Coca-Cola European Partners Reports Interim Results for the Six Months Ended 30 June 2017

10 Aug 2017

Solid Second Quarter Benefiting from Favourable Weather, Increasing 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 30 June 2017 and increases full-year 2017 outlook.

Highlights

- First-half diluted earnings per share were €0.91 on a reported basis or €0.98 on a comparable basis, including a negative currency translation impact of €0.03.
- First-half reported revenue totalled €5.4 billion, up 3.0 percent on a comparable basis, or up 5.0 percent on a comparable and fx-neutral basis. Volume grew 3.0 percent on a comparable basis.
- First-half reported operating profit was €635 million; comparable operating profit was €688 million, up 14.0 percent on a comparable basis, or up 17.0 percent on a comparable and fx-neutral basis.
- Second-quarter diluted earnings per share were €0.61 on a reported basis or €0.67 on a comparable basis, including a negative currency translation impact of €0.02.
- CCEP increases full-year guidance for 2017 including comparable and fx-neutral diluted earnings per share growth in a 10 percent to 12 percent range when compared to 2016 comparable results; at recent rates, currency translation would reduce diluted earnings per share by approximately 2 percent.
- CCEP remains on track to achieve pre-tax savings of €315 million to €340 million through synergies by mid-2019.
- CCEP declares quarterly dividend of €0.21 per share.

“We delivered a strong second quarter as we continue to make solid progress in building our new company and realising our planned synergies,” said Damian Gammell, Chief Executive Officer. “These results reflect the successful execution of our sales and marketing plans, as well as favourable weather throughout the quarter.

“Importantly, our results also continue to support the strategic rationale for creating CCEP,” Mr. Gammell said. “Looking forward, we remain focused on our long-term business growth through expanding our portfolio, creating value with our customers, and improving in-market execution, all to generate strong cash flow and drive 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 30 June 2017						
	€ million			% change			
	As Reported	Comparable	Fx-Impact	As Reported	Comparable	Fx-Impact	Comparable Fx-Neutral
Revenue	3,054	3,054	(52)	40.5%	5.5%	(2.0)%	7.5%
Cost of sales	1,853	1,845	(31)	36.0%	5.0%	(2.0)%	7.0%
Operating expenses	785	749	(10)	31.0%	2.0%	(1.5)%	3.5%
Operating profit	416	460	(11)	99.0%	15.5%	(3.0)%	18.5%
Profit after taxes	298	326	(8)	97.5%	19.5%	(3.0)%	22.5%
Diluted earnings per share (€)	0.61	0.67	(0.02)	35.5%	19.5%	(3.0)%	22.5%

Key Financial Measures *Unaudited, fx impact calculated by recasting current year results at prior year rates*	Six Months Ended 30 June 2017						
	€ million			% change			
	As Reported	Comparable	Fx-Impact	As Reported	Comparable	Fx-Impact	Comparable Fx-Neutral
Revenue	5,436	5,436	(94)	53.5%	3.0%	(2.0)%	5.0%
Cost of sales	3,321	3,324	(56)	49.0%	3.5%	(1.5)%	5.0%
Operating expenses	1,480	1,424	(19)	47.5%	(2.0)%	(1.0)%	(1.0)%
Operating profit	635	688	(19)	102.0%	14.0%	(3.0)%	17.0%

Profit after taxes	445	478	(14)	112.0%	18.0%	(3.5)%	21.5%
Diluted earnings per share (€)	0.91	0.98	(0.03)	23.0%	18.0%	(3.5)%	21.5%

Operational Review

First-half 2017 diluted earnings per share were €0.91 on a reported basis, or €0.98 on a comparable basis. Currency translation had a negative impact of €0.03 on first-half 2017 comparable diluted earnings per share. First-half 2017 reported operating profit totalled €635 million, up 102.0 percent driven by the inclusion of Germany, Iberia, and Iceland. Comparable operating profit was €688 million, up 14.0 percent on a comparable basis, or up 17.0 percent on a comparable and fx-neutral basis.

Second-quarter 2017 diluted earnings per share were €0.61 on a reported basis, or €0.67 on a comparable basis. Currency translation had a negative impact of €0.02 on second-quarter comparable diluted earnings per share. Second-quarter reported operating profit totalled €416 million, up 99.0 percent versus prior year driven by the inclusion of Germany, Iberia, and Iceland. Comparable operating profit was €460 million, up 15.5 percent on a comparable basis, or up 18.5 percent on a comparable and fx-neutral basis.

Key operating factors in the second quarter include the benefits from our sales and marketing initiatives, country mix, favourable weather, as well as favourable prior year comparables. Additional factors include a modest gross margin increase as revenue per unit case offset increases in costs of sales per unit case, ongoing operating expense management, and post-merger synergy benefits.

Revenue

First-half 2017 reported revenue totalled €5.4 billion, up 53.5 percent, driven by the inclusion of Germany, Iberia, and Iceland versus prior year. Comparable revenue was up 3.0 percent, or up 5.0 percent on a comparable and fx-neutral basis.

Second-quarter 2017 reported revenue totalled €3.1 billion, up 40.5 percent, driven by the inclusion of Germany, Iberia, and Iceland versus prior year. Comparable revenue was up 5.5 percent, or up 7.5 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 package mix. Second-quarter volume increased 4.5 percent on a comparable basis, reflecting the benefits of marketing and brand initiatives, solid execution, and favourable weather conditions.

On a territory basis for the second quarter, Iberia revenues were up 8.5 percent, benefiting from solid execution, with strong growth of Coca-Cola Zero Sugar and sparkling flavours, combined with favourable channel and package mix. Revenue in Germany was up 7.0 percent, given strong volume and revenue per unit case growth driven by the impact of pricing and promotional plans and favourable package mix. Great Britain had strong revenue growth on an fx-neutral basis with gains in both revenue per unit case and volume, driven by solid growth in Coca-Cola trademark, Fanta, and energy. On a reported basis, Great Britain revenues were down 0.5 percent, driven by a decline of the British pound versus the Euro of approximately 9.0 percent. Revenue in France was up 3.5 percent, with strong volume growth and slightly negative revenue per unit case growth, driven in part by solid results in the cold channel, including the impact from new post mix business. Revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden, and Iceland) was up 9.0 percent, benefiting 3.5 percent from the inclusion of Iceland and 5.5 percent growth in previously existing territories. Growth in Northern Europe was led by Belgium, Luxembourg, and the Netherlands, offset by a decline in Norway.

On a brand basis for the second quarter, sparkling brands were up 4.0 percent. Coca-Cola trademark brands increased 3.5 percent, led by double-digit Coca-Cola Zero Sugar growth and modest growth in Coca-Cola Classic. Sparkling flavours and energy grew 7.0 percent with solid growth from Fanta and energy brands. Still brands grew 6.5 percent. Water brands were up 5.0 percent, led by growth in Aquabona and Chaudfontaine, and juices, isotonics and other were up 7.5 percent with growth from Capri-Sun, Aquarius, and teas, notably in Spain.

Cost of Sales

First-half 2017 reported cost of sales were €3.3 billion, up 49.0 percent, driven by the inclusion of Germany, Iberia, and Iceland versus prior year. Comparable cost of sales were €3.3 billion, up 3.5 percent on a comparable basis, or up 5.0 percent on a comparable and fx-neutral basis.

Second-quarter 2017 reported cost of sales were €1.9 billion, up 36.0 percent, driven by the inclusion of Germany, Iberia, and Iceland versus prior year. Comparable cost of sales were €1.8 billion, up 5.0 percent on a comparable basis, or up 7.0 percent on a comparable and fx-neutral basis. Second-quarter cost of sales per unit case increased 2.5 percent on a comparable and fx-neutral basis.

Operating Expenses

First-half 2017 reported operating expenses were €1.5 billion, up 47.5 percent, driven by the inclusion of Germany, Iberia, and Iceland versus prior year. Comparable operating expenses were €1.4 billion, down 2.0 percent on a comparable basis, or down 1.0 percent on a comparable and fx-neutral basis.

Second-quarter 2017 reported operating expenses were €785 million, up 31.0 percent, driven by the inclusion of Germany, Iberia, and Iceland versus prior year. Comparable operating expenses were €749 million, up 2.0 percent on a comparable basis, or up 3.5 percent on a comparable and fx-neutral basis. This includes the impact of volume growth, partially offset by synergy benefits, and a continued focus on managing operating expenses.

Outlook

For 2017, CCEP now expects low single-digit revenue growth, operating profit growth at the top end of the previously stated high single-digit range, and diluted earnings per share to be up 10 percent to 12 percent. Excluding synergies, CCEP expects operating profit growth to be broadly in-line with revenue growth. Each of these growth figures is on a comparable and fx-neutral basis when compared to 2016 comparable results. At recent rates, currency translation would reduce 2017 full-year diluted earnings per share by approximately 2 percent.

CCEP expects 2017 free cash flow* at the high end of the previous range of €700 million to €800 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 €600 million, including approximately €100 million of capital expenditures related to synergies. Weighted-average cost of debt is expected to be approximately 2.0

percent. The comparable effective tax rate for 2017 is expected to be approximately 25.0 percent. CCEP does not expect to repurchase shares in 2017.

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 exit 2017 with run-rate savings of approximately one-half of the target. 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 2017, CCEP expects year-end net debt to adjusted EBITDA* for 2017 to be under 3 times.

* *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 €0.21 per share. The dividend is payable 11 September 2017 to those shareholders of record on 28 August 2017. 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 10 August 2017. 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 2017 filing, available within the next 24 hours at www.morningstar.co.uk/uk/NSM (located under effective date 30 June 2017) and available immediately on our website, www.ccep.com, under the Investors tab.

About CCEP

Coca-Cola European Partners plc (CCEP) 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". 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 Coca-Cola European Partners plc's ("CCEP") historical experience and its present expectations or projections. These risks 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 their 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; interest rate increases; an inability 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 its 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 labeling or warning requirements or limitations on the availability of its respective products; an inability to protect its respective information systems against service interruption, misappropriation of data or breaches of security; unfavourable general economic or political conditions in the United States, Europe or elsewhere; litigation or legal proceedings; adverse weather conditions; climate change; damage to its respective 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 its respective products or business operations; changes in accounting standards; an inability to achieve its respective overall long-term growth objectives; deterioration of global credit market conditions; default by or failure of one or more of its respective counterparty financial institutions; an inability to timely implement their previously announced actions to reinvigorate growth, or to realise the economic benefits it anticipates from these actions; failure to realise a significant portion of the anticipated benefits of its respective 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 it or its respective partners experience strikes, work stoppages or labour unrest; future impairment charges; an inability to successfully manage the possible negative consequences of its respective productivity initiatives; global or regional catastrophic events; and other risks discussed in the 2016 Annual Report on Form 20-F, published on 12 April 2017. 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. 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 its public statements may prove to be incorrect.

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