million loss (2017: €6.4 million loss) all of which was recorded as external interest expense and relating to the forward starting swap contracts. No significant ineffectiveness has been recognised in 2018 and 2017.

Undesignated hedges

The net gains on foreign currency contracts at fair value through income statement (for which hedge accounting was not applied) amounted to a €3.8 million gain (2017: €7.3 million gain) which was recorded in the line items external interest revenue, external interest expense and net foreign exchange losses.

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Notes to the financial statements for the year ended 31 December 2018

Financial instruments categories

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

As at 31 December 2018

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

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

As at 31 December 2017

	Loans and receivables €'000	Assets at fair value through profit or loss €'000	Assets held to maturity €'000	Total €'000
Derivative financial instruments	-	7,241	-	7,241
Held-to-maturity investments	-	-	150,933	150,933
Receivables from related parties	1,943,377	-	-	1,943,377
Cash and cash equivalents	564,977	-	-	564,977
Total	2,508,354	7,241	150,933	2,666,528

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Notes to the financial statements for the year ended 31 December 2018

	Other financial liabilities at amortised cost €'000	Liabilities at fair value through profit or loss €'000	Total €'000
Borrowings	1,513,524	-	1,513,524
Derivative financial liabilities	-	6,933	6,933
Payables to related parties	786,494	-	786,494
Accrued interest on borrowings	11,827	-	11,827
Other (non-) current liabilities	968	-	968
Total	2,312,813	6,933	2,319,746

Fair values of financial assets and liabilities

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

Level 1

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

Level 2

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of foreign currency forward contracts, foreign currency option contracts, commodity swap contracts and forward starting swap contracts is determined by using valuation techniques. These valuation techniques maximise the use of observable market data. The fair value of the foreign currency forward contracts, foreign currency option contracts, commodity swap contracts and cross currency swap contracts is calculated by reference to quoted forward exchange, deposit rates and forward rate curve of the underlying commodity at 31 December 2018 for contracts with similar maturity dates. The fair value of interest rate swap contracts and forward starting swap contracts is determined as the difference in the present value of the future interest cash inflows and outflows based on observable yield curves.

Level 3

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

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

As at 31 December 2018 and 2017, all financial assets and financial liabilities recorded at fair value are included in level 1, 2 and level 3 as depicted in the tables below:

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Notes to the financial statements for the year ended 31 December 2018

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

As at 31 December 2017	Level 2 € '000	Total € '000
Financial assets at FVPL		
Commodity derivatives	4,446	4,446
Foreign currency forward/option derivatives	2,795	2,795
Total financial assets	7,241	7,241
Financial liabilities at FVPL		
Commodity derivatives	4,450	4,450
Foreign currency forward/option derivative	2,483	2,483
Derivative financial liabilities used for cash flow hedging		
Total financial liabilities	6,933	6,933

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

14. Borrowings

Accounting policy

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

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

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

Bank overdrafts are classified as short-term borrowings in the balance sheet and for the purpose of the cash flow statement.

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Notes to the financial statements for the year ended 31 December 2018

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

	2018	2017
	€'000	€'000
Commercial paper	95,000	120,000
Total borrowings falling due within one year	95,000	120,000
Bonds, bills and unsecured notes falling due within two to five years	798,321	797,173
Bonds, bills and unsecured notes falling due after five years	596,882	596,351
Total borrowings falling due after one year	1,395,203	1,393,524
Total borrowings	1,490,203	1,513,524

a) Commercial paper programme

In October 2013, the Group established a €1.0bn Euro-Commercial Paper programme ('CP programme'). The CP programme was updated in September 2014 and then again in May 2017. All commercial paper issued under the CP programme must be repaid within 7 to 364 days. The CP programme has been granted the Short-Term Euro Paper label ('STEP') and commercial paper is issued through the Company and is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The outstanding amount under the CP programme as at 31 December 2018 was €95.0 million (2017: €120.0 million).

b) Committed credit facilities

In June 2015, the Company replaced its then existing €500.0 million syndicated revolving credit facility with a new €500.0 million syndicated loan facility, provided by various financial institutions, expiring on 24 June 2020, with the option to be extended for one more year. In June 2016, the Company exercised its option and the banks agreed to extend the facility for one more year until 24 June 2021.

This facility can be used for general corporate purposes and carries a floating interest rate over EURIBOR and LIBOR. No amounts have been drawn under the syndicated loan facility since inception. The facility is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG and Coca-Cola HBC Holdings B.V. and is not subject to any financial covenants.

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

In June 2013, the Group established a new 3.0bn Euro Medium-Term Note programme ('the EMTN Programme'). The EMTN programme was updated in September 2014 and then again in September 2015. Notes are issued under the EMTN programme through the Company and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

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

In March 2016, the Company completed the issue of a €600.0 million Euro-denominated fixed rate bond maturing in November 2024. The coupon rate of the new bond is 1.875% which, including the amortisation of the loss on the forward starting swap contracts over the term of the fixed rate bond, results in an effective interest rate of 2.99% (refer to Note 21). The net proceeds of the new issue were used to partially repay €214.6 million of the 4.25% seven-year fixed rate notes due in November 2016, the remaining €385.4 million was repaid in November 2016 upon its maturity.

As at 31 December 2018, a total of €1.4bn in notes issued under the EMTN programme were outstanding.

The EMTN programme has not been updated since September 2015; due to its pending update, further issues under the EMTN programme are currently not possible.

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Notes to the financial statements for the year ended 31 December 2018

Bonds and notes summary

The summary of the bonds of the Company at 31 December 2018 is as follows:

	Start date	Maturity date	Fixed Coupon
€800m Eurobond	18 June 2013	18 June 2020	2.375%
€600m Eurobond	10 March 2016	11 November 2024	1.875%

d) Fair value, foreign currencies and interest rate information

As at 31 December 2018 the fair value of all bonds and notes payable, including the current portion, was € 1,455.0 million (2017: €1,485.1 million) compared to their book value, including the current portion, of € 1,395.2 million (2017: €1,393.5 million). The fair values are within level 1 of the fair value hierarchy, refer to Note 13.

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

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

2017	Fixed interest rate € '000	Total 2017 € '000	Fixed rate liabilities Weighted Average interest rate	Weighted average maturity for which rate is fixed (years)
Euro	1,513,524	1,513,524	2.42%	4.1
Financial liabilities	1,513,524	1,513,524	2.42%	4.1

The Company did not hold floating interest rate borrowings as at 31 December 2018 or as at 31 December 2017.

Financial liabilities represent fixed rate borrowings to external parties held by the Company.

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Notes to the financial statements for the year ended 31 December 2018

15. Cash and cash equivalents

Cash and cash equivalents at 31 December comprise the following:

	2018	2017
	€'000	€'000
Cash at bank, in transit and on hand	286,495	293,177
Short-term deposits	288,000	271,800
Total cash and cash equivalents	574,495	564,977

The short-term deposits have different tenors ranging from 3 to 90 days as at 31 December 2018. These deposits bear, on average, no interest. Time deposits of € 243.9 million (2017: €150.9 million), which do not meet the definition of cash and cash equivalents, are recognised as financial assets and disclosed in the line 'financial assets at amortised cost' (2017: 'held-to-maturity investments') in the balance sheet. These time deposits have an average tenor of 138 days.

16. Net debt reconciliation

Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents, and certain other financial assets. This section sets out the analysis of net debt as at the end of 2018 and 2017 and the movement in net debt for these years.

	2018	2017
	€'000	€'000
Cash and cash equivalents	574,495	564,977
Financial assets at amortised cost	243,886	-
Financial assets at fair value through profit or loss	34,864	-
Held-to-maturity investments	-	150,933
Short-term borrowings	(106,827)	(131,827)
Long-term borrowings	(1,395,203)	(1,393,524)
Net debt	(648,785)	(809,441)

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Notes to the financial statements for the year ended 31 December 2018

	Cash and cash equivalents €'000	Held-to-maturity investments €'000	Financial assets at amortised cost €'000	Financial assets at FVPL €'000	Short-term borrowings €'000	Long-term borrowings €'000	Total €'000
Net debt at 31 December 2016	393,034	-	-	-	(120,327)	(1,391,844)	(1,119,137)
Cash flows	172,542	150,933	-	-	(11,500)	-	311,975
Foreign exchange adjustments	(599)	-	-	-	-	-	(599)
Other non-cash movements	-	-	-	-	-	(1,680)	(1,680)
Net debt at 31 December 2017	564,977	150,933	-	-	(131,827)	(1,393,524)	(809,441)
Reclassifications	-	(150,933)	150,933	-	-	-	-
Cash flows	10,561	-	92,953	34,864	25,000	-	163,378
Foreign exchange adjustments	(1,043)	-	-	-	-	-	(1,043)
Other non-cash movements	-	-	-	-	-	(1,679)	(1,679)
Net debt at 31 December 2018	574,495	-	243,886	34,864	(106,827)	(1,395,203)	(648,785)

17. Equity

Accounting policy

Ordinary shares are classified as equity.

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

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

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

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

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Notes to the financial statements for the year ended 31 December 2018

The authorised capital of the Company is €5.0 million and is divided into 50,000 shares of €100 each. The issued share capital at 31 December 2018 and 2017 comprised 10,180 shares of €100 each fully paid, with total nominal value €1,018,000.

In August 2004, 10,000 shares with a nominal value of €100 each were issued at an issue price of €4.5 million. The difference between the issue price and the total nominal value of the new shares was recorded as share premium.

In October 2009, the Company received a capital contribution recorded in share premium for an amount of 384.6 million.

On 2 February 2011, the Company repaid to CC Beverages Holdings II B.V. the amount of €125.0 million in share premium. As at 31 December 2018, the Company's share premium amounted to €263.1 million (2017: €263.1 million). There is only one class of shares, of which the par value is €100. Each share provides the right to one vote at general meetings of the Company and entitles the holder to dividends declared by the Company.

The hedging reserve amounts to a €39.5 million loss as at 31 December 2018 (2017: €43.9 million loss), which is not available for distribution.

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

	2018	2017
	€'000	€'000
Net book value as per January 1	43,859	50,247
Losses in current year	-	-
Net loss on cash flow hedges	237	-
Cost of hedging	1,836	-
Losses reclassified to the income statement	(6,388)	(6,388)
Net book value as per December 31	39,544	43,859

18. Property, plant and equipment

Accounting policy

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

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

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

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Notes to the financial statements for the year ended 31 December 2018

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

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

	Computers €'000	Buildings €'000	Furniture and fittings €'000	Total €'000
Net book value as at 1 January 2017	106	153	72	331
Additions	9	4	4	17
Depreciation charge	(32)	(36)	(10)	(78)
Net book value as at 31 December 2017	83	121	66	270
Cost	148	181	83	412
Accumulation depreciation	(65)	(60)	(17)	(142)
Net book value as at 31 December 2017	83	121	66	270

19. Other non-current assets

The other non-current assets consist mainly of a security deposit for the leased office property.

20. Current tax liabilities

The current tax liabilities which amounted to €10.9 million as at 31 December 2018 (2017: €9.0 million), reflect the current account balance with CC Beverages Holdings II B.V. connected with income tax liabilities.

21. Related party transactions

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

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

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Notes to the financial statements for the year ended 31 December 2018

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

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

a) Interest revenue and receivables

Company	Country	Related parties receivable as at 31 December		Interest revenue	
		2018	2017	2018	2017
		€'000	€'000	€'000	€'000
CC Beverages Holdings II B.V.	The Netherlands	1,130,876	1,135,348	44,783	41,201
Coca-Cola HBC Italia S.r.l.	Italy	288,318	278,792	11,459	12,644
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	165,355	188,129	9,190	8,830
CCB Management Services GmbH	Austria	85,908	98,437	3,524	3,114
Coca-Cola HBC Austria GmbH	Austria	20,769	42,209	1,269	1,950
Coca-Cola HBC Česko a Slovensko, s.r.o. - organizačná zložka	Slovakia	54,775	52,785	2,082	2,270
Coca-Cola HBC AG	Switzerland	8,743	177	43	1,224
Coca-Cola HBC Greece S.A.I.C.	Greece	54,172	54,106	2,165	1,853
Coca-Cola HBC Hungary Ltd	Hungary	37,623	34,579	1,204	948
Other related parties		66,046	58,815	2,570	1,399
Total		1,912,585	1,943,377	78,289	75,433

b) Interest expense and payables

Company	Country	Related parties payable as at 31 December		Interest expense	
		2018	2017	2018	2017
		€'000	€'000	€'000	€'000
Coca-Cola HBC Procurement GmbH	Austria	163,557	173,292	6,056	1,572
Coca-Cola HBC Italia Srl	Italy	140,801	8,311	-	-
Coca-Cola HBC Romania Ltd	Romania	113,779	114,510	3,603	1,937
Coca-Cola HBC Switzerland Ltd	Switzerland	67,973	75,308	751	507
LLC Coca-Cola HBC Eurasia	Russia	108,484	121,039	9,306	8,947
Coca-Cola HBC Hrvatska d.o.o.	Croatia	32,239	22,044	1,121	639
CC Beverages Holdings II B.V.	The Netherlands	767	37,943	11	-
Coca-Cola HBC Holdings B.V.	The Netherlands	13,600	20,844	209	159
Coca-Cola HBC AG	Switzerland	22	18,430	2,671	2,392
CCHBC Bulgaria AD	Bulgaria	25,631	30,660	349	276
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia	33,986	30,266	513	474
CCHBC Insurance (Guernsey) Limited	Guernsey	21,542	21,197	344	344
Coca-Cola HBC Polska sp. z.o.o.	Poland	32,379	15,556	275	428
Adelink Limited (Nicosia)	Cyprus	27,169	-	744	-
Star Bottling Limited	Cyprus	2,805	1,054	19	305
Other related parties		111,618	96,040	927	693
Total		896,352	786,494	26,899	18,673

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Notes to the financial statements for the year ended 31 December 2018

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

c) Financing with the Group by category

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

	As at 31 December 2018		As at 31 December 2017	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Long term loans and borrowings	971,926	229,920	1,880,710	301,479
Short term loans and borrowings	926,503	390,351	48,425	342,143
IHC-accounts	12,640	275,293	13,035	142,156
Other	1,516	788	1,207	716
Total	1,912,585	896,352	1,943,377	786,494

The non-current receivables will fall due in over five years. The interest revenue and expense on loans to/from the Coca-Cola HBC Group for the year was settled, for most of the loans listed above, on a three-month basis. The interest accrual related to the last quarter of 2018 was settled in January 2019.

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

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

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

	As at 31 December 2018		As at 31 December 2017	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Euro	1,698,228	501,095	1,702,914	418,659
Russian rouble	-	135,653	-	121,039
UK sterling	165,355	12,633	188,128	14,110
Swiss franc	-	68,053	-	75,505
Hungarian forint	30,081	3,261	34,585	10,526
Romanian leu	-	106,845	-	107,129
Polish Zloty	-	32,078	-	15,556
Other	18,921	36,734	17,750	23,970
Total	1,912,585	896,352	1,943,377	786,494

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

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Notes to the financial statements for the year ended 31 December 2018

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

	31 December 2018		31 December 2017	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Average borrowing cost rate*	1,891,437	-	1,925,542	-
Fixed rate*	-	192,624	-	161,707
Floating rate*	12,640	702,941	13,292	624,052
Other	8,508	787	4,543	735
Total	1,912,585	896,352	1,943,377	786,494

* Amounts include related interest accruals.

The average borrowing cost rate is reset on a quarterly basis and is based on the average borrowing cost of the Company. The weighted average fixed rate for loans received in 2018 amounted to 0.2% (2017: 1.60%).

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

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

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

f) Intra-group guarantees

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

22. Directors' remuneration

The directors did not receive any remuneration during the year (2017: nil).

23. Commitments

The Company and CC Beverages Holdings II B.V. form a fiscal unity for Dutch corporate income tax purposes. Both companies included in the fiscal unity are jointly and severally liable for Dutch tax liabilities of both companies.

The Company has entered into an operating lease for office space. The lease commenced on 1 May 2016 and is valid for a period of five years, until 30 April 2021. After this period, the lease can be, subject to notice of termination, continued for an additional period of three years. The future minimum lease payments for the non-cancellable part of the lease as at 31 December 2018 due within one year amounts to €87,965 and after one year but no more than five years €117,287.

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Notes to the financial statements for the year ended 31 December 2018

24. Proposed appropriation of result and dividends

No dividends have been declared or distributed during 2018 (2017: nil).

The Board of Directors proposes that the net profit for the period ended 31 December 2018, be added to retained earnings:

	€'000
Addition to retained earnings	10,988
Net profit	10,988

This proposal has already been included in the financial statements.

25. Events after the balance sheet date

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

The financial statements on pages 5 to 8 and the attached notes on pages 9 to 40 have been approved by the Directors in Amsterdam on 18 April 2019.

Directors

Garyfallia Spyriouni

Michail Imellos

Sjors van der Meer

Huig Johan Braamskamp

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OTHER INFORMATION

Profit appropriation according to the Articles of Association

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

Independent auditor's report

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



Independent auditor's report

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

Report on the financial statements 2018

Our opinion

In our opinion, Coca-Cola HBC Finance B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of Coca-Cola HBC Finance B.V., Amsterdam ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2018;
- the following statements for 2018: the income statement, the statements of comprehensive income, changes in shareholder's equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

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

The basis for our opinion

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

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

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Independence

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

Our audit approach

Overview and context

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

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

Other areas of focus, that were not considered as key audit matters were the adoption and implementation of IFRS 9 and the income tax position. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

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



Materiality

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

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

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €27.7 million (2017: €26.6). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders are the most important ones.

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

We agreed with management that we would report to them misstatements identified during our audit above €1.3 million (2017: €1.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

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

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there has been one new key audit matter on hedge accounting.

Key audit matter

How our audit addressed the matter

Measurement of expected credit losses

Notes 13 and 21

We consider the valuation of the loans issued, as disclosed in note 21 to the financial statements for a total amount of €1,912.6 million, to be a key audit matter. This is due to the size of the loan portfolio and impairment requirements introduced by IFRS 9. Management has determined that all loans issued are categorised as stage 1 loans, hence only a twelve-month expected credit loss ('ECL') has been recognised.

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

- With respect to the ECL calculation, we determined that the loans qualify as stage 1 loans by assessing the actual performance of the loans (i.e. no significant deterioration of credit risk).

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Key audit matter

The new impairment requirements in IFRS 9 lead to an increase in complexity and in the degree of judgement required to calculate the ECL. Amongst other things, this applies to choices and judgements made in the impairment methodology, including the determination of the probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). With the introduction of IFRS 9, these calculations must also take into account forward-looking information ('FLI') of macro-economic factors considering multiple scenario's. Mainly with respect to the PD and LGD used in the determination of the expected credit losses, management has applied significant judgement given the low default character of the entity's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD.

How our audit addressed the matter

- We evaluated the financial position of the counterparties of loans issued by assessing observable data from rating agencies, developments in credit spreads, the latest available financial information and other publicly available data in order to assess if there are no adverse conditions present suggesting to classify the loans as stage 2 or stage 3 loans.
- For the expected credit loss, we assessed, with assistance of our specialists, that the impairment methodology and model applied by the entity were in accordance with the requirements of IFRS 9. We assessed that the FLI used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of Coca-Cola HBC Finance B.V.
- We assessed for a sample of financial instruments that the PD and LGD, applied by management, were based upon data from external data source providers and we have recalculated the impairment.

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

Existence of the loans issued
Notes 13 and 21

We consider the existence of the loans issued, as disclosed in note 21 to the financial statements for a total amount of €1,912.6 million, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.

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

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

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

Key audit matter

Hedge accounting

Note 13

We consider the application of hedge accounting to be a key audit matter. Refer to note 13 to the financial statements. This is because of the detailed formal and technical requirements that are relevant to the application of hedge accounting and because inappropriate application of these requirements can lead to a material effect on the financial statements.

How our audit addressed the matter

We performed the following procedures to support the appropriateness of the application of hedge accounting: We performed the following procedures to support the appropriateness of the application of hedge accounting:

- We tested in full whether the hedge documentation as prepared by management meet the requirements of IFRS 9 *Financial Instruments*.
- We assessed whether ineffectiveness was recorded appropriately when required and whether the calculation was mathematically correct.
- We assessed that the critical terms of the hedging instrument matched the hedged item.
- We assessed whether an economic relationship exists between the hedged item and hedging instrument.
- We evaluated whether the effect of credit risk dominates the value changes that result from the economic relationship.
- We verified that the hedge ratio of the relationship is the same as the ratio actually hedged.
- We reviewed whether the presentation and disclosure of cash flow hedges (including cost of hedging) is in line with the requirements of IFRS 9 *Financial Instrument*

Based on the procedures as set out above we found the application of hedge accounting to be appropriate.

Report on the other information included in the annual report

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

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

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

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

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



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

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

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Coca-Cola HBC Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held on 30 April 2018. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of ten years.

No prohibited non-audit services

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

Services rendered

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

Responsibilities for the financial statements and the audit

Responsibilities of management

Management is responsible for:

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

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



Our responsibilities for the audit of the financial statements

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

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

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

Amsterdam, 18 April 2019
PricewaterhouseCoopers Accountants N.V.

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



Appendix to our auditor's report on the financial statements 2018 of Coca-Cola HBC Finance B.V.

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

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

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

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



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

