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ASX Release

20 August 2020

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2020 HALF YEAR REPORT

In accordance with ASX Listing Rule 4.2A, I **enclose** the 2020 Half Year Report (including Appendix 4D requirements) (**Half Year Report**) for Coca-Cola Amatil Limited (**Amatil**).

It is recommended that the Half Year Report be read in conjunction with Amatil's 2019 Annual Report, along with any public announcements made by Amatil in accordance with its continuous disclosure obligations under the *Corporations Act 2001 (Cth)* and the *ASX Listing Rules*.

A briefing will be held at 10.00am Sydney Time on Thursday 20 August 2020. You can register for this briefing on our website at ccamatil.com.

Your faithfully,

A handwritten signature in black ink that reads 'Richard Conway'.

Richard Conway
Group Company Secretary

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Authorised by the Board of Directors.

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2020 HALF YEAR REPORT

(including Appendix 4D
requirements)

ASX code: CCL



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COCA-COLA AMATIL

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About this report

This report is a summary of Coca-Cola Amatil Limited and its subsidiaries' (referred to as Amatil) operations and financial position as at 26 June 2020 and performance for the half year ended on that date. It is recommended that this report is read in conjunction with the 2019 annual report of Coca-Cola Amatil Limited and its subsidiaries together with any public announcements made by Amatil during the half year ended 26 June 2020 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the Australian Securities Exchange listing rules.

References in this report to the half year are to the financial period 1 January 2020 to 26 June 2020 unless otherwise stated. The previous corresponding period is the half year ended 28 June 2019.

ABN 26 004 139 397

OPERATING AND FINANCIAL REVIEW

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

APPENDIX 4D – KEY MATTERS

RESULT OVERVIEW

- 1H 2020 financial performance reflected the impacts of COVID-19 on all business segments
- Statutory Net Profit After Tax (NPAT) loss of \$8.7 million down 105.2 per cent inclusive of non-trading items (NTIs)
- NTIs of \$120.8m (after tax and minority interests) include Indonesia impairment of \$101.2 million
- Ongoing NPAT¹ of \$112.1 million, down 35.3%, supported by lower net finance costs and a lower effective tax rate
- Group trading revenue¹ declined by 9.2 per cent in 1H 2020. 1Q 2020 delivered growth of 2.4 per cent
- EBITDA¹ of \$370.5 million, down 19.4 per cent, reflecting impacts of volume and changing consumer patterns during COVID restrictions on margins, partially offset by cost savings of ~\$60.0 million from the \$140.0 million targeted for delivery in 2020
- EBIT¹ of \$190.2 million down 34.4 per cent reflecting fixed nature of depreciation. Statutory EBIT loss of \$20.3 million, representing a decline of \$293.8 million or 107.4 per cent versus prior comparable period (pcp)
- Strong cash flow generation: free cash flow¹ of \$216.7 million; cash realisation¹ of 111.8%
- Net debt reduction since 28 June 2019 of \$49.9 million
- Unfranked dividend declared for the half of 9.0 cents per share (representing a payout ratio of 58.2 per cent); signifying the Board's confidence in the strength of Amatil's business.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	26 June 2020 \$M	28 June 2019 \$M	Variance %
Ongoing¹			
Trading revenue	2,185.9	2,406.4	(9.2)
Total revenue	2,205.3	2,427.2	(9.1)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	370.5	459.7	(19.4)
Earnings before interest and tax (EBIT)	190.2	289.9	(34.4)
Net finance costs	(32.5)	(34.7)	(6.3)
Income tax expense	(43.8)	(73.6)	(40.5)
Non-controlling interests	(1.8)	(8.3)	(78.3)
Profit attributable to Coca-Cola Amatil Limited shareholders – ongoing	112.1	173.3	(35.3)
Profit from discontinued operation after income tax	–	6.2	nm
Non-trading items after income tax ³	(162.2)	(11.5)	nm
Non-controlling interests – non-trading items ³	41.4	–	nm
(Loss)/profit attributable to Coca-Cola Amatil Limited shareholders	(8.7)	168.0	(105.2)
	¢	¢	
Earnings per share – ongoing	15.5	23.9	(35.1)
(Losses)/earnings per share	(1.2)	23.2	(105.2)

OTHER INFORMATION

Interim ordinary dividend per share – unfranked ⁴	9.0	21.0	–
Interim special dividend per share – unfranked ⁴	–	4.0	nm
Prior year final dividend per share – unfranked ⁵ (2019: 50% franked)	26.0	26.0	–

1 Presented on an ongoing basis. The ongoing basis refers to continuing operations results adjusted to exclude non-trading items.

2 Calculated as the total dividend divided by NPAT.

3 Non-trading items relate mainly to impairment charges of the Indonesian and Paradise Beverages businesses for 1H 2020 and Australian business transformation or restructuring activities for 1H 2019. Refer to Notes 3, 5 and 15 of the attached Financial Report for further details.

4 Record date for 2020 dividend entitlement is 26 August 2020 and is payable 13 October 2020 (2019: Paid 9 October 2019). The last date for receipt of election notices for participation in the interim dividend is 27 August 2020.

5 Paid 15 April 2020 (2019: paid 10 April 2019).

Commentary on Coca-Cola Amatil Limited's financial results and position and additional Appendix 4D disclosure requirements can be found in the remainder of this document.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

PRINCIPAL ACTIVITIES

Coca-Cola Amatil is one of the largest bottlers and distributors of non-alcoholic and alcoholic ready-to-drink beverages in the Asia Pacific region and a key bottling partner of The Coca-Cola Company.

As both brand partner and brand owner, we operate across six countries – Australia, New Zealand, Indonesia, Papua New Guinea, Fiji and Samoa – to prepare, distribute and sell an unrivalled range of beverages. With decades of experience, we do this safely and responsibly, and are proud that our products delight millions of people every day.

With access to more than 270 million potential consumers through more than 630,000 active customers, our product range includes sparkling beverages, water, sports, energy, fruit juices, iced tea, flavoured milk, coffee, beer, cider and spirits.

We are committed to leading through innovation, and to building a sustainable future, capturing growth and delivering long-term value to our shareholders.

We employ around 12,000 people and create thousands more jobs in the communities in which we operate. Across this team we work as one, united by a shared purpose and common values. We know that our diverse workforce is our greatest strength and makes us the vibrant company we are today.

OUR RESPONSE TO COVID-19

In early 2020, Amatil's Group Leadership Team communicated a set of clear leadership commitments in response to COVID-19. These commitments govern the way our leaders will approach all matters and the many challenging, decisions that arise in connection with the impacts of the pandemic.

At the first signs of impact on our business, we implemented cross-functional business continuity teams and pandemic plans to ensure the health and safety of our people, to support the resilience of our customers, stakeholders and to safeguard the continuity of operations and our financial flexibility.

Protecting our People – We have expanded hygiene and safety measures across all our offices and facilities, rolled out 'work from home' arrangements, and where appropriate, repatriated our expat employees. Regular communication with our people has been another critical initiative with programs including the launch of hygiene, social distancing awareness and wellbeing campaigns. In PNG and Samoa, we worked with our local partners to provide our people and their families with care packs of staple foods to help support them.

Staying Close to All our Stakeholders

- **Customers** - We provided our customers with the support they need not only to survive the pandemic but, to the extent possible, to thrive in the medium to long-term. In addition, we redeployed our people and resources to serve and support customers with high demand in line with channel mix shifts. Customer support included: a free 24-hour customer support and counselling service for Australian customers; facilitating the ability for our customers to sell online through food aggregators; repayment plans where appropriate and adaption of our logistics network to deliver direct to stores not typically part of the network.
- **Partners** – We leveraged global bottler learnings to assist us with scenario planning.
- **Communities / Consumers** – We maintained our high-quality products and supported our communities through product donations. For example, in Fiji, our Paradise Beverage distillery was part of a consortium that obtained approval to produce over 25,000 litres of hand sanitiser for donation to Fijian health workers and citizens.
- **Shareholders** – We have regularly updated our shareholders through ASX announcements throughout April, May and July 2020.

Ensuring Business Continuity and Financial Flexibility – We have implemented a four-pronged approach to ensure continuity of business and reinforce our financial strength and flexibility.

- We established an appropriate **governance structure** to steer us through the pandemic featuring daily business community and risk reviews across the leadership teams and Board of Directors, and ongoing monitoring and adaption to our near term COVID-19 response plan.
- To reinforce our **financial flexibility**, we stress tested our Balance Sheet, P&L and liquidity position across a range of scenarios and withdrew our dividend payout ratio guidance. Adding to our financial strength, the company successfully completed a A\$200 million 10-year European Medium-Term Note placement on 6 April. The 10-year notes were hedged back into Australian dollars at a fixed rate of 3.45 per cent.
- **Supply chain continuity** was a high priority. We have reviewed our supply chain plans regularly and swiftly adapted our production patterns to manage the shift in portfolio mix.
- We implemented **cost saving** measures to bring our expenditure in line with the COVID-19 trading environment. Given the prevailing uncertainty as to the duration of the lockdowns and the ultimate impact on the broader economies we operate in, we decided that it was prudent to defer non-critical projects thereby reducing our planned capital expenditure for the 2020 financial year from \$300 million to \$200 million. We also identified \$140 million of cost savings for the 2020 financial year through the removal of marketing and non-essential spend.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

GROUP PERFORMANCE

OVERVIEW

OUR LONG-TERM VALUE PROPOSITION

In 2019 we redefined our approach to how we create long-term, sustainable value in our organisation. We believe that creating value for **society** is completely integrated and consistent with the way we deliver value to **shareholders**. As we pursue growth, we do so through the lens of seeking positive impacts for our people, customers, partners, consumers, the environment and our community. We will continue to refine how we measure our performance against this model so that our shareholders and stakeholders can hold us accountable as we fulfil our strategic ambition of being a Regional Beverages Powerhouse.

In 2020, the COVID-19 pandemic has strongly reinforced the public's expectations that businesses should serve the needs of employees, protect the environment, and deal fairly with partners - at the same time as meeting the interests of shareholders.

In the current economic conditions, more than ever it is critical that our customers are the central focus of our strategy, aligning our resources to the activities that they most value and the activities that drive growth.



At the heart of how we create long term value are our **Thriving Customers**, and delivering quality, reliability, convenience and service to more than 630,000 customers across our six geographies. Our ability to do this is underpinned by four other value drivers, all of them equal and all of them inter-related. These are **Engaged People**, **Committed Partners**, **Delighted Consumers** and a **Better Environment**. Our ability to deliver against each of these is what determines our success in delivering value to our Shareholders and society.

Engaged People – we provide a safe, open, diverse and inclusive workplace where our people are energised by what we will achieve together. We know that the strength of our business and brands can only be supported through the strength of our people, and a diverse workforce and building capability and talent is critical to our ongoing success.

Committed Partners – we work with all our partners to grow our businesses on a foundation of collaboration and trust and our success is dependent on our ability to work together to deliver against our shared goals.

Delighted Consumers – we provide choice and information across an unrivalled portfolio for everyone, everywhere, every day. We are open and responsive to changing consumer tastes and preferences and aligned with global health guidelines and Sustainable Development Goals.

Better Environment – we aim to leave a positive legacy and ensure minimal impact on the environment. This includes striving to meet our commitments on packaging, water, energy and carbon reduction. We work responsibly in all we do, seeking to make the right choices now, in a sustainable way, for future generations. Our commitment is focused where we have the most opportunity to make a difference: sustainable packaging; water stewardship; energy management and climate protection; biodiversity and responsible sourcing.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

GROUP PERFORMANCE (CONTINUED)

OUR LONG-TERM VALUE PROPOSITION (CONTINUED)

CONTAINER DEPOSIT SCHEMES

Australia

- The **New South Wales** container deposit scheme commenced on 1 December 2017
- The **Australian Capital Territory** container deposit scheme began operating on 30 June 2018
- From 3 February 2020 we increased our container deposit scheme charge in NSW and Australian Capital Territory from 11.82 cents (excluding GST) to 12.82 cents (excluding GST), due to a rising cost base as the NSW container deposit scheme matures
- The **Queensland** container deposit scheme commenced on 1 November 2018 with the charge per eligible container currently set at 11.82 cents (excluding GST)
- The **Western Australian** container deposit scheme is expected to start on 1 October 2020
- The **Tasmanian** container deposit scheme is anticipated to be rolled out by 2022
- The **Victorian** container deposit scheme is anticipated to be rolled out by 2023.

Consistent with our sustainability goals we will continue to engage with governments and industry, and we will continue to monitor the impact of container deposit schemes on our business.

New Zealand

The New Zealand government is currently considering the scheme design, with an implementation date yet to be determined.

1H 2020 DEVELOPMENTS

In the first half of 2020 we undertook important steps to strengthen our commitment to creating long term value:

- We reached 8.8% sugar reduction in our Australian NARTD portfolio¹, bringing us closer to our 2020 goal to reduce sugar by 10%
- We signed a Heads of Agreement with Dynapack in Indonesia to build a bottle-to-bottle grade PET recycling facility in Indonesia
- We supported our communities during bushfires in Australia and floods in Indonesia through product and cash donations
- During COVID in Fiji and Indonesia, we produced and donated hand sanitiser for health and front-line workers.

Despite the disruption of the COVID-19 pandemic, we improved employee engagement year on year as demonstrated through recent surveys conducted across our Group function (+4 points) and Australia (+5 points).

¹ 2019 data. Sugar measurement is portfolio-wide weighted volume average total sugar content grams per 100ml. Baseline is MAT 31 December 2015.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

GROUP PERFORMANCE (CONTINUED)

GROUP FINANCIAL SUMMARY

	26 June 2020 \$M	28 June 2019 \$M
Summarised Income Statement – ongoing¹		
Trading revenue	2,185.9	2,406.4
EBITDA	370.5	459.7
EBIT	190.2	289.9
Net finance costs	(32.5)	(34.7)
Income tax expense	(43.8)	(73.6)
Non-controlling interests	(1.8)	(8.3)
Profit attributable to Coca-Cola Amatil Limited shareholders – ongoing	112.1	173.3
Profit from discontinued operation after income tax	–	6.2
Non-trading items after income tax	(162.2)	(11.5)
Non-controlling interests – non-trading items	41.4	–
(Loss)/profit attributable to Coca-Cola Amatil Limited shareholders	(8.7)	168.0
Other Performance Measures		
Interim ordinary dividends per share (unfranked) (cents)	9.0	21.0
Interim special dividend per share (unfranked) (cents)	–	4.0
EPS – ongoing (cents)	15.5	23.9
EPS (cents)	(1.2)	23.2
EBIT interest cover – ongoing (times)	5.9	8.4
ROCE – ongoing (%)	15.2	17.2
Operating cash flows – ongoing (\$M)	328.8	339.4
Free cash flows – ongoing (\$M)	216.7	245.1
Cash realisation – ongoing (%)	111.8	96.6
Capital expenditure / trading revenue – ongoing (%)	5.1	4.1
Summarised Balance Sheet		
Net assets – operating and investing (capital employed)	3,407.0	3,672.1
Less: net debt	(1,730.7)	(1,780.6)
Net assets	1,676.3	1,891.5

SEGMENT RESULTS OVERVIEW

	EBITDA – ongoing ¹			EBIT - ongoing		
	26 June 2020 \$M	28 June 2019 \$M	Variance %	26 June 2020 \$M	28 June 2019 \$M	Variance %
Australia	186.3	243.8	(23.6)	118.7	183.9	(35.5)
Pacific	80.7	84.2	(4.2)	55.4	60.2	(8.0)
Indonesia & Papua New Guinea	71.9	98.8	(27.2)	20.9	51.8	(59.7)
Corporate & Services	31.6	32.9	(4.0)	(4.8)	(6.0)	(20.0)
Total	370.5	459.7	(19.4)	190.2	289.9	(34.4)

¹ Ongoing refers to continuing operations results adjusted to exclude non-trading items.

The 1H 2020 performance of all our segments was impacted by the COVID-19 pandemic. The lockdowns and government restrictions led to significant changes in the operating environment. Most notably, consumer demand patterns have been impacted by social distancing, the curtailment of activity and more time spent at home.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

AUSTRALIA

FINANCIAL SUMMARY

	26 June 2020 \$M	28 June 2019 \$M	Variance %
Trading revenue – NARTD¹	1,101.9	1,215.3	(9.3)
Trading revenue – alcohol & coffee	194.2	205.1	(5.3)
Trading revenue – total	1,296.1	1,420.4	(8.8)
– NARTD volume (million-unit cases) ²	134.7	146.4	(8.0)
– NARTD trading revenue per unit case (\$)	8.18	8.30	(1.4)
EBITDA – ongoing³	186.3	243.8	(23.6)
EBIT – ongoing	118.7	183.9	(35.5)
EBIT margin on trading revenue – ongoing (%)	9.2	12.9	(3.7) points
ROCE – ongoing (%)	21.2	24.4	(3.2) points

1 Non-alcoholic ready to drink beverages.

2 A unit case is the equivalent of twenty-four 8 US oz (237ml) serves or 5.678 litres.

3 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

1H 2020 PERFORMANCE

OVERVIEW

In addition to the impact of COVID-19, the 1H 2020 performance reflected the impact of Australian bushfires in January and February.

Total NARTD volumes declined by 8.0 per cent while NARTD revenue declined by 9.3 per cent. Despite these declines, Amatil's brands remained resilient, with volume and value share gains in the NARTD market¹.

NARTD trading revenue per unit case was 1.4 per cent lower than last year, comprising a 1.1 per cent increase from container deposit scheme charges and a 2.5 per cent decrease from product/channel mix.

Alcohol & Coffee revenue declined by 5.3 per cent, largely driven by the impact of on-premise closures on Alcohol, and café and pub & club outlet closures on Coffee.

We have seen a significant reshaping of the operating environment due to the lockdowns and restrictions implemented. Notably, On-The-Go outlets were temporarily closed, or trading was restricted to takeaway only, while Grocery customers remained open. The combination of these factors led to a shift in consumer behaviour towards Grocery, National Quick Service Restaurants (QSRs) subchannel and online platforms. Furthermore, as consumers spent more time at home, we observed increased demand for multi-serve PET and multi-pack cans while demand for Immediate Consumption products decreased. These channel and product shifts had an impact on mix, resulting in margin compression and reduced profitability for the business. Additionally, there was an impact from lower absorption of our fixed cost base on lower volumes which was partially offset by \$37.0 million of savings achieved in the first half. Australia delivered EBITDA of \$186.3 million, down by 23.6 per cent compared to last year and EBIT of \$118.7 million, down 35.5 per cent compared to last year.

NARTD CHANNEL

Channel NARTD volume summary – million-unit cases (MUC²)	26 June 2020 MUC	28 June 2019 MUC	Variance %
Grocery	76.7	74.9	2.4
Convenience & Petroleum	10.8	11.6	(6.9)
On-The-Go ³ (Excl. National On Premise)	22.3	29.7	(24.9)
National On Premise	24.9	30.2	(17.5)
Total	134.7	146.4	(8.0)

1 NARTD share of Grocery and Convenience and Petroleum. Source: IRI Australia YTD to 28 June 2020 scanned data.

2 A unit case is the equivalent of twenty-four 8 US oz. (237ml) servings of 5.678 litres.

3 On-The-Go includes: state immediate consumption, HORECA (hotels, restaurants & cafes), licensed, Neverfail and other.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

AUSTRALIA (CONTINUED)

1H 2020 PERFORMANCE (CONTINUED)

Grocery

COVID-19 restrictions and lockdowns gave rise to trading volatility in March and April as consumers stockpiled product leading the major grocery customers to build inventory rapidly and subsequently to unwind inventories as consumer demand slowed. Volumes began to stabilise in May and June. As a result, volume increased 2.4 per cent in 1H 2020. Additionally, margins in the channel were lower due to shifts to At-home consumption trends and lower sales volumes in front of store cold drink products.

The NARTD measured market¹ was flat in volume and grew 3.0 per cent in value. Amatil outperformed the measured market¹ resulting in volume and value share gains, led by Coca-Cola No Sugar.

Convenience & Petroleum

Convenience & Petroleum was severely impacted during the bushfires and the lockdown phase of COVID-19. However, it was one of the channels to show the fastest recovery rate as restrictions eased and mobility increased, and consequently achieved 10.7 per cent volume growth in the month of June. Despite this improvement, overall volume for the half declined by 6.9 per cent.

Amatil achieved volume and value share growth in a declining measured market². Furthermore, the business delivered a strong performance in Energy, outperforming the measured market² in volume by 3.5 points.

On-The-Go

Volume in the On-The-Go channel declined by 21.2 per cent driven primarily by a 17.5 per cent decrease in volume for the National On-Premise subchannel. The **HORECA** channel was severely impacted by the closure of pubs, clubs and hotels, however trading saw some improvement when the channel reopened in May. Since restrictions were lifted, the **State Immediate Consumption** and **National On-Premise** outlet count and volume performance improved.

With the support of our Customer aggregator portal, we have seen an acceleration in volumes sold through online platforms as customers adapt to the new trading environment.

NARTD CATEGORY

Australia NARTD category volume summary – million-unit cases (MUC ³)	26 June 2020 MUC	28 June 2019 MUC	Variance %
Sparkling			
– Coca-Cola	73.2	73.7	(0.7)
<i>Coca-Cola No Sugar</i>	20.6	19.3	6.7
– Flavours / Adult	19.5	22.4	(12.9)
Total Sparkling	92.7	96.1	(3.5)
Frozen	9.6	11.7	(17.9)
Stills			
– Water ⁴	20.7	25.9	(20.1)
– Energy	4.3	4.2	2.4
– Value added dairy	1.0	1.2	(16.7)
– Other stills ⁵	6.4	7.3	(12.3)
Total Stills	32.4	38.6	(16.1)
Total	134.7	146.4	(8.0)

1 NARTD share of Grocery. Source: IRI YTD to 28 June 2020 scanned data.

2 NARTD share of Convenience & Petroleum. Source: IRI YTD to 28 June 2020 scanned data.

3 A unit case is the equivalent of twenty-four 8 US oz. (237ml) servings or 5.678 litres.

4 Water volumes include Neverfail.

5 "Other stills" includes juice, tea, kombucha and sports.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

AUSTRALIA (CONTINUED)

1H 2020 PERFORMANCE (CONTINUED)

NARTD

We are pleased with the resilience demonstrated by the Coca-Cola Trademark in 1H 2020, led by 6.7 per cent volume growth in **Coca-Cola No Sugar**. This result was offset by declines in Classic Cola and Diet Coke volumes, resulting in 0.7 per cent decline in the Trademark. Classic Cola and Coca-Cola No Sugar achieved volume and value share gains in the measured market¹.

Water volumes declined by 20.1 per cent reflecting the severe impact of the reduction in consumer mobility during the bushfires and lockdown periods. Despite this, sparkling water volume grew by 14.7 per cent in the Grocery channel driven by the launch of Mount Franklin Lightly Sparkling ten pack cans. Amatil delivered volume and value share gains¹ in the water category.

The **energy** category yielded a strong performance, with volume growth of 2.4 per cent despite cycling the Coke Energy launch in June 2019. Amatil outperformed the category, recording volume and value share gains¹. In the first half, the **value-added dairy** category saw volume declines, with Barista Bros declining, reflecting impact of bushfires and COVID-19 lockdown measures on Convenience & Petroleum trading.

The **flavours / adult** categories experienced a 12.9 per cent volume decline in H1 2020, partially offset by 14.4 per cent volume growth in the Diets/Lights flavours segment.

ALCOHOL & COFFEE

The Spirits category grew volume by 10.8 per cent. This strong performance was offset by volume declines in Premix and Beer & Cider, resulting in a 2.7 per cent decline in the overall Alcohol category. Amatil maintained value share² in Spirits underpinned by share gains in Vodka, Gin and Scotch. The Jim Beam trademark brand delivered a significant improvement in volume trajectory driven by volume growth in the Spirits and Zero variants. Canadian Club performance was impacted by On Premise outlet closures. Pleasingly, the iconic brand has shown a strong recovery in June, delivering double digit volume growth.

The Coffee performance was severely impacted by the closure of cafés and pubs & clubs, where our market offering is disproportionately exposed. However, there was an improvement in the On-The-Go outlet count from May.

1 NARTD share of Grocery and Convenience & Petroleum. Source: IRI YTD to 28 June 2020 scanned data.

2 Spirits/Premix: Australia Liquor, Source: IRI YTD to 28 June 2020 scanned data.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

AUSTRALIA (CONTINUED)

2H 2020 PRIORITIES

THE BEVERAGES MARKET IN THE COVID-19 ENVIRONMENT

The COVID-19 pandemic and resulting restrictions had a significant impact on Amatil's trading activity in terms of which products are sold, how they are sold, where they are purchased and where and when they are consumed. The following key impacts are particularly noteworthy:

Channel – A shift of volume towards the grocery and off-premise channels, which continued to trade through the restrictions as an essential service, and away from the On-The-Go and licenced channels which were most impacted by the trading restrictions. Within this channel dynamic, consumer mobility (including an increase in working-from-home) led to geographic shifts within each channel where sales shifted to suburban and regional areas and away from central business districts.

Consumer behaviour – The consequential impact of the trading restrictions on our channels, compounded by the social distancing restrictions on consumer mobility generally, led to an increase in at home consumption including an increase in demand for multi-pack and take-home pack product offerings.

Portfolio variation – We saw increased demand for strong brands and Diets/Lights segments including for our flagship brand Coca-Cola No Sugar. Conversely, demand for the water and sports categories and cold drink products declined during lockdown. Increased At-Home consumption resulted in higher volumes in large PET and multi-serve packs.

E-Commerce – We experienced an acceleration of the e-commerce opportunity with a step change in demand for online grocery and for beverages sold through food aggregators.

While the shape and pace of recovery from COVID-19 remains uncertain, it is likely that some of these trends will persist, to some extent, in the short-medium term. In adapting to these prevailing conditions, we have reprioritised the Accelerated Australian Growth Plan (AGP) to maximise our performance across core categories and to drive operational efficiency and flexibility.

From a **category** perspective, we are focused on driving strong performance in the Coca-Cola Trademark segment where we have a clear competitive advantage. The Coca-Cola No Sugar brand is now a meaningful part of our Cola offering, representing 28.1 per cent of total Cola volumes. We plan to accelerate the growth of the Coca-Cola No Sugar brand by leveraging the volume share gains achieved in Cola during the pandemic, our extensive pack range offering including for At-Home consumption, and the increased demand for healthier choices. Continued momentum in Energy remains a key priority as we continue to focus on innovation and precision execution. In addition, we will undertake further initiatives to stabilise the flavours category, targeting the Diets/Lights variants.

In our distribution **channels**, we will drive availability of our core portfolio through Product Quadrant Analysis (PQA) where we review by customer cluster the average rate of each SKU against absolute rate of distribution. In response to increased online demand and capitalising on current e-commerce trends, we will step up our support to customers by partnering with them and ensuring that we maintain a strong online presence and enhanced product ranging. Leveraging our in-house merchandising service, we will focus on targeted initiatives in Grocery to deliver impactful key selling week activation, particularly during the important Football Finals and Festive seasons.

Finally, our **enablers** are critical to fully deliver on our strategy. In response to the margin impact from channel and product shifts we will proactively adjust our cost to serve to reflect the expected operating environment and ensure agility of our network while supporting our customer base. We will respond to the geographic and channel shifts by bringing together our large distribution network and unique data-insight capabilities to capture opportunities.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

PACIFIC

FINANCIAL SUMMARY

	26 June 2020 \$M	28 June 2019 \$M	Variance %	Variance – Constant currency ¹ %
Trading revenue	360.0	378.3	(4.8)	(5.3)
– Volume (million-unit cases)	37.4	40.6	(7.9)	(7.9)
– Trading revenue per unit case (\$)	9.63	9.32	3.3	2.7
EBITDA – ongoing²	80.7	84.2	(4.2)	(5.3)
EBIT – ongoing	55.4	60.2	(8.0)	(8.3)
EBIT margin on trading revenue – ongoing (%)	15.4	15.9	(0.5) points	(0.5) points
ROCE – ongoing (%)	23.2	22.8	0.4 points	

1 The constant currency basis is determined applying 1H 2019 foreign exchange rates to 1H 2020 local currency results.

2 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

1H 2020 PERFORMANCE

OVERVIEW

The Pacific segment recorded a decline in volume of 7.9 per cent and revenue of 4.8 per cent (5.3 per cent in constant currency). EBITDA for the half was \$80.7 million, representing a decline of 4.2 per cent on last year (5.3 per cent in constant currency) with EBIT of \$55.4 million recorded.

NEW ZEALAND

Performance during the half demonstrated the true strength of the business. We saw a strong start to the year with revenue growth of 2.5 per cent and EBIT growth of 13.2 per cent in 1Q 2020 versus the comparative period. However, **volume** declined 5.6 per cent for the half as the majority of On-The-Go and Licensed customer outlets were closed in April and May due to the stringent lockdowns. Strong revenue management partially mitigated the impact of lower volumes, resulting in a 2.3 per cent **revenue** decline in 1H 2020 on a constant currency basis.

The lockdowns, implementation of social distancing rules, and other COVID-19 related restrictions led to significant changes in the operating environment including temporary closure of Petroleum and On-The-Go outlets or trading being restricted to takeaway only, while Grocery remained open as it was classified as an “Essential Service”. Benefitting from this market environment, **Grocery** achieved a volume increase of 5.3 per cent versus the comparative period. Conversely, the **On-The-Go (excluding Petroleum)** channel was severely impacted reporting an 18.5 per cent decline in 1H 2020, notwithstanding the positive revenue performance in June. **Petroleum** volume declined by 3.7 per cent in the half versus the comparative period, representing a significant improvement from the ~50.0 per cent decline reported in April during the lockdown period. As consumers spent more time at home, we observed an increased demand for multi-serve PET and multi-pack cans while demand for immediate consumption offerings decreased. Aligned with these channel and portfolio mix shifts, we have seen a reduction in **EBIT**. However, this decline was minimised to 1.2 per cent in constant currency terms, supported by the strong trading in the first quarter, cost savings and a COVID-19 related government subsidy of NZD \$7.0 million.

Coca-Cola No Sugar performed strongly in the first half, with double digit volume and revenue growth. Classic Cola has also seen modest revenue growth versus the comparative period, demonstrating the resilience of our strong brands during times of crisis.

The total NARTD measured market³ has proven its resilience in 1H 2020 delivering both volume (2.5 per cent) and value (3.7 per cent) growth despite the challenging trading environment in April and May during the stringent lockdown period. Against this backdrop, Amatil strengthened its leadership position, outperforming the NARTD measured market³ by 3.6 points in value and 1.2 points in volume and gained volume share of 0.6 points and value share of 1.6 points³.

Encouragingly, we saw an improved category performance following the easing of the restrictions as all categories, except water, grew in June and Alcohol volumes grew strongly since the end of May.

³ NARTD, Grocery and Petroleum. Source: Nielsen data YTD to 21 June 2020 scanned data.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

PACIFIC (CONTINUED)

1H 2020 PERFORMANCE (CONTINUED)

FIJI

The business reported declines in volume, revenue and EBIT despite the continued focus on cost control. The already challenging economic backdrop in the region was further impacted by the effects of COVID-19 on the tourism industry.

Paradise Beverages performance worsened given extended trading restrictions in on-premise and Duty Free.

Impairment

In light of the adverse impact of COVID-19 on trading performance and the prescribed approach to assessing carrying values under the accounting standards, Amatil incurred a non-cash impairment of \$16.8 million (post tax, pre non-controlling interests share) of the Paradise Beverages Fijian and Samoan businesses in 1H 2020. The impairment was a non-cash accounting adjustment and classified as a non-trading item in our financial statements, and we remain very confident about the long-term prospects for the Paradise Beverages Fijian and Samoan businesses.

2H 2020 PRIORITIES

NEW ZEALAND

We are focused on maintaining our category leadership position in sparkling and stills beverages, whilst looking to secure further growth across the broader portfolio. A key focus area remains the expansion of our customer base, particularly across higher-margin, small customers.

We are working closely with our brand partners to adapt plans to the changing environment. We are driving the fundamentals for sustainable and profitable growth by ensuring that we offer our customers and consumers the world's leading beverage brands across a broad range of categories and formats.

FIJI

Due to the impact of COVID-19 and its expected restriction on tourism, we anticipate Fiji's economy to remain challenged for the remainder of 2020. Within this environment, we will continue to refine our cost base and enhance our competitive position.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

INDONESIA & PAPUA NEW GUINEA

FINANCIAL SUMMARY

	26 June 2020 \$M	28 June 2019 \$M	Variance %	Variance – Constant currency ¹ %
Trading revenue	502.6	581.8	(13.6)	(17.7)
– Volume (million-unit cases)	105.4	127.2	(17.1)	(17.1)
– Trading revenue per unit case (\$)	4.77	4.57	4.4	(0.7)
EBITDA – ongoing²	71.9	98.8	(27.2)	(30.2)
EBIT – ongoing	20.9	51.8	(59.7)	(60.6)
EBIT margin on trading revenue – ongoing (%)	4.2	8.9	(4.7) points	(4.6) points
ROCE – ongoing (%)	8.2	10.1	(1.9) points	

1 The constant currency basis is determined applying 1H 2019 foreign exchange rates to 1H 2020 local currency results.

2 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

1H 2020 PERFORMANCE

INDONESIA

Indonesia had a solid start to the year, achieving its 8th consecutive quarter of volume growth in 1Q 2020 reflecting the good progress of its Accelerate to Transform strategy.

In the first half volume declined by 19.3 per cent primarily due to the impacts of the COVID-19 pandemic on trading which coincided with the Festive period, Indonesia's most important trading period. Specifically, volume declined by 17.1 per cent in the **Traditional Trade** channel and 23.4 per cent in the **Modern Trade** channel from outlet closures and government restrictions, including on festive related activities. Additionally, the fast deterioration of macroeconomic conditions in the country and low levels of disposable income, led to consumer affordability pressures and prioritisation of spend away from commercial beverages. These restricted trading conditions coupled with the fast spread of COVID-19 in 2Q 2020 led to a greatly subdued Festive volume uplift of 29.5 per cent (relative to the pre-Festive period) in 1H 2020, compared to 99.0 per cent in 1H 2019³.

Despite these challenges we achieved EBITDA of \$41.8 million in the half, benefitting from tight cost control measures across functions, which delivered \$16.1 million in operational efficiencies, primarily related to COVID-19 cost saving initiatives.

Resilient performance

The initiatives and progress achieved as part of our Accelerate to Transform Program were a major source of resilience during the COVID-19 pandemic. Without the transformational work carried out since 2014 the impact of COVID-19 on the business would have been more profound.

Building on the Acceleration strategy work completed in 2018, Indonesia achieved volume share gains⁴ of 4.1 points in Sparkling in 1H 2020, demonstrating that our sparkling brands are clearly resonating with the Indonesian consumer. Pleasingly our sparkling contribution to the total NARTD measured market⁵ held up well, growing from 6.8 per cent in Q2 2019 to 7.2 per cent in Q2 2020.

In Juice, the Minute Maid Pulpy brand gained 1.7 points in volume share⁵ following the price reset, rebranding and new flavours implemented in February. This was an initiative targeted to increase the affordability and attractiveness in Juice.

Strong market execution and customer support during and post the festive period drove double-digit gains in Tea, Juice and Value-added dairy share of visible inventory in Modern Trade outlets to levels well above market share.

We leveraged the flexibility of our route to market model to capitalise on the rapid market changes as demonstrated by our resilient performance in the Provision channel which benefitted from consumers shopping in their local areas.

3 Volume uplift relative to pre-festive period (from January to start of festive period) each year.

4 NARTD market share. Source: Nielsen data June YTD 2020 scanned data.

5 NARTD market share. Source: Nielsen data February 2020 to June 2020 scanned data.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

INDONESIA & PAPUA NEW GUINEA (CONTINUED)

1H 2020 PERFORMANCE (CONTINUED)

Impairment

In light of the adverse impact of COVID-19 on trading performance and the prescribed approach to assessing carrying values under the accounting standards, Amatil incurred a non-cash impairment of \$143.4 million (post tax, pre non-controlling interests share) of the Indonesia business in 1H 2020. The impairment was a non-cash accounting adjustment and classified as a non-trading item in our financial statements, and we remain very confident about the long-term prospects for the Indonesian business.

PAPUA NEW GUINEA

Papua New Guinea volume declined by 2.5 per cent in 1H 2020 despite significant trading disruptions caused by the State of Emergency in March and the flow on effects on the economy of COVID-19.

Pleasingly, Sparkling cans performed strongly.

We saw a strong recovery following easing of the restrictions with the business achieving volume growth in May and June.

2H 2020 PRIORITIES

INDONESIA

In light of the challenges in the operating environment posed by the COVID-19 pandemic, we intensified our focus on the areas we can control. It is of utmost importance that in 2H 2020 we take further measures to increase our resilience while continue to deliver on the areas of our Accelerate to Transform Plan.

Improving affordability across our portfolio and the availability of the affordability packs is a key priority for the business, particularly in the context of the challenging macro-economic conditions. Examples of key initiatives include: price reset and availability drive of the 250ml Sparkling pack to continue recruiting consumers to the category; continued expansion of the more affordable Minute Maid Pulpy pack, to build on the share gains of 1.7 points achieved since its relaunch in February; continue to drive availability of Frestea Small Affordable packs through bundling and price promotions.

Furthermore, we will continue to build channel relevance through segmented route-to-market execution.

Finally, we will take advantage of the market opportunities presented by the pandemic. In response to the increased At-Home occasions we will expand availability of our multi-serve range (Sparkling, Tea, Juice and Water) and adjust our media strategy. In order to capitalise on the accelerated growth of e-commerce we will increase our presence in the e-Commerce channels by developing our existing B2B partner relationships and capitalising on partnerships with key Food Aggregators to incorporate CCODs and wholesalers into their distribution networks.

PAPUA NEW GUINEA

The business will continue to prioritise its route to market, with the aim to gain more visibility on order placement and execution in order to drive sales. It also remains focused on productivity and efficiency improvements in manufacturing.

We remain mindful of the limited availability of foreign exchange in PNG, which continues to limit our ability to repatriate surplus cash out of this market. While we expect this situation to persist for some time and we will continue to purchase foreign exchange as opportunities arise.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

CORPORATE & SERVICES

FINANCIAL SUMMARY

	26 June 2020 \$M	28 June 2019 \$M	Variance %
Trading revenue¹	27.2	25.9	5.0
Other revenue	5.3	7.2	(26.4)
Internal revenue ²	58.6	63.8	(8.2)
Total revenue	91.1	96.9	(6.0)
Services costs ³	(37.8)	(38.0)	(0.5)
Group office costs	(21.7)	(26.0)	(16.5)
EBITDA – ongoing⁴	31.6	32.9	(4.0)
EBIT – ongoing	(4.8)	(6.0)	(20.0)

1 Represents revenue mostly from our recycling business in South Australia.

2 Revenue from the provision of support services to the other businesses. This revenue is eliminated on consolidation to produce the Group's financial statements.

3 Represents costs associated with our packaging services and South Australian recycling businesses

4 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

1H 2020 PERFORMANCE

Trading revenue increased by \$1.3 million driven by external preform sales. Other revenue decreased by \$1.9 million reflecting decline in coal mining royalties.

EBIT loss of \$4.8 million improved compared to last year due to reduced Group Office costs as a result of the response to COVID-19, partially offset by lower coal mining income.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

GROUP PRIORITIES

We are not in a position to provide outlook for FY20 at this stage as it is not possible to predict the course of the COVID-19 pandemic and the longer lasting economic consequences in some of our markets.

While we continue to see a high degree of uncertainty in the short term, we believe we are uniquely positioned to emerge from the pandemic stronger.

We entered this crisis with strong financial foundations in place and a resilient business model that has supported our ability to deal with the challenges that have arisen. Furthermore, our fast and decisive cross-functional actions ensured that we protected the areas of the business which are key to securing a healthy and strong recovery as well as being able to emerge stronger in a post- COVID19 market environment.

FINANCIAL & OPERATIONAL STRENGTHS

We have strong balance sheet and liquidity positions comprising ample debt facilities and long debt tenor, which coupled with the absence of debt covenants allow us to continue investing for long term growth. Furthermore, at the first signs of the pandemic we took prudent measures to manage costs and preserve cash including reducing capital spend and lowering our cost base. As a result of these actions the business remains highly cash generative.

CHANNELS & SHARE

The diverse channels we serve and our adaptable infrastructure give us the flexibility to adapt to changes in demand and channel mix as markets evolve.

We are well-placed to compete in the marketplace as we strengthen our customer relationships by maintaining high levels of service and increasing online presence through established online delivery offerings of the major grocery customers and food aggregator platforms.

We further improved our market share positions in the developed markets, particularly in the At Home segments, where we saw a step change in demand due to the pandemic.

STRONG PARTNERSHIPS

Our strong partnerships across all markets remain a key competitive advantage. While Amatil has a long-standing relationship with The Coca-Cola Company, it is one that continues to evolve driven by the need for agility and responsiveness to the market conditions. As such, we have agreed on principles that ensure balanced incentives and aligned plans throughout the pandemic and recovery stages.

Furthermore, we will continue to take advantage of fast access to global insights provided by our largest brand partners – The Coca-Cola Company, Beam Suntory and Monster Energy Corporation.

CONSUMER CENTRIC PORTFOLIO & BRANDS

While the pandemic has had a significant impact on consumer preferences, we are well-placed to respond to the trends that we see arising.

The lockdown restrictions have increased At-Home occasions; our range of NARTD and alcohol brands is available in pack formats for at-home consumption. In these uncertain times consumers are seeking trusted, strong brands. This plays to our strength with a broad portfolio of leading brands. The pandemic has brought the health trend even further to the front of consumers' minds; we offer low- and no-sugar beverages. Finally, we are market leaders in categories that have proven to be resilient during the pandemic.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

FINANCIAL COMMENTARY

FREE CASH FLOW

	26 June 2020 \$M	28 June 2019 \$M	Variance \$M
Ongoing¹			
EBITDA	370.5	459.7	(89.2)
Changes in adjusted working capital ²	85.1	2.1	83.0
Net interest and other finance costs paid	(35.6)	(29.1)	(6.5)
Income taxes paid	(53.6)	(55.6)	2.0
Movements in other items ³	(37.6)	(37.7)	0.1
Operating cash flows	328.8	339.4	(10.6)
Capital expenditure	(112.5)	(98.0)	(14.5)
Payments for additions of other intangible assets	(1.1)	–	(1.1)
Proceeds from disposal of property, plant and equipment	1.5	3.7	(2.2)
Free cash flows	216.7	245.1	(28.4)
Cash realisation⁴ – ongoing (%)	111.8	96.6	15.2 points

1 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

2 Working capital is adjusted to exclude the impact of non-cash flow and non-operating items such as foreign exchange translation, impacts of acquisitions and disposals of businesses and payables relating to additions of property, plant and equipment.

3 Mainly comprising of movements in prepayments and provisions.

4 Operating cash flows divided by NPAT (before minority interests), adding back depreciation and amortisation expenses before tax.

Ongoing operating cash flows decreased by \$10.6 million compared to 1H 2019, representing the fall in trading due to COVID-19 restrictions (EBITDA down \$89.2 million), largely mitigated by strong working capital management across all markets, driven by improved debtor collection and inventory management.

Net interest and other finance costs paid increased by \$6.5 million due to changes in timing of cash receipts and payments.

Capital expenditure was up by \$14.5 million to \$112.5 million driven by payments in PNG and New Zealand on projects committed in 2019. We expect a reduction in 2H 2020.

Cash realisation improved 15.2 points year on year to 111.8 per cent, reflecting disciplined working capital management during the period.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

FINANCIAL COMMENTARY (CONTINUED)

CAPITAL EXPENDITURE¹

	26 June 2020 \$M	28 June 2019 \$M	Variance \$M
Ongoing²			
Australia	21.6	23.5	(1.9)
Pacific	20.3	10.4	9.9
Indonesia & Papua New Guinea	51.1	40.8	10.3
Corporate & Services	19.5	23.3	(3.8)
	112.5	98.0	14.5
Capital expenditure / trading revenue – ongoing (%)	5.1	4.1	1.0 point
Capital expenditure / depreciation & amortisation³ – ongoing (times)	0.6	0.6	–

1 Capital expenditure is represented by payments for additions of property, plant and equipment and software development assets.

2 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

3 Amortisation of software development assets.

Group ongoing capital expenditure was \$14.5 million higher than 1H 2019 at \$112.5 million. The increase versus last year is primarily due to cash spend on PNG and New Zealand projects committed in 2019.

Australia: Capex includes solar panel installations, operational efficiency and an updated Transport Management System.

Pacific: Capex includes investment in cold drink equipment, operational efficiency and upgrades to the can line in Auckland.

Indonesia & PNG: Capex includes spend on cold drink equipment, SAP functionality and production efficiencies in Indonesia, and construction of the warehouse and upgrades to the can lines at Lae in PNG.

Corporate and Services: Capex spend is primarily in relation to cold drink equipment investment in Australia and information technology.

Capital expenditure in the second half is expected to be lower than 2H 2019 as some projects have been deferred to 2021.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
For the half year ended 26 June 2020

FINANCIAL COMMENTARY (CONTINUED)

NET DEBT

	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M	Variance (June – June) \$M
Net debt				
– Cash assets	(901.3)	(856.0)	(858.2)	(43.1)
– Other financial assets at amortised cost ¹	(40.1)	(83.0)	(80.6)	40.5
– Loan provided to CDS coordinators	(10.9)	(8.8)	(7.7)	(3.2)
– Borrowings, other financial and lease liabilities	2,801.1	2,798.8	2,842.8	(41.7)
– Derivative assets – debt related (net)	(118.1)	(99.5)	(115.7)	(2.4)
Total net debt	1,730.7	1,751.5	1,780.6	(49.9)
Net interest cover² – ongoing³ (times)	5.9	9.7	8.4	(2.5)
Net debt / EBITDA⁴ – ongoing (times)	1.9	1.8	1.9	–

1 Relates to Papua New Guinean government bonds.

2 Calculated as EBIT divided by net finance costs.

3 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

4 Net debt divided by earnings before interest, tax, depreciation and amortisation for the twelve-month period ended as at the balance date.

The balance sheet remains in a strong position. Net debt decreased by \$49.9 million since 28 June 2019 to \$1,730.7 million mainly driven by strong working capital management. The decrease was after the \$188.2 million payment of the 2019 final dividend paid in 1H 2020. As at 26 June 2020, the Papua New Guinea business had local currency (Kina) denominated cash assets and funds in government bonds of \$170.4 million (PGK 404.3 million); (28 June 2019: \$289.7 million (PGK 685.9 million)). Presently there are Papua New Guinea government-imposed currency controls which impact on the extent to which funds held in Papua New Guinea can be converted and remitted for use elsewhere in the Coca-Cola Amatil Group.

Total available debt facilities at period end was \$2.7 billion, comprised of committed undrawn bank facilities of \$630.0 million and capital markets issuance. The average maturity is 5.8 years. The maturity profile is as follows:

	31 December 2020	31 December 2021	31 December 2022	31 December 2023+
Borrowing maturity profile	%	%	%	%
Committed and uncommitted facilities maturity	3.7	20.6	13.1	62.6

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

FINANCIAL COMMENTARY (CONTINUED)

CAPITAL EMPLOYED¹

	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M	Variance (June – June) \$M
Working capital ²	371.2	447.5	365.7	5.5
Property, plant and equipment (including right of use assets)	2,070.8	2,288.6	2,266.7	(195.9)
Intangible assets	1,217.9	1,262.7	1,255.6	(37.7)
Current and deferred tax liabilities (net)	(217.9)	(290.1)	(243.6)	25.7
Derivative liabilities – non-debt related (net)	(85.0)	(27.5)	(33.2)	(51.8)
Other assets (net) ³	50.0	22.5	60.9	(10.9)
Capital employed	3,407.0	3,703.7	3,672.1	(265.1)
ROCE⁴ – ongoing⁵ (%)	15.2	17.3	17.2	(2.0) points

1 Referred to as Segment Net Assets or Assets and Liabilities – Operating and Investing in the Financial Report.

2 Working capital is defined as current trade and other receivables plus inventories less current trade and other payables.

3 Mainly comprising of prepayments, investments, employee benefits provisions, defined benefit superannuation plan assets and liabilities and non-current assets held for sale.

4 Return on capital employed (ROCE) is calculated as ongoing EBIT, divided by the average of capital employed at the beginning and at the end of the twelve-month period ended as at the balance date. As the 1H 2019 calculation utilises 2018 information (being pre-AASB 16 Leases), we have adjusted the 2018 information utilising 2019 leasing adjustments to determine a more comparable ROCE amount.

5 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

Capital employed decreased by \$265.1 million from 28 June 2019 due to:

- **Working capital** increased by \$5.5 million with strong debtor collection offsetting the impact of COVID-19 on customer payments, supported by tight inventory management despite reduced sales demand. The allowance for doubtful receivables increased by \$7.2 million versus the comparative.
- **Property, plant and equipment (including right of use assets)** decreased by \$195.9 million due to the impact of 1H 2020 impairment charges for the Indonesian and Paradise Beverages businesses, and lower capital additions compared to depreciation.
- **Intangible assets** decreased by \$37.7 million also mainly due to the impact of 1H 2020 impairment charges for the Indonesian and Paradise Beverages businesses.
- **Current and deferred tax liabilities (net)** decreased by \$25.7 million mainly due to deferred tax assets arising from the 1H 2020 impairment charges and decrease in net deferred tax liabilities in Indonesia from a decrease in the tax rate from 25.0 per cent to 20.0 per cent by 2022, partially offset by utilisation of current tax assets arising from the tax loss on disposal of SPC.
- **Derivative liabilities – non-debt related (net)** increased by \$51.8 million mainly due to unrealised losses recognised in equity on interest rate and sugar hedging.

Other assets (net) decreased by \$10.9 million resulting mainly from 2H 2019 disposal of the Thebarton properties held for sale at 1H 2019, and non-trading item impairment charges relating to equity accounted investments in 2H 2019 and 1H 2020, partially offset by the impact of reduced employee provisions relating to incentives and leave entitlements.

DIRECTORS' REPORT

Coca-Cola Amatil Limited and its subsidiaries

In accordance with the *Corporations Act 2001*, the Directors submit hereunder their Report on Coca-Cola Amatil Limited and its subsidiaries (referred to as Group), for the half year ended 26 June 2020.

1 DIRECTORS

The names of the Directors of Coca-Cola Amatil Limited (also referred to as Company) in office during the half year and until the date of this Report are detailed below:

Ilana Rachel Atlas, AO	Mark Graham Johnson
Alison Mary Watkins	Paul Dominic O'Sullivan
Massimo Borghetti, AO	Krishnakumar Thirumalai
Jorge Garduño Chavero	Penelope Ann Winn

2 REVIEW OF OPERATIONS

A review of the operations of the Group for the half year is set out in the Operating and Financial Review, refer page 2.

3 AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from the Company's auditor, Ernst & Young:



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF COCA-COLA AMATIL LIMITED

As lead auditor for the review of the half-year financial report of Coca-Cola Amatil Limited for the half-year ended 26 June 2020, I declare to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Coca-Cola Amatil Limited and the entities it controlled during the financial period.

Ernst & Young

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Katrina Zdrilic
Partner
Sydney
20 August 2020

4 ROUNDING OF AMOUNTS

The Company is of a kind referred to in the *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, and accordingly, amounts in this Report and the Financial Report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.

Ilana R. Atlas, AO
Chairman
Sydney
20 August 2020

Alison M. Watkins
Group Managing Director
Sydney
20 August 2020

FINANCIAL REPORT

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

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INCOME STATEMENT

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

	Note	26 June 2020 \$M	28 June 2019 \$M
Continuing operations			
Trading revenue	2	2,185.9	2,406.4
Cost of goods sold		(1,329.2)	(1,401.6)
Delivery		(106.6)	(116.9)
Gross profit		750.1	887.9
Other revenue	2	19.4	20.8
Expenses¹			
Selling		(302.1)	(320.2)
Warehousing and distribution		(82.1)	(90.4)
Support services and other ²		(404.8)	(225.6)
		(789.0)	(636.2)
Share of (loss)/profit from equity accounted investments		(0.8)	1.0
(Losses)/earnings before interest and tax		(20.3)	273.5
Net finance costs			
Finance income		17.0	19.9
Finance costs		(49.5)	(54.6)
		(32.5)	(34.7)
(Loss)/profit before income tax		(52.8)	238.8
Income tax benefit/(expense) ²	5	4.5	(68.7)
(Loss)/profit for continuing operations		(48.3)	170.1
Discontinued operation			
Net profit	8	–	6.2
(Loss)/profit for the half year		(48.3)	176.3
Attributable to:			
Shareholders of Coca-Cola Amatil Limited		(8.7)	168.0
Non-controlling interests ²	15	(39.6)	8.3
(Loss)/profit for the half year		(48.3)	176.3
		¢	¢
Basic and diluted (losses)/earnings per share (EPS) attributable to shareholders of Coca-Cola Amatil Limited			
	6		
Group		(1.2)	23.2
Continuing operations		(1.2)	22.3

1 Comparative amounts were restated for consistency with the current period's presentation.

2 Includes the following respective amounts classified as non-trading items: \$210.5 million pre-tax expenses (28 June 2019: \$16.4 million pre-tax expenses), \$48.3 million income tax benefits (28 June 2019: \$4.9 million income tax benefits) and \$41.4 million of the after tax amount being allocated to non-controlling interests (28 June 2019: nil). Refer to notes 3, 5 and 15 respectively.

Notes appearing on pages 28 to 42 to be read as part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

	26 June 2020 \$M	28 June 2019 \$M
(Loss)/profit for the half year	(48.3)	176.3
Other comprehensive (loss)/income		
Items to be reclassified to the income statement in subsequent periods:		
Foreign exchange differences on translation of foreign operations	(8.4)	51.2
Reclassification of foreign exchange differences on disposal of businesses	–	(0.3)
Cash flow hedges, net of tax	(33.4)	(11.5)
Other reserve movements, net of tax	7.2	3.9
	(34.6)	43.3
Items not to be reclassified to the income statement in subsequent periods:		
Actuarial valuation reserve, net of tax	(3.0)	(5.4)
Changes in the fair value of investments	(0.4)	–
	(3.4)	(5.4)
Total other comprehensive (loss)/income	(38.0)	37.9
Total comprehensive (loss)/income for the half year	(86.3)	214.2
Attributable to shareholders of Coca-Cola Amatil Limited arising from:		
Continuing operations	(44.7)	188.3
Discontinued operation	–	6.2
	(44.7)	194.5
Attributable to non-controlling interests	(41.6)	19.7
Total comprehensive (loss)/income for the half year	(86.3)	214.2

Notes appearing on pages 28 to 42 to be read as part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

	Attributable to shareholders of Coca-Cola Amatil Limited					Non-controlling interests \$M	Total equity \$M	
	Note	Share capital \$M	Treasury shares \$M	Reserves \$M	Accumulated losses \$M			Total \$M
At 1 January 2020		1,920.1	(13.0)	373.5	(718.8)	1,561.8	390.4	1,952.2
Total comprehensive (loss)/income for the half year		–	–	(36.0)	(8.7)	(44.7)	(41.6)	(86.3)
Transaction with shareholders:								
Share-based remuneration		–	0.8	(2.2)	–	(1.4)	–	(1.4)
Dividends paid	4	–	–	–	(188.2)	(188.2)	–	(188.2)
As 26 June 2020		1,920.1	(12.2)	335.3	(915.7)	1,327.5	348.8	1,676.3
At 1 January 2019		1,920.1	(12.6)	323.4	(723.0)	1,507.9	355.1	1,863.0
Total comprehensive income for the half year		–	–	26.5	168.0	194.5	19.7	214.2
Disposal of discontinued operation		–	–	1.1	(1.1)	–	–	–
Transactions with shareholders:								
Share-based remuneration		–	0.1	2.8	–	2.9	–	2.9
Dividends paid	4	–	–	–	(188.2)	(188.2)	(0.4)	(188.6)
		–	0.1	3.9	(189.3)	(185.3)	(0.4)	(185.7)
At 28 June 2019		1,920.1	(12.5)	353.8	(744.3)	1,517.1	374.4	1,891.5

Notes appearing on pages 28 to 42 to be read as part of the financial statements.

BALANCE SHEET

Coca-Cola Amatil Limited and its subsidiaries
as at 26 June 2020

	Note	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M
Current assets				
Cash assets	14	901.3	856.0	858.2
Other financial assets at amortised cost		40.1	83.0	80.6
Trade and other receivables	7a	718.2	1,047.1	747.0
Inventories		617.1	646.4	687.5
Derivatives	11	13.1	27.0	23.9
Current tax assets		38.9	39.5	90.1
Prepayments		66.8	74.1	65.9
Assets held for sale		–	1.1	12.3
Total current assets		2,395.5	2,774.2	2,565.5
Non-current assets				
Property, plant and equipment ¹		1,615.0	1,825.7	1,834.5
Intangible assets ¹	9	1,217.9	1,262.7	1,255.6
Right of use assets		455.8	462.9	432.2
Derivatives	11	172.5	129.3	139.2
Investments	13	58.1	66.5	66.2
Other		52.5	57.6	56.7
Total non-current assets		3,571.8	3,804.7	3,784.4
Total assets		5,967.3	6,578.9	6,349.9
Current liabilities				
Trade and other payables		964.1	1,246.0	1,068.8
Borrowings		201.9	306.6	356.7
Other financial liabilities	11	105.7	90.3	82.9
Lease liabilities		79.8	72.6	52.8
Employee benefits provisions		58.1	109.7	74.3
Current tax liabilities		11.7	21.2	17.1
Derivatives	11	38.5	21.3	26.2
Total current liabilities		1,459.8	1,867.7	1,678.8
Non-current liabilities				
Borrowings		1,970.3	1,872.1	1,911.7
Lease liabilities		443.4	457.2	438.7
Employee benefits provisions		11.5	12.1	11.7
Deferred tax liabilities		245.1	308.4	316.6
Derivatives	11	114.0	63.0	54.4
Other		46.9	46.2	46.5
Total non-current liabilities		2,831.2	2,759.0	2,779.6
Total liabilities		4,291.0	4,626.7	4,458.4
Net assets		1,676.3	1,952.2	1,891.5
Equity				
Share capital	10	1,920.1	1,920.1	1,920.1
Treasury shares		(12.2)	(13.0)	(12.5)
Reserves		335.3	373.5	353.8
Accumulated losses		(915.7)	(718.8)	(744.3)
Equity attributable to shareholders of Coca-Cola Amatil Limited		1,327.5	1,561.8	1,517.1
Non-controlling interests		348.8	390.4	374.4
Total equity		1,676.3	1,952.2	1,891.5

1 Movements in balances are primarily caused by impairment charges, refer to Note 9 for further details.

Notes appearing on pages 28 to 42 to be read as part of the financial statements.

STATEMENT OF CASH FLOWS

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

	Note	26 June 2020 \$M	28 June 2019 \$M
Inflows/(outflows)			
Operating cash flows			
Receipts from customers		2,919.2	3,181.3
Payments to suppliers and employees ^{1,2}		(2,507.7)	(2,810.1)
Interest and other finance costs paid		(61.1)	(55.1)
Interest income received		25.5	26.0
Income taxes paid		(53.6)	(55.6)
Net operating cash flows		322.3	286.5
Investing cash flows			
Payments for:			
– additions of property, plant and equipment		(99.0)	(92.4)
– additions of software development assets		(13.5)	(9.7)
– additions of other intangible assets		(1.1)	–
– investments		(5.6)	–
Proceeds from:			
– disposal of business		–	39.6
– other financial assets at amortised cost		47.3	36.0
– disposal of property, plant and equipment		1.5	3.7
– investments (capital return)		0.5	–
Net investing cash flows		(69.9)	(22.8)
Financing cash flows			
Proceeds from borrowings and other financial liabilities		334.1	13.5
Borrowings repaid		(356.7)	(190.1)
Loans provided to container deposit scheme coordinators		(2.1)	(1.2)
Dividends paid to shareholders of Coca-Cola Amatil Ltd	4	(188.2)	(188.2)
Dividends paid to non-controlling interests	4	–	(0.4)
Net financing cash flows		(212.9)	(366.4)
Net increase/(decrease) in cash and cash equivalents		39.5	(102.7)
Cash and cash equivalents held at the beginning of the half year		854.5	935.4
Effects of exchange rate changes on cash and cash equivalents		5.4	23.8
Cash and cash equivalents held at the end of the half year	14	899.4	856.5

1 Includes \$6.5 million (28 June 2019: \$24.0 million) of cash outflows relating to non-trading items of the respective period.

2 Includes \$7.0 million of government grants received mainly in New Zealand.

Notes appearing on pages 28 to 42 to be read as part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020**

OVERVIEW

Coca-Cola Amatil Limited (also referred to as the Company) is a for profit company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. Coca-Cola Amatil Limited does not have a parent entity.

The financial statements for the half year ended 26 June 2020 comprise of Coca-Cola Amatil Limited and its subsidiaries (together referred to as the Group) and was authorised for issue in accordance with a resolution of the Coca-Cola Amatil Board of Directors on 20 August 2020.

BASIS OF PREPARATION

This general purpose financial report:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements
- does not include all notes of the type normally included within the annual financial report. As a result, it should be read in conjunction with the 2019 annual financial report of the Group, together with any announcements made by Coca-Cola Amatil during the half year ended 26 June 2020
- has been prepared on the basis of historical cost, except for certain financial assets and liabilities which have been measured at fair value (Note 12)
- is presented in Australian Dollars
- presents reclassified comparative information where necessary to conform to changes in presentation in the current half year
- presents all values as rounded to the nearest hundred thousand dollars, unless the option is available to Coca-Cola Amatil Limited under *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*
- applies accounting policies and judgements/estimates that are the same with those adopted and disclosed in the Group's 2019 annual financial report except those mentioned below.

NEW ACCOUNTING STANDARDS FOR 2020

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

Coca-Cola Amatil has adopted AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform. This standard applies to annual reporting periods beginning on or after 1 January 2020 and the financial impact of the application of this standard is not material to the period ending 26 June financial statements.

This amendment provides temporary relief from applying specific hedge accounting requirements to hedging relations directly affected by the Inter-bank offered rates (IBOR) reform. This relief has the effect that IBOR reform should not generally cause hedge accounting to terminate.

Coca-Cola Amatil's borrowing and hedging derivative portfolio is primarily set at fixed interest rates and is exposed to Bank Bill Swap benchmark rates. There are presently no hedge relationships that are linked to IBOR. The extent of the risk exposure for Coca-Cola Amatil would be the indirect impact of mark-to-market valuations on its debt related derivatives portfolio. Coca-Cola Amatil has commenced a project to incorporate new interest rate benchmark curves on its valuation models.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

I RESULTS FOR THE HALF YEAR

1 SEGMENT REPORTING

Coca-Cola Amatil operates in a number of segments, based on results that are reported to the Group Managing Director. The Australia, Pacific, and Indonesia & Papua New Guinea segments manufacture, distribute, market and sell beverages. The Corporate & Services segment includes other non-individually reportable businesses and comprises of the corporate office function for the Group, management of key property assets located in Australia and New Zealand and the provision of certain support services to the Group and third-party customer businesses. The majority of the Group's revenues are recognised at the point in time at which products are delivered to the customer.

Starting from 1 January 2020 and reflecting a decision to manage all beverage categories in line with geographic responsibilities, the former Alcohol & Coffee segment has been integrated into each of our geographic segments - Australia, Pacific (previously New Zealand & Fiji) and Indonesia & Papua New Guinea. Accordingly, 2019 comparative segment information has been re-presented in accordance with the amended reporting basis for the new segments outlined above.

The Group's financial statements are affected by seasonality depending on the timing of certain festivities in the different countries within which Coca-Cola Amatil operates. Typically, revenue, earnings and operating cash flows of Australian and New Zealand-based operations are greater in the second half of the financial year due to the Christmas holiday trading period, which can lead to associated effects on working capital components. Similarly, the Ramadan period typically has a positive impact on the timing of the Indonesian business's financial performance within the financial year.

Segment revenue is evaluated with reference to trading revenue. Segment results are evaluated on an earnings before interest, tax and non-trading items basis. Segment net assets include Net assets – Operating and Investing amounts (which excludes net debt). Net debt comprises of cash assets, other financial assets at amortised cost, interest bearing receivables, borrowings, debt related derivative assets and liabilities, other financial liabilities. The Group manages its net debt, net finance costs and income taxes on a Group basis, and these measures are therefore not reported internally at a segment level. Inter-segment transactions are conducted on normal commercial terms and conditions.

SEGMENT INFORMATION – CONTINUING OPERATIONS

	Australia		Pacific		Indonesia & Papua New Guinea		Corporate & Services		Total	
	26 June 2020 \$M	28 June 2019 \$M ¹	26 June 2020 \$M	28 June 2019 \$M ¹	26 June 2020 \$M	28 June 2019 \$M ¹	26 June 2020 \$M	28 June 2019 \$M ¹	26 June 2020 \$M	28 June 2019 \$M ¹
Segment revenue	1,296.1	1,420.4	360.0	378.3	502.6	581.8	27.2	25.9	2,185.9	2,406.4
EBITDA before non-trading items ²	186.3	243.8	80.7	84.2	71.9	98.8	31.6	32.9	370.5	459.7
Depreciation and amortisation expenses	(67.6)	(59.9)	(25.3)	(24.0)	(51.0)	(47.0)	(36.4)	(38.9)	(180.3)	(169.8)
Segment results	118.7	183.9	55.4	60.2	20.9	51.8	(4.8)	(6.0)	190.2	289.9
Non-trading items ³									(210.5)	(16.4)
EBIT²									(20.3)	273.5
Other segment information:										
Segment net assets	1,694.1	1,691.8	534.8	559.8	733.9	868.8	444.2	551.7	3,407.0	3,672.1
Net debt ⁴									(1,730.7)	(1,780.6)
Net assets									1,676.3	1,891.5

1 2019 has been re-presented as a result of merging Alcohol & Coffee Beverages segment into geographical areas.

2 EBITDA refers to earnings before interest, tax, depreciation and amortisation while EBIT refers to (losses)/earnings before interest and tax.

3 Refer to Note 3 for further details.

4 Refer to Note 11 for further details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

I RESULTS FOR THE HALF YEAR (CONTINUED)

2 REVENUE FROM CONTRACTS WITH CUSTOMERS

	26 June 2020 \$M	28 June 2019 \$M
Trading revenue from continuing operations		
Sale of products	2,157.0	2,376.7
Rental of equipment and service fees	28.9	29.7
	2,185.9	2,406.4
Other revenue from continuing operations		
Rendering of services ¹	7.3	6.1
<i>Miscellaneous income</i>		
Sale of scrap materials	3.4	4.1
Sale of beverage ancillaries	2.7	3.2
Mining royalty income ²	1.4	3.6
Property rental income	1.1	1.1
Sundry income	3.5	2.7
	12.1	14.7
	19.4	20.8
	2,205.3	2,427.2

1 Includes equipment servicing and contract beverage manufacturing income.

2 Reported on the accruals basis of accounting, refer to Note 17 for further details.

RECOGNITION AND MEASUREMENT

Sale of products

The Group sells a range of beverage products to wholesale, retail and consumer customers. A sale is recognised when control of the product has transferred, being when the product is delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the product has been shipped to the location specified by the customer and the customer accepts the product in accordance with agreed arrangements.

Revenue from sales is recognised based on the contract agreed between the customer and Coca-Cola Amatil. Contracts do not commit customers to purchasing anything nor commit Coca-Cola Amatil to deliver the same but set out the terms and conditions that apply between the parties at the time an order is placed by a customer and accepted by Coca-Cola Amatil. The terms and conditions cover a range of conditions including pricing, settlement of liabilities, return policies, provision and servicing of equipment and any other negotiated performance obligations.

No element of financing is present in the pricing arrangement. Settlement terms range from cash-on-delivery to credit terms ranging from 7 to 90 days. Terms reflect negotiations with customers, policies, procedures and controls held by each business as it relates to customer credit risk.

For customers who purchase on credit, a receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rental of equipment and service fees

The Group earns revenue from renting equipment that is used to dispense certain of its beverage products purchased by the customer. Rental agreements generally range from 12 to 24 months in duration and revenue is recognised on a straight-line basis over the term. Rental paid in advance is not recognised as revenue until the period the payment relates to has passed.

Service fee revenue mainly arises from container recycling services provided to manufacturers and distributors of eligible containers in certain Australian jurisdictions. Revenue is based on the volume of containers processed and is recognised as the service is delivered.

Financing components

As the Group does not have any contracts where the period between the transfer of the promised product or services to the customer and payment by the customer exceeds one year, it does not adjust any of the transaction prices for the time value of money.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

I RESULTS FOR THE HALF YEAR (CONTINUED)

3 NON-TRADING ITEMS

Transactions which are material to the financial statements individually or in aggregate and are either non-recurring or arise from activities other than those associated with Coca-Cola Amatil's ordinary trading activities are classified as non-trading items. Such transactions are included in the support services and other expenses, net finance costs and income tax expense line items within the income statement.

	Note	26 June 2020 \$M	28 June 2019 \$M
Profit before income tax ¹ from continuing operations includes the following expenses, which are classified as non-trading items:			
<i>Indonesia impairments</i>	9	175.9	–
<i>Paradise Beverages (included in Pacific segment) impairments</i>			
Intangibles and other assets ²		16.4	–
<i>Australia</i>			
Equity accounted investment impairments	13	12.1	–
Redundancy employee costs		–	12.7
Other net expenses		6.1	3.7
		18.2	16.4
		210.5	16.4

1 Refer to Note 5 for details of income tax on non-trading items.

2 Comprises \$12.1 million relating to our cash generating units (CGU) level impairment testing (refer to Note 9 for further details); and \$4.3 million for brand assets with a definite life.

The above amounts for the 2020 half-year mainly relate to outcomes from our CGU level impairment testing (refer to Note 9 for further details). Impairment testing has also been carried out for our equity accounted investments, resulting in charges amounting to \$12.1 million and reflecting a deterioration in performance for some of these assets mainly due to COVID-19.

The prior period amounts were mainly due to the Australian business continuing its business transformation activities through implementing new and revised organisation designs across most functional areas.

4 DIVIDENDS

	26 June 2020 \$M	28 June 2019 \$M
a) SUMMARY OF PRIOR YEAR FINAL DIVIDENDS PAID DURING THE HALF YEAR		
Paid at 26.0¢ per share unfranked (2019: 26.0¢ per share franked to 50%)	188.2	188.2
b) INTERIM DIVIDENDS DECLARED AFTER BALANCE DATE AND NOT RECOGNISED AS LIABILITIES		
Declared at 9.0¢ per share unfranked (2019: 21.0¢ per share unfranked)	65.2	152.0
2019: Special – declared at 4.0¢ per share unfranked	–	29.0

The unfranked portion of the declared dividend represents conduit foreign income.

During the half year, Paradise Beverages (Fiji) Limited, an indirect subsidiary of Coca-Cola Amatil Limited, paid a dividend of \$nil million (28 June 2019: \$0.4 million) to its non-controlling interest shareholders.

c) DIVIDEND REINVESTMENT PLAN (DRP)

Coca-Cola Amatil Limited's DRP continues to be available to eligible shareholders. The DRP provides shareholders with the opportunity to receive fully paid ordinary shares, in lieu of cash dividends, which are issued or acquired on market (or a combination of both, at the Directors' discretion), at the price calculated using the daily volume weighted average market price of Coca-Cola Amatil Limited shares during the 10 trading days commencing on the third trading day after the record date for the dividend (or such other period as is determined by the Directors in their absolute discretion). The ex-dividend and record dates for the interim dividend entitlement are 25 August 2020 and 26 August 2020 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

I RESULTS FOR THE HALF YEAR (CONTINUED)

5 INCOME TAX

	Note	26 June 2020 \$M	28 June 2019 \$M
<i>(Loss)/profit before income tax:</i>			
Ongoing ¹		157.7	255.2
Non-trading items	3	(210.5)	(16.4)
Continuing operations		(52.8)	238.8
Discontinued operation		–	4.6
Total (loss)/profit income before tax		(52.8)	243.4
<i>Income tax benefit/(expense):</i>			
Ongoing		(43.8)	(73.6)
Non-trading items		48.3	4.9
Continuing operations		4.5	(68.7)
Discontinued operation		–	1.6
Total income tax benefit/(expense)		4.5	(67.1)
<i>Reconciliation of total (loss)/profit before income tax to total income tax benefit/(expense):</i>			
Total (loss)/profit before income tax		(52.8)	243.4
Adjustments for items where a tax asset or liability is not expected to arise:			
Impairment of goodwill and investments ²		35.4	–
Other items		6.7	(6.7)
		(10.7)	236.7
Income tax benefit/(expense) at Australian tax rate of 30%		3.2	(71.0)
Reduction of deferred tax liabilities in Indonesia due to change in tax rates ³		10.0	–
Recognition of deferred tax asset in New Zealand ⁴		4.4	–
Overseas tax rate differentials ⁵		(13.1)	3.9
Total income tax benefit/(expense)		4.5	(67.1)
		%	%
Effective tax rate – ongoing⁶		27.8	28.8

1 Ongoing refers to continuing operations results adjusted to exclude non-trading items.

2 Amounts classified as non-trading items, refer to Note 3 for further details.

3 To assist companies during the COVID-19 pandemic, the Indonesian government reduced the company tax rate from 25% to 22% for the 2020 and 2021 years, with a further reduction to 20% for 2022 and beyond. This amount has been classified as a non-trading item.

4 To assist companies during the COVID-19 pandemic, the New Zealand government reinstated tax depreciation on commercial and industrial buildings. This amount was classified as a non-trading item.

5 The 2020 amount largely reflects amounts classified as non-trading items in Indonesia, where the current tax rate is 22% as compared to the Australian statutory tax rate of 30%.

6 Calculated as income tax expense divided by profit before income tax.

Coca-Cola Amatil is subject to regular tax reviews across our jurisdictions and interacts with tax authorities on a range of issues as part of the ongoing operations of these tax authorities. In Australia, the Australian Taxation Office (ATO) rates Coca-Cola Amatil as a “key taxpayer” for excise and is subject to the ATO’s “Top 1000” assurance program for GST and income tax using its justified trust methodology. At present, Coca-Cola Amatil is subject to ATO audits/reviews of income tax and excise. There are also ongoing audits/reviews in Indonesia and Papua New Guinea by the respective tax authorities. At present, Coca-Cola Amatil has not received notification of any material assessments from any tax authority in these jurisdictions. In addition, Coca-Cola Amatil has responded to increased government and stakeholder focus by publishing an annual Tax Transparency Report in accordance with the terms of the Australian Voluntary Tax Transparency Code.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

I RESULTS FOR THE HALF YEAR (CONTINUED)

6 OTHER PERFORMANCE MEASURES

	Note	26 June 2020 \$	28 June 2019 \$
a) NET TANGIBLE ASSET BACKING PER ORDINARY SHARE OF COCA-COLA AMATIL LIMITED (NTA)¹			
NTA		(0.48)	(0.24) ¹
		¢	¢
b) BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO SHAREHOLDERS OF COCA-COLA AMATIL LIMITED			
Group		(1.2)	23.2
Continuing operations		(1.2)	22.3
Ongoing		15.5	23.9
		M	M
The following provides share and earnings information used in the calculation of EPS:			
i) Weighted average number of Coca-Cola Amatil Limited ordinary shares on issue		724.0	724.0
		\$M	\$M
ii) (Loss)/profit attributable to shareholders of Coca-Cola Amatil Limited			
Group		(8.7)	168.0
Deduct: profit after tax – discontinued operation		–	(6.2)
Continuing operations		(8.7)	161.8
Add back: non-trading items after tax ²		162.2	11.5
Deduct: non-trading items after tax attributable to non-controlling interest	15	(41.4)	–
Ongoing		112.1	173.3

1 Calculated by excluding right of use assets from the assets base, 2019 was restated to reflect this calculation method.

2 Refer to Notes 3 and 5 for details of non-trading items.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

II OUR NET ASSETS – OPERATING AND INVESTING

HOW THE GROUP MANAGES ITS OVERALL FINANCIAL POSITION

We manage the Group's overall financial position by segregating the balance sheet into two categories: Assets and Liabilities – Operating and Investing; and Capital – Financing. Assets and Liabilities – Operating and Investing is managed at the Group operations level while Capital – Financing (refer to Section III) is managed by the Group's centralised Treasury function.

Details of Net assets – Operating and Investing are as follows:

	Note	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M
Working capital ¹	7	371.2	447.5	365.7
Property, plant and equipment (including right of use assets)		2,070.8	2,288.6	2,266.7
Intangible assets		1,217.9	1,262.7	1,255.6
Current and deferred tax liabilities (net)		(217.9)	(290.1)	(243.6)
Derivative liabilities – non-debt related (net)	11	(85.0)	(27.5)	(33.2)
Other assets (net)		50.0	22.5	60.9
		3,407.0	3,703.7	3,672.1
Capital – Financing	Section III	3,407.0	3,703.7	3,672.1

¹ Working capital is defined as current trade and other receivables plus inventories less current trade and other payables.

7 WORKING CAPITAL

	Note	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M
Trade and other receivables	7a	718.2	1,047.1	747.0
Inventories		617.1	646.4	687.5
Trade and other payables		(964.1)	(1,246.0)	(1,068.8)
		371.2	447.5	365.7

7a TRADE AND OTHER RECEIVABLES

	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M
Trade receivables	658.0	956.1	669.6
Allowance for doubtful receivables	(25.3)	(19.5)	(18.1)
Other receivables	85.5	110.5	95.5
	718.2	1,047.1	747.0
	%	%	%
Trade receivables past due 60 days	7.1	3.2	5.3
Allowance for doubtful receivables / trade receivables past due 60 days	54.3	63.7	50.8

RECOGNITION AND MEASUREMENT

Trade and other receivables are recognised at the face value of amounts due less an allowance for doubtful receivables. Doubtful receivables are determined using an expected credit loss approach whereby trade and other receivables that share the same or similar credit risk characteristics and debt ageing are grouped and then assessed for collectability as a whole.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

II OUR NET ASSETS – OPERATING AND INVESTING (CONTINUED)

8 DISCONTINUED OPERATION

SALE OF SPC

On 28 June 2019, sale of the business was completed for total consideration of \$49.6 million resulting in a \$13.8 million after tax gain on disposal. The \$6.2 million profit after tax for the discontinued operation in the 2019 half year comprised of the trading loss of the business of \$7.6 million and the gain on disposal of \$13.8 million (after tax). Cashflows associated with the discontinued operation were:

	28 June 2019 \$M
Net operating cash flows	(28.9)
Proceeds from disposal of business	39.6
Payments for additions of property, plant and equipment	(4.1)
Net investing cash flows	35.5
Net increase in cash and cash equivalents generated by the discontinued operation	6.6

9 CGUs IMPAIRMENT TESTING

RECOGNITION AND MEASUREMENT

At each reporting date, we assess whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, we make a formal estimate of the recoverable amount. An impairment charge will be recognised in the income statement for the amount by which the carrying amount of an asset exceeds the recoverable amount, which is defined as the greater of an asset's fair value less costs to sell, or value in use.

Impairment charges for cash generating units (CGUs) are allocated to reduce the carrying amounts firstly for goodwill, with the remainder then pro rata allocated to the other assets of the CGU, to the extent this amount does not cause individual assets being reduced below their recoverable amounts (where this can be determined).

Non-financial assets, other than goodwill, that suffered an impairment in prior periods are reviewed for possible reversal of the impairment at each reporting date.

A post-impairment summary of intangible assets deemed to have indefinite lives is presented below:

	Investments in bottlers' agreements (IBAs) \$M	Goodwill \$M	Brand names and trademarks \$M	Other \$M	Total \$M
26 June 2020					
Australia	691.9	86.5	3.1	2.5	784.0
Pacific	205.6	29.1	12.9	–	247.6
Indonesia & Papua New Guinea	32.6	–	–	–	32.6
Corporate & Services	–	13.8	–	–	13.8
	930.1	129.4	16.0	2.5	1,078.0
28 June 2019					
Australia	691.9	86.3	–	2.5	780.7
Pacific	210.4	35.5	14.8	–	260.7
Indonesia & Papua New Guinea	39.4	16.8	–	–	56.2
Corporate & Services	–	13.8	–	–	13.8
	941.7	152.4	14.8	2.5	1,111.4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

II OUR NET ASSETS – OPERATING AND INVESTING (CONTINUED)

9 CGUs IMPAIRMENT TESTING (CONTINUED)

KEY ESTIMATES

Methodology

Management uses the 'value-in-use' approach to determine the recoverable amount of each CGU. Value-in-use is based on the net present value of forecast cash flows for a 5-year period plus a terminal value estimation using appropriate perpetuity growth rates.

The 5-year cashflow forecast is based on:

- Management's latest view of 2020-22 outcomes, risk adjusted to reflect uncertainty created by COVID-19 and taking into account historical trends and the level of accuracy of previous forecasts
- An assessment of sustainable growth for years 4 and 5 post the recovery from the impact of COVID-19
- A terminal growth rate based on an assessment of inflation and perpetual growth using market and economic data.

The forecasts also take into consideration the following key inputs:

- Volumes – expected rate of recovery from the COVID-19 crisis with reference to externally sourced non-alcohol ready to drink market growth and share data, and gross domestic product growth
- Pricing – long term inflation rates, level of market competitiveness and trends
- EBIT margin – historic and forecast trends, and management view of long-term sustainable margin
- Capital expenditure – percentage of forecast sales taking into account capacity requirements and age of assets
- Working capital movement – percentage of sales adjusted for trends.

Discount rates

Discount rates applied to our forecast cash flows represent the weighted average cost of capital for the Group in relation to each CGU, risk adjusted where applicable. The local discount rates used compared to December 2019 are provided in the table below:

	26 June 2020	31 December 2019
	%	%
Australia	7.2	7.2
New Zealand	7.1	7.1
Fiji	10.8	10.8
Indonesia	11.9	11.9
Papua New Guinea	14.6	14.1

Terminal growth rates

The terminal growth rates applied range from nil to 4.5% per annum (nil to 5.0% at December 2019).

Assessment

In the light of the adverse impact of COVID-19 on trading performance management have conducted an assessment of the recoverable amount using the above methodology for each CGU. The conclusion reached was that for all CGUs, except Indonesia and Paradise Beverages, there are no reasonable possible changes in key assumptions used which could cause recoverable amount to decline below the carrying amount.

In Indonesia restrictions imposed, as a result of the COVID-19 pandemic, significantly impacted the business during the peak festive season and infection rates have yet to peak. This has led to a reduced valuation compared to December 2019 when the recoverable amount was estimated to be 5% above the carrying amount. As a result, an impairment charge, before tax, of \$175.9 million has been recognised, including \$92.6 million of production and cold drink equipment, \$49.4 million of building assets, \$9.5 million of software development assets, \$17.1 million of goodwill and \$7.3 million of IBAs.

Fiji is very dependent on tourism and the closure of the borders has had a significant impact on the Paradise Beverages business (which forms part of the Pacific segment). Tourism is not expected to return to pre-COVID levels in the near future, therefore the consequent reduction in valuation has resulted in an impairment charge, before tax, of \$12.1 million, including \$6.2 million of goodwill, \$2.1 million of brands and \$3.8 million of property, plant and equipment and other assets.

Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Accordingly, it should be noted that the risks and uncertainties associated with the impacts of the COVID-19 pandemic and the economic environment could cause the actual results to differ materially from management's projections used in the assessment. This could lead to significant changes in the recoverable amount of these CGUs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

II OUR NET ASSETS – OPERATING AND INVESTING (CONTINUED)

9 CGUs IMPAIRMENT TESTING (CONTINUED)

Key assumptions and sensitivities

Indonesia

The key assumptions used in the valuation model to determine recoverable amount were:

- Annual Volume – assumed to return to the level achieved in 2019 in 2023 and subsequently grow by 4.0% p.a.
- Festive Volume – the uplift during the peak festive selling season on a volume per day basis (compared to the period from 1 January to the commencement of the festive period) in 2019 was ~100%, which reduced to ~30% in 2020 and in the model is assumed to recover to 75% in 2021
- Pricing – limited price increases are assumed during the COVID-19 recovery period, then improving to 0.8% p.a. by 2025
- EBIT margin – assumed to gradually improve, reaching 5.6% in 2025
- Terminal growth rate – assumed to be 4.5% p.a.

The sensitivity of the valuation to movements in these key assumptions is shown in the table below:

Key Assumptions	% change	Valuation impact \$ million
Volume growth – average over the 5-year valuation period	+/- 0.5	+/- 40
Price growth – average over the 5-year valuation period	+/- 0.5	+/- 88
EBIT margin – average over the 5-year valuation period	+/- 0.5	+/- 53
Discount rate	+/- 0.5	+/- 28
Terminal growth rate	+/- 0.5	+/- 24

Paradise Beverages

It has been assumed it will take until 2024 before volume returns to the level achieved in 2019 and grow at 2.0% p.a. subsequently. Terminal growth is assumed to be 3.0% p.a. If the average volume growth over the 5-year valuation period changes by +/- 1% or the terminal growth rate changes by +/- 0.5% the valuation will change by approximately \$5.0 million. A change in the discount rate by +/- 0.5% will impact the valuation by approximately \$7.0 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

III OUR CAPITAL – FINANCING

HOW THE GROUP MANAGES ITS CAPITAL – FINANCING

We manage our capital to ensure that entities in the Group have continued access to funding to support the business activities and strategies of the Group while maximising returns to shareholders through the optimisation of net debt and equity balances.

Our capital is equity plus net debt. Net debt is calculated as the sum of borrowings, debt related derivatives and other financial and lease liabilities, less cash assets and other financial assets at amortised cost.

In order to maintain or adjust our capital structure, the Group may undertake certain activities such as adjusting the amount of dividends paid to shareholders, return equity to shareholders, issue new shares or buy back existing shares. The Group continuously reviews the capital structure to ensure that:

- sufficient finance for the business is maintained at a reasonable cost
- sufficient funds are available for the business to carry out its investing activities, such as purchasing of property, plant and equipment and acquisitions of businesses
- distributions to shareholders are maintained within stated dividend policy parameters
- where funds are or will be in excess to that required to enact the Group's business strategies, the return of equity funds to shareholders is considered.

Details of Capital – Financing are as follows:

	Note	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M
Total equity		1,676.3	1,952.2	1,891.5
Net debt	11	1,730.7	1,751.5	1,780.6
		3,407.0	3,703.7	3,672.1

10 SHARE CAPITAL

The number of fully paid ordinary shares on issue is unchanged from 2019 at 723,999,699.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares issued. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote. Ordinary shares have no par value.

11 NET DEBT

	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M
Cash assets	(901.3)	(856.0)	(858.2)
Other financial assets at amortised cost ¹	(40.1)	(83.0)	(80.6)
Loans provided to container deposit scheme coordinators – interest bearing	(10.9)	(8.8)	(7.7)
Borrowings, other financial and lease liabilities	2,801.1	2,798.8	2,842.8
Derivative assets – debt related (net)	(118.1)	(99.5)	(115.7)
Total net debt	1,730.7	1,751.5	1,780.6

Details of derivative net assets are as follows:

Assets – current	13.1	27.0	23.9
Assets – non-current	172.5	129.3	139.2
Liabilities – current	(38.5)	(21.3)	(26.2)
Liabilities – non-current	(114.0)	(63.0)	(54.4)
Total net assets	33.1	72.0	82.5

Derivative net assets comprise:			
Debt related – financing	118.1	99.5	115.7
Non-debt related – operating and investing	(85.0)	(27.5)	(33.2)
Total net assets	33.1	72.0	82.5

¹ Relates to Papua New Guinean government bonds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

III OUR CAPITAL – FINANCING (CONTINUED)

11 NET DEBT (CONTINUED)

Liquidity risk

Liquidity risk is the risk there will be insufficient funds available to meet the Group's financial commitments as and when they fall due, and the risk of unforeseen events which may curtail cash inflows.

To help reduce liquidity risk, the Group:

- has a liquidity policy which targets a minimum level of committed facilities relative to net debt
- has readily accessible funding arrangements in place
- generally, utilises financial assets and liabilities that are tradeable in liquid markets
- staggers maturities of financial assets and liabilities.

Liquidity risk is measured by using cash flow forecasts and comparing projected debt levels against total committed facilities.

The contractual cash flows and expected timings of the Group's financial liabilities are shown in the table below. The contractual amounts represent the net future undiscounted principal and interest cash flows and therefore may not equal to the carrying amounts to the financial statements.

Financial liabilities (exposures)	Carrying amount \$M	Expected timing of contractual cash outflows				Total \$M
		Less than 1 year \$M	1 to 2 years \$M	2 to 5 years \$M	Over 5 years \$M	
As at 26 June 2020						
Trade and other payables	964.1	964.1	–	–	–	964.1
Borrowings	2,172.2	272.7	495.8	445.9	1,343.8	2,558.2
Other financial liabilities	105.7	105.7	–	–	–	105.7
Lease liabilities	523.2	93.6	72.5	158.2	293.7	618.0
Derivative liabilities	152.5	22.0	12.7	–	21.6	56.3
Total financial liabilities	3,917.7	1,458.1	581.0	604.1	1,659.1	4,302.3
As at 28 June 2019						
Trade and other payables	1,068.8	1,068.8	–	–	–	1,068.8
Borrowings	2,268.4	511.6	263.2	861.9	844.5	2,481.2
Other financial liabilities	82.9	82.9	–	–	–	82.9
Lease liabilities	491.5	67.4	63.2	143.6	321.9	596.1
Derivative liabilities	80.6	–	–	–	55.0	55.0
Total financial liabilities	3,992.2	1,730.7	326.4	1,005.5	1,221.4	4,284.0

In addition to cash assets and Papua New Guinean government bonds, the Group had the following financing facilities available at the reporting date:

	26 June 2020 \$M	28 June 2019 \$M
Bank loan facilities		
Total arrangements	650.0	500.0
Carrying amount – used as at the end of the year	(20.0)	(240.0)
Available facilities as at the end of the half-year	630.0	260.0
Bank overdraft facilities		
Total arrangements	21.3	19.5
Carrying amount – used as at the end of the year	(1.9)	(2.0)
Available facilities as at the end of the half-year	19.4	17.5

The available undrawn committed bank loan facilities are sufficient to fund the repayment of all current borrowings of \$201.9 million as at 26 June 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

IV FINANCIAL INSTRUMENTS

12 FAIR VALUE

The Group applies historical cost accounting, with the exception of certain financial assets and liabilities. These financial assets and liabilities and a summary of how fair value accounting is applied, are summarised below:

Financial assets and liabilities	Carrying amount and fair value relationship
Cash, trade and other receivables and payables	Values are approximately the same mainly due to their short-term nature.
Borrowings – bonds	At 26 June 2020, the carrying and fair values of the Group's bonds were \$2,150.3 million and \$2,328.3 million (31 December 2019: \$2,157.1 million and \$2,272.2 million; 28 June 2019: \$2,185.4 million and \$2,280.4 million) respectively. To calculate fair values, inputs were based on interest rates and yield curves at commonly quoted intervals and credit spreads (level 2 inputs) that are observable for a similar liability in the market. Bonds pay fixed interest, difference between the carrying and fair values for bonds is driven by the agreed fixed interest and level 2 inputs used to calculate the fair value.
Borrowings – other than bonds	Values are approximately the same mainly due to the absence of material break costs on early repayment or cancellation.
Other investments	Comprise early stage or seed investments which are not traded. Fair valuation is determined using a range of factors including performance to plan (such as cash usage/generation, growth in customer base, growth in transaction volume) and share pricing achieved in capital raisings after initial investment.
Derivatives	Accounted for at fair value using certain valuation techniques described below.

DERIVATIVES – VALUATION TECHNIQUES

Fair values of derivatives based on quoted prices in active markets are categorised as level 1. The Group establishes fair value by using valuation techniques such as discounted cash flow analysis or option pricing models (level 2), using inputs that are observable either directly (as prices) or indirectly (derived from prices). These include reference to the fair values of recent arm's length transactions, involving the same or similar instruments. The classification of derivatives by level is shown in the table below:

	26 June 2020			31 December 2019			28 June 2019		
	Level 1 \$M	Level 2 \$M	Carrying Amount \$M	Level 1 \$M	Level 2 \$M	Carrying Amount \$M	Level 1 \$M	Level 2 \$M	Carrying Amount \$M
Derivative:									
Assets	1.4	184.2	185.6	5.6	150.7	156.3	3.4	159.7	163.1
Liabilities	(28.7)	(123.8)	(152.5)	(10.8)	(73.5)	(84.3)	(29.9)	(50.7)	(80.6)
Derivative net assets/(liabilities)	(27.3)	60.4	33.1	(5.2)	77.2	72.0	(26.5)	109.0	82.5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

V OTHER INFORMATION

13 INVESTMENTS

	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M
Investments accounted using equity method ¹	48.6	59.4	62.1
Other investments ²	9.5	7.1	4.1
	58.1	66.5	66.2

1 Comprises the following investments:

- A 50% interest in Australian Beer Company. Its principal activity is the manufacture of alcohol beverages. The majority of the carrying amount of the investment in ABCo is represented by property, plant and equipment assets.
- A 50% interest in Container Exchange (Services) Pty Ltd. Its principal activity is to provide a range of services to the organisation responsible for operating the Queensland container refund scheme.
- A stapled 20% interest in Exchange for Change (NSW) Pty Ltd, Exchange for Change (ACT) Pty Ltd and Exchange for Change (Australia) Pty Ltd. Their principal activities are to act as scheme coordinators, under the NSW and ACT Government's Container Deposit Scheme legislations.
- A 45% interest in Made (Aust) Pty Ltd, Made Manufacturing Pty Ltd and Made Brands Pty Ltd (or 22.5% of the Made Group). Its principal activity is to produce and sell a range of non-alcoholic beverages and yoghurts.

2 Other minority investments made by Amatil X.

Opening balance	66.5	65.2	65.2
Share of (loss)/profit for the period	(0.8)	1.9	1.0
Additions	5.6	5.2	–
Impairment ³	(12.1)	(5.6)	–
Changes in fair value of investments through other comprehensive income	(0.4)	–	–
Capital return	(0.5)	(0.2)	–
Other	(0.2)	–	–
Closing balance	58.1	66.5	66.2

3 Refer to Note 3 for details of non-trading items.

14 CASH AND CASH EQUIVALENTS

Cash on hand and at banks	380.3	374.8	389.2
Short-term deposits	521.0	562.6	469.0
Cash assets	901.3	937.4	858.2
Bank overdrafts	(1.9)	(2.0)	(1.7)
Cash and cash equivalents	899.4	935.4	856.5

RESTRICTIONS ON FUNDS HELD IN PAPUA NEW GUINEA

As at 26 June 2020, Coca-Cola Amatil's Papua New Guinea business had local currency (Kina) denominated cash assets and funds in government bonds of \$170.4 million (PGK 404.3 million); (28 June 2019: \$289.7 million (PGK 685.9 million)). Presently there are Papua New Guinea government-imposed currency controls which impact on the extent to which funds held in Papua New Guinea can be converted and remitted for use elsewhere in the Coca-Cola Amatil Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Coca-Cola Amatil Limited and its subsidiaries
for the half year ended 26 June 2020

V OTHER INFORMATION (CONTINUED)

15 NON-CONTROLLING INTERESTS

	26 June 2020 \$M	31 December 2019 \$M	28 June 2019 \$M
Opening balance	390.4	355.1	355.1
Share of profits after tax:			
Ongoing	1.8	15.6	8.3
Non-trading items ¹	(41.4)	–	–
	(39.6)	15.6	8.3
Share of movements in reserves ²	(2.0)	20.1	11.4
Total share of comprehensive (loss)/income for the half year	(41.6)	35.7	19.7
Dividends paid	–	(0.4)	(0.4)
Equity – non-controlling interest	348.8	390.4	374.4

1 Refer to Note 3 for further details of non-trading items.

2 Mainly related to cash flow hedge reserve movements (2019: Foreign exchange differences on translation of foreign operations).

The Group consolidates the financial statements of businesses that are controlled by Coca-Cola Amatil Ltd, our parent entity.

The following businesses, whilst controlled by Coca-Cola Amatil Ltd, had other non-controlling interest shareholders for all periods included in this financial report and represented by the stated % ownership amounts:

Indonesia – TCCC shareholding	29.4%
Paradise Beverages (Fiji) Group (consolidating Samoa Breweries Ltd) – numerous investors	10.4%
Samoa Breweries Ltd – numerous investors	6.1%

The balances included above represent these non-controlling shareholder interests in the noted business's profits and movements in reserves, with most of the total balance being attributable to TCCC's ownership of the Indonesia business.

16 EARLY ADOPTION OF NEW STANDARDS AND INTERPRETATIONS

Coca-Cola Amatil has early adopted AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 - Related Rent Concessions. This standard applies to annual periods beginning on or after 1 June 2020 and the financial impact of the application of this standard is not material to the period ending 26 June 2020 financial statements. Coca-Cola Amatil has not early adopted any other new standards, amendments to standards and interpretations that have been issued or amended but are not yet effective.

17 EVENTS AFTER THE BALANCE DATE

Subsequent to the balance sheet date, no matters or circumstances have arisen since the end of the half year that have significantly affected, or may significantly affect, the operations, the results of those operations or the state of affairs of the Group in subsequent financial periods with the exception of the following:

MINING ROYALTY INCOME

On 24 July 2020, Amatil's subsidiary, Associated Products & Distribution Propriety Limited (APD) was joined to proceedings in the Supreme Court of Queensland between a Glencore mining joint venture and the State of Queensland, whereby APD's entitlement to coal royalties, from its sub-surface strata and associated mineral rights, has been challenged by the State of Queensland.

Since 2014, Amatil has received approximately \$80 million in royalties, which has been recorded as 'other revenue' within the Corporate & Services segment. This includes \$4.8 million received in 2019 and \$1.2 million in H1 2020.

Amatil intends to defend APD's rights to income, past and future. The proceedings involve numerous factual and legal questions and will likely take considerable time to resolve. The timetable for the proceedings has not yet been finalised.

COVID-19

The pandemic continues to impact the business activities of the Group subsequent to balance date. At the date of this report, there are various lockdowns and curfews in place across all of the countries the Group operates in, most notably in Victoria, Australia and Auckland, New Zealand. As a result, the duration and economic impact of the pandemic is likely to remain uncertain for some time.

DIRECTORS' DECLARATION

Coca-Cola Amatil Limited and its subsidiaries

The Directors declare that the financial statements and notes, set out on pages 23 to 42:

- a) are in accordance with the *Corporations Act 2001*;
- b) comply with *Accounting Standard AASB 134 "Interim Financial Reporting"* and the *Corporations Regulations 2001*;
- c) give a true and fair view of the Group's financial position as at 26 June 2020 and of its performance for the half year then ended; and
- d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have received and considered the certification from the Group Managing Director and Group Chief Financial Officer supporting the financial report for the half year ended 26 June 2020.

This declaration is made in accordance with a resolution of the Directors pursuant to section 303(5) of the *Corporations Act 2001*, dated 20 August 2020.

On behalf of the Directors



Ilana R. Atlas, AO
Chairman
Sydney
20 August 2020



Alison M. Watkins
Group Managing Director
Sydney
20 August 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF COCA-COLA AMATIL LIMITED

REPORT ON THE HALF YEAR FINANCIAL REPORT

CONCLUSION

We have reviewed the accompanying half year financial report of Coca-Cola Amatil Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 26 June 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Group is not in accordance with *the Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 26 June 2020 and of its consolidated financial performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

EMPHASIS OF MATTER – EFFECTS OF COVID-19 ON IMPAIRMENT TESTING

We draw attention to Note 9 to the financial statements, which describes the material uncertainties associated with the forecasting of cash flows used to determine the recoverable amount of cash generating units for the purposes of impairment testing, due to the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

DIRECTORS' RESPONSIBILITY FOR THE HALF YEAR FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 26 June 2020 and its consolidated financial performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENCE

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Katrina Zdrilic
Partner
Sydney
20 August 2020