



Coca-Cola European Partners Reports Preliminary Unaudited Results for the Fourth-Quarter and Full-Year Ended 31 December 2017

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Solid Full-Year 2017 Revenue and Operating Profit Growth, Strong Free Cash Flow Generation

LONDON--(BUSINESS WIRE)-- Coca-Cola European Partners plc (CCEP) (ticker symbol: CCE) today announces preliminary unaudited results for the fourth-quarter and full-year ended 31 December 2017, and provides full-year 2018 outlook.

Highlights

- Full-year diluted earnings per share were €1.41 on a reported basis or €2.12 on a comparable basis, including a negative currency translation impact of €0.04.
- Full-year reported revenue totalled €11.1 billion, up 21.0 percent, or up 3.0 percent on a comparable and fx-neutral basis. Volume was up 0.5 percent on a comparable basis.
- Full-year reported operating profit totalled €1.3 billion, or €1.5 billion on a comparable basis, up 9.0 percent, or up 10.5 percent on a comparable and fx-neutral basis.
- Full-year free cash flow* was €1.0 billion.
- Fourth-quarter diluted earnings per share were €(0.13) on a reported basis or €0.49 on a comparable basis, including a negligible impact from currency translation.
- CCEP provides full-year guidance for 2018 including comparable and fx-neutral diluted earnings per share growth of between 6 percent and 7 percent when compared to 2017 comparable results.
- CCEP remains on track to achieve pre-tax savings of €315 million to €340 million through synergies by mid-2019.
- CCEP completes post-merger comparability adjustments related to final acquisition accounting and provides revised comparable financial information and quarterly phasing for 2016 and 2017 to reflect these adjustments. All adjustments are non-cash.
- CCEP declares quarterly dividend of €0.26 per share, an increase of approximately 24 percent.

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

"In our first full year as Coca-Cola European Partners, we have started to realise the growth opportunities created by the merger and, importantly, modestly exceeded our initial guidance for revenue, operating profit, diluted earnings per share, and free cash flow," said Damian Gammell, Chief Executive Officer.

"Looking ahead, our journey continues in 2018 as we further expand our portfolio, build on our commercial capabilities, and continue to invest in our business to better serve our customers and improve in-market execution," Mr. Gammell said. "Though we face some headwinds in 2018, we remain confident that our focus on driving profitable growth and managing costs will strengthen our business for the long term.

"Today's dividend announcement, an increase of over 20 percent, reflects our confidence in the future of our business and our goal of generating cash and driving increased shareholder value," Mr. Gammell said.

Key Financial Measures <i>Unaudited, fx impact calculated by recasting current year results at prior year rates</i>	Fourth Quarter Ended 31 December 2017						
	€ million			% change			
	As Reported	Comparable	Fx-Impact	As Reported	Comparable	Fx-Impact	Comparable Fx-Neutral
Revenue	2,662	2,662	(20)	3.5%	3.5%	(0.5)%	4.0%
Cost of sales	1,677	1,618	(12)	7.5%	3.5%	(0.5)%	4.0%
Operating expenses	787	703	(6)	(11.5)%	0.5%	(0.5)%	1.0%
Operating profit	198	341	(2)	50.0%	9.5%	(0.5)%	10.0%
Profit after taxes	(61)	240	(1)	(608.5)%	19.5%	(0.5)%	20.0%
Diluted earnings per share (€)	(0.13)	0.49	—	(750.0)%	19.5%	(0.5)%	20.0%

Key Financial Measures

Year Ended 31 December 2017

<i>Unaudited, fx impact calculated by recasting current year results at prior year rates</i>	€ million			% change			
	As Reported	Comparable	Fx-Impact	As Reported	Comparable	Fx-Impact	Comparable Fx-Neutral
	Revenue	11,062	11,055	(142)	21.0%	1.5%	(1.5)%
Cost of sales	6,772	6,739	(85)	21.5%	2.0%	(1.5)%	3.5%
Operating expenses	3,030	2,838	(31)	12.5%	(2.5)%	(1.0)%	(1.5)%
Operating profit	1,260	1,478	(26)	48.0%	9.0%	(1.5)%	10.5%
Profit after taxes	688	1,035	(19)	25.5%	13.0%	(2.0)%	15.0%
Diluted earnings per share (€)	1.41	2.12	(0.04)	(0.5)%	13.0%	(2.0)%	15.0%

Operational Review

Full-year 2017 diluted earnings per share were €1.41 on a reported basis, or €2.12 on a comparable basis. Currency translation had a negative impact of €0.04 on comparable diluted earnings per share for the year-ended 31 December 2017. Full-year reported operating profit totalled €1.3 billion, up 48.0 percent, driven by the inclusion of Germany, Iberia, and Iceland. Comparable operating profit was €1.5 billion, up 9.0 percent, or up 10.5 percent on a comparable and fx-neutral basis.

Fourth-quarter 2017 diluted earnings per share were €(0.13) on a reported basis, or €0.49 on a comparable basis. Currency translation had a negligible impact on fourth-quarter comparable diluted earnings per share. Fourth-quarter reported operating profit totalled €198 million, up 50.0 percent versus prior year. Comparable operating profit was €341 million, up 9.5 percent, or up 10.0 percent on a comparable and fx-neutral basis.

Key operating factors for the full year include solid revenue growth driven by revenue per case growth coupled with 0.5 percent volume growth. Operating margins improved as we maintained gross margin and as we continue to realise post-merger synergy benefits. Fourth-quarter results also reflect the quarterly phasing of final post-merger comparability adjustments. For a full reconciliation of reported to comparable results, please refer to the Supplemental Financial Information section.

Revenue

Full-year 2017 reported revenue totalled €11.1 billion, up 21.0 percent, or up 3.0 percent on a comparable and fx-neutral basis. Revenue per unit case grew 2.5 percent on a comparable and fx-neutral basis and volume increased 0.5 percent on a comparable basis.

On a territory basis for full-year 2017, Iberia revenues were up 3.0 percent, and revenue in Germany was up 2.5 percent. Revenue in Great Britain grew 4.5 percent on an fx-neutral basis, and on a reported basis, revenue declined 2.5 percent, driven by a decline of the British pound versus the euro. Revenue in France was up 0.5 percent for the year, and revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden, and Iceland) was up 4.5 percent, led by Belgium/Luxembourg and the Netherlands.

On a brand basis for full-year 2017, volume for sparkling brands was up 0.5 percent. Coca-Cola trademark brands decreased 0.5 percent, with growth of approximately 15.0 percent in Coca-Cola Zero Sugar offset by declines in other trademark brands. Sparkling flavours and energy grew 4.0 percent with continued strong growth in energy and solid growth in Fanta, Vio, and Royal Bliss. Still brands increased 1.0 percent, and water brands were down 1.5 percent.

Fourth-quarter 2017 reported revenue totalled €2.7 billion, up 3.5 percent, or up 4.0 percent on a comparable and fx-neutral basis. Revenue per unit case was up 3.0 percent on a comparable and fx-neutral basis driven by favourable price, promotion and channel mix. Fourth-quarter volume increased 0.5 percent on a comparable basis, reflecting solid field sales execution and the benefits of marketing and brand initiatives.

On a territory basis for fourth-quarter 2017, Iberia revenues were up 3.0 percent, driven by both volume and revenue per unit case growth, supported by favourable channel and package mix. Revenue in Germany was up 6.5 percent, primarily driven by strong revenue per unit case growth reflecting pricing and promotional plans as well as favourable package and brand mix. Revenue in Great Britain grew 1.5 percent on an fx-neutral basis with solid gains in revenue per unit case partially offset by a decline in volume reflecting an ongoing focus on promotional effectiveness and efficiency. On a reported basis, Great Britain revenues were down 0.5 percent, driven by a decline of the British pound versus the euro. Revenue in France was up 6.0 percent with growth in both revenue per unit case and volume, driven by channel mix and solid growth in Coca-Cola Zero Sugar. Revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden, and Iceland) was up 2.5 percent, led by Belgium/Luxembourg and the Netherlands.

On a brand basis for fourth-quarter 2017, volume for sparkling brands was up 1.0 percent. Coca-Cola trademark brands decreased 0.5 percent, with growth of 15.0 percent in Coca-Cola Zero Sugar offset by declines in other trademark brands. Sparkling flavours and energy grew 5.0 percent led by energy brands and Fanta. Still brands increased 0.5 percent. Water brands were down 2.0 percent, impacted by the discontinuation of select less profitable water brands partially offset by solid growth from Aquabona in the quarter. Juices, isotonic, and other were up 2.5 percent with solid growth from Capri-Sun.

Cost of Sales

Full-year 2017 reported cost of sales were €6.8 billion, up 21.5 percent, driven by the inclusion of Germany, Iberia, and Iceland. Comparable cost of sales was €6.7 billion, up 2.0 percent, or up 3.5 percent on a comparable and fx-neutral basis. Full-year cost of sales per unit case increased 3.0 percent on a comparable and fx-neutral basis, driven by channel, brand and package mix, and manufacturing costs, as well as year-over-year cost increases in key inputs, principally concentrate and sweetener. This was partially offset by benefits from our synergy programmes.

Fourth-quarter 2017 reported cost of sales were €1.7 billion, up 7.5 percent. Comparable cost of sales was €1.6 billion, up 3.5 percent, or up 4.0 percent on a comparable and fx-neutral basis. Fourth-quarter cost of sales per unit case increased 3.5 percent on a comparable and fx-neutral basis, driven by channel, brand and package mix, as well as year-over-year cost increases in key inputs, principally concentrate, partially offset by benefits from our synergy programmes.

Operating Expenses

Full-year 2017 reported operating expenses were €3.0 billion, up 12.5 percent, driven by the inclusion of Germany, Iberia, and Iceland. Comparable operating expenses were €2.8 billion, down 2.5 percent, or down 1.5 percent on a comparable and fx-neutral basis.

Fourth-quarter 2017 reported operating expenses were €787 million, down 11.5 percent. Comparable operating expenses were €703 million, up 0.5 percent, or up 1.0 percent on a comparable and fx-neutral basis. This reflects volume related costs, timing, and select investments partially offset by synergy benefits and a continued focus on managing expenses.

Restructuring Charges

During the full-year 2017, we recognised restructuring charges totalling €235 million. These charges principally relate to proposed restructuring activities under our Integration and Synergy Programme including those related to supply chain improvements such as network optimisation, productivity initiatives, continued facility rationalisation in Germany, end-to-end supply chain organisational design, and cold drink operational practices and facilities. Our proposed restructuring activities also include the transfer of Germany and Iberia transactional related activities to our shared services centre in Sofia, Bulgaria, streamlining of our HR organisation, and other central function initiatives.

US Tax Reform

The US Tax Cuts and Jobs Act (the "Act") was enacted on 22 December 2017 and represents a significant change to the US tax code. Whilst CCEP is a UK listed and tax resident entity, it has a number of subsidiaries outside the UK, including a US incorporated holding company that is wholly owned by CCEP plc. Based on the applicable provisions of the Act, during the fourth-quarter 2017, we recorded a non-recurring book tax expense of €320 million, which included an estimated book tax expense of approximately €125 million related to the transition from a worldwide to territorial tax system and a reduction in deferred tax assets of approximately €195 million primarily due to the elimination of foreign tax credits. We do not currently expect an increase in cash taxes as a result of any provision of the Act and while we continue to assess the situation, at this stage, we do not anticipate any impact on our effective tax rate going forward.

Outlook

For 2018, CCEP expects 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 expects 2018 free cash flow* in the range of €850 million to €900 million, including the expected benefit from improved working capital offset by the impact of restructuring and integration costs. Capital expenditures are expected to be approximately €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 approximately 75 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 15 March 2018 to those shareholders of record on 27 February 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 GMT on 15 February. 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 GMT, 16:00 CET, and 10:00 a.m. EST. The call can be accessed through the Company's website at www.ccep.com.

Financial Details

Financial details can be found in our full-year 2017 earnings release on Form 6-K, available within the next 24 hours at www.morningstar.co.uk/uk/NSM (located under effective date 31 December 2017) and available immediately on our website, www.ccep.com, under the Investors tab. This document will include comparable income statements for full-year 2017 and 2016, as well as quarterly 2017 and 2016 income statements. There is also additional supplemental financial information, such as volume and per unit case data. The financial details included in this earnings release and on Form 6-K are preliminary and unaudited.

About CCEP

Coca-Cola European Partners plc is a leading consumer goods company in Western Europe, selling, making and distributing an extensive range of non alcoholic 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 (“CCEP”). 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 and uncertainties that could cause actual results to differ materially from CCEP’s historical experience and its present expectations or projections. These risks and uncertainties include, but are not limited to, obesity concerns; water scarcity and poor quality; evolving consumer preferences; increased competition and capabilities in the marketplace; product safety and quality concerns; perceived negative health consequences of certain ingredients, such as non-nutritive sweeteners and biotechnology-derived substances, and of other substances present in CCEP’s beverage products or packaging materials; increased demand for food products and decreased agricultural productivity; changes in the retail landscape or the loss of key retail or foodservice customers; fluctuations in foreign currency exchange rates; fluctuations in the stability of the Euro; interest rate increases; an inability of CCEP to maintain good relationships with its partners; a deterioration in its partners’ financial condition; increases in income tax rates, changes in income tax laws or unfavourable resolution of tax matters; increased or new indirect taxes in CCEP’s tax jurisdictions; increased cost, disruption of supply or shortage of energy or fuels; increased cost, disruption of supply or shortage of ingredients, other raw materials or packaging materials; changes in laws and regulations relating to beverage containers and packaging; significant additional labelling or warning requirements or limitations on the availability of CCEP’s products; an inability of CCEP to protect its information systems against service interruption, misappropriation of data or breaches of security; unfavourable general economic or political conditions in Europe or elsewhere; the United Kingdom’s exit from the European Union; litigation or legal proceedings; non-compliance with anti-corruption laws and regulations and economic sanctions programmes; adverse weather conditions; climate change; damage to CCEP’s brand images and corporate reputation from negative publicity, even if unwarranted, related to product safety or quality, human and workplace rights, obesity or other issues; changes in, or failure to comply with, the laws and regulations applicable to CCEP’s products or business operations; changes in accounting standards; an inability of CCEP to achieve its overall long-term growth objectives; deterioration of global credit market conditions; default by or failure of one or more of CCEP’s counterparty financial institutions; fluctuations in CCEP’s debt rating; an inability to timely implement any previously announced actions to reinvigorate growth, or to realise the economic benefits CCEP anticipates from these actions; failure to realise a significant portion of the anticipated benefits of strategic relationships, including (without limitation) The Coca-Cola Company’s relationship with Monster Beverage Corporation; an inability to renew collective bargaining agreements on satisfactory terms, or CCEP or its partners experience strikes, work stoppages or labour unrest; future impairment charges; an inability to realise business integration and synergy savings; an inability to successfully manage the possible negative consequences of productivity initiatives; global or regional catastrophic events; and other risks discussed in the reports CCEP files with the U.S. Securities and Exchange Commission. 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. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. 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 public statements may prove to be incorrect.

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