COCA-COLA EUROPEAN PARTNERS
FIRST-QUARTER TRADING UPDATE CONFERENCE CALL
PREPARED REMARKS

CORPORATE PARTICIPANTS

Damian Gammell, Chief Executive Officer

Nik Jhangiani, Chief Financial Officer

Sarah Willett, VP Investor Relations

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Thank you and good afternoon in Europe or good morning in the US.

Thank you all for joining us today.

Before we begin with our opening remarks on our half year results, I would like to remind you of our cautionary statements. This call will contain forward-looking management comments and other statements reflecting our outlook. These comments should be considered in conjunction with the cautionary language contained in this morning's release, as well as the detailed cautionary statements found in reports filed with the UK, U.S., Dutch, and Spanish authorities. A copy of this information is available on our website at www.ccep.com.

Today's prepared remarks will be made by Damian Gammell, our CEO and Nik Jhangiani, our CFO.

We will then open the call for your questions which are strictly one per person. You will need to re-join the queue for additional questions, time permitting, to give everyone a chance.

Following the webcast, a full transcript will be made available as soon as possible on our website.

I will now turn the call over to our CEO, Damian.

TRADING UPDATE PREPARED REMARKS

Damian Gammell, Chief Executive Officer

Thank you, Sarah, and many thanks to everyone joining us today to discuss our half-year results.

Let me start by first reiterating why we believe and what gives us confidence in delivering on our mid-term objectives.

We've got a solid track record. We know we're operating in a dynamic NARTD market in Western Europe that's growing at a 2 to 3 percent CAGR. We have taken the opportunity since we created CCEP to invest back into our business. We are taking a more scientific and segmented approach to our market. We are fortunate to have the world's best brands in our category. We cover more customers than any other company in Western Europe. And we have the largest sales force. We have a solid but flexible balance sheet. And we have a strong sustainability agenda, particularly around packaging, where we are taking real action and leading on innovation. And we are more aligned than ever with our partners at The Coca-Cola Company. All underpinned by a 24,000 strong team of talented and engaged people.

Now to our half-year summary.

Since creating CCEP, our priority has been to deliver value for our shareholders with particular focus on top line growth, merger synergies and on taking a longer-term view. We have consistently delivered and you can see that again today with our half year results.

We saw solid revenue growth of 7 percent on an fx-neutral basis or 5 percent excluding the impact of incremental soft drinks taxes introduced last year. This was driven by growth in revenue per unit case as we continue to drive price and mix, as well as volume growth reflecting solid execution and innovation.

Aligned with the Coca-Cola Company, we continue to diversify our portfolio and packaging to become a total beverage company. We are building on last year’s momentum behind Fuze Tea supported by new packs and new flavours. We also launched Honest Tea in glass & Honest Lemonade, Monster Espresso and new light cola flavours, like Zero Raspberry, alongside the launch of Aquarius Enhanced Water and Coke Energy.
As well as investing behind innovation, we continued to make the right strategic investments in the capabilities that we know we will need to win tomorrow, in areas such as our field sales teams, coolers, and digital.

We delivered a further €55 million of merger synergies. Cumulative realised synergies amount to €330 million, representing the successful closure of our merger commitments and in line with our guidance. We will continue to look for ways to improve the effectiveness of our business and efficiencies remain a key focus going forwards.

These factors helped drive solid operating profit growth of 10 ½ percent on a comparable and fx-neutral basis.

We also continued to do what is right for all of our stakeholders and are committed to our bold sustainability targets.

On the packaging side, we continue to work towards the goal that 50 percent of the material we use for our PET bottles will come from recycled plastic by 2025. I am pleased to say that by 2020, not only do we remain on track to achieve 50 percent in Great Britain, Sweden and the Netherlands, five years earlier than planned, but we will also be transitioning to 100 percent recycled PET content in our Honest, Smartwater & Chaudfontaine bottles.

And finally we remain focused on our objective of driving shareholder value. This is evidenced by the 19 percent increase in our first-half interim dividend and the continuation of our share buyback programme.

Now let’s look at H1 revenue in more detail.

Half-year revenue increased by 7 percent or 5 percent excluding the impact of incremental soft drinks taxes, both on an fx-neutral basis. Transactions continued to outpace volume growth, including Coke trademark where transactions grew 3 ½ percent.

On to volumes. Comparable unit case volume was up 3 percent when adjusting for the one selling day shift in the half, or up by 2 percent in reported terms. Volume growth reflected solid execution and innovation.

Given detailed commentary by geography is provided in the release, key takeaways would be to emphasise that we continue to demonstrate the focus on our revenue management growth initiatives. We are benefitting from our efforts to drive priority small packs, more efficient promotional activity combined with generally positive outcomes from our annual pricing negotiations, alongside wider distribution and innovation.

And overall for the first half we have taken both value and volume share according to Nielsen.
Let me now share with you some revenue highlights for the first half.
I think critically for any company operating in Western Europe, we're focused on creating value jointly with our customers. We believe that's a key metric. And looking at our numbers, we grew our customers' revenues by 7 percent. So again, we remain a large value creator in the retail channel, the number one when looking at the whole of the FMCG category.

To Fuze Tea - off the back of a huge, successful launch last year, we continue to build momentum and scale this year supported by new packs and new flavours, delivering share gains in the RTD tea category. This highlights the potential success we can have through our joint investment with The Coca-Cola Company on innovation and new products.

We are also pleased with the performance of our Coke Trademark portfolio. Volumes grew 3 percent with transactions up ahead of volume growth. Classic volumes were down ½ percent reflecting the impact of last year's soft drinks taxes, but more than offset by the 9 percent growth of our light colas across all our markets, driven by Zero Sugar and new flavours like Diet Coke Twisted Strawberry.

Also within sparkling, both flavours and mixers gained share. Fanta as you see here was again the number one flavours brand for absolute value growth for our customers with our volumes up 3 ½ percent, reflecting higher distribution of Fanta Zero and new flavours like Grape Zero. We are already gearing up for another big Halloween Fanta campaign featuring limited edition innovation in a few months' time. Schweppes in GB also did well, continuing to grow distribution supported by the premium suite of 1783 mixers.

Energy again saw solid share gains. Volumes grew strongly, up 17 percent supported by Monster innovation and distribution gains, especially of the Mango Loco and Ultra ranges. Coke Energy has now been launched in all our markets. Very early days but so far customer reaction has been positive.

And from a pack perspective we continue to focus on driving smaller, more premium packages. For example we saw volume growth of 17 percent in small cans which contributed positively to mix and gross margins.

Revenue momentum in the business provides the license to build for the future. We are continuing to make the right investments now to support long term sustainable growth.

As I mentioned earlier, aligned with the Coca-Cola Company, we continue to diversify our portfolio and packaging to become a total beverage company. For example we are excited to grow the distribution of Costa ready-to-drink coffee, which launched last month in GB in three variants with 30 percent less sugar than most of the competition.

We are also making the right strategic investments in areas such as digital, our routes-to-market and our field sales teams. Our sales force has been a huge investment priority for us. We have started taking a more segmented approach when engaging with our customers with the aim of providing even higher levels of service. This requires investment and we onboarded a number of new field sales reps, mostly in France, with more hires planned for the second half.

We have already added around 47,000 coolers into our markets this year as we aim to improve availability of our core products in addition to supporting the expansion of our portfolio.

We are also now rolling out next generation field sales digital tools which will not only improve the customer experience but also increase productivity and optimise sell time.

And in terms of capex, we continue to make the right investments today to support our total beverage strategy, commissioning six new can and glass lines. These supply chain investments will support our pipeline of new products and packs this year and beyond. The examples here include the newly launched Dunkirk glass line, able to produce products and packs across our portfolio, from classic Coke Trademark through to our new Coca-Cola signature mixers.

So taking into account our revenue growth, the investments we are making to support sustainable success, and the close out of our synergy delivery, our operating profit grew by 10 ½ percent on a comparable and fx-neutral basis.

Our goal is to drive sustainable shareholder returns. Since September last year, we have returned just over €1 billion to shareholders of our €1.5 billion share buyback programme, €550 million having been executed so far this year. This is reflected in total earnings per share growth of 14 percent. Our annualised dividend payout ratio remains at 50 percent, reflected in our first half interim dividend, announced in April and paid in June, up 19 percent versus last year.

Let me now turn the call over to Nik for a bit more detail on our financials and our outlook.

Nik Jhangiani, Chief Financial Officer

Thank you, Damian, and thank you all for taking the time to be with us today.
Here you will see our first half financial summary, much of which Damian has commented on already. Let me focus in on COGS, opex and free cash flow.

Starting with cash, an important metric for us, we generated free cash flow of €437 million including the previously disclosed and anticipated refund of €126 million of VAT from the Spanish tax authorities related to 2017 and 2018. Whilst this receipt was planned for during 2019, we have been able to realise this amount a quarter earlier than expected. Also you will see an increase in both our inventories and payables for a neutral working capital impact as we prepare for Brexit – more on that in a bit.

Our COGS per unit case increased 6 ½ percent on a comparable and fx-neutral basis, which includes approximately 3 percent related to incremental soft drinks taxes. You can see the phasing across H1 and H2 last year on this slide, and thus we remain confident with our full-year guidance of approximately 4 percent growth on an all in basis or approximately 2½ percent excluding the impact of soft drinks taxes.

Growth in H1 COGS per unit case was driven by the previously mentioned impact of the soft drinks taxes, mix, higher co-packing costs due to innovation, and also concentrate in line with our incidence agreement. Comparable total gross margins are down around 100 basis points, however excluding the impact of soft drinks taxes, gross margins were slightly down by around 35 basis points, in line with our plans.

We have now cycled the soft drinks tax changes from last year and so, as you can see here, we do not expect to see any impact from these taxes in the second half.

Overall we delivered comparable operating profit growth of 10 ½ percent which included the benefit of a further and final €55 million of synergies in this first half. This translated into an expansion of our operating profit margin by around 40 basis points to 13.3 percent. And we continue to expect operating margin expansion for the full year as implied by our operating profit guidance of 6 to 7 percent growth.

We said at the time of the merger that we would deliver between €315 and €340 million of synergies by mid-2019. I am very pleased to report that our cumulative total by mid-2019 is €330 million having delivered in line with guidance. As you can see here, these synergies have been delivered through a combination of initiatives including procurement, supply chain efficiencies and best practices and central operating function costs.

As you might recall, we had also indicated that the cash cost to deliver these synergies would be approximately 2 and a quarter times. Our cumulative total cash cost to deliver is approximately 2.1 times, a results we are very pleased with.

We are not done though on efficiency. We have more to go for on what we position as our competitiveness programme, which alongside an ongoing focus on cost control, gives us confidence in delivering our mid-term operating profit growth guidance. This benefit and any cash cost to deliver these programmes is likewise included in our mid-term free cash flow guidance.

One example in H1 of a new competitiveness initiative is our transformation project relating to our cold drink operations. This is aimed at delivering a modern, differentiated and versatile equipment fleet in order to optimise net cooler placements across our markets.

We will focus on the introduction of a new, more cost effective cooler into our markets, whilst reducing maintenance and refurbishment support spending on our older equipment, thereby supporting faster future net cooler placements, a key top line growth driver. We intend to increase our cooler placements from around 1 million today to 1.4 million in the next 3 to 5 years but within the same guidance on our capital expenditures.

As a result of this change, we have in H1 incurred a non-cash restructuring charge of €24 million relating to the write down and accelerated depreciation of aged cold drink equipment assets.

Overall our H1 operating expenses grew by 1 percent on a comparable and FX-neutral basis. This reflects our continued investments for the future partially offset by the aforementioned synergy benefits and a continued focus on managing expenses.

Now turning to our full year 2019 guidance. Having delivered a good first half performance, we are reaffirming our guidance today.

We expect revenue growth in the low single-digit range, excluding the impact of incremental soft drinks taxes which will add approximately 1 percent to growth. We now cycle out of this adjustment for the H2 comparable numbers.

We continue to expect operating profit growth between 6 and 7 percent incorporating the tail end of our synergy programme, referred to earlier.

Earnings per share growth between 10 and 11 percent reflects continued leverage as well as the accretion from our €1.5 billion share buyback programme. We expect to complete the remainder of this commitment by the year end subject to market conditions.

Although our guidance is on an FX-neutral basis, it is worth noting that clearly the recent weakness in sterling will act as a translation headwind on our full year reported results. We will continue to update you on the potential impacts as a result of FX moves.

We intend to maintain our dividend payout ratio of 50 percent and expect capital expenditures to be within the range of €525 million to €575 million.

As I highlighted in February, IFRS 16, the new leasing standard, came into effect on 1 January this year requiring us to recognise our operating leases on the balance sheet. As previously guided and now detailed in the release, the overall balance sheet impact is a gross up of €322 million in both fixed assets and debt. There is only a minimal impact on profit, which has been factored into our guidance. While IFRS 16 is a non-cash adjustment, as our lease obligations are operating in nature, we believe it is appropriate to include the related cash outflows in our Free Cash Flow measure and hence we have amended our definition to include the lease payments. You will find more detail within the release, but to reaffirm, there is no overall cash impact and our full year Free Cash Flow guidance remains unchanged.

And finally for 2019, we continue to anticipate an improvement in ROIC of approximately 40 basis points.

All of these factors should drive free cash flow in the range of €1 to 1.1 billion.

We remain focused on building on the first-half's momentum in the second half, albeit following a strong third quarter last year driven by, great summer weather, the CO2 shortages that resulted in out of stocks for some of our competitors, which clearly did benefit us.

I wanted to also briefly update on how we are positioning ourselves ahead of Brexit although clearly the impact will ultimately depend on the form Brexit takes which at this stage is not clear.

As a reminder, more than 97 percent of what we sell in Great Britain is manufactured within the country. Therefore the largest risk for our business is the potential for tariffs or delays in the transportation of our raw materials, including our concentrate. We are proactively aiming to minimise any potential impact and have built approximately €125 million of inventories of key raw materials, primarily concentrate supplies. Again, this only impacts our balance sheet and working capital and we continue to manage our payment terms for concentrate with The Coca-Cola Company.

So, with that, Damian and I would now like to turn the call over to Q&A.

CONFERENCE CALL PARTICIPANTS

Ali Dibadj *Sanford C. Bernstein & Co., LLC., Research Division - SVP and Senior Analyst*
Bonnie Lee Herzog *Wells Fargo Securities, LLC, Research Division - MD and Senior Beverage & Tobacco Analyst*
Brett Young Cooper *Consumer Edge Research, LLC - Senior Analyst of Beverages & Managing Partner*
Caroline Shan Levy *Macquarie Research - Senior Analyst*
Chris Pitcher *Redburn (Europe) Limited, Research Division - Partner of Beverages Research*
Judy Eunjoo Hong *Goldman Sachs Group Inc., Research Division - MD, Senior Analyst & Co-Head of the GIR Asian Professionals Network*
Kevin Michael Grundy *Jefferies LLC, Research Division - Senior VP & Equity Analyst*
Lauren Rae Lieberman *Barclays Bank PLC, Research Division - MD & Senior Research Analyst*
Raoul-Tristan Van Strien *Redburn (Europe) Limited, Research Division - Partner of Consumer Staples Research*
Richard Withagen *Kepler Cheuvreux, Research Division - Research Analyst*
Sean Roberts King *UBS Investment Bank, Research Division - Equity Research Analyst of Beverages*
Stephen Robert R. Powers *Deutsche Bank AG, Research Division - Research Analyst*

QUESTIONS AND ANSWERS

Operator
(Operator Instructions) Your question today comes from the line of Steve Powers from Deutsche Bank.

Stephen Robert R. Powers ***Deutsche Bank AG, Research Division - Research Analyst***
Maybe we can just start where Nik left off. And I guess the question is, if you could just step back and just give us some updated perspective on how you're thinking about the GB market broadly. Because on the one hand, it's clear that recent trends have been strong and your market share position is solid, pipeline of opportunities seems full. On the other hand, this has been an on again, off again kind of troublesome market competitively, lots of change underway in the retail landscape, then clearly, there are the potential of Brexit implications and packaging plastics considerations playing out in the background. So all in, net of all that, how would you summarize your confidence level in GB, looking forward, not just over the balance of calendar '19, but looking out over the medium-term as well?

Damian Gammell Coca-Cola European Partners plc - CEO
Thanks, Steve. Obviously, we've enjoyed, as you can see from our revenue numbers, another solid half year in GB and it remains a very, very good business for us. On the market share side, we've seen some turnarounds in areas that we were previously underperforming in, particularly, mixers, early days. We've got a great pipeline of innovation in GB, particularly with the Costa brand coming through in ready-to-drink. We've had for a number of years, probably our leading energy portfolio performance within GB, that continues. So net-net for us, I mean, we continue to be very optimistic about the opportunities GB market represents, both in terms of product portfolio and innovation. Also within our execution in GB, we've made progress, but there's still opportunity. And on the customer side, if you look at our numbers, and if you just look at particularly the means and numbers, which represent the kind of organized retail trade, a bit like CCEP in total, we are clearly the largest generator of revenue in FMCG across GB, and that obviously gives us a very solid platform to continue to work with the retailers, and also reflects the work we've done the last 18 months. So just like everybody, we are, as Nik highlighted, I think, well prepared for Brexit. And the form it takes is a different question. And I think like anybody operating within GB, we would like to have

uncertainty to move away as quickly as possible. But obviously, we're taking the steps we needed to make sure that we can continue to run our business. So from an overall perspective, absent a very bad Brexit impact on the consumer, I think our GB business will remain solid for the years to come. And certainly, Nik and I and Leonard, who runs our GB business, are pleased with the progress we've made in the last 2, 2.5 years here. I mean, we've been through a lot of sugar tax. Our business has done quite nicely. We've had some customer mergers. With Tesco/Booker, we continue to work well with them. So I think our GB business has demonstrated its resilience quite nicely.

Nik H. Jhangiani *Coca-Cola European Partners plc - CFO & Senior VP*
Yes. And I would just to give you some quick numbers. If you look at the performance since the merger, second half of 2016, our volumes were up 3.5%; '17, we did 2% growth; '18, we did 1%; and then year-to-date, we've done 2.5%. So despite some of those issues outside of Brexit, which still has that uncertainty, as Damian said, we have continued to perform well and we continue to see a good future.

Operator
Your next question comes from the line of Caroline Levy from Macquarie.

Caroline Shan Levy *Macquarie Research - Senior Analyst*
Congrats on another good solid performance.

Damian Gammell Coca-Cola European Partners plc - CEO
Thank you.

Caroline Shan Levy *Macquarie Research - Senior Analyst*
Just a question on the non-CSD business and your relative -- the competitive dynamics, as you launched teas, I think Fuse has been going really, really well. Is that still the case? On the ready-to-drink coffee side, if you could just articulate who the competitors are and what the differentiation is, I guess, if your lower calories might be part of it? And the same thing, just on energy, if you could just update us on what's going on in the marketplace there?

Damian Gammell Coca-Cola European Partners plc - CEO
Yes, sure. I mean, I think Fuze, as you pointed out, continues to be a success, but certainly not the one that we've taken for granted, and in particular, with the Coca-Cola company. We're all aware that year 2 on the new brand launch is typically the most challenging. So we were aware of that coming into this year. And I think the focus we've given it on the investment and the continued innovation is paying out. So continues to do well for us. And I think on energy, with the Monster partnership and some of the fantastic innovation, particularly the Mango Loco product has done extremely well. So we continue to gain share in that segment. And obviously, with the launch of Coke Energy, we've got another brand in a similar space that will allow us to incrementally grow our total energy portfolio. So I think we're well settled in energy, certainly for the second half and into 2020. Ready-to-drink coffee is quite an interesting category. It's quite small. But -- and there's a range of competitors market-by-market from private label right through to some of the more bigger

branded players. I think what we're excited about in ready-to-drink coffee, kind of comes from 2 platforms, I think one is the Honest platform. And clearly, the differentiation there is the organic footprint that, that provides. And I think that's something that differentiates us in that space. And then clearly, with Costa, we're bringing a brand, particularly in GB, that is a household name and a brand that's loved into the ready-to-drink segment, which they hadn't participated in before. So we're really benefiting from a brand that's been built up over a number of years. Formulations to the lower sugar, have really resonated well with consumers and particularly on the taste side. So I think that also gives us confidence. So I think across tea, energy and ready-to-drink coffee, we continue to invest for growth. I think one area on tea that we're not where we'd like to be is with our Honest Tea portfolio. So that's something that we continue to look at in terms of how do we make that a bigger part of our key strategy. Because as we've talked about before, we see the tea category being big enough for us to have 2 solid brands in Fuse, clearly with momentum and working Honest, working, but I think there's a lot more opportunity for that brand that we need to unlock. So that's how we're kind of looking at those 2 segments at the moment, Caroline.

Operator
Your next question comes from the line of Bonnie Herzog from Wells Fargo.

Bonnie Lee Herzog *Wells Fargo Securities, LLC, Research Division - MD and Senior Beverage & Tobacco Analyst*
I guess, I wanted to ask a little bit more on Coke Energy and hoping for a little bit more color, now that it's been rolled out in all of your markets. Can you guys give us a sense of the shelf space, you've been able to secure? And has that been incremental space? And then curious to hear where Coke Energy has been primarily sourcing share from? And if it's been incremental for you? I guess, I'm ultimately wondering if it is, in fact, cannibalizing Monster or really bringing in a new consumer?

Damian Gammell Coca-Cola European Partners plc - CEO
Hi, Bonnie. Good morning. I don't like to discipline what you have just my -- to your questions but I'm probably going to do that this time. Honestly, it's very early to say. I mean, I can give you a little bit of a flavor from some of the insights we've got, but we're in early days with the product launch. And so far, certainly, the customer reaction has been positive. We've been able to get space, which is incremental to our portfolio. I mean, that's been one of our priorities to really use this to expand our footprint rather than cannibalize our existing business. So from a space perspective, what I've seen in-store and in our coolers, I think we've achieved that. I mean, the energy category, generally in Western Europe has a lot of shelf space and has a lot of brands. Certainly, even within the private label space, we've been able to get the incremental space that we need. So we're happy with that. We're certainly getting positive feedback from our retailers on the trial levels, but it's very early to kind of give any qualitative insights, I think we'll probably be able to do that as we come out of the summer. And -- but we're happy with it. We think it's a brand proposition that will not only benefit our footprint within the energy segment. I'm personally curious to see what impact it has on the Coke trademark because it certainly brings a more edgier aspect to the Coke brand, and I think that's going to benefit the wider portfolio. And clearly, it's, from a taste perspective, quite different to what consumers are being offered across the energy segment. So again, that gives us a lot of optimism in terms of people drinking it because it tastes a little bit more like a Coca-Cola soft drink than energy. And I think that's something

that we're seeing consumers respond to. So hard to give any facts because it's so early. But initially very, very solid start. And I've seen a lot of space in the lower trial during my recent market visits.

Operator
Your next question comes from the line of Ali Dibadj with Bernstein.

Ali Dibadj ***Sanford C. Bernstein & Co., LLC., Research Division - SVP and Senior Analyst***
So a couple questions for me, please. One just a very quick follow-up on Coke Energy from a shelf placement perspective. We've mostly seen it across the places you've put it in Europe, in the energy area, but it's starting to shelf a little bit more also next to brand Coke. So I'd love to just understand how those decisions happen? Why they happen? Is it kind of experimentation? Because that might help us get a sense of what positioning of the brand is going to be. And then the second question I had was around just a proportion of top line driven by price/mix and volume, surely, in the quarter it was a little bit different or in the half little bit different than we had expected, not that, we're not saying you're say right, but to try to get a sense of how you think about that proportion between those 2 elements on a go-forward basis, not just for the next quarter, but kind of consistently going forward, now that we're past at least some part of the business?

Damian Gammell Coca-Cola European Partners plc - CEO
Thanks, Ali. I'll just deal with the energy question. So from our perspective, our strategy has been quite clear, that we've placed Coke Energy within the energy category. So certainly, I haven't seen it merchandise next to Coke or our Coke portfolio. So that's our strategy and that's what I've seen executed. Obviously, within some of our coolers in away from home, where we have got our own cold availability, you will find Coke Energy within our cooler, which I think is logical as you will find Monster. So I think within the cooler, that's certainly something, particularly in smaller outlets, but in the main retail footprint and our agreed merchandising standards that most of our customers are following are Coke Energy with energy. And that, I think, is the right strategy for us to give a reason for being for that brand, not just for our consumers, but also for our customers. And on -- maybe Nik, you can comment on the price/mix volume?

Nik H. Jhangiani ***Coca-Cola European Partners plc - CFO & Senior VP***
Yes. And I think if you look at our volume trends. We did start out the year a lot stronger and Q2 was impacted clearly by poor weather across Great Britain, Germany and Northern Europe, in particular. So you did see some deceleration. But I think, again, when we look at the half year trends, we're very pleased with the fact that we've got volume back into our equation, that continues to give us the confidence of our longer-term approach on getting about 1/3 of our revenue growth coming from volume. And then on the price mix, I think that's pretty much in line. If you look at Q2 of the half year numbers, and again, that's a strong element that you will see continue into the rest of the year.

On the volume, keep in mind, Q3, I keep stressing that, where we had tremendous volume growth last year of 5%. So that is clearly going to be a tougher comp to lap for us. But overall, we're pleased with the shape of how that looks.

Operator
Your next question comes from the line of Judy Hong from Goldman Sachs.

Judy Eunjoo Hong *Goldman Sachs Group Inc., Research Division - MD, Senior Analyst & Co-Head of the GIR Asian Professionals Network*
So I guess my question is actually for -- in the French market. So obviously, it's been a challenging market for you guys but we're seeing some growth in the past couple of quarters as you've resolved the customer disputes. So when you kind of take a step back, how sustainable do you think the improvement is in that market? How receptive are retailers now to some of the price pack initiatives relative to, say, some of the retailers in GB or other markets? And now obviously, for France, so that cash isn't really that challenging from a comparison standpoint, so do you expect this sort of improvement to continue for the foreseeable future?

Damian Gammell Coca-Cola European Partners plc - CEO
Hi, Judy. Yes. I mean, I think the short answer is yes. I think the dynamics that are supporting our profit and revenue growth across CCEP are equally as relevant in France. And we're seeing that in the first half and we'd expect that to continue into 2020. I think we did have to take some big decisions in terms of our pack price architecture to allow us to build a more -- we thought was a more competitive, a more relevant platform for our customers and ourselves to grow our business in France, profitably. So I think if you look at their revenues and if you look at some of the Nielsen data for France, you'll see that not only are we growing, but over the last periods, we've also allowed our customers to grow and even slightly ahead of us. So the portfolio maturity in France continues to be an opportunity for us. So if you look at our mix of business there compared to other markets, we are still relatively underdeveloped in flavors. So we see that as a big opportunity. We're very pleased with our tea performance in France. But again, there's more to go there. And if you also benchmark France versus some of our other markets, on the pack diversification metric, again, we are starting to see a lot more small packs play a role in France than in previous years, but we're only at the beginning of that journey. So I think all of that combined, continues to give us optimism and that the growth will continue in France into the second half and into 2020, and beyond that. Because clearly, that reset, if you want to call it that, we did -- we went through that with a longer-term outlook for our growth and profitability in France. We're seeing that coming through. And I think our retailers, again, if you look at the #1 contributor to retail value growth in France remains CCEP, across all categories. And I think that clearly demonstrates our strategy, but also it gives us a good seat at the table with our retailers. Yes.

Judy Eunjoo Hong *Goldman Sachs Group Inc., Research Division - MD, Senior Analyst & Co-Head of the GIR Asian Professionals Network*
So when you look at second quarter specifically, was there any weather impact? Because actually, the comparisons were a lot easier, so I actually would have anticipated a bit better trend, but it looks like it was a little bit softer. It was pretty healthy, nevertheless. But would the second quarter impact with weather?

Nik H. Jhangiani ***Coca-Cola European Partners plc - CFO & Senior VP***
The weather wasn't great. It's pretty much across our markets, like cold-out GB, Germany, and Northern Europe. But France, probably had a lot of rain and cooler weather, too. So that clearly would have had an impact in that market as well.

And just building on one of the points on, to give you some numbers, I think it is always good context. But if you look at our product portfolio in France, it is still very weighted towards bottling. It is over 90%. So clearly, as we think about the opportunity going forward, that's one of the things to keep in mind. If you look at our away-from-home channel, it's probably one of the smaller markets in terms of percentage of contribution from away-from-home and then finally, if we even look at small priority packs, it's probably the lowest market right now and Damien highlighted that. So those are all great opportunities as we look forward.

Operator
Your next question comes from the line of Kevin Grundy from Jefferies.

Kevin Michael Grundy ***Jefferies LLC, Research Division - Senior VP & Equity Analyst***
Question for both of you actually on productivity, with the synergy program now completed. So it's clearly driven a substantial portion of the company's profit growth in the first half of the year and really since the merger. Damien, you spoke to some of the efficiencies as a continued focus for the company, but with that resource of synergies now depleted, can you discuss the framework that you have in place and incentive structure, perhaps, for employees that you have in place to continue to drive productivity. And then going forward, how you think about what's sustaining, what has been very top line growth along with investment and operating income growth here going forward?

Damian Gammell Coca-Cola European Partners plc - CEO
That's like a business line question, Kevin. Yes, I think, it touched on everything. So obviously, we are happy that we could close out the synergy program, I think, within the range that we committed to and then doing that while we were continuing to build our business and grow our top line and drive employee engagement. So I think that's a very solid reflection of the wider management team at CCEP. And within that context obviously from an incentive perspective, all of our key leaders are clearly incentivized against our shareholder return objectives, whether that's revenue growth on the top line, free cash flow or profitability. So we're very confident that as we look at future productivity opportunities or efficiencies, our incentive plans will clearly capture that opportunity and reward the right behavior. So for us, that's worked well for the last 3 years and we've no reason to believe that won't work well going forward.

And from a focus perspective, if you've been following our CapEx investments over the last couple of years, we have clearly put a lot of our cash back into the business in the area of technology and digital. And as you can appreciate, as we build that capability, that does allow us to become more productive and efficient. So we'd expect that to continue and actually to increase as we move forward. Clearly, we have taken the opportunity, as we do every year, just to look across CCEP at further opportunities, whether that's in the areas of procurement, supply chain, shared services, we've a fantastic capability in Sofia and in Nelvana that we can leverage. So that productivity and efficiency agenda, while we won't call it that as a synergy program anymore, will remain a priority for us as we look forward. So definitely in line with our incentives and definitely in line with our shareholder value commitment. And clearly, while we've done a lot, this remains a very big business. And there's still a lot of areas that we can look at to unlock productivity to support those objectives. So more to come on that as we go forward. But clearly, Nik and I are happy to kind of close out the synergy conversation. I'm sure it'll come up again in another call, but we'll do our best to close it out. But again, as Nik pointed out, that shouldn't be seen as an end to productivity and efficiency. In fact, in some ways, it gives us a bit more momentum to move faster going forward.

Nik H. Jhangiani *Coca-Cola European Partners plc - CFO & Senior VP*
Kevin, a big enabler of that is also going to be what we are doing to invest in our business capability program and everything on the IT infrastructure side. Because that would really allow us to drive a lot more efficiencies in commercial and supply chain, in particular. So yes, I mean, work to do, but we feel good about being able to deliver on our guidance.

Operator
Next question comes from the line of Lauren Lieberman from Barclays.

Lauren Rae Lieberman *Barclays Bank PLC, Research Division - MD & Senior Research Analyst*
I just had a question about the small can performance. So it was great that you called out performance overall in some of the larger markets. I was curious, if you could talk a little bit about how that (inaudible) percentage determines that how may be efforts there have accelerated. So if the first half performance that there's been a dramatic step up in placement, in receptivity or conversation with retailers as you kind of drive those package changes, how much of it's happening in kind of large-format stores versus more immediate consumption type small packages? So any color there would be great. So as we think about the password and how much road there is ahead?

Damian Gammell Coca-Cola European Partners plc - CEO
Yes, we've certainly seen, as we've put in more can capacity, so as I talked in my prepared remarks and we continue to invest in glass and can capacity across our network, that has given, obviously our commercial, even more flexibility in terms of tax formats. And that's allowed us to roll out a lot more of our smaller can multi-pack across all of our businesses. So we've got some markets like Belgium, where I'd say we're probably -- they're leading in terms of the percentage of mix that those formats now contribute to the business. And then we've got markets, as I mentioned in my comments with Judy, that are probably at the beginning, like France, because until we really got our price architecture fixed on PET and on large format cans, we couldn't really create a reason for many cans to be for our customers.

So it is a range. And certainly, from our perspective, we are expecting to see that format contribute to our growth over multiple years. And certainly, the capacity we've laid down has been with a view to many cans being part of our growth story for at least the next 3 to 5 years. We see that in terms of incremental profit for our customers. So they like it. Certainly, we get very positive feedback from consumers in terms of just a portion size, the flexibility. And interestingly, we're now trying some interesting in-store pick & mix formats, where consumers can buy a whole range of mini cans across brands and flavors. And that creates a bit of novelty in a bit of full in-store. So again, it gives us a lot more flexibility. So we're excited about it. And we have been able to keep the pricing, we believe, at a level that supports our profitability and our retailers' profitability. So I think that's important. So yes, good story and more to come, I would say.

Operator
Next question comes from the line of Tristan Van Strien from Redburn.

Raoul-Tristan Van Strien ***Redburn (Europe) Limited, Research Division - Partner of Consumer Staples Research***
Just a quick one. I'm just trying to unpack, Nik, your gross margin performance and even underlying (inaudible) surprised me, was down. Even taking out some of the other COGS resize concentrate. I would have expected with your revenue management program, which is obviously working, that you would see expansion over time. But does this -- maybe tell us, as we look over the next 2, 3 years as you get the better revenue price mix -- better price mix performance, can we basically expect no benefit to the gross margin on the back of that because of the incidence model? Or am I reading that incorrectly?

Nik H. Jhangiani ***Coca-Cola European Partners plc - CFO & Senior VP***
No. I think you are read that incorrectly because keep in mind that concentrate is about half of our COGS. So if it was just that half, then, yes, you're right. Everything being equal, that would pass through. But the other half is everything else that we can manage and control. If you recall, when we had talked about our guidance for the full year, I did call out that we were seeing higher than unusual pressures on some of the commodities. And clearly, also what we're doing as we continue to look at innovation because, clearly, we do not typically invest in those new lines or capabilities until we gain the right levels of mass and volume. So both of those have an impact. I would also say, keep in mind the phasing, right? Because half 1, you can see from the charts that we put out, and I intentionally did that, so you could see that if you're looking at the phasing, half 1 had a much easier comp from last year. So I don't see it as, in any way, an indication of what we feel is our ability to over time grow gross margins.

Chris Pitcher ***Redburn (Europe) Limited, Research Division - Partner of Beverages Research***
So it would be fair to assume obviously like signature classics -- the cost of signature classics basically had a higher start-up cost at this point and we should grow into that from a gross margin perspective?

Nik H. Jhangiani ***Coca-Cola European Partners plc - CFO & Senior VP***
Yes, I wouldn't just call out that one. I'd call out anything that we're typically doing from new products, where we would probably getting those (inaudible) filled as we've always called out. And that's why we say, while it's accretive to the top line, it will be accretive over time to our margins, both growth and operating. As we both look at the cost to produce, and we bring some of that in-house at the right time as well as the disproportionately higher investments we'll be making behind DME and TME in the earlier years as we build out those

brands. But all the right thing for the long term.

Operator
The next question comes from the line of Brett Cooper from Consumer Edge Research.

Brett Young Cooper ***Consumer Edge Research, LLC - Senior Analyst of Beverages & Managing Partner***
A quick one. I think you guys have talked about having an internal meeting in July reviewing your tests in, I guess, outside of the traditional non-alcoholic model. I was wondering if you can give us an update on kind of any conclusions that came from that? And then, I guess, as part of that question, in those tests, have you been able to prove or see any improvement in placements or sales for your, I guess, traditional or non-acholic beverage portfolio?

Damian Gammell Coca-Cola European Partners plc - CEO
Brett, I assume you're talking about our spirits distribution trial in Belgium. Is that fair?

Brett Young Cooper ***Consumer Edge Research, LLC - Senior Analyst of Beverages & Managing Partner***
Yes. I think -- I mean, yes, that and you had, I think, one on the beer side in Germany?

Damian Gammell Coca-Cola European Partners plc - CEO
Yes. So both of them are quite different. So the German platform is Kollex, which is basically a digital portal that allows customers to order a range of beverages, including ours, along with our beer partners. So I would look at that as being early days, but very well received. And clearly, it just allows customers in that particular space of the market to do a one-stop shop in terms of ordering digitally online between our sales and Krombacher, Bitburger, and Kollex. So that platform is up and running and has generated a lot of interest in Germany, and we'll happily update you on that as we go forward.

On the spirit side, actually, Nik and I are just back from a trip to Belgium, where we took the opportunity to sit with our local team and reflect on our existing partnership. I would say we -- we're happy to continue with that in Belgium, and it's certainly given us a lot of insights into the potential benefits of a broader portfolio in HoReCa. But at the moment, it's not something that we feel is really scalable across CCEP. And we'll continue to do it in Belgium because we're learning. It provides a platform that we can innovate against in one of our great markets, some of the great route to market, but it's certainly not something that we've seen a strong enough case to say it's worth rolling out across CCEP. And again, against our opportunity in our core non-alcoholic ready-to-drink, it certainly doesn't stack up. So look, we're happy with the Belgium program. I think our partners are happy with our performance there. And that's something we will continue, but we won't expand at the moment.

Sarah Willett ***Coca-Cola European Partners plc - VP of IR***
Next question please.

Operator
Your next question comes from the line of Sean King from UBS.

Sean Roberts King ***UBS Investment Bank, Research Division - Equity Research Analyst of Beverages***
I dropped off for a minute, so apologies, if I missed this, but did you comment on the quarter-to-date sales trend, just given any benefit of like arguably better weather since that quarter started?

Nik H. Jhangiani ***Coca-Cola European Partners plc - CFO & Senior VP***
You're talking about Q3 already, right?

Sean Roberts King ***UBS Investment Bank, Research Division - Equity Research Analyst of Beverages***
Yes, Q3 already. Yes.

Nik H. Jhangiani ***Coca-Cola European Partners plc - CFO & Senior VP***
A little early, Damian. I think July has been a good month, and we're pleased, obviously supported by -- we've had some good weather trends across our markets, which has been great. I would remind you again, Q3 is a tough comp and August was our biggest month. So we still got a lot to play for when we look out for the rest of the quarter, but July was a good month.

Damian Gammell Coca-Cola European Partners plc - CEO
Yes. I think -- just (inaudible), I think, clearly, we reiterated our guidance for the full year today. And that's on the back of us having certainly internally a view on how July and early August has performed. So I just -- I think we've built that into obviously the full year.

Operator
Your final question today comes from the line of Richard Withagen from Kepler.

Richard Withagen ***Kepler Cheuvreux, Research Division - Research Analyst***
On the working capital, I understand the relationship with Coca-Cola, and there's a positive cash benefit in the first half. But on the other lines of your working capital, there is a cash out of around slightly more than EUR 300 million in the first half compared to only -- or less than EUR 100 million last year. So what explains that bigger cash outflow? And if I tie that in with your cash flow guidance for 2019, I suspect not much of this outflow will reverse in the second half? Maybe I'm wrong there, but maybe you can help me on that.

Nik H. Jhangiani ***Coca-Cola European Partners plc - CFO & Senior VP***
Yes, Richard. I -- we'll be perfectly honest, we might have to take that offline to understand the numbers that you're looking at. The only piece I can think of that's a bit of an anomaly is the impact from IFRS 16 in terms of how the leases are adjusted for, which we

did not adjust for last year. So that could be the only anomaly. Otherwise, I'm actually -- we're actually in a much stronger position for the first half this year versus last year, despite the fact that we're spending more on capital from an angle of the phasing. So happy to take that offline with the team to give you some more insights and get

to you.

Sarah Willett ***Coca-Cola European Partners plc - VP of IR***
Yes, Richard, this is Sarah here. Just give us a call afterwards, and we'll have a look at what your question is. And operator, we do have... No worries. Thanks, Richard.

Damian Gammell Coca-Cola European Partners plc - CEO
Operator, we'll take -- Ali, you're back in line and true to our word, you came back. So we'll give you that last opportunity. Last question, please.

Ali Dibadj ***Sanford C. Bernstein & Co., LLC., Research Division - SVP and Senior Analyst***
So it's a little bit of a broader question about the system, the Coke system. Because on the one hand, we hear, from many people, not just yourselves, that the relationship with Coke is good, and we're thinking about revenue in a good way, and we have good innovation, your total beverages really works and kind of there's this positivity. And then we see things like South Africa is not happening. We see things like the Philippines obviously being handed back. We hear about some rumblings from some of the larger bottlers of unhappiness a little bit with KO. And so I'm trying to get a sense of, as we look at this is from investors, not questioning the value proposition of being a bottler, not questioning value propositioning of being Coke obviously. But kind of how do we square those circles or circle the squares as we hear different things about the system? How would you characterize the broader system right now in terms of health, in terms of relationship with KO, not just CCEP, but the broader system in terms of both those positive stories and those negative stories? I appreciate you taking the questions.

Damian Gammell Coca-Cola European Partners plc - CEO
I mean, it's very difficult for me to comment on the relationship that the bottlers have with the Coke Company. And as you can appreciate...

Damian Gammell Coca-Cola European Partners plc - CEO
I can -- from their perspective, and I think we've had a good -- continue to have a good relationship with KO. And as all bottlers, we continue to challenge them and they challenge us, and I think the value generation that we've delivered in Western Europe is testament to our relationship. I mean I would say, we also have the opportunity to host the global system meeting in Barcelona this year. So -- and that was attended by obviously all the senior leaders of the system KO and bottlers. And I can share my perspective on that, which was an extremely positive and engaging meeting where we talked about all aspects of the system from particularly sustainability and then how the system we work together to make our (inaudible) better place portfolio expansion, everybody got the chance to talk about Costa and also our energy portfolio. So Monster attended the meeting. So out of that

session, clearly, I felt a lot of enthusiasm for the business from all of the bottlers. And the specific examples you've highlighted, I'm sure happened for a given reason, but I'm not really party to that, so I can't comment. But I felt that James, John and the leadership at KO clearly have a great ambition for this business. I'm not sure about the bottlers, but I didn't feel anything differently. Clearly, there will always be times when we don't fully agree, but that's the beauty of being in a franchise business. But we continue to work positively, and they challenge us and we challenge them, I think that's what makes this business great.

Sarah Willett ***Coca-Cola European Partners plc - VP of IR***
And with that, we'd like to finish up, and we will come back and speak to you again at Q3 in October. Thank you very much.

Operator
Ladies and gentlemen that does conclude your call for today. Thank you all for participating, and you may now disconnect.