Other information

Statutory provision with respect to appropriation of result

The General Meeting has the authority to allocate the profits determined by adoption of the annual accounts.

Independent auditor's report

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements for the year 2019 of Refresco Group B.V., based in Rotterdam, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Refresco Group B.V. as at 31 December 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Refresco Group B.V. as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2019
- The following statements for 2019: the consolidated income statement, the consolidated statements of other comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2019
- The company income statement for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

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

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

Our audit approach

Our understanding of the business

Refresco Group B.V. is an independent bottler for retailers and A-brands. The group is structured in components and we tailored our group audit approach accordingly.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to 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.

Materiality

Materiality	€ 15 million (2018: € 18 million)
Benchmark applied	1.0 per cent of consolidated gross margin (2018: 1.5 per cent).
Explanation	Based on our professional judgment we have considered earnings-based measures, such as gross margin, as an appropriate benchmark to determine materiality. We believe gross margin is a suitable basis, as gross margin is an important measure of the company's performance.

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

We agreed with the Supervisory Board that misstatements in excess of € 750,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and regional directors) and the Supervisory Board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and the misappropriation of assets.

In our risk assessment we considered the fraud risk regarding revenue recognition, including rebates, discounts & delivery terms.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2.21 (Use of estimates and judgments) to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Scope of the group audit

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

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

Upon request of the Company, our group audit included all components making up the Refresco Group. We have performed the audit procedures on the Dutch holding entities ourselves. For the audit work in the other components we used other EY network firms.

Based on our assessment of the complete set of financial information for each component, we obtained a 100% coverage over the group total assets, 100% of revenues and 99% of net profit.

The group audit team provided detailed instructions to all component auditors, that covered significant audit areas including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team. Based on our risk assessment, we visited component locations in the United States, United Kingdom and the Netherlands. We had meetings with the component auditors and local management on the audit findings and financial reporting. We interacted with all component teams where appropriate during various stages of the audit and were responsible for the scope and direction of the audit process. Any further work deemed necessary by the group audit team was subsequently performed. The group audit team performed audit procedures with respect to certain accounts on the consolidated level, such as the accounting treatment of acquisitions, implementation of IFRS 16 leases and valuation of goodwill.

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

Teaming, use of specialists and internal audit

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit Refresco Group B.V. We included specialists in the areas of IT audit, treasury and income tax and have made use of our own experts in the areas of valuations of purchase price allocation, goodwill and actuaries.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

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

Following the implementation of IFRS 16, a new key audit matter 'Valuation of Right-of-Use assets and lease liabilities due to IFRS 16' has been defined.

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

Key audit matter	Our audit approach	Key observations
Measurement of Revenues *Refer to note 2.4 (Revenue from contracts with customers) and note 4.2 (Revenue)*		
Refresco Group B.V. has sales agreements with clients which differentiate between contract manufacturing and private label businesses. One of the main differences are the delivery terms and applicable rebates. As revenue is recognized based on these delivery terms and rebates we consider this a key audit matter.	In our audit, we have applied a mix of control-based audit procedures and substantive audit procedures on the revenue and revenue related accounts such as cost of goods sold, inventory and rebate accruals. These procedures, among others, consist of a detailed assessment of sales contracts, credit notes, detailed data analytical reviews, cut off testing in order to verify that revenue has been recorded in the correct year and detailed testing of revenue related rebate accruals. We also tested manual journal entries around year-end to ensure that revenue journal entries were approved and supported by underlying documentation.	We did not identify evidence of material misstatement in the revenue recognized in the year.
Valuation of Goodwill *Refer to note 2.11 (Intangible assets; business combinations and goodwill), note 2.13 (Impairment of non-financial assets), note 2.21 (Use of estimates and judgments; estimated goodwill and impairment of goodwill) and note 5.3 (Intangible assets)*		
Refresco Group B.V. has a significant amount of goodwill on its balance sheet amounting to €1,7 billion as per 31 December 2019. In accordance with EU-IFRS, Refresco Group B.V. is required to perform a goodwill impairment test on an annual basis. The goodwill is allocated to six Cash Generating Units (CGUs). Based on the annual goodwill test management concluded that there is no impairment.	As part of our audit procedures we focused on the assumptions and methodologies used by the Company to evaluate whether the Company is able to prepare reliable estimates. Given the complexity of the goodwill impairment calculation, we have used an EY valuation specialist to assist us in evaluating the methodology applied and the assumptions used. The Company uses assumptions with respect to Weighted Average Cost of Capital, future market and economic conditions such as expected inflation rates, economic growth rates, volumes, gross	Based on our work, we concur with the Company that no impairment of goodwill is required. We consider management's key assumptions, methodologies and prepared estimates to be

Key audit matter	Our audit approach	Key observations
These impairment tests are significant to our audit because the assessment process is complex and requires management judgment, and is based on assumptions that are affected by expected future market conditions.	margin and expenses. In order to assess the reasonability of input data, the valuation model and the Weighted Average Cost of Capital we have, among others, compared the data with external data such as expected inflation rates, external market growth expectations and by analyzing sensitivities in the Company's valuation model. With regard to the sensitivities we specifically focused on the available headroom present in the CGUs and whether a reasonable possible change in assumptions, such as the discount rate and the growth rate could cause the carrying amount to exceed its recoverable amount.	within the acceptable range and we assessed the disclosures in the financial statements as being appropriate.

Accounting treatment acquisitions

Refer to note 2.11 (Intangible assets; Business combinations and goodwill), note 2.21 (Use of estimates and judgments; Estimated goodwill and impairment of goodwill), note 5.3 (Intangible assets) and note 6.1 (Acquisition of subsidiaries and non-controlling interest)

In 2019 Refresco Group B.V. completed the acquisitions of Cott's concentrate business in the US, Milton Keynes in the UK and two manufacturing sites in Iberia (PepsiCo). As of 31 December 2019, the Company completed the preliminary acquisition accounting for these acquisitions. We focused on these transactions because the purchase price allocation involves significant management judgment in determining the assumptions that underlie the initial acquisition accounting and the useful lives associated with the acquired tangible and intangible assets.	We evaluated management's process and methodology applied related to the purchase price allocation. Given the complexity around this topic, we have used an EY valuation specialist to assist us in evaluating the assumptions and methodology. We have tested the allocation against the applicable IFRS standards and purchase agreements and assessed whether the correct accounting treatment has been applied. We have audited the identified fair values of the assets and liabilities acquired and assessed the valuation assumptions such as discount and growth rates. In addition, we have tested the supporting calculations for mathematical accuracy. In addition, we have assessed the valuation and accounting of other elements of the transactions. We also evaluated the adequacy of the disclosure (note 6.1) of this acquisition in the financial statements.	We concur with the purchase price allocation as performed by management. We consider management's key assumptions and estimates used to determine the fair values of assets and liabilities acquired to be within an acceptable range. We assessed the accounting for the other elements and the disclosures in the financial statements being appropriate.

Valuation of Right-of-Use assets and lease liabilities due to IFRS 16

Refer to note 2.20 (New standards and interpretations; IFRS 16), note 5.2 (Right-of-Use assets) and note 5.11 (Lease liability)Accounting treatment acquisitions

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. As a result of this standard leases are now being recognized as right of use assets with an offset in lease liabilities. The calculation of the amounts being recognized involves complex and judgmental assumptions (including: Incremental Borrowing Rates, lease term determinations, contract termination options, accounting choices). Due to the implementation of IFRS 16 in 2019 we consider this topic to be a Key Audit Matter.	We have evaluated the internal control environment and assessed the existence of implemented controls. We evaluated the completeness and accuracy of the data used to calculate the transition adjustments, which included an assessment of the reasonableness of estimates with respect to the lease term and the incremental borrowing rate. We also determined the accuracy of the lease calculations by the lease accounting tool applied by the Company. We sampled various items from the opening and closing balances, which we reconciled to the supporting documentation and recalculated the initial application adjustment. Furthermore, we reviewed the completeness of the population of leases by among others an expense analysis on lease costs, review of contracts entered into or extended in 2020 and a lease commitment reconciliation. We also evaluated the adequacy of the accounting policies applied and described in the financial statements in note 2.20, 5.2 and 5.11.	We consider the right of use assets and lease liabilities to be correctly stated. We assessed the disclosures (note 2.20, 5.2 and 5.11) in the financial statements to be appropriate.

Report on other information included in the annual report

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

- The Executive Board report
- Supervisory Board report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Additional information

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

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Refresco Group B.V., as of the audit for the year 2014 and have operated as statutory auditor ever since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

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

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

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

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

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

Rotterdam, 11 March 2020

Ernst & Young Accountants LLP

Signed by I.H.G. Hengefeld