Half-year Report

09 Aug 2018

Strong Execution in the First Half, Maintaining Full-Year Outlook

LONDON--(BUSINESS WIRE)--

Coca-Cola European Partners plc (CCEP) (ticker symbol: CCE) today announces its interim results for the six months ended 29 June 2018 and maintains full-year 2018 outlook.

Highlights

- First-half diluted earnings per share were €0.85 on a reported basis or €1.00 on a comparable basis, including a negligible impact from currency translation.
- First-half reported revenue totalled €5.4 billion, flat versus prior year, or up 1.0 percent on a comparable and fx-neutral basis. Volume decreased 3.5 percent on a comparable basis, partly reflecting the impact of recent strategic portfolio and pricing decisions.
- First-half reported operating profit was €605 million; comparable operating profit was €699 million, up 4.5 percent on a comparable basis, or up 5.0 percent on a comparable and fx-neutral basis.
- Second-quarter diluted earnings per share were €0.60 on a reported basis or €0.67 on a comparable basis, including a negligible impact from currency translation.
- CCEP affirms full-year guidance for 2018 for comparable and fx-neutral diluted earnings per share growth of between 6 percent and 7 percent when compared to 2017 comparable results.
- CCEP raises full-year guidance for 2018 free cash flow to a range of €900 million to €950 million.
- CCEP declares quarterly dividend of €0.26 per share.

“We are pleased with our execution and performance in the first half as we continued to make bold portfolio and pricing decisions. We are confident that these are the right strategic initiatives for our business in the long-term, while acknowledging the near-term negative impact on volume,” said Damian Gammell, Chief Executive Officer.

“This strategy is reflected in another quarter of solid growth, including strong revenue per unit case gains as we focus on improving our pack and pricing architecture. Overall, we are encouraged by our first-half performance given business disruption in France owing to customer negotiations; unfavourable weather in Iberia; and new industry taxes, notably in Great Britain.

“Given our solid progress in the first half, we have affirmed our 2018 profit outlook. We are committed to implementing our Beverages For Life strategy; investing in our business; better serving our customers; and improving our in-market execution,” Mr. Gammell said. “Importantly, we are confident that we have the right strategy and the right team in place to deliver strong cash generation and ultimately generate long-term value for our shareholders.”

Key Financial Measures *Unaudited, fx impact calculated by recasting current year results at prior year rates*	Second-Quarter ended 29 June 2018						
	€ million			% change			
	As Reported	Comparable	Fx-Impact	As Reported	Comparable	Fx-Impact	Comparable Fx-Neutral
Revenue	3,057	3,057	(20)	—%	0.5%	(0.5)%	1.0%
Cost of sales	1,850	1,851	(13)	—%	—%	(0.5)%	0.5%
Operating expenses	789	746	(5)	0.5%	1.0%	(0.5)%	1.5%
Operating profit	418	460	(2)	0.5%	1.0%	(0.5)%	1.5%
Profit after taxes	293	327	(1)	(1.5)%	1.0%	(0.5)%	1.5%
Diluted earnings per share (€)	0.60	0.67	—	(1.5)%	1.5%	—%	1.5%

Key Financial Measures *Unaudited, fx impact calculated by recasting current year*	Six months ended 29 June 2018	
	€ million	% change

results at prior year rates	As Reported	Comparable	Fx-Impact	As Reported	Comparable	Fx-Impact	Comparable Fx-Neutral
Revenue	5,435	5,435	(44)	—%	—%	(1.0)%	1.0%
Cost of sales	3,341	3,313	(28)	0.5%	(1.0)%	(0.5)%	(0.5)%
Operating expenses	1,489	1,423	(13)	0.5%	1.0%	(1.0)%	2.0%
Operating profit	605	699	(3)	(4.5)%	4.5%	(0.5)%	5.0%
Profit after taxes	417	489	(2)	(6.5)%	5.5%	(0.5)%	6.0%
Diluted earnings per share (€)	0.85	1.00	—	(6.5)%	5.5%	—%	5.5%

Operational Review

First-half 2018 diluted earnings per share were €0.85 on a reported basis, or €1.00 on a comparable basis. Currency translation had a negligible impact on first-half 2018 comparable diluted earnings per share. First-half 2018 reported operating profit totalled €605 million, down 4.5 percent versus prior year. Comparable operating profit was €699 million, up 4.5 percent on a comparable basis, or up 5.0 percent on a comparable and fx-neutral basis.

Second-quarter 2018 diluted earnings per share were €0.60 on a reported basis, or €0.67 on a comparable basis. Currency translation had a negligible impact on second-quarter 2018 comparable diluted earnings per share. Second-quarter reported operating profit totalled €418 million, up 0.5 percent versus prior year. Comparable operating profit was €460 million, up 1.0 percent on a comparable basis, or up 1.5 percent on a comparable and fx-neutral basis.

Key operating profit factors in the first half of 2018 include modest revenue growth on a comparable and fx-neutral basis driven by strong revenue per unit case growth. This was offset by a 3.5 percent decline in volume driven by strategic portfolio and pricing initiatives; customer disruption in France; unfavourable weather in Iberia; as well as the impact of new soft drinks taxes, notably in Great Britain. Operating margins improved as we expanded our gross margin and continued to realise post-merger synergy benefits.

Revenue

First-half 2018 reported revenue totalled €5.4 billion, flat versus prior year, or up 1.0 percent on a comparable and fx-neutral basis. First-half 2018 revenue per unit case grew 5.0 percent on a comparable and fx-neutral basis benefiting approximately 1.5 percent from the impact of incremental soft drinks industry taxes. Volume decreased 3.5 percent on a comparable basis.

Second-quarter 2018 reported revenue totalled €3.1 billion, flat versus prior year. Comparable revenue was up 0.5 percent, or up 1.0 percent on a comparable and fx-neutral basis. Revenue per unit case was up 6.0 percent on a comparable and fx-neutral basis benefiting from favourable underlying price, promotion, and package mix, as well as approximately 2.5 percent from the accounting impact of incremental soft drinks industry taxes. Second-quarter volume decreased 4.5 percent on a comparable basis, reflecting customer disruption in France; unfavourable weather in Iberia; the impact of new soft drinks taxes, notably in Great Britain; and tough comparables.

On a territory basis for the second quarter, Iberia revenues were down 6.0 percent, as unseasonably cold weather in Spain resulted in weak volumes, particularly in June. Revenue in Germany was up 4.5 percent, driven by strong revenue per unit case growth reflecting pricing and promotional plans as well as favourable product mix. Revenue in Great Britain grew 6.5 percent, supported by underlying gains in revenue per unit case reflecting improved promotional effectiveness and favourable package mix, as well as the impact of the new soft drinks industry tax. Revenue in France was down 9.5 percent, with solid growth in revenue per unit case more than offset by a sharp decline in volume primarily due to business disruption from customer negotiations as we focus on price realisation and the reduction of promotional activity. Revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden, and Iceland) was up 6.5 percent driven by both revenue per unit case and volume gains. Revenue growth was mainly led by Norway, Belgium and the Netherlands.

On a brand basis for the second quarter, sparkling brands were down 4.0 percent. Coca-Cola trademark brands decreased 5.5 percent, with over 7.0 percent Coca-Cola Zero Sugar growth, while Coca-Cola Classic volume declined in a high single-digit range due to several factors, notably the impact of new soft drinks industry taxes and customer disruption in France. Sparkling flavours and energy were broadly flat supported by solid performances from Schweppes, Mezzo Mix, and energy brands. Still brands declined 9.5 percent underpinned by an 8.0 percent fall in water and a decline of 10.5 percent in juices, isotonics and other. This reflects portfolio decisions in the ready-to-drink tea and water categories, as well as a decline in the sports category mainly due to unfavourable weather in Iberia. Fuze Tea, Vio and Smartwater all saw solid volume growth in the quarter.

Cost of Sales

First-half 2018 reported cost of sales were €3,341 million, up 0.5 percent. Comparable cost of sales were €3,313 million, down 1.0 percent on a comparable basis, or down 0.5 percent on a comparable and fx-neutral basis. First-half 2018 cost of sales per unit case increased 3.5 percent on a comparable and fx-neutral basis, including approximately 2.5 percent from the impact of incremental soft drinks industry taxes.

Second-quarter 2018 reported cost of sales were €1,850 million, flat versus prior year. Comparable cost of sales were €1,851 million, with no change on a comparable basis, or up 0.5 percent on a comparable and fx-neutral basis. Second-quarter cost of sales per unit case increased 5.5 percent on a comparable and fx-neutral basis, including approximately 4.5 percent from the impact of incremental soft drinks industry taxes.

Operating Expenses

First-half 2018 reported operating expenses were €1.5 billion, up 0.5 percent. Comparable operating expenses were €1.4 billion, up 1.0 percent on a comparable basis, or up 2.0 percent on a comparable and fx-neutral basis.

Second-quarter 2018 reported operating expenses were €789 million, up 0.5 percent. Comparable operating expenses were €746 million, up 1.0 percent on a comparable basis, or up 1.5 percent on a comparable and fx-neutral basis. This reflects expense timing and select investments partially offset by synergy benefits and a continued focus on managing expenses.

Restructuring Charges

During the first-half of 2018, we recognised restructuring charges totalling €96 million. These charges relate to restructuring activities under the CCEP Integration and Synergy programme, supply chain site consolidation in Great Britain and other restructuring programmes.

Outlook

For 2018, CCEP affirms prior guidance, including revenue growth in a low single-digit range, with both operating profit and earnings per share growth of between 6 percent and 7 percent. Each of these growth figures is on a comparable and fx-neutral basis when compared to 2017 comparable results. This revenue growth guidance excludes the accounting impact of incremental soft drinks industry taxes. These taxes are expected to add approximately 2 percent to 3 percent to revenue growth and approximately 4 percent to cost of goods growth. At recent rates, currency translation would have a negligible impact on 2018 full-year diluted earnings per share.

CCEP now expects 2018 free cash flow* in the range of €900 million to €950 million, including the expected benefit from improved working capital offset by the impact of restructuring and integration costs. Capital expenditures are expected to be in the range of €525 million to €575 million, including approximately €75 million of capital expenditures related to synergies. Weighted average cost of debt is expected to be approximately 2 percent. The comparable effective tax rate for 2018 is expected to be approximately 25 percent.

CCEP remains on track to achieve pre-tax run-rate savings of €315 million to €340 million through synergies by mid-2019. Further, CCEP expects to have realised at least 80 percent of the target by year-end 2018. Restructuring cash costs to achieve these synergies are expected to be approximately 2 1/4 times expected savings and includes cash costs associated with pre-transaction close accruals. Given these factors, currency exchange rates, and our outlook for 2018, CCEP expects year end net debt to adjusted EBITDA* for 2018 to be towards the low-end of our target range of 2.5 to 3 times. As a result, during 2018, CCEP expects to continue to evaluate returning incremental cash to shareholders.

* *Refer to 'Note Regarding the Presentation of Alternative Performance Measures' for further details about these measures.*

Dividends

The CCEP Board of Directors declared a regular quarterly dividend of €0.26 per share. The dividend is payable on 6 September 2018 to those shareholders of record on 22 August 2018. The Company is pursuing arrangements to pay the dividend in euros to shares held within Euroclear Netherlands. Other publicly held shares will be converted into an equivalent US dollar amount using exchange rates issued by WM/Reuters taken at 16:00 BST on 9 August 2018. This translated amount will be posted on our website, www.ccep.com, under the Investor/Shareowner Information section.

Conference Call

CCEP will host a conference call with investors and analysts today at 15:00 BST, 16:00 CEST and 10:00 a.m. EDT. The call can be accessed through the Company's website at www.ccep.com.

Financial Details

Financial details can be found in our first-half 2018 filing, available within the next 24 hours at www.morningstar.co.uk/uk/NSM (located under effective date 29 June 2018) and available immediately on our website, www.ccep.com, under the Investors tab.

About CCEP

Coca-Cola European Partners plc is a leading consumer goods company in Western Europe, selling, making and distributing an extensive range of nonalcoholic ready-to-drink beverages and is the world's largest independent Coca-Cola bottler based on revenue. Coca-Cola European Partners serves a consumer population of over 300 million across Western Europe, including Andorra, Belgium, continental France, Germany, Great Britain, Iceland, Luxembourg, Monaco, the Netherlands, Norway, Portugal, Spain and Sweden. The Company is listed on Euronext Amsterdam, the New York Stock Exchange, Euronext London and on the Spanish stock exchanges, and trades under the symbol CCE. For more information about CCEP, please visit our website at www.ccep.com and follow CCEP on Twitter at @CocaColaEP.

Forward-Looking Statements

This document may contain statements, estimates or projections that constitute "forward-looking statements" concerning the financial condition, performance, results, strategy and objectives of Coca-Cola European Partners plc and its subsidiaries (together "CCEP" or the "Group"). Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "plan," "seek," "may," "could," "would," "should," "might," "will," "forecast," "outlook," "guidance," "possible," "potential," "predict" and similar expressions identify forward-looking statements, which generally are not historical in nature.

Forward-looking statements are subject to certain risks that could cause actual results to differ materially from CCEP's historical experience and present expectations or projections. As a result, undue reliance should not be placed on forward-looking statements, which speak only as of the date on which they are made. These risks and uncertainties include but are not limited to those set forth in the "Risk Factors" section of the 2017 Annual Report on Form 20-F, including the statements under the following headings: Risks Relating to Consumer Preferences and the Health Impact of Soft Drinks; Risks Relating to Legal and Regulatory Intervention (such as the impact of sugar taxes being implemented in a number of countries in 2018 and the development of regulations regarding packaging); Risks Relating to Business Integration and Synergy Savings; Risks Relating to Cyber and Social Engineering Attacks; Risks Relating to the Market (such as customer consolidation); Risks Relating to Economic and Political Conditions (such as continuing developments in relation to the UK's exit from the EU); Risks Relating to the Relationship with TCCC and Other Franchisors; Risks Relating to Product Quality (such as shortages of raw materials); and Other Risks.

Due to these risks and uncertainties, CCEP's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set out in CCEP's forward-looking statements. Additional risks and uncertainties that may impact CCEP's future financial condition and performance are identified in filings with the SEC which are available on the SEC's website at www.sec.gov. CCEP does *not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required under applicable rules, laws and regulations. CCEP assumes no responsibility for the accuracy and completeness of any forward-looking statements. Any or all of the forward-looking statements contained in this filing and in any other of CCEP's respective public statements may prove to be incorrect.*

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