Financial statements

Contents

Independent auditor's report to Coca-Cola HBC AG

Report on the audit of the consolidated financial statements

Opinion

In our opinion:

- Coca-Cola HBC AG's ('Coca-Cola HBC' or the 'Group') consolidated financial statements (the 'financial statements') give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB').

We have audited the financial statements, included within the 2019 Integrated Annual Report (the 'Annual Report'), which comprise: the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31 December 2019, and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under ISAs are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

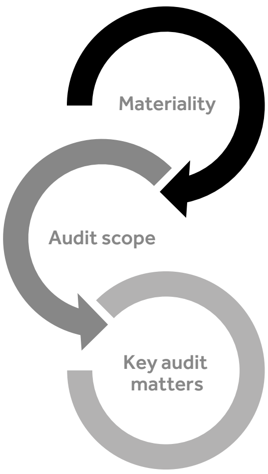
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, which include the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other applicable laws and regulations.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the IESBA Code and other applicable laws and regulations were not provided to the Group.

Other than those disclosed in Note 8 of the Annual Report, we have provided no non-audit services to the Group in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall group materiality: €33.0 million (2018: €30.5 million)

- We audited the complete financial information of the Company and of subsidiary undertakings in 15 countries.
- Taken together, the undertakings of which an audit of their complete financial information was performed accounted for 84% of consolidated net sales revenue, 89% of consolidated profit before tax and 87% of consolidated total assets of the Group.
- We also conducted specified audit procedures and analytical review procedures for other subsidiary undertakings and Group functions.

- Goodwill and indefinite-lived intangible assets valuation.
- Uncertain tax positions.
- Provisions and contingent liabilities.

Independent auditor's report continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry in which it operates, we considered the extent to which non-compliance with applicable laws and regulations might have a material effect on the financial statements, including, but not limited to, the Listing Rules of the Financial Conduct Authority ('FCA'), tax laws and regulations applicable to Coca-Cola HBC and its subsidiaries and regulations relating to unethical and prohibited business practices. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and where management made subjective judgements in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, internal audit, internal legal counsel and the Group's legal advisors, where relevant, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of goodwill and indefinite-lived intangible assets and uncertain tax positions (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management and consolidation entries.

There are inherent limitations in the audit procedures described above and the further non-compliance with laws and regulations is removed from the events and transactions reflected in the financial statements, the less likely we would become aware of it. In addition, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite-lived intangible assets valuation Refer to Note 13 for intangible assets including goodwill and to Note 23 for business combinations. Goodwill and indefinite-lived intangible assets as at 31 December 2019 amount to €1,773.7 million and €318.3 million, respectively. The above amounts have been allocated to individual cash-generating units ('CGUs'), which require the performance of an impairment assessment at least annually. The impairment assessment involves the determination of the recoverable amount of the CGU, being the higher of the value-in-use and the fair value less costs to dispose. This area was a key matter for our audit due to the size of goodwill and indefinite-lived intangible assets balances and because the determination of whether elements of goodwill and of indefinite-lived intangible assets are impaired involves complex and subjective estimates and judgements made by management about the future results of the CGUs. These estimates and judgements include assumptions surrounding revenue growth rates, direct costs, foreign exchange rates and discount rates. Furthermore, macroeconomic volatility, competitor activity and regulatory/fiscal developments can adversely affect each CGU and potentially the carrying amount of goodwill and indefinite-lived intangible assets. In addition, during 2019 the Group acquired a 100% shareholding in Koncern Bambi a.d. Požarevac ('Bambi') a Serbian confectionary business. This acquisition was the main contributor to the increase in goodwill and indefinite-lived intangible assets which added to the Group €114.6 million and €117.9 million of goodwill and indefinite-lived trademarks respectively. No impairment charge was recorded in 2019.	We evaluated the appropriateness of management's identification of the Group's CGUs, related control activities and the process by which management prepared the CGUs' value-in-use calculations which we found to be satisfactory for the purposes of our audit. We tested the mathematical accuracy of the CGUs' value-in-use calculations and compared the cash flow projections included therein to the financial budgets, approved by the Directors, covering a one year period and management's projections for the subsequent four years. In addition, we assessed the quality of the budgeting process by comparing the prior year budget with actual results. We challenged management's cash flow projections around the key drivers of cash flow forecasts including future performance with respect to revenue, short-term and long-term volume growth and the level of direct costs. With the support of our valuation specialists, we evaluated the appropriateness of key assumptions including discount, perpetuity growth and foreign exchange rates. We also performed sensitivity analyses on the key drivers of cash flow forecasts for the CGUs with significant balances of goodwill and indefinite-lived intangible assets as well as for CGUs which remain sensitive to changes in the key drivers, including the goodwill and franchise agreements held by the Nigeria CGU. Specifically, as regards the Bambi acquisition we assessed the business combinations process and engaged our component team to perform a full scope audit of the opening balance sheet. With the support of our valuation specialists we reviewed management's purchase price allocation, including attending a series of calls with the Group's valuation experts to critically challenge the valuation methodology and key underlying assumptions used. We evaluated the key inputs used in the valuation model as well as management's assessment of the useful lives of intangible assets identified. We assessed the appropriateness and completeness of the related disclosures in Note 13, as regards goodwill and indefinite-lived intangible assets, and in Note 23, with respect to the acquisition of Bambi, and consider them to be reasonable. As a result of our work, we found that the determination by management that no impairment was required for goodwill and indefinite-lived intangible assets was supported by assumptions within reasonable ranges. Furthermore, we determined that the underlying assumptions used by management in the business combination and purchase price allocation of Bambi form a reasonable basis for the carrying value of the goodwill and trademarks of Bambi.
Uncertain tax positions Refer to Note 10 for taxation and Note 29 for contingencies. The Group operates in numerous tax jurisdictions and is subject to periodic tax audits by local tax authorities, in the normal course of business, on a range of tax matters in relation to corporate tax, transfer pricing and indirect taxes. As at 31 December 2019, the Group has current tax liabilities of €125.6 million, which include €95.1 million of provisions for tax uncertainties. Where the amount of tax payable is uncertain, the Group establishes provisions based on management's judgements with respect to the likelihood of material tax exposures and the probable amount of the liability. We consider this area as a key audit matter given the number of judgements involved in estimating the provisions relating to uncertain tax positions and the complexities of dealing with tax rules and regulations in numerous jurisdictions.	We evaluated the related accounting policy for estimating tax exposures. In conjunction with our tax specialists, we evaluated management's judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. In order to understand and evaluate management's judgements, we considered the status of current tax authority audits and enquiries, the outcome of previous tax authority audits, judgmental positions taken in tax returns and current year estimates as well as recent developments in the various tax jurisdictions in which the Group operates. We challenged management's key assumptions, particularly in cases where there had been significant developments with tax authorities. From the evidence obtained we consider the provisions in relation to uncertain tax positions as at 31 December 2019 to be reasonable under the circumstances.

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Provisions and contingent liabilities Refer to Note 21 for provisions and Note 29 for contingencies. The Group faces a number of threatened and actual legal and regulatory proceedings. The determination of the provision and/or the level of disclosure required involves a high degree of judgement resulting in provisions and contingent liabilities being considered a key audit matter.	Our procedures with respect to provisions and contingent liabilities included the following: • evaluation of the design and testing of key controls with respect to litigation and regulatory procedures; • where relevant, reading external legal advice obtained by management; • discussion of open matters with the Group's general counsel; • meeting with local management and if deemed necessary reading relevant correspondence; • assessing and challenging management's conclusions through understanding precedents set in similar cases; and • obtaining confirmation requests from relevant third-party legal representatives and holding follow up discussions, where appropriate, on certain material cases. In addition, we assessed the appropriateness of the related disclosures in Note 29. Based on the work performed, whilst noting the inherent uncertainty with such legal and regulatory matters, we determined that management's judgments and relevant provisions, including related disclosures, as at 31 December 2019 are reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed sufficient work to be able to provide an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates through its trading subsidiary undertakings in 28 countries, as set out on page 145 of the Annual Report. The processing of the accounting entries for these subsidiary undertakings is largely centralised in a shared services centre in Bulgaria, except for the subsidiary undertakings in Russia, Ukraine, Belarus and Armenia, which process their accounting entries locally. The Group also operates centralised treasury functions in the Netherlands and in Greece and a centralised procurement function in Austria.

Based on the significance to the financial statements and in light of the key audit matters as noted above, we identified subsidiary undertakings in 15 countries (including the trading subsidiary undertakings in Italy, Russia, Nigeria, Romania and Switzerland) which in our view, required an audit of their complete financial information. We also performed specified audit procedures on certain balances and transactions on one joint operation. In addition, audit procedures were performed with respect to the centralised treasury functions by the group engagement team and with respect to the centralised procurement function by the component audit team in Austria. The group engagement team also performed analytical review and other procedures on balances and transactions of subsidiary undertakings not covered by the procedures described above.

The group engagement team's involvement with respect to audit work performed by component auditors included site visits and attendance at component audit meetings with local management, in Nigeria, Russia, Italy, Romania, Poland, Bulgaria and Greece. Where physical attendance was not undertaken, the group engagement team held conference calls with component audit teams and with local management, as considered appropriate. Furthermore, the group engagement team reviewed component auditor work papers and undertook other forms of interactions as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising. The group engagement team was also responsible for planning, designing and overseeing the audit procedures performed at the shared services centre in Bulgaria. In addition, we performed work centrally on IT general controls and shared comfort with the component teams. The Group consolidation, financial statement disclosures and a number of areas of significant judgement, including goodwill and intangible assets, material provisions and contingent liabilities, were audited by the group engagement team. We also held a two-day audit planning workshop in Greece focusing on planning and risk assessment activities, auditor independence, centralised testing procedures and the implementation of new IFRSs and specifically IFRS 16 'Leases'. This audit planning workshop was attended by the component teams responsible for the subsidiary undertakings requiring an audit of their complete financial information.

Based on the above, the undertakings of which an audit of their complete financial information was performed accounted for 84% of consolidated net sales revenue, 89% of consolidated profit before tax and 87% of consolidated total assets of the Group.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole, as follows:

Overall group materiality	€33.0 million (2018: €30.5 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We chose profit before tax as the benchmark because, in our view, it is one of the principal measures considered by users and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in generally accepted auditing practice.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was from €1.35 million to €11.5 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1.0 million (2018: €1.0 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

With respect to the statement on going concern included in the Annual Report, we report as follows:

Reporting obligation	Outcome
We have reviewed the statement on going concern, included in the Statement of Directors' Responsibilities, in the Annual Report on page 130, as if Coca-Cola HBC were a UK incorporated premium listed entity.	We have nothing to report having performed our review.
As noted in the Statement of Directors' Responsibilities, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed.	As part of our audit, we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements, our auditor's report thereon and the Swiss statutory reporting, which we obtained prior to the date of this auditor's report. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Listing Rules of the FCA require us also to report on certain matters as described below.

UK Corporate Governance Code Provisions

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the UK Corporate Governance Code issued in July 2018 (the 'Code') does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules of the FCA, for review by the auditors.

The Directors' assessment of the prospects of the Group

We have also reviewed the Directors' statement in relation to the longer-term viability of the Group, set out on page 64, of the Annual Report as if Coca-Cola HBC were a UK incorporated premium listed entity. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 130 of the Annual Report, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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. Those charged with governance are responsible for overseeing the Group's financial reporting process.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for Coca-Cola HBC AG for the purpose of the Disclosure Guidance and Transparency Rules sourcebook and the Listing Rules of the FCA and for no other purpose.

Other required reporting

Appointment

We have been the Group's auditors since 2003 and following a tender process that the Group conducted in 2015, at the recommendation of the Audit & Risk Committee, we were reappointed by the Directors on 11 December 2015 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods.

Konstantinos Michalatos
the Certified Auditor, Reg. No. 17701
for and on behalf of PricewaterhouseCoopers S.A.
Certified Auditors, Reg. No. 113
Athens, Greece

19 March 2020

Notes:

a. The maintenance and integrity of the Coca-Cola HBC AG website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b. Legislation in UK and Switzerland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements

Consolidated income statement

For the year ended 31 December

	Note	2019 €million	2018 €million
Net sales revenue	6,7	**7,026.0**	6,657.1
Cost of goods sold		**(4,380.4)**	(4,141.8)
Gross profit		**2,645.6**	**2,515.3**
Operating expenses	8	**(1,930.3)**	(1,875.9)
Operating profit	6	**715.3**	**639.4**
Finance income		**6.3**	6.1
Finance costs		**(73.4)**	(47.4)
Finance costs, net	9	**(67.1)**	**(41.3)**
Share of results of equity-method investments	15	**13.0**	12.8
Profit before tax		**661.2**	**610.9**
Tax	10	**(173.2)**	(162.8)
Profit after tax		**488.0**	**448.1**
Attributable to:			
Owners of the parent		**487.5**	447.4
Non-controlling interests		**0.5**	0.7
		488.0	448.1
Basic earnings per share (€)	11	**1.34**	1.22
Diluted earnings per share (€)	11	**1.33**	1.21

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

Financial statements continued

Consolidated statement of comprehensive income

For the year ended 31 December

	Note	2019 € million	2018 € million
Profit after tax		**488.0**	448.1
Other comprehensive income:			
Items that may be subsequently reclassified to income statement:			
Cost of hedging	24	**(11.1)**	(5.3)
Net gain of cash flow hedges	24	**2.5**	6.3
Foreign currency translation	12	**123.4**	(63.1)
Share of other comprehensive income of equity-method investments		**0.7**	0.6
Income tax relating to items that may be subsequently reclassified to income statement	12	**1.4**	1.0
		116.9	**(60.5)**
Items that will not be subsequently reclassified to income statement:			
Valuation gain / (loss) on equity investments at fair value through other comprehensive income		**0.2**	(0.3)
Actuarial (losses) / gains		**(17.0)**	20.8
Income tax relating to items that will not be subsequently reclassified to income statement	12	**1.8**	(3.3)
		(15.0)	**17.2**
Other comprehensive income / (loss) for the year, net of tax (refer to Note 12)		**101.9**	**(43.3)**
Total comprehensive income for the year		**589.9**	**404.8**
Total comprehensive income attributable to:			
Owners of the parent		**589.4**	404.1
Non-controlling interests		**0.5**	0.7
		589.9	**404.8**

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

Consolidated balance sheet

As at 31 December

	Note	2019 € million	2018 € million
Assets			
Intangible assets	13	**2,105.4**	1,825.8
Property, plant and equipment	14	**2,742.2**	2,391.6
Equity-method investments	15	**148.5**	99.3
Other financial assets	24	**5.8**	6.1
Deferred tax assets	10	**64.5**	47.4
Other non-current assets	18	**71.3**	45.9
Total non-current assets		**5,137.7**	**4,416.1**
Inventories	17	**488.1**	463.2
Trade, other receivables and assets	18	**1,025.6**	961.2
Other financial assets	24,25	**734.9**	290.0
Current tax assets		**4.1**	8.5
Cash and cash equivalents	25	**823.0**	712.3
		3,075.7	**2,435.2**
Assets classified as held for sale	19	**0.6**	3.0
Total current assets		**3,076.3**	**2,438.2**
Total assets		**8,214.0**	**6,854.3**
Liabilities			
Borrowings	25	**761.8**	136.4
Other financial liabilities	24	**11.6**	16.6
Trade and other payables	20	**1,666.1**	1,652.4
Provisions and employee benefits	21	**102.1**	77.6
Current tax liabilities		**125.6**	135.6
Total current liabilities		**2,667.2**	**2,018.6**
Borrowings	25	**2,562.9**	1,468.0
Other financial liabilities	24	**0.1**	1.3
Deferred tax liabilities	10	**159.5**	131.3
Provisions and employee benefits	21	**117.6**	112.2
Other non-current liabilities		**6.5**	6.5
Total non-current liabilities		**2,846.6**	**1,719.3**
Total liabilities		**5,513.8**	**3,737.9**
Equity			
Share capital	26	**2,010.8**	2,021.2
Share premium	26	**3,545.3**	4,547.9
Group reorganisation reserve	26	**(6,472.1)**	(6,472.1)
Treasury shares	26	**(169.8)**	(184.1)
Exchange equalisation reserve	26	**(964.7)**	(1,088.8)
Other reserves	26	**256.3**	269.0
Retained earnings		**4,491.7**	4,018.0
Equity attributable to owners of the parent		**2,697.5**	**3,111.1**
Non-controlling interests		**2.7**	5.3
Total equity		**2,700.2**	**3,116.4**
Total equity and liabilities		**8,214.0**	**6,854.3**

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

Financial statements continued

Consolidated statement of changes in equity

	Attributable to owners of the parent									
	Share capital €million	Share premium €million	Group reorganisation reserve €million	Treasury shares €million	Exchange equalisation reserve €million	Other reserves €million	Retained earnings €million	**Total €million**	Non-controlling interests €million	**Total equity €million**
Balance as at 1 January 2018	2,015.1	4,739.3	(6,472.1)	(71.3)	(1,026.3)	271.2	3,551.5	**3,007.4**	4.8	**3,012.2**
Shares issued to employees exercising stock options	6.1	9.2	–	–	–	–	–	**15.3**	–	**15.3**
Share-based compensation:										
Performance shares	–	–	–	–	–	(1.5)	–	**(1.5)**	–	**(1.5)**
Movement in shares held for equity compensation plan	–	–	–	(0.1)	–	1.8	–	**1.7**	–	**1.7**
Sale of own shares	–	–	–	0.8	–	–	–	**0.8**	–	**0.8**
Appropriation of reserves	–	–	–	(0.2)	–	0.3	(0.1)	**–**	–	**–**
Movement of treasury shares	–	–	–	(113.3)	–	–	–	**(113.3)**	–	**(113.3)**
Dividends	–	(200.6)	–	–	–	–	1.8	**(198.8)**	(0.2)	**(199.0)**
Transfer of cash flow hedge reserve, including cost of hedging to inventories, net of tax[1]	–	–	–	–	–	(4.6)	–	**(4.6)**	–	**(4.6)**
	2,021.2	**4,547.9**	**(6,472.1)**	**(184.1)**	**(1,026.3)**	**267.2**	**3,553.2**	**2,707.0**	**4.6**	**2,711.6**
Profit for the year, net of tax	–	–	–	–	–	–	447.4	**447.4**	0.7	**448.1**
Other comprehensive loss for the year, net of tax	–	–	–	–	(62.5)	1.8	17.4	**(43.3)**	–	**(43.3)**
Total comprehensive income for the year, net of tax[2]	–	–	–	–	(62.5)	1.8	464.8	**404.1**	0.7	**404.8**
Balance as at 31 December 2018	**2,021.2**	**4,547.9**	**(6,472.1)**	**(184.1)**	**(1,088.8)**	**269.0**	**4,018.0**	**3,111.1**	**5.3**	**3,116.4**

1. The amount included in other reserves of €4.6m gain for 2018 represents the cash flow hedge reserve, including cost of hedging, transferred to inventory of €5.9m gain, and the deferred tax expense thereof amounting to €1.3m.
2. The amount included in the exchange equalisation reserve of €62.5m loss for 2018 represents the exchange loss attributed to the owners of the parent, including €0.6m gain relating to share of other comprehensive income of equity-method investments.
   The amount of other comprehensive loss net of tax included in other reserves of €1.8m gain for 2018 consists of loss on valuation of equity investments at fair value through other comprehensive income of €0.3m, cash flow hedges gains of €1.0m and the deferred tax income thereof amounting to €1.1m.
   The amount of €464.8m gain attributable to owners of the parent comprises profit for the year of €447.4m, plus actuarial gains of €20.8m, minus deferred tax expense of €3.4m.
   The amount of €0.7m gain included in non-controlling interests for 2018 represents the share of non-controlling interests in profit for the year.

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

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

3. The amount included in other reserves of €11.9m loss for 2019 represents the cash flow hedge reserve, including cost of hedging, transferred to inventory of €15.1m loss, and the deferred tax income thereof amounting to €3.2m.
4. The amount included in the exchange equalisation reserve of €124.1m gain for 2019 represents the exchange gain attributed to the owners of the parent, including €0.7m gain relating to share of other comprehensive income of equity-method investments.
   The amount of other comprehensive income net of tax included in other reserves of €7.0m loss for 2019 consists of gain on valuation of equity investments at fair value through other comprehensive income of €0.2m, cash flow hedges loss of €8.6m, and the deferred tax income thereof amounting to €1.4m.
   The amount of €472.3m gain attributable to owners of the parent comprises profit for the year of €487.5m plus actuarial losses of €17.0m, minus deferred tax income of €1.8m.
   The amount of €0.5m gain included in non-controlling interests for 2019 represents the share of non-controlling interests in profit for the year.

For further details, refer to: Note 24 'Financial risk management and financial instruments', Note 26 'Equity' and Note 28 'Share-based payments'.

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

Financial statements continued

Consolidated cash flow statement

For the year ended 31 December

	Note	2019 €million	2018 €million
Operating activities			
Profit after tax		**488.0**	448.1
Finance costs, net	9	**67.1**	41.3
Share of results of equity-method investments	15	**(13.0)**	(12.8)
Tax charged to the income statement	10	**173.2**	162.8
Depreciation of property, plant and equipment	14	**374.8**	305.1
Impairment of property, plant and equipment	14	**10.0**	13.6
Employee performance shares		**9.9**	10.1
Amortisation of intangible assets	13	**0.7**	0.5
		1,110.7	**968.7**
Gain on disposals of non-current assets	8	**(6.2)**	(10.2)
Decrease / (increase) in inventories		**14.2**	(62.4)
Increase in trade and other receivables		**(18.0)**	(23.3)
Increase in trade and other payables		**37.0**	40.2
Tax paid		**(211.5)**	(116.4)
Net cash inflow from operating activities		**926.2**	**796.6**
Investing activities			
Payments for purchases of property, plant and equipment		**(473.2)**	(437.2)
Payments for purchases of intangible assets	13	**–**	(1.5)
Proceeds from sales of property, plant and equipment		**35.1**	18.3
Payments for business combinations, net of cash acquired	23	**(138.2)**	–
Payment for acquisition of equity-method investment		**(42.5)**	–
Net receipts from equity investments		**8.9**	12.0
Net payments for investments in financial assets at amortised cost		**(113.4)**	(92.7)
Net payments for investments in financial assets at fair value through profit or loss		**(337.3)**	(35.0)
Proceeds from loans		**5.8**	0.2
Interest received		**5.9**	7.8
Net cash outflow from investing activities		**(1,048.9)**	**(528.1)**
Financing activities			
Proceeds from shares issued to employees exercising stock options	26	**21.4**	15.3
Purchase of shares from non-controlling interests		**(9.5)**	(0.2)
Purchase of own shares	26	**(192.8)**	(27.8)
Proceeds from sale of own shares		**–**	0.8
Dividends paid to owners of the parent	26	**(933.1)**	(198.8)
Dividends paid to non-controlling interests		**(0.6)**	(0.2)
Proceeds from borrowings		**1,840.0**	52.4
Repayments of borrowings		**(372.2)**	(69.6)
Principal repayments of lease obligations (2018: Principal repayments of finance lease obligations)		**(45.5)**	(7.7)
(Payments for) / proceeds from settlement of derivatives regarding financing activities		**(8.3)**	1.4
Interest paid		**(71.8)**	(40.4)
Net cash inflow / (outflow) from financing activities		**227.6**	**(274.8)**
Net increase / (decrease) in cash and cash equivalents		**104.9**	**(6.3)**
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		**712.3**	723.5
Net increase / (decrease) in cash and cash equivalents		**104.9**	(6.3)
Effect of changes in exchange rates		**5.8**	(4.9)
Cash and cash equivalents at 31 December	25	**823.0**	**712.3**

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

Notes to the Consolidated Financial Statements

1. Description of business

Coca-Cola HBC AG and its subsidiaries (the 'Group' or 'Coca-Cola HBC' or 'the Company') are principally engaged in the production, sales and distribution of primarily non-alcoholic ready-to-drink beverages, under franchise from The Coca-Cola Company. The Company distributes its products in Nigeria and 27 countries in Europe. Information on the Company's operations by segment is included in Note 6.

On 11 October 2012, Coca-Cola HBC, a Swiss stock corporation (Aktiengesellschaft / Société Anonyme) incorporated by Kar-Tess Holding (a related party of the Group, see Note 27), announced a voluntary share exchange offer to acquire all outstanding ordinary registered shares and all American depositary shares of Coca-Cola Hellenic Bottling Company S.A. As a result of the successful completion of this offer, on 25 April 2013 Coca-Cola HBC acquired 96.85% of the issued Coca-Cola Hellenic Bottling Company S.A. shares, including shares represented by American depositary shares, and became the new parent company of the Group. On 17 June 2013, Coca-Cola HBC completed its statutory buy-out of the remaining shares of Coca-Cola Hellenic Bottling Company S.A. that it did not acquire upon completion of its voluntary share exchange offer. Consequently, Coca-Cola HBC acquired 100% of Coca-Cola Hellenic Bottling Company S.A., which was eventually delisted from the Athens Exchange, from the London Stock Exchange where it had a secondary listing and from the New York Stock Exchange where American depositary shares were listed.

The shares of Coca-Cola HBC started trading in the premium segment of the London Stock Exchange (Ticker symbol: CCH) and on the Athens Exchange (Ticker symbol: EEE), and regular way trading in Coca-Cola HBC American depositary shares commenced on the New York Stock Exchange (Ticker symbol: CCH) on 29 April 2013. On 24 July 2014 the Group proceeded to the delisting of its American depositary shares from the New York Stock Exchange and terminated its reporting obligations under the US Securities Exchange Act of 1934. The deregistration of Coca-Cola HBC shares under the US Securities Exchange Act of 1934 and the termination of its reporting obligations became effective on 3 November 2014.

2. Basis of preparation and consolidation

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of money market funds, investments in equity instruments classified at fair value through other comprehensive income and derivative financial instruments.

These consolidated financial statements were approved for issue by the Board of Directors on 18 March 2020 and are expected to be verified at the Annual General Meeting to be held on 16 June 2020.

Comparative figures

Comparative figures have been adjusted and reclassified where necessary to conform with changes in presentation in the current year. More specifically, in the consolidated balance sheet, related party loan receivables of €3.5m have been reclassified from 'Trade, other receivables and assets' to 'Other financial assets'.

Basis of consolidation

Subsidiary undertakings are those companies over which the Group, directly or indirectly, has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. Subsidiary undertakings are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Inter-company transactions and balances between Group companies are eliminated. The subsidiaries' accounting policies are consistent with policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when such control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income, if any, are reclassified to profit or loss.

Notes to the consolidated financial statements continued

3. Foreign currency and translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the presentation currency for the consolidated financial statements.

The assets and liabilities of foreign subsidiaries are translated into Euro at the exchange rate ruling at the balance sheet date. The results of foreign subsidiaries are translated into Euro using the average monthly exchange rate (being a reasonable approximation of the rates prevailing on the transaction dates). The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are recognised as a component of the gain or loss on disposal.

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the balance sheet date. All gains and losses arising on remeasurement are included in the income statement, except for exchange differences arising on assets and liabilities classified as cash flow hedges which are deferred in equity until the occurrence of the hedged transaction, at which time they are recognised in the income statement. Share capital denominated in a currency other than the functional currency is initially stated at spot rate of the date of issue but is not retranslated.

The principal exchange rates used for translation purposes in respect of one Euro are:

	Average 2019	Average 2018	**Closing 2019**	Closing 2018
US dollar	**1.12**	1.18	**1.12**	1.14
UK sterling	**0.88**	0.88	**0.85**	0.90
Polish zloty	**4.30**	4.26	**4.26**	4.29
Nigerian naira	**405.07**	427.39	**406.66**	416.55
Hungarian forint	**325.10**	318.51	**330.46**	321.07
Swiss franc	**1.11**	1.16	**1.09**	1.13
Russian rouble	**72.54**	73.94	**69.43**	79.46
Romanian leu	**4.74**	4.65	**4.79**	4.66
Ukrainian hryvnia	**29.03**	32.14	**25.81**	31.11
Czech koruna	**25.67**	25.65	**25.46**	25.83
Serbian dinar	**117.87**	118.28	**117.55**	118.21

4. Accounting pronouncements

a) Accounting standards and pronouncements adopted in 2019

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

- IFRS 16 'Leases'.

The Group adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of the new leasing standard are therefore recognised in the opening balance sheet on 1 January 2019. Refer to Note 16 for more details on the impact of the transition to IFRS 16.

The Group has adopted the following other amendments and interpretations which were issued by the IASB that are effective for accounting periods beginning on 1 January 2019:

- Prepayment Features with Negative Compensation – Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28;
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle;
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19; and
- Interpretation 23 – Uncertainty over Income Tax Treatments.

The above other amendments and interpretations that came into effect on 1 January 2019 did not have a material impact on the consolidated financial statements of the Group.

b) Accounting pronouncements not yet adopted

At the date of approval of these consolidated financial statements, the following amendments relevant to the Group's operations were issued but not yet effective and not early-adopted:

- References to the Conceptual Framework in IFRS Standards – Conceptual Framework;
- Definition of a Business – Amendment to IFRS 3;
- Definition of Material – Amendments to IAS 1 and IAS 8;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Classification of Liabilities as Current or Non-current – Amendment to IAS 1.

The Group is still assessing the impact that the above amendments will have on the consolidated financial statements of the Group.

5. Critical accounting estimates and judgements

In conformity with IFRS, the preparation of the consolidated financial statements for Coca-Cola HBC requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Although these estimates and judgements are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

Estimates

The key items concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

- Income taxes (refer to Note 10);
- Impairment of goodwill and indefinite-lived intangible assets (refer to Note 13); and
- Employee benefits – defined benefit pension plans (refer to Note 21).

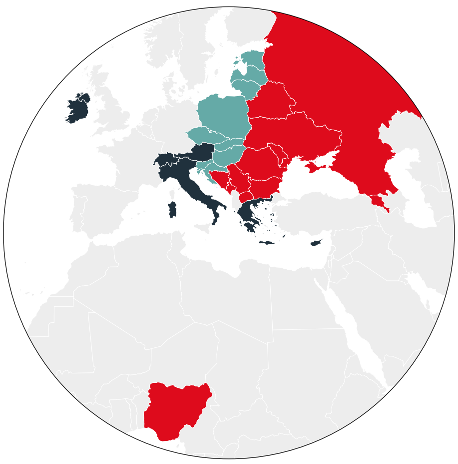
Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations as described above, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Joint arrangements (refer to Note 15).

6. Segmental analysis

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



Established markets:	Austria, Cyprus, Greece, Italy, Northern Ireland, the Republic of Ireland and Switzerland.
Developing markets:	Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.
Emerging markets:	Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Moldova, Montenegro, Nigeria, North Macedonia, Romania, the Russian Federation, Serbia (including the Republic of Kosovo) and Ukraine.

The Group's operations in each of the three reportable segments have been aggregated on the basis of their similar economic characteristics, assessed by reference to their net sales revenue per unit case as well as disposable income per capita, exposure to political and economic volatility, regulatory environments, customers and distribution infrastructures. The accounting policies of the reportable segments are the same as those adopted by the Group. The Group's chief operating decision maker is its Operating Committee, which evaluates performance and allocates resources based on volume, net sales revenue and operating profit.

Notes to the consolidated financial statements continued

6. Segmental analysis continued

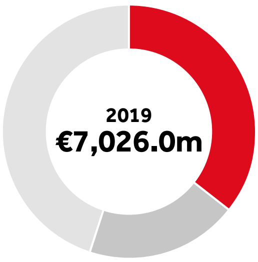
a) Volume and net sales revenue

The Group sales volume in million unit cases[1] for the years ended 31 December was as follows:

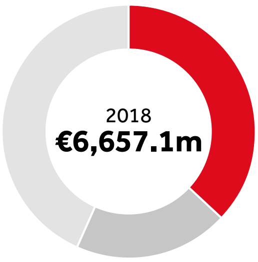
	2019	2018
Established	624.5	619.5
Developing	431.1	429.0
Emerging	1,208.9	1,143.8
Total volume	**2,264.5**	**2,192.3**

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

Net sales revenue per reportable segment for the years ended 31 December is presented in the graphs below:



- Established: **€2,517.6m**
- Developing: **€1,352.1m**
- Emerging: **€3,156.3m**



- Established: €2,470.1m
- Developing: €1,306.9m
- Emerging: €2,880.1m

Sales or transfers between the Group's segments are not material, nor are there any customers who represent more than 10% of net sales revenue for the Group.

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

Volume in million unit cases[1]:	2019	2018
NARTD[2]	2,261.8	2,189.7
Premium spirits[1]	2.7	2.6
Total volume	**2,264.5**	**2,192.3**
Net sales revenue in € million:		
NARTD	6,845.7	6,471.8
Premium spirits	180.3	185.3
Total net sales revenue	**7,026.0**	**6,657.1**

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

Net sales revenue from external customers attributed to Switzerland (the Group's country of domicile), Russia, Italy and Nigeria was as follows for the years ended 31 December:

	2019 € million	2018 € million
Switzerland	399.6	402.3
Russia	1,059.5	988.7
Italy	897.6	868.3
Nigeria	512.9	484.5
All countries other than Switzerland, Russia, Italy and Nigeria	4,156.4	3,913.3
Total net sales revenue from external customers	**7,026.0**	**6,657.1**

b) Other income statement items

Year ended 31 December	Note	2019 € million	2018 € million
Operating profit:			
Established		**236.0**	232.0
Developing		**139.0**	130.7
Emerging		**340.3**	276.7
Total operating profit		**715.3**	**639.4**
Finance costs:			
Established		**(25.7)**	(25.8)
Developing		**(6.0)**	(5.1)
Emerging		**(15.6)**	(7.5)
Corporate[3]		**(149.2)**	(110.3)
Inter-segment finance costs		**123.1**	101.3
Total finance costs	9	**(73.4)**	**(47.4)**
Finance income:			
Established		**1.0**	0.9
Developing		**1.6**	1.7
Emerging		**23.4**	22.3
Corporate[3]		**103.4**	82.5
Inter-segment finance income		**(123.1)**	(101.3)
Total finance income	9	**6.3**	**6.1**
Income tax expense:			
Established		**(61.4)**	(52.5)
Developing		**(27.0)**	(28.2)
Emerging		**(66.2)**	(66.0)
Corporate[3]		**(18.6)**	(16.1)
Total income tax expense	10	**(173.2)**	**(162.8)**
Reconciling items:			
Share of results of equity-method investments	15	**13.0**	12.8
Profit after tax		**488.0**	**448.1**

3. Corporate refers to holding, finance and other non-operating subsidiaries of the Group.

Depreciation and impairment of property, plant and equipment and amortisation of intangible assets included in the measure of operating profit are as follows:

	Note	2019 € million	2018 € million
Depreciation and impairment of property, plant and equipment:			
Established		**(103.3)**	(89.6)
Developing		**(65.0)**	(52.9)
Emerging		**(216.5)**	(176.2)
Total depreciation and impairment of property, plant and equipment	14	**(384.8)**	**(318.7)**
Amortisation of intangible assets:			
Developing		**(0.1)**	(0.1)
Emerging		**(0.6)**	(0.4)
Total amortisation of intangible assets	13	**(0.7)**	**(0.5)**

Notes to the consolidated financial statements continued

6. Segmental analysis continued

c) Other items

The balance of non-current assets[4] attributed to Switzerland (the Group's country of domicile), Russia, Italy and Nigeria was as follows for the years ended 31 December:

	2019 € million	2018 € million
Switzerland	**546.7**	509.0
Russia	**551.3**	467.4
Italy	**1,087.7**	1,000.7
Nigeria	**564.5**	489.8
All countries other than Switzerland, Russia, Italy and Nigeria	**2,297.2**	1,880.1
Total non-current assets[4]	**5,047.4**	**4,347.0**

4. Excluding other financial assets, deferred tax assets, pension plan assets, trade and loans receivable.

Expenditure of property, plant and equipment per reportable segment was as follows for the years ended 31 December:

	2019 € million	2018 € million
Established	**102.0**	95.7
Developing	**84.5**	72.1
Emerging	**286.7**	269.4
Total expenditure of property, plant and equipment	**473.2**	**437.2**

The Group continues to monitor the situation in Nigeria in order to ensure that timely actions and initiatives are undertaken to minimise potential adverse impact on its performance, particularly in relation to potential currency volatility.

7. Net sales revenue

Accounting policy

The Group principally produces, sells and distributes ready-to-drink, primarily non-alcoholic, beverages. Under IFRS 15 'Revenue from contracts with customers' the Group recognises revenue when control of the products is transferred, being when the products are delivered to the customer.

Net sales revenue is measured at the fair value of the consideration received or receivable and is stated net of sales discounts and consideration paid to customers. These mainly take the form of promotional incentives and are amortised over the terms of the related contracts as a deduction in revenue.

The Group provides volume rebates to customers once the quantity of goods purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates the Group uses the most likely amount method.

Net sales revenue includes excise and other duties where the Group acts as a principal, but excludes amounts collected by third parties such as value-added taxes as these are not included in the transaction price. The Group assesses these taxes and duties on a jurisdiction-by-jurisdiction basis to conclude on the appropriate accounting treatment.

Coca-Cola HBC receives contributions from The Coca-Cola Company in order to promote sales of its brands. Contributions for price support, marketing and promotional campaigns in respect of specific customers are recognised as an offset to promotional incentives provided to those customers to which the contributions contractually relate. These contributions are accrued and matched to the expenditure to which they relate (refer to Note 27).

Refer to Note 6 for an analysis of net sales revenue per reportable segment.

8. Operating expenses

Operating expenses for the year ended 31 December comprised:

	2019 € million	2018 € million
Selling expenses	**938.6**	927.3
Delivery expenses	**539.2**	522.1
Administrative expenses	**411.5**	393.7
Restructuring expenses	**37.8**	32.8
Acquisition costs (refer to Note 23)	**3.2**	–
Operating expenses	**1,930.3**	**1,875.9**

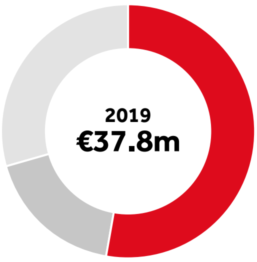
In 2019, operating expenses included net gain on disposals of non-current assets of €6.2m (2018: €10.2m net gain).

a) Restructuring expenses

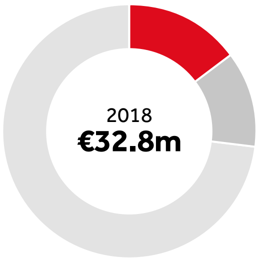
Accounting policy

Restructuring expenses are recorded in a separate line item within operating expenses and comprise costs arising from significant changes in the way the Group conducts its business such as significant supply chain infrastructure changes, outsourcing of activities and centralisation of processes. Redundancy provisions are recognised only when the Group has a present constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, as well as an appropriate timeline, and the employees affected have been notified of the plan's main features.

As part of the effort to optimise its cost base and sustain competitiveness in the marketplace, the Company undertakes restructuring initiatives. The restructuring concerns mainly employees' costs and impairment of property, plant and equipment (refer to Note 14). Restructuring expenses per reportable segment for the years ended 31 December are presented below:



- Established: **€20.0m**
- Developing: **€6.7m**
- Emerging: **€11.1m**



- Established: €4.9m
- Developing: €4.0m
- Emerging: €23.9m

b) Employee costs

Employee costs for the years ended 31 December comprised:

	2019 € million	2018 € million
Wages and salaries	**732.4**	705.5
Social security costs	**145.0**	139.0
Pension and other employee benefits	**117.7**	126.3
Termination benefits	**42.2**	22.4
Total employee costs	**1,037.3**	**993.2**

The average number of full-time equivalent employees in 2019 was 28,389 (2018: 28,884).

Employee costs for 2019 included in operating expenses and cost of goods sold amounted to €785.1m and €252.2m respectively (2018: €766.2m and €227.0m respectively).

c) Directors' and senior management remuneration

The total remuneration paid to or accrued for Directors and the senior management team for the years ended 31 December comprised:

	2019 € million	2018 € million
Salaries and other short-term benefits	**14.9**	11.7
Performance share awards	**5.5**	6.3
Pension and post-employment benefits	**0.9**	0.8
Total remuneration	**21.3**	**18.8**

d) Fees and other services of the auditor

Audit and other fees charged in the income statement concerning the auditor of the consolidated financial statements, PricewaterhouseCoopers S.A. and affiliates, were as follows, for the years ended 31 December:

	2019 € million	2018 € million
Audit fees	**4.9**	4.3
Audit-related fees	**0.4**	0.4
Other fees	**–**	0.1
Total audit and all other fees	**5.3**	**4.8**

Notes to the consolidated financial statements continued

9. Finance costs, net

Accounting policy

Interest income and interest expense are recognised using the effective interest rate method, and are recorded in the income statement within 'Finance income' and 'Finance costs' respectively. Interest expense includes finance charges with respect to leases. Interest expense also includes amortisation of the loss on the forward starting swaps and the net impact from swaptions recorded in other comprehensive income (refer to Note 24).

Finance costs, net for the years ended 31 December comprised:

	2019 € million	2018 € million
Interest income	**6.3**	**6.1**
Interest expense	**(71.3)**	(46.5)
Other finance costs	**(2.6)**	(1.3)
Net foreign exchange remeasurement gain	**0.5**	0.4
Finance costs	**(73.4)**	**(47.4)**
Finance costs, net	**(67.1)**	**(41.3)**

Other finance costs include commitment fees on loan facilities (for the part not yet drawn down) and other similar fees.

For the interest expense incurred with respect to leases refer to Note 16.

10. Taxation

Accounting policy

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Tax rates enacted or substantively enacted at the balance sheet date are those that are expected to apply when the deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the reduction of the future taxes is probable.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Critical accounting estimates

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination cannot be assessed with certainty in the ordinary course of business. The Group recognises a provision for potential cases that might arise in the foreseeable future based on assessment of the probabilities as to whether additional taxes will be due. Where the final tax outcome on these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made. The income tax provision amounted to €95.1m as at 31 December 2019 (2018: €98.5m) and is included in the line 'Current tax liabilities' of the consolidated balance sheet.

The income tax charge for the years ended 31 December was as follows:

	2019 € million	2018 € million
Current tax expense	185.6	149.0
Deferred tax expense	(12.4)	13.8
Income tax expense	**173.2**	**162.8**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2019 € million	2018 € million
Profit before tax	661.2	610.9
Tax calculated at domestic tax rates applicable to profits in the respective countries	139.9	122.8
Additional local taxes in foreign jurisdictions	9.0	9.0
Tax holidays in foreign jurisdictions	(3.6)	9.0
Expenses non-deductible for tax purposes	23.8	16.7
Income not subject to tax	(5.1)	(8.9)
Changes in tax laws and rates	0.9	1.4
Movement of accumulated tax losses	3.5	(1.5)
Movement of deferred tax asset not recognised	0.4	(0.5)
Other	4.4	14.8
Income tax expense	**173.2**	**162.8**

Non-deductible expenses for tax purposes include marketing and advertising expenses, service fees, bad debt provisions, entertainment expenses, certain employee benefits and other items that, partially or in full, are not deductible for tax purposes in certain of our jurisdictions.

Deferred tax assets and liabilities presented in the consolidated balance sheet as at 31 December can be further analysed as follows:

Deferred tax assets:	2019 € million	2018 € million
To be recovered after 12 months	47.6	29.4
To be recovered within 12 months	85.2	78.0
Gross deferred tax assets	**132.8**	**107.4**
Offset of deferred tax	(68.3)	(60.0)
Net deferred tax assets	**64.5**	**47.4**
Deferred tax liabilities:		
To be recovered after 12 months	(204.1)	(162.2)
To be recovered within 12 months	(23.7)	(29.1)
Gross deferred tax liabilities	**(227.8)**	**(191.3)**
Offset of deferred tax	68.3	60.0
Net deferred tax liabilities	**(159.5)**	**(131.3)**

A reconciliation of net deferred tax is presented below:

	2019 € million	2018 € million
As at 1 January	(83.9)	(74.9)
Taken to the income statement	12.4	(13.8)
Arising on acquisitions (refer to Note 23)	(17.5)	–
Taken to other comprehensive income	3.2	(2.3)
Taken directly to equity	(3.2)	1.3
Foreign currency translation	(6.0)	5.8
As at 31 December	**(95.0)**	**(83.9)**

Notes to the consolidated financial statements continued

10. Taxation continued

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction where applicable, are as follows:

Deferred tax assets	Provisions € million	Pensions and benefit plans € million	Tax losses carry-forward € million	Book in excess of tax depreciation € million	Leasing € million	Other deferred tax assets € million	Total € million
As at 1 January 2018	49.8	18.7	10.4	20.2	7.7	7.5	**114.3**
Taken to the income statement	(7.0)	2.0	(6.8)	(2.2)	(0.7)	10.2	**(4.5)**
Taken to other comprehensive income	–	(4.0)	–	–	–	1.1	**(2.9)**
Taken directly to equity	–	–	–	–	–	1.3	**1.3**
Transfers between assets / liabilities	–	–	–	0.9	–	–	**0.9**
Foreign currency translation	(1.4)	0.1	(0.4)	0.3	–	(0.3)	**(1.7)**
As at 31 December 2018	**41.4**	**16.8**	**3.2**	**19.2**	**7.0**	**19.8**	**107.4**
Adjustment on adoption of IFRS 16*	–	–	–	(9.8)	25.4	(0.2)	**15.4**
As at 1 January 2019	41.4	16.8	3.2	9.4	32.4	19.6	**122.8**
Arising on acquisitions (refer to Note 23)	0.4	0.1	–	–	–	0.1	**0.6**
Taken to the income statement	(3.3)	(2.8)	(1.9)	4.0	(3.5)	11.8	**4.3**
Taken to other comprehensive income	–	1.7	–	–	–	1.2	**2.9**
Taken directly to equity	–	–	–	–	–	(3.2)	**(3.2)**
Transfers between assets / liabilities	0.3	1.8	–	1.3	–	(1.2)	**2.2**
Foreign currency translation	2.4	0.1	0.1	0.2	0.1	0.3	**3.2**
As at 31 December 2019	**41.2**	**17.7**	**1.4**	**14.9**	**29.0**	**28.6**	**132.8**

Deferred tax liabilities	Tax in excess of book depreciation € million	Derivative instruments € million	Other deferred tax liabilities € million	Total € million
As at 1 January 2018	(176.0)	(2.0)	(11.2)	**(189.2)**
Taken to the income statement	(5.0)	0.1	(4.4)	**(9.3)**
Taken to other comprehensive income	–	(0.1)	0.7	**0.6**
Transfers between assets / liabilities	(0.9)	–	–	**(0.9)**
Foreign currency translation	8.3	–	(0.8)	**7.5**
As at 31 December 2018	**(173.6)**	**(2.0)**	**(15.7)**	**(191.3)**
Adjustment on adoption of IFRS 16*	(15.4)	–	–	**(15.4)**
As at 1 January 2019	(189.0)	(2.0)	(15.7)	**(206.7)**
Arising on acquisitions (refer to Note 23)	(18.2)	–	0.1	**(18.1)**
Taken to the income statement	10.4	0.1	(2.4)	**8.1**
Taken to other comprehensive income	–	0.3	–	**0.3**
Transfers between assets / liabilities	(0.6)	–	(1.6)	**(2.2)**
Foreign currency translation	(8.9)	–	(0.3)	**(9.2)**
As at 31 December 2019	**(206.3)**	**(1.6)**	**(19.9)**	**(227.8)**

* In 2018 the Group was accounting for its leasing activities under IAS 17 'Leases'. From 2019 right-of-use assets and lease liabilities are recognised in the consolidated balance sheet under IFRS 16 'Leases'. Refer to Note 16 for details about the change in accounting policy.

Deferred tax assets recognised for tax losses carry-forward in accordance with the relevant local rules applying in the Group's jurisdictions can be analysed as follows:

	2019 € million	2018 € million
Attributable to tax losses that expire within five years	**1.0**	1.6
Attributable to tax losses that can be carried forward indefinitely	**0.4**	1.6
Recognised deferred tax assets attributable to tax losses	**1.4**	**3.2**

The Group has unrecognised deferred tax assets attributable to tax losses that are available to carry forward against future taxable income of €24.3m (2018: €13.4m). These are analysed as follows:

	2019 € million	2018 € million
Attributable to tax losses that expire within five years	**16.1**	12.1
Attributable to tax losses that expire after five years	**8.2**	1.3
Unrecognised deferred tax assets attributable to tax losses	**24.3**	**13.4**

The aggregate amount of distributable reserves arising from the realised earnings of the Group's operations was €2,389.4m in 2019 (2018: €2,271.5m). No deferred tax liabilities have been recognised on such reserves given that their distribution is controlled by the Group or, in the event of plans to remit overseas earnings of subsidiaries, such distribution would not give rise to a tax liability.

11. Earnings per share

Accounting policy

Basic earnings per share is calculated by dividing the net profit attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. Diluted earnings per share incorporates stock options for which the average share price for the year is in excess of the exercise price of the stock option and which create a dilutive effect.

The calculation of the basic and diluted earnings per share attributable to the owners of the parent entity is based on the following data:

	2019	2018
Net profit attributable to the owners of the parent (€ million)	**487.5**	447.4
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**363.7**	367.9
Effect of dilutive stock options (million)	**2.2**	2.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**365.9**	370.1
Basic earnings per share (€)	**1.34**	**1.22**
Diluted earnings per share (€)	**1.33**	**1.21**

12. Components of other comprehensive income

The components of other comprehensive income for the years ended 31 December comprise:

	2019			2018		
	Before-tax € million	**Tax expense € million**	**Net-of-tax € million**	Before-tax € million	Tax expense € million	Net-of-tax € million
Cost of hedging (refer to Note 24)	**(11.1)**	**–**	**(11.1)**	(5.3)	–	(5.3)
Cash flow hedges (refer to Note 24)	**2.5**	**1.4**	**3.9**	6.3	1.0	7.3
Foreign currency translation	**123.4**	**–**	**123.4**	(63.1)	–	(63.1)
Equity investments at fair value through other comprehensive income	**0.2**	**–**	**0.2**	(0.3)	0.1	(0.2)
Actuarial (losses) / gains	**(17.0)**	**1.8**	**(15.2)**	20.8	(3.4)	17.4
Share of other comprehensive income of equity-method investments	**0.7**	**–**	**0.7**	0.6	–	0.6
Other comprehensive income / (loss)	**98.7**	**3.2**	**101.9**	**(41.0)**	**(2.3)**	**(43.3)**

The foreign currency translation gain for 2019 primarily relates to the Russian rouble but also the Swiss franc and Ukrainian hryvnia, while the majority of the loss from the foreign currency translation for 2018 related to the Russian rouble.

13. Intangible assets

Accounting policy

Intangible assets consist of goodwill, franchise agreements, trademarks and water rights. Goodwill and other indefinite-lived intangible assets are carried at cost less accumulated impairment losses, while intangible assets with finite lives are amortised over their useful economic lives. The useful lives, both finite and indefinite, assigned to intangible assets are evaluated on an annual basis.

Intangible assets with indefinite lives ('not subject to amortisation')

Intangible assets not subject to amortisation consist of goodwill, franchise agreements and trademarks.

Goodwill is the excess of the consideration transferred over the fair value of the share of net assets acquired. Goodwill and fair value adjustments arising on the acquisition of subsidiaries are treated as the assets and liabilities of those subsidiaries. These balances are denominated in the functional currency of the subsidiary and are translated to Euro on a basis consistent with the other assets and liabilities of the subsidiary.

The useful life of franchise agreements is usually based on the term of the respective franchise agreements. The Coca-Cola Company does not grant perpetual franchise rights outside the United States. However, given the Group's strategic relationship with The Coca-Cola Company and consistent with past experience, the Group believes that franchise agreements will continue to be renewed at each expiration date with no significant costs. The Group has concluded that the franchise agreements are perpetual in nature and they have therefore been assigned indefinite useful lives.

Notes to the consolidated financial statements continued

13. Intangible assets continued

Accounting policy continued

Intangible assets with indefinite lives ('not subject to amortisation') continued

The Group's trademarks are assigned an indefinite useful life when they have an established sales history in the applicable region. It is the intention of the Group to receive a benefit from them indefinitely and there is no indication that this will not be the case.

Goodwill and other indefinite-lived intangible assets are tested for impairment annually and whenever there is an indication of impairment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the business combination in which the goodwill arose. Other indefinite-lived intangible assets are also allocated to the Group's cash-generating units expected to benefit from those intangibles. The cash-generating units ('unit') to which goodwill and other indefinite-lived intangible assets have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount (i.e. the higher of the value in use and fair value less costs to sell) of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit on the basis of the carrying amount of each asset in the unit. Impairment losses recognised against goodwill are not reversed in subsequent periods.

Intangible assets with finite lives

Intangible assets with finite lives mainly consist of water rights and certain brands, are amortised over their useful economic lives and are carried at cost less accumulated amortisation and impairment losses. Intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

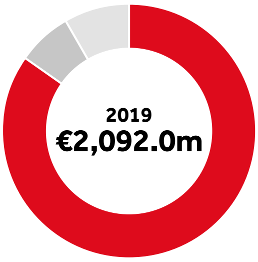
Critical accounting estimates

Determining whether goodwill or indefinite-lived intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated in order to determine the recoverable amount of the cash-generating units. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

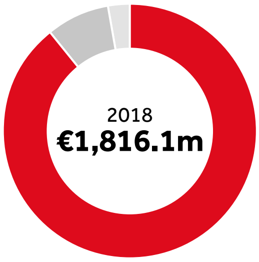
The movements in intangible assets by classes of assets during the year are as follows:

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	**Total € million**
Cost					
As at 1 January 2018	1,803.6	145.9	64.7	26.3	**2,040.5**
Additions	–	–	1.5	–	**1.5**
Foreign currency translation	1.1	0.3	(6.5)	–	**(5.1)**
As at 31 December 2018	**1,804.7**	**146.2**	**59.7**	**26.3**	**2,036.9**
Amortisation					
As at 1 January 2018	182.4	–	8.9	19.3	**210.6**
Charge for the year	–	–	0.1	0.4	**0.5**
As at 31 December 2018	**182.4**	**–**	**9.0**	**19.7**	**211.1**
Net book value as at 1 January 2018	1,621.2	145.9	55.8	7.0	**1,829.9**
Net book value as at 31 December 2018	**1,622.3**	**146.2**	**50.7**	**6.6**	**1,825.8**
Cost					
As at 1 January 2019	1,804.7	146.2	59.7	26.3	**2,036.9**
Intangible assets arising on current-year acquisitions (refer to Note 23)	115.0	–	121.1	1.3	**237.4**
Foreign currency translation	36.4	0.2	6.3	–	**42.9**
As at 31 December 2019	**1,956.1**	**146.4**	**187.1**	**27.6**	**2,317.2**
Amortisation					
As at 1 January 2019	182.4	–	9.0	19.7	**211.1**
Charge for the year	–	–	0.3	0.4	**0.7**
As at 31 December 2019	**182.4**	**–**	**9.3**	**20.1**	**211.8**
Net book value as at 1 January 2019	1,622.3	146.2	50.7	6.6	**1,825.8**
Net book value as at 31 December 2019	**1,773.7**	**146.4**	**177.8**	**7.5**	**2,105.4**

Intangible assets not subject to amortisation amounted to €2,092.0m (2018: €1,816.1m), and are presented in the charts below:



- Goodwill: **€1,773.7m**
- Franchise agreements: **€146.4m**
- Trademarks: **€171.9m**



- Goodwill: €1,622.3m
- Franchise agreements: €146.2m
- Trademarks: €47.6m

The carrying value of intangible assets subject to amortisation amounted to €13.4m (2018: €9.7m) and comprised water rights of €7.5m and trademarks of €5.9m (2018: €6.6m water rights and €3.1m trademarks).

Impairment tests for goodwill and other indefinite-lived intangible assets

The recoverable amount of each cash-generating unit was determined through a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Board of Directors covering a one-year period and cash projections for four additional years. Cash flows for years two to five were projected by management based on operation- and market-specific high-level assumptions including growth rates, discount rates and forecast selling prices and direct costs. Management determined gross margins based on past performance, expectations for the development of the market and expectations about raw material costs. The growth rates used in perpetuity reflect the forecasts in line with management beliefs. These forecasts exceeded, in certain cases, those expected for the industry in general, due to the strength of our brand portfolio. Management estimates discount rates using rates that reflect current market assessments of the time value of money and risks specific to the countries of operation. The Group applies post-tax discount rates to post-tax cash flows as the valuation calculated using this method closely approximates to applying pre-tax discount rates to pre-tax cash flows.

No impairment of goodwill and other indefinite-lived assets was indicated from the impairment tests of 2019 and 2018.

The following table sets forth the carrying value of goodwill and other indefinite-lived intangible assets for those cash-generating units whose carrying value is greater than 10% of the total, as at 31 December 2019.

	Goodwill € million	Franchise Agreements € million	Trademarks € million	**Total € million**
Italy	625.2	126.9	–	**752.1**
Switzerland	423.0	–	–	**423.0**
The Republic of Ireland and Northern Ireland	249.6	–	–	**249.6**
Koncern Bambi a.d. Požarevac	115.0	–	118.3	**233.3**
All other cash-generating units	360.9	19.5	53.6	**434.0**
Total	**1,773.7**	**146.4**	**171.9**	**2,092.0**

Notes to the consolidated financial statements continued

13. Intangible assets continued

For the above cash-generating units, cash flows beyond the five-year period (the period in perpetuity) have been extrapolated using the following estimated growth and discount rates:

Intangible assets not subject to amortisation as at 31 December 2019 (%)

	Growth rate in perpetuity (%)		Discount rate (%)	
	2019	2018	**2019**	2018
Italy	**2.5**	2.5	**6.9**	7.0
Switzerland	**1.5**	1.2	**5.2**	6.0
The Republic of Ireland and Northern Ireland	**3.0**	2.9	**5.3**	6.0
Koncern Bambi a.d. Požarevac	**4.5**	–	**7.7**	–

Sensitivity analysis

In the cash-generating unit of Nigeria, which held €21.2m of goodwill and franchise agreements as at 31 December 2019, possible changes in certain key assumptions of the 2019 impairment test would remove the remaining headroom. As at 31 December 2019, the recoverable amount of the Nigerian cash-generating unit calculated based on value in use exceeded carrying value by €314.3m; changes per assumption that would eliminate remaining headroom are summarised in the table below:

	Average gross profit margin	Growth rate in perpetuity	Discount rate
Nigeria	↓ 410bps	↓ 310bps	↑ 260bps

14. 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 and the costs can be measured reliably. All other subsequent expenditure is expensed in the period in which it is incurred.

Assets under construction are recorded as part of property, plant and equipment and depreciation on these assets commences when the assets are made available for use.

Depreciation is calculated on a straight-line basis to allocate the depreciable amount over the estimated useful life of the assets as follows:

Freehold buildings and improvements	40 years
Leasehold buildings and improvements	Over the lease term, up to 40 years
Production equipment	4 to 20 years
Vehicles	5 to 8 years
Computer hardware and software	3 to 10 years
Marketing equipment	3 to 10 years
Fixtures and fittings	8 years
Returnable containers	3 to 12 years

Freehold land is not depreciated as it is considered to have an indefinite life.

Deposits received for returnable containers by customers are accounted for as deposit liabilities (refer to Note 20).

Residual values and useful lives of assets are reviewed and adjusted if appropriate at each balance sheet date.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level of separately identifiable cash flows.

For accounting policy regarding right-of-use assets refer to Note 16 'Leases'.

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

	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	**Total € million**
Cost					
As at 1 January 2018	1,384.0	3,525.1	376.0	92.7	**5,377.8**
Additions	10.4	177.9	34.8	235.1	**458.2**
Disposals	(7.3)	(192.8)	(15.7)	(3.5)	**(219.3)**
Reclassified from assets held for sale (refer to Note 19)	–	0.7	–	–	**0.7**
Reclassified to assets held for sale (refer to Note 19)	(9.7)	(3.6)	–	–	**(13.3)**
Reclassifications	48.2	174.9	1.3	(224.4)	**–**
Foreign currency translation	(28.2)	(84.1)	3.9	0.1	**(108.3)**
As at 31 December 2018	**1,397.4**	**3,598.1**	**400.3**	**100.0**	**5,495.8**
Depreciation and impairment					
As at 1 January 2018	431.4	2,408.4	214.9	1.1	**3,055.8**
Charge for the year	37.4	242.3	25.4	–	**305.1**
Impairment	5.1	6.8	1.7	–	**13.6**
Disposals	(3.7)	(187.1)	(10.3)	–	**(201.1)**
Reclassified from assets held for sale (refer to Note 19)	–	0.5	–	–	**0.5**
Reclassified to assets held for sale (refer to Note 19)	(6.8)	(2.2)	–	–	**(9.0)**
Foreign currency translation	(8.8)	(53.4)	1.5	–	**(60.7)**
As at 31 December 2018	**454.6**	**2,415.3**	**233.2**	**1.1**	**3,104.2**
Net book value as at 31 December 2018	**942.8**	**1,182.8**	**167.1**	**98.9**	**2,391.6**
Cost					
As at 31 December 2018	1,397.4	3,598.1	400.3	100.0	**5,495.8**
Adjustment on adoption of IFRS 16 (refer to Note 16)	(20.7)	(89.2)	–	–	**(109.9)**
As at 1 January 2019	1,376.7	3,508.9	400.3	100.0	**5,385.9**
Additions	8.7	168.7	39.9	246.3	**463.6**
Arising from business combinations (refer to Note 23)	12.5	11.7	–	0.2	**24.4**
Disposals	(5.2)	(162.2)	(19.3)	–	**(186.7)**
Reclassified from assets held for sale (refer to Note 19)	–	0.1	–	–	**0.1**
Reclassified to assets held for sale (refer to Note 19)	(15.0)	(9.6)	–	–	**(24.6)**
Reclassifications	70.5	154.7	0.2	(225.4)	**–**
Foreign currency translation	42.2	135.6	4.0	2.4	**184.2**
As at 31 December 2019	**1,490.4**	**3,807.9**	**425.1**	**123.5**	**5,846.9**
Depreciation and impairment					
As at 31 December 2018	454.6	2,415.3	233.2	1.1	**3,104.2**
Adjustment on adoption of IFRS 16 (refer to Note 16)	(4.4)	(35.0)	–	–	**(39.4)**
As at 1 January 2019	450.2	2,380.3	233.2	1.1	**3,064.8**
Charge for the year	41.6	254.0	26.7	–	**322.3**
Impairment	0.9	8.9	0.3	(0.1)	**10.0**
Disposals	(2.6)	(153.4)	(14.7)	–	**(170.7)**
Reclassified to assets held for sale (refer to Note 19)	(6.9)	(4.8)	–	–	**(11.7)**
Foreign currency translation	13.7	79.0	1.5	–	**94.2**
As at 31 December 2019	**496.9**	**2,564.0**	**247.0**	**1.0**	**3,308.9**
Net book value as at 31 December 2019 excluding right-of-use assets	**993.5**	**1,243.9**	**178.1**	**122.5**	**2,538.0**
Net book value of right-of-use assets as at 31 December 2019	**84.0**	**120.2**	**–**	**–**	**204.2**
Net book value as at 31 December 2019	**1,077.5**	**1,364.1**	**178.1**	**122.5**	**2,742.2**

Assets under construction at 31 December 2019 include advances for equipment purchases of €22.7m (2018: €13.3m). Depreciation charge for the year included in operating expenses amounted to €193.2m (2018: €142.3m). Depreciation charge for the year included in cost of goods sold amounted to €181.6m (2018: €162.8m).

Notes to the consolidated financial statements continued

14. Property, plant and equipment continued

Impairment of property, plant and equipment

In 2018 the Group recorded impairment losses of €2.9m, €1.5m and €12.3m and reversals of impairment of €1.2m, €0.1m and €1.8m relating to property, plant and equipment in the Established, Developing and Emerging segments respectively. These amounts include impairment related to restructuring initiatives (refer to Note 8). The impaired assets, being mainly buildings and production equipment, were written down based mainly on value-in-use calculations.

In 2019 the Group recorded impairment losses of €2.5m, €1.5m and €8.2m and reversals of impairment of €0.4m, €0.2m and €1.6m relating to property, plant and equipment in the Established, Developing and Emerging segments respectively. These amounts include impairment related to restructuring initiatives (refer to Note 8). The impaired assets, being mainly buildings and production equipment, were written down based mainly on value-in-use calculations.

Leased assets

Accounting policy 2018

Leases of property, plant and equipment, where the Group had substantially all the risks and rewards of ownership, were classified as finance leases. Finance leases were capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment was allocated between liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, were included in current and non-current borrowings. The interest element of the finance cost was charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period (refer to Note 25). Property, plant and equipment acquired under finance lease was depreciated over the shorter of the useful life of the asset and the lease term. The useful life for lease assets corresponded with the Group policy for the depreciable life of property, plant and equipment.

From 1 January 2019 leased assets are accounted for in accordance with IFRS 16 'Leases' (refer to Note 16 'Leases' for details).

As at 31 December 2018 included in property, plant and equipment were assets held under finance leases in accordance with IAS 17 'Leases', where the Group was the lessee, as follows:

	2018 € million
Cost	109.9
Accumulated depreciation	(39.4)
Net book value as at 31 December 2018	**70.5**

Net book value of assets held under finance leases by classes of assets was as follows:	
Plant and equipment	54.2
Land and buildings	16.3
Net book value	**70.5**

15. Interests in other entities

List of principal subsidiaries

The following are the principal subsidiaries of the Group as at 31 December:

		% of voting rights		% ownership	
	Country of registration	**2019**	2018	**2019**	2018
AS Coca-Cola HBC Eesti	Estonia	**100.0%**	100.0%	**100.0%**	100.0%
CCB Management Services GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Armenia CJSC[1]	Armenia	**100.0%**	90.0%	**100.0%**	90.0%
CCHBC Bulgaria AD	Bulgaria	**99.4%**	99.4%	**99.4%**	99.4%
Coca-Cola Imbuteliere Chisinau SRL	Moldova	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Insurance (Guernsey) Limited	Guernsey	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC IT Services Limited	Bulgaria	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Reinsurance Designated Activity Company[2]	Republic of Ireland	**100.0%**	–	**100.0%**	–
Coca-Cola Beverages Austria GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Beverages Belorussiya	Belarus	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Beverages Ukraine Ltd	Ukraine	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia and Herzegovina	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Česko a Slovensko, s.r.o.	Czech Republic	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Česko a Slovensko, s.r.o. – organizačná zložka	Slovakia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Cyprus Ltd[3]	Cyprus	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Finance B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Greece S.A.I.C.	Greece	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Holdings B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Hrvatska d.o.o.	Croatia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Hungary Ltd	Hungary	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Ireland Limited	Republic of Ireland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Italia S.r.l.	Italy	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Kosovo L.L.C.	Kosovo	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Polska sp. z o.o.	Poland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Romania Ltd	Romania	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Services MEPE	Greece	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Slovenija d.o.o.	Slovenia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Sourcing B.V.[4]	The Netherlands	**100.0%**	–	**100.0%**	–
Coca-Cola HBC Switzerland Ltd	Switzerland	**99.9%**	99.9%	**99.9%**	99.9%
Coca-Cola HBC-Srbija d.o.o.	Serbia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Bottling Company-Crna Gora d.o.o., Podgorica	Montenegro	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Business Service Organisation	Bulgaria	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Procurement GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
CC Beverages Holdings II B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Koncern Bambi a.d. Požarevac[5]	Serbia	**100.0%**	–	**100.0%**	–
LLC Coca-Cola HBC Eurasia	Russia	**100.0%**	100.0%	**100.0%**	100.0%
Nigerian Bottling Company Ltd	Nigeria	**100.0%**	100.0%	**100.0%**	100.0%
SIA Coca-Cola HBC Latvia	Latvia	**100.0%**	100.0%	**100.0%**	100.0%
Star Bottling Limited	Cyprus	**100.0%**	100.0%	**100.0%**	100.0%
UAB Coca-Cola HBC Lietuva	Lithuania	**100.0%**	100.0%	**100.0%**	100.0%

1. Remaining non-controlling interest was acquired on 12 November 2019 (refer to Note 23).
2. CCHBC Reinsurance Designated Activity Company was incorporated on 24 January 2019.
3. Effective 17 October 2019 the entity has been renamed Coca-Cola HBC Cyprus Ltd (formerly Lanitis Bros Ltd).
4. Coca-Cola HBC Sourcing B.V. was incorporated on 20 May 2019.
5. Effective 18 June 2019 Coca-Cola HBC acquired Koncern Bambi a.d. Požarevac (refer to Note 23).

Notes to the consolidated financial statements continued

15. Interests in other entities continued

Associates and joint arrangements

Accounting policies

Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. Associated undertakings are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights.

The equity method of accounting involves recognising the Group's share of the associates' post-acquisition profit or loss and movements in other comprehensive income for the period in the income statement and other comprehensive income respectively. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's interest in each associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

Investments in joint arrangements

Joint arrangements are arrangements in which the Group has contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent. Joint arrangements are classified as joint ventures or joint operations depending upon the rights and obligations arising from the joint arrangement.

The Group classifies a joint arrangement as a joint venture when the Group has rights to the net assets of the arrangement. The Group accounts for its interests in joint ventures using the equity method of accounting as described in the section above.

The Group classifies a joint arrangement as a joint operation when the Group has the rights to the assets, and obligations for the liabilities, of the arrangement and accounts for each of its assets, liabilities, revenues and expenses, including its share of those held or incurred jointly, in relation to the joint operation.

If facts and circumstances change, the Group reassesses whether it still has joint control and whether the type of joint arrangement in which it is involved has changed.

Critical accounting judgements

The Group participates in several joint arrangements. Judgement is required in order to determine their classification as a joint venture where the Group has rights to the net assets of the arrangement, or a joint operation where the Group has rights to the assets and obligations for the liabilities of the arrangement. In making this judgement, consideration is given to the legal form of the arrangement, and the contractual terms and conditions, as well as other facts and circumstances (including the economic rationale of the arrangement and the impact of the legal framework).

a) Equity-method investments

Changes in the carrying amounts of equity-method investments are as follows:

	Associates € million	Joint ventures € million	**Total € million**
As at 1 January 2018	22.0	74.8	**96.8**
Capital increase	–	0.3	**0.3**
Additions	–	1.0	**1.0**
Share of results of equity-method investments	5.1	7.7	**12.8**
Share of other comprehensive income of equity-method investments	0.5	0.1	**0.6**
Share of total comprehensive income	5.6	7.8	**13.4**
Return of capital	–	(0.9)	**(0.9)**
Dividends	(2.8)	(8.5)	**(11.3)**
As at 31 December 2018	**24.8**	**74.5**	99.3
Additions	**–**	**44.5**	44.5
Share of results of equity-method investments	**4.6**	**8.4**	13.0
Share of other comprehensive income of equity-method investments	**0.5**	**0.2**	0.7
Share of total comprehensive income	**5.1**	**8.6**	13.7
Return of capital	**–**	**(0.8)**	(0.8)
Dividends	**(0.7)**	**(7.5)**	(8.2)
As at 31 December 2019	**29.2**	**119.3**	148.5

Included in investment in associates is the Group's investment in Frigoglass Industries (Nigeria) Limited. The Group has an effective interest of 23.9% in Frigoglass Industries (Nigeria) Limited (2018: 23.9%) through its investment in Nigeria Bottling Company Ltd.

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

On 6 December 2019, the Group acquired, in conjunction with The Coca-Cola Company, Acque Minerali S.r.l, a mineral water and adult sparkling beverages business in Italy. The transaction resulted in the Group holding a 50% effective interest in Acque Minerali S.r.l. The relevant investment of €44.5m which includes acquisition costs of €0.7m was classified in accordance with the requirements of IFRS 11 'Joint arrangements' as an investment in a joint venture and provides the Group and The Coca-Cola Company with rights to the entity's net assets. Consideration of €1.8m and acquisition costs of €0.2m were not yet paid as at 31 December 2019.

During 2018, the Group reorganised its Water business joint operation in Serbia, which resulted in an increase to investments in joint ventures of €1.0m.

Investments in joint ventures

The Group has a significant joint venture with Heineken that is conducted through a number of legal entities being the BrewTech B.V. Group of companies, which is engaged in the bottling and distribution of soft drinks and beer in North Macedonia. BrewTech B.V. is incorporated in the Netherlands and the Group owns 50% (2018: 50%) of its share capital. The structure of the joint venture provides the Group with rights to its net assets.

Summarised financial information of the Group's significant joint venture is as follows (the information below reflects the amount presented in the IFRS financial statements of the joint venture, and not the Group's share in those amounts):

	2019 € million	2018 € million
Summarised balance sheet:		
Non-current assets	**54.7**	51.6
Cash and cash equivalents	**2.3**	1.8
Other current assets	**11.1**	11.1
Total current assets	**13.4**	**12.9**
Total current liabilities	**(18.1)**	**(15.4)**
Non-current other liabilities	**(0.5)**	**(0.2)**
Net assets	**49.5**	**48.9**
Summarised statement of comprehensive income:		
Revenue	**74.6**	67.2
Depreciation and amortisation	**(5.1)**	(3.3)
Profit before tax	**18.4**	16.8
Income tax expense	**(2.2)**	(2.0)
Profit after tax	**16.2**	14.8
Total comprehensive income	**16.2**	**14.8**
Dividends received and capital returns (refer to Note 27)	**7.7**	**7.4**
Reconciliation of net assets to carrying amount:		
Closing net assets	**49.5**	48.9
Interest in joint venture at 50%	**24.8**	24.5
Goodwill	**16.9**	16.9
Non-controlling interest	**(1.6)**	(1.6)
Carrying value	**40.1**	**39.8**

Summarised financial information of the Group's investment in other joint ventures is as follows:

	2019 € million	2018 € million
Carrying amount	**79.2**	34.7
Share of profit	**0.3**	0.3
Share of other comprehensive income	**0.2**	0.1
Share of total comprehensive income	**0.5**	**0.4**

Notes to the consolidated financial statements continued

15. Interests in other entities continued

b) Joint operations with TCCC

The Group has a 50% interest in the Multon Z.A.O. group of companies ('Multon'). Multon is engaged in the production and distribution of juices in Russia and is classified as a joint operation as the arrangement gives the Group rights to the assets and obligations for the liabilities relating to the joint arrangement. Other joint operations of the Group comprise mainly a 50% interest in each of the water businesses depicted below, which are engaged in the production and distribution of water in the respective countries.

Country	Joint operation
Austria	Römerquelle
Italy	Fonti del Vulture
Romania	Dorna
Baltics	Neptūno Vandenys

Country	Joint operation
Poland	Multivita
Switzerland	Valser
Serbia	Vlasinka

16. Leases

Accounting policy

From 1 January 2019, leases for which the Group is in a lessee position are recognised as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a net-present-value basis and are recognised as part of 'Property, plant and equipment', 'Current borrowings' and 'Non-current borrowings' in the consolidated balance sheet, respectively.

Lease contracts may contain both lease and non-lease components. The Group allocates the payments in the contract to the lease and non-lease component respectively. Consideration relevant to the non-lease component is recognised as an expense in the consolidated income statement over the period of the lease.

Lease liabilities include the net present value of the following lease payments:

a) fixed payments (including in-substance fixed payments) over the lease term, less any lease incentives receivable;

b) variable lease payments that are based on an index or a rate;

c) amounts expected to be payable by the lessee under residual value guarantees;

d) the exercise price of a purchase option if the Group is reasonably certain it will exercise that option; and

e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease (if that rate can be determined), or the incremental borrowing rate of the lease, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions. In determining the incremental borrowing rate to be used, the Group applies judgement to establish the suitable reference rate and credit spread.

Each lease payment is allocated between the liability (principal) and finance cost. The interest expense is charged to the consolidated income statement as part of 'Finance costs' over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

a) the amount of the initial measurement of lease liability;

b) any lease payments made at or before the commencement date less any lease incentives received;

c) any initial direct costs; and

d) any restoration costs.

Accounting policy continued

The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group utilises a number of practical expedients permitted by the standard, namely:

1) applying the recognition exemption to short-term leases (i.e. leases with a term of 12 months or less) that do not contain a purchase option; and

2) applying the recognition exemption to leases of underlying assets with a low value, which mainly comprise IT equipment.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and which is within the control of the lessee.

a) Adoption of IFRS 16

The Group has applied the modified retrospective transition approach on adoption of IFRS 16 and has recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.7%.

In line with IFRS 16 transition options, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of accrued lease incentives relating to those leases recognised in the consolidated balance sheet as at 31 December 2018. For leases previously classified as finance leases under the principles of IAS 17 'Leases', the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The table below shows the reconciliation of operating lease commitments previously disclosed under IAS 17 and lease liabilities initially recognised under IFRS 16, including the lease liability for leases previously classified as finance leases:

	€ million
Total operating lease commitments disclosed at 31 December 2018 (refer to Note 30)	183.3
Discounted using the lessee's incremental borrowing rate at the date of initial application	161.2
(Less): Short-term leases recognised on a straight-line basis as expense	(8.9)
(Less): Low-value leases recognised on a straight-line basis as expense	(0.3)
(Less): Contracts committed in 2018 with commencement date January 2019	(6.6)
Lease liability recognised for operating leases	**145.4**
Add: Finance lease liabilities recognised at 31 December 2018 (refer to Note 25)	66.0
Total lease liability recognised at 1 January 2019	**211.4**
Of which:	
Current lease liability	46.4
Non-current lease liability	165.0
	211.4

The recognised right-of-use assets on adoption were as follows:

	1 January 2019 € million
Lease liability recognised for operating leases	145.4
(Less): Lease incentives accrued at 31 December 2018	(0.7)
Right-of-use assets recognised for operating leases at 1 January 2019	**144.7**
Add: Net book value of assets held under finance leases at 31 December 2018 (refer to Note 14)	70.5
Total right-of-use assets recognised at 1 January 2019	**215.2**
Of which:	
Land and buildings	83.1
Plant and equipment	132.1
	215.2

Notes to the consolidated financial statements continued

16. Leases continued

The change in accounting policy affected the following lines of the consolidated balance sheet on 1 January 2019:

Property, plant and equipment – increase by €144.7m

Current borrowings – increase by €39.9m

Non-current borrowings – increase by €105.5m

Trade and other payables – decrease by €0.7m.

On transition the Group:

a) excluded all leases expiring in 2019;

b) excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;

c) applied the new guidance regarding definition of a lease only to contracts entered into or changed on or after 1 January 2019; and

d) applied the recognition exemption to leases of underlying assets with a low value.

Refer to Note 10 for the impact on deferred tax assets and deferred tax liabilities arising from the adoption of IFRS 16.

b) Leasing activities

The leases which are recorded on the consolidated balance sheet following implementation of IFRS 16 are principally in respect of vehicles and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Extension options considered reasonably certain to be exercised relate primarily to buildings and do not exceed 6 years. Most termination options have not been considered reasonably certain to be exercised.

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

	2019 € million	2018[1] € million
Current lease liability	**56.3**	6.5
Non-current lease liability	**154.7**	59.5
Total lease liability (refer to Note 25)	**211.0**	**66.0**

1. In the previous year the Group only recognised lease assets and lease liabilities in relation to leases that were classified as finance leases under IAS 17 'Leases'. The assets were presented in property, plant and equipment and the liabilities as part of Group's borrowings.

For the carrying amount of right-of-use assets per class of underlying asset refer to Note 14.

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

	2019 € million
Land and buildings	**23.4**
Plant and equipment	**40.3**
Total additions	**63.7**

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

	2019 € million
Land and buildings	**18.2**
Plant and equipment	**34.3**
Total depreciation charge	**52.5**

The following expenses have been included in cost of goods sold and operating expenses:

	2019 € million
Expense relating to short-term leases	**18.4**
Expense relating to leases of low-value assets	**1.2**
Expense relating to variable lease payments	**9.9**

Interest expense on leases in 2019 was €12.8m (2018: €4.7m) and is recorded within 'Finance costs' (refer to Note 9).

The total cash outflow for leases in 2019 was €77.9m.

Expenses relating to short-term leases include leases that expire within 2019 as per the practical expedient applied by the Group on transition to IFRS 16 as well as consideration for short-term leases used to cover seasonal business needs.

17. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value.

Cost for raw materials and consumables is determined on a weighted average basis. Cost for work in progress and finished goods is comprised of the cost of direct materials and labour plus attributable overhead costs. Cost of inventories includes all costs incurred to bring the product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete and sell the inventory.

Inventories consisted of the following at 31 December:

	2019 € million	2018 € million
Finished goods	**230.9**	219.5
Raw materials and work in progress	**191.9**	176.6
Consumables	**65.3**	67.1
Total inventories	**488.1**	**463.2**

The amount of inventories recognised as an expense during 2019 was €3,328.5m (2018: €3,196.8m). During 2019 provision of obsolete inventories recognised as an expense amounted to €18.4m (2018: €20.3m), whereas provision reversed in the year amounted to €1.0m (2018: €2.5m).

18. Trade, other receivables and assets

Accounting policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The normal credit terms are between 7-90 days upon delivery.

The Group applies the IFRS 9 simplified approach for trade and other receivables and follows an Expected Credit Losses ('ECLs') approach for measuring the allowance of its trade receivables. The expected loss rate is assessed on the basis of historical credit losses of 24 months before the year end and adjusted to reflect current and forward-looking information. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The carrying amount of the receivable is reduced by the loss allowance, which is recognised as part of operating expenses. If a trade receivable ultimately becomes uncollectible, it is written off initially against any loss allowance made in respect of that receivable with any excess recognised as part of operating expenses. Subsequent recoveries of amounts previously written off or loss allowance no longer required are recognised within operating expenses.

Loans 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. 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.

Notes to the consolidated financial statements continued

18. Trade, other receivables and assets continued

Trade, other receivables and assets consisted of the following at 31 December:

	Current assets		Non-current assets	
	2019 € million	2018 € million	2019 € million	2018 € million
Trade and other receivables:				
Trade receivables	772.9	690.3	2.0	1.5
Receivables from related parties (refer to Note 27)	65.6	81.1	–	–
Loans receivable	1.9	1.0	1.9	2.3
Receivables from sale of property, plant and equipment	3.3	6.6	–	–
Loans and advances to employees	5.9	5.2	–	–
Other receivables	82.0	78.9	–	–
Total trade and other receivables	**931.6**	**863.1**	**3.9**	**3.8**
Other assets:				
Prepayments	60.8	63.7	14.9	13.1
Pension plan assets (refer to Note 21)	–	–	16.1	11.8
Non-current income tax receivable	–	–	36.4	17.2
VAT and other taxes receivable	33.2	34.4	–	–
Total other assets	**94.0**	**98.1**	**67.4**	**42.1**
Total trade, other receivables and assets	**1,025.6**	**961.2**	**71.3**	**45.9**

Non-current trade receivables relate to renegotiated receivables, which are expected to be settled within the new contractual due date.

Trade receivables

Trade receivables classified as current assets consisted of the following at 31 December:

	2019 € million	2018 € million
Trade receivables	866.1	789.1
Less: Loss allowance	(93.2)	(98.8)
Total trade receivables	**772.9**	**690.3**

The ageing analysis of trade receivables classified as current assets is as follows:

	2019 € million			2018 € million		
	Gross carrying amount	Loss allowance	Trade receivables	Gross carrying amount	Loss allowance	Trade receivables
Within due date	671.4	(2.1)	669.3	569.3	(3.0)	566.3
Past due – Up to three months	82.1	(5.3)	76.8	104.0	(3.9)	100.1
Past due – Three to six months	12.3	(2.9)	9.4	9.8	(2.7)	7.1
Past due – Six to nine months	5.1	(0.9)	4.2	4.6	(1.6)	3.0
Past due – More than nine months	95.2	(82.0)	13.2	101.4	(87.6)	13.8
Total trade receivables	**866.1**	**(93.2)**	**772.9**	**789.1**	**(98.8)**	**690.3**

The carrying amount of the trade receivables includes €nil which is subject to factoring agreement (2018: €0.3m).

The movement in the loss allowance during the year is as follows:

	2019 € million	2018 € million
As at 1 January	(98.8)	(103.6)
Amounts written off during the year	13.8	1.5
Amounts recovered during the year	4.9	9.1
Increase in allowance recognised in income statement	(12.4)	(6.1)
Foreign currency translation	(0.7)	0.3
As at 31 December	**(93.2)**	**(98.8)**

Receivables from related parties

The related party receivables, net of the loss allowance, are as follows:

	2019 € million	2018 € million
Within due date	**62.3**	72.4
Past due	**3.5**	8.8
Less: Loss allowance	**(0.2)**	(0.1)
Total related party receivables	**65.6**	**81.1**

The ageing analysis of these receivables is as follows:

	2019 € million	2018 € million
Within due date	**62.3**	72.4
Past due – Up to three months	**1.9**	7.4
Past due – Three to six months	**0.8**	0.7
Past due – Six to nine months	**0.2**	0.3
Past due – More than nine months	**0.4**	0.3
Total	**65.6**	**81.1**

Net impairment

Net impairment loss / (gain) on trade and other receivables recognised in the income statement is analysed as follows:

	2019 € million	2018 € million
Trade receivables	**7.3**	(3.2)
Receivables from related parties	**0.1**	(0.1)
Other receivables and assets	**–**	(0.4)
Net impairment loss / (gain)	**7.4**	**(3.7)**

19. Assets classified as held for sale

Accounting policy

Non-current assets and disposal groups are classified as held for sale if it is considered highly probable that their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. In order for a sale to be considered highly probable, management must be committed to a plan to sell the asset, an active programme to locate a buyer and complete the plan must have been initiated, and the sale expected to be completed within one year from the date of classification.

In the event that the criteria for continued classification as held for sale are no longer met, the assets are reclassified to property, plant and equipment and the depreciation charge is adjusted for the depreciation that would have been recognised had the assets not been classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the individual assets' previous carrying amount and their fair value less costs to sell.

Changes in carrying amounts of assets classified as held for sale for the years ended 31 December are as follows:

	2019 € million	2018 € million
As at 1 January	**3.0**	3.3
Reclassified from property, plant and equipment (refer to Note 14)	**12.9**	4.3
Disposals	**(15.2)**	(4.5)
Reclassified to property, plant and equipment (refer to Note 14)	**(0.1)**	(0.2)
Foreign currency translation	**–**	0.1
As at 31 December	**0.6**	**3.0**

Total assets classified as held for sale as at 31 December 2018 amounted to €3.0m, comprising the net book value of property, plant and equipment in our Established, Developing and Emerging segments that have been written down to fair value less cost to sell. The fair value of assets classified as held for sale was determined through the use of a sales comparison approach and is a non-recurring fair value measurement within Level 3 of the fair value hierarchy.

Notes to the consolidated financial statements continued

19. Assets classified as held for sale continued

Total assets classified as held for sale as at 31 December 2019 amounted to €0.6m, comprising the net book value of property, plant and equipment in our Established segment that have been written down to fair value less cost to sell. The fair value of assets classified as held for sale was determined through the use of a sales comparison approach and is a non-recurring fair value measurement within Level 3 of the fair value hierarchy.

20. Trade and other payables

Accounting policy

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables consisted of the following at 31 December:

	2019 € million	2018 € million
Trade payables	605.5	565.5
Accrued liabilities	474.6	461.0
Payables to related parties (refer to Note 27)	291.2	270.8
Deposit liabilities	98.4	95.7
Other tax and social security liabilities	111.4	90.3
Salaries and employee-related payables	48.5	39.0
Contract liabilities	7.2	4.5
Payable for purchase of own shares (refer to Note 26)	–	85.4
Other payables	29.3	40.2
Total trade and other payables	**1,666.1**	**1,652.4**

Payable for purchase of own shares of €85.4m equivalent in UK sterling as at 31 December 2018 related to the liability from an irrevocable share purchase agreement (refer to Note 26). The arrangement was settled in 2019.

The Group facilitates a supply chain financing programme under which the supplier can elect on an invoice-by-invoice basis to receive a discounted early payment from the partner bank or continue to be paid in line with the agreed payment terms; in either case the value and due date of the liability payable by the Group remains unchanged and as such remain classified as trade payables. At 31 December 2019 invoices included in the programme amounted to €97.5m (2018: €82.1m).

Accrued liabilities regarding volume, marketing and promotional incentives as well as listing fees and other incentives provided to customers as at 31 December 2019 amounted to €211.9m (2018: €182.1m).

Revenue recognised in 2019 that was included in the contract liability balance at the beginning of the year amounted to €4.1m (2018: €6.6m).

21. Provisions and employee benefits

Provisions and employee benefits consisted of the following at 31 December:

	2019 € million	2018 € million
Current:		
Employee benefits	78.6	59.2
Restructuring provisions	14.6	10.9
Other provisions	8.9	7.5
Total current provisions and employee benefits	**102.1**	**77.6**
Non-current:		
Employee benefits	114.5	111.1
Other provisions	3.1	1.1
Total non-current provisions and employee benefits	**117.6**	112.2
Total provisions and employee benefits	**219.7**	**189.8**

a) Provisions

Accounting policy

Provisions are recognised when: the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when such reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits and b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

The movements in restructuring and other provisions comprise:

	2019 € million		2018 € million	
	Restructuring provision	**Other provisions**	Restructuring provision	Other provisions
As at 1 January	**10.9**	**8.6**	7.7	15.6
Arising during the year	**36.4**	**11.8**	24.2	1.9
Utilised during the year	**(31.4)**	**(9.1)**	(19.2)	(6.0)
Unused amount reversed	**(1.3)**	**(0.1)**	(1.7)	(2.9)
Arising on acquisitions	**–**	**0.7**	–	–
Foreign currency translation	**–**	**0.1**	(0.1)	–
As at 31 December	**14.6**	**12.0**	**10.9**	**8.6**

Other provisions primarily comprise provisions in relation to employee litigation and legal provisions.

Notes to the consolidated financial statements continued

21. Provisions and employee benefits continued

b) Employee benefits

Accounting policy

The Group operates a number of defined benefit and defined contribution pension plans in its territories.

The defined benefit plans are made up of both funded and unfunded pension plans and employee leaving indemnities. The assets of funded plans are generally held in separate trustee-administered funds and are financed by payments from employees and / or the relevant Group companies.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets.

For defined benefit pension plans, pension costs are assessed using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Such actuarial gains and losses are not reclassified to the income statement in subsequent periods. The defined benefit obligations are measured at the present value of the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Past service cost is recognised immediately in the income statement. A number of the Group's operations have other long-service benefits in the form of jubilee plans. These plans are measured at the present value of the estimated future cash outflows with immediate recognition of actuarial gains and losses in the income statement.

The Group's contributions to the defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

Critical accounting estimates

The Group provides defined benefit pension plans as an employee benefit in certain territories. Determining the value of these plans requires several actuarial assumptions and estimates about discount rates, future salary increases and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Employee benefits consisted of the following at 31 December:

	2019 € million	2018 € million
Defined benefit plans:		
Employee leaving indemnities	**66.8**	64.6
Pension plans	**14.6**	10.1
Long-service benefits (jubilee plans) and other benefits	**11.7**	9.8
Total defined benefit plans	**93.1**	**84.5**
Other employee benefits:		
Annual leave	**5.9**	6.1
Other employee benefits	**94.1**	79.7
Total other employee benefits	**100.0**	**85.8**
Total employee benefits obligations	**193.1**	**170.3**

Other employee benefits are primarily comprised of employee bonuses, which are linked to business and individual performance metrics.

Employees of Coca-Cola HBC's subsidiaries in Austria, Bulgaria, Croatia, Greece, Italy, Montenegro, Nigeria, Poland, Romania, Serbia and Slovenia are entitled to employee leaving indemnities, generally based on each employee's length of service, employment category and remuneration. These are unfunded plans where the Company meets the payment obligation as it falls due.

Coca-Cola HBC's subsidiaries in Austria, Northern Ireland, the Republic of Ireland and Switzerland sponsor defined benefit pension plans. Of the three plans in the Republic of Ireland, two have plan assets, as do the two plans in Northern Ireland, and three plans in Switzerland. The Austrian plans do not have plan assets and the Company meets the payment obligation as it falls due. The defined benefit plans in Austria, Republic of Ireland and Northern Ireland are closed to new members.

Coca-Cola HBC provides long-service benefits in the form of jubilee plans to its employees in Austria, Croatia, Nigeria, Poland, Serbia, Slovenia and Switzerland.

Defined benefit obligation by segment is as follows for the years ended 31 December:

The average duration of the defined benefit obligations is 19 years and the total employer contributions expected to be paid in 2020 are €17.3m.

The reconciliation of plan assets and plan liabilities for the years ended 31 December is as follows:

	Plan assets € million	Plan liabilities € million	Net (deficit) / surplus € million
As at 31 December 2017	**395.9**	**(489.6)**	**(93.7)**
Current service cost	–	(8.8)	**(8.8)**
Past service cost	–	(3.3)	**(3.3)**
Administrative expenses	(0.2)	–	**(0.2)**
Curtailment / settlement	–	(0.7)	**(0.7)**
Interest income / (expense)	5.2	(8.7)	**(3.5)**
Actuarial gains	–	0.5	**0.5**
Total income / (expense) recognised in income statement	**5.0**	**(21.0)**	**(16.0)**
Gain from change in demographic assumptions	–	10.4	**10.4**
Gain from change in financial assumptions	–	23.1	**23.1**
Experience adjustments	–	(3.6)	**(3.6)**
Return on plan assets excluding interest income	(14.2)	–	**(14.2)**
Total remeasurements recognised in other comprehensive income	**(14.2)**	**29.9**	**15.7**
Benefits paid	(12.9)	23.9	**11.0**
Employer's contributions	13.6	–	**13.6**
Participant's contributions	4.6	(4.7)	**(0.1)**
Foreign currency translation	6.2	(5.8)	**0.4**
As at 31 December 2018	**398.2**	**(467.3)**	**(69.1)**
Current service cost	**–**	**(9.2)**	**(9.2)**
Past service cost	**–**	**1.2**	**1.2**
Administrative expenses	**(0.2)**	**–**	**(0.2)**
Curtailment / settlement	**–**	**(1.5)**	**(1.5)**
Interest income / (expense)	**6.4**	**(9.2)**	**(2.8)**
Actuarial gains	**–**	**0.1**	**0.1**
Total income / (expense) recognised in income statement	**6.2**	**(18.6)**	**(12.4)**
Gain from change in demographic assumptions	**–**	**2.4**	**2.4**
Loss from change in financial assumptions	**–**	**(59.4)**	**(59.4)**
Experience adjustments	**–**	**(4.2)**	**(4.2)**
Return on plan assets excluding interest income	**42.7**	**–**	**42.7**
Total remeasurements recognised in other comprehensive income	**42.7**	**(61.2)**	**(18.5)**
Benefits paid	**(25.5)**	**37.5**	**12.0**
Employer's contributions	**14.0**	**–**	**14.0**
Participant's contributions	**5.1**	**(5.1)**	**–**
Increase in defined benefit obligation arising from acquisition	**–**	**(0.4)**	**(0.4)**
Net decrease in defined benefit obligation from other movements	**4.5**	**(4.4)**	**0.1**
Foreign currency translation	**13.0**	**(13.4)**	**(0.4)**
As at 31 December 2019	**458.2**	**(532.9)**	**(74.7)**

Notes to the consolidated financial statements continued

21. Provisions and employee benefits continued

The effect of the asset ceiling on plan assets and net deficit for the years ended 31 December is as follows:

	2019 € million	2018 € million
Fair value of plan assets at 31 December excluding asset ceiling	**458.2**	398.2
Opening unrecognised asset due to the asset ceiling	**(3.6)**	(8.3)
Change in asset ceiling recognised in other comprehensive income	**1.5**	5.1
Exchange rate gain	**(0.1)**	(0.3)
Interest on unrecognised asset recognised in profit and loss	**(0.1)**	(0.1)
Fair value of plan assets at 31 December including asset ceiling	**455.9**	**394.6**

	2019 € million	2018 € million
Present value of funded obligations	**453.1**	391.3
Fair value of plan assets	**(458.2)**	(398.2)
Defined benefit obligations of funded plans	**(5.1)**	**(6.9)**
Present value of unfunded obligations	**79.8**	76.0
Unrecognised asset due to asset ceiling	**2.3**	3.6
Defined benefit obligations	**77.0**	**72.7**
Plus: amounts recognised within non-current assets (refer to Note 18)	**16.1**	11.8
Total defined benefit obligations	**93.1**	**84.5**

Funding levels are monitored in conjunction with the agreed contribution rate. The funding level of the funded plans as at 31 December 2019 was 101% (2018: 101%).

Four of the plans have funded status surplus totalling €16.1m as at 31 December 2019 (2018: €11.8m) that is recognised as an asset on the basis that the Group has an unconditional right to future economic benefits either via a refund or a reduction in future contributions.

Defined benefit plan expense is included in employee costs and recorded in cost of goods sold and operating expenses.

The assumptions (weighted average for the Group) used in computing the defined benefit obligation comprised the following for the years ended 31 December:

	2019 %	2018 %
Discount rate	**1.1**	2.0
Rate of compensation increase	**2.3**	2.5
Rate of pension increase	**0.9**	1.0
Life expectancy for pensioners at the age of 65 in years:		
Male	**22**	22
Female	**24**	24

Asset liability matching: Plan assets allocated to growth assets are monitored regularly to ensure they remain appropriate and in line with the Group's long-term strategy to manage the plans. As the plans mature, the level of investment risk will be reduced by investing more in assets such as bonds that better match the liabilities.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans the Group is exposed to a number of risks, as outlined below:

Asset volatility: The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created. The Northern Ireland, the Republic of Ireland and Swiss plans hold a significant proportion of growth assets (equities) which are expected to outperform corporate bonds in the long term while being subject to volatility and risk in the short term.

Changes in bond yields: A decrease in corporate bond yields will increase the plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. Conversely, an increase in corporate bond yields will decrease the plan liabilities, although this will be partially offset by a decrease in the value of the plans' bond holdings.

Inflation: The Northern Ireland, the Republic of Ireland and Swiss plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy: The majority of the pension plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The sensitivity analysis presented below is based on a change in assumption while all other assumptions remain constant.

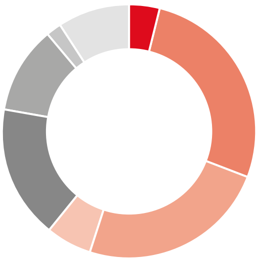
	Impact on defined benefit obligation as at 31 December 2019		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	50bps	8.7%	10.2%
Rate of compensation increase	50bps	2.0%	1.8%
Rate of pension increase	50bps	6.1%	2.7%
Life expectancy	1 year	2.6%	2.6%

Plan assets are invested as follows:

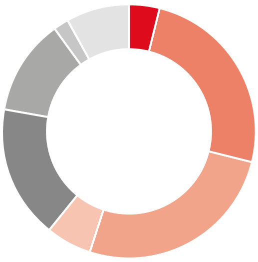
The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or are insurance contracts. Plan assets held in trust are governed by local regulations and practice in each country. The category 'Other' mainly includes investments in funds holding a portfolio of assets. Plan assets relate predominantly to quoted financial instruments.

Equity securities were not invested in ordinary shares of the Company as at 31 December 2019 or 31 December 2018.

Assets' categories 2019 (%)



Assets' categories 2018 (%)



Defined contribution plans

The expense recognised in the income statement in 2019 for the defined contribution plans is €18.0m (2018: €18.9m). This is included in employee costs and recorded in cost of goods sold and operating expenses.

22. Offsetting financial assets and financial liabilities

Accounting policy

The Group offsets financial assets and financial liabilities to the net amount reported in the balance sheet when it currently has a legally enforceable right to offset the recognised amounts and it intends to settle on a net basis or to 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.

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements or other similar agreements. In general, under such agreements the counterparties can elect to settle as one single net amount the aggregated amounts owed by each counterparty on a single day with respect to 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 Group does not have any current legally enforceable right to offset amounts since the right can only be applied if elected by both counterparties.

The financial assets and financial liabilities presented below are subject to offsetting, enforceable master netting or similar agreements. The column 'Net amount' shows the impact on the Group's balance sheet if all set-off rights were exercised.

Notes to the consolidated financial statements continued

22. Offsetting financial assets and financial liabilities continued

a) Financial assets

As at 31 December 2019

	Gross amounts of recognised financial assets €million	Gross amounts of recognised financial liabilities set off in the balance sheet €million	Net amounts of financial assets presented in the balance sheet €million	Related amounts not set off in the balance sheet: Financial instruments €million	Net amount €million
Derivative financial assets	3.7	–	3.7	(0.1)	3.6
Cash and cash equivalents	823.0	–	823.0	–	823.0
Other financial assets (excluding derivatives)	728.8	–	728.8	–	728.8
Trade receivables	820.2	(47.3)	772.9	–	772.9
Total	**2,375.7**	**(47.3)**	**2,328.4**	**(0.1)**	**2,328.3**

As at 31 December 2018

	Gross amounts of recognised financial assets €million	Gross amounts of recognised financial liabilities set off in the balance sheet €million	Net amounts of financial assets presented in the balance sheet €million	Related amounts not set off in the balance sheet: Financial instruments €million	Net amount €million
Derivative financial assets	9.4	–	9.4	(4.9)	4.5
Cash and cash equivalents	712.3	–	712.3	–	712.3
Other financial assets (excluding derivatives)	278.8	–	278.8	–	278.8
Trade receivables	749.6	(59.3)	690.3	–	690.3
Total	**1,750.1**	**(59.3)**	**1,690.8**	**(4.9)**	**1,685.9**

b) Financial liabilities

As at 31 December 2019

	Gross amounts of recognised financial liabilities €million	Gross amounts of recognised financial assets set off in the balance sheet €million	Net amounts of financial liabilities presented in the balance sheet €million	Related amounts not set off in the balance sheet: Financial instruments €million	Net amount €million
Derivative financial liabilities	11.7	–	11.7	(0.1)	11.6
Trade payables	652.8	(47.3)	605.5	–	605.5
Total	**664.5**	**(47.3)**	**617.2**	**(0.1)**	**617.1**

As at 31 December 2018

	Gross amounts of recognised financial liabilities €million	Gross amounts of recognised financial assets set off in the balance sheet €million	Net amounts of financial liabilities presented in the balance sheet €million	Related amounts not set off in the balance sheet: Financial instruments €million	Net amount €million
Derivative financial liabilities	17.9	–	17.9	(4.9)	13.0
Trade payables	624.8	(59.3)	565.5	–	565.5
Total	**642.7**	**(59.3)**	**583.4**	**(4.9)**	**578.5**

23. Business combinations and acquisition of non-controlling interest

Accounting policy

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the fair value of any asset transferred, shares issued and liabilities assumed. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the fair value of non-controlling interest over the net assets acquired and liabilities assumed is recorded as goodwill. Acquisition costs comprise costs incurred to effect a business combination such as finder's, advisory, legal, accounting, valuation and other professional or consulting fees. All acquisition-related costs are expensed as incurred.

For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Refer also to Note 2 for accounting policy regarding basis of consolidation.

a) Business combinations

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

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

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

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

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

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

b) Acquisition of non-controlling interest

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

Notes to the consolidated financial statements continued

24. Financial risk management and financial instruments

Accounting policies

Financial assets

On initial recognition financial assets are recorded at fair value plus, in the case of financial assets not at fair value through profit or loss (FVTPL), any directly attributable transaction costs. Transaction costs of financial assets at FVTPL are expensed.

Financial assets are classified into three categories:

a) Financial assets at amortised cost (debt instruments)

The classification of debt instruments at amortised cost depends on two criteria: a) the Group's business model for managing assets and b) whether the instruments' contractual cash flows represent solely payments for principal and interest on the principal amount outstanding (the 'SPPI criterion'). If both criteria are met the financial assets of the Group are subsequently measured at amortised cost, whereby any interest income is recognised using the effective interest method. This category includes trade receivables, treasury bills and time deposits. The accounting policy for trade receivables is described in Note 18.

b) Financial assets through other comprehensive income (FVOCI)

The Group also has investments in financial assets at FVOCI. These include equity investments that are not of a trading nature and which are subsequently recorded at fair value. The Group intends to hold these equity instruments for the foreseeable future and has irrevocably elected to classify them as FVOCI upon initial recognition. Subsequently there is no recycling of gains or losses to profit or loss on derecognition.

c) Financial assets through profit or loss (FVTPL)

The Group also has investments in financial assets at FVTPL, which are subsequently measured at fair value and where changes in fair value are recognised in the income statement. Financial assets at FVTPL mainly comprise money market funds.

For those financial assets that are not subsequently held at fair value, the Group assesses whether there is evidence of impairment at each balance sheet date.

Derivative financial instruments

The Group 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 Group 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 as a cash flow hedge.

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.

At the inception of a hedge transaction the Group 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. The Group has established a hedge ratio of 1:1 for the hedging relationships, as the underlying risks 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 amount of the forecast transaction changes, or if the credit risk changes impacting the fair value movements of the hedging instruments.

Accounting policies continued

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

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.

Embedded derivatives in financial host contracts are recorded at fair value through profit or loss together with the host contracts.

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

- their economic characteristics and risks are not closely related to those of the host contracts;
- the host contracts are not designated as at fair value through profit or loss; and
- 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 category.

Regular purchases and sales of investments are recognised on the trade date, which is the day the Group commits to purchase or sell. The investments are recognised initially at fair value plus transaction costs, except in the case of FVTPL. 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.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, commodity price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's cash flows. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by Group Treasury in a controlled manner, consistent with the Board of Directors' approved policies. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's subsidiaries. The 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 Group is exposed to the effect of foreign currency risk on future transactions, recognised monetary assets and liabilities that are denominated in currencies other than the local entity's functional currency, as well as net investments in foreign operations. Foreign currency forward, option and future contracts are used to hedge a portion of the Group's foreign currency risk. The majority of the foreign currency forward, option and future contracts have maturities of less than one year after the balance sheet date.

Management has set up a policy that requires Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future transactions and recognised monetary assets and liabilities, entities in the Group use foreign currency forward, option and future contracts transacted by Group Treasury. Group Treasury's risk management policy is to hedge, on an average coverage ratio basis, between 25% and 80% of anticipated cash flows for the next 12 months by using a layer strategy and 100% of balance sheet remeasurement risk in each major foreign currency for which hedging is applicable. Each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific monetary assets, monetary liabilities or future transactions on a gross basis.

The following tables present details of the Group's sensitivity to reasonably possible increases and decreases in the Euro and US dollar against the relevant foreign currencies. In determining reasonable possible changes, the historical volatility over a 12-month period of the respective foreign currencies in relation to the Euro and the US dollar has been considered. The sensitivity analysis determines the potential gains and losses in the income statement or equity arising from the Group's foreign exchange positions as a result of the corresponding percentage increases and decreases in the Group's main foreign currencies relative to the Euro and the US dollar. The sensitivity analysis includes outstanding foreign-currency-denominated monetary items, external loans, and loans between operations within the Group where the denomination of the loan is in a currency other than the functional currency of the local entity.

Notes to the consolidated financial statements continued

24. Financial risk management and financial instruments continued

2019 exchange risk sensitivity to reasonably possible changes in the Euro against relevant other currencies

		Euro strengthens against local currency		Euro weakens against local currency	
	% historical volatility over a 12-month period	Loss / (gain) in income statement € million	(Gain) / loss in equity € million	(Gain) / loss in income statement € million	Loss / (gain) in equity € million
Nigerian naira	8.36%	(0.4)	–	0.5	–
Russian rouble	7.98%	(1.3)	(1.6)	1.5	1.9
UK sterling	7.49%	0.8	–	(1.0)	–
Ukrainian hryvnia	10.28%	0.8	–	(1.0)	–
Other		0.7	(1.7)	(0.8)	1.8
Total		0.6	(3.3)	(0.8)	3.7

2019 exchange risk sensitivity to reasonably possible changes in the US dollar against relevant other currencies

		US dollar strengthens against local currency		US dollar weakens against local currency	
	% historical volatility over a 12-month period	Loss / (gain) in income statement € million	(Gain) / loss in equity € million	Loss / (gain) in income statement € million	Loss / (gain) in equity € million
Euro	4.91%	1.3	–	(1.5)	–
Nigerian naira	3.43%	(1.2)	–	2.1	–
Russian rouble	8.25%	–	(4.4)	(0.1)	5.2
Total		0.1	(4.4)	0.5	5.2

2018 exchange risk sensitivity to reasonably possible changes in the Euro against relevant other currencies

		Euro strengthens against local currency		Euro weakens against local currency	
	% historical volatility over a 12-month period	Loss / (gain) in income statement € million	(Gain) / loss in equity € million	(Gain) / loss in income statement € million	Loss / (gain) in equity € million
Nigerian naira	8.29%	1.1	–	(1.3)	–
Russian rouble	13.32%	(3.2)	(2.4)	2.7	2.6
Ukrainian hryvnia	8.77%	0.9	(0.1)	(1.0)	0.1
Other		0.5	(5.1)	(0.6)	5.4
Total		**(0.7)**	**(7.6)**	**(0.2)**	**8.1**

2018 exchange risk sensitivity to reasonably possible changes in the US dollar against relevant other currencies

		US dollar strengthens against local currency		US dollar weakens against local currency	
	% historical volatility over a 12-month period	Loss / (gain) in income statement € million	(Gain) / loss in equity € million	Loss / (gain) in income statement € million	Loss / (gain) in equity € million
Euro	7.23%	1.5	–	(1.8)	–
Nigerian naira	2.12%	(1.6)	–	1.6	–
Russian rouble	13.48%	(0.2)	(3.1)	0.2	4.0
Total		**(0.3)**	**(3.1)**	**–**	**4.0**

b) Commodity price risk

The Group is affected by the volatility of certain commodity prices (being mainly sugar, aluminium, aluminium premium, PET and gas oil) in relation to certain raw materials necessary for the production of the Group's products.

Due to the significantly increased volatility of commodity prices, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. Although the Group continues to contract prices with suppliers in advance, to reduce its exposure to the effect of short-term changes in the price of sugar, aluminium, aluminium premium, gas oil and PET, the Group hedges the market price of sugar, aluminium, aluminium premium, PET and gas oil using commodity swap contracts based on a rolling forecast for a period up to 36 months. Group Treasury's Risk management policy is to hedge a minimum of 25% and a maximum of 80% of commodity exposure for the next 12 months, except for PET where no minimum coverage is required and the maximum is at 50% for the first year.

The following table presents details of the Group's income statement and equity sensitivity to increases and decreases in sugar, aluminium, aluminium premium, PET and gas oil prices. The table does not show the sensitivity to the Group's total underlying commodity exposure or the impact of changes in volumes that may arise from increase or decrease in the respective commodity prices. The sensitivity analysis determines the potential effect on profit or loss and equity arising from the Group's commodity swap contract positions as a result of the reasonably possible increases or decreases of the respective commodity prices.

2019 commodity price risk sensitivity to reasonably possible changes in the commodity price of relevant commodities

		Commodity price increases with all other variables held constant		Commodity price decreases with all other variables held constant	
	% historical volatility over a 12-month period per contract maturity	(Gain) / loss in income statement €million	(Gain) / loss in equity €million	Loss / (gain) in income statement €million	Loss / (gain) in equity €million
Sugar	**14.0%**	**(0.3)**	**(7.1)**	**0.3**	**7.1**
Aluminium	**15.0%**	**(0.2)**	**(4.6)**	**0.2**	**4.6**
Aluminium premium	**25.5%**	**(0.1)**	**(0.2)**	**0.1**	**0.2**
Gas oil	**26.3%**	**–**	**(2.1)**	**–**	**2.1**
PET	**14.4%**	**(3.6)**	**–**	**3.6**	**–**
Total		**(4.2)**	**(14.0)**	**4.2**	**14.0**

2018 commodity price risk sensitivity to reasonably possible changes in the commodity price of relevant commodities

		Commodity price increases with all other variables held constant		Commodity price decreases with all other variables held constant	
	% historical volatility over a 12-month period per contract maturity	(Gain) / loss in income statement €million	(Gain) / loss in equity €million	Loss / (gain) in income statement €million	Loss / (gain) in equity €million
Sugar	19.5%	(0.3)	(5.1)	0.3	5.1
Aluminium	24.0%	(0.1)	(12.2)	0.1	12.2
Aluminium premium	29.6%	–	(0.5)	–	0.5
Gas oil	24.2%	–	(2.9)	–	2.9
PET	22.2%	(10.1)	–	10.1	–
Total		**(10.5)**	**(20.7)**	**10.5**	**20.7**

c) Interest rate risk

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

Interest rate risk sensitivity to reasonably possible changes in interest rates

	2019 €million		2018 €million	
	Loss / (gain) in income statement	**(Gain) / loss In equity**	Loss / (gain) in income statement	(Gain) / loss In equity
Increase in basis points	**0.2**	**–**	0.3	(6.8)
Decrease in basis points	**(0.2)**	**–**	2.0	–

As at 31 December 2018, the impact in the Group's equity is attributable to the changes in the fair value of the Swaptions entered in 2018 and settled in 2019, and designated as hedging instruments in a cash flow hedge.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligations under the contract or arrangement. The Group has limited concentration of credit risk across trade and financial counterparties. Credit policies are in place and the exposure to credit risk is monitored on an ongoing basis.

The Group's maximum exposure to credit risk in the event that counterparties fail to meet their obligations at 31 December 2019 in relation to each class of recognised financial asset is the carrying amount of those assets as indicated on the balance sheet.

Under the credit policies, before accepting any new credit customers, the Group investigates the potential customer's credit quality, using either external agencies and in some cases bank references and / or historic experience, and defines credit limits for each customer. Customers that fail to meet the Group's benchmark credit quality may transact with the Group only on a prepayment or cash basis. Customers are reviewed on an ongoing basis and credit limits are adjusted accordingly. There is no significant concentration of credit risk with regard to loans, trade and other receivables as the Group has a large number of customers which are geographically dispersed.

Notes to the consolidated financial statements continued

24. Financial risk management and financial instruments continued

The Group has policies that limit the amount of credit exposure to any single financial institution. The Group only undertakes investment and derivative transactions with banks and financial institutions that have a minimum credit rating of 'BBB-' from Standard & Poor's and 'Baa3' from Moody's, unless the investment is in countries where the Sovereign Credit Rating is below the 'BBB- / Baa3'. The Group also uses Credit Default Swaps of a counterparty in order to measure in a timelier way the creditworthiness of a counterparty and set up its counterparties in tiers in order to assign maximum exposure and tenor per tier. If the Credit Default Swaps of a certain counterparty exceed 400 basis points the Group will stop trading derivatives with that counterparty and will try to cancel any deposits on a best-effort basis. In addition, the Group regularly makes use of time deposits and money market funds to invest excess cash balances and to diversify its counterparty risk. As at 31 December 2019, an amount of €881.5m (2018: €594.6m) is invested in time deposits and money market funds.

Liquidity risk

The Group actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. Bank overdrafts and bank facilities, both committed and uncommitted, are used to manage this risk.

The Group manages liquidity risk by maintaining adequate cash reserves and committed banking facilities, access to the debt and equity capital markets, and by continuously monitoring forecast and actual cash flows. In Note 25, the undrawn facilities that the Group has at its disposal to manage liquidity risk are discussed under the headings 'Commercial paper programme' and 'Committed credit facilities'.

The following tables detail the Group's remaining contractual maturities for its financial liabilities. The tables include both interest and principal undiscounted cash flows, assuming that interest rates remain constant from 31 December 2019.

	Up to one year € million	One to two years € million	Two to five years € million	Over five years € million	Total € million
Borrowings	**733.2**	**59.9**	**693.4**	**1,904.9**	**3,391.4**
Derivative liabilities	**11.6**	**0.1**	**–**	**–**	**11.7**
Trade and other payables	**1,547.8**	**0.4**	**0.9**	**4.8**	**1,553.9**
Leases	**67.7**	**54.7**	**86.8**	**52.5**	**261.7**
As at 31 December 2019	**2,360.3**	**115.1**	**781.1**	**1,962.2**	**5,218.7**

	Up to one year € million	One to two years € million	Two to five years € million	Over five years € million	Total € million
Borrowings	159.5	853.0	67.1	644.6	1,724.2
Derivative liabilities	16.6	1.3	–	–	17.9
Trade and other payables	1,557.6	0.1	0.2	6.3	1,564.2
As at 31 December 2018	**1,733.7**	**854.4**	**67.3**	**650.9**	**3,306.3**

Capital risk

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.

Adjusted EBITDA is calculated by adding back to operating profit the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and performance share costs and other non-cash items, if any. Comparable adjusted EBITDA refers to adjusted EBITDA excluding restructuring expenses, acquisition costs and the unrealised gains or losses resulting from the mark-to-market valuation of derivatives and embedded derivatives related to commodity hedging.

Refer to Note 25 for definition of net debt.

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.

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard & Poor's	April 2019	BBB+	Stable	A2
Moody's	May 2019	Baa1	Stable	P2

The Group's medium- to long-term target is to maintain the net debt to comparable adjusted EBITDA ratio within a 1.5 to 2.0 range.

The ratios as at 31 December were as follows:

	2019 € million	2018 € million
Net debt (refer to Note 25)	**1,772.9**	**613.3**
Operating profit	**715.3**	639.4
Depreciation and impairment of property, plant and equipment	**384.8**	318.7
Amortisation of intangible assets	**0.7**	0.5
Employee stock options and performance shares	**9.9**	10.1
Adjusted EBITDA	**1,110.7**	**968.7**
Other restructuring expenses (primarily redundancy costs)	**36.6**	23.1
Acquisition costs	**3.2**	–
Unrealised loss on commodity derivatives	**2.4**	8.5
Total comparable adjusted EBITDA	**1,152.9**	**1,000.3**
Net debt / comparable adjusted EBITDA ratio	**1.54**	**0.61**

Although the adoption of IFRS 16 had an impact on net debt and comparable adjusted EBITDA, the impact on the ratio was not significant.

The reconciliation of other restructuring expenses to total restructuring expenses for the years ended 31 December was as follows:

	2019 € million	2018 € million
Total restructuring expenses (refer to Note 8)	**37.8**	32.8
Less: Impairment of property, plant and equipment	**(1.2)**	(9.7)
Other restructuring expenses (primarily redundancy costs)	**36.6**	**23.1**

Hedging activity

The carrying amounts of the derivative financial instruments are included in the lines 'Other financial assets' and 'Other financial liabilities' of the consolidated balance sheet.

a) Cash flow hedges

The impact of the hedging instruments on the consolidated balance sheet was:

As at 31 December 2019	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**69.1**	**2.4**	
Non-current	**17.9**	**0.7**	
Commodity swap contracts	**17.9**	**0.7**	**Jan21-Nov21**
Current	**51.2**	**1.7**	
Foreign currency forward contracts	**7.3**	**0.1**	**Jan20-Sep20**
Foreign currency option contracts	**9.5**	**0.2**	**Jul20-Sep20**
Commodity swap contracts	**34.4**	**1.4**	**Jan20-Dec20**
Contracts with negative fair values	**141.8**	**(4.3)**	
Non-current	**6.4**	**(0.1)**	
Commodity swap contracts	**6.4**	**(0.1)**	**Jan21-Nov21**
Current	**135.4**	**(4.2)**	
Foreign currency forward contracts	**104.7**	**(2.5)**	**Jan20-Nov20**
Commodity swap contracts	**30.7**	**(1.7)**	**Jan20-Dec20**

Notes to the consolidated financial statements continued

24. Financial risk management and financial instruments continued

As at 31 December 2018	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**434.4**	**4.5**	
Non-current	**1.4**	**0.1**	
Commodity swap contracts	1.4	0.1	Jan20-Oct20
Current	**433.0**	**4.4**	
Foreign currency forward contracts	78.3	2.1	Jan19-Dec19
Interest rate contracts	350.0	2.2	Dec19
Commodity swap contracts	4.7	0.1	Jan19-Dec19
Contracts with negative fair values	**216.0**	**(11.5)**	
Non-current	**19.7**	**(1.3)**	
Commodity swap contracts	19.7	(1.3)	Jan20-Nov20
Current	**196.3**	**(10.2)**	
Foreign currency forward contracts	120.5	(1.1)	Jan19-Dec19
Commodity swap contracts	75.8	(9.1)	Jan19-Dec19

The impact on the hedging reserve as a result of applying cash flow hedge accounting was:

	Spot component of foreign currency forward contracts	Intrinsic value of foreign currency option contracts	Cost of hedging reserve of currency derivatives	Commodity swap contracts	Interest rate swap contracts	Total
Opening balance 1 January 2018	**(2.0)**	**(0.2)**	**–**	**0.9**	**(43.8)**	**(45.1)**
Net gain of cash flow hedges	**9.2**	**2.1**	**–**	**(11.2)**	**6.2**	**6.3**
Change in fair value of hedging instruments recognised in OCI	8.9	2.6	–	(11.2)	(0.2)	**0.1**
Reclassified to profit or loss	0.3	(0.5)	–	–	6.4	**6.2**
Cost of hedging recognised in OCI	–	–	(3.5)	–	(1.8)	**(5.3)**
Reclassified to the cost of inventory	(7.0)	(1.7)	3.0	(0.2)	–	**(5.9)**
Closing balance 31 December 2018	**0.2**	**0.2**	**(0.5)**	**(10.5)**	**(39.4)**	**(50.0)**
Net gain of cash flow hedges	**(6.6)**	**0.5**	**–**	**2.8**	**5.8**	**2.5**
Change in fair value of hedging instruments recognised in OCI	(6.6)	0.5	–	2.8	(1.0)	**(4.3)**
Reclassified to profit or loss	–	–	–	–	6.8	**6.8**
Cost of hedging recognised in OCI	**–**	**–**	**(4.5)**	**–**	**(6.6)**	**(11.1)**
Reclassified to the cost of inventory	**2.8**	**–**	**4.4**	**7.9**	**–**	**15.1**
Closing balance 31 December 2019	**(3.6)**	**0.7**	**(0.6)**	**0.2**	**(40.2)**	**(43.5)**

As at 1 January 2018 the transfer of cash flow hedge reserve to the cost of inventory is directly from equity.

The effect of the cash flow hedges in the consolidated income statement was:

	2019 Loss / (Gain) € million	2018 Loss / (Gain) € million
Net amount reclassified from other comprehensive income to cost of goods sold	**–**	(0.2)
Net amount reclassified from other comprehensive income to finance costs	**6.8**	6.4
Total	**6.8**	**6.2**

There was no significant ineffectiveness on the cash flow hedges during the years ended 31 December 2019 and 2018 in relation to cash flow hedges.

b) Undesignated hedges

The fair values of derivative financial instruments as at 31 December which economically hedge Group's risks and for which hedge accounting has not been applied were:

As at 31 December 2019	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**163.1**	**1.3**	
Non-current	**23.8**	**0.5**	
Embedded derivatives	**23.8**	**0.5**	**Jan21-May21**
Current	**139.3**	**0.8**	
Foreign currency forward contracts	**139.3**	**0.8**	**Jan20-Dec20**
Contracts with negative fair values	**189.3**	**(7.4)**	
Non-current	**2.7**	**–**	
Commodity swap contracts	**2.7**	**–**	**Jan21-Nov21**
Current	**186.6**	**(7.4)**	
Foreign currency forward contracts	**74.9**	**(3.6)**	**Jan20-Dec20**
Foreign currency future contracts	**81.8**	**(0.1)**	**Jan20-Dec20**
Commodity swap contracts	**29.9**	**(3.7)**	**Jan20-Dec20**

As at 31 December 2018	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**296.4**	**4.9**	
Non-current	**54.2**	**1.6**	
Embedded derivatives	54.2	1.6	Jan 19-May21
Current	**242.2**	**3.3**	
Foreign currency forward contracts	160.7	3.2	Jan 19-Dec19
Foreign currency future contracts	81.5	0.1	Jun19-Nov19
Contracts with negative fair values	**(165.4)**	**(6.4)**	
Current	**(165.4)**	**(6.4)**	
Foreign currency forward contracts	(215.4)	(2.9)	Jan 19-Dec19
Commodity swap contracts	50.0	(3.5)	Jan 19-Dec19

The effect of the undesignated hedges in the consolidated income statement was:

	2019 Loss / (Gain) € million	2018 Loss / (Gain) € million
Net amount recognised in cost of goods sold	**11.4**	8.7
Net amount recognised in operating expenses	**(6.5)**	(6.3)
Total	**4.9**	**2.4**

Notes to the consolidated financial statements continued

24. Financial risk management and financial instruments continued

Financial instruments' categories

Categories of financial instruments as at 31 December were as follows (in € million):

2019

Assets	Financial assets at amortised cost	Assets at FVTPL	Derivatives designated as hedging instruments	Equity financial assets at FVOCI	Total current and non-current	Analysis of total assets: Current	Analysis of total assets: Non-current
Investments including loans to related parties	361.8	371.5	–	3.7	737.0	732.4	4.6
Derivative financial instruments	–	1.3	2.4	–	3.7	2.5	1.2
Trade and other receivables excluding prepayments	935.5	–	–	–	935.5	931.6	3.9
Cash and cash equivalents	823.0	–	–	–	823.0	823.0	–
Total	**2,120.3**	**372.8**	**2.4**	**3.7**	**2,499.2**	**2,489.5**	**9.7**

Liabilities	Liabilities held at amortised cost	Liabilities at FVTPL	Derivatives designated as hedging instruments	Total current and non-current	Analysis of total liabilities: Current	Analysis of total liabilities: Non-current
Trade and other payables excluding provisions and deferred income	1,553.9	–	–	1,553.9	1,547.8	6.1
Borrowings	3,324.7	–	–	3,324.7	761.8	2,562.9
Derivative financial instruments	–	7.4	4.3	11.7	11.6	0.1
Total	**4,878.6**	**7.4**	**4.3**	**4,890.3**	**2,321.2**	**2,569.1**

2018

Assets	Financial assets at amortised cost	Assets at FVTPL	Derivatives designated as hedging instruments	Equity financial assets at FVOCI	Total current and non-current	Analysis of total assets: Current	Analysis of total assets: Non-current
Investments including loans to related parties	248.3	34.9	–	3.5	286.7	282.3	4.4
Derivative financial instruments	–	4.9	4.5	–	9.4	7.7	1.7
Trade and other receivables excluding prepayments	870.4	–	–	–	870.4	866.6	3.8
Cash and cash equivalents	712.3	–	–	–	712.3	712.3	–
Total	**1,831.0**	**39.8**	**4.5**	**3.5**	**1,878.8**	**1,868.9**	**9.9**

Liabilities	Liabilities held at amortised cost	Liabilities at FVTPL	Derivatives designated as hedging instruments	Total current and non-current	Analysis of total liabilities: Current	Analysis of total liabilities: Non-current
Trade and other payables excluding provisions and deferred income	1,564.2	–	–	1,564.2	1,557.6	6.6
Borrowings	1,604.4	–	–	1,604.4	136.4	1,468.0
Derivative financial instruments	–	6.4	11.5	17.9	16.6	1.3
Total	**3,168.6**	**6.4**	**11.5**	**3,186.5**	**1,710.6**	**1,475.9**

Interest rate swap contracts

The Group entered into forward starting swap contracts of €500.0m in 2014 to hedge the interest rate risk related to its Euro-denominated forecast issuance of fixed rate debt in March 2016. In August 2015 the Group entered into additional forward starting swap contracts of €100.0m. In March 2016 the forward starting swap contracts were settled and at the same time the new note was issued, the accumulated loss of €55.4m recorded in other comprehensive income is being amortised to the income statement over the term of the new note (refer to Note 25).

The Group entered into swaption contracts of €350.0m in 2018 and €1,050.0m in 2019 to hedge the interest rate risk related to its Euro-denominated forecast issuance of fixed rate debt in 2019 and formally designated them as cash flow hedges. In May and November 2019 the swaption contracts were settled and, at the same time, the new notes were issued. The accumulated loss of €9.6m recorded in other comprehensive income is being amortised to the income statement over the relevant period.

Embedded derivatives

During 2015 the Group recognised embedded derivatives whose risks and economic characteristics were not considered to be closely related to the commodity contract in which they were embedded. The fair value of the embedded derivatives as at 31 December 2019 amounted to a financial asset of €0.5m (2018: €1.6m).

Fair values of financial assets and liabilities

For financial instruments such as cash, deposits, debtors and creditors, investments, loans payable to related parties, 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. According to the fair value hierarchy, the financial instruments measured at fair value are classified as follows:

Level 1

The fair value of FVOCI listed equity securities as well as FVTPL securities is based on quoted market prices at the reported date. The fair value of bonds is based on quoted market prices at the reported date.

Level 2

The fair value of foreign currency forward, option and future contracts, commodity swap contracts, bonds and notes payable, interest rate swap contracts, forward starting swap contracts and embedded foreign currency derivatives is determined by using valuation techniques. These valuation techniques maximise the use of observable market data. The fair value of the foreign currency forward, option and future contracts, commodity swap contracts, embedded foreign currency derivatives and cross-currency swap contracts is calculated by reference to quoted forward exchange, deposit rates and the forward rate curve of the underlying commodity at the reported date for contracts with similar maturity dates. The fair value of interest rate option contracts is calculated by reference to the Black-Scholes valuation model and implied volatilities. The fair value of interest rate 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

The fair value of FVOCI unlisted equity securities as well as certain undesignated derivatives is determined through the use of estimated discounted cash flows or other valuation technique.

Notes to the consolidated financial statements continued

24. Financial risk management and financial instruments continued

The following table provides the fair value hierarchy levels into which fair value measurements are categorised for assets and liabilities measured at fair value as at 31 December 2019:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets at FVTPL				
Foreign currency forward contracts	–	0.8	–	**0.8**
Embedded derivatives	–	0.5	–	**0.5**
Money market funds	371.5	–	–	**371.5**
Derivative financial assets used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	0.1	–	**0.1**
Foreign currency option contracts	–	0.2	–	**0.2**
Commodity swap contracts	–	2.1	–	**2.1**
Assets at FVOCI				
Equity securities	0.9	–	2.8	**3.7**
Total financial assets	**372.4**	**3.7**	**2.8**	**378.9**
Financial liabilities at FVTPL				
Foreign currency forward contracts	–	(3.6)	–	**(3.6)**
Foreign currency futures contracts	–	(0.1)	–	**(0.1)**
Commodity swap contracts	–	–	(3.7)	**(3.7)**
Derivative financial liabilities used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	(2.5)	–	**(2.5)**
Commodity swap contracts	–	(1.8)	–	**(1.8)**
Total financial liabilities	**–**	**(8.0)**	**(3.7)**	**(11.7)**

There were no transfers between Level 1, Level 2 and Level 3 in the period.

The following table provides the fair value hierarchy levels into which fair value measurements are categorised for assets and liabilities measured at fair value as at 31 December 2018:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets at FVTPL				
Foreign currency forward contracts	–	3.2	–	**3.2**
Embedded derivatives	–	1.6	–	**1.6**
Foreign currency futures contracts	–	0.1	–	**0.1**
Money market funds	34.9	–	–	**34.9**
Derivative financial assets used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	2.1	–	**2.1**
Interest rate swap contracts	–	2.2	–	**2.2**
Commodity swap contracts	–	0.2	–	**0.2**
Assets at FVOCI				
Equity securities	0.7	–	2.8	**3.5**
Total financial assets	**35.6**	**9.4**	**2.8**	**47.8**
Financial liabilities at FVTPL				
Foreign currency forward contracts	–	(2.9)	–	**(2.9)**
Commodity swap contracts	–	(0.4)	(3.1)	**(3.5)**
Derivative financial liabilities used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	(1.1)	–	**(1.1)**
Commodity swap contracts	–	(10.4)	–	**(10.4)**
Total financial liabilities	**–**	**(14.8)**	**(3.1)**	**(17.9)**

There were no transfers between Level 1, Level 2 and Level 3 in the period.

25. Net debt

Accounting policy

Borrowings are initially recognised at the fair value net of transaction costs incurred.

After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method whereby any discount, premium or transaction costs associated with a borrowing are amortised to the income statement over the borrowing period.

Refer also to Note 16 for accounting policy on leases.

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. Bank overdrafts are classified as short-term borrowings in the balance sheet and for the purpose of the cash flow statement. Time deposits and treasury bills which do not meet the definition of cash and cash equivalents are classified as short-term investments at amortised cost. Money market funds are classified as short-term investments at fair value through profit or loss.

Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents, and certain other financial assets.

Net debt for the year ended 31 December comprised:

	2019 € million	2018 € million
Current borrowings	**761.8**	136.4
Non-current borrowings	**2,562.9**	1,468.0
Less: Cash and cash equivalents	**(823.0)**	(712.3)
• Financial assets at amortised cost	**(357.3)**	(243.9)
• Financial assets at fair value through profit or loss	**(371.5)**	(34.9)
Less: Other financial assets	**(728.8)**	(278.8)
Net debt	**1,772.9**	**613.3**

The financial assets at amortised cost comprise time deposits amounting to €349.8m (31 December 2018: €243.9m) and also include an amount of €7.5m (31 December 2018: €nil) invested in Nigerian Treasury Bills. The financial assets at fair value through profit or loss relate to money market funds. The line item 'Other financial assets' on the balance sheet includes derivative financial instruments of €2.5m (2018: €7.7m) and related party loans receivable of €3.6m (2018: €3.5m).

a) Borrowings

The Group held the following borrowings as at 31 December:

	2019 € million	2018 € million
Bonds, bills and unsecured notes	**563.1**	–
Commercial paper	**100.0**	95.0
Loans payable to related parties (refer to Note 27)	**20.1**	4.0
Other borrowings	**22.3**	30.9
	705.5	**129.9**
Obligations under leases falling due within one year	**56.3**	6.5
Total borrowings falling due within one year	**761.8**	**136.4**
Borrowings falling due within one to two years		
Bonds, bills and unsecured notes	**–**	798.3
Loans payable to related parties (refer to Note 27)	**27.2**	13.3
Borrowings falling due within two to five years		
Bonds, bills and unsecured notes	**597.4**	–
Borrowings falling due in more than five years		
Bonds, bills and unsecured notes	**1,783.6**	596.9
	2,408.2	**1,408.5**
Obligations under leases falling due in more than one year	**154.7**	59.5
Total borrowings falling due after one year	**2,562.9**	**1,468.0**
Total borrowings	**3,324.7**	**1,604.4**

Notes to the consolidated financial statements continued

25. Net debt continued

Reconciliation of liabilities to cash flows arising from financing activities:

	Borrowings		Leases			
	due within one year	due in more than one year	due within one year	due in more than one year	Derivative assets / (liabilities)	Total
Balance at 1 January 2018	158.8	1,393.5	7.6	66.3	–	**1,626.2**
Cash flows						
Proceeds from borrowings	39.5	12.9	–	–	–	**52.4**
Repayments of borrowings	(69.6)	–	–	–	–	**(69.6)**
Principal repayments of finance lease obligations	–	–	(7.7)	–	–	**(7.7)**
Interest paid	(34.7)	–	(5.7)	–	–	**(40.4)**
Proceeds from / (payments for) settlement of derivatives regarding financing activities	–	–	–	–	1.4	**1.4**
Total cash flows	**(64.8)**	**12.9**	**(13.4)**	**–**	**1.4**	**(63.9)**
Finance leases increase	–	–	–	(0.8)	–	**(0.8)**
Effect of changes in exchange rates	–	–	–	(0.4)	–	**(0.4)**
Other non-cash movements	35.9	2.1	12.3	(5.6)	(1.4)	**43.3**
Balance at 31 December 2018	**129.9**	**1,408.5**	**6.5**	**59.5**	**–**	**1,604.4**
Recognition of leases on adoption of IFRS 16	–	–	39.9	105.5	–	**145.4**
Arising from business combination	125.6	–	0.3	0.3	–	**126.2**
Cash flows						
Proceeds from borrowings	16.7	1,823.3	–	–	–	**1,840.0**
Repayments of borrowings	(135.6)	(236.6)	–	–	–	**(372.2)**
Principal repayments of lease obligations	–	–	(45.5)	–	–	**(45.5)**
Interest paid	(43.7)	(17.0)	(11.1)	–	–	**(71.8)**
Proceeds from / (payments for) settlement of derivatives regarding financing activities	–	–	–	–	(8.3)	**(8.3)**
Total cash flows	**(37.0)**	**1,569.7**	**(16.4)**	**105.8**	**(8.3)**	**1,613.8**
Leases increase	–	–	13.7	50.0	–	**63.7**
Effect of changes in exchange rates	0.1	3.4	0.9	1.7	–	**6.1**
Other non-cash movements	612.5	(573.4)	51.6	(62.3)	8.3	**36.7**
Balance at 31 December 2019	**705.5**	**2,408.2**	**56.3**	**154.7**	**–**	**3,324.7**

The line 'Other non-cash movements' primarily comprises the transfers from long-term to short-term liabilities.

Commercial paper programme

In October 2013 the Group established a €1.0bn Euro-commercial paper programme (the 'CP programme') which was updated in September 2014 and then in May 2017, to further diversify its short-term funding sources. The Euro-commercial paper notes may be issued either as non-interest-bearing notes sold at a discount or as interest-bearing notes at a fixed or floating rate. 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 Coca-Cola HBC's fully owned subsidiary Coca-Cola HBC Finance B.V. and is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The outstanding amount under the CP programme as at 31 December 2019 was €100.0m (2018: €95.0m).

Committed credit facilities

In April 2019, the Group updated its then-existing €500.0m syndicated revolving credit facility, which was set to expire in June 2021. The updated syndicated revolving credit facility has been increased to €800.0m and has been extended to April 2024 with the option to be extended for up to two more years until April 2026. 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 borrower in the syndicated loan facility is Coca-Cola HBC's fully owned subsidiary Coca-Cola HBC Finance B.V. and it is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The facility is not subject to any financial covenants that would impact the Group's liquidity or access to capital.

In December 2019 the Group established a loan facility of US dollar 85m to finance the purchase of production equipment by the Group's subsidiary in Nigeria. The facility will be drawn down by the Nigerian Bottling Company ('NBC') over the course of 2020 and 2021 and has a term of 8 years. The obligations under this facility are guaranteed by Coca-Cola HBC AG.

Euro medium-term note programme

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, September 2015 and then April 2019, when it was increased to €5.0bn. Notes are issued under the EMTN programme through Coca-Cola HBC's 100%-owned subsidiary Coca-Cola HBC Finance B.V. and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In June 2013, Coca-Cola HBC Finance B.V. completed the issue of €800m, 2.375%, seven-year fixed rate, Euro-denominated notes. The net proceeds of the new issue were used to repay the US dollar 500m notes due in September 2013 and partially repay €183.0m of the 7.875% five-year fixed rate notes due in January 2014.

In March 2016, Coca-Cola HBC Finance B.V. completed the issue of a €600m Euro-denominated fixed rate bond maturing in November 2024. The coupon rate of the new bond is 1.875% which, including the amortisation of the loss on the forward starting swap contracts over the term of the fixed rate bond, results in an effective interest rate of 2.99%. The net proceeds of the new issue were used to partially repay €214.6m of the 4.25% seven-year fixed rate notes due in November 2016. The remaining €385.4m was repaid in November 2016 upon its maturity.

In May 2019, Coca-Cola HBC Finance B.V. completed the issue of a €700m Euro-denominated fixed rate bond maturing in May 2027 with a coupon rate of 1% and the issue of a €600m Euro-denominated fixed rate bond maturing in May 2031 with a coupon rate of 1.625%. The net proceeds of the new issue were used to partially repay €236.6m of the 2.375%, seven-year fixed rate bond due in June 2020.

In November 2019, Coca-Cola HBC Finance B.V. completed the issue of a €500m Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%.

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

Summary of notes outstanding as at 31 December

				Book Value		Fair Value	
Notes	Start date	Maturity date	Fixed coupon	2019 € million	2018 € million	2019 € million	2018 € million
€800	18 June 2013	18 June 2020	2.375%	**563.1**	798.3	**566.6**	822.5
€600	10 March 2016	11 November 2024	1.875%	**597.4**	596.9	**652.3**	632.5
€700	14 May 2019	14 May 2027	1.000%	**695.2**	–	**721.5**	–
€500	21 November 2019	21 November 2029	0.625%	**493.2**	–	**489.7**	–
€600	14 May 2019	14 May 2031	1.625%	**595.2**	–	**643.4**	–
Total				**2,944.1**	**1,395.2**	**3,073.5**	**1,455.0**

The weighted average effective interest rate of the Euro-denominated fixed rate bonds is 2.06% and the weighted average maturity is 6.8 years.

The fair values are within Level 1 of the value hierarchy.

Obligations under leases

As at 31 December 2018 finance leases were recorded in accordance with IAS 17. Future minimum lease payments together with the present value of the net minimum lease payments were as follows:

	2018 € million	
	Minimum payments	Present value of payments
Less than one year	11.2	6.5
Later than one year but less than five years	44.5	29.8
Later than five years	36.5	29.7
Total minimum lease payments	**92.2**	**66.0**
Future finance charges on leases	(26.2)	–
Present value of minimum lease payments	**66.0**	**66.0**

Notes to the consolidated financial statements continued

25. Net debt continued

Total borrowings at 31 December were held in the following currencies:

	Current		Non-current	
	2019 € million	2018 € million	2019 € million	2018 € million
Euro	709.2	129.8	2,442.5	1,412.8
Russian rouble	21.8	–	37.6	13.3
Nigerian naira	9.4	1.1	15.3	–
US dollar	1.5	2.3	22.0	23.0
Bulgarian lev	5.0	–	12.9	–
Czech koruna	2.9	–	9.1	–
Swiss franc	4.5	–	6.1	–
UK sterling	1.9	1.6	7.4	7.7
Romanian leu	1.4	–	3.5	–
Polish zloty	1.7	1.0	1.6	11.2
Croatian kuna	1.0	0.3	1.2	–
Hungarian forint	0.7	–	1.2	–
Belarusian rouble	–	–	1.2	–
Bosnian mark	0.3	–	0.3	–
Other	0.5	0.3	1.0	–
Total borrowings	**761.8**	**136.4**	**2,562.9**	**1,468.0**

The carrying amounts of interest-bearing borrowings held at fixed and floating interest rate as at 31 December 2019 were as follows:

	Fixed interest rate € million	Floating interest rate € million	Total € million
Euro	3,139.5	12.2	3,151.7
Russian rouble	16.1	43.3	59.4
Nigerian naira	24.7	–	24.7
US dollar	23.5	–	23.5
Bulgarian lev	17.9	–	17.9
Czech koruna	12.0	–	12.0
Swiss franc	10.6	–	10.6
UK sterling	1.2	8.1	9.3
Romanian leu	4.9	–	4.9
Polish zloty	3.3	–	3.3
Croatian kuna	2.2	–	2.2
Hungarian forint	1.9	–	1.9
Belarusian rouble	1.2	–	1.2
Bosnian mark	0.6	–	0.6
Other	1.5	–	1.5
Total interest-bearing borrowings	**3,261.1**	**63.6**	**3,324.7**

As of 31 December 2018, other borrowings of €0.3m were subject to factoring agreements, based on which the customers are liable to the interest being charged (refer to Note 18).

b) Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise the following:

	2019 € million	2018 € million
Cash at bank, in transit and in hand	662.8	396.5
Short-term deposits	160.2	315.8
Total cash and cash equivalents	**823.0**	**712.3**

Cash and cash equivalents are held in the following currencies:

	2019 € million	2018 € million
Euro	**683.5**	577.0
Nigerian naira	**33.1**	49.8
Serbian dinar	**20.0**	9.6
Polish zloty	**18.2**	9.0
Russian rouble	**16.3**	22.9
Romanian leu	**11.1**	8.7
US dollar	**8.1**	3.3
UK sterling	**6.7**	13.2
Ukrainian hryvnia	**5.3**	1.9
Hungarian forint	**5.0**	3.3
Belarusian rouble	**4.1**	1.7
Bosnian mark	**2.9**	1.2
Croatian kuna	**2.1**	1.9
Moldovan leu	**2.1**	1.1
Czech koruna	**1.1**	1.2
Swiss franc	**1.0**	5.4
Other	**2.4**	1.1
Total cash and cash equivalents	**823.0**	**712.3**

As at 31 December 2019, time deposits of €349.8m (2018: €243.9m), which do not meet the definition of cash and cash equivalents, and investment in Nigerian Treasury Bills of €7.5m (2018: €nil), which relates to the outstanding balance held for the repayment of Nigerian Bottling Company former minority shareholders following the 2011 acquisition of non-controlling interests, are recorded as other financial assets.

Cash and cash equivalents include an amount of €33.1m equivalent in Nigerian naira. This includes an amount of €6.4m equivalent in Nigerian naira which relates to the outstanding balance held for the repayment of Nigerian Bottling Company former minority shareholders, following the 2011 acquisition of non-controlling interests.

The amount of dividends payable to the Company by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws and exchange control restrictions of the respective jurisdictions where those subsidiaries are organised and operate. Also, there are fund transfer restrictions in certain countries in which we operate, in particular Belarus, Nigeria, Serbia and Ukraine, where these restrictions do not have a material impact on the Group's liquidity, as the amounts of cash and cash equivalents held in such countries are generally retained for capital expenditure, working capital and dividend distribution purposes. Intra-group dividends paid by certain of our subsidiaries are also subject to withholding taxes.

26. Equity

Accounting policies

Share capital

Coca-Cola HBC has only one class of shares, ordinary shares. 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 in the share premium reserve. Incremental external costs directly attributable to the issue of new shares or to the process of returning capital to shareholders are recorded in equity as a deduction, net of tax, in the share premium reserve.

Dividends

Dividends are recorded in the Group's consolidated financial statements, against the relevant equity component, in the period in which they are approved by the Group's shareholders.

Notes to the consolidated financial statements continued

26. Equity continued

a) Share capital, share premium and Group reorganisation reserve

	Number of shares (authorised and issued)	Share capital € million	Share premium € million	Group reorganisation reserve € million
Balance as at 1 January 2018	370,763,039	2,015.1	4,739.3	(6,472.1)
Shares issued to employees exercising stock options (refer to Note 28)	1,064,190	6.1	9.2	–
Dividends	–	–	(200.6)	–
Balance as at 31 December 2018	**371,827,229**	**2,021.2**	**4,547.9**	**(6,472.1)**
Shares issued to employees exercising stock options (refer to Note 28)	1,352,731	8.0	13.4	–
Cancellation of shares	(3,249,803)	(18.4)	(74.1)	–
Dividends	–	–	(208.9)	–
Special dividend	–	–	(733.0)	–
Balance as at 31 December 2019	**369,930,157**	**2,010.8**	**3,545.3**	**(6,472.1)**

The Group reorganisation reserve relates to the impact from adjusting share capital, share premium and treasury shares to reflect the statutory amounts of Coca-Cola HBC on 25 April 2013, together with the transaction costs incurred by the latter, relating primarily to the re-domiciliation of the Group and its admission to listing in the premium segment of the London Stock Exchange, following successful completion of the voluntary share exchange offer (refer also to Note 1). These transactions were treated as a reorganisation of an existing entity that has not changed the substance of the reporting entity.

In 2019, the share capital of Coca-Cola HBC increased by the issue of 1,352,731 (2018: 1,064,190) new ordinary shares following the exercise of stock options pursuant to the Coca-Cola HBC AG employee stock option plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €21.4m (2018: €15.3m).

Following the above changes, as at 31 December 2019 the share capital of the Group amounted to €2,010.8m (2018: €2,021.2m) and comprised 369,930,157 shares with a nominal value of CHF 6.70 each.

b) Dividends

The shareholders of Coca-Cola HBC AG approved the 2017 dividend distribution of €0.54 per share at the Annual General Meeting held on 11 June 2018. The total dividend amounted to €200.6m and was paid on 24 July 2018. Of this, an amount of €1.8m related to shares held by the Group.

The shareholders of Coca-Cola HBC AG approved the 2018 dividend distribution of €0.57 per share as well as a special dividend of €2.00 per share at the Annual General Meeting held on 18 June 2019. The total dividend amounted to €941.9m and was paid on 30 July 2019. Of this, an amount of €8.8m related to shares held by the Group.

The Board of Directors of Coca-Cola HBC AG has proposed a €0.62 dividend per share in respect of 2019. If approved by the shareholders of Coca-Cola HBC AG, this dividend will be paid in 2020.

c) Treasury shares and reserves

The reserves of the Group at 31 December were as follows:

	2019 € million	2018 € million
Treasury shares	**(169.8)**	**(184.1)**
Exchange equalisation reserve	**(964.7)**	**(1,088.8)**
Other reserves		
Hedging reserve, net	**(42.6)**	(49.6)
Tax-free reserve	**163.8**	163.8
Statutory reserves	**28.0**	27.6
Stock option and performance share reserve	**84.9**	102.9
Financial assets at fair value through other comprehensive income reserve, net	**0.8**	0.6
Other	**21.4**	23.7
Total other reserves	**256.3**	**269.0**
Total reserves	**(878.2)**	**(1,003.9)**

Treasury shares

Treasury shares held by the Group represent shares acquired following approval of share buy-back programmes, forfeited shares under the equity compensation plan operated by the Group as well as shares representing the initial ordinary shares of Coca-Cola HBC acquired from Kar-Tess Holding.

On 11 June 2018, the Annual General Meeting adopted a proposal for share buy-back of up to 7,500,000 ordinary shares of Coca-Cola HBC for the purpose of neutralising the dilution resulting from shares issued under Coca-Cola HBC's equity compensation plans and meeting the requirements of the Company's employee incentive scheme. The programme was partially completed during 2018 for a consideration of €27.8m. As a result of an irrevocable share purchase agreement entered into in December 2018, the Group recognised a UK sterling-denominated liability of €85.5m with a corresponding deduction in treasury shares. This resulted in a movement to treasury shares within the consolidated statement of changes in equity of €113.3m for 2018.

The programme was completed in full in May 2019 for a total consideration of €220.6m. This resulted in a movement to treasury shares within the consolidated statement of changes in equity of €106.1m, being the consideration paid in 2019 of €192.8m adjusted for the impact from the €85.5m UK sterling-denominated liability recognised as at 31 December 2018, further adjusted by €1.2m recorded on settlement of the arrangement.

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

An amount of €27.9m relates to treasury shares provided to employees in 2019 in connection with vested performance share awards under the Company's employee incentive scheme, which was reflected as an appropriation of reserves between 'Treasury shares' and 'Other reserves' in the consolidated statement of changes in equity, more specifically the 'Stock option and performance share reserve'.

As at 31 December 2019, 6,658,233 (2018: 4,478,128) treasury shares were held by the Group.

Exchange equalisation reserve

The exchange equalisation reserve comprises all foreign exchange differences arising from the translation of the financial statements of Group entities with functional currencies other than the Euro.

Other reserves

Hedging reserve

The hedging reserve reflects changes in the fair values of derivatives accounted for as cash flow hedges, net of the deferred tax related to such balances.

Tax-free and statutory reserves

The tax-free reserve includes investment amounts exempt from tax according to incentive legislation, other tax-free income or income taxed at source.

Statutory reserves are particular to the various countries in which the Group operates. The amount of statutory reserves of the parent entity, Coca-Cola HBC AG, is €nil. During 2019, an amount of €0.4m (2018: €0.3m) was reclassified to statutory reserves relating to the establishment of additional reserves by the Group's subsidiaries.

Stock option and performance share reserve

The stock option and performance share reserve represents the cumulative charge to the income statement for employee stock option and performance share awards less the vested performance share awards.

Other

Other reserves are particular to the various countries in which the Group operates and include shares held for the Group's employee share purchase plan, which is an equity compensation plan in which eligible employees may participate.

27. Related party transactions

a) The Coca-Cola Company

As at 31 December 2019, The Coca-Cola Company indirectly owned 23.0% (2018: 22.9%) of the issued share capital of Coca-Cola HBC. The Coca-Cola Company considers Coca-Cola HBC to be a 'key bottler' and has entered into bottlers' agreements with Coca-Cola HBC in respect of each of the Group's territories. All the bottlers' agreements entered into by The Coca-Cola Company and Coca-Cola HBC are Standard International Bottlers' ('SIB') agreements.

Notes to the consolidated financial statements continued

27. Related party transactions continued

The terms of the bottlers' agreements grant Coca-Cola HBC the right to produce and the exclusive right to sell and distribute the beverages of The Coca-Cola Company in each of the countries in which the Group operates. Consequently, Coca-Cola HBC is obliged to purchase all concentrate for The Coca-Cola Company's beverages from The Coca-Cola Company, or its designee, in the ordinary course of business. On 10 October 2012, The Coca-Cola Company agreed to extend the term of the bottlers' agreements for a further 10 years until 2023.

The Coca-Cola Company owns or has applied for the trademarks that identify its beverages in each of the countries in which the Group operates. The Coca-Cola Company has authorised Coca-Cola HBC and certain of its subsidiaries to use the trademark 'Coca-Cola' in their corporate names.

The below table summarises transactions with The Coca-Cola Company and its subsidiaries:

	2019 € million	2018 € million
Purchases of concentrate, finished products and other items	**1,596.5**	1,525.3
Net contributions received for marketing and promotional incentives	**119.2**	110.8
Sales of finished goods and raw materials	**15.7**	17.6
Other income	**3.3**	8.3
Other expenses	**5.6**	3.8

The Coca-Cola Company makes discretionary marketing contributions to Coca-Cola HBC's operating subsidiaries. The participation in shared marketing agreements is at The Coca-Cola Company's discretion and, where co-operative arrangements are entered into, marketing expenses are shared. Such arrangements include the development of marketing programmes to promote The Coca-Cola Company's beverages. Contributions received from The Coca-Cola Company for marketing and promotional incentives during the year amounted to €119.2m (2018: €110.8m): contributions made by The Coca-Cola Company to Coca-Cola HBC for price support and marketing and promotional campaigns in respect of specific customers in 2019 totalled €92.6m (2018: €95.1m), while contributions made by The Coca-Cola Company to Coca-Cola HBC for general marketing programmes in 2019 totalled €26.6m (2018: €15.7m). The Coca-Cola Company has also customarily made additional payments for marketing and advertising directly to suppliers as part of the shared marketing arrangements. The proportion of direct and indirect payments, made at The Coca-Cola Company's discretion, will not necessarily be the same from year to year.

As at 31 December 2019, the Group had a total amount due from The Coca-Cola Company of €61.4m (2018: €76.7m), and a total amount due to The Coca-Cola Company of €309.4m including loan payable of €43.3m (2018: €256.1m including loan payable of €13.3m).

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

Truad Verwaltungs AG currently indirectly owns 48.6% of Frigoglass and 50.7% of AG Leventis (Nigeria) Plc and also indirectly controls Kar-Tess Holding, which holds approximately 23.1% (2018: 23.0%) of Coca-Cola HBC's total issued share capital.

The below table summarises transactions with the above entities:

Frigoglass & subsidiaries	**2019 € million**	2018 € million
Purchases of coolers, cooler parts, glass bottles, crowns and raw and other materials	**131.2**	138.7
Maintenance and other expenses	**24.0**	21.0
AG Leventis (Nigeria) Plc		
Purchases of finished goods and other materials	**7.5**	5.1
Other expenses	**0.3**	0.8

Frigoglass, a company listed on the Athens Exchange, is a manufacturer of coolers, cooler parts, glass bottles, crowns and plastics.

Frigoglass has a controlling interest in Frigoglass Industries (Nigeria) Limited, a company in which the Group has a 23.9% effective interest, through its investment in Nigerian Bottling Company Ltd. Furthermore, during 2015 the Group acquired through its investment in Nigerian Bottling Company Ltd a 23.9% effective interest in Frigoglass West Africa Ltd. In 2019, Frigoglass West Africa Ltd merged with Frigoglass Industries (Nigeria) Limited.

The Group entered into a supply agreement with Frigoglass for the purchase of cooling equipment in 1999. The supply agreement was extended in 2004, 2008, 2013 and, most recently, in 2018, on substantially similar terms. Coca-Cola HBC has the status of most favoured customer of Frigoglass, on a non-exclusive basis, provided that it obtains at least 60% (at prices which are agreed on an annual basis and which must be competitive) of its annual requirements for cooling equipment from Frigoglass. The current agreement expires on 31 December 2020.

As at 31 December 2019, Coca-Cola HBC owed €16.4m (2018: €18.3m) to and was owed €0.9m (2018: €0.3m) by Frigoglass.

As at 31 December 2019, the Group owed €1.9m (2018: €1.4m) to and was owed €nil (2018: €0.1m) by AG Leventis (Nigeria) Plc.

Capital commitments to Frigoglass and its subsidiaries as at 31 December 2019 amounted to €32.4m (€28.1m as at 31 December 2018) including the Group's share of its joint ventures' capital commitments to Frigoglass.

c) Other related parties

The below table summarises transactions with other related parties:

	2019 € million	2018 € million
Purchases	**2.1**	2.4
Other expenses	**17.5**	18.7

During 2019, the Group incurred subsequent expenditure for fixed assets of €2.1m (2018: €2.4m) from other related parties. Furthermore, during 2019, the Group incurred expenses of €17.5m (2018: €18.7m) mainly related to maintenance services for cold drink equipment and installations of coolers, fountains, vending and merchandising equipment from other related parties.

As at 31 December 2019, the Group owed €1.2m (2018: €2.7m) to and was owed €0.1m (2018: €0.1m) by other related parties.

d) Joint ventures

During 2019, the Group purchased €18.3m of finished goods (2018: €10.6m) from joint ventures. In addition, during 2019 the Group recorded sales of finished goods and raw materials of €3.8m (2018: €2.7m) to joint ventures. Furthermore, the Group recorded other income of €4.2m (2018: €4.2m) and other expenses of €3.9m (2018: €2.1m) from joint ventures.

As at 31 December 2019, the Group owed €9.6m including loans payable of €4.0m (2018: €9.6m including loans payable of €4.0m) to and was owed €6.8m including loans receivable of €3.6m (2018: €7.4m including loans receivable of €3.5m) by joint ventures. During 2019 the Group received dividends and capital returns of €7.7m (2018: €7.4m) from BrewTech B.V. Group of companies, which are included in the line 'Net receipts from equity investments' of the consolidated cash flow statement.

e) Directors and senior management

Anastassis G. David, Anastasios I. Leventis, Christo Leventis and Ryan Rudolph have all been nominated by Kar-Tess Holding to the Board of Coca-Cola HBC. José Octavio Reyes has been nominated by TCCC to the Board of Coca-Cola HBC and Alfredo Rivera has been elected to the Board of Coca-Cola HBC following a proposal by TCCC. There have been no transactions between Coca-Cola HBC and the Directors and senior management except for remuneration (refer to Note 8).

28. Share-based payments

Accounting policies

Stock option and performance share award plan

Coca-Cola HBC provides equity-settled share-based payments to its senior managers in the form of an employee stock option and performance share award plan (the 'Plan').

Stock options under the Plan are measured at fair value at the date of grant. Fair value reflects the parameters of the compensation plan, the risk-free interest rate, the expected volatility, the dividend yield and the early exercise experience under the Plan. Expected volatility is determined by calculating the historical volatility of Coca-Cola HBC's share price over previous years. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period.

The Plan offers a specified number of performance share awards that vest three years after the grant. The fair value is determined at the grant date and reflects the parameters of the compensation plan, the dividend yield and the closing share price on the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. At the end of each reporting period the Group revises its estimates of the number of shares that are expected to vest based on non-market conditions, and recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Employee Share Purchase Plan

The Group operates an employee share purchase plan (the 'ESPP'), an equity compensation plan in which eligible employees can participate. The Group makes contributions to the plan for participating employees and recognises expenses over the vesting period of the contributions.

Notes to the consolidated financial statements continued

28. Share-based payments continued

The charge included in employee costs regarding share-based payments for the years ended 31 December is analysed as follows:

	2019 € million	2018 € million
Performance share awards	12.7	13.3
Employee Share Purchase Plan	4.8	5.3
Total share-based payments charge	**17.5**	**18.6**

Terms and conditions

Stock option and performance share award plan

Based on Plan rules, senior managers are granted awards of stock options, based on performance, potentiality and level of responsibility. Options are granted at an exercise price equal to the closing price of the Company's shares trading on the London Stock Exchange on the day of the grant. Options vest in one-third increments each year for three years and can be exercised for up to 10 years from the date of award. When the options are exercised, the proceeds received by the Group, net of any transaction costs, are credited to share capital (at the nominal value) and share premium. The Group has not issued any new stock options since 2014.

Since 2015 performance shares are the primary long-term award. Senior managers are granted performance share awards, which have a three-year vesting period and are linked to Group-specific key performance indicators. The closing price of the Company's shares trading on the London Stock Exchange on the day of the grant is used to determine the number of performance share awards granted. In 2018 the Group modified the performance share plan, in order for eligible employees to receive upon vesting, additionally to the specific number of shares, the value of dividends corresponding to the years from grant till vest date, subject to the approval of the Remuneration Committee. The incremental fair value of €1.38 per share for the 2015 and 2016 grant and €1.48 per share for the 2017 grant is recognised as an expense from the modification date to the end of the vesting period.

Employee Share Purchase Plan

The Employee Share Purchase Plan is administered by a Plan Administrator. Under the terms of this plan, employees have the opportunity to invest 1% to 15% of their salary in ordinary Coca-Cola HBC shares by contributing to the plan through a payroll deduction. Employee deductions are used monthly to purchase ordinary Coca-Cola HBC shares in the open market (London Stock Exchange).

Coca-Cola HBC will match employee contributions up to a maximum of 3% of the employee's salary. Employer matching cash contributions vest one year after the grant, at which time they are used to purchase matching shares on the open market that are immediately vested. Dividends received in respect of shares held under this plan are used to purchase additional shares at the time of dividend distribution. Shares are held under the Plan Administrator. For employees resident in Greece, Coca-Cola HBC matches the employee's contribution with an annual employer contribution of up to 5% of the employee's salary that vests annually in December of each year.

Stock option activity

As a result of the special dividend distribution in 2019 (refer to Note 26) and following the related approval of the Remuneration Committee, an equitable adjustment was made to the exercise price of each unexercised stock option as well as to the outstanding number of stock options under each grant. This equitable adjustment ensured the intrinsic value of each stock option was retained and did not result in incremental fair value for any of the unexercised stock options.

The outstanding stock options are fully vested and are exercisable until 2026.

A summary of stock option activity in 2019 under all grants is as follows:

	Number of stock options 2019	Weighted* average exercise price 2019 (EUR)	Weighted average exercise price 2019 (GBP)
Outstanding at 1 January	5,299,467	16.29	14.73
Equitable adjustment	257,408	17.39	14.86
Exercised	(1,352,731)	16.59	14.17
Outstanding at 31 December	**4,204,144**	**16.45**	**14.05**
Exercisable at 31 December	**4,204,144**	**16.45**	**14.05**

A summary of stock option activity in 2018 under all grants is as follows:

	Number of stock options 2018	Weighted* average exercise price 2018 (EUR)	Weighted average exercise price 2018 (GBP)
Outstanding at 1 January	6,363,657	16.29	14.46
Exercised	(1,064,190)	14.49	13.10
Outstanding at 31 December	**5,299,467**	**16.29**	**14.73**
Exercisable at 31 December	**5,299,467**	**16.29**	**14.73**

* For convenience purposes, the prices are translated at the closing exchange rate.

Total proceeds from the issuance of the shares under the stock option plan in 2019 amounted to €21.4m (2018: €15.3m).

The weighted average remaining contractual life of stock options outstanding at 31 December 2019 was 2.5 years (2018: 3.5 years).

Performance shares activity

As a result of the special dividend distribution in 2019 (refer to Note 26) and following the related approval of the Remuneration Committee, an equitable adjustment was made to the number of outstanding shares under the Plan. This equitable adjustment did not result in incremental fair value for the outstanding shares.

A summary of performance shares activity is as follows:

	Number of performance shares	
	2019	2018
Outstanding at 1 January	**2,277,871**	2,122,290
Granted[1]	**739,237**	678,969
Equitable adjustment	**115,706**	–
Vested	**(1,037,024)**	(396,402)
Forfeited / Cancelled	**(201,767)**	(126,986)
Outstanding at 31 December	**1,894,023**	**2,277,871**

1. Includes dividend equivalent shares.

In 2018, following approval of the Remuneration Committee, the 396,402 shares relating to the former CEO vested fully. The weighted average remaining contractual life of performance shares outstanding at 31 December 2019 was 1.3 years (2018: 1.1 years).

The fair value for the 2019 performance share plan is £26.17 per share (2018: £25.28[2]). Relevant inputs into the valuation are as follows:

	2019	2018
Weighted average share price	**£26.17**	£25.28[2]
Dividend yield	**nil**	nil
Weighted average exercise period	**3.0 years**	3.0 years

2. Fair value prior to equitable adjustment.

29. Contingencies

In relation to the Greek Competition Authority's decision of 25 January 2002, one of Coca-Cola Hellenic Bottling Company S.A.'s competitors had filed a lawsuit against Coca-Cola Hellenic Bottling Company S.A. claiming damages in an amount of €7.7m. The court of first instance heard the case on 21 January 2009 and subsequently rejected the lawsuit. The plaintiff appealed the judgement and on 9 December 2013 the Athens Court of Appeals rejected the plaintiff's appeal. Following the spin-off, Coca-Cola HBC Greece S.A.I.C. substituted Coca-Cola Hellenic Bottling Company S.A. as defendant in this lawsuit. The 2013 Court of Appeals decision has been rendered final and irrecoverable and the case was closed. On 19 April 2014, the same plaintiff filed a new lawsuit against Coca-Cola Hellenic Bottling Company S.A. (following the spin-off, Coca-Cola HBC Greece S.A.I.C.) claiming payment of €7.5m as compensation for losses and moral damages for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. between 1994 and 2013. The two lawsuits partially overlap in the time period for which damages are sought by the plaintiff. The hearing of the new lawsuit was scheduled for 17 January 2019. On 21 December 2018, the plaintiff served their withdrawal from the lawsuit. However, on 20 June 2019, the same plaintiff filed another new lawsuit against Coca-Cola HBC Greece S.A.I.C. claiming payment of €10.1m as compensation for losses and moral damages again for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. for the same period between 1994 and 2013. The parties filed their briefs and exhibits with the Court and the hearing date of the case has been scheduled for 1 April 2020. Coca-Cola HBC Greece S.A.I.C. has not provided for any losses related to this case.

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

Notes to the consolidated financial statements continued

29. Contingencies continued

In 1992, our subsidiary Nigerian Bottling Company ('NBC') acquired a manufacturing facility in Nigeria from Vacunak, a Nigerian company. In 1994, Vacunak filed a lawsuit against NBC, alleging that a representative of NBC had orally agreed to rescind the sale agreement and instead enter into a lease agreement with Vacunak. As part of its lawsuit, Vacunak sought compensation for rent and loss of business opportunities. NBC discontinued all use of the facility in 1995. On 19 August 2013, NBC received the written judgment of the Nigerian court of first instance issued on 28 June 2012 providing for damages of approximately €20.3m. NBC has filed an appeal against the judgment. Based on advice from NBC's outside legal counsel, we believe that it is unlikely that NBC will suffer material financial losses from this case. We have consequently not provided for any losses in relation to this case.

The tax filings of the Group and its subsidiaries are routinely subjected to audit by tax authorities in most of the jurisdictions in which the Group conducts business. These audits may result in assessments of additional taxes. The Group provides for additional tax in relation to the outcome of such tax assessments, to the extent that a liability is probable and estimable.

The Group is also involved in various other legal proceedings. Management believes that any liability to the Group that may arise as a result of these pending legal proceedings will not have a material adverse effect on the results of operations, cash flows, or the financial position of the Group taken as a whole.

30. Commitments

Accounting policy

In 2018, leases of property, plant and equipment not classified as finance leases were classified as operating leases under IAS 17 'Leases'. Rentals paid under operating leases were charged to the income statement on a straight-line basis over the lease term.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, in accordance with IAS 16 'Leases' (refer to Note 16 for further information).

a) Operating leases

The total future minimum lease payments under operating leases at 31 December were due as follows:

	2018 € million
Less than one year	53.0
Later than one year but less than five years	98.1
Later than five years	32.2
Future minimum lease payments	**183.3**

The total operating lease charges included within operating expenses for 2018 amounted to €59.4m, of which €39.8m related to plant and equipment and €19.6m related to property.

b) Capital commitments

As at 31 December 2019, the Group had capital commitments for property, plant and equipment amounting to €221.7m (2018: €131.7m). Of this, €1.1m and €0.9m are related to the Group's share of the commitments arising from joint operations and joint ventures respectively (2018: €0.7m and €nil respectively).

Capital commitments for 2019 include total future minimum lease payments under leases not yet commenced to which the Group was committed at 31 December 2019 of €16.8m.

31. Post balance sheet events

On 17 March 2020 the Remuneration Committee granted 1,114,716 performance share awards under the performance share plan, which have a three-year vesting period.

The outbreak of novel coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including certain countries in which we operate. The Group considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019. Given the spread of the coronavirus, the range of potential outcomes for the global economy are difficult to predict at this point in time. Possible outcomes range from successful virus containment and minor short-term impact, to a prolonged global contagion resulting in potential recession. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. When it comes to our business, we are monitoring the COVID-19 outbreak developments closely, the Group follows guidance from the World Health Organization and abides by the requirements as activated by local governments. We have been implementing contingency plans to mitigate the potential adverse impact on the Group's employees and operations.